ENERGY – 1989

JAN. — MAY

Petrol increase likely to cause surge

Sowetan 4/1/89

THE increase of 10c a litre in the price of petrol and diesel on January 16 was likely to cause a surge in demand with which it would be very difficult for suppliers to cope, the chairman of BP Southern Africa, Mr Brian Sims, warned yesterday. The price increase was announced by the Government in December.

"Customers will wish to fill their tanks before the price rises. We will do our best to meet the demand and we have contingency plans to increase deliveries."

Mr Sims said it would not be possible to cope with requests well above normal for a prolonged period.

He said motorists should beware of filling containers and storing them.

"Petrol is a highly dangerous and volatile liquid, particularly in summer temperatures and fires and explosions could result from such stockpiling," he said. — Sapa.

Warning of a second fuel price rise later this year

Star 55

Own Correspondent Jan. 1989

DURBAN — The price of petrol, which goes up 10c a litre on Monday, will jump another 15c a litre by March, Mr Roy Close, the national chairman of Samta, the South African Motor Traders' Association, predicted yesterday.

Mr Close, who is also the Natal chairman of the Motor Industries' Federation, said this would mean the motorist would be paying R1,17 a litre for 97-octane fuel in Durban — and R1,20 up country.

He said although the current world spot price for crude oil was low, current long-term contracts due to expire shortly had to be) re-negotiated and these would be at higher price.

"The price of petrol goes up 10c a litre at midnight on Sunday/Monday when the motorist will be paying R1,02 a litre (R1,05 a litre up country) for 97 octane and 93c for 93 octane in Durban," he said.

"But expect a further increase within two months. The future does not look bright. Our long-term contracts come up shortly for renewal when the current contracts come to an end and a big increase is on the cards. We have to buy crude oil in dollars and with the rand becoming almost worthless, a big price jump can be expected."

Mr Close emphasised that this was his personal feeling and said that if there was no united opposition to the present 10c/l increase, which was simply taxation, the Government would not hesitate to tax petrol still further.

"At the moment more than half the price paid for petrol is taxation and this can be expected to increase even further," he said.

Braced for petrol demand

BDay 4/1/89 (55)

Own Correspondent

CAPE TOWN — Oil companies are bracing themselves for a surge in the demand for petrol before the price goes up on January 16.

The price rise of 10c a litre was announced in December.

BP Southern Africa chairman Ian Sims said in a statement yesterday the increase was likely to cause a surge in demand which would be very difficult to cope with.

"Customers will wish to fill their tanks before the price rises. We will do our best to meet demand and we have contingency plans to increase deliveries," he said.

Sims said it would not be possible to cope with requests well above normal for a prolonged period.

"Customer orders — and this includes service stations — will be met in order of acceptance and at normal volume requirements."

He warned motorists against filling containers and storing them at home before the price increase.

"Petrol is highly dangerous and volatile, particularly in summer temperatures, and fires and explosions could result from such stockpiling."

A spokesman for Shell SA said yesterday: "From a practical point of view one would anticipate a surge in demand, and we will strive to meet this but we are making no special arrangements."

Methanol-based fuel 'viable' in diesel engines

PRETORIA — It was technically viable to use a methanol-based substitute for diesel fuel in standard production diesel engines with only minor modifications to the engine, said the CSIR's division of production technology.

The fuel, commercially known as diesanol, consists of methanol mixed with low percentages of a lubricant and of additives to enhance combustion and inhibit corrosion.

The CSIR journal Scientiae said the main problem was increased engine wear when a methanol-based fuel was used. This was because the clean-burning methanol produced hardly any carbon, which lubricates hard deposits formed during combustion by the additives in modern engine oils.

B/Day 4/1/89 55

The division is researching the development of engine oils containing ash-forming additives for use with methanol-based fuel in diesel engines. — Sapa.

Mossgas pace to quicken

BDay 5/1/89

CHRIS CAIRNCROSS

CAPE TOWN — Construction of the various elements of the huge R5,3bn Mossgas project is to accelerate this year.

Contracts have been awarded for most of the giant modules and other structures.

Modules are being fabricated in Durban, Port Elizabeth and Vereeniging and work on these has now started.

The piles are also being built in Port Elizabeth and these are already 40% complete, a Mossgas spokesman said.

The eight large supporting jackets for the oil platforms are to be built at Saldanha Bay. Work on the earthworks at this West Coast harbour has started and should be completed later this year.

Construction of these jackets is expected to stimulate industrial development, and provision has been made for a rail line linking the port with Cape Town.

Earthworks for the refinery to be built outside Mossel Bay are well advanced and should be complete towards mid-year. Fabrication of the refinery itself is expected to start before the end of 1989.

Construction is well on line to meet Mossgas's twin targets of piping the first gas ashore by 1991 and being in full production a year later.

Govt plans levy on electricity

B/Day - 12/1/89 (55)

CHRIS CAIRNCROSS

CAPE TOWN — Government is planning to impose a levy on all electricity generated as a means of bolstering revenue for the Central Energy Fund.

Its justification is that since electricity is one of the most important energy carriers, there is reason for it also to be subject to similar sorts of levies imposed on petroleum products and coal, which fund the National Energy Council.

Government's plans are contained in the Electricity Amendment Bill tabled in Parliament yesterday, which declares that there is justification to impose a small levy of 0,01c a kilowatt hour on the generation of electricity.

The legislation proposes that such a levy will be imposed on any electricity supplier who generates more than 100 gigawatt hours a year.

□ HELOISE HENNING reports that Eskom is still studying the Bill and has no initial comment.

Petrol price going up

Sowetan 12/1/89

55

THE PRICE of petrol, which goes up 10c a litre on Monday, will jump another 15c a litre by March, Mr Roy Close, the national chairman of Samta, the South African Motor Traders' Association, predicted yesterday.

Mr Close, who is also the Motor Industries' Federation Natal chairman, said this would mean the motorist would be paying R1,17 a litre for 97 octane fuel in Durban — and more up country.

He said although the current world spot price for crude oil was low, it

● To page 2

Contracts

12/1/89

● From Page 1

Sowetan

was essential that current long-term contracts, which were due to expire shortly, be renegotiated, and these would be at a far higher price.

"The price of petrol goes up 10c a litre at midnight on Sunday/Monday when the motorist will be paying R1,02 a litre for 97 octaine and 93c a litre for 93 octaine in Durban," he said.

2441 55

"But expect a further increase within two months. The future does not look bright."

Star 13/1/89. (55)

MNR has destroyed third of pylons

New headache over Cahora Bassa plan

By Joao Santa Rita,
The Star's Africa News Service

South Africa, Mozambique and Portugal are reassessing the costs of rebuilding the Cahora Bassa powerline after a rebel offensive which has left about 35 percent of the pylons in Mozambique out of action.

Mr Jan Els, Eskom's general manager for strategic planning, said the number of pylons sabotaged inside Mozambique was now about 1 400.

This means it could cost at least R200 million to repair the line.

When the three countries signed an accord in Lisbon in June to reactivate the scheme, it was estimated that 520 of the 4 000 pylons in Mozambique had been sabotaged by the MNR (Mozambique National Resistance movement).

MNR sabotage has kept the Cahora Bassa scheme out of operation since 1983.

Mr Els said representatives of the three countries met last week to examine the extra costs involved in rebuilding the power line.

The contractors will now have to submit new bids, taking into account the higher costs, and the three countries will then have to review the arrangements for financing the reconstruction.

Mr Els said that despite these new difficulties, the three countries remained committed to the project.

"I want to emphasise that there is no thought whatsoever from any of the parties involved of abandoning the project. We are committed as ever to have power from Cahora Bassa," he said.

The MNR vowed last year not to allow power to reach South Africa from Cahora Bassa.

Reconstruction

Last year it was disclosed that the reconstruction teams would be protected by Mozambican government troops, with South Africa provinding logistical support.

Once the line was again operational, resposibility for protection would fall to an organisation called "the distribution entity".

Sources in Zimbabwe and Portugal have now said that a London-based security firm, Defence Systems Ltd (DSL), has been given the contract to co-ordinate protection measures.

Portuguese sources said DSL plans to have a force of 1 500 men being trained in 10 companies by 60 former members of the British SAS led by a Major Alistair Morrison.

The 10 companies would be stationed along the line in bases 100 km apart, with landing facilities for helicopters.

Analysts have doubted that the scheme is viable until either the MNR is destroyed or a deal is struck with them.

Mozambican authorities have said the military situation in the key northern province of Zambezia is again deteriorating.

Tanzania recently withdrew its contingent stationed in northern Mozambique, and in recent weeks there have been reports of increasing rebel activity in Zambezia and along the Zambezi river — where the Cahora Bassa dam is situated.

The Harare sources believe that Mozambique's President Joaquim Chissano will come under international pressure to negotiate with the MNR.

The sources said that without the presence of Zimbabwean troops in central Mozambique, the MNR could well have taken control of the central provinces and cut the country in two.

MUTARE (Zimbabwe) — ... Bhila (33)

Govt taxation of fuel angers AA chief

55

Star 13/11/89

Staff Reporter

The Government's tactics of extracting payment from the motorist by adding "exorbitant" taxes on fuel was condemned yesterday by the Automobile Association's director-general, Mr Peter Elliott.

He said it was "totally unacceptable that the new pump price, coming into effect on Monday, includes 9c a litre in tax".

"When added to the 3c a litre (tax increase) of September 1988, the total of 12cper litre in tax increases in one year is proof that the Department of Finance has found an easy source of revenue — the motorist.

"It is grossly unfair that the motorist should continue to pay to make good shortfalls in taxation," Mr Elliott said.

The AA has appealed to filling station owners to ensure they were able to cope with the expected rush over the weekend.

The AA was also concerned that some filling stations might adjust their pumps to the new prices before midnight on Sunday.

Motor industry chief slams fuel price rises

Star 17/1/89

55

THE President of the Motor Industries Federation, Mr Alex Hawes, objected in the "strongest possible terms" to Monday's scheduled petrol price increase, and has appealed to the Minister of Finance not to proceed with the proposed fuel tax, because of the "ripple effect it would have on the economy".

In a statement issued yesterday, Mr Hawes pointed out that the 12 cents tax a litre (3 cents in September 1988 and 9 cents in January 1989) would generate some R1,3 billion per annum to the State.

"In addition, the Government decided early in 1988 that the entire fuel levy, which previously accrued to specific funds for specific purposes, should be paid to the fiscus who would administer the funds.

"It is alarming that 45 percent of the retail price of a litre of petrol will now find its way to the fiscus," Mr Hawes said.

"Because the strategic importance of fuel and the substantial component it forms in the structure of prices, virtually all products will be affected.

"The industry had acted very responsibly in regard to fuel prices and resellers were operating on very small profit margins.

"The increase will fuel an already unacceptable high rate of inflation," Mr Hawes added.

And OK Bazaars Managing Director Gordon Hood has appealed to suppliers to minimise price increases following the introduction planned for Monday.

Mr Hood deplored the petrol price increases, which he said would come as a further blow to the already struggling consumer.

He hoped that those suppliers whose prices remained unchanged when the petrol price was lowered last year would do the same now.

"Prices were not reduced then, as suppliers claimed the move did not have much of an impact on their costs. It was expected that this remained true now," Mr Hood said. — Sapa.

Anger over petrol price hike

B/Day 16/1/89

(55)

BRONWYN ADAMS

THE 10c petrol price increase came into effect today amid widespread protest from transport and motoring associations.

The price of a litre of 87 octane petrol on the Witwatersrand is now 101c, while that for 93 octane is 105c.

In coastal areas, a litre of 93 octane costs 96c and a litre of 87 octane 101c.

Diesel costs 90c a litre in coastal areas and 97c in the PWV-area.

AA director-general Peter Elliot has said the petrol price hike was totally unacceptable as it was nothing more than a tactic used by government to extract payment from motorists.

The new pump price included a 9c a litre tax. This, added to the 3c increase in September 1988, represented a total of 12c in tax increases during the last year.

Elliot said this was proof the Department of Finance had found an easy source of revenue which was "grossly unfair".

Public Carriers Association CE Ian Moss has described the reaction of his members to what will amount to a 4% jump in costs as "bitter". He accused government of using fuel as a "convenient milking cow".

Sapa reports the Federation of Salaried Staff Associations (Fedsal), representing 150 000 workers in the banking, building society, mining, motor and transport industries, had reacted angrily to government's handling of toll roads and the increase in the fuel price

Fedsal said: "If some of our petrol money is being diverted to pay civil servants' salaries, what other government excesses are being covered up in this manner?"

Fedsal questioned the need for a 31,9c a litre fuel tax in the light of the revenue being earned from toll roads. Government was further criticised for not communicating with worker representatives on toll roads and new fuel prices.

MONDAY
January 16 1989
Johannesburg

45c + 5c GST
Natal and Cape
54c + 6c GST

The Star

South Africa's largest daily newspaper.
Established 1887.

LATE EDITION

Government spending is attacked

The big squeeze ... considerable pressure was applied by Mr Morris Bouwer, of Randburg, to this petrol pump in an attempt to extract the very last drop of fuel at yesterday's prices. The expected rush to fill up failed to materialise on the Reef last night. ● Picture by Ken Oosterbroek.

By Michael Chester and Peter Fabricius

The sharp increase in petrol prices today ran into a blistering new attack from the Witwatersrand Chamber of Commerce and Industry about Government over-spending.

WCCI president Mr Hennie Viljoen said the increase was yet another example of how the Government was forcing the private sector to carry the burden of persistent excessive State expenditure by higher and higher tax bills.

"Business and consumers are again forced to foot the bill for profligate Government spending, now running at an unacceptably high 29 percent of the entire Gross Domestic Product, without any improvement in services," he said.

"Should this situation prevail, then it will be impossible to achieve the enormous growth potential of our economy.

"If the trend of steadily declining investment by the private sector is to be reversed, it is vital that the State cuts its spending and lowers the tax burden. Sadly, we are seeing the opposite."

The introduction of higher petrol prices, plus the threat of increases in the price of diesel in April, threatened to make 1989 a tough year for both business and the consumer, especially the transport industry and the road user. Star 16/1/89.

The increase in the fuel levies was bound to make a significant impact on ~~business and~~ consumer costs.

55

Salary increases

"We are especially disappointed that the Government is funding the 15 percent salary increases for the civil service from a source never used before for such purposes," Mr Viljoen added.

Today's 10c petrol price hike has also been slammed by the Progressive Federal Party's spokesman on finance, Mr Harry Schwarz, who said he would raise the matter urgently when Parliament resumes.

Mr Schwarz said the price increase was an indirect form of taxation necessitated because the government budget had gone so badly wrong.

"It is quite clear that everything said when the Budget was presented last year about limiting governmen spending and taxation is now under review.

"The Government now regards petrol price increases as a normal form of taxation instead of using the petrol price levy to improve roads.

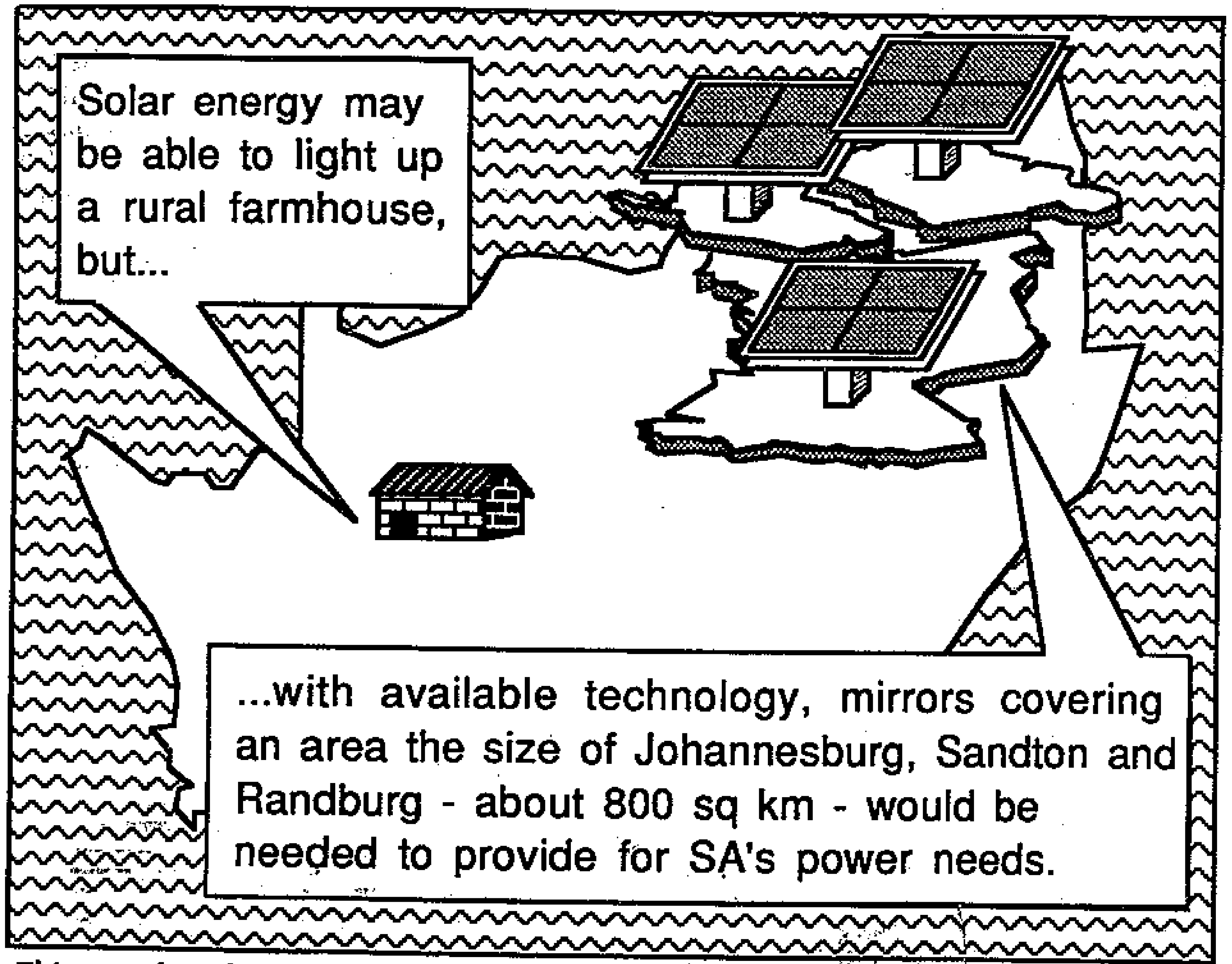
"This is one of the reasons why we are seeing so many toll roads. The Government is keeping the levy revenue for itself.

"This is a bad form of taxation which shows poor fiscal practice. What is signficiant about income tax is that although it reduces disposable income it does not have an inflationary effect; in fact, it has a counter-effect.

"By contrast, increasing the petrol price will have a ripple inflationary effect throughout the economy. It will be felt by almost every manufacturer, distributor and retailer, and it will passed on to the consumer."

Prospects for solar power not too bright

Star 18/1/87



This graphic shows that while small solar-powered energy plants are viable, large-scale generation plants are not yet feasible

Every 15 minutes the sun delivers to the earth enough radiant energy to meet all of mankind's power needs for a full year.

But the harnessing of this sunlight — because of its diffuseness and variability with time of day, season and weather — poses formidable challenges for the technologists.

According to the group executive of the National Energy Council, Dr Robert Scott, although solar energy is a facet of the overall energy programme in South Africa, and is seen as a potential future source, it will not assume early significance because of the high costs involved.

Even the world leader in the use of solar power, California, could not have harnessed its sunlight competitively without the state's financial and tax incentives for investment in renewable energy systems.

The Council for Scientific and Industrial Research (CSIR) is constantly evaluating and researching proposals for renewable energy forms.

A South African construction company recently submitted a Belgian proposal for a five-megawatt solar power plant to the CSIR. This has still to be evaluated.

But, according to Dr Scott, even a one-megawatt system requires an enormous farm of mirrors to concentrate the energy in sunlight to yield temperatures high enough to convert water to steam to drive electric turbines.

A surface area of about one square metre is

Eskom set to experiment in northern Cape

55

Eskom will set up two experimental solar-powered farmhouses in the northern Cape this year to investigate the viability of this "free" energy source in remote regions. But although the energy experts believe Eskom might break even if it provides solar power to remote farmsteads, large-scale generation plants are not yet on the horizon. CLARE HARPER reports.

required to generate one kilowatt of power. Taking into account power lost in the conversion of solar to electrical power and the variability of sunlight, a plant which generated the equivalent power of Koeberg (2 000 megawatts) would require 80 sq km of mirrors.

Considering that the maximum demand for electricity countrywide last year peaked at 20 001 megawatts, and an Eskom coal power station can generate up to 3 600 megawatts, the land usage alone would make the cost of solar-power stations prohibitive.

But two recent studies have predicted that certain solar-electric technologies will become economically viable in the United States for bulk-power markets by the early to late 1990s.

The most rapid technological advances are being made in the area of the silicon photovoltaic (PV) cells which convert solar radiation directly into electricty.

It is towards this technology that Eskom is turning to find a means of supplying electricity to farmers in remote regions.

PV cells yield a direct flow of current when the photons of sunlight strike the cells, knocking electrons free from the silicon atoms and drawing them on to a grid of metal conductors.

Eskom's chief officer (demand site programmes), Mr Roy Moffitt, said the amount of solar power now generated in South Africa totalled about 100 kw.

But Eskom, in response to requests from farmers for electricity, had decided to investigate the commercial viability of electricity alternatives by experimenting with two northern Cape farms.

Eskom will buy and install photovoltaic panels on the roofs of the farmhouses with regulators, batteries and invertors, and see if the farmer's requirements are adequately met.

"We feel there could be a break-even point where it is cheaper to put in photovoltaics than to lay a powerline," he said.

The real struggle for power in South Africa

Star 26/1/89

55

2799A

South Africa has begun reaching out into Africa for crutial supplies of cheap, clean electricity to fuel future industrial expansion. But, as **Ken Vernon of The Star's Africa News Service** reports, it is being blocked because of political objections.

It ought to be a simple business transaction. South Africa has the need and the money, Africa has almost limitless potential power it cannot exploit because it has no money and no market.

But the announcement by Angola this week that it would block any plan by South Africa to import electricity through its territory from Zaire, combined with a similar response by both Zimbabwe and Zambia, seems to have aborted an ambitious plan by Eskom chief executive Mr Ian McRae to create a southern African power grid that would hold tremendous benefits for the whole region.

Eskom offficals this week downplayed the setback, saying that plans for the southern African grid are a long term matter and political considerations could easily change in the future.

Future needs

But South Africa's future needs may not be that far off.

From about 1950 to 1980, South Africa's demand for electricity has been doubling every eight years, and despite a slackening in demand over the past eight years it is anticipated that by the year 2020 — just over 30 years away — it will have to increase its power capacity by almost 200 percent.

In a recent paper written under the auspices of the Africa Institute, Professor D C Midgley calculates that to meet these needs entirely from local resources would require the use of virtually all the country's non-renewable energy resources.

He points out that the pollution problem represented by two times the number of fossil-fuel burning power stations would be immense, especially given that pollution from power stations in the eastern Transvaal is already several times greater than pollution levels in the "dirtiest" of European countries.

Every year, eastern Transvaal power stations spew out more than 50 tonnes of sulphur over every square kilometre of the region, and even with improved pollution control methods, that could easily rise to 100 tonnes per square kilometre if fossil-fuel is to light up our lives and power our electric toothbrushes in the 21st century.

Air-borne sulphur is a major contributor to acid rain, already a serious problem in Europe and America.

A possible alternative is power produced by a string of nuclear reactors situated along the South African coastline, but these carry the possibility of heat pollution of the coastal waters as well as attendant risks of radio-active spillage.

The answer would seem to be hydroelectric power which is cheap, clean and available in abundance in southern Africa — if only the politicians will allow it to be developed.

Professor Midgley estimates that by the end of this century — just 11 years away — South African demand for electricity will reach 31 000 megawatts, up from the present installed capacity of 28 000 MW, and that the entire load could be supplied by just one large hydro-electric scheme at Inga on the Zaire river.

It is estimated that southern African countries account for more than 75 percent of Africa's huge hydro-electric potential, yet less than 5 percent of that is at present realised.

In the past South Africa has supplied much of the sub-continent with electric power, including Namibia, Botswana, Lesotho, Swaziland, Mozambique and Zimbabwe.

But by the end of the century all these countries with the possible exception of Swaziland will be able to meet their own needs and South Africa, which at present consumes 60 percent of Africa's electricity production, will be beginning to feel the pinch of trying to do the same.

Two hydro-electric schemes have already been built in neighbouring countries to supply South Africa with power, Cahora Bassa in Mozambique and Ruacana in Namibia/Angola, but both have at times been put out of action by political strife.

Capactity

However, the installed capacity of both schemes is about 2 500 MW, a fraction of the power available in the mighty rivers to the north.

But in order for the wasted power of these rivers to be tapped, a major political re-alignment will be necessary.

The most direct route for Zairean hydro-power to reach South Africa would be via Angola, inter-connecting on the way with present and potential power supplies in that country and with the Ruacana scheme on the Namibian border.

Zaire alone has an estimated hydroelectric potential of 100 000 MW and Angola has an estimated 7 710 MW, and the distance from these huge sources through Angola to the nearest Eskom grid in Namibia is less that that from Cahora Bassa to Pretoria.

An alternative route around Angola would be along an existing power line through Zaire to the copperfields of south-east Zaire and Zambia, and hence through Zambia to Botswana to the Transvaal.

In many ways this would be a more desirable route because it would enable the development of many mining and irrigation schemes along the route and benefit more people.

In Mozambique the installed capacity of Cahora Bassa of 2 075 MW has tapped less than 15 percent of the country's hydro-electric potential.

As Mr McRae has repeatedly stressed, the benefits of a southern African power grid are tremendous for everyone involved. Such a scheme could spread the wealth of the dynamic PWV area via fees paid to developing countries for the power, and South African capital and technology could be used in the development of the schemes as well.

Cheap and abundant power would encourage the development of industry in those countries now stagnating in agricultral self-sufficiency.

Of course, supplies of cheaper, cleaner power would at the same time ensure South Africa's continued economic domination of the sub-continent — and perhaps herein lies part of the problem.

All the countries of southern Africa have combined in the Southern African Development Co-ordination Conference (SADCC) to strive for economic independence from South Africa.

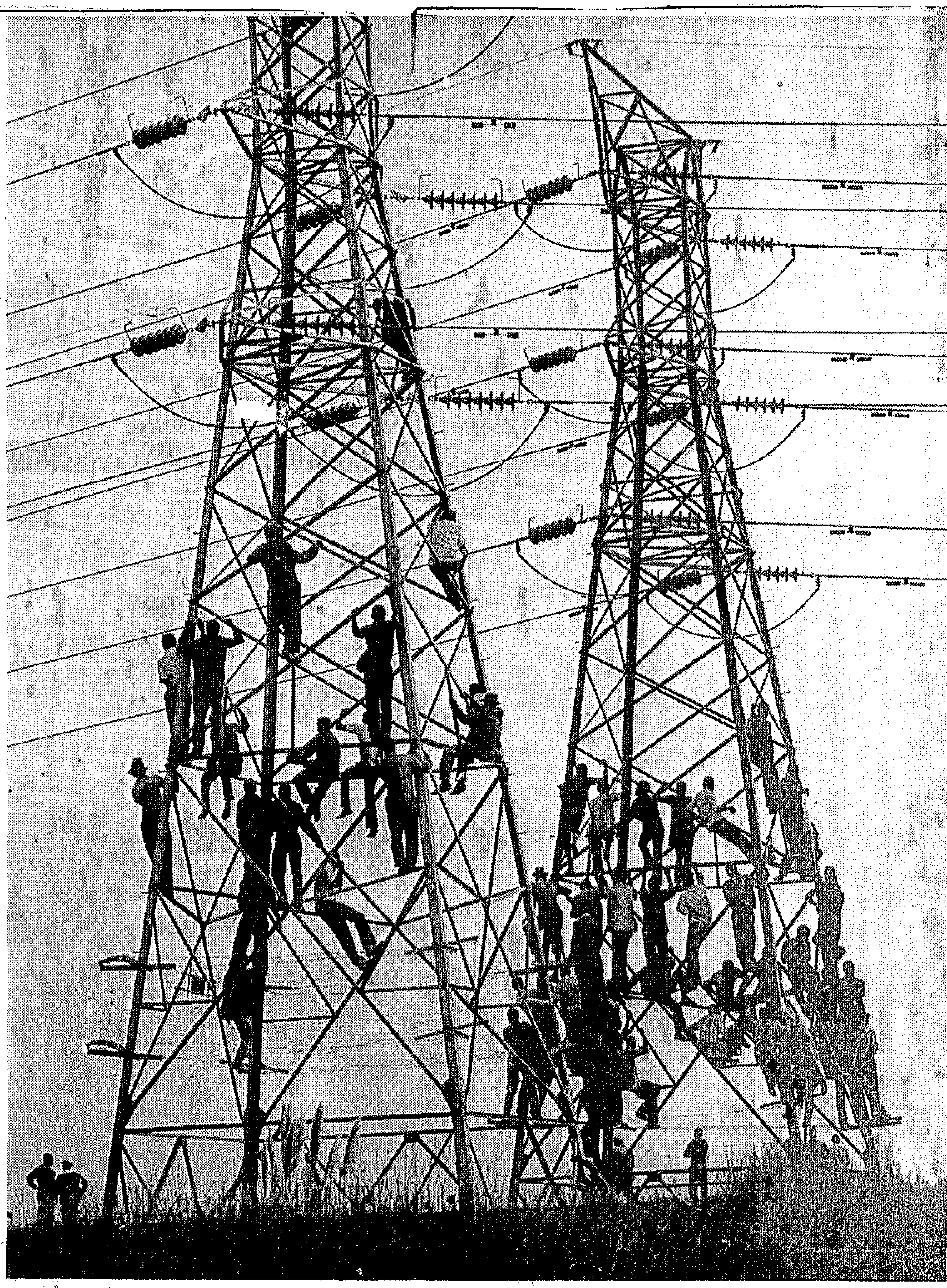
Proposed

The proposed sub-continental power grid aims at increased inter-dependence, to everyone's benefit, but perhaps to South Africa's most of all.

The fact that by the end of the century most SADCC countries will be independent of South African power supplies probably lessens any possibility they might co-operate with South Africa in the development of their hydro-electric potential even it is to their benefit.

So it will require a political re-orientation of enormous magnitude for the southern African power grid to become reality in the near future.

P.T.O.



Power to the people . . . soccer fans find another use for South Africa's extensive national grid, a grid the Government is trying to expand and, at the same time, win friends in the rest of Africa.

55 S/Times 29/1/89

Cheap fuel ban

By Don Robertson

ESKOM has been warned by the National Energy Board (NEB) to stop selling cheap petrol to some of its employees.

Zenex petrol is being sold for 5c a litre less than the retail price at Eskom's Megawatt Park headquarters in Sandton.

The matter was brought to the attention of the Motor Industries Federation (MIF) and the NEB by the owner of the Sunninghill service station, close to the Eskom offices.

The MIF and the NEB say that the sale of petrol to individuals by a company contravenes the service station rationalisation plan, an agreement between oil companies and service stations.

Companies which qualify for a commercial pump may sell fuel for their own "productive" uses, but not to individuals.

It is alleged that about 1 000 cars, all of which are registered in employees' names, are being provided with the cheap petrol.

Garage owner Joe Fourie says that since cheap petrol was sold at Megawatt Park last August his sales have fallen by about 1 400 litres a day.

A spokesman for the NEB says it was agreed at a meeting of the NEB, the MIF and Eskom that Eskom would abide by the service station rationalisation plan.

Eskom has issued certain staff members with cards allowing them to buy fuel at petrol stations around Megawatt Park, but Mr Fourie says he was not part of this scheme.

Eskom's response is that it does not sell petrol to employees for private use.

The rand's world value

	R1 equals		One foreign unit equals (R)	
	27/1 /89	27/1 /88	27/1 /89	27/1 /88
US $	0,417	0,503	2,399	1,980
UK £	0,236	0,284	4,236	3,523
Deutschemark	0,772	0,844	1,295	1,186
Japanese yen	53,65	64,72	0,019	0,015
Swiss franc	0,656	0,684	1,524	1,462
French franc	2,626	2,834	0,381	0,353
Canadian $	0,495	0,646	2,020	1,548
Italian lira	564,27	619,775	0,002	0,002
Zimbabwean $	0,817	0,864	1,223	1,157
Australian $	0,476	0,707	2,101	1,114

Trade weighted value of rand, % change against 1974 base 42/49

Domestic interest rates

MONEY MARKET

	Friday 27/1 /89 %	Friday 20/1 /89 %	Friday 13/1 /89 %
SARB accommodation: rediscount rate TBs	14,50	14,50	14,50
Treasury bill tender rate	15,08	15,16	15,22
Basic call of discount houses	14,75	14,75	14,75
Three-month banker acceptances	15,40	15,50	15,50
Three-month NCDs	16,70	16,65	16,60
Three-year RSA stock	15,03	14,99	15,00
Prime overdraft rate	18,00	18,00	18,00
All-in yield of finest acceptance credits	16,17	16,83	16,33

CAPITAL MARKET

SECONDARY MARKET — RATES ON MOST TRADED STOCKS

	Average Previous Month	As on Friday
Long-term RSA stocks	16,72	16,63
Long-term Escom stocks	16,56	16,50

Best sections this week

	Av % Mv	Av D/Y	Av E/Y
Curtailed operations	6,7+	0,4	0,0
Diamonds	5,4+	2,1	9,0
Other	5,3+	1,1	8,6
Printing & publishing	5,1+	5,5	20,7
Motor	4,9+	5,7	19,8

Programmed to pay and pay and ...

Star 30/1/89 (55)

At least 200 Johannesburg ratepayers asked no questions and simply paid up R57,55 this month after the municipality sent out mock electricity, water and gas accounts explaining details of the monthly statements.

The facsimile accounts, printed in black and white instead of the usual blue and red, were sent out to clear up confusion among many of the 350 000 consumers who regularly struggle to understand the array of numbers, minuses and plusses.

The mock-up quoted imaginary stand and account numbers credited to "a consumer" living in Berario who was due for a January payment of R57,55. But this did not deter at least 500 consumers from taking it seriously enough to react, some people even heading for the City Hall to tackle the city treasurer himself.

One ratepayer posted off a cheque for R150, explaining that this was the usual amount he paid for electricity, said assistant city treasurer, Mr Rod Potgieter.

Now the city treasury has an additional headache, trying to sort out what to do with overpayments, said official, Mr Lucas Opperman.

"Consumers should please note that the explanatory statement is not an account and no payments should be made on it."

Star 8/2/89 (55)

Mossgas start-up nearing

By Frank Jeans

The offshore oil from gas project at Mossel Bay is getting closer to the big start-up, with tenders for the three major civil engineering contracts now before decision-makers.

This was revealed by Mr Brian Hackney, president of the South African Federation of Civil Engineering Contractors (Safcec) in Johannesburg yesterday.

In an overview of the civils industry, he said prospects were bright and that if, as had been predicted, there was an economic setback on the way, "we are in a far better position to fight a downturn than in previous years".

"Mossel Bay, the Lesotho Highlands scheme and the proposed synfuels projects will bring a large volume of work into our area and we must make sure that SA contractors figure prominently in all of them."

Civil engineering ended the year brimful of confidence, with the total value of contracts up to November hitting R2,6 billion — 45 percent above the corresponding figure for 1987 and 75 percent higher than the 1986 figure.

The outlook from the employment point of view is also bullish, with the workforce at the end of the year at 94 000 — an encouraging increase from the low of 75 000 in late 1986, bearing in mind that previous highs were 135 000 in 1975 and 120 000 in 1981.

"The relatively slow increase in labour can be attributed, partly, to plant-intensive rather than the labour-intensive nature of new contracts awarded," said Mr Hackney.

CITY NATIONAL

Sol Kerzner quits as director of 3 companies

ARGUS 9/2/89

The Argus Correspondent

JOHANNESBURG. — Casino magnate Mr Sol Kerzner has dropped a bombshell with his announced resignation from his directorships of Safmarine and Rennies Holdings (Safren), Kersaf Investments and Sun International.

The boards of the three companies recently expressed support for him after his admission to the Harms Commission about a R2-million payment.

Mr Kerzner could face extradition proceedings following his admission that he paid the then-Prime Minister of Transkei, Chief George Matanzima, just over R2-million for exclusive gambling rights.

A spokesman for Safren said last night his replacement had not been decided on.

Mr Kerzner, who is away on business in London, was the managing director of Kersaf, the holding company of Sun International, of which he was chairman and managing director.

An official statement last night said the boards had accepted his resignation "realising that he has come to this decision in what he regards as the best interests of the companies concerned".

Transkei Attorney-General Mr Christo Nel said from Umtata yesterday that his government would await the full report of the Harms Commission before deciding whether to investigate possible charges of bribery and corruption.

The Harms Commission has recommended no criminal action be taken in South Africa against Mr Kerzner or Cape Town lawyer Mr David Bloomberg for paying Chief Matanzima the R2-million.

Mr Nel said he would have to see "if the facts justify criminal action being taken" before deciding whether extradition proceedings should be launched against the two men.

Mr Justice Harms also recommended the Law Society decide whether Mr Bloomberg's involvement required further action.

Unsatisfactory

In response, Ms Ingrid Hoffman, director of the Cape Law Society, said "the matter would be considered in the light of the report", which had not yet been received.

Meanwhile Transkei leader General Bantu Holomisa said last night Transkeians and South Africans alike had been "sadly denied" the opportunity of hearing Mr Kerzner and Mr Bloomberg cross-examined during commission sittings.

The head of Transkei's ruling Military Council said he found the answers put forward by both men in affidavits unsatisfactory.

He was personally dissatisfied with Mr Kerzner's affidavit stating that "Third World officials had to be bribed in order to do business".

But the Military Council would not interfere with the duties of the Attorney-General, Mr Nel.

● See page 21.

Picture: HANNES THIART, The Argus.

OYSTER OFFSPRING: Mr Jack Etherington holds up an adult oyster while balancing a 7 mm baby on his nose.

A million baby oysters

Boksburg putting

1990 target for total private-sector funding

Govt's 'energy arm' privatised — Steyn

B|Day 10/2/89. (55)

MIKE ROBERTSON

CAPE TOWN — Economic Affairs and Technology Minister Danie Steyn says the entire energy arm of his department has been privatised.

By the creation of the National Energy Council, "a private sector board with private-sector directors", the energy branch had been effectively closed down.

At the moment government was contributing less than 2% to the running costs of the National Energy Council.

By next year it would be totally funded from the private sector.

Steyn said a section of the Atomic Energy Corporation, concerned with high-quality engineering, had been transferred to a new company, Primo.

A board of directors from the private sector had been appointed and as soon as the company was well established, instructions had been issued for it either to be floated or for private sector partners to be brought in to take over the running of the company.

"At the moment the shares are being held by the IDC.

"They will decide what route to take but the instruction is to privatise."

This approach would be pursued in other sections of his department.

"We are trying to privatise as much as possible."

STEYN

Steyn said the department was also taking important steps in regard to deregulation.

A first step had already been taken in regard to mine safety inspections.

In future this would be left to mine mangements with the government mining engineers being responsible for laying down the rules and investigating fatal accindents.

In the long term this would lead to the rationalisation of inspection staff eventually leaving government with a highly qualified and well-paid auditing and inspection staff.

By adopting this approach and passing on responsibility for safety inspection to mine mangements, government had avoided having to hire a further 900 staff, thereby effecting a substantial saving.

Final comments on the omnibus Rationalisation of Mineral Ores Bill would be received by February 17.

"This is deregulation on a grand scale. We will be repealing 11 Acts containing about 452 articles into a single Bill with 75 articles."

An array of permits, concessions and licences would be reduced to just three types of licences.

"We are doing away with a lot of administrative nonsense," said Steyn.

The Bill would be put to Parliament during this session.

KUDU FIELD (55) FMAL

It's (not) a gas 10/2/89

Several oil companies are interested in becoming partners in Namibia's Atlantic Ocean Kudu oilfield, west of Lüderitzbucht.

But, as concession holder Swakor, a State-funded body formed in 1967 to search for oil in Namibia, discovered the hard way, it doesn't have enough technical information about its gas field to hold the interest of its potential partners for long.

The Namibian government, which bankrolled Swakor with the R35m needed to drill the last two holes, has run out of money. So Swakor must find a partner to help it carry on with essential prospecting work on the concession, says chairman Skerf Pottas. At least one other hole must be drilled.

Several oil companies have made "tentative inquiries," but want to know if more than two of the three holes drilled since 1974 have produced gas in sufficient quantities.

To provide them and other prospective partners with the information they need, Swakor is conducting an intensive R3m seismic survey which, Pottas says, "will hopefully enable us to determine the field's reserves. We know it has gas, but don't know how much. The survey should also enable us to identify other areas where it would be advisable to put down boreholes. It will obviously also reveal a lot of other vital technical information."

Little has been made public about the concession, other than that gas was found in the first hole, Kudu-9A1, 125 km due west of Oranjemund. The hole was started by Chevron Oil Exploration in 1973 and completed by Soekor in 1974. Pressure was so great that it could not be measured with the equipment available at the time.

Soekor, SA's State-funded oil exploration body, rented the field from Namibia when Chevron pulled out and handed it over to Swakor some years ago.

Swakor drilled Kudu-9A2 about 7 km north-north-west of the first hole in 1987. There was gas in the hole but, because the rock was not sufficiently porous, it did not have a commercial yield.

The third hole, Kudu-9A3, drilled 4 km south of the discovery well last year, yielded 47m ft^3/day of pure methane — 9m ft^3/day

(55) FMAL 10/2/89.

from the first seam and 38m ft^3/day from the second seam. This is far more than the 12m ft^3/day needed for commercial viability.

Oil companies are obviously watching developments with interest. The most likely contenders are probably the two Namibian arms of SA oil companies which became London-registered Namibian companies: BP SW/Namibia and Shell Namibia.

Mike Hill, GM of the Shell operation in Namibia, confirms that "any large oil company will keep an eye on the gas field until the seismic survey has been completed. We

(55)

want to know the size of the field, the technical problems and the technicalities of bringing the gas ashore to assess the field's viability.

"If it's viable it will be a tremendous boost for the Namibian economy."

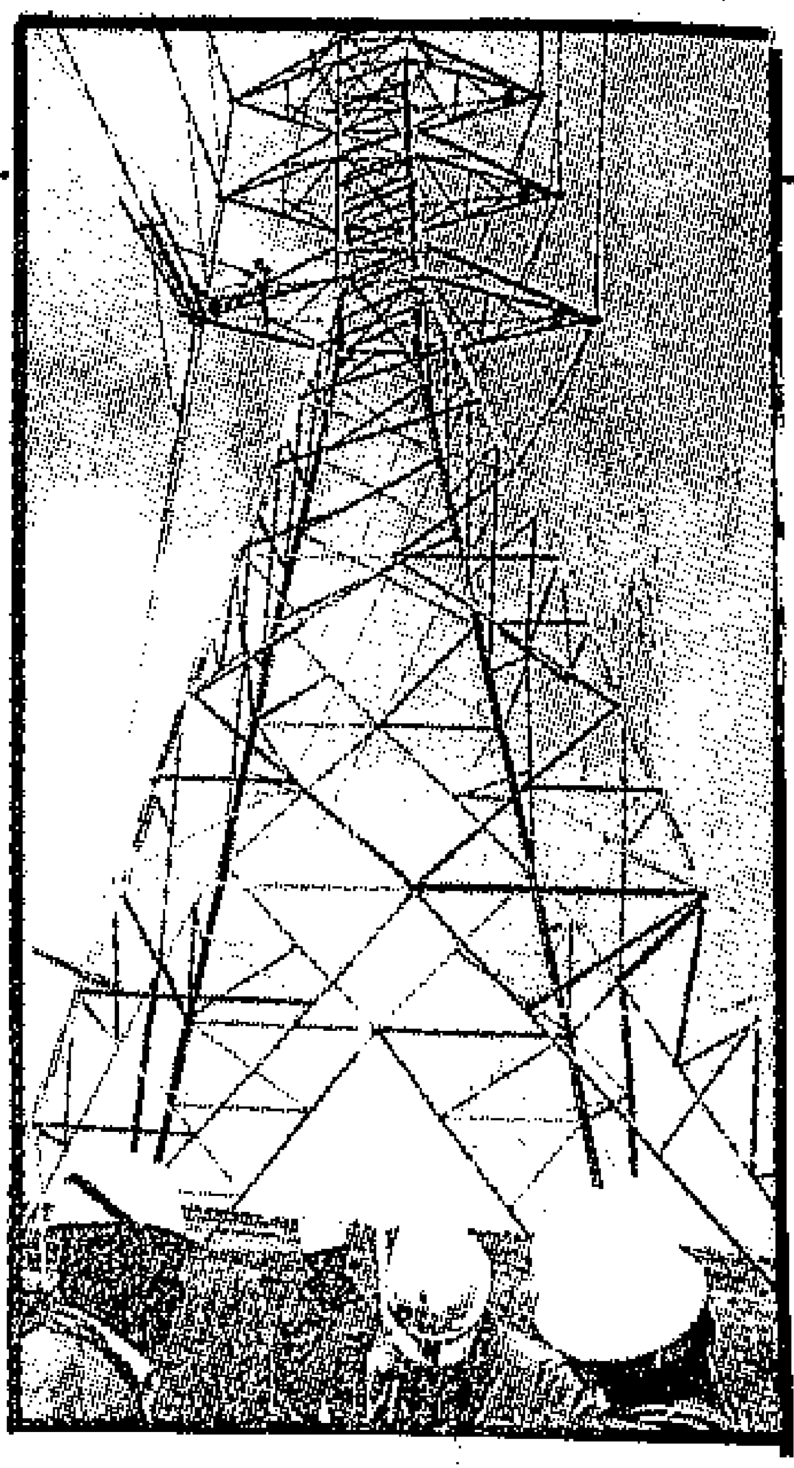
Harvey Storm, GM of BP in Namibia, says he is not involved in exploration. And a Total SA spokesman gives a simple "no comment," when asked if his company is interested in the project. ■

Power to the people

ARGUS 13/2/89

55

The Argus Special Correspondent GRAHAM LINSCOTT tells how Eskom is giving the revolutionary slogan a hopeful twist



IMPOVERISHED black households spend more each week, per energy unit, on cooking their food and lighting their houses than affluent white suburban households.

The simple reason is that paraffin and candles cost considerably more than electricity.

Rural women spend as much as six hours a day — a lifetime of work — collecting firewood and often destroying the ecology in doing so.

Electricity would give them the time for more gainful employment. It would allow them to establish home industries with electric knitting and sewing machines. Their menfolk would be able to produce goods for sale or charge for repairs, using electric drills, arc welders and other equipment.

The Second Carnegie Inquiry into poverty in South Africa identified access to electricity as a vital component in any upliftment strategy. Electricity provides time for gainful employment and leisure. It makes possible the quantum leap from the poverty-stricken despair of the Third World to the relative affluence and confidence of the First.

Power lines sweep across most of the country today, but they mainly connect urban centres and white farmland. It is commonplace to see African women walking beneath high tension cables, bundles of firewood on their heads.

Eskom, the national electricity supply utility, has however embarked on its own version of the slogan: "Power to the people". It plans to bring electricity to more than 200 000 black households this year — roughly a million people will benefit — increasingly making use of methods which are appropriate to the Third World.

Electricity is an essential prerequisite for the growth of small businesses — such as this thriving shop in Guguletu.

Many black townships have already been supplied with electricity, but the results have not always been happy. Expensive installation methods appropriate to the First World have pushed up the cost. Householders have been charged an "availability" fee, whether they take electricity or not. The official attitude has at times been high-handed and paternalistic.

This has bred resentment. Electrical installations are vandalised and there is little incentive in the local communities to prevent it.

However, Eskom believes it has found the answer in electrification of KwaNobuhle township, near East London, much of which will be connected by mid-year. It has established a pattern which is likely to be followed elsewhere.

At KwaNobuhle an electricity supply company (Kwanolec) has been formed, the shareholders being Volkswagen (a major employer in the area), other members of the Cape Midlands Chamber of Industries and Eskom itself. Kwanolec works closely with the elected local authority.

Kwanolec has abandoned the expensive installation method of underground cables, instead conveying the current on overhead wires mounted on gum poles.

Whereas it is usually dangerous to connect electricity to anything but brick dwellings, Kwanolec has developed a "ready board" which can be safely mounted inside any home, from a brick dwelling to a rondavel to a tin shack. Electrical appliances can be plugged in at three 15-amp sockets; there is also a light socket and a switch.

The ready board has on it a meter which is activated by insertion of a card (rather like a bus coupon) which purchases a set quantity of electricity. A gauge shows the rate of consumption, allowing the householder to judge which appliances are wasting electricity and costing him money.

No cash is involved as the meter card is purchased at a dispenser elsewhere, so there is no incentive for robbery. There is no need for accounts.

Nobody in Kwanobuhle is forced to accept electricity and there is no such thing as an availability charge. Connections are easily made if a householder should decide at a later stage that he wants it.

Each connection costs Kwanolec R400 but the consumer is charged R50. As electricity coupons worth R30 are thrown in with each new connection, it actually costs the householder only R20.

About 11 000 households in KwaNobuhle are to receive electricity, the first by mid-year, according to Mr John Bradbury, Eskom's manager, reticulation market expansion.

"We have already had approaches from 10 other local authorities to investigate the provision of power to 200 000 other properties on a similar basis."

Eskom is considering introducing the card meter payment system for installations in new white suburbs as well.

B|Day 14/2/89 (55)

POLITICS

Permit backlog to be wiped out

B|Day 14/2/89

CHRIS CAIRNCROSS

CAPE TOWN — The backlog on the issuing of import permits would probably be wiped out by the end of this week, Trade and Industry director-general Stef Naudé promised yesterday.

Delays in the issuing of permits arose out of the change-over of tariff classification of products to the harmonised system at the end of last year, causing problems which had to be taken up with the authorities by organised commerce and industry.

Temporary

Whereas in the past, import permits for the following year were issued from October, applications for the current year could be dealt with only after the import regulations were published on December 23.

Naudé said in a statement his department had been well aware of the problems experienced temporarily by importers, and everything possible was being done to expedite the issuing of permits. It was expected that the backlog would be worked off towards the end of this week.

He reiterated announcements from Import and Export Control that urgent cases would be dealt with on a preferential basis.

□ GERALD REILLY reports from Pretoria that Assocom has welcomed the expectation that the backlog of import permits would be clear by the week's end.

An Assocom spokesman said this followed urgent representations to the Department of Trade and Industry last week.

Assocom looked forward to the speedy alleviation of a situation which had reached crisis proportions because of administrative bottlenecks in the handling of import permit applications.

The delay had resulted in unnecessary costs to importers due to demurrable charges incurred overseas, with adverse effects on the economy, the spokesman said.

The reassurance by the department that it was addressing the problems as urgent was gratifying.

Privatisation course plotted

CHRIS CAIRNCROSS

CAPE TOWN — Progress towards privatising the state's role in energy affairs, headed by the National Energy Council (NEC), is documented in the NEC's first annual report tabled in Parliament yesterday.

A private sector/government partnership, aimed at guiding, promoting and co-ordinating the country's energy interests, the NEC records that in the short time it has been in existence it has already initiated 89 research and development projects on a total budget of R5,9m over 1988/9.

Financed from the Central Energy Fund these projects are initially aimed at creating:

□ A policy-oriented national research, development and demonstration programme, financed in collaboration with the private sector; and

□ An energy programme for developing appropriate technologies.

The NEC is structured to take over many activities of various state departments. Its report notes all existing liaison committees set up between the Mineral and Energy Affairs Department and the oil industry concerned with refining crude oil and the availability of petroleum products have been taken over.

Control of service comes under the spotlight

Eskom powers bid to defuse Soweto boycott

55

BDay 14/2/89

ALAN FINE

ESKOM is playing a leading role in a major new initiative aimed at normalising the supply of electricity to Soweto. It could include privatising what has until now been a council function.

A committee — reportedly under the personal direction of Eskom CE Ian MacRae and comprising Eskom, private sector and Transvaal Provincial Administration representatives, Soweto councillors and businessmen — has been established to examine the matter.

The future of electricity supply to Soweto has been endangered because of the boycott by residents of rent and service payments to the Soweto council.

Committee members and MacRae have been seeking contact with Soweto community leaders to sound them out on ideas.

Dr Nthato Motlana confirmed he was one of a number of Soweto community leaders who had been approached. He believed other contacts included SACC general secretary Frank Chikane.

He said the initiative appeared to be modelled on a similar scheme at KwaNobuhle near Uitenhage where responsibility for electricity supply had been transferred from the local council to a company formed jointly by Volkswagen, the Midlands Chamber of Commerce and Eskom.


● MACRAE

He felt such a scheme was bound to be more efficient than the present one, but a discouraging factor was the suspicion of joint management committee (JMC) involvement.

Committee member Ian Hetherington of Job Creation SA confirmed intensive discussions with community representatives were under way.

He said the ultimate goal was some form of privatisation — but this was a wide term and no finality had been reached on its form. It was intended to first discover people's preferences.

He stressed that the KwaNobuhle model was not necessarily appropriate for Soweto. But the general intention of privatisation was to depoliticise issues.

Hetherington denied knowledge of a JMC presence in the project. "If there is one, it certainly is not there in an identifiable form." He said the committee was hoping to issue a preliminary report by the end of March.

The Urban Foundation's Mike Ridley, also a committee member, said he was in favour of any viable solution acceptable to the community. He declined further comment.

Soweto mayor Sam Mkhwanazi declined to comment until he had received a full report from the committee. Two council members are serving on the body.

Comment from Eskom is awaited.

Electricity supply hope

S Dwelan 15/2/89

55

THE giant electricity company, Escom, is to play a leading role in normalising the supply of electricity in the townships, including Soweto. The supply has been imperiled by the boycott of residents of rent and service charges.

Escom's chief officer for public relations, Ms Lettia van Staden, yesterday said that involvement was based on the company's vision of electricity for all in South Africa.

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WMM 17-23/2/89.

BUSINESS

Anglo looks east to Maputo gas

By EDDIE KOCH

A MULTI-MILLION rand project to develop natural gas fields off the shores of Mozambique has caught the eye of the Anglo American Corporation.

Anglo representative Michael Spicer this week confirmed reports that the corporation was considering investing millions of rand in the Pande gas fields, which lie off the Mozambique coast halfway between Maputo and Beira.

A number of other investment opportunities in Mozambique have been also been investigated by the company since Anglo chairman Gavin Relly visited the country early last year, he said.

If the gas deal comes off — and Spicer stressed that no definite decisions have yet been made — Anglo will become the biggest single investor in the war-torn country.

Responding to reports at a conference in Harare earlier this month that the proposed investment could amount to R200-million, Spicer said Anglo had not put a final figure on the amount. "The whole project will cost much more than this but the percentage share of various interested parties still needs to be looked at," he said.

Anglo ran a number of cashew nut plantations as well as a series of prospecting operations for valuable minerals, including gold and diamonds, during the period of Portuguese colonial rule.

These projects became moribund after 1982 when the covert war waged by Renamo rebels made the security situation unsuitable for the conduct of business.

"We are now looking at a range of projects," said Spicer. "These are reaching a fairly final form in some areas and in others, given the security situation, they are of a long term nature." He declined to provide further details.

Last month Sergio Veira, member of Frelimo's central committee, told a media conference in Harare that powerful business interests in South Africa were clearly in favour of seeing an end to the war and that his government believed this would constrain more aggressive elements in South Africa.

In recent months Mozambican officials have claimed South Africa continues to arm and support the rebels despite the revival of the Nkomati non-aggression pact in September last year. This has been denied by SA Defence Force headquarters.

Spicer said Anglo was "interested in a stable Mozambique and a stable region".

Although there are strong political and social motives behind Anglo's interest in its eastern neighbour, Spicer stressed all the projects were being checked for their commercial viability.

A number of other South African corporations — including Sappi, Premier International and SA Airways — have plans to step up their involvement in Mozambique.

Such investment is being encouraged by the Mozambican government which this year made sweeping tax concessions, including exemption from tax for a period of between two and ten years and exemption from customs duty on imported materials.

BD Day 20/2/89

ABERDARE CABLES TURNS IN STRONG PERFORMANCE

55.

TANIA LEVY

ABERDARE Cables' strong performance in the year to December has helped the cable manufacturer secure several major contracts, including the Mossgas project.

Attributable profit grew 59% to R20,6m (R12,9m). This is equivalent to 142c a share compared with 89c the previous year.

The Altron subisidiary has declared a 53c (30c) dividend, bringing the dividend for the year to 115c (45c). The dividend is covered two times.

Improved operating margins and more efficient costing allowed the group maximum benefit of the 25% increase in turnover to R321,1m (R256m).

Strengthened

As a result income before taxation improved 71% to R39,8m (R23,3m).

Besides the Mossgas contract for power, telecommunication and control cable, Aberdare's order books have been strengthened by its wide range of cable products and manufacturing bases in three provinces.

Aberdare has made strategic thrusts into the export market and into the local cable accessories field.

In September the group entered a joint venture with Berzack susidiary Illman to form Electric Cable Accessories.

The new company will supply electric cable jointing and terminating accessories.

From the vantage point of acknowledged market leader, Aberdare views the coming year with optimism.

Fuel elements for Koeberg reach high standard

Star 22/2/89

55

By Deborah Smith, Pretoria Bureau

Problems with advanced technology had been overcome and today South Africa had the ability to manufacture fuel elements required by the Koeberg Nuclear Power Station, according to a spokesman from the Atomic Energy Corporation.

The success achieved by the nuclear research and development programme enabled South Africa to be counted among the advanced nations in the world in the field.

Acting State President Mr Chris Heunis earlier this month announced South Africa's pilot nuclear enrichment plant had delivered the first four fuel elements to Koeberg, and production at a recently commissioned semi-commercial plant was sufficient to meet the power station's needs.

The two pressurised water reactors at Koeberg depend on nuclear fuel elements for their operation.

The two reactors each contain 157 fuel assemblies of which about 52 per reactor were replaced every year.

A spokesman said the replacement of spent fuel assemblies undertaken by the Fuel Element Fabrication Plant demanded a high standard of production. He said thanks to South Africa's own resources, locally developed expertise, and a need to be independent of the outside world, South Africa could meet the challenge.

As fuel elements had to meet all relevant international standards, extreme precision was needed from the design stage right through to the finished product, said the spokesman.

Sophisticated technology and advanced quality assurance programmes were applied.

Nuclear fuel elements such as those for Koeberg consisted of an assembly of several components, including uranium.

During production, chemical purity was of the utmost importance — the slightest impurity could affect the behaviour of the fuel in the reactor.

Sophisticated instruments such as ultrasonic testing equipment were used.

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Fuel, fares to rise in April

BDay 23/2/89

55

MIKE ROBERTSON

CAPE TOWN — The fuel price, air and rail fares are all set to rise in April after Transport Minister Eli Louw announced sweeping tariff increases yesterday.

Delivering what will be the last Transport Services budget speech, Louw asked Parliament to approve a sum of R12,4bn for revenue services and R1,7bn for the capital programme. The budget is 10,5% higher than the revised estimate for 1988/89.

Louw said that prior to tariff increases a working deficit of R493m was estimated. After average tariff increases of 8,7% were applied, Sats was expected to produce a surplus of R2m.

The main increases which come into effect on April 1 are:

☐ A 12% tariff increase for the conveying of crude oil by pipeline, which Louw says will result in a fuel price hike;

☐ Business class domestic air fares are to go up by 13,7% and economy class fares by 9%;

☐ Rail passenger fares on mainline and commuter trains are to increase by an average of 10%;

☐ Rail goods tariffs are to rise by 8,6%.

Sats rail services are expected to make a loss of R469m in the coming year (-R656m), commuter services a loss of R405m (-R298m), road transport services a loss of R12m (-R42m), harbours a profit of R575m (R505m), airways a profit of R144m (R128m), pipelines a profit of R319m (R257m), catering and bedding services a loss of R10m (-R12,6m) and Sartravel a profit of R2m (R4,6m).

Total revenue is expected to increase by 11,6% to R12,40bn while total expenses are set to rise by R1,1bn to R12,4bn.

Louw said that after the report of a specialist committee into Sats foreign exchange losses it was decided to write off the sum of R3,1bn by means of a single entry against revalued assets.

The net book value of Sats assets amounted to R14bn on March 31 1988, while the replacement value of fixed assets was estimated at R56bn.

● See Page 4

☐ GERALD REILLY reports that SA Agricultural Union president Kobus Jooste said the higher tariffs would have a direct cost-increasing impact on production and marketing and, therefore, an adverse effect on agriculture's competitiveness.

Although the average increase amounted to 8,7% certain sectors of agriculture were taxed extremely heavily, including the increase of 13,5% in the transportation of livestock and 14% in goods transportation.

The increase would accelerate the

● To Page 2

Fuel costs and fares set to rise in April

BDay 23/2/89

55

● From Page 1

tendency for farmers to make lesser use of Sats' services.

The Transport Consultative Committee (TCC) has criticised the hike in domestic airfares and pipeline charges.

The committee consists of a large number of private-sector organisations including Assocom, the AHI and the FCI.

In its reaction to the Sats budget, the TCC said the average 13,7% increase in SAA business class fares was regretted against a background of the record number of passengers carried on domestic flights and SAA's overall profit of R102,7m from April to December last year.

On Sats privatisation, the TCC said it welcomed the appointment of a board of directors under the chairmanship of a private-sector businessman.

However, the need for Sats to demonstrate its ability to operate within its budget was important. This would contribute towards an improvement in private-sector confidence in Sats prior to privatisation.

☐ Sapa reports that PFP transport spokesman John Malcomess said the widespread increases were once again going to cause an upward trend in the inflationary spiral.

CP spokesman J J S Prinsloo said the tariff increases would hit consumers hard.

NDM leader Wynand Malan said the passenger fare increases were going to hit the poorest section of the population the hardest.

☐ Also adding to the wave of costs will be higher interest rates after yesterday's increase in Bank rate. Lending rates, including mortgage rates, are to rise across the board.

Steinmuller to start first on Mossgas

S|Bay 24/2/89 55

EDWARD WEST

THE Steinmuller Group would be the first mechanical engineering contractor to start work on the Mossel Bay oil-from-gas refinery, Steinmuller (Africa) Group said yesterday.

It said during the next 12 months the group would prefabricate, erect and commission the refineries air separation plant, a steam reformer and other components for the refinery such as columns, reactors and pressure vessels.

The plant in construction would supply 2 080 tons of oxygen a day for the reforming process. Steinmuller's increased growth was attributable to the construction of some of the largest power station boilers in the world.

Diversification

The group said the Mossref contract was a clear indication of Steinmuller's diversification into synfuels and related industries.

Other indications of diversification include a recent majority shareholding in the SA subsidiary of Fuller International which strengthens Steinmuller's capabilities in supplying materials, handling and other equipment for the mining, cement, lime and paper industries.

Designs on energy

SYLVIA DU PLESSIS

ENERGY-effective design should not be regarded as rationing or curtailing energy usage but rather as using it constructively, Eskom senior GM Lood Rothman said last week.

He was addressing the launch of the national 1989 Eskom Energy Effective Design Awards in Johannesburg, which aim at encouraging the cost-effective use of electricity through innovative design in mining, industry and commerce.

Electrical energy resources at the country's disposal were finite, he said.

SA had probably not even come close to realising its potential as an industrial nation and as an energy consumer. "Eskom is striving to find workable solutions to this problem. But we can say with absolute certainty that the energy-effective design of processes, plants, products and buildings is vital," Rothman said.

Architects and engineers, through their innovative design of cost-effective systems for heating, cooling and lighting large office buildings, were saving their clients hundreds of thousands of rands annually.

A panel of 12 judges, chaired by Mintek's Aiden Edwards, has been appointed to adjudicate the awards. The deadline for entries is May 22, and judging will take place in July.

'Motorist is an easy source of revenue'

Star 2/3/89

55

AA slams fuel tax

Reacting to the Minister of Finance's statement in Parliament that fuel was "totally undertaxed", the Automobile Association's director-general, Mr Peter Elliott, has repeated his condemnation of the Government's tactics to extract payment from the motorist by adding exorbitant taxes on fuel.

"It is obvious that the Deparment of Finance considers the motorist an easy source of revenue", he said.

Certain sections of the informal sector continue to avoid payment of taxes on their huge turnover.

While the AA is supportive of privatisation, deregulation and the development of the informal sector in the interests of job creation and the economy, ways must be found to extract tax from those involved without resorting yet again to the overburdened motorist.

A recent economic study commissioned by the American Automobile Association warned of dire consequences should an increase in tax be imposed on fuel as a means of reducing the national budget deficit.

The study found that an increase of 10 cents a gallon (5,6 cents a litre) would put 80 000 Americans out of work in the tax's first year and a total of 180 000 by 1990, resulting in the following declines:

- Income tax revenue by nearly R2,3 billion.
- Car production by 1,3 percent.
- Housing construction by 0,9 percent.
- The rate of personal savings by 3 percent.

The combined effect on the Gross National Product (GNP) of the USA would be a reduction of R20,6 billion, the study claims.

"Unless South Africa somehow operates under different economic laws, a similar effect can be expected which underlines the futility of attempting to control consumption through the price mechanism."

Mr Elliott concluded; "Foreign exchange may be saved — but at what cost?"

Encountering pools of water will have the Toyota tugging at the steering wheel, but with a little care, it will keep going where it's pointed.

BD 3/3/89 (55)

Eskom hopes to spread the light

HELOISE HENNING

ESKOM hopes to supply electricity to 90% of the SA population by the year 2005 through setting up joint ventures with private companies, finance GM Mick Davis said yesterday.

This move to "privatise" the need for expansion capital, coupled with the continued decline in the level of capital expenditure on new power stations until over-capacity was absorbed, would continue to diminish Eskom's capital market requirements.

The new scale of expenditure was expected to turn around only from the year 2004 onwards, Davis told the Capital Expenditure Prospects conference in Johannesburg.

Eskom maintained its lowered expectation of growth in electricity demand to 4% a year until the end of the century. It would continue to have considerable over-capacity until 1998.

Trimmed

Eskom's share of prescribed asset investments from institutions declined from 47% in 1983 to 5% in 1988. Last year Eskom expected to spend R3,857bn on capital expenditure, but has since revised it downward by R400m to R2,852bn.

It has trimmed its capital needs to the current levels of expenditure on transmission lines of R400m a year and extending the distribution and reticulation networks at R500m a year. This would include future expansion to black townships.

Other expansions would involve a R250m investment in extending and reinforcing the corporation's telecommunications network, and new investment in about 8 000 personal computers was envisaged.

Eskom's partnership with private enterprise was spearheaded in KwaNobuhle near Uitenhage where Volkswagen SA and Eskom formed a joint company to supply electricity to the township.

Davis emphasised that electricity from Cahora Bassa, when supply is assured, would represent only 3% of Eskom's capacity once Majuba was completed. He said Eskom was not responsible for the cost of refurbishing the transmission lines in Mozambique.

MOSSGAS 55 FM ML 3/3/89

Gathering no moss

The R5,5bn Mossgas synfuel project is on schedule, with contract work on the huge steel jacket, platform modules, component fabrication and site preparation at Mossel Bay all under way.

"The project is running according to plan. Where fabrication and on-site construction was slightly behind schedule, fabricators have managed to catch up," says Mossgas spokesman Dries Sonnekus.

On some sites, work is ahead of schedule. The on-shore Mossgas refinery, scheduled to produce about 4m *l* of petrol (53%) and diesel (47%) per production day, should be on line by early 1992.

"The refinery is designed to produce up to a capacity of 8m *l* a day at minimal additional cost," says Sonnekus. The on-shore reforming plant and refinery will be situated 11 km from Mossel Bay on the Cape Town road. It will use an adapted version of Sasol's

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successful Synthol process.

The Mossgas project (on-shore and off-shore) is owned and developed by Mossgas (Pty) Ltd. The Central Energy Fund (CEF) holds 50% of the company, Gencor 30% and the Industrial Development Corporation 20%. Gencor is project manager.

"The three partners will provide 40% of the costs, while the CEF will finance an additional 40% with soft loans. The balance will be funded by export credit. By imposing countertrade obligations on overseas participants, we aim to finance the whole project foreign currency-free," says Sonnekus.

He adds: "We are striving for maximum local content. While our overall aim is to build a safe and cost-effective plant, we try to create opportunities for local industry. About 80% of on-shore project costs should go to local business. Off-shore work could be lower."

The current state of play is:

☐ At Saldanha Bay, Genrec began constructing the jacket (support structure for the off-shore production and processing platform) in January, after site preparation was completed at the end of 1988. Weighing 14 000 t, the 124 m high structure will be piled 120 m deep into the seabed and is probably the largest single steel construction

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to be built in SA. With six piles per leg, each weighing 500 t, a total weight of 12 000 t will secure the jacket to the ocean floor 85 km south of Mossel Bay;

☐ Dorbyl is constructing the accommodation module and modular support frame at Durban's Maydon Wharf. Work will be completed by the end of 1991. The four-storey steel structure, with a helipad on top, will house 129 people;

☐ Babcock Engineering began work on the process, wellhead, utilities and power generation modules in Port Elizabeth in February. Meanwhile, CBI started work on 50% of the piling contract last year. About 50% of its work has been subcontracted to Dorbyl Heavy Engineering, Vereeniging;

☐ In Cape Town, Ical began work late last year on the drilling module and derrick and the flare boom (the platform's "safety

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each member on an annual five-day holiday to a five-star hotel.

preparation work for the refinery by May. "The next civils contract, for concrete foundations and support structures, is due to be announced any day," says Sonnekus; and

☐ Thousands of tenders for the fabrication of components are now being awarded. ■

Change electricity Bill, says Assocom

[illegible] 6/3/89 55

THE proposed Electricity Amendment Bill held serious economic and fiscal implications and should be scrapped or modified to permit fiscal accountability of the levy, Assocom said in a memorandum to the Joint Committee on Manpower and Energy Affairs.

Assocom said it seemed as if the Bill effectively provided the state with a further source of indirect tax revenue, which was in no way subject to fiscal restraints or control by Parliament.

"Assocom must state its unequivocal opposition to the use of energy as a source of raising revenue for government. Not only do such taxes have a ripple effect throughout the economy, they can impair the country's international competitive position if such taxes increase the relative price of energy."

The association warned the "small levy" referred to in the memorandum accompanying the Bill could be increased after its introduction. — Sapa.

eases, psychiatric patients and those with rare diseases like cystic fibrosis, brittle-bone disease and other such conditions.

However, the fact that I would like to reiterate is that any person — who perhaps has had a lot of illness in the family or other medical problems — can apply to the medical superintendent for reclassification as a hospital patient. In other words, they can be reclassified to get free medical treatment.

Mr J V IYMAN: Mr Chairman, further arising from the hon the Minister's reply, I would like some clarity. The regulations specifically state that regardless of whether the people are pensioners or not, over weekends they will definitely be charged R22,50 per attendance . . .

The CHAIRMAN OF THE HOUSE: Order! I regret to interrupt the hon member but the time for this question has expired.

INTERPELLATIONS

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

General Affairs:

SS

Mossgas: foreigners employed on projects

1. Mr J V IYMAN asked the Minister of Economic Affairs and Technology:

Whether he will make a statement on the (a) number of foreigners employed on Mossgas projects and (b) job categories involved?

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY: Mr Chairman, please accept my apology for being a bit late in answering this interpellation.

It is first of all a statistically difficult question to answer absolutely correctly. However, I will try to give as much information as is available from our statistical records.

The point that I have to make right at the beginning is that it is an accepted policy that we are looking at a local content of not less than 80% to 85%—that is my target. I think it stands at about 75% at the moment. Just about all of the semi-skilled, unskilled and skilled labour will be local labour.

Firstly, I will now give a summary of the manpower position on the off-shore contract. The figures are as follows: For project management we have 144 persons, for engineering 104, and for fabrication 919. That is as far as staffing is concerned. As far as supervisors and engineers are concerned, we have 36 for project management, 34 for engineering and 60 for fabrication.

With regard to skilled tradesmen we have 54 for fabrication. That gives us a total of 1 167 which excludes non-technical and unskilled staff. It includes only skilled and semi-skilled staff.

The figures for the on-shore part of the project are as follows: With regard to project management there are 246 persons whilst there are 51 supervisors and engineers. With regard to engineering the figure for staffing is 885. There are 192 engineers and supervisors. For fabrication and construction the figure is 1 407. For staffing, engineers and supervisors the figure is 25. There are 29 skilled tradesmen. This gives a total of 2 538.

As far as the infrastructure is concerned, we only have staffing for construction because it is basically handled by the private sector. For this there are 504 persons which gives a total of 4 209.

As I said at the beginning, it is not possible to give precise figures for the number of foreigners. We presume that "foreigners" mean non-residents or expatriates involved in the project.

We do not get returns stating whether the manpower used by suppliers of equipment and materials are local or from overseas. We can, however, give figures as far as expatriate staffing is concerned. For the on-shore project we have a total expatriate staffing of 2 538. The supervisors and engineers number 268, the skilled tradesmen 29 . . . [Time expired.]

Mr J V IYMAN: Mr Chairman, in view of the information given by the hon the Minister I am convinced today that all is not well as far as the operational functions of the Mossgas project are concerned. As a consequence I would like to know why a foreigner with no apparent skills is employed as a purchasing manager by the project management company. Why is this person being paid R24 000 per month? It amounts to R288 000 per annum which is more than twice the hon the Minister's salary.

Apart from this, I would like to know why an

additional $1 368 381 was paid to an overseas company to accept a letter of credit from a certain South African bank.

I would like to know why established, internationally acceptable South African banks were not engaged for this deal. To my mind it is highly irregular to pay a premium of $1,368 million. Furthermore, I am interested to know at what price and under what conditions Gencor and another unnamed party were awarded their 30% and 20% respectively of shares in the Mossgas project and why none of the existing oil companies was given an option to participate in the Mossgas project?

I am keen to know how many millions of rands in premiums South Africa had to pay for the platforms that are being manufactured in Saldanha by Genrig, the present contractors. In addition I would like to know why Enco had to discharge an electrical buying manager on the grounds that his position had become redundant and subsequently within five weeks engaged a foreigner in his stead. I would like these questions to be answered.

Mr M Y BAIG: Mr Chairman, within the time constraint of the minute at my disposal, I want to confine myself to the interpellation as it appears on the Order Paper. The Mossgas project, as we know, is highly technically orientated. As such it requires persons of tremendous expertise to work on the project in certain positions. It is understandable that since this is work of such a highly technical nature, local labour may not be available easily and therefore, in some instances, it is necessary to import expert labour. However, it is not my intention to do the hon the Minister's work here, but in response to some of the points raised by the hon member for Camperdown in respect of high salaries earned by certain staff, the answer is simple. These are people of tremendous expertise in certain fields. Obviously it is important to have these people, who will on the whole save the country millions—or maybe billions—of rands or US dollars. Perhaps, therefore, for short-term sacrifices the Government is looking towards long-term benefits.

I think the hon member for Camperdown may have inferred that we should also rely on local labour. If that is so, I cannot but agree with him. We should create the necessary infrastructure in this country so that we can train our local labour so that they could satisfy the demands made by such highly technically orientated industries. We have no objection to foreigners being employed here, provided that the Government has the intention of providing the necessary technikon training so that people in South Africa, especially the non-Whites, receive the necessary training to fill these job opportunities.

Mr P T POOVALINGAM: Mr Chairman, there are indeed large numbers of South Africans who are not White who are perfectly capable of providing the technical as well as other labour requirements for the Mossgas project. I want to ask the hon the Minister what steps he has taken to persuade his colleagues to have Mossel Bay declared a free settlement area, because if people are going to work on the Mossgas project in Mossel Bay—and only in Mossel Bay—they must have adequate and suitable residential accommodation. They must have facilities for the schooling of their children, and there is no point in saying that they will be employed if those amenities are not made available. The hon the Minister has a duty to sit upon his colleague who is responsible for free settlement areas, to ensure that those are created.

I would also like the hon the Minister to tell us what steps were taken, if any, in regard to the options that were taken by a certain gentleman who had inside information about the development of Mossgas.

This person, through a number of nominees, took options on the purchase of properties in Mossel Bay. Was any appropriate action taken? Was legal action taken against the offender in that particular case, quite apart from just having him removed from a certain official position which he held at the State's expense?

The other thing which I would like to know from the hon the Minister, whose department really controls the awarding of all kinds of contracts, transport contracts, building contracts and so on, is whether any member of Parliament has any interest, direct or indirect, in any company or close corporation or firm which has entered into contracts in regard to the Mossgas project. If so, I invite the hon the Minister to give information regarding this to Parliament. It is necessary for the public at all times to be kept fully aware of every stage of . . . [Time expired.]

Mr J V IYMAN: Mr Chairman, my response to the hon member for Moorcross is that I believe he is swimming in water that is too deep for him.

Mr M Y BAIG: I am a good swimmer.

Mr J V IYMAN: Mr Chairman, this highly-paid foreign individual was engaged as a purchasing manager. Is this a highly skilled job?

Mr M Y BAIG: Oh, yes.

Mr J V IYMAN: In this country we have institutions which train people as purchasing managers. There are hundreds of people across the country who could be engaged in that job. I cannot see what is so special about a purchasing manager who supervises orders.

Mr M Y BAIG: You do not understand that.

Mr J V IYMAN: Unlike the hon member, Sir, I was a production manager in a factory and I know what it means.

The question concerns a particular purchasing manager who was in charge of buying electrical equipment. I wonder whether hon members know that the hon the Minister is also a highly-trained electrical engineer. He knows as well as I and others do, that one does not need extraordinary skills to buy electrical equipment for an electrical engineer. This person who was dismissed in favour of a foreigner—whose name I would not like to disclose here, but which I can provide to the hon the Minister after the debate—had to make room for a person . . . [Time expired.]

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY: Mr Chairman, the hon member for Camperdown has been given a paper which I have had now for almost three months, and which I have investigated thoroughly, regarding these overseas contracts. I believe the hon member for Moorcross was quite correct in his approach. Purchasing does not only involve the purchasing of sardines and tissue paper. The purchasing procedures of very highly technical equipment is a very complicated issue and many of these contracts, especially the management contracts, are being awarded to overseas companies which have the knowledge of building and constructing sea platforms for oil production. I think we in this country have no knowledge of constructing sea platforms for producing gas.

These contracts were evaluated after receiving tenders in which specific man-hour rates were provided. When the contracts were awarded, the man-hour rates were laid down in them, and that is where this information comes from. I am not going to name the gentleman, but he has already left the country, because he came under contract for a specific period to do a specific specialised job. However, the figure which the hon member gave is quite correct. If he is wrong, it is because it is not R24 000, but R30 000. However, it was laid down in the contract awarded by tender to that specific company to do a specific job.

I think the hon member should provide me with information as far as Amcoal and the so-called Premium are concerned, so that I can provide him with a suitable answer.

As far as Mossgas and the participation of Gencor are concerned, nothing in the world is stopping any oil company, or any other company for that matter, from becoming part of the Mossgas project. Nothing is stopping them. So far Gencor is the only company that has come forward. We accepted it gladly, because the Government does not have the ability to manage such large projects. It is not our job to manage a project of that kind. It is the job of the private sector. They do it every day. We therefore welcome Gencor's participation. They are managing the project at this stage and I think they are doing an excellent and a fine job.

Mr P T POOVALINGAM: Better than the Government, anyway!

The MINISTER: For sure, because they are professionals. [Time expired.]

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version

For written reply:

General Affairs:

Senior certificate examinations

43. Mr K M ANDREW asked the Minister of Education and Development Aid:

How many Black pupils at (a) departmental high schools in the Cape Peninsula and (b) Cape Peninsula high schools in total (i) wrote, (ii) passed, (iii) obtined matriculation exemption in, and (iv) failed, the 1988 senior certificate examinations? B102E

The MINISTER OF EDUCATION AND DEVELOPMENT AID:

(a) and (b) (i) 821 (ii) 368 (iii) 80 (iv) 453

Senior certificate examinations

44. Mr K M ANDREW asked the Minister of Education and Development Aid:

In respect of schools falling under his Department, how many pupils (a) wrote, (b) passed, (c) obtained matriculation exemption in and (d) failed, the 1988 senior certificate examinations in each specified region? B104E

The MINISTER OF EDUCATION AND DEVELOPMENT AID:

Orange Free State Region
(a) 4 766 (b) 2 621 (c) 664 (d) 2 145

Cape Region
(a) 3 838 (b) 1 998 (c) 523 (d) 1 840

Natal Region
(a) 3 214 (b) 1 641 (c) 547 (d) 1 573

Northern Transvaal Region
(a) 7 582 (b) 5 104 (c) 1 564 (d) 2 478

Orange-Vaal Region
(a) 5 500 (b) 3 275 (c) 860 (d) 2 225

Johannesburg Region
(a) 6 750 (b) 2 442 (c) 449 (d) 4 308

Highveld Region
(a) 9 903 (b) 4 578 (c) 1 151 (d) 5 325

Directors/inspectors/teachers employed

57. Mr R M BURROWS asked the Minister of Education and Development Aid:

(1) How many (a) White and (b) Black (i) regional directors, (ii) circuit inspectors of education, (iii) regional inspectors of education,(iv) inspectors of schools and (v) teachers were in the employ of his Department as at 31 December 1988;

(2) whether there were any vacancies in respect of these categories; if so, how many in respect of each category as at the above date? B156E

The MINISTER OF EDUCATION AND DEVELOPMENT AID:

(1)	(a) White	(b) Black	(2) Vacancies
(i) Regional chief directors	7	Nil	1
(ii) Circuit inspectors of education (Assistant director: Area Office)	28	17	Nil
(iii) Regional inspectors of education (Circuit inspectors)	6	164	29
(iv) Inspectors of Schools	Nil	Nil	Nil
(v) Teachers	2 590	52 783	843

Sub A: Black children enrolled

59. Mr R M BURROWS asked the Minister of Education and Development Aid:

How many Black children were enrolled in 1989 in Substandard A in (a) each specified region and (b) the Republic? B158E

The MINISTER OF EDUCATION AND DEVELOPMENT AID:

(a) REGION	ENROLMENT: 1988
Northern Transvaal	62 728
Highveld	54 178
Johannesburg	29 005
Orange Vaal	42 204
Orange Free State	44 824
Natal	39 344
Cape	58 872
TOTAL	331 155

appealing against the judgment.

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conditions.

Strikes hit petrol firms

(55)

South 9-15/3/89

A WAVE of industrial unrest hit the petroleum sector in the past week as workers at two refineries in Durban last week voted to strike.

And the strikes are likely to encourage worker militancy at other oil companies where CWIU is negotiating wage increases, said a union organiser.

About 400 workers at the Sapref refinery began a six-day strike last Wednesday.

The strike ended on Tuesday after management and the union agreed on an across the board wage increase of R160 or 15 percent.

This has been confirmed by the company and the union.

Workers' demands that the company agree to assist employees' in the education of their children were not met.

Over 300 Mobil refinery workers are poised to go on strike after a 95 percent strike ballot was completed last Friday.

The workers are demanding an across the board increase of 17 percent or R170.

The dispute is linked to the union's demand that the petrol companies agree to national industry wide bargaining.

The workers are demanding that Mobil agrees to negotiate wage increases jointly with the refinery and other Mobil operations.

A Mobil spokesperson said a statement would be issued later this week.

Workers at Shell subsidiary Veetec have been on a go-slow since Monday after a conciliation board hearing failed to settle a wage dispute last Friday.

The Sapref and Mobil strike ballots have encouraged workers elsewhere, said CWIU national petroleum sector organiser Martin Jansen.

"The oil companies underestimated the strength of the union at refineries," he said.

1989

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R30 000-a-month Mossgas job questioned

BDay 10/3/89 (55)

CAPE TOWN — It was obvious all was not well at Mossgas when a foreigner with no apparent skills had been employed there as a purchasing manager at a R24 000-a-month salary — twice that of the Economic Affairs and Technology Minister, John Iyman (Camperdown, independent) said in Parliament.

He said yesterday he also wanted to know the conditions and price at which Gencor and another company had obtained 30% and 20% respectively of the Mossgas shares and why no existing oil companies had taken part.

The Minister should say why $1,36m had been paid to an overseas company to get it to accept a letter of credit from an SA bank.

Minister Danie Steyn said purchasing did not involve only buying "sardines and fish". The acquisition of technical equipment could be a complex matter.

The purchasing manager in question, who had earned R30 000 and not R24 000, had left SA as he had come here to do a specific job, which he had completed. His remuneration had been laid down in a contract awarded by tender to a specific company to do that specific job.

As far as the letter of credit was concerned, if Iyman would provide him with more information, he would provide a suitable answer.

There was nothing stopping oil companies becoming involved in Mossgas. Gencor had been the only company to come forward and government had accepted its involvement gladly as it did not have the ability to manage a project of that size. — Sapa.

FMMC 10/3/89.

(55)

SAPREF STRIKE

A deal is oiled

A six-day strike at the Shell-BP Sapref refinery in Durban has ended — but acrimony between the oil industry and the Chemical Workers Industrial Union (CWIU) continues. As the *FM* went to press this week, continuing dispute between the industry and the CWIU threatened to spill over in a second strike at the Mobil Refinery in Durban.

For the CWIU the settlement was greeted with mixed feelings. The union's Pat Horn expressed satisfaction with the wage increase — an across-the-board R160/month or 15%, whichever is greater — but disappointment that several other issues remain unresolved.

When negotiations opened, the union had demanded R180 or 18% and management's opening bid was a 12,5% flat rate across the board. Chief among the unresolved issues, said Horn, were educational assistance for workers' children amounting to R50 a primary school child a year, and R100 for high school children. Horn said both Shell and BP agreed last year to negotiate this demand, but at plant level rather than on an industry-wide basis.

"But since then they have reneged on a written undertaking on the grounds that this would discriminate against workers without children," he said.

The minor amounts involved belie a major issue: that of conducting negotiations between employers and employees on a nationwide industry basis; and this remains a divisive element in the negotiations at the Mobil refinery.

Mobil management spokesman Barry Housdon told the *FM* on Tuesday that "lots of progress" was being made in wage talks. But Horn said CWIU members — whom she put at 300 out of Mobil's total workforce of 450 — would meet this week to decide whether or not to strike.

CWIU members have already voted in favour of a strike at the Mobil refinery over the disputed issue of joint industry-wide wage negotiations. And underlying their grievances, according to Horn, was the fact that marketing employees at Mobil were being offered increases higher than those being offered to refinery workers. ■

Are we paying too much for petrol?

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● The price of petrol was increased by about 10c a litre on January 16. Meanwhile, Finance Minister Barend du Plessis said that fuel in South Africa is under-taxed. Is that so? Our special correspondent made inquiries . . .

MOTORISTS presently pay R1,05 a litre for petrol on the Witwatersrand. The State receives the largest portion of this amount – a fuel levy of 31,9c and customs and excise duty of 4c.

This constitutes two of the eight additions to the basic cost of 34,142c for every litre of 93 octane fuel.

The fuel levy forms part of general taxation and it need not be utilised by the State for a specific purpose.

In this country, the fuel price is controlled at the retail level. This includes the profits allowed on both wholesale and retail prices.

The increase in the price of petrol in January also allowed for an increase in the profit margin on both wholesale and retail levels.

According to a statement by the National Energy Board "the profitability of oil companies is being constantly monitored to ensure that it remains on an acceptable level. After careful evaluation of the profitability of the oil companies the Cabinet has approved an increase of 2c per litre on the monetary profit margins".

At the same time the retail profit margin was increased by 0,6c a litre.

The following additions are made to the basic price of each litre of 93 octaine petrol:

● The approved profit margin for wholesalers – the large oil companies supplying petrol filling stations – is 5,558c/litre.

● A delivery differential of 1,9c/litre. This is a levy which serves as a type of subsidy to prevent too large differences in the price of petrol from one place to another. For example, without this subsidy petrol would be much more expensive at Lichtenburg than in Johannesburg.

● Customs and excise duty of 4c/litre.

● A contribution of 7c/litre to the slate. This fund is used to keep the purchase price of crude oil from overseas constant.

When the price of imported oil rises to a level higher than the constant average on which the price at filling stations is calculated, this money is used to "subsidise" the importation of oil. Whenever the price of imported oil decreases to a level lower than the constant average, the fund is allowed to accumulate.

Presently, 1,78c of this contribution is being used for buying a litre of petrol. On January 16 this contribution amounted to 1,017c/litre. Variations in the oil price and in the value of the rand against the US dollar play an important role in the purchasing price of oil from overseas.

● A contribution of 3,6c/litre into a fund in accordance with the Motor Vehicle Accident Fund. This is the third party insurance levy which motorists used to pay annually to insurance companies.

● A fuel levy of 31,9c/litre for general taxation which the government can utilise at it deems fit.

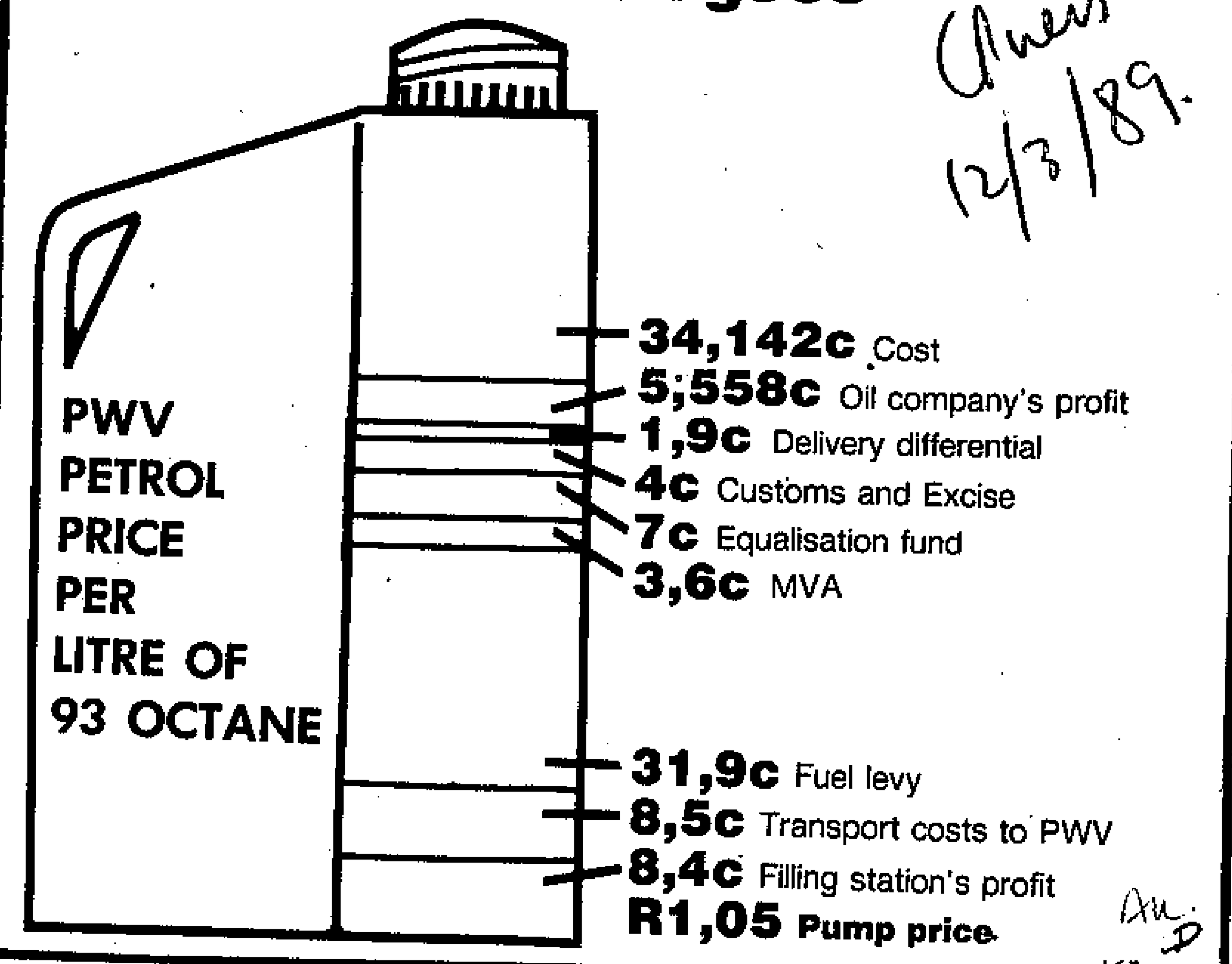
● Transport costs of fuel to the the Witwatersrand amounts to 8,5c/litre. This is the average cost of transportation by road, rail or through a pipeline.

● A retail profit of 8,4c/litre is allowed.

The consumer therefore pays a total of R1,05c/litre.

R1,05 – Where it all goes

12/3/89.



Language boo-boo in annual report

(55) S Times 12/3/89

Business Times Reporter

SOMEBODY boobed in the Northern Engineering annual report.

It appears that the report was intended to be produced in separate English and Afrikaans editions. The report has come out with English and Afrikaans pages arbitrarily mixed.

As a result the chairman's statement is available only in Afrikaans, and the directors' report is in English. Segmental reports are available in one language or the other, leaving the unilingual patchily informed.

Indication

Chairman Len Abrahamsen forecasts "an acceptable increase in earnings" in spite of indications that the economy is slowing from a modest rate of growth of 3%. His confidence is based on a bulging order book.

In the year to December NEI made R50,5-million (1987: R40,7-million) after tax on sales of R438,7-million. The mechanical division contributed 45% of operating income, electrical 19,5% and diesel 35,5%. Turnover has grown at 21% a year and pretax profit by 24,6% annually in the past decade.

Mr Abrahamsen reports attempts to diversify from power supply by way of acquisitions, development of technology and seeking new markets.

Pointing out that 20-million South Africans are still without electricity, he believes there is still a good future in power-station building and maintenance.

Swipe

Mr Abrahamsen takes a swipe at outdated ideology undermining SA's economic potential. He contends that double-digit inflation, the weak rand, the inaccessibility of foreign capital and low productivity are caused primarily by political, not economic, factors.

The directors report that to take part in the emerging SA offshore gas and oil industry, ICAL Offshore was formed in conjunction with the subsidiary of an unnamed foreign company with North Sea experience. The company has secured the order for the construction of the two drilling modules for Mossgas.

Another company formed by NEI is Ical Petrochem. The partner is another unnamed "well-known" foreign company specialising in the construction of hydro-carbon furnaces.

Downturn

Companies in the electrical division made a considerable effort to increase market share and broaden their local manufacturing base for medium- and high-voltage distribution equipment. This not only offset a slight downturn in demand in certain sectors, but enabled individual companies to enter 1989 with broader product bases and greater market potential.

Propower, the diesel and industrial division, reorganised and rationalised its stock holding to permit faster response to customer requirements. A data-procession system was developed and installed.

The remanufacture of heavy trucks at Propower's Isando premises using partly imported gilder kits has been successful. The rand's decline makes it economic to undertake total remanufacture of heavy trucks, including engines, drive trains and chassis. The directors say the trucks can be registered as new vehicles.

NEI has achieved an outstanding track record in a decade of subdued engineering activity. The secret is adaptability and exceptional managemnet.

The share is R34, which is 6,4 times historical earnings. The dividend yield is 6,2%. NEI is another example of a blue-chip institutional favourite that is not overvalued.

Council denies electricity to blacks — Leon

Mr Tony Leon . . . the National Party-controlled Johannesburg Council is no better than the CP in Boksburg.

By Esmaré van der Merwe, Political Reporter

The Johannesburg city council refused to supply blacks living in "white" areas with electricity unless they could provide proof of exemption permits in terms of the Group Areas Act, the Progressive Federal Party revealed yesterday.

Mr Tony Leon, PFP chairman in the city council, said the city treasurer's department demanded proof of permits from blacks who wished to pay deposits for the connection of electricity supplies to homes in "white" areas.

This was done on instruction from the National Party-controlled management committee, he claimed.

City treasurer Mr T Rabe was unavailable for comment yesterday.

Mr Leon said: "I have further established that should an Indian, coloured or black person be unable to show that they have an exemption in terms of the Group Areas Act, the council will not supply that household with electricity.

'NP doing same as CP'

"This means that the council, under NP control, is doing exactly the same as the Conservative Party in Boksburg.

"Whereas in Boksburg so-called illegal residents have their electricity cut off, in Johannesburg the council simply refuses to supply it."

A row erupted recently after Boksburg's council had threatened to cut off electricity and water supplies to Indian families in the "white-controlled" suburb of Windmill Park.

A spokesman for the anti-eviction organisation Actstop said: "This is the racist attitude from a council which is clearly out of touch with reality. Literally thousands of people live under this threat."

"If the council wants to cut electricity to 60 000 people, it must clearly say so. If the world talks about Boksburg, it should now start talking about Johannesburg."

New nuclear station near Cape St Francis

Cape Times 16/3/87

By CHRIS BATEMAN

ESKOM plans to build its second nuclear power station between Cape St Francis and Oyster Bay and has persuaded "about half" of landowners on the 1 900-hectare stretch of land to sell.

Eskom spokesmen yesterday explained that it was the first of "perhaps six sites" countrywide which met all their research criteria. However, it is the first site they have tried to buy.

The news was greeted with alarm and anxiety by the Eastern Cape chokka industry which earns some R55 million in foreign exchange each year.

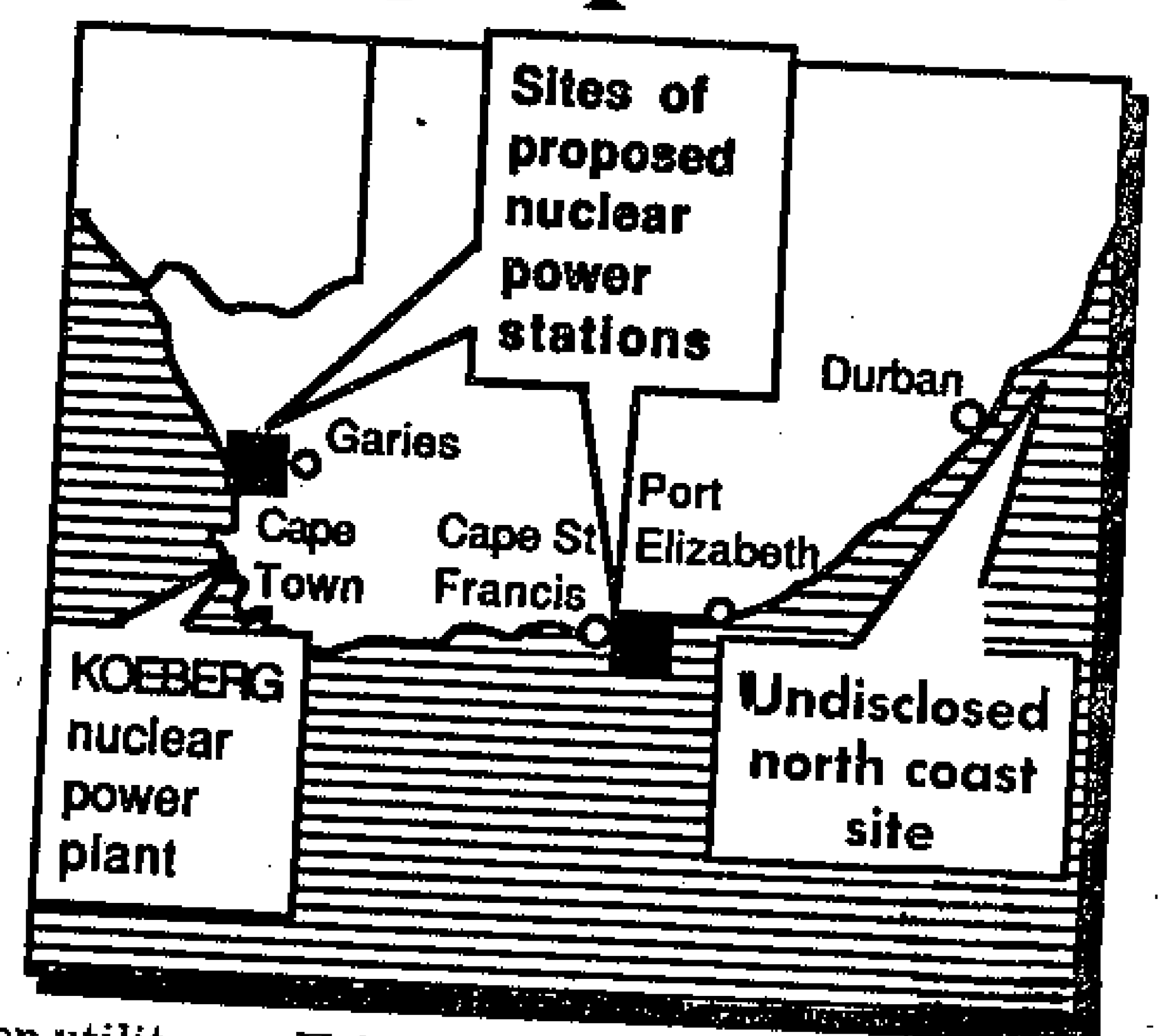
Senior Eskom spokesman Mr André van Heerden confirmed that all boats would be prevented from coming close to the coast once buildings were established.

Coastal sites for two more nuclear plants pinpointed

Rev. 22/3/89

55

By Norman Chandler



Eskom has pinpointed more coastal sites at which nuclear power stations may be built.

One is in the Garies district on the north-western Cape coast and the other at an unidentified area on the Natal North Coast.

Eskom disclosed last week that a site at St Francis Bay, a luxury eastern Cape resort, had been earmarked for a nuclear generating plant.

These are the first positive indications from the power utility that nuclear energy is being seriously looked at as an alternative source of power. The country's coal reserves are likely to be exhausted by the middle of the next century.

When the three come into operation — probably only in the mid-2000s — it will bring to four the number of nuclear plants in this country.

Eskom management yesterday emphasised that the five-year-old Koeberg nuclear power station, near Cape Town, would probably be South Africa's only such installation for generations to come. It became operational in 1984 and is one of 27 power stations run by the utility.

EVALUATION

They said careful evaluation of all factors involved in the siting of the three plants were being undertaken by universities and other research organisations. These include environmental impact, regional planning, population trends, cost and transport.

Dr John Maree, chairman of the Electricity Council, which controls Eskom, told The Star yesterday that he could not see coal resources being exhausted until "well into the next century, probably around the year 2060".

However, at some stage, South Africa would need to bring nuclear energy into the electricity generating system on a far greater scale than was happening now.

"It would be irresponsible of us not to have sites available on which to erect nuclear power stations, but I want to emphasise that if we talk about a potential site, it does not mean that we will build there."

Mr Ian MacRae, the chief executive, said: "We have no future nuclear power station on our programme right now.

"We will, however, from the next century require additional capacity in our generating systems."

Mr MacRae said that it had to be realised that nuclear energy was cost-prohibitive.

"The greatest constraint on nuclear power is the cost versus the cost of coal, but somewhere down the line, and many years away, we will have to swing towards nuclear power."

Eskom may use solar power in rural areas

The Argus Correspondent

JOHANNESBURG. — Eskom is investigating a solar power system specially designed for farmers and other users in rural areas far from electricity supplies.

Eskom's annual report says that a working group has been established to investigate the system for Eskom's own use at remote telecommunication sites and for domestic applications.

It says that this source of electricity may be an option where connections to the national power grid are too costly.

The unit has solar panels mounted on the roof, and the batteries, controls and inverter provide 220 volts.

Mud hut

"This should cater for most domestic appliances," says Eskom.

The first of two pilot units will go into operation in a few weeks in the Northern Cape and will be closely monitored.

Eskom, meanwhile, is adopting novel methods to bring electricity to rural areas.

Various devices are being introduced on wiring, and pole-mounted transformers which are 40 percent cheaper than existing methods are also being used.

One major development has been a "ready board" which consists of three plugs and a light sufficient "to allow even a mud hut to have electricity".

Eskom is also looking at magnetic card operated budget meters. Customers pay in advance for electricity and bills at the end of the month are eliminated.

23/3/89 Argus (15)

SYNTHETIC FUELS 55 FMAIL 24/3/89

Waiting in the wings

With the R5,5bn Mossgas project said to be on schedule, two more synfuel projects are awaiting the green light from the Central Energy Fund (CEF).

Provisional feasibility studies on Gencor's R3bn oil-from-torbanite plant (the T-project) and AECI's R10bn methanol-from-coal project, have been completed.

"By April, we will submit our feasibility study to the Cabinet. If the answer is positive, we can start work this year," says Gencor head of energy, Bernard Smith.

AECI is equally eager to start. "We hope for an answer before the middle of the year. Our technology is proven and we can start as soon as possible," says AECI project development manager (synfuels projects) Ross Norton.

Without CEF's confirmation, neither group can start work. Both projects need CEF financial support. But government's synfuel policy is to "stagger" implementation of various projects, so local construction and fabrication industries can cope with demand and obtain maximum benefit.

Apart from the shortage of CEF capital, local skills are in serious short supply.

The Construction Engineering Association (CEA) of SA — supported by the CEF, Mossgas, Sasol, AECI and Gencor — has launched a programme to meet the needs for skills training. Starting off with an initial R37m grant from the CEF, the training programme is supported by a compulsory 1,5% levy on all synfuel project contracts.

"Over the next four years, about 10 000 people will be trained at a cost of R100m, and some 30 000 will be trained by the year 2000," says CEA executive director Rene Schmetz.

While AECI and Gencor anxiously wait to see who will get the first bite of the cherry, it is clear SA's fabrication and construction sectors stand to benefit from the two projects.

Gencor's T-project will involve 13 500 t of steelwork to support its underground mine, planned to exploit Trans-Natal's 70 Mt of torbanite reserves. The deshaling and synfuel plants will also involve massive construction. Support services include water supply, sewage purification, pollution control, an 8 km railway line, staff houses, power supply and other infrastructure.

AECI's plant will involve mining more than 12 Mt of high-ash coal a year, and is planned to have a 40-year life. Fuel output could be about twice that of Mossgas. Steelwork required is estimated at 130 000 t, while more than 10 000 jobs would be created. ■

55

Oil price an economic threat

LONDON — For the first time in 10 years, high oil prices present a persistent threat to major world economies, giving inflationary pressures an added boost and fueling an already strong rally in the dollar.

The rise in prices, and the pressure on the dollar, will provide an additional problem for finance ministers from the Group of Seven (G-7) countries meeting in Washington this weekend. (55)

The near doubling of the oil price rise over the past six months is expected to lead to sharp adjustments in inflation prospects in all major economies, analysts warn. — AP-DJ. [illegible] 31\3\87

Hansard

tions were performed, the cause of death could not be established.

For the Honourable Member's information it can also be confirmed that these findings were presented at the inquest.

(4) Yes.

(a), (b) and (c)

Investigation by the South African Police and the South African Prisons Service in terms of the provisions of the Prisons Act, 1959 (Act No 8 of 1959) and the Inquest Act, 1959 (Act 58 of 1959), were conducted as stipulated before the inquest was held by the Magistrate: Cullinan on 24 January 1989.

For the Honourable Member's information it can also be confirmed that the family:

— was notified of his death by the South African Prisons Service in terms of Prisons Regulation No 110(4) on 1 September 1988;

— was notified by the Public Prosecutor: Cullinan of the inquest in terms of Section 7 of Act 58 of 1959 on 28 December 1989.

Infants assaulted by parents

153. Dr M S BARNARD asked the Minister of Law and Order:

(1) How many cases of assault on infants by parents were reported in respect of each race group in each province (a) during the period 1 July 1987 to 30 June 1988 and (b) in 1988;

(2) in how many cases in respect of each race group did the infant (a) die and (b) suffer serious injury as a result of the assault? B355E

The MINISTER OF LAW AND ORDER:

	(1) (a)	(1) (b)	(2) (a) 1987	(2) (a) 1988	(2) (b) 1987	(2) (b) 1988
Cape Province	203	272	10	6	51	140
Natal	52	107	6	13	9	21
Orange Free State	35	22	1	—	8	7
Transvaal	63	362	6	3	25	120

NOTE: Statistics regarding the race of persons are not kept, therefore the total in respect of all race groups are furnished.

Westville police station: cases reported

188. Mr R M BURROWS asked the Minister of Law and Order:

How many cases of (a) murder, (b) culpable homicide, (c) assault with intent to do grievous bodily harm, (d) common assault, (e) rape, (f) burglary of business premises, (g) burglary of residential premises, (h) robbery with aggravating circumstances, (i) robbery, (j) common theft, (k) theft of vehicles and cycles, (l) possession of drugs and (m) dealing in drugs were reported in 1988 at the Westville police station in the Durban West police district? B435E

The MINISTER OF LAW AND ORDER:

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)
Westville	14	12	23	150	17	17	486	16	42	556	47	—	—

NOTE: Para (j): Since 1 July 1987 separate statistics have been kept in respect of ordinary theft and theft from motor vehicles. A decrease in ordinary theft may therefore be indicated.

Chicken meat: imported

192. Dr F HARTZENBERG asked the Minister of Economic Affairs and Technology:†

Whether South Africa imported any chicken meat in recent years; if so, (a) how many tons, (b) what was the value thereof, (c) on what date, and (d) why, in each case? B440E

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

Yes.

(c)	(a) metric tons	(b) free on board value
1985	187,6	R144 341
1986	114,2	R75 976
1987*	7 169,3	R11 362 724

* Latest available

(d) In all cases to supplement shortages of chicken meat on the local market.

Kokstad commonage: establishment of prison

193. Mr R W HARDINGHAM asked the Minister of Justice:

(1) Whether it is the intention of his Department to establish a prison on the Kokstad commonage; if so, when is it anticipated that construction will (a) commence and (b) be completed;

(2) whether water and electricity facilities are available on this site at present; if so, to what extent; if not, why was this site chosen? B445E

The MINISTER OF JUSTICE:

(1) Yes. A new prison for 226 prisoners with the necessary infrastructure is envisaged.

(a) and (b) Several factors and realities including the availability of funds, the relative urgency of other similar projects as well as functional considerations all play a role in the projections in respect of the date of commencement and construction period of projects of this nature and extent. The projection, at this stage is that the work will commence early in 1993 with a construction period of at least 24 months.

(2) No. The site was identified as the most suitable for the construction of a prison after all factors which normally apply in such cases were considered and the fact that the land was offered for this purpose by the Borough of Kokstad. The provision of water and electricity is being promoted by the Borough of Kokstad in consultation with the Department of Public Works and Land Affairs.

Police Act and Defence Act: prosecutions

197. Mr D S PIENAAR asked the Minister of Justice:†

(a) How many prosecutions for contraventions of (i) section 28 of the Police Act, No 7 of 1958, and (ii) section 143 of the Defence Act, No 44 of 1957, were instituted during the latest specified period of 12 months for which figures are available and (b) how many such prosecutions resulted in convictions? B474E

The MINISTER OF JUSTICE:

Statistics of this nature are not kept by the Department. The Honourable Member is referred to my written reply to question No. 35 of 1986.

Central Energy Fund: financing training project on behalf of Mossgas

55

202. Mr F J LE ROUX asked the Minister of Economic Affairs and Technology:†

Whether the Central Energy Fund is financing a training project on behalf of Mossgas, Mossel Bay; if so, (a) what is the cost of the project and (b) how many (i) White, (ii) Coloured, (iii) Indian and (iv) Black persons are being so trained? B483E

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

Yes

(a) R75 million has been budgeted for the period 1988 to 1991 of which R37,5 million will be financed by the Central Energy Fund by means of an interest free loan.

(b) (i), (ii), (iii) and (iv)

Approximately 11 000 persons will be trained in the abovementioned period but since the training is offered on an equal opportunity basis, the subdivision into racial groups cannot be forecasted. The following is a subdivision of the number of persons trained or in the process of training at the end of February 1989:

Whites	—	165
Coloureds	—	1 880
Indians	—	0
Blacks	—	1 845
Total		3 890

Persons employed with legal qualifications

209. Mr D J DALLING asked the Minister of Justice:

(a) How many persons with legal qualifications were employed by his Department in professional capacities in the Republic, excluding the self-governing territories, (b) how

Hansard

normal procedures and regulations.

(2) (a) & (b) The amount could possibly be increased in future depending on the needs in the environmental education and related field — in other words depending on the merits of future identified needs of the Department and other organisations.

Business interrupted in accordance with Rule 180C (3) of the Standing Rules of Parliament.

Effluent from pipelines monitored

*15. Mr M J ELLIS asked the Minister of Water Affairs:

(1) Whether all effluent from all pipelines extending into the sea is monitored; if not, why not; if so,

(2) whether the results of such monitoring are freely available to the public; if not, why not; if so, where?

B531E

The MINISTER OF WATER AFFAIRS:

(1) Yes, all discharges from all pipelines extending into the sea, which are subject to exemptions issued in terms of the Water Act, 1956 (Act 54 of 1956) are monitored. All exemptions have an additional compulsory requirement to monitor the marine environment to determine whether the discharges have any detrimental effect.

(2) No, the results of effluent monitoring are not normally released generally, because some expert knowledge is needed in the interpretation thereof. The results may, however, be obtained through the offices of the Department of Water Affairs in Cape Town, Durban and Port Elizabeth, but this information will only be released with the permission of the effluent producer as confidential information on industrial processes can be disclosed by effluent properties. Section 166A of the Water Act, 1956 prohibits such disclosure. The Department undertakes its investigation and negotiations with the industries concerned on the basis that information obtained is confidential and will therefore not breach this position of trust. The monitoring results of the marine environment are, however, not seen as being confidential and reviews and survey results are published by the South African National Scientific Programmes of the CSIR. Results of the Richards Bay effluent pipeline environmental surveys are also issued as press releases by the Mhlatuze Water Board.

Area lost agricultural purposes

*16. Mr R J LORIMER asked the Minister of Agriculture:

What is the estimated area that was lost for agricultural purposes as a result of urban development in the 1987-88 financial year?

B532E

The MINISTER OF AGRICULTURE:

7 710 ha.

Teachers: salaries outstanding

*17. Mr R M BURROWS asked the Minister of Education and Development Aid:

(1) whether the salaries of any teachers employed by the Department of Education and Training have been outstanding for more than one month; if so, (a) how many teachers are involved and (b) for what reasons are these salaries outstanding;

(2) whether he will make a statement on the matter?

B534E

The MINISTER OF EDUCATION AND DEVELOPMENT AID:

(1) Yes.

(a) 533

(b) Many of the Department's schools are situated in remote rural areas. It sometimes takes a relatively long time before the appointment documents of newly-appointed teachers reach the offices where the appointments are made. The Department is doing everything possible to ensure that salaries are paid timeously. The submission of complete documentation regarding new teachers, however, also depends on the effective co-operation of the teachers involved and their principals. Thereafter there are several important steps, which

have to be taken before payment of salaries can be effected.

(2) No.

Certain person visited by representatives

*18. Mr S S VAN DER MERWE asked the Minister of Home Affairs:

(1) Whether representatives of his Department visited a certain person, whose name has been furnished to the Minister's Department for the purpose of his reply, on or about 1 March 1989; if so, (a) which representatives, (b) why and (c) what is the name of this person;

(2) whether these representatives paid further visits to the person concerned; if so, why;

(3) whether he or any official of his Department has received any complaints regarding the conduct of any of these representatives during any such visit; if so, what action has been taken as a result?

B535E

The MINISTER OF HOME AFFAIRS:

(1), (2) and (3) The regional Representative, Cape Town, obtained sworn affidavits from officials who had contact with Mrs Stefan and I have requested the Director-General of Home Affairs to investigate the matter in order to ascertain whether any irregularities have occurred in the handling of this case. Should the hon member have any information which might assist the Director-General in his investigation, I would appreciate it if he would furnish the Director-General with that information.

I undertake to inform the hon member fully on the matter as soon as the investigation is finalised.

Mozambique: members of Parliament invited

*19. Dr W J SNYMAN asked the Minister of Defence:†

Whether, with reference to his reply to Question No 6 on 21 February 1989, members of Parliament other than members of the majority party in the House of Assembly were invited to visit Mozambique in December 1988; if so, who; if not, why not?

B572E

The MINISTER OF DEFENCE:

The SA Defence Force did not arrange the visit and I, therefore, am not in a position to supply the information.

INTERPELLATION

The sign * indicates a translation. The sign † used subsequently in the same speech, indicates the original language.

Own Affairs:

Schools: management board elections

1. Mr A GERBER to ask the Minister of Education and Culture:†

Whether it is the view of his Department that management board elections at schools should take place on a party-political basis?

B582E.INT

*The MINISTER OF EDUCATION AND CULTURE: Mr Speaker, the hon member for Brits has asked me whether it is the view of my department that management board elections at schools should take place on a party-political basis. Of course the answer is no. It is not my department's standpoint that management board elections at schools should take place on a party-political basis. [Interjections.] The fact that this does sometimes happen must, however, be blamed on the CP. [Interjections.]

Initially, the CP claimed this as its policy by manipulating management board elections with a certain degree of success.

*Mr C B SCHOEMAN: What about roads boards and hospital boards? [Interjections.]

*Mr T LANGLEY: And what about Tattersall's? [Interjections.]

*Mr SPEAKER: Order!

*The MINISTER: It goes without saying that there was a reaction which further politicised those elections, and I regret that. Owing to the Government's policy of the devolution of power, management boards acquired certain legal powers. "Political" management boards—therefore management boards elected on the basis of

ESKOM TO AWARD R859,5m WORTH OF CONTRACTS

EDWARD WEST

ESKOM plans to award R859,5m worth of major contracts between 1989 and 1993, Eskom's Engineering group said in a supplier communique.

The money will be spent on civil engineering projects, plant life extensions, power station and transmission contracts and modification projects throughout SA.

The programme is based on the forecast electricity growth rate and could be altered at any time, the communique said.

The Tutuka, Lethabo, Matimba and Kendal power stations would be completed by the end of 1993, with the last station in the current generation of thermal plants, Majuba, planned for completion in 2020, a report in Engineering Week said.

Eskom has 2,5m potential customers in SA, with the strongest growth potential in the western and eastern Cape and Border areas. It also aims to supply electricity networks throughout southern Africa during the next 20 years.

Australian troops take up UN positions after arriving at Oshakati to monitor Swapo's withdrawal from Namibia to Angola. Picture: REUTER.

Mediator for lay-offs strike

B/Day 12/4/89

ALAN FINE

SIEMENS and the National Union of Metalworkers called in a mediator last night in an attempt to end a two-day-old strike over impending mass lay-offs.

At least 900 workers at six locations stopped work over the planned shedding of about 130 employees.

Siemens says the lay-offs are necessary because of a 35% cut, from R439m last year to R286m this year, in the P & T digital equipment budget.

Altech, whose STC subsidiary is the other major supplier of digital equipment to P & T, said its Boksburg factory workforce had been cut by about 300 for the same reason.

Altech group executive Jacques Sellschop said yesterday STC began months ago to let natural attrition reduce the workforce. Lay-offs were then negotiated with unions.

Siemens joint MD John Trotskie said he was "very disappointed" talks yesterday afternoon, in which the company indicated willingness to improve severance payments, had deadlocked.

He said the company could not accede to union demands that it should negotiate on the need for lay-offs.

Numsa negotiator Enoch Godongwana said Siemens's attitude to negotiating all issues related to lay-offs was the key issue in dispute.

SA council of the International Metalworkers' Federation secretary Brian Fredericks said Numsa's West German counterpart, I G Metall, had been asked to press Siemens's parent company into ensuring the dispute was resolved through negotiation.

Row over own affairs hospital

B/Day 12/4/89

DIANNA GAMES

THE decision to make one of the Reef's teaching hospitals an own affair hospital goes against government's plan to rationalise hospital services.

This was said yesterday by Cedric De Beer of Wits University's Centre for the Study of Health Policy.

De Beer said government, which recently made the JG Strijdom Hospital a white own affairs hospital, was thereby further entrenching apartheid and further fragmenting services instead of making them more cohesive to save costs.

An own affairs hospital falls under a specific house of the tricameral parliament.

The hospital's superintendent, Dr Idallette Coetzee, said she would not comment on the possibility of doctors from the Wits Medical School not being allowed to work at the hospital because it was now segregated. She confirmed, however, that the majority of the doctors working at the hospital were from the school.

Government legislation dictates that teaching hospitals should fall under general affairs, and therefore students from the university might now not be able to continue staffing the hospital.

National Medical and Dental Association (Namda) spokesman Dr Max Price said he would urge the university to refuse to allow its doctors to work in the hospital because of its commitment to the desegration of hospitals.

"If people want whites-only hospitals they must appreciate the consequences," he said.

OM funds show fine growth

Star 12/4/89

Finance Staff

Old Mutual's Investor's Fund declared a record distribution of 42,46c for the six months to March, bringing the total for the year to 78,41c.

Inflows from investors and the strength of the equity market resulted in a R274 million increase in the market value of the fund to R1,5 billion.

The fund is by far the largest in the unit trust industry.

The Mining Fund benefited from strength in the gold and mining counters, with the market value of the fund increasing by almost R30 million to R156 million.

Investor's Fund portfolio manager, Rowland Chute, says the March quarter saw the JSE industrial and all gold indices appreciate by 25,5 percent and 22,7 percent respectively.

"The industrial index was supported by very good dividend and earnings growth and the all gold index moved strongly, despite a decline in the dollar gold price and a flat rand gold price.

"The recent strong gains in both the industrial and gold markets seem to indicate that unless fundamentals improve, the recent period of strength could suffer a setback," he says.

Aberdare optimistic about 1989

BDay 14/4/89. (55)

TANIA LEVY

THE need for at least 500 000 low-cost housing units this year provides the Aberdare group with significant business opportunities, CE Peter Watt says in the annual report.

Aberdare — SA's leading cable manufacturer and supplier — has devoted extensive resources to developing cables for cost-effective reticulation for mass housing projects.

Watt views the current financial year with optimism, considering the group's considerable assets and perceived opportunities for 1989.

These include new product developments for the mining and data communication fields, potential for export into identified areas and the Mossel Bay project's future cable needs.

"Experience gained on the Mossgas offshore contract is the key to pending onshore contracts for power cable," says Watt.

The industrial instrumentation and control cable markets will be closely linked to capital projects such as Mossgas and Mossref, due to commence this year.

"Major refurbishment projects in the petrochemical industry are also underway, which will make this an extremely attractive sector over the next three years."

The SA post and telecommunication market is expected to increase compared with the past two year, he adds.

"With private contractors firmly established in the PABX market, the demand for indoor cables is expected to increase at a much faster rate than the SAPT market," Watt says.

Rises of 5c to 8c a litre in PWV area

Petrol up again from tomorrow

Star 14/4/89 . 55

Petrol, diesel and paraffin prices are to go up by between 5c and 8c a litre from midnight tonight, the National Energy Council announced today.

The biggest increase of 8c a litre is for 87 octane petrol in the PWV area, which will rocket from the present 101c to 109c a litre.

By Peter Fabricius, Political Correspondent

And 93 octane will rise from 105c to 112c a litre in the PWV area. The latest increase means the price of 93 octane petrol in the PWV area has increased by a massive 30c or 36 percent in seven months.

The announcement has immediately been greeted in opposition circles with the warning it would cause a price ripple through the economy.

The increase would spark a fresh round of price increases and boost the consumer price index, Mr Harry Schwarz the Democratic Party's finance spokesman said today.

"The problem is that the country has just had an increase in petrol prices to cover Government's tax requirements."

'Forgotten by polls'

He said if the last increase had been used to cover the increased price of oil rather than for tax, the present increase would not have been necessary.

"The real issue is whether there should be such a large excise duty on petrol when GST is already so high," he said.

"The consumer price index is definitely on the way up and it looks as though it will go higher.

"It will have very serious indirect consequences.

"It was being done so that by the time of the elections, people would have forgotten about it. "But it won't work that way as its effect on the inflation rate will take a while to be felt."

Besides the petrol price increase, the wholesale price of domestic illuminating paraffin for domestic users will increase by 6c in the PWV area and 5,3c a litre at the coast.

On September 1 the price of 93 octane rose from 82c to 95c and on Janauary 16 to 105c.

The wholesale diesel price will rise 11,9c in the PWV area and 11,3c on the coast.

The NEC said the increases were unavoidable because international crude oil prices had increased by more than 40 percent since September and the rand had dropped against the dollar.

Average petrol pump price increase is 6,2 percent.

The NEC said that, although the Equalisation Fund was still in credit, it had been decided to increase prices now to avoid a larger increase later.

The higher fuel transport costs, averaging 10 percent, which were introduced on April 1 had been financed by the Equalisation Fund but were now included in the present increase.

Transport costs had increased by an average of 10 percent and only applied to inland areas.

In the PWV area, the increase in transport costs was 0,7c a litre for petrol and illuminating paraffin, and 0,6c for diesel.

The increased fuel levy of 2,5c on diesel earmarked for April 1 would only become effective from April 15. The retail profit margin of retailers would increase by 0,3c a litre to 8,7c.

The NEC said the increases would still not wipe out the under-recoveries. For example, there was a shortfall of 3,542c a litre for 93 octane petrol.

Petrol price rise of 5c/l on the cards

RIAAN SMIT 55

GOVERNMENT is expected to announce a petrol price increase of more than 5c a litre today.

The increase follows the 10c a litre hike on January 16.

It was not immediately clear whether the price of diesel, which increased by the same margin as petrol in January, would also increase.

The expected announcement, earlier than thought — almost certainly to minimise voter backlash ahead of the general election later this year — means motorists on the Reef will now pay at least R1,10 a litre for 93 octane and R1,06 for 87 octane.

Apart from rectifying an equalisation fund under-recovery because of a sharp rise in the price of oil and the declining rand, the increase may also be aimed at cooling down the economy.

Finance Minister Barend du Plessis said recently the economy was not responding as was hoped to an increase in interest rates late last year.

In July 1970 high octane petrol cost 9,2c a litre. In June 1979 it cost 54,18c a litre. From January to March 1986 the price was R1,02 a litre.

It was reduced three times until it cost 82c a litre in July 1987. In September last year the petrol price was increased to 95c a litre.

Mossgas project 'a rip-off'

(55) 15/4/89 Star.

MALCOLM FOTHERGILL

THE R5 500 million Mossel Bay fuel-from-gas project is an economic disaster — "a rip-off from beginning to end" — that should never have been allowed to get off the ground.

So says Mr Mike Smith, a visiting associate at the University of the Witwatersrand, whose views are shared by other chemical engineers.

Mossgas, the company behind the project, admits its commercial viability might not look tempting to a private-enterprise company. But it says the project was undertaken not for commercial reasons but to help the country become self-sufficient in fuel.

Mossgas is owned 50 percent by the Government's Central Energy Fund, 30 percent by Gencor and 20 percent by the Industrial Development Corporation.

What Mr Smith and his colleagues say is that the Mossel Bay project:

- Will cost the taxpayer plenty.
- Can never be viable unless the world oil price rockets, which is highly unlikely.
- Will provide only a negligible amount of the country's fuel needs.
- Will create a negligible number of jobs.
- Has no strategic value.

'Many costs and few benefits'

Mr Smith calculates that fuel from the Mossel Bay project will cost about R1 a litre, against the price tag of about 40c a litre on refined fuels from the Middle East and elsewhere.

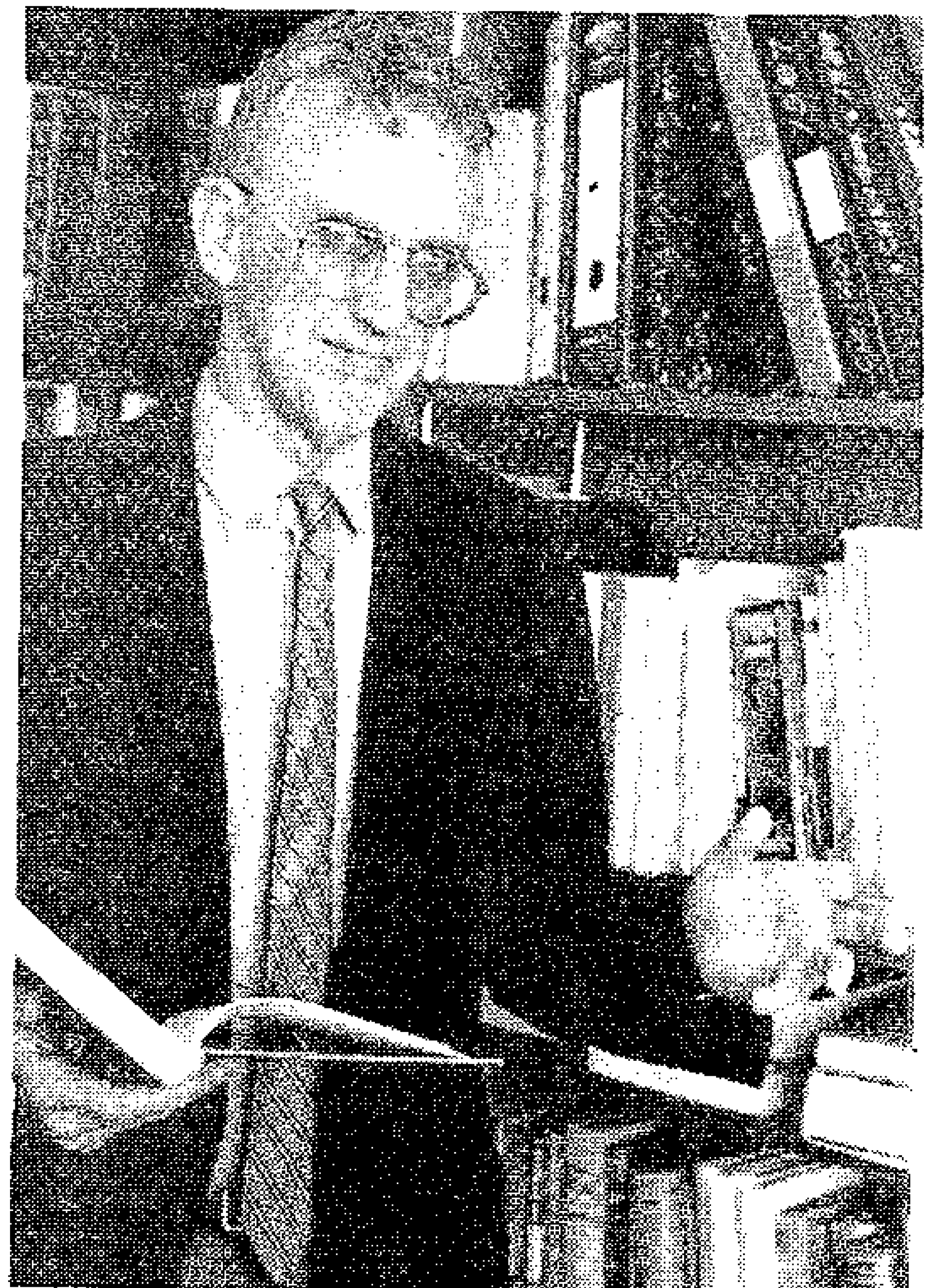
If his calculations are correct, a barrel of fuel from Mossel Bay will cost R160 (US$63).

The present world price is around $20.

If interest has to be paid on the R5 500 million, finance charges will account for a hefty proportion of the final price.

At an interest rate of five percent, the cost of borrowing the money will account for R30 of the price of each barrel of fuel from Mossel Bay.

At 15 percent the cost of the money — R825 million a year — will account for R100 a barrel.



MIKE SMITH: his views spark a controversy over South Africa's fuel-from-gas scheme.

Taxpayers will have to foot the bill, say experts

Nor will the high costs — all of which will have to be met by the taxpayer — be matched by any particular benefits to the country, says Mr Smith.

At full production, the Mossgas/Mossref project is expected to turn out 25 000 barrels a day — against an estimated national daily need of about 200 000.

And although 8 000 short-term jobs will be or have already been created, when the project is running it will need only about 1 000 skilled workers to keep it going.

"What we have at Mossel Bay is a project that will provide 1 000 jobs and 25 000 barrels of fuel a day for R5 500 million.

"Is that kind of spending justified?

"We could build a refinery to process crude oil for less than 20 percent of the cost of this project.

"Obviously, this is not comparing apples with apples. But the fact remains that, economically speaking, Mossel Bay looks sick."

For the project to make economic sense, says Mr Smith, the world oil price would have to rise sharply. But there is no sign it will do this in the foreseeable future.

On the strategic implications of the Mossel Bay project, Mr Smith says any platform 150km off the coast must be vulnerable to attack by an enemy.

"If South Africa were to be cut off effectively from the rest of the world, that would involve battleships off the coast.

"In that kind of situation, a drilling platform would be difficult to protect."

Self-sufficiency and sanctions

Mr Bob St Leger, the Mossgas projects director, says the cost of the project is reasonable in terms of the degree of self-sufficiency it will provide.

"Certainly, the cost per job is high — but so is it on many major projects.

"Ultimately the economy needs a mixture of labour-intensive and capital-intensive projects.

"One can argue the toss over whether the country should have a measure of self-sufficiency in fuels. South Africa believes it needs such a protection.

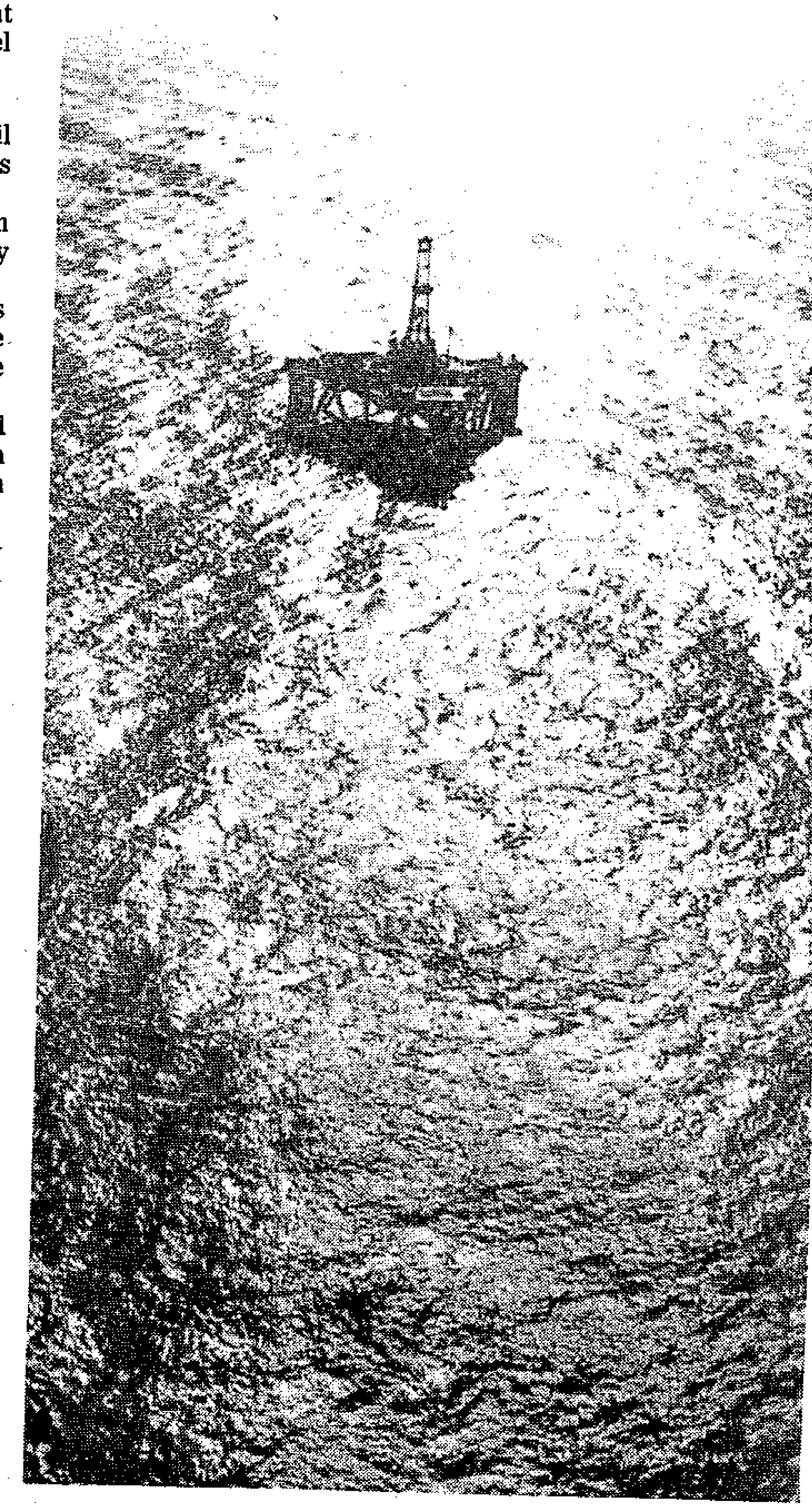
"Other countries, including the United States, also don't want to be wholly dependent on outside fuel supplies.

"I don't think the South African approach is an unreasonable one."

Sources in the petroleum industry agree. "The project makes little sense in terms of market forces," says a senior executive, "but whether the country needs such a thing as Mossgas is a subjective decision.

"It's not a question that boils down to rands and cents.

"One thing people tend to forget is that this country has been under an oil embargo since 1974."



FUEL-FROM-GAS: Will these platforms at sea invite enemy attack — or shield South Africa from economic aggression?

Garages make a killing from fuel hike

DURBAN — Windfall profits amounting to hundreds of thousands of rands were made by filling station owners when the price of petrol went up at the stroke of midnight last night.

Pick 'n Pay alone estimated it would make an instant profit of R25 000 from some 500 000 litres which it expected to have in its pumps for sale at the new price this morning.

Mr Alan Gardiner, non-foods director of Pick 'n Pay, said the profit would be used to finance a snap promotion on Monday in which discounts would be offered on products related to the motor trade.

But it is clear that many petrol station owners will gladly pocket the unexpected windfall for themselves.

An owner, who did not want to be named, said the profits were "part and parcel of the overall profits that we expect to make out of this business".

Mr Ken Hall, chairman of Supertrans Holdings, slammed the increases as being "ridiculous".

"The Government should have looked elsewhere for the funds instead of hitting the transport industry again," he said. "We get hammered every few months with fuel price increases."

Said Mr Gardiner: "We think the Government's fuel policy has been totally unreasonable. What right do they have to dictate the amount of profit we make? And why should we be one of the only countries in the world where petrol cannot be discounted?

"We strongly believe they should deregulate the situation and allow us to sell at whatever price we would like to.

"It seems ridiculous to protect the many filling stations that spring up on every street corner."

The Federation of Salaried Staff Associations of South Africa (Fedsal), which represents about 160 000 workers in the banking, building society, mining, motor, steel, petro-chemical and industries, was also shocked by the fue)l increase.

The federation expressed an understanding for the increase of seven cents a litre on 93 octane petrol, eight cents a litre on 87 octane perol and 11,7 cents a litre on diesel, due to the increased price of crude oil and the deterioration of the value of the rand against the dollar.

But it questioned the 35,9 cent a litre fuel customs and excise tax that is still being levied from the motorist.

"If some of our money is being diverted to pay civil servants' salaries and the losses of the TBVC states, what other government excesses are bring covered up in this manner?" Fedsal asked.

In its reaction to the increase in the petrol price, the Federated Chamber of Industries said it was concerned that in the last eight months fuel had increased more than 35 percent of which 10 percent had been in fuel tax.

The chamber's executive director, Mr Ron Haywood, added that while it was understandable that the price of petrol had to be increased due to the rand exchange rate, this was going to be very inflationary.

Of futher concern, was that the latest increase was still insufficient to cover the costs of fuel in South Africa.

The Motor Industries' Federation has also expressed shock at the increases.

Mr Alex Hawes, president of the Federation, said he also appreciated that a price adjustment was unavoidable becaus of the deterioration of the valu of the rand against the dolla and increases in the internation al prices of crude oil.

However, he could not understand why the Minister of Finance had still seen fit to impose an additional fuel tax of 1: cents between last Septembei and this January.

"In a country with a geographical composition such as South Africa, transportation costs constitute a substantial component in the price structure of all commodities, and one could expect the already unacceptable inflation rate will be further fuelled as a result. — Saturday Star Correspondent, Sapa.

Another petrol shock on way

18/4/89 Citizen

By Don Robertson

YESTERDAY'S increase in the price of petrol and diesel fuel is insufficient to meet the cost of importing and processing oil.

Another price rise can be expected in the next few months.

The National Energy Council (NEC) says that in the case of 93 octane petrol, the latest price rise is 3,542c/l short of production and processing costs.

The shortfall will be covered by the equalisation fund, which still has a surplus.

Petrol prices were lifted by 7c/l for 93 octane on the coast and on the Reef and by 5c/l for 97 octane at the coast. Petrol with an 87 octane rating was increased by 8c/l on the Reef.

The price of diesel was increased by 11,3c/l at the coast and 11,9c/l on the Reef, but for use in operations such as forestry, agriculture and mining, the price rise is 8,8c/l at the coast and 9,4c/l on the Reef.

Economists, farmers and the transport industry have reacted with anger and frustration at the increases. They say costly fuel will add an immediate half a percentage point to the inflation rate.

Kobus Jooste, president of the SA Agricultural Union, says higher fuel prices will add about R450-million a year to farmers' costs, reducing profit margins.

He says that in the past nine months, the price of diesel has risen by 60,9%.

The higher fuel prices will mean an additional cost of about R130-million to road hauliers, says Hugh Sutherland, technical director of the Public Carrierrs Association (PCA).

The NEC says that because of the 40% rise in the price of crude oil since September and a continuing decline in the rand, the increase was necessary.

It has been decided to increase prices now to avoid a larger burden later.

Latest fuel price hike will worsen inflation

MARC HASENFUSS

ASSOCOM president Syd Matus said the fuel price rise would have further serious inflationary consequences for SA.

He said the fuel price rise came at a time when the latest production price increase showed a sharp rise, which would inevitably be reflected in the consumer price index.

The price of 87 and 93 octane petrol for Reef consumers increased 5c and 8c/*l* respectively, while the price for 97 octane petrol and diesel increased 7c and 11,9 c/*l*.

Matus said Assocom acknowledged that cost factors were in the main responsible for the price increase, but the rise came just 12 weeks after the price of fuel was raised more than 10% for tax purposes.

He added that Assocom was not convinced that by comparative world standards the price of fuel in SA was too low.

FCI executive director Ron Haywood felt the recent comparisons of fuel prices in SA with, especially, Europe, were inappropriate.

Insufficient

Haywood said considering SA's geographical structure differed substantially from that in European countries, and coupling that with the lack of public transport and dependence of the Third World component of the SA economy on the availibility of liquid fuel, the transport sector should not be expected to bear such a high portion of taxation in SA.

The FCI believed the new increased fuel price was insufficient to cover the full cost of fuel in SA, and smaller, more regular fuel price adjustments were required. It urged government to investigate a streamlined process of price adjustments related to exchange rate variations and fluctuation in the crude oil price.

Bungling

Cosumer Council director Jan Cronje said a further increase in fuel prices in the near future could not be excluded.

a CP spokesman for economic affairs said SA's consumers were once again being called on to pay the price for National Party bungling.

He said overseas reports indicated that SA produced more than 80% of its own fuel.

"How much longer will consumers allow government to hoodwink them by linking increases on locally-produced fuel prices to world crude oil prices and the weak rand exchange rate, as if we were importing all our fuel from overseas?"

Nafcoc public affairs manager Gabriel Mokgoko said the hardest hit by fuel price hikes would be blacks.

He said the increase was going to cause rumblings as it would affect the costs of day-to-day essentials and its consequences would be "disastrous."

Sowetan 17/4/89 · 55

Township anger over power switch-off at night

By Stan Hlophe and Matsube Mfoloe

A row has erupted between the Soweto residents, shopkeepers, and the city council over the power cuts in the township.

The residents say:

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A Protea resident, Mr Matthews Ngali, said it was common knowledge that the electricity supply was switched off in the middle of the night, particularly at weekends.

"We are very much inconvenienced by the sudden switch off. We have to run around in the middle of the night looking for candles and paraffin to bring some light in our homes.

"I don't have to mention the food stored in the refrigerator which has to be thrown away after becoming spoiled."

The manager of Phiri Supermarket, Mr Oupa Mtshapo, said that his butchery business was counting the losses and he was never warned about the electricity cuts.

Mr Themba Mbatha of Chiawelo said: "Why on the weekends in particular? They do it because they know one might be having a party or even worse a night vigil."

A supermarket owner in Phiri, Mr Sandile Motjale, said his business was severely affected. "You can just imagine what would happen if light goes off with about a hundred customers inside," he said.

Miss Priscilla Magope of Phiri said: "This will be interpreted by the residents as a move by the council to break the rent boycott. All the good work being done by the council will become fruitless."

In Mapetla, there was no business on Friday and Saturday morning for Mr Themba Khumalo, an assistant manager of Mapetla Garage. "It is high time that we are notified on time," he said angily. He said taxis, which were the main supporters of his business, had to be turned back at his garage during peak-hour.

An electricity department spokesman says:

"We don't have power cuts. What happened is that the five areas in Soweto were temporarily cut off because of an automatic failure in the substation which fed two power-lines.

"The substation feeds the whole area and some time last month there was a blow up from certain parts of electricity system. We don't know what was the cause.

It would take about two months to get replacement equipment from overseas.

"However, that does not mean the residents of the affected areas will be without power for two months."

Electricity debit card to be introduced

SIPHO NGCOBO

A LOCALLY developed electrical device — which will enable householders to draw their electricity by means of a debit card — will soon be introduced, mainly in black areas where service fee arrears have become a major problem.

Cameron McKenzie, of Plessey Advanced Systems which is involved in the project called Budget Energy Controller Suppliers Association (Becsa), said the unit was known as the budget energy controller (BEC) and it consisted of a prepayment electrical meter, an earth leakage and an over-current device.

He said: "After the investment of millions of rands in development during the last 18 months, the final specifications for this device are being drawn up. The householder makes payment in advance with the value encoded on a card."

The BEC was activated by the insertion of the card and the power used was then decremented against the value that had been loaded into the meter.

3/6/89 (55)

Star 18/4/89 (55)

Frankipile gets Mossgas contract

The piling contract, worth more than R2,5 million, for the Mossgas refinery has been awarded to Frankipile.

It involves the installation of about 1 300 piles of 410 mm and 520 mm in diameter. These will be pre-drilled Franki-driven cast-in-situ piles and all piles will be founded on rock at depths varying from 3 m to 15 m.

Frankipile's quality assurance programme, which has been developed over many years with major clients such as Eskom, met the stringent requirements of the contract documents. The programme is a formalised system to ensure the required standards of quality are achieved on site.

The company is contracted to Bateman, Davy Engineering who are the project managers for the refinery.

MOSSGAS FUELLING MINI-BOOM

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PORT Elizabeth, with contracts from the multi-billion-rand Mossgas project flowing into the order books of contractors and industrialists, is having a mini-boom.

"The outlook is exciting. We expect business worth millions of rands over the next few years," says Port Elizabeth development officer Andre Crous.

Flowing from the impact of Mossgas, industrialists will benefit from the steadily growing skills pool created by the Eastern Cape Training Centre which has already trained 1 850 skilled and semi-skilled workers.

"It is not only training people for Mossgas, but cooks, computer operators, storemen, mechanics and other skills are developed at this in-service training centre for all races," adds Crous.

Crous says PE's industrial base has been considerably broadened since the days that its main driving force was the motor industry.

"Components manufacture, which includes chemicals, glass, rubber, paint and materials, have added to our industrial base."

Ford moved to the Transvaal but Delta, Volkswagen and Ford's engine plant still represent investments totalling billions of rands and create employment for about 10 000 workers in the motor industry.

PE is also SA's tyre capital, with Firestone, General, Goodyear and Continental all there. Pilkington Glass provides the windows.

Other industries include Lennon's and Maybakers' medicine factories, foundries and many others.

"Over the past three to four months we have seen tremendous interest and physical sales of industrial property to hauliers preparing for the Mossgas boom. We expect this boom to continue over the next two years, even if the rest of the economy should cool down," adds Crous.

PE is also having a shortfall in housing with scope for building contractors.

As the main wool export harbour and wool auction centre it also gets large spinoffs from the wool industry. A new R26m wool beneficiation plant is being negotiated.

PE offers relocating industrialists a 40% interest and/or rental subsidy, while a 60% subsidy is available for the transport of goods to the rest of SA.

Govt to reconsider decision on fuel rebate amendment

Own Correspondent

DURBAN — Government has hastily reconsidered its decision to introduce a controversial amendment to the fuel rebate system, it was learned at the weekend.

The amendment, introduced without any prior consulation with affected parties, effectively disqualified commercial transport operators from being able to recover a 21,1c/l rebate when transporting agricultural or forestry products.

Although it was gazetted last week, economists from the Public Carriers Association and the SA Cane Growers' Association only "stumbled" across the amendment two days ago — immediately sending shock-waves through the transport industry and sparking queries to government departments.

The PCA predicted it would result in transport costs rocketing by between 7,5% and 15% — which could in turn be passed on to consumers of agricultural and forestry products.

However, Customs and Excise Commissioner Dan Colesky said last night the amendment would be reconsidered.

He confirmed there had not been a prior consultation with affected parties, but said this was "normally the case if duties are amended".

He said the matter would now be reconsidered.

He said one of the reasons for the amendment was that the fuel rebate system was open to abuse by the transport industry.

If transporters entered into a contract which entitled them to the rebate, it was theoretically possible for them to carry agricultural goods in one direction, and then goods of a totally different category on the return trip.

☐ Before government's decision was known, Eduardo Garcia, chief executive of Unitrans and former director of the PCA, called for a moratorium.

"This amendment — which has major implications — has been introduced without any prior consultation, and displays utter contempt for the interests of the public," he said.

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Bday 24/4/89

Companies under compulsory liquidation

268. Mr H H SCHWARZ asked the Minister of Justice:

How many companies were placed under compulsory liquidation in the area of each Master of the Supreme Court in 1988?

B587E

The MINISTER OF JUSTICE:

Transvaal	626
Cape of Good Hope	130
Natal	148
Orange Free State	47
Northern Cape	15
Eastern Cape	35

Persons declared bankrupt

269. Mr H H SCHWARZ asked the Minister of Justice:

How many persons were declared bankrupt in each Division of the Supreme Court in 1988?

B588E

The MINISTER OF JUSTICE:

Transvaal	1 660
Cape of Good Hope	291
Natal	242
Orange Free State	266
Northern Cape	56
Eastern Cape	146

SADF: persons in detention

278. Mr R R HULLEY asked the Minister of Defence:

(a) How many persons were in detention in each detention centre of the South African Defence Force as at (i) 31 December 1988 and (ii) the latest specified date for which information is available and (b) for what offences was each of them in detention as at those dates?

B598E

The MINISTER OF DEFENCE:

(a)

	(i) On 31 December 1988	(ii) On 10 April 1989
Witwatersrand Command Detention Barracks	61	43
Western Province Command Detention Barracks	3	6
Orange Free State Command Detention Barracks	9	13
Walvis Bay Detention Barracks	51	2
King's Rest Detention Barracks	1	4
Total	125	68

(b)

	On 31 December 1988	On 10 April 1989
Contravention of Section 14 MDC (Absence without leave and non-attendance where required to attend)	106	51
Contravention of Section 21 MDC (Offences in relation to the acquisition or disposal of public property)	1	—
Contravention of Section 16 MDC (Assaulting or ill-treating subordinate)	1	—
Contravention of Section 22 MDC (Causing or allowing a vessel or aircraft to be hazarded)	2	—
Contravention of Section 25 MDC (Negligently or wilfully causing damage to or destruction of public property)	1	1
Contravention of Section 27 MDC (Using or taking article issued or under control of another person)	2	—
Contravention of Section 12 MDC (Dereliction of duty by sentry, watchkeeper, etc)	1	—
Contravention of Section 15 MDC (Assaulting superior officer)	4	2
Contravention of Section 20 MDC (Theft of public property or property belonging to a comrade, mess, etc)	2	7
Contravention of Section 33 MDC (Drunkenness)	3	—
Contravention of Section 17 MDC (Using threatening, insubordinate or insulting language)	1	—
Contravention of Section 13 MDC (Desertion)	—	1
Contravention of Section 18 MDC (Malingering, feigning or producing disease, maiming, etc)	—	3
Contravention of Section 19 MDC (Disobeying lawful commands or orders)	—	2
Contravention of Section 28 MDC (Offences in relation to the driving of vehicles—	—	1
Common law offence of theft	1	—

RSA: export of petrol to African countries

334. Mr J R DE VILLE asked the Minister of Economic Affairs and Technology:

(1) Whether South Africa exports petrol to any African countries; if so,(a) to what countries and (b) at what price per litre in each case;

(2) whether his Department is kept informed of the retail selling price of petrol in these countries; if so, what price is charged per litre in each of them?

B686E

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

(1) Yes.

(a) and (b)

South Africa supplies petrol within the Customs Union to the ECOSA- and BLS-States which is technically not regarded as exports. The South African oil companies also export petrol to other countries subject to the following conditions, namely that:

(i) no financial support by the Equalization Fund is applicable on such exports;

(ii) any such export would not detrimentally affect the supply situation of the RSA; and

(iii) a foreign exchange profit is realised.

Exports of petroleum products increase the capacity utilization of the South African oil refineries which is to the benefit of South African fuel users.

(2) In respect of South West Africa and the ECOSA- and BLS-States, the prices are determined on the same basis as those for South Africa and differ only due to different levels of levies and transport costs. The prices in these countries are as follows with comparable zone prices, where applicable, in the RSA:

	Pump Price	Location	Price Zone	Comparable RSA Price
SWA				
Petrol: 93 Octane	104 c/ℓ	Walvis bay	1A	103 c/ℓ
Diesel	102 c/ℓ	Walvis bay	1A	102 c/ℓ
Petrol: 93 Octane	110 c/ℓ	Windhoek	10A	109 c/ℓ
Diesel	107 c/ℓ	Windhoek	10A	107 c/ℓ
Transkei				
Petrol: 93 Octane	109 c/ℓ	Umtata	9A	109 c/ℓ
Diesel	107 c/ℓ	Umtata	9A	107 c/ℓ
Bophuthatswana				
Petrol: 93 Octane	112 c/ℓ	Mmabatho	17A	112 c/ℓ
Diesel	111 c/ℓ	Mmabatho	17A	111 c/ℓ
Venda				
Petrol: 93 Octane	116 c/ℓ	Thohoyondo	18A	116 c/ℓ
Diesel	112 c/ℓ	Thohoyondo	18A	112 c/ℓ

Ciskei				
Petrol: 93 Octane	105 c/ℓ	Bisho	3A	105 c/ℓ
Diesel	104 c/ℓ	Bisho	3A	104 c/ℓ
Lesotho				
Petrol: 93 Octane	100 l/ℓ	Maseru	14A	112 c/ℓ
Diesel	92 l/ℓ	Maseru	14A	109 c/ℓ
Botswana				
Petrol: 93 Octane	78,2 t/ℓ	Gaberone	—	—
Diesel	72,9 t/ℓ	Gaberone	—	—
Swaziland				
Petrol: 93 Octane	93 c/ℓ	Mbabane	—	—
Diesel	91 c/ℓ	Mbabane	—	—

The selling prices in other countries are not reduced on a continuous basis.

HOUSE OF ASSEMBLY

QUESTIONS

† Indicates translated version.

For written reply:

General Affairs:

Luganda community: removal of certain members

238. Mr R M BURROWS asked the Minister of Constitutional Development and Planning:

(1) Whether it is the intention to remove any members of the Luganda community living on Lot 6533, Pinetown; if so,

(2) whether he, the Administrator of Natal, the Head: Community Services Office or any other officials have received correspondence pertaining to these impending removals; if so, (a) when was this correspondence received, and (b) (i) what response was given to the correspondents and (ii) when was it given, in each case;

(3) whether any solution has been proposed for the equitable settlement of the Luganda-community; if so, what solution?
B543E

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

This matter vests in the Administrator of Natal. Since I also received correspondence in this regard this information was compiled in consultation with him:

(1) No, not by the Government. The landowner however intends removing the people from the land on the strength of a court order obtained previously.

(2) Yes.

(a) I received three letters, one dated 20 March 1988 from a Mr Mthembu, Secretary: Luganda Residents Association and two from the Honourable Member dated 19 April 1988 and 8 November 1988, whilst the Deputy Minister of Constitutional Development and Planning received one letter dated 1 February 1989 from the Honourable Member. The Office of the Provincial Secretary: Natal also received two letters from the Honourable Member, one dated 27 December 1988 and the other dated 1 February 1989.

(b) (i) The replies to all the correspondence have been sent to the Honourable Member—he is therefore already aware of the nature of the replies.

(ii) The Deputy Minister of Constitutional Development and Planning replied on my behalf to Mr Mthembu on 22 August 1988 and to the Honourable Member on 19 December 1988. A copy of the letter to Mr Mthembu was sent to the Honourable Member. The Administrator of Natal on 17 March 1989 replied to the Honourable Member's letter of 1 February 1989.

The Provincial Secretary's office on 17 January 1989 replied to the Honourable Member's letter of 27 December 1988 whilst the letter of 1 February 1989 to the Provincial Secretary's office was merely one of information.

(3) Yes, land has been indentified to which the persons facing eviction and who approach the Natal Provincial Government could move with a view to obtaining permanent residence. The Natal Provincial Government however will not involve itself in the removal of the people from Lot 6533, Pinetown.

99-year leasehold scheme

260. Mr J J WALSH asked the Minister of Constitutional Development and Planning:

(a) How many persons in each specified office for community services area applied in 1988 for (i) leases in terms of the 99-year leasehold scheme and (ii) leave to purchase property

Govt reverses decision on diesel concessions

BlDay 27/4/89. (55)

CAPE TOWN — Government has bowed to pressure from transport contractors and has decided to re-instate certain concessions it withdrew from them only weeks ago.

Deputy Finance Minister Org Marais said yesterday government had decided that transport contractors who conveyed agricultural products would be allowed to apply for a partial refund of the excise duty and fuel levy on diesel.

It announced only weeks ago that, from April 15, contractors would no longer be entitled to claim the partial refund.

Marais said, after numerous representations, it had been decided to reinstate the refund of 18,6c/l in its entirety, retrospective to April 15.

MIKE ROBERTSON

The deputy minister said refunds to farmers in respect of diesel used for production purposes remained unchanged.

Marais said that, in addition to re-instating the partial refunds, he was also appointing a committee to investigate the granting of concessions to transport contractors who conveyed agricultural products.

Mistake

This was because concessions had been misused in some cases and had resulted, to a certain extent, in unfair competition in the transport industry.

Asked why government had changed its mind less than two weeks after removing the concessions, Customs and Excise Commissioner D J Colesky said the department realised it had made a mistake in taking action without consulting with interested parties.

However, the problems which had caused the department to act in the first place would now continue.

He said some contractors were carrying agricultural products on one leg of a journey and other products on the return leg and were claiming concessions for both legs. This gave them an unfair advantage over their competitors who did not qualify for the concessions.

He said it was hoped the committee would be able to come up with a solution to this problem.

FINANCE

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Uncertain oil prospects affect sentiment on gold

EDWARD WEST

UNCERTAINTY over the future of the oil price is dominating bearish sentiment on the gold price.

Disbelief that oil will maintain its recent bull trend and disbelief that inflation will continue to increase is reinforcing bearish sentiment in gold.

This is the view of stockbrokers V H Simmons and Co who feel the gold share market is undervalued.

Growing inflationary pressure has dissuaded investors from moving into precious metals, leaving the near-term focus for prospective gold-buyers on oil.

Increased oil prices generally exacerbate inflationary pressure, causing gold and oil prices to move in tandem.

Although the oil price has advanced about 25% in the past six months, stockbrokers remain sceptical of the ability of oil to remain in the $15 and $17 range.

This is why gold has not moved in tandem with oil and broken through the psychological $400 barrier, they say.

Bull run

The oil price has been falling for the past eight years, from $33 in 1981 to early 1986 when it plummeted from just under $30 to below $10 in seven months. It then rallied to $20 in mid-1987. Since then it has remained weak.

V H Simmonds' analysts feel the bear market in the oil price bottomed out in mid-1986 and then entered a long bull run.

A strong oil price in a market filled with bearish sentiment has indicated that oil buyers prepared to pay current prices for oil know something many others do not, say the brokers.

When investors discover the inflationary implications of such a development they will bring the gold price up in line with the oil price, they say.

The Far East, anticipating such a scenario, has been a consistent buyer of precious metals.

However, commodity and financial futures brokers, Holcom Futures, argue that oil prices are unlikely to retain current high levels, in spite of favourable fundamentals.

Holcom Futures director Charles Johnston said yesterday investors and fund managers needed to see a marked rise in the US consumer price index before they would be convinced gold would provide a suitable hedge against inflation.

TMI acquires form-guide Computaform

Second thoughts on rebate

CAPE TOWN — The diesel rebate of 18,6c/*l* for transport contractors carrying farm and forestry products will be restored retroactively to April 15 when it was stopped.

Deputy Finance Minister Org Marais said yesterday the concession had led to misuse so a committee headed by Deputy Director General of Finance A M Pretorius would investigate the matter. 5.5

Marais said many representations had been made because of the diesel rebate being taken away but the additional 2,5c/*l* levy on heavy vehicles would not be refunded. B/Day 28/4/89

Representations to the Committee Concerning Agricultural Transport can be made before May 30 at Private Bag X47, Pretoria 0001. — Sapa.

Diesel rebate is restored

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CAPE TOWN — The diesel rebate of 18,6c/litre for transport contractors carrying agricultural and forestry products on behalf of farmers and foresters is to be restored retroactive to April 15, Deputy Minister of Finance Dr Org Marais said yesterday.

The additional 2,5c/litre on diesel collected as part of the levy on heavy vehicles would not be refunded, and refunds to farmers for production and transport diesel for their own products would remain unchanged.

Star 22/4/89

As the rebate had led to misuse, a committee would be appointed to investigate the matter, Mr Marais added. — Sapa.

SWITCHED ON!

W/E Argus 29/4/89

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by VIVIEN HORLER
Weekend Argus Reporter

Space-age scheme can bring rural life out of darkness

SUN power may be the answer for isolated communities in the Eastern Cape where people have rarely seen a television programme and children study by candlelight.

The Rotary Club of Port Elizabeth has launched a fund-raising drive to finance a project to provide electric power for fluorescent lights and television sets at schools in areas remote from the Eskom grid.

According to a spokesman for the Department of Education and Training in Port Elizabeth, about 500 farm schools in the area have no electricity.

Rotary spokesman Jock Omond said: "We want to provide a system of solar power electricity plus a black and white television set for as many rural black primary schools in the area as funds permit. Each package will cost about R3 000."

Operate a television

The solar unit consists of a solar or photo-voltaic panel, which is attached to the roof of the school and connected via a regulator to a battery.

The units Rotary want to buy could power two fluorescent lights and also provide enough power to operate a 66cm television set for two hours a night, four to five nights a week. It would not be powerful enough for cooking or heating.

"The lights mean teachers could work at school at night preparing their next day's work and pupils could do their homework by electric light rather than by candle or lamplight," said Mr Omond.

"Adult literacy and numeracy classes could be held, and teachers could study in the classrooms to improve their qualifications.

"Television would broaden the horizons of isolated communities, and make available the wonderful opportunities of electronic audio-visual learning."

Light for 300 schools

The Energy Research Institute at the University of Cape Town was recently involved in a similar project in Bophuthatswana, and Dr Anton Eberhard said it had "worked brilliantly".

About 300 schools were provided with lights, imported low-power black and white television sets and video recorders. The BophuthaTswana government paid the initial cost and will be repaid over time by the local communities.

"Photo-voltaic panels are completely different from solar water heaters," said Dr Eberhard. "Sunlight strikes a semi-conductor and this generates electricity which is stored in a battery.

"For this project we obtained the solar radiation data for the sites, and calculated that the sun would not fail for more than three days in 10 years. The batteries can easily cope."

Photo-voltaics is space-age technology initially developed to power satellites. It is only in the past 10 years the technology has found terrestrial applications. It's come into its own in areas where the Eskom grid doesn't reach and alternative power, through petrol or diesel-driven generators, is expensive.

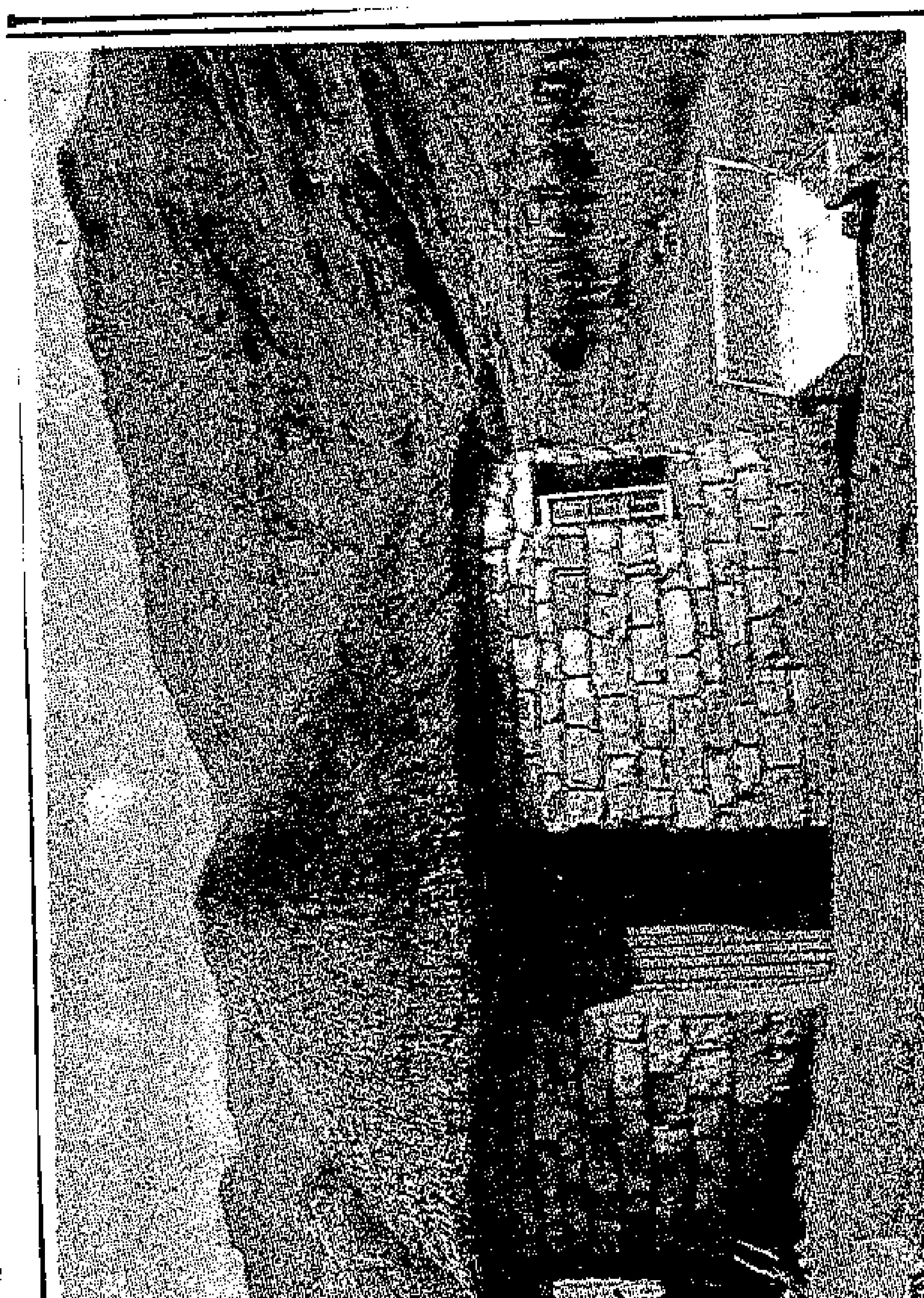
"This type of power production is expensive initially when you have to buy your unit, but after that it's free, other than that the battery has to be replaced from time to time. The panel itself can easily last 20 to 30 years with no maintenance," he said.

Cheaper form of electricity

"There has been a great deal of international research and development in this form of power, with the result that costs have been coming down dramatically and will continue to do so, while petrol and diesel-driven power generation is likely to get more expensive as the price of oil rises.

"For example in the early '70s a solar panel cost about R2 200 per peak watt while today it's about R9."

Dr Eberhard said his institute had researched other applications for photo-voltaic power, including a project in Kwazulu where it was used for pumping water in vegetable gardening.



A remote hut in the mountains of Lesotho with the photo-voltaic panel that provides the power for electric light.

Mobil SA faces a shotgun marriage

S Times 55 30/4/89

THE future of nearly 3 000 Mobil SA employees is in the balance after Gencor's huge coup in taking control of their company.

Gencor has yet to decide whether Mobil will continue on its own or be merged with its subsidiary, Trek Petroleum.

By David Carte

Gencor director in charge of energy Bernard Smith said his company had the right to use the Mobil name "for the medium term", suggesting three to five years.

"But I have to confess we don't know yet whether there is a marketing advantage in keeping the two companies separate or putting them together."

If Mobil is put into Trek, the latter will be transformed from the smallest to by far the biggest fuel seller in SA. Its outlets will quadruple in number from 366 to 1 509.

In anticipation of a juicy deal, Trek's share price has risen 80% to more than 1 800c in the past month.

Mobil employees are not likely to welcome what they would see as a shotgun marriage. But they may be appeased if they are put in control of the merged companies.

Refinery

Ranking fifth in the latest Fortune list of the 500 largest US industrial companies, Mobil was the biggest US company still in SA.

After 92 years in SA, Mobil has 1 143 petrol stations, its own refinery in Durban as well as 47% of the southern African Oil Refinery. Mobil employs 2 800 in SA.

Mobil has been in the forefront of companies agitating for socio-political reform in SA. It was one of the first signatories to the Sullivan Principles.

It has been an affirmative action employer. It set up the R40-million Mobil Foundation and spent R1-million a year trying to improve black education.

Mobil was a major donor to Build a Better Society, which runs the Pegasus centre in Cape Town helping 18 000 under-privileged people in SA. Nearly 20% of Mobil's petrol stations are operated by blacks.

Gencor has a hard-nosed approach to business. When Carlton Paper of the US withdrew two years ago, Gencor subsidiary, Malbak, cut back sharply on staff and social responsibility programmes.

But Gencor has undertaken to continue present employment practices and to honour arrangements with the Chemical Workers' Industrial Union. The Mobil Foundation has had its funding extended to 1994.

Provided it can settle cultural differences, Mobil's disinvestment will be a major triumph for Gencor.

It has acquired one of the Big Five fuel distributors at a large discount. Mr Smith said Gencor initiated the deal.

Washington sources say Mobil will receive "50 cents in the dollar". Mobil says its investment in SA is about $400-million.

Analysts in SA say the cost to Gencor will be about R600-million, which means Mobil will receive about $150-million through the financial rand.

Gencor has performed outstandingly in the past two years. Last week it reported a 55% earnings leap to R456-million in the six months to February.

Mr Smith confirmed that energy is a top investment priority for Gencor. Last year it paid R30-million for the right to acquire more than 50% of the Mosgas scheme. It is managing construction of the project.

Gencor is putting the finishing touches to a proposal to the Cabinet advocating a R2-billion oil-from-torbanite scheme. It also has 8% of the Alba oil field in the North Sea.

BERNARD SMITH

For those at Mobil who resisted the disinvestment lobby, the withdrawal is a stunning defeat.

In a social responsibility report last year, the chairman of Mobil SA, Georges Racine said: "Mobil will not disinvest from SA." The document gave strong reasons for staying in SA.

But the Rangel Amendment, which prevented tax paid in SA from being recognised by the US Internal Revenue Service, is reported to have been the last straw.

It is thought Mobil will be able to claim more than $150-million in tax relief because of its loss in selling to SA.

Mr Smith said financing arrangements are still being considered. Gencor was lightly borrowed last annual report.

Net debt after dividends would have been R474-million, against equity of more than R8-billion.

A stock broker reported that Gencor has already concluded 60% of financial rands sales necessary for the deal.

Caltex managing director Jock McKenzie said Caltex was sorry Mobil was going.

He acknowledged that pressure would intensify on Chevron and Texaco, which hold 50% each of Caltex's parent in Dallas. Shell, BP and Total would not comment.

Mobil's withdrawal means that not one of Fortune magazine's top 10 US industrial companies are left in SA.

Some US giants which have withdrawn in the past four or five years are: General Motors, Exxon, Ford, IBM, General Electric, Citicorp, Xerox, Pepsico, Coca-Cola, Unisys, Motorola and Merck.

The other big multinationals still in SA are Total, Colgate-Palmolive, Unilever, Johnson & Johnson, Philips and Nestle.

Watt putting some spark into dull Powertech

By David Carte

POWERTECH, for years the Cinderella of Bill Venter's Altron empire, emerges as the belle of the ball in the year to February with a 58% earnings jump.

Powertech's managing director Peter Watt is Cinderella's prince or fairy godmother.

He arranged and oversaw two happy marriages behind the sensational numbers — that of heavy electrical groups, Brown Boveri and Asea and before that of Abertech in electronics and computers respectively.

Then came the cable merger three years ago, the appointment of Mr Watt two years ago and the Brown Boveri merger a year ago. Now Powertech is outstripping its better fancied sisters.

The latest results in a nutshell: turnover soared 42% to R853,6-million and pre-tax

Mr Watt says cutbacks on new power stations will start to be felt only from 1992.

The major rationalisation benefits have already accrued but there are more to come.

"Some lines are more profitable than others, so we'll

as big, if not bigger than Chloride's. Margins can be improved in the replacement market if demand from motor makers cools.

With demand for interior, exterior and security lighting booming, Lascon Lighting has come into focus lately.

Mr Watt said top priority lately has been to get Brown Boveri and Asea happily

equity of nearly R240-million. Mr Watt has an aversion to debt, hence higher dividend cover.

At 210c, the share is at a 69% premium to published net assets but it is less than 10 times these earnings and yields 3,1%, so it cannot be called expensive.

Cheers to

Mobil to continue 'as separate entity'

BDay 2/5/89 (55)

MOBIL Oil would continue to operate as a separate entity within the Gencor group and would play an important part in Gencor's extension into energy-related projects, Gencor executive director and energy division chief Bernard Smith said.

He said Mobil would compete with Gencor's Trek Beleggings in the market. It would keep its name "in the medium term".

● SMITH

The Mobil Corporation of the US confirmed on Friday it would sell off its southern African interests to Gencor for an undisclosed sum.

Mobil would operate as it had been, "doing what it does best". There were no plans for rationalisation or change, but Gencor would add some members to the Mobil directorate.

Smith said the acquisition would have an important impact on Gencor earnings a share. A Mobil JSE listing was possible, but issues had not yet been clarified.

Being part of Gencor would provide the Mobil organisation and staff members with many growth opportunities.

The sale is expected to be completed by the end of June and is subject to a formal agreement being drawn up and government approval where necessary.

ZILLA EFRAT

Mobil Corporation chairman Allen Murray has cited business considerations, including the impact of recently enacted and proposed US legislation and regulations, as the major motivation for the sale.

The deal involves 12 Mobil-affiliated companies and the retail and commercial petroleum marketing networks operated by Mobil in SA, Namibia, Botswana, Swaziland, Lesotho, Transkei, Bophuthatswana, Venda and Ciskei.

The sale price has not been disclosed, but Mobil says it exceeds the local book value of the companies, estimated at $400m.

Mobil Southern African chairman and MD Robert Angel said Mobil would continue to manufacture and market the same products and supply the same service.

He said present employment policies, practices and benefits would continue and all existing agreements and arrangements with the Chemical Workers' Industrial Union would be honoured.

□ AP-DJ reported the mostly black union had filed an urgent suit in the Industrial Court to stop the sale of Mobil assets until it negotiated a disinvestment procedure.

Union spokesman Taffy Adler said the urgent application was filed on Friday afternoon, but the two judges, appointed by the Department of Manpower, postponed a hearing until May 9.

Hansard.

SADF: films/photographic material

*4. Mr J VAN ECK asked the Minister of Defence:†

(1) Whether, with reference to his reply to Question No 7 on 11 April 1989, the South African Defence Force at any stage during 1988 or 1989 (a) produced or (b) obtained any films, video films, photographs and/or any other photographic material in which certain White residents and/or visitors to the Black residential area of Mamelodi appear, among others a certain person whose name has been furnished to the Defence Force for the purpose of the Minister's reply; if so,

(2) whether this film material has been exhibited to any group or groups of national servicemen and/or other members of the Defence Force since November 1988; if so, (a) to how many national servicemen has this film material been exhibited, (b) what are the names of the persons appearing in it, (c) for what purpose was this material exhibited to national servicemen and (d) what attitude towards the persons appearing in the films, video films and/or photographic material concerned did the persons who exhibited the material convey to the national servicemen concerned?

B737E

†The DEPUTY MINISTER OF DEFENCE:

(1) (a) No.

(b) Yes, only video films.

(2) Yes.

(a) The video film was not shown to any initial National Servicemen but to members of the Citizen Force and Commandos.

(b) Groups of people appear in the video film amongst whom the person whose name was supplied by the hon member, an unknown Roman Catholic priest and Reverend R. Briggs.

(c) The video film forms part of an orientation programme for new troops reporting for service in Mamelodi and is shown in order to familiarize them with the circumstances and daily life in the residential area.

(d) No point of view was taken against the people of Mamelodi and in particular the spiritual leaders.

†Mr J VAN ECK: Mr Speaker, arising out of the reply of the hon the Deputy Minister, does he not believe that in the light of his previous replies to this question, he has deceived the House in those replies?

†The DEPUTY MINISTER: Mr Speaker, no, in my previous replies I tried to expose that hon member's total ignorance and his antagonism towards the South African Defence Force. [Interjections.]

†Mr J VAN ECK: Mr Speaker, further arising out of the hon the Deputy Minister's reply, in the light of the fact that such a video was indeed presented with the material contained in it, does the hon the Deputy Minister blame young men if they experience problems with national service when such a political role is fulfilled by that hon Minister? [Interjections.]

†The DEPUTY MINISTER: Mr Speaker, no political role was fulfilled and I do not blame those young men.

Functions of regional services councils

*5. Mr A GERBER asked the Minister of Constitutional Development and Planning:†

Whether it is the intention of the Government to transfer the functions mentioned in Schedule 2 to the Regional Services Councils Act, No 109 of 1985, to regional services councils; if not, who not; if so, (a) what functions and (b) when?

B755E

The DEPUTY MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

The power to entrust functions to regional services councils is in terms of section 3(1)(b) of the Regional Services Councils Act, 1985 (Act 109 of 1985) vest in the Administrator of the province concerned. The Government's approach is that the entrusting of functions or parts of functions to regional services councils should be a gradual process that should keep pace with the capabilities of the various councils and the needs of their regions.

Hansards

(a) and (b) fall away.

†Mr A GERBER: Mr Speaker, arising out of the reply of the hon the Deputy Minister, I should like to ask the hon the Deputy Minister, firstly, whether he is aware of and, secondly, whether he agrees with what the Deputy Minister of Development Aid said in the House of Representatives last year on 28 March? I quote from Hansard, 1988, col 5173:

I want to give the hon member Mr Lockey and all the other hon members the assurance that the intention is for all 22 functions to be transferred eventually, even though this will take place systematically or partially.

†The DEPUTY MINISTER: Mr Speaker, I do not have first-hand knowledge of this point of view. However, it is clear from my reply that the intention is to transfer the functions, but this will take place gradually according to the ability of the regional services councils to take over the functions of the region concerned.

†Mr A GERBER: Mr Speaker, further arising out of the reply of the hon the Deputy Minister, I just want to know whether all 22 functions will eventually be transferred.

†The DEPUTY MINISTER: Mr Speaker, I do not have the reply to that. If the hon member wants to ask a question about that, he is welcome to have it included in the Question Paper.

Cahora Bassa Project: benefits of electricity

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*6. Mr C J DERBY-LEWIS asked the Minister of Economic Affairs and Technology:

(a) What are the benefits to South Africa of purchasing electricity supplied by the Cahora Bassa Project in Mozambique and (b) what percentage of South Africa's power requisites (i) was met through Cahora Bassa in 1988 and (ii) is it estimated will be so met in 1989?

B706E

The DEPUTY MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY (Mr G S Bartlett):

(a) Apart from any advantage in the field of international relations that co-operation with Portugal and Mozambique may have for South Africa, the purchase of power from the Cahora Bassa project has the following benefits:

— South Africa can purchase the power at a cheaper tariff than that at which it can produce power itself.

— South African coal and water resources are conserved.

— The construction of a new power station to supply an equal amount of power can be delayed, depending on the growth in demand, for approximately 1 to 2 years, with a corresponding saving in interest on the capital costs.

— Installations erected at great cost in South Africa for the receipt and conversion of the power for injection into the national grid, can be productively utilized.

(b) Nil. (The transmission lines are out of order since 1983).

(i) and (ii) Fall away.

Comdt C J DERBY-LEWIS: Mr Speaker, arising from the hon the Deputy Minister's reply, I would like to ask what the present over-capacity of Eskom is? In view of the information I have which indicates that we already have a capacity in excess of 50% more than we require, how does the hon the Deputy Minister see us requiring any power from Cahora Bassa?

The DEPUTY MINISTER: Mr Speaker, I do not have with me the exact percentage figures of Eskom's installed over-capacity. However, it is true that we do have more capacity that we are utilising at the present time, but I doubt that is anywhere near 50%. I can get that figure for the hon member and I will do so.

As far as whether or not we should proceed to try to get Cahora Bassa operating, I think that I have clearly stated the benefits for South Africa in the reply to the question. In regard to approaching the problem of getting Cahora Bassa going, we have taken all the factors I have mentioned into consideration and we believe that it is in the best interests of South Africa.

Treasury: R2 million bribe

*7. Mr C J DERBY-LEWIS asked the Minister of Finance:

(1) Whether the Treasury was prejudiced, directly or indirectly, as a result of an alleged R2 million bribe, particulars of

Hansard

statutory form the right of people who do not want an own community life, so the right of the other people must also be taken into account.

I said that Homestead Park was in reality a closed off area. I also said that it was the cultural birthplace and milieu of the Abraham Kriel Afrikaner Children's Home. One cannot relocate that children's home to Houghton, Lenasia or Soweto. The children's home belongs where it is and where it has been all these years.

During the past 12 to 16 months we have had the situation in which approximately 70 families of Indian origin, rich people with a great deal of money, have been moving illegally into that neighbourhood. [Interjections.] The question that may now be asked is whether we should not allow the market mechanism to take its course. [Time expired.]

*The DEPUTY MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING: Mr Speaker, the hon member for Green Point said that I had made use of an advantageous situation. That is not true. The representatives of the Save Pageview Association spoke to me and asked me whether I would be prepared to support an investigation to establish whether Pageview should become a free settlement area or not. I told them that I would examine the facts. I did so, and also held talks with representatives of the White community. I wrote back to them, and my reply was that according to the facts I could not support such an investigation. That is what I said.

The fact of the matter is that I do not have the authority to take that decision. The Ministers' Council of the House of Assembly has the authority to decide whether there should be an investigation or not. All that I did was to express my opinion, as representative of the constituency concerned.

The hon member is now harping on the fact that we are not prepared to investigate free settlement in Pageview. I want to say the following to him: A representative of his party in Johannesburg, who is also a city councillor of Johannesburg, a certain Mr Strydom, is also an inhabitant of the Johannesburg West constituency and resides in Melville. When I confronted him with the facts and asked him whether he would be prepared to support an investigation into Melville as a free settlement area, his reply was: "No, not until the whole of Johannesburg has been thrown open." However it is good enough for Pageview, which falls in the lower income group, to be thrown open as long as the other residential area in which he lives is protected. [Interjections.] I think that this type of hypocritical standpoint which the hon members adopt should really be exposed. Considering all the circumstances, I am not prepared to change my standpoint in the case of Pageview. However, I do think it is important—I shall concede this point to the hon member—that we should in fact consider the throwing open, by way of free settlement, of higher income areas in Johannesburg. I think there are grounds for instituting such an investigation. [Interjections.] When we have done that, we can indeed involve a balanced cross-section of the society of Johannesburg in that way, because then we have Mayfair as such an area and, for the sake of argument, an area such as Houghton as well. [Time expired.]

Debate concluded.

Fuel prices: increase SS

2. Mr D G H NOLTE asked the Minister of Economic Affairs and Technology:

(a) What were the reasons for the recent increase in the price of petrol and diesel and (b) what are the present components of the total price of fuel?

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The DEPUTY MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY (Mr G S Bartlett): Mr Speaker, the recent increase in the price of fuel consists of four basic components. The first was the increase in transport costs which were previously announced to become effective as of 1 April. These were delayed until 15 April and they were financed during the interim period out of the Equalisation Fund. This increase varies between 0,6 cents and 0,7 cents per litre.

The second was the increased fuel levy levied on diesel for road users of 2,5 cents per litre which was to become effective as of April 1, but which was deferred until 15 April.

The third component was the rising international prices of fuel which makes up the largest component of 6 cents to 9 cents per litre. The reason for this was the increase in international prices which since September last year have been something like 40% in United States' dollar terms. As a result of these increases there had also to be a

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slight increase of 0,3 cents per litre in the resellers' margins.

*The components of the total for 93 octane fuel price as at 15 April 1989 in the PWV area are as follows:

(i)	Landed cost	40,142 c/ℓ
(ii)	Zone differential or transport cost	9,2 c/ℓ
(iii)	Delivery differential	1,9 c/ℓ
(iv)	Customs and Excise	4,0 c/ℓ
(v)	Motor Vehicle Accident Fund (MVA)	3,6 c/ℓ
(vi)	Retail margin	8,7 c/ℓ
(vii)	Wholesale margin	5,558 c/ℓ
(viii)	Equalisation Fund levy	7,0 c/ℓ
(ix)	Fuel tax	31,9 c/ℓ
(x)	Pump price in the PWV area	112,0 c/ℓ

Therefore the pump price increase was as follows:

Landed cost	6,4 c/ℓ
Retail margin	0,3 c/ℓ
Transport costs	0,7 c/ℓ
Rounding off at pump	minus (0,4) c/l
Total increase	7,0 c/l

The increased wholesale price for diesel in the PWV area was the result of:

Landed cost	8,8 c/l
Transport cost	0,6 c/l
Total increase	9,4 c/l

In addition to the above-mentioned increase the fuel levy on the price of diesel was increased by 2,5 c/l for road-users who do not qualify for a rebate on the diesel price.

*Mr D G H NOLTE: Mr Speaker, the NP Government is being accused today of overburdening the consumer with fuel price increases. The Government wants to link these increases mainly to the world price of crude oil and the weak exchange rate of the rand, as if all of South Africa's fuel is imported from overseas.

For years now the consumer has contributed to the pump price in order to make South Africa less vulnerable to outside influences. In addition to the weak rand and the increases in the crude-oil price which put pressure on the fuel price, we know that the price of petrol is an easy method of taxation.

We know the Government is desperately seeking new ways and means of taxation. Therefore we can understand why the inland price of petrol was increased by 37% last year and the price at the coast by 39%.

The latest increase in the petrol price is going to cause the general inflation rate to sky-rocket. It is therefore clear that the hon the State President's prediction and intention to bring the inflation rate down to 9% by 1990, are going to come to nothing as a result of these increases.

The National Energy Board has predicted that an additional increase in the petrol price later this year will be inevitable. This comes as no surprise, as it is in line with the trend we have noticed since the NP started to reform in all earnestness. This has been the case since August 1983 when a certain kind of petrol which cost 59,6 c/l cost 88,0 c/l in January 1985, 102 c/l in January 1986 and 105 c/l in January 1987.

It is striking not only that the frequency of the increases has become alarmingly high during this period, but also that the increases themselves have risen to such an extent each time that the increase between September 1988 and the next price announcement in January 1989 was higher than the price of a single litre of petrol in July 1970—95 c/l to 105 c/l, whereas the price was 9,2 c/l in July 1970.

At present we are experiencing the third increase in eight months. I can therefore understand that the Government has become so embarrassed by these periodic increases that it no longer wants to make the announcements itself and leaves it to the National Energy Board to do so on its behalf. The fuel tax on every litre of petrol is 31,9 cents. When one adds the extra 4 cents for customs and excise plus the 7 cents for the Equalisation Fund, the Government's share out of each litre of fuel amounts to 42,9 cents.

Once again this proves to us that the Government is in a financial bind, if I may be so bold as to make the understatement of the year.

Mr R R HULLEY: Mr Speaker, the present high price of petrol and diesel, seen together with the recent price increase and the threat of a further price increase later this year, probably just after the general election, represents one of the main costs which the long-suffering consumer has to pay for the NP's mismanagement of the economy.

In spite of the generally favourable crude oil price on the world market compared with earlier years, South Africans are forced to pay one of the highest fuel prices in the world, mainly for two reasons.

Firstly, there is the Government's inability to control inflation or its own expenditure has led to the rapid depreciation in the value of the rand which in turn affects the price of all imports, not least fuel. Each time the consumers of South Africa fill up their tanks, they are paying for this economic mismanagement.

Secondly, there is the Government's policy of treating the fuel price as a tax milch cow. It is clear from the figures that the fuel price at the pump far exceeds the direct commercial costs to be covered. The difference is what the Government takes in hidden tax revenue to finance its misguided political policies. Some 40% of the money on every litre is spent on the Government's policies. The increase in the price of fuel will have a negative ripple effect right throughout the economy and further accelerate inflation in South Africa.

In the end the increase in fuel affects the price of bread and all other commodities to a greater or lesser degree. This Government's stated policy of controlling inflation lacks all credibility as a result of its failed attempts to keep its own expenditure within budgeted targets. When this NP Government allows the prices that it administers, such as the fuel price, to rise so dramatically in such a short time, how can it expect others to exercise restraint?

The DEPUTY MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY (Mr G S Bartlett): Mr Speaker, I believe the two speakers who have just commented on this have overreacted and are very emotional. I say this because first of all this recent fuel price increase had nothing whatsoever to do with taxation. It had to do with rising costs.

The hon member for Constantia says he expects another increase just after the election. I would suggest that it might even come before that because international prices are rising at the moment and the South African Government does not control international fuel prices. The hon member says that this is NP mismanagement of the economy. This has got nothing whatsoever to do with mismanagement or otherwise of the South African economy.

Mr R R HULLEY: Its got everything to do with it.

The DEPUTY MINISTER : The hon member also says that we have the highest fuel prices in the world. That is totally incorrect. He goes on to say that taxes consist of more that 50% of the price of fuel. That is not correct.

Mr R R HULLEY: I said 40%.

The DEPUTY MINISTER : I have given the exact figures making up the price of R1,12, and of the R1,12, only 35,9 cents represents any form of taxation, the others being transport costs, production margins and reselling margins, and I really believe that that hon member is not really addressing this particular question honestly.

As far as the hon member for Delmas is concerned, he also said that we are using this fuel price increase as an increase in taxes. That is not correct.

Mr D J N MALCOMESS: Mr Speaker, on a point of order: Is it in order for the the hon Deputy Minister to say that a member of this House is not treating a matter honestly?

Mr SPEAKER: Order! That is not a point of order. The hon the Deputy Minister may continue.

The DEPUTY MINISTER: I would like to say to those hon members that in recent times, due to a big oil spill off the Alaskan coast and to a big oil fire in California, the world prices of crude oil and other petroleum products have increased considerably, and this is the main reason why we have had to have the recent increase in the price of fuel. [Time expired.]

*Mr D G H NOLTE: Mr Speaker, the South African farmers are once again being harassed and troubled by input costs, because in the midst of a series of price increases, a rising inflation rate and increases in indirect taxation and import levies on essential means of production, the announced increase in the fuel price comes as yet another threat, a threat so great that agricultural experts are of the opinion that agriculture's fuel expenditure will increase by approximately R450 million. There are even rumours that the price will increase once again within the next few months. We know, after all, that an increase in the price of fuel causes a chain reaction in the prices of practically all means of production, as

was the case with the recent increases in transport tariffs.

This brings me to the next point. Producers are alarmed that the price of petrol, which is mainly a consumer item, has been increased by 7 cents whereas the price of diesel, which is mainly a production item, has been increased by 9,4 cents in the case of agricultural diesel and by 11,3 cents in the case of road diesel. This begs the question as to whether the increased fuel price will be to the disadvantage of the producers, the economy or the consumers. Whatever the case may be, productivity and economising, which form the most important foundation for a sound economy, are being thwarted by these efforts.

Expenditure on fuel as a part of agricultural requirements has increased from R192,5 million in 1987 to R991,7 million in 1988. Worse still is the fact that the increase from 1978 to 1987 works out to an average of 17,81% per year. By comparison the latest increase has been 21,71% between 1987 and 1988. [Interjections.] At present it seems as if the increase for 1988-89 is going to be even higher percentage-wise. This points to an enormous increase in the price of fuel and this increase is becoming unbearable.

This afternoon I want to appeal to the hon the Minister, or the hon the Deputy Minister, on behalf of all the voters and consumers, and in particular on behalf of the CP farmers and the handful of remaining NP farmers. [Interjections.] I note that the NP MPs have no intention of doing anything about these prices on behalf of their voters. I want to ask the hon the Minister to reconsider the price of fuel and in particular the price of diesel. The hon the Minister knows as well as I do that the farmers cannot pass the increase in fuel prices on. They have to foot the bill out of their farming activities.

The DEPUTY MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY (Mr G S Bartlett): Mr Speaker, I would like to say to the hon member for Delmas that as a farmer I have great sympathy for the farmers of South Africa. I speak as a farmer who uses diesel. [Interjections.] I accept that the rate of increase in fuel has been considerable in recent times but the question I want that hon member to answer is how one can stop international prices from rising.

The hon member pleads for the Government to do something as far as diesel prices are concerned. Already the diesel price to farmers is 21,1 cents per litre less than the price paid by other diesel users throughout South Africa. If we decrease the price of diesel to farmers—the hon member may want to have that for his voters in his constituency—what does that mean? It must mean that he is asking the Government to pay a subsidy on diesel for the farming community. [Interjections.] The hon member says nonsense. Then where will the money come from to pay the shortfall? This is the question that one has to ask. [Interjections.] If there is a subsidy, who pays for it? The taxpayers of South Africa! We know what has happened in Europe as a result of the tremendous subsidies which are paid to agriculture by the governments of those countries.

There is another aspect that I want to put to that hon member. How would he suggest the Government controls the abuse of a differential diesel price system which creates tremendous incentives because of the low price of diesel for the farmer and the higher price for other users? I am referring to the abuse which occurs with persons using rebated agricultural diesel to power their vehicles operating on public roads. [Time expired.]

Debate concluded.

QUESTIONS

† Indicates translated version.

For oral reply:

General Affairs:

Questions standing over from Tuesday, 25 April 1989:

Meetings with Soviet Ambassador

*12. Mr H J COETZEE asked the Minister of Foreign Affairs:

(1) Whether he, his Deputy Minister or any officials of his Department held meetings with the Soviet Ambassador in Mozambique during the latter half of 1988; if so, what was the purpose of these meetings;

Petrol price may go up

FURTHER increases in fuel in the near future were possible as a result of the rising cost in world oil prices, the Deputy Minister of Economic Affairs and Technology, Mr George Bartlett, said in Parliament yesterday. Sowetan 3/5/89

Speaking in an interpellation debate, he said the Government had no control over world oil prices which had increased sharply in recent months.

Replying to Mr Daan Nolte (CP Delmas), who said a further price increase could be expected after the coming general election, Mr Bartlett said the increase could be even before that if world prices continued to rise.

Mr Roger Hulley (DP Constantia) said the recent increases in the fuel price and threats of further increases represented one of the main costs which long-suffering consumers had to pay for the NP's mismanagement of the economy.

only be obtained after production of a

corporation would restrict their activities

B/Day 5/5/89

BUDGET VOTE: TRANSPORT

PRESENTATION ACCORDING TO STANDARD ITEMS		
Items	1989/90	1988/89
	R'000	R'000
Personnel expenditure	52 652	43 718
Administrative expenditure	8 964	7 350
Stores and livestock	4 453	4 179
Equipment	39 471	29 903
Land and buildings	—	—
Professional and special services	40 805	40 930
Transfer payments	1 363 118	1 302 549
Miscellaneous expenditure	5	4
Amount to be voted	1 509 468	1 428 633

Departmental and miscellaneous receipts: R66 347 000.
1989/90: Officials earning R80 000 and more — 23
1988/89: Officials earning R59 200 and more — 18
Source: Estimates of Expenditure.

BUDGET VOTE: MINERAL AND ENERGY AFFAIRS

PRESENTATION ACCORDING TO STANDARD ITEMS		
Items	1989/90	1988/89
	R'000	R'000
Personnel expenditure	33 506	28 933
Administrative expenditure	5 517	4 287
Stores and livestock	1 813	1 259
Equipment	5 133	4 140
Land and buildings	5	5
Professional and special services	6 837	4 735
Transfer payments	733 974	702 441
Miscellaneous expenditure	31	31
Amount to be voted	786 816	745 831

Departmental and miscellaneous receipts: R3 328 000.
1989/90: Officials earning R80 000 and more — 28
1988/89: Officials earning R59 200 and more — 10
Source: Estimates of Expenditure.

B/Day 5/5/89

Govt looks into electricity costs

B/Day 5/5/89

55

CAPE TOWN — An investigation has been launched into the cost of the supply of electricity by Eskom to local authorities and the tariffs paid by consumers.

Announcing the investigation in his vote of the Budget this week, Economic Affairs and Technology Minister Danie Steyn said the price of electricity paid by the consumer was a delicate matter.

He said there was a perception that local authorities made high profits as a result of charging a higher price than they paid for the supply from Eskom.

Discontentment about electricity tariffs was continually raised and it was often alleged whites paid less for their electricity than consumers from the other race groups.

"As a result of these complaints, an investigation has been launched by the Electricity Supply Board. Tariffs charged by Eskom to local authorities and by local authorities to the consumer will be investigated."

He said government was serious about providing a fair deal for everyone.

The investigation would look into any variations in the price between that charged by Eskom and that paid by the consumer, the profit margins which resulted from the resale of electricity and methods whereby the costs of electricity could be alleviated.

Steyn said the investigation was under way and although not yet complete, it showed price variations were the result of various factors, of which municipal profits was only one.

The Electricity Control Board had been requested to complete its report by the end of May and government would study its findings closely, Steyn said. — Sapa.

Borehole in water-crisis township contaminated

By STAN MHLONGO

THE water in Siyathemba is foul . . .

One of the main supplies of water for Siyathemba's 30 000 residents – a borehole – is contaminated with human faeces.

This startling revelation was made this week after SA Health Workers' Congress (Sahwco) had done an intensive study of the water situation in Siyathemba, near Balfour.

After their fact-finding mission, the seven Sahwco doctors said the contaminated water had led to chronic problems, notably:

■ Astonishingly high incidence of diarrhoeal diseases; and A number of people dead from drinking contaminated water.

The report follows laboratory tests conducted by the SA Institute for Medical Research.

Sahwco said the tests revealed total contamination of the water by bacteria normally found in human and animal faeces.

The CP-controlled Balfour Town Council – which, during the water crisis of the past two months ordered the Siyathemba Council to "stop blacks from getting white water in the town" – this week washed its hands of the matter.

"We are supplying enough good, clean water for Siyathemba through the taps and have nothing to do with the water supplied from the borehole," said town clerk M Joubert.

And Siyathemba mayor Dan Mapohoshe challenged Sahwco to produce the laboratory tests to confirm its allegations.

"I wish to emphasise that Siyathemba residents are no longer receiving water from the borehole. They were only supplied with this water at the time when there was an acute water shortage.

"Health inspectors then certified the water supplied fit for human consumption," he said.

Sahwco said: "The Siyathemba councillors have showed careless disregard for the welfare of the people they purport to represent and have not made a single contribution towards alleviating the problem."

	KwaZulu		Lebowa		GaZankulu		QwaQwa		KwaNdebele		KaNgwane		Total		
Occupational Class	I	F	I	F	I	F	I	F	I	F	I	F	I	F	V
Speech Therapist	9	0	0	0	0	0	0	0	0	0	1	0	10	0	10
Town and Regional Planner	0	0	0	0	0	0	0	0	1	0	1	0	2	0	2
Regional Magistrate	0	0	0	0	1	1	0	0	0	0	0	0	1	1	0
Dentist	21	20	7	5	5	4	2	2	1	1	4	2	40	34	6
Dental Technician	2	1	0	0	0	0	0	0	0	0	0	0	2	1	1
Dental Therapist	0	0	0	0	0	0	1	1	0	0	0	0	1	1	0
Technical Assistant	5	3	0	0	0	0	0	0	0	0	0	0	5	3	2
Typist/Data Typist	0	0	0	0	0	0	0	0	4	4	2	2	6	6	0
Horticulturist	0	0	0	0	0	0	1	0	0	0	0	0	1	0	1
Veterinarian	7	2	5	5	5	1	1	0	1	1	1	1	20	10	10
Animal Health Officer	7	3	2	1	1	1	1	0	1	1	2	2	14	8	6
Traffic Inspector	0	0	2	2	2	2	1	1	0	0	2	1	7	6	1
Nursing Staff	14	6	0	0	2	2	12	0	2	1	6	3	36	12	24
Food Service Supervisor	1	0	0	0	0	0	0	0	1	1	0	0	2	1	1
Foreman: General	13	4	24	19	0	0	0	0	0	0	0	0	37	23	14
Laundry Supervisor	2	2	1	1	0	0	0	0	0	0	0	0	3	3	0
Water Care Plant Superintendent	0	0	0	0	0	0	0	0	0	0	1	0	1	0	1
Works Inspector	0	0	9	8	0	0	5	3	4	4	13	7	31	22	9
Total	1 390	824	444	323	207	149	132	79	335	212	311	173	2 819	1 760	1 059
CS Educators	353	284	218	188	228	173	161	126	166	144	173	129	1 299	1 044	255

Sasol: pipeline/transport costs collected

397. Mr C J DERBY-LEWIS asked the Minister of Economic Affairs and Technology:

(1) Whether (a) pipeline and (b) transport costs are collected in respect of fuel manufactured by Sasol; if so, why; if not,

(2) whether the fuel price for motorists includes levies in respect of these costs; if so, (a) who receives the benefit of these levies and (b) why?

B704E

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

(1) Yes

(a) and (b)

Petroleum products are transported by pipeline, rail and road and a transport differential is calculated from the coast to areas in the interior. These areas are based on magisterial districts and magisterial districts with the same transport differential are grouped in a prize zone. There are, for example, 23 main price zones and a number of other price zones which cover the total RSA and ECOSA-countries.

The Secunda installations are situated in the interior and fuel from coal is distributed in the interior and sold at the ruling price in the area concerned. The supply area is not static because consumption increases or decreases. Fuel is also supplied to the area from the coast and from Natref. Sasol pays the real transport cost to the point of resale and would, in certain instances therefore, pay less transport cost than what is actually collected in the price. This is a location benefit. The benefit which Sasol may derive is taken into consideration of the level of protection in respect of fuel production from coal and is reflected in the protection level at present.

(2) Falls away.

Department of Mineral and Energy Affairs: payment made to Sasol

398. Mr C J DERBY-LEWIS asked the Minister of Economic Affairs and Technology:

(1) Whether the Department of Mineral and Energy Affairs made any payments to Sasol over the past six months; if so, (a) what amounts and (b) (i) when and (ii) why in each case;

(2) whether Sasol is permitted to price its petrol as though it were an imported product; if so, why?

B705E

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

(1) (a) No.

(b) (i) and (ii) fall away.

(2) Yes. Fuel prices are determined according to a formula in terms of which the landed cost of imported final products forms the basis. The South African oil companies must, therefore, compete price-wise with big international refineries which have export capacity. In turn, Sasol must again compete with the South African oil companies and the base price is therefore the same although cost structures differ substantially and a synthetic installation requires much more capital than a crude oil refinery.

In order to prevent massive duplication of marketing channels, Sasol also sells its fuel to the oil companies at the ruling international price which the oil companies also get for their own production.

New Mossgas countertrade programme

B/Day 9/5/89

EDWARD WEST

MOSSGAS has launched a R1bn countertrade programme in response to the huge imports requirement of the R5,5bn Mossel Bay synfuel project.

Mossgas procurement and countertrade GM Gert Strydom said last week the project involved more than 200 international trading houses, and was geared to the export of manufactured goods.

The project was being developed by Mossgas (Pty) Ltd. The Central Energy Fund holds 50% of the company, with Gencor and the Industrial Development Corporation holding 30% and 20% respectively. Gencor was project manager.

In terms of the programme, international trading houses will import SA manufactured goods to the value of Mossgas's imports requirement.

Agreements with international trading houses had yielded positive results so far, and the deals were expected to be signed at the end of the month.

Renewal option

Strydom said the development had created significant export opportunities, and Mossgas was looking for SA manufacturers to participate in the trade deal.

The agreements would run for a minimum of five years, with a renewal option at the discretion of the international trading houses.

There would be no limitations on the size or type of goods to be exported, and companies wishing to export their goods should contact Mossgass, said Strydom.

Strydom dimissed suggestions that SA goods exported under the arrangement would be in breach of importing countries' sanctions provisions. Trading houses involved in the project had a wide international spread, and countries which specifically forbade the importation of SA goods were not included in the deal, according to Strydom.

Hansard.
55

QUESTIONS

† Indicates translated version.

For oral reply:

General Affairs:

Alexandria/Patterson areas: irrigation district status

*1. Mr W J DIETRICH asked the Minister of Water Affairs:

(1) Whether farmers' organizations in the Alexandria and Patterson areas in the Eastern Cape have applied for irrigation district status; if so, (a) when and (b) for what purpose;

(2) whether any areas in the Eastern Cape have been proclaimed irrigation districts; if so, which areas;

(3) whether it is his intention to have water from the Orange River brought to the Bushmans River; if so, when; if not, why not;

(4) whether he will make a statement on the matter?

C87E

The DEPUTY MINISTER OF WATER AFFAIRS AND OF LAND AFFAIRS (Reply laid upon the Table with leave of House):

(1) Yes.

(a) 4 June 1985

(b) To construct a combined system of water works for the abstraction of water from the Fish-Sundays River System for use in the Bushmans River Valley and to specifically control the use of water in the Bushmans River.

(2) Yes, a number of irrigation districts have been proclaimed, viz:

Name of Board	*District*
Baroda	Cradock
Boschberg	Somerset East
Brakrivier	Cradock/Middelburg
Commandodrift	Cradock
Doornrivier	Indwe
Gaunavlakte	Cradock
Groot-Visrivier	Cradock
Hougham-Abrahamson	Somerset East
Katrivier	Cradock/Fort Beaufort
Klein-Visrivier	Somerset East
Klipfontein	Somerset East
Knutsford	Cradock
Kubusrivier	Stutterheim
Marlow	Cradock
Middelton	Somerset East
Mortimer	Cradock
Renfield	Bedford
Scanlen	Cradock
Somerset-Oos	Somerset East
Sondagsrivier	Uitenhage
Tarkaburg	Cradock
Van Ryneveld's Pass	Graaff-Reinet

(3) The possible supply of water to the Bushmans River area is still under investigation. This investigation includes the study of the economic and socio-economic benefits of such a water scheme and will also compare the benefits of other possible developments under the Orange River Development Project. The priorities of such possible developments must still be decided upon.

(4) Yes. A statutory enquiry regarding the establishment of the irrigation district was held on 22 April 1987. The proclamation of the irrigation district can only be proceeded with when a viability report on a proposed scheme is available.

Paul Sauer Dam wall: problems with foundations

*2. Mr W J DIETRICH asked the Minister of Water Affairs:

(1) Whether, during the construction of the wall of the Paul Sauer Dam, any problems were experienced in regard to the foundations of the dam; if so, what problems;

(2) whether these problems have been solved; if not, why not; if so, in what manner;

(3) whether these problems had any effect on the design capacity of the dam; if so, what effect;

(4) whether he will make a statement on the matter?

C88E

Hansard
55

†The DEPUTY MINISTER OF WATER AFFAIRS AND OF LAND AFFAIRS:

(1) Yes. During the excavation for the foundation on the right flank, unfavourable Phyllite seams were discovered requiring special attention.

(2) Yes. The foundation problems were solved by implementing amongst others the following engineering solutions:

(a) A change in the geometry of the wall;

(b) provision of additional concrete and post-tensioned cables on the right flank to bind the rock layers; and

(c) an extensive tunnel drainage system for the right flank.

(3) No. The foundation problems were overcome by implementing the afore-mentioned engineering solutions, whereby the design capacity was retained.

(4) Yes. The behaviour of the dam is being monitored continuously since construction and its performance thusfar can be described as satisfactory.

Mr W J DIETRICH: Mr Chairman, arising from the hon the Minister's reply, does the dam carry the volume of water which it was originally intended to hold?

†The DEPUTY MINISTER: Mr Chairman, the dam can hold that volume of water, but on account of the drought there is no water. Nevertheless, I should like to point out to the hon member that this dam is also subject to our dam safety regulations. In other words, if the dam has any structural defect, the Department of Water Affairs will repair it in accordance with the law and regulations. The Department of Water Affairs will see to it. As a result this dam will be able to hold the full volume of water. Whether the water in the dam is sufficient to supply water to the areas that are of concern to the hon member for Bethelsdorp, is, however, a different question altogether.

For written reply:

General Affairs:

Posts filled by certain persons

11. Mr J A RABIE asked the Minister of Constitutional Development and Planning:†

(1) (a) What percentage of the posts in his Department was filled by (i) Black, (ii) Coloured and (iii) Indian persons as at 1 March 1989 and (b) which posts were so filled;

(2) (a) in respect of which senior posts in his Department were appointments made during the latest specified period of 12 months for which figures are available and (b) in which of these posts were (i) Black, (ii) Coloured and (iii) Indian persons appointed;

(3) whether the posts concerned were advertised; if not, why not; if so, in what manner?

C61E

The MINISTER OF CONSTITUTIONAL DEVELOPMENT AND PLANNING:

(1) (a) (i) Black: 13% (in respect of the total establishment including labourer provisioning)

(ii) Coloured: 0%

(iii) Indian: 0%
These details should be viewed against the background that approximately 15% of this Department's functions are of an executive nature. Therefore a comprehensive establishment does not exist.

(b) 1 Assistant Trade and Industry Adviser
3 Senior Media Officers
1 Media Officer (second leg)
2 Temporary Chief Planning Administration Clerks
4 Senior Planning Administration Clerks
9 Planning Administration Clerks
29 Guards
32 Labourers
13 Messengers
7 Tea girls

(2) (a) Director: Planning (Economic Planning)

(b) (i) to (iii) None

(3) No. An expert in Economics who has already done work on contract for the Department was identified for appointment in this post.

PA 89 national convention

BIDay 10/5/89 (55)

Syfrets Trust director on tax havens

A TRIED and tested method of minimising tax payments is to keep one's money outside the country of one's residence, says Syfrets Trust director David Cloete.

Addressing delegates at the Ilpa conference in Cape Town yesterday, he outlined some aspects governing the selection of a suitable tax haven, and referred to a few havens favoured by local businessmen.

He defined a tax haven as a jurisdiction which a principal used in a transaction but which did not itself play an integral part in the transaction.

He cited the example of multinationals with holding companies in Luxembourg for tax benefits, while their activities were conducted elsewhere.

In the case of SA residents, he stressed that advisers could not recommend that clients hide the existence of foreign assets from the Exchange Control authorities.

A second case was that of the individual with substantial local assets who intended to emigrate. However, the incidence of such cases was slowing down.

Thirdly, he said the establishment of a tax haven would be useful for people intending to work in a high tax regime.

"Concerns requiring international expertise are often forced to strike a deal with migrant employees to pay part of their salaries into a protected fund," Cloete said, citing Mossgas as an example.

"Mossgas has had to draw heavily on foreigners to assist with one of the largest training programmes of its kind in the world.

"It is part of the package of those employees that they get protection from taxation in their home countries via tax havens. The same usually applies to expatriates working on the Middle Eastern oil fields," he added.

Cloete said local companies and individuals wishing to start a corporate venture abroad could also take advantage of tax havens, as could local companies selling their skills or patents overseas.

Proposal to privatise electricity

Several initiatives to extend and improve electrical provision to black people have recently taken place, according to the latest SAIRR "Social and Economic Update".

The most important, it said, was a proposal that electricity services in Soweto be managed by a private utility company, possibly composed of representatives of township groups and business, in which Eskom would be the major partner.

Officials hoped this would "de-politicise" the service and allow agencies with expertise to manage distribution and tariff collection. In this way they believed the supply would be cheaper and more efficient.

A similar scheme is under way in kwaNobuhle, Uitenhage.

Star 11/5/89

810cm 18/5/89

SA's electricity system praised

55

BRENT MELVILLE

SA INNOVATION in the field of electrical distribution could hold its own in any industrialised country, SA Institute of Electrical Engineers president Jan Reynders said recently.

Reynders was among the speakers on the electricity supply industry and its future at the close of the recent Technostrat 89 workshop at the SABS's National Electrical Test Facility: Apollo (Netfa).

He said the past decade had seen most of the strategic technology used in medium- and high-voltage power distribution in SA becoming developed and manufactured locally to meet local conditions.

Netfa manager J C van Alphen called for the expansion of the test facilities.

		Emergency on 12 June 1986 and the commemoration of "Soweto Day" (16 June 1976).
(iii) None. Winter vacation was advanced.	Falls away	*4 days #11 days

Vukukhanye Higher Primary School: usable classrooms

410. Mr K M ANDREW asked the Minister of Education and Development Aid:

(1) Whether all classrooms at Vukukhanye Higher Primary School, Guguletu, are usable in wet weather; if so, since when; if not, (a) how many classrooms (i) can and (ii) cannot be used when it is raining, (b) why can certain classrooms not be used and (c) since when has this been the case;

(2) whether in any classrooms ceilings are (a) missing and (b) severely damaged; if so, in how many classrooms;

(3) whether there are any broken window panes at this school; if so, how many;

(4) whether any representations have been received by his Department in respect of repairing the (a) roof, (b) ceilings and (c) window panes of this school; if so, (i) from whom, (ii) when and (iii) what was (aa) the purport of and (bb) his Department's response to these representations;

(5) whether there are any plans to repair the (a) roof, (b) ceilings and (c) window panes in question; if not, why not; if so, (i) what plans, (ii) when will they be implemented and (iii) what will be the cost involved?

B830E

The MINISTER OF EDUCATION AND DEVELOPMENT AID:

(1) No.

(a) (i) 8

(ii) 0

(b) Due to broken window panes

(c) Since 1987.

(2) Yes (a) 8
(b) 8

(3) Yes: 240

(4) (a), (b) and (c) Yes

(i) The Principal

(ii) Repeated requests from 1986 to date.

(iii) (aa) Repair of fire damage and window panes.

(bb) The repair of fire damage has been approved in principle, but could not yet be carried out, at a stage due to the unrest, and thereafter due to the lack of funds. The repair of window panes is normally the responsibility of the school. The expenses for such services are met from school funds.

(5) (a), (b) and (c) Yes

(i) The repair of the damaged classrooms, roof, ceilings and window panes.

(ii) The repair of the window panes. During 1989.

The other repairs: During 1990, subject to the availability of funds.

(iii) Approximately R400 000.

Crude-oil: landed cost

427. Mr R R HULLEY asked the Minister of Economic Affairs and Technology:

In respect of the latest specified date for which figures are available, (a) what was the landed cost in South Africa of crude oil in United States dollars per barrel, (b) what, in respect of 93-octane petrol, was this cost expressed in cents per litre at the pump and (c) what elements comprised the marketing margin in the latest petrol price composition?

B848E

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

(a) US Dollar 16,29 during April 1989.

(b) The abovementioned cost is not directly taken into account in the South African price for 93 Octane petrol. The average landed cost of 93 Octane petrol for 4 refineries—three in Singapore and one in Bahrein — is being used as basis to determine the South African price. The landed cost currently reflected in the price of 93 Octane is 40,142 c/ℓ. The current under-recovery experienced is accommodated in the cumulative over and under-recovery account.

(c) The marketing margins for the oil companies (5,558 c/ℓ) and the retailers (8,7 c/ℓ) consist of all those costs normally incurred to distribute and market petrol and both margins are subject to price control.

Crude-oil: rand cost

428. Mr R R HULLEY asked the Minister of Economic Affairs and Technology:

(1) What was the average annual landed rand cost per barrel of crude oil in 1987;

(2) what was the (a) average quarterly landed rand cost per barrel of such oil in 1988 and (b) landed rand cost per barrel of oil as at the latest specified date for which information is available?

B849E

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

(1) R38,75 landed cost

(2) (a)

1st Quarter of 1988	R35,52
2nd Quarter of 1988	R36,68
3rd Quarter of 1988	R37,77
4th Quarter of 1988	R31,42

(b) R41,46 landed cost during April 1989.

Oil pollution

429. Mr R J LORIMER asked the Minister of Environment Affairs:

(1) How many cases of pollution of the sea by oil occurred in 1988;

(2) (a) what was the cost of combating such pollution in that year and (b) what amount was recovered from the owners of the vessels concerned?

B850E

The MINISTER OF ENVIRONMENT AFFAIRS:

(1) 138

(2) (a) R3 583 million

(b) R49 614

Sales tax: irregularities

435. Mr H H SCHWARZ asked the Minister of Finance:

(a) How many cases of irregularities in respect of sales tax were discovered in 1988 and (b) what is the amount of tax involved?

B856E

The MINISTER OF FINANCE:

(a) 12 100

(b) Tax	R159 698 501
Penalties	121 183 973
	R280 882 474

Equalisation Fund: balance

460. Mr R R HULLEY asked the Minister of Economic Affairs and Technology:

What was the balance of the Equalisation Fund as at the latest specified date for which information is available?

B898E

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

	R'm
Balance before BLS Trust Funds and current liabilities	566,814
Less: BLS Trust funds	44,826
Current Liabilities	362,455
Balance on 30 April 1989	159,533

Central Energy Fund: balance

461. Mr R R HULLEY asked the Minister of Economic Affairs and Technology:

What was the balance in the Central Energy Fund as at 31 December 1988?

B899E

The MINISTER OF ECONOMIC AFFAIRS AND TECHNOLOGY:

R3.275 million

Landed oil cost not taken into account for price

BD 19/5/89

MIKE ROBERTSON

CAPE TOWN — The average landed cost a barrel of crude oil in SA last month was $16,29 or R38,75, Economic Affairs and Technology Minister Danie Steyn said yesterday.

He said in reply to a question from Roger Hulley (DP Constantia) that this cost was not taken directly into account when determining the SA price for 93 octane fuel.

"The average landed cost for three refineries — three in Singapore and one in Bahrain — is being used as basis to determine the SA price."

The landed cost reflected in the price of 93 octane fuel was 40,142c/*l*. The under-recovery being experienced was accommodated in the cumulative over and under-recovery fund.

Marketing margins of 5,558c/*l* for oil companies and 8,6c/*l* for distributors were contained in the fuel price.

Steyn said in reply to another question from Hulley that the average landed cost a barrel of crude oil was R38,75 in 1987. The respective costs in the quarters of last year were R35,52, R36,68, R37,77 and R31,42.

The balance of the Central Energy Fund at the end of last year was R3,27bn after R438,6m was collected in interest and dividends.

B/Day 19/5/89

Fuel consumption is an important factor

(55)

FUEL is responsible for about 50% of fleet costs, says motor industry consultant Mike Crankshaw.

Yet few transport managers pay fuel consumption the attention it deserves.

Just one vehicle using an extra two litres of fuel every 100km on the Rand — and travelling 2 500km a month — will add roughly R670 to the transport department's bills annually, he warns.

In a large fleet, the extra cost can be considerable.

A factor that should be kept in mind is that a car with an automatic gearbox may use as much as a litre every 100km more than a manual model.

"Yet a lot of people pick a manual for town and an automatic for country. Sales reps tend to get automatics."

Another point, he says, is the power/weight ratio. A smaller engine is not necessarily the answer, especially over long distances.

"On a long trip a salesman is likely to put his foot down; if the car is underpowered he will drive harder to achieve the desired speed. This eats fuel."

Control of private use of company cars is also wastefully casual in many cases, he believes. Where employees are allowed to use cars for personal travel, the approach has traditionally been: You pay for holiday petrol and oil, the rest is on the company. But a simple calculation shows how expensive this attitude can be.

Recoup

"Let us say a vehicle costs 55c/km to run and that petrol and oil account for 12c/km. If the employee goes from Johannesburg to Cape Town on holiday (3 000km return) and does 1 500km of running about during his leave, the cost to the company will be 55c minus 12c, or 43c/km. Grand total: R1 935 to subsidise a single employee's holiday.

In the US, where 82% of companies allow employees to use their fleet cars for personal travel, a far tighter grip is maintained. Most American firms ~~tend~~ to recoup costs attributable to private use.

Transport productivity specialist Charel Schickerling says a lot of companies are now restricting free private travel to 2 500km/month. But control is a problem. If an employee filling in a logbook decides to cheat, it is going to be difficult to spot.

Fleet management systems can impose travelling limits on a vehicle, he says. Reports can be run on average daily mileage, or they can be run towards the end of the month.

"But it is all rather theoretical. If a salesman is good, the company will want to keep him."

The hassle involved in control of company cars is one of the reasons many companies are switching to car allowances.

In commercial fleets, installation of monitoring devices such as tachographs, on-board computers and careful route planning make control much easier.

Cape Town set to become oil centre of the country

55 (18) W/E ARGUS 20/5/89

By TREVOR WALKER
Business Staff

CAPE Town is stamping its authority on the enormous Mossgas project and is set to become the centre of this country's off-shore oil production and exploration programme.

The first production platform to drain the FA area of the explored field off Mossel Bay is currently being built in Cape Town, Saldanha Bay, Port Elizabeth, Durban and on the Reef.

Much of the heavy infrastructure is being manufactured in Cape Town and Saldanha Bay and International Combustion Africa Ltd (Ical) senior managers showed the press this week how far advanced the company was with its contruction of two of the modules for the platform.

These comprise the mud treatment plant and the drilling module contracted at R35-million to Ical.

The total spent on this contract by Mossgas is R85-million and includes all the steel which is supplied by Iscor.

The total cost of the platform, which is due for completion by November next year, is of the order of R2-billion.

The platform is of monumental proportions and together the topsides, the module support frame and the subsea jacket will be equal to the height of Mobil House standing on top of the Cape Sun.

The field, which is 85km south of Mossel Bay, is 2 500 meters under the seabed in 105 meters of water.

Mr Graham Watson, Ical's offshore project manager said the various wells would be about 3,5km deep and finish anything up to 5km from the platform itself.

The eight legged, subsea, steel structure to be piled 122 meters into the seabed is being built in a specially constructed basin at Saldanha Bay while the support frame is being built in Durban.

The pace at which the contracting companies are working is formidable. Ical was awarded the contract 369 days ago and completion "hook-out" is scheduled for November next year.

Mr Watson said the training centre started by the company was working very well and 320 welders were at present there.

He said of the 76 artisans that had qualified thus far, only 43 were still employed by Ical.

He said quality standards for the project, as could be expected, were extremely high and trained welders were a very scarce resource in South Africa at the moment.

The whole project was based on 70 percent local content and the level of expertise that was coming in from overseas would ensure the necessary technology transfer, "because at the end of the day it is the performance of the construction teams that will matter."

When Ical is up to full strength it will employ about 500 people and the gross wage bill will be about R400 000 a month.

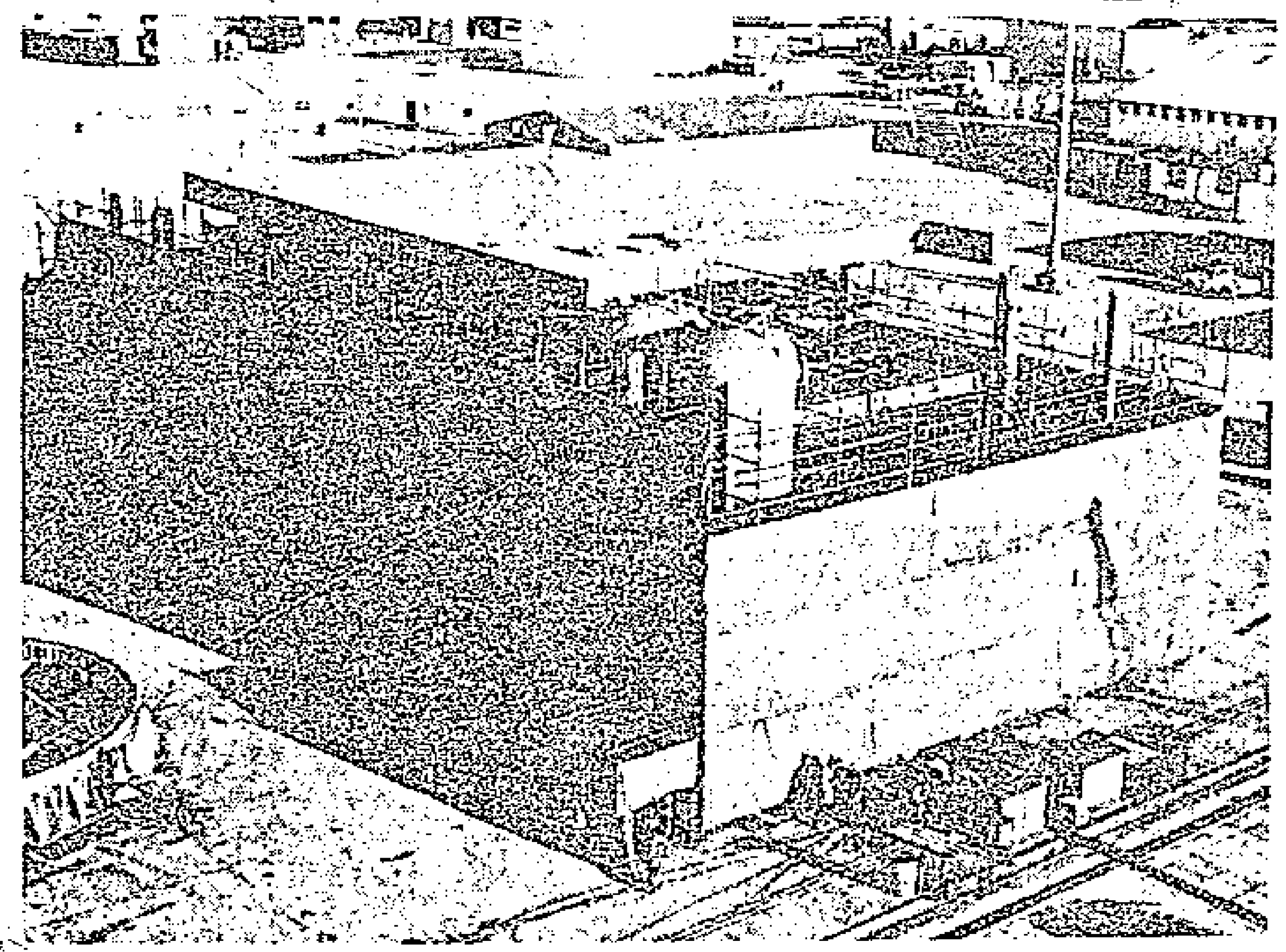
The total spent on the Mosgas project in Cape Town is beginning to build up and the company is hopeful of further contracts once the present project is completed.

Soekor expects to have 30 000 skilled workers trained by the year 2000.

Sales Director, Mr Fred Heginbotham said the company was hoping to obtain further contracts from Soekor.

In the UK estimates of the size of the North Sea oil fields was initally skoffed at, but it just grew and grew.

He said if further discoveries of condensate were made and especially if viable quaintities of oil were discovered "Cape Town would really become a boom town oil city."



The drilling module being constructed by Ical Offshore to take its place along side eight other modules on Soekor's first oil production platform off Mossel Bay.

Pumps primed for price rise

GERALD REILLY

PRETORIA — Motorists can brace themselves for another petrol price hike.

Government sources said at the weekend the battered rand might force another price rise — the third this year — within the next two months irrespective of the effect this could have for the NP in the September 6 general election.

The rand, reeling from the impact of the surging dollar, last week touched a low of R2,7150 to the dollar.

In Parliament a few weeks ago, Deputy Economics and Technology Minister George Bartlett warned another increase in the fuel price could not be ruled out.

Sources said there was no immediate threat of a price hike.

Timing would depend on the price of crude oil, now between $18,50 and $21 a barrel, and performance of the rand.

Sources added the stabilisation fund was strong enought to maintain the current price in the short term but it had been draining away since the beginning of the year.

□ CHARLOTTE MATHEWS reports motorists in the PWV area underpaid 4,716c/*l* for 93 octane petrol in the last two weeks of April because of a rise in the landed cost of fuel.

The landed cost in the second half of April was 44,858c/*l* compared with 43,684c on April 15.

Since January the under-recovery and over-recovery account — the slate — has been debited with an under-recovery varying from 1,017c/*l* to 6,025c/*l*.

Star 24/5/89.

Divided views on further petrol price rise

55

By Helen Grange

An increase in the price of petrol is not imminent in spite of the weak exchange rate, says the Automobile Association.

This view is contrary to the forecast by the National Energy Council, which has warned that a rise is "possible in the near future".

Mr Lourens van den Berg, spokesman for the Council, said last week that it will "have to be considered in the light of the weak exchange rate, unit under-recovery and higher food prices".

"We are hoping the exchange rate will at least improve. But we still have to consider the fact that unit under-recovery was not accounted for in the last increase."

Unit under-recovery arises when the consumer price does not balance with the costs incurred in transport, taxes, as well as the retail and wholesale margins.

Filling up . . . can be a costly exercise.

However, Dr Romano Del Mistro, executive director of the AA Traffic Foundation, says that the "indications are such than an increase is not imminent".

"The deterioration in the rand/dollar exchange rate amounted to an increase of 1c per litre since the most recent increases last month. It must be hoped that the performance of the rand will improve."

Obviously, if either the exchange rate or oil price continued at present levels or worsened, this would erode funds available to the Equalisation Fund.

The petrol price has risen by 33 percent in the past seven months.

legal practice there.

UN group in attempt to strengthen oil embargo

Star 24/5/84

The Star Bureau

NEW YORK — A United Nations group which heard evidencelast month on the effectiveness of the voluntary oil embargo against South Africa has urged all states to adopt measures to strengthen the ban, pending Security Council action that would make it mandatory.

Recommended by the United Nations General Assembly, the embargo has been accepted by many states, but importers have found ways to get around it, although at some cost in terms of higher prices.

ENORMOUS COST

According to the UN group, "the cost to South Africa as a consequence of the voluntary embargo was enormous financially, politically and strategically".

In its report, the group called for enhanced enforcement measures against those who violated the ban and more co-operation among states, institutions and inter-governmental bodies to make it more effective.

The panel reiterated its recommendation, endorsed by the General Assembly, that the Security Council should make the embargo mandatory. This is impossible as long as the United States and Britain, which have the power of veto, oppose economic sanctions against the Republic.

Pric

GOVERNMENT GAZETTE

OF THE REPUBLIC OF SOUTH AFRICA

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REPUBLIEK VAN SUID-AFRIKA

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VOL. 287 CAPE TOWN, 26 MAY 1989 KAAPSTAD, 26 MEI 1989 No. 11895

STATE PRESIDENT'S OFFICE

No. 1047. 26 May 1989

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

No. 58 of 1989: Electricity Amendment Act, 1989.

KANTOOR VAN DIE STAATSPRESIDENT

No. 1047. 26 Mei 1989

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

No. 58 van 1989: Elektrisiteitswysigingswet, 1989.

Gencor's energy empire takes shape

Star 27/5/87

STAN KENNEDY

AS A visionary, every new undertaking for Mr Bernard Smith, senior general manager, special projects, Gencor, is an adventure into uncharted waters; as a realist, a challenge to create and build a bustling growth centre.

With his gargantuan appetite for work, his determination and energy, one could be mistaken for thinking he has a blood relationship with the Trojans.

His total devotion to every project in which he is involved, his technical brilliance and strong flair for leading from the front and his knowledge of the oil industry make him the ideal person to manage the production of oil from Mossgas and the refining and retailing of fuel through Mobil and Trek.

Before Mossgas came along, Gencor had discussions with Soekor and the Central Energy Fund about oil exploration on the South African coastline. This gave rise to an agreement and it seemed logical that when the opportunity arose to participate in Mossgas that Gencor would be a partner.

The company's mission is to grow its companies and find major new business opportunities. Clearly, the energy area is of these.

North Sea

For some years it has been involved in a low-key way with oil exploration, mainly in the North Sea where it has an eight percent interest in the Alba field, along with most of the major oil companies.

On Mobil, there has been a lot of speculation on what Gencor paid for the company but he would "rather not comment at this stage" but only to say that when the deal is finalised he will probably be chairman.

He does not consider the Mobil pull-out as disinvestment. The company had been placed in a difficult situation over the Rangle Amendment which gave rise to the fact that its assets in South Africa were not being fully utilised. The amendment had resulted in Mobil having to pay tax both here and in the US.

Gencor, he says, sees the synergy of acquiring Mobil. It has an exploration venture with Soekor; it has a 30 percent stake in Mossgas and manages the project; and it is currently completing a feasibility study on the torbanite synthetic fuel project.

"Gencor also has the major share in Trek and if you add Mobil to the refining and retailing, you start to have a useful vertically integrated energy company. So acquiring Mobil makes a lot of sense."

Consolidation

"What we hope to do is to consolidate all our energy interests into one really effective company that will probably, in due course, be quoted on the stock exchange."

Mr Smith has been on a winning streak all his working life and has risen to top positions in his field at regular intervals. He tends to take the long view of things and believes that hard work is the essential ingredient to anyone's success. He puts determination to succeed as another.

At Wits he gained a mining degree and immediately joined Randfontein Estates as a surveyor before going into mining proper and becoming a shift boss.

He spent a year in Swaziland developing a coal mine from grass roots — bringing a mine to life this way is a forte of his and he has done it many times — then going down all the roads one can travel on a mine before becoming consulting engineer.

His departure from JCI in 1980 was probably the saddest day of his career. He had set his sights on becoming JCI chairman when Sir Albert Robinson retired. The job, however, was given to Mr Gordon Waddell and, being the same age, he quickly saw there that further promotion was out of the question.

He had been executive director JCI and chairman of all its goldmining companies, as well as chairman of Rustenburg Platinum Mines.

After physically looking around the world for a challenging post, he plumped for a job with BP in London as general manager, BP Coal International. Ambitious, though one would hardly notice it in his phlegmatic and relaxed manner, he saw that the incumbent chairman would not stay too long after BP acquired Selection Trust. In 1982, he took over as managing director and chief executive of BP Minerals International.

Excitement, almost euphoria, grips him when he sets about a new mining venture from scratch.

"It is just incredible to see what a major mine can do in an isolated area. There are new work opportunities, people become trained in skills they would otherwise not have learned and buildings and shops go up all over the place. It becomes a hive of activity where once it was desolate and the people's quality of life is enhanced."

Strategic thinking

His experience with BP and his exposure to the type of strategic thinking that goes into such a company and the way it handles and develops situations was a great learning experience for him.

While he has been the architect of many mines and projects in South Africa, he never dwells on his achievements. What does absorb his time and thoughts are the things in front of him, the things still to be done.

He is an optimist and believes that coupled with drive it can carry one through difficult times or generate opportunities that might not be identified by a realist.

No sooner does one take the eggs away from the hen than it starts laying again. In a similar way, the completion of one project means the start of another for Mr Smith.

Bernard Smith — on a winning streak all his life.

Star 27/5/89

Are Brit expats taking our locals to the cleaners?

MALCOLM FOTHERGILL

SOUR grapes... or cynical rip-off of South Africans? Opinion is divided on whether South Africans working on big projects such as Mossgas are being discriminated against in favour of expatriates from Britain.

As a result of letters and telephone calls from readers, Saturday Star has investigated the hiring of engineers and technicians for major projects.

The complainers say South Africans are being discriminated against in several ways.

Even when a local's qualifications and experience are greater than those of an expatriate, they say, the local man will wind up on a lower rung of the ladder.

In addition, they complain, expatriates are given fatter pay packets and more attractive perks.

Employment agencies which specialise in finding the skills needed for big projects such as Mossgas admit that expatriates get paid far more than their South African counterparts.

But there's nothing sinister in this, they say: it's a function of the exchange rate.

Thus, says Ricky Douwes of Contract Design Centre, a piping draughtsman in South Africa can expect to earn an average of about R36 an hour.

However, R36 an hour translated into sterling or even dollars, would not attract any skilled worker from overseas.

Simon Mannion of Denverdraft Agency says the company has been looking for local draughtsmen in the main centres of South Africa, but with little joy.

"We're finding a severe shortage of people to work in the petrochemical and offshore fields. We are trying to fill all the positions on our books with local people and definitely don't favour expatriates."

LTA's Ed Hutton says LTA hires only local labour: "We don't employ anyone from overseas. They're all local. Hiring people from overseas is far too expensive."

CAP Engineering's Peter Turner says one reason for the gripe that South Africans are given lowly positions while expatriates take the cream could be that local companies want to use the expatriates to pass on the latest technology.

BI Day 27/5/89

Members of the Chemical Workers' Industrial Union (CWIU) demonstrating in front of Mobil's Johannesburg city offices.

Mobil workers clash with police at demo

ALAN FINE

ABOUT 40 Chemical Workers' Industrial Union (CWIU) shop stewards clashed with police yesterday during a half-hour placard demonstration outside Mobil's Johannesburg city offices.

The singing and chanting demonstrators, employees of a range of chemical sector multinational companies, were demanding that Mobil negotiate the terms of its disinvestment from SA with the union.

Police used a dog to try to disperse the gathering after about 20 minutes.

After talks between police and a Mobil management representative, demonstrators moved from the pavement and to the forecourt of the Plein Sreet building.

An SAP spokesman said an official account of the incident would probably be included in today's unrest report.

Meanwhile Gencor energy division executive director Bernard Smith said yesterday he did not envisage any rationalisation programmes once ownership of Mobil Southern Africa passed into its hands on July 1.

"With our involvement in projects like Mossgas we will be creating jobs rather than destroying them, and Mobil employees will enjoy the advantages of Gencor's expansion.

"Any contraction of Mobil operations is most, most unlikely," he said.

Feedback

Smith said he would not get involved in the CWIU/Mobil dispute at this stage, but was prepared to give this assurance on employees' job security and repeat that Gencor intended maintaining the *status quo* regarding other conditions of employment.

A CWIU spokesman said the union was expecting, possibly last night, feedback from a London meeting between representatives of Mobil SA and its parent company, at which union proposals were to be discussed.

More pressure on petrol slate

ZILLA EFRAT

THE falling rand, coupled with escalating international fuel prices, is certain to put pressure on the petrol slate — the under- and over-recovery account used to smooth out fluctuations in the petrol price. BDay 24/5/84

The landed cost of petrol in the second half of April increased 1,174c to 44,858c a litre against 43,684c a litre on April 15.

This affected the slate. From April 15 to April 30 this year, motorists in the PWV area underpaid 4,716c a litre for 93 octane petrol, a 1,174c increase from the under-recovery of 3,542c a litre on April 15.

This under-recovery, with that in the prices of other octanes and controlled fuels, was debited against the slate.

Fuel users have been under-paying since the start of the year, in spite of petrol price increases in January and April.

In six months, the situation has moved from the over-recovery of 3,257c a litre in November to the present under-recovery of 4,716c a litre.

In December, the over-recovery was 1,435c a litre, but the situation turned in January to an under-recovery position of 1,017c. By March, the under-recovery was at 6,025c a litre, but this eased to 3,542c a litre by April 15.

ENERGY — 1989

JUNE - DEC

BDay 1/6/89

Trainers say enough skilled are in pipeline

ZILLA EFRAT

SENIOR trainers say future synfuels projects will not be affected by lack of skilled manpower.

SA Fabrication and Construction Training Trust Fund executive director Rene Schmetz, and vice-chairman Hugh Brown, gave the assurance while rejecting claims skills shortages limited the possibility of a new synfuels projects in the near future.

They add a strategic plan has been unveiled to train thousands more workers for new and existing synfuels projects to the turn of the century.

Schmetz says:"We are confident that, despite predictions by other organisations, we can supply sufficient numbers to the standards required in the future.

"Between now and 1992 the fund will have provided more than 8 000 newly trained people to contractors heavily involved in existing and future capital projects — and not just synfuel projects."

About 2 000 trainees are already working on the Mossgas/Mossref project.

55

The Star Finance

(55)

All signs point to a decline in oil prices

Star 5/6/89

By Neil Behrmann

LONDON — The prospect of declining oil prices in the next few months would be at least be one favourable factor for SA's balance of payments.

Last November, when oil prices were recovering from their nadir of $11 a barrel, Opec predicted that prices would be back to official quotes of $18 by June.

That forecast has proved to be correct. Prices even surged to $21 in April, helped along by oil supply disruptions in the North Sea and an ecological disaster in Alaska.

Yet now that Opec's target has been reached, the market is again uncertain ahead of a key cartel meeting today.

Opec is expected to raise its production ceiling and there are fears that arguments among key oil producers, notably Saudi Arabia, the United Arab Emirates and Kuwait, will make the market vulnerable.

Not surprisingly, dealers are reluctant to make price forecasts and to take up large positions.

They fear they could be "whipsawed" by volatile oil prices.

To understand the state of the market today, recent history should be examined.

The recovery in oil prices began in late November when at a crucial meeting all 13 members of Opec agreed to set a limit on output of 18,5 million barrels a day.

The new quota agreement came into force on January 1 and the cartel's target was met because market forces worked in its favour.

First, after years of sagging oil prices, traders were left short. Forced to cover their bear positions, they helped precipitate a rally.

Second, lower oil prices and continued world recovery raised world consumption to unexpected levels.

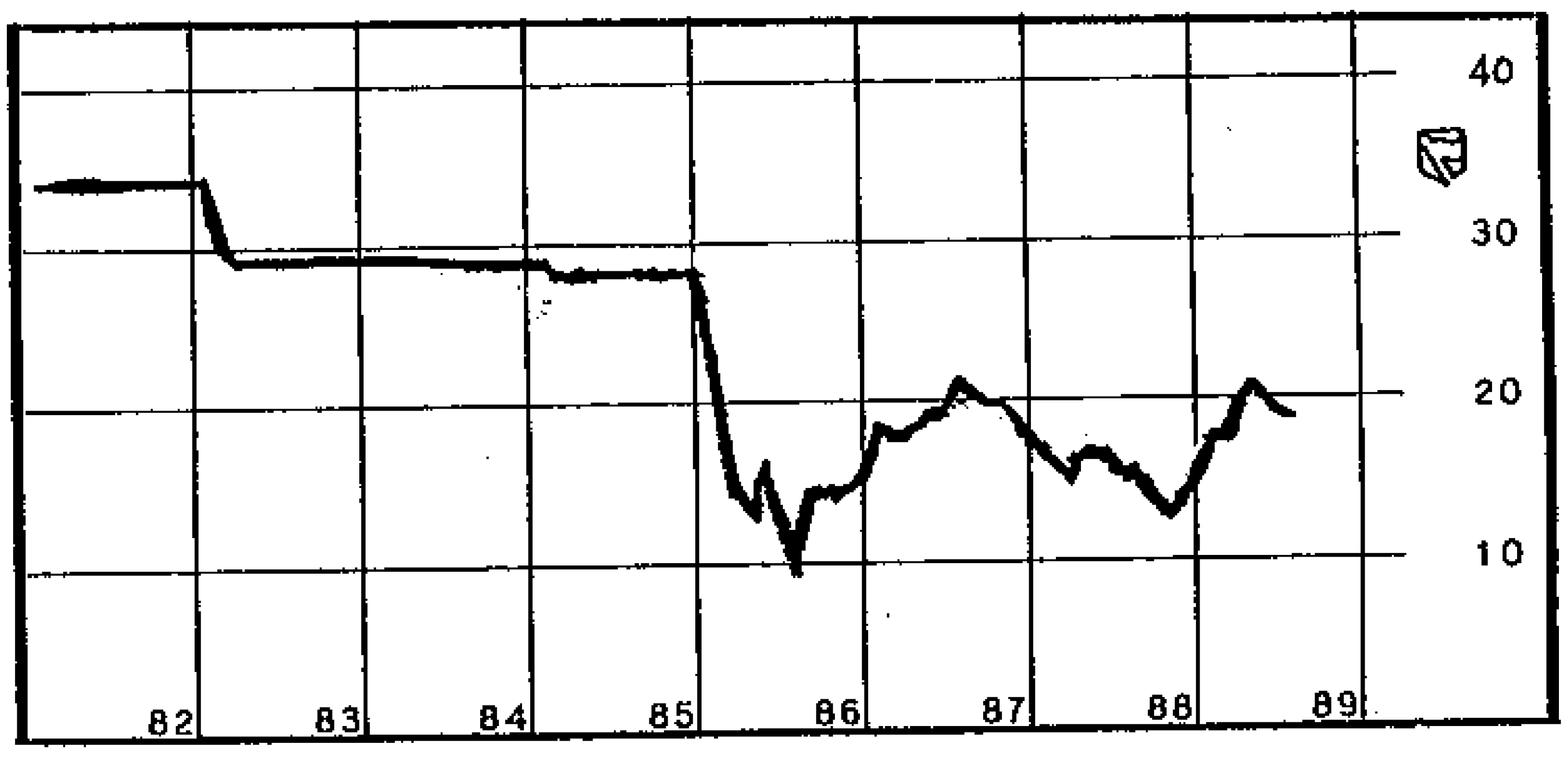
Finally, natural disasters boosted prices to a three-year peak. Statistics backed the market. According to the Paris based International Energy Agency, Western oil consumption of 51,7 million barrels a day exceeded output of 50,2 million barrels a day by a wide margin.

In short, the key to Opec's success was its show of unity in the face of improving market conditions.

This time round it will be much more difficult for Opec to achieve its aims.

The International Energy Agency estimates Opec produced 21 million barrels a day last month, 2,5 million barrels a day above its agreed quota.

Meanwhile, Western oil consumption in a seasonally weak second quarter is predicted to fall to 49,2 million barrels a day.



Oil price in dollars per barrel

With disasters out of the way, North Sea production should rise, so total non-communist world output should be way ahead of demand in the next few months.

Looking farther ahead, there are signs that market forces are no longer in favour of a strong oil market.

High interest rates are beginning to bring about the much awaited slowdown in the world economy.

Europe and Japan have experienced a much sharper increase in the oil price because their currencies have sagged against the dollar.

While the dollar price of oil has surged by 64 percent in the past seven months, the price in yen has risen by 83 percent and in Deutschemarks by 91 percent.

In rands, spot prices have surged 84 percent.

A slow down in economic growth, combined with a sharp rise in prices, has in the past reduced oil demand and prices. So there is thus little incentive to increase oil inventories in the present economic climate.

Considering these ill economic omens, Opec members should be emphasising the cartel's unity.

Instead, the perennial squabbling and positioning ahead of meetings are present once again.

"The United Arab Emirates and Kuwait have been causing increasing problems for Saudi Arabia," says Mehdi Varzi, oil analyst at Kleinwort Benson Research.

"They want a greater share of Opec's quotas and this would impinge on Saudi Arabia's stake."

Kuwait is leading other nations in a demand for an increase in the production quota to 20 million barrels a day, he says. It believes that present prices are sufficiently high to warrant a rise.

The UAE, Kuwait and Nigeria are exceeding their quotas by a large margin, says Christopher Bellew, director of Czarnikow Energy, London oil traders.

"The Saudis would prefer to keep quotas at present levels and review the market in three months' time," he says.

So, in a tactical move to ward off its Opec adversaries, Saudi Arabia has raised its own production to as high as 5,3 million barrels a day in the past week. Its average production was 4,7 million barrels a day in May, against an agreed quota of 4,45 million barrels.

If Opec keeps to an agreed production ceiling, market forces will set the price of oil.

Saudi Arabia hopes that the move will discipline other Opec members in keeping output levels in line with demand.

If they don't agree, supplies will rise ahead of consumption and prices could head south.

GOVERNMENT GAZETTE

OF THE REPUBLIC OF SOUTH AFRICA

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VOL. 288 — CAPE TOWN, 9 JUNE 1989 — KAAPSTAD, 9 JUNIE 1989 — 55 — No. 11926

STATE PRESIDENT'S OFFICE

No. 1187. 9 June 1989

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

No. 72 of 1989: Energy Amendment Act, 1989.

KANTOOR VAN DIE STAATSPRESIDENT

No. 1187. 9 Junie 1989

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

No. 72 van 1989: Wysigingswet op Energie, 1989.

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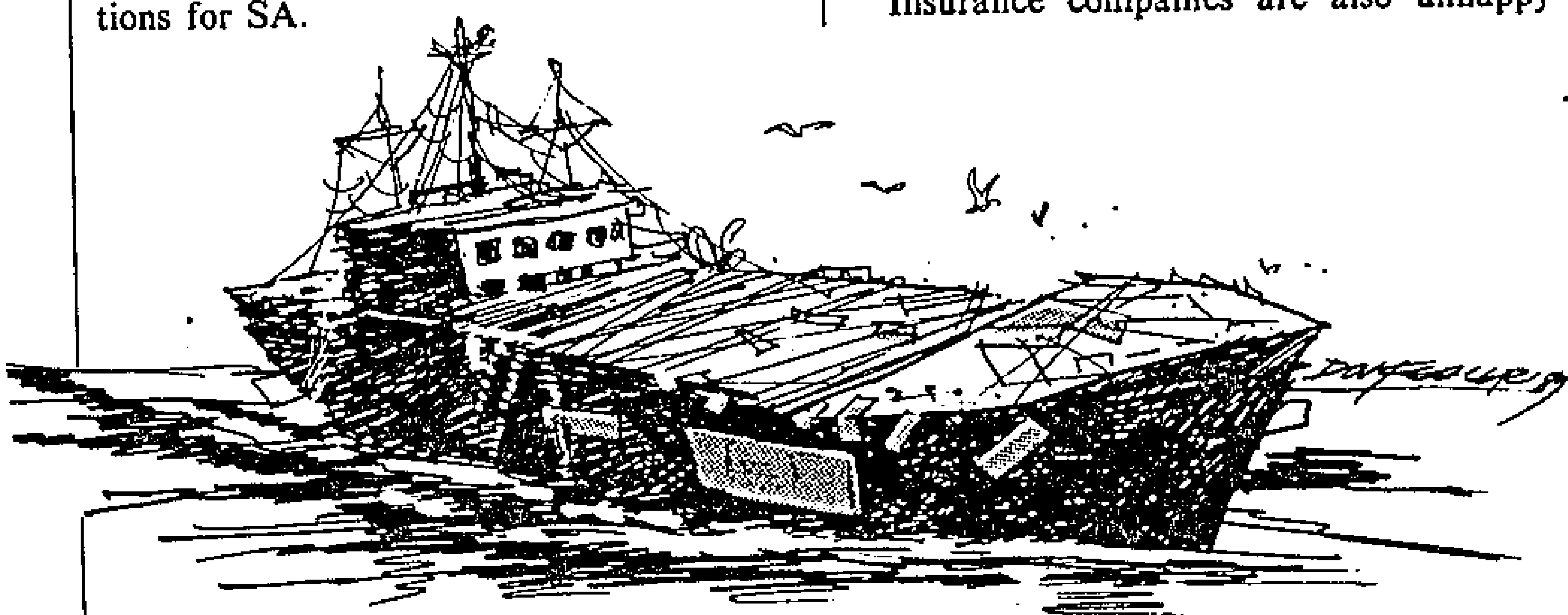
FM 9/6/89

SHIPPING

Fears spill over

Plans to extend the life of giant oil tankers beyond current limits have serious implications for SA.



Up to 30 laden tankers are in transit off the SA coast on any day, carrying Middle East crude oil to Europe or North America. SA officials are listening carefully to current talk of keeping old tankers in service, rather than spending US$75m for replacements in a trade which may not hold up.

Bankers Trust, which finances tanker purchases, voiced its fears last week, in response to plans by independent owners (as distinct from oil companies) to retain vessels for 20 years or more instead of the current 15-year limit.

SA is interested because, particularly in winter, heavily burdened oil carriers are subjected to vicious weather off the coast. Some vessels have suffered serious structural damage. If that can happen to relatively new vessels, what are the prospects for those that have exceeded their accepted lifespan?

In the event of an over-age tanker fracturing in a winter storm off the SA coast — where smaller ships have disappeared without trace — the risk of extensive pollution would be serious.

Critics of the proposal for extended service say owners hope to recoup losses suffered in times of low rates when their ships either ran at a loss, or were withdrawn from service. Transit oil cargoes to Europe and America round the Cape amount to about 7 Mt a week.

Shell, in a test case, has already started rejuvenating four over-age tankers. That's not a problem, as insurers recognise the integrity of big oil companies in maintaining their carriers.

The same confidence doesn't extend to some Mediterranean and Far East operators, who are less demanding in their requirements of repair yards. Corrosion of tanks in big ships requires heavy spending on steel replacement. Even then, surveyors say, ships' structures are often weakened by internal repairs.

They are particularly worried about the integrity of some tankers, which were built with high-tensile and lighter steels as a cost-saving device.

The recent Alaskan oil spill by the *Exxon Valdez* has set alarm bells ringing on the question of tanker security. Although SA has plenty of oil-dispersant vessels, they would have no influence on the volume carried by a giant tanker.

Insurance companies are also unhappy with the idea of continued service by old tankers. Quite apart from claims for vessel loss, the enormous claims from oil pollution frighten any underwriter.

Close proximity to houses causes concern

Eskom pylons anger Alberton residents

By Jacqueline Myburgh

A group of Alberton residents are up in arms over the erection of electrical pylons in the Brackendowns area.

The 300 homeowners fear the power lines may be a health hazard and will devalue their properties.

One resident, Mrs Anne Critchley, said a British newspaper had claimed electrical pylons were hazardous to people's health and could promote cancer.

Mr Eddie Grossop said residents had no concrete proof of health hazards, but regarded the pylons as "unsafe until you prove they aren't".

He said the two pylons, one 34 m and the other 25 m high, undoubtedly reduced the value of properties, since they were so close to some houses they seemed to be "growing in the back garden".

About 60 people have signed a petition demanding financial compensation from Eskom, which built the pylons on land belonging to the Rand Water Board.

Lost interest

Mrs Critchley said some residents had attempted to sell their houses but potential buyers lost interest when they saw the pylons.

"I am the worst hit," she said. "They are right outside my kitchen window and loom over the house."

Mr Grossop said when Eskom was questioned about the matter, a spokesman said: "These people bought in a cheap area, therefore they can expect this kind of thing to happen."

Representatives from Eskom and the Rand Water Board were invited to a meeting at the weekend, but did not arrive to hear residents' grievances.

Eskom said the proposed construction was advertised in three newspapers in December 1988 and the pylons were built in March 1989.

Mr Grossop said the advertisements were placed while most people were away on holiday and appeared in obscure sections of the newspapers.

Crippled rand may force fuel price hike soon

55.) GERALD REILLY

PRETORIA — The crippled rand could force another petrol price increase — the third this year — within weeks, according to sources here.

However, goverment is considered certain to use the already-strained equalisation fund to hold prices at current levels until after the September 6 elections — "and then the increase will be a big one".

Earlier this year, Deputy Economic Affairs and Technology Minister George Bartlett warned of the likelihood of another fuel price rise before the year's end.

According to goverment sources here, oil companies' under-recovery on April 15 amounted to 3,542c/l. Two weeks later the under-recovery had increased to 5,4c/l.

Although no official assessment has been made yet, against a background of the crippled rand the under-recovery could by now have escalated another 3c/l.

With support from the equalisation fund, it was possible to hold fuel at current prices for a time, but a price adjustment was considered unavoidable by the end of the third quarter.

If the rand's value continued to sink in terms of the US dollar, an earlier adjustment might have to be made.

Motor Industries Federation director Jannie van Huysteen estimated under-recovery at between 8c and 10c a litre.

The equalisation fund's strength was unknown. How long it could continue to support current prices was anybody's guess, he said.

What was certain was that an adjustment was strongly justified, and could not be avoided.

Since last September the price of 93 octane on the Rand had increased 30c/l.

Sowetan 21/6/89

Lights out, again

SEVERAL Soweto townships were hit by an electricity blackout last night, something that has almost become a daily occurrence in the area.

Worst-hit were Pimville (Zone 5 and 7) residents, whose homes have been without lights since Thursday last week. Some of the areas affected by the power-cuts included Dobsonville and Dube.

Residents in the affected areas said the blackouts have continued for days despite assurances from the Soweto Council that the problem was beiong rectified.

Dobsonville and Soweto municipality spokesmen could not be reached for comment last night.

Sowetan 21/6/89

Sowetan 22/6/89

Petrol price set to go up

THIRTY-SIX cents of every R1,12 South African motorists pay for a litre of fuel — and the price is expected to leap again soon — go to the taxman, a spokesman for the National Energy Council confirmed yesterday.

He said 31,9c was actual tax and the other four cents went for customs and excise duty.

In addition, another seven cents from the purchase of a litre of petrol went to the Equalisation Fund, which normally employed its share to cushion the under-recovery and over-recovery account known as "the slate".

This means that a litre of fuel in South Africa — exclusive of levies, taxes and excise ~~— cost~~ only 69c at the moment.

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The NEC spokesman said the weak Rand-dollar exchange rate meant that fuel companies in South Africa were presently paying much more to bring fuel to the country and also getting less for it.

Gas-from-rubbish project for Jo'burg

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Staff Reporter

Methane gas will be recovered from a rubbish dump for the first time in South Africa as a result of an agreement signed today by Johannesburg City Council and a major chemical factory.

The R27 million project will entail the piping of landfill gas from the Robinson Deep Waste Disposal Site in Johannesburg's Eloff Street Extension — one of the biggest disposal sites in the country, handling more than 1 500tons of refuse daily — to a factory 16 km away in Klipspruit.

This will ensure the continued operation of the factory threatened by the closure of the Klipspruit-Olifantsvlei-Goudkoppies sewage works which presently supplies the methane gas, said an AECI spokesman.

Other important spin-offs, it is claimed, are that the odours which normally pervade these areas will be cleaned up, and since gas will be withdrawn, plant growth will be stimulated and potential fire hazards will be reduced.

For the first phase a number of wells will be sunk at the Robinson site and a pipeline will be constructed for pumping gas to the factory from October. Eventually there will be about 60 wells

The second phase, which is still to be approved, will see the upgrading of the factory.

Star 22/8/84

Govt's poor management blamed

AA boss lashes out at new petrol levy

By Kaizer Nyatsumba

The Government's further taxation of "the already overtaxed motorist" by imposing additional levies on petrol was totally unacceptable, the chairman of the Automobile Association, Mr Denis Paxton, said yesterday.

Addressing the AA's annual meeting in Johannesburg, Mr Paxton said the association had strongly protested to the Government about the unacceptable fuel tax and levy.

"Regrettably, this (taxation) is another symptom of the generally poor management of the economy, and in particular the failure by the Government to meaningfully curb its expenditure. The price of petrol affects all aspects of the economy and results in widespread price increases giving another spin to the inflationary spiral," said Mr Paxton.

However, Mr Paxton assured motorists that the AA's close association with the National Energy Council put it in a favourable position to know that petrol price increases arising from economic factors such as the depreciating value of the rand and the cost of crude oil had been reasonable.

He said a recent survey showed that the majority of motorists were willing to pay toll fees on new roads, but were strongly opposed to the tolling of existing roads.

"There was also a strong view that the Government should be responsible for the provision of an adequate road network in view of the heavy tax burden imposed on the motorist," he said.

Mr Paxton said the AA was disappointed with the Government's reluctance to separate the driver's licence from the identity document in spite of good reasons for this.

He denied allegations that South African motorists were bad drivers.

Mr Caxton said 80 percent of fatalities among pedestrians involved blacks. Most of their accidents occurred between midday and midnight and could be attributed to lack of sidewalks and street lighting in certain areas, "and unfortunately alcohol certainly plays a role".

No rise in fuel price

NO increase in the price of fuel was planned immediately, said a spokesman for the national energy council yesterday.

One spokesman said the Minister of Economic Affairs and Technology, Mr Danie Steyn, was briefed on a daily basis on the fuel situation inside the country.

Sowetan 23/6/87

Losses

A decision on when the widely expected increase would be announced — and how much it would be — still remained to be made.

A NEC spokesman on Wednesday said that South African motorists were paying at least 12c less than actual cost for every litre of fuel used, and the next round of fuel price rises would "probably be as high as 12c a litre" to recoup present losses.

Star 23/6/89 (55)

No increase in fuel price as yet

Staff Reporter

No increase in the price of fuel was planned immediately, said a spokesman for the National Energy Council (NEC) yesterday.

He said the Minister of Economic Affairs and Technology, Mr Danie Steyn, was briefed daily on the country's fuel situation, and a decision on when the widely expected increase would be announced — and how much it would be — still remained to be made.

Another NEC spokesman told The Star that South African motorists were paying at least 12c less than the actual cost of a litre of fuel, and the next round of fuel price rises would "probably be as high as 12c a litre" to recoup present losses.

Mr Steyn this week told the SABC that no fuel price increase was on the cards for the near future, but he did not altogether rule out a sudden rise.

A NEC spokesman yesterday said an increase in the fuel price was a real possibility within the next few months.

"I am not prepared to answer that question," said another NEC spokesman when asked what the possibility was of the increase being announced after the general election on September 6.

World interest in SA wonder oil

By Don Robertson (SS)

A SOUTH AFRICAN developed, water-based lubricant has captured the interest of 14 major companies in 10 countries because of its environmental benefits.

The product, Senfluid, has a water base of more than 80%, is non-toxic, biodegradable and non-flammable and can be used as a lubricant, hydraulic fluid or machine fluid.

The product was invented by Haimi Singer to meet the needs of the oil search group, Soekor, which was concerned that ordinary oil was being used in drill holes which resulted in contamination of the core.

At the time, Mr Singer was a consultant at Karbochem, the synthetic rubber producer in the Sentrachem group. Because of the potential of the lubricant, the invention was snapped up by Karbochem.

Karbochem is now negotiating with 14 companies which are interested in gaining access to the technology. The first licencing agreement has been signed with a major British company and large export orders are being negotiated with other companies.

Although there are other water-based lubricants, most have a water base of about 40% to 50%. Senfluid is the only one in the world with a water base of more than 80%.

Senfluid's general manager Philip Ridgwell says it is ironic that products sold in SA for their lubricating abilities are in great demand internationally for their environmental benefits. They meet the requirements of many countries where the environment has become a political, social and economic issue.

In America, for instance, it can cost as much to dispose of used oil than it does to buy it.

"We are currently negotiating with large companies in the US, UK, West Germany, Italy and Israel as well as other countries, and have already sold substantial quantities of the product overseas," says Dr Ridgwell.

During the past 18 months, sales have increased dramatically, but this is a drop in the ocean compared with international sales potential, he says.

Eskom joins nuclear 'world club'

ARGUS 28/6/89 (...) 55

By HENRI du PLESSIS, Staff Reporter

ESCOM has been admitted as a full member of the World Association of Nuclear Operators (Wano) in what is seen as an bid by private nuclear energy agencies to wrest a measure of control over peacetime nuclear activities from their governments.

N-POWER

The organisation, comprising nuclear power "utilities" from all countries with nuclear capabilities except for Bulgaria, was formally announced after the formation of four regions and a central council and secretariat in London.

The final conference, held in Moscow, brought together West and East in an agreement to share civilian nuclear technology for the sake of the "highest possible" safety measures, said Mr Peter Spencer, nuclear manager of Eskom's engineering group.

The Moscow conference involved representatives from 137 electricity utility companies across the world.

This meant that Eskom could now freely exchange information with Americans, Russians and Red Chinese alike.

The four regions, not necessarily based on geographical lines but rather on priority of allegiance, have their bases at Tokyo, Atlanta, Paris and Moscow.

Eskom has chosen to join the Paris region — an indication of its ties with the French nuclear industry which helped build Koeberg Nuclear Power Station near Cape Town.

On the other hand, Cuba has joined the Moscow region for obvious reasons, rather than the Atlanta region which is situated relatively close by.

The initiative to form Wano came from the utility companies who basically said:"To hell with governments, we want to co-operate," an Eskom spokesman, Mr André van Heerden, said.

Wano was first proposed by Lord Marshall of Goring, chairman of the British Central Electricity Generation Board (CEGB), in 1987.

He believed that Wano's mission should be to maximise the safety and reliability of the operation of nuclear power plants by exchanging information and by encouraging comparison, emulation and communication among its members.

This comparison would however initially be to the advantage of the eastern bloc countries, including the Soviet Union, who were behind on technology, especially as far as safety aspects were concerned, Mr Spencer said.

"I personally believe it was Chernobyl which at last demonstrated that no country, no matter how large, could actually win a nuclear war and this was why the Soviets had become so willing to talk about nuclear arms reductions," he said.

"Chernobyl has also been a severe blow to the Soviets' confidence. In Russia there is a lot of criticism of what is called the ineptitude of utility staff and their lack of motivation."

According to Mr Spencer, the founder members of Wano had to overcome numerous political obstacles.

"Not only the Soviet Union, but also the US had a lot of political opposition to this," he said.

"In order to make the organisation work the way it is supposed to work, it does not help excluding anybody."

Announcing Eskom's membership in Johannesburg, Escom's Chief Executive, Mr Ian McRae, said: "I must stress that it is not countries which are coming together in Wano, but power utilities. This is the strength of the organisation — it sidesteps politics."

Oil prices to rise

55

Star 29/6/89

Motor oil prices should be increased at the time of the "inevitable" petrol price increase, warns Castrol.

Motor oil prices have increased by 14 percent since February 1987,yet there had been major increases in the cost of base oils and, since February 1987, the cost of additives which are directly linked to the Rand/Dollar exchange rate had gone up by 40 percent.

Figures showed the average motorist travelled 16 500 kms a year and spent R142 a month on fuel. But the average motorist changed his oil only 2,7 times a year. If he did the oil change himself the average cost was R32 per year. If he had the oil changes done at a service station the cost, on average, R54 per year.

A petrol price increase is inevitable — the so-called 'slate' is under-recovering to the tune of between 10c and 12c/litre. There should, therefore, be an increase on lube oils because of the massive increases in the past. The cost of oil is infinitesimal as a percentage of running costs.

However, the motorist can save money in the face of inevitable increases by upgrading his oil to a higher specification and therefore reducing his oil drain periods.

Mobil sell-out gets worker go-ahead

THE Chemical an Industrial Workers' Union (CWIU) has withdrawn its opposition to Mobil SA's plans to sell its local operations to Gencor and the disinvestment will now go ahead.

CWIU members agreed over the weekend to accept R2 000 or a month's salary, whichever is greatest, as compensation for the sell-out.

Mobil SA has also agreed to set up a meeting with management Mobil Corporation in the United States so that the union can raise its demand for a trust fund to be set up to finance community projects in South Africa.

The CWIU plans to pursue its demand that full details of the agreement of sale be provided to workers, a union representative said. The union's main purpose is to establish whether Mobil will continue to supply South Africa with crude oil.

Meanwhile workers at Goodyear were yesterday holding strike ballots to decide if they should take industrial action over the way the tyre manufacturer has planned to sell its local operations to Consol.

Talks between the National Union of Metalworkers (Numsa) and Goodyear, held under the auspices of the industrial council, deadlocked earlier this week. Union members want separation pay of R5 000 each; talks with Goodyear's international head office over the sale; the writing off of existing housing loans; and reinstatement of 17 colleagues who were dismissed last year.

Numsa officials were not available yesterday to comment on the outcome of the strike ballots.

W Mail 30/6 – 6/7/89

officials were suspended during December

but the normal audit inspections by the auditor-general were continuing. — Sapa.

Soweto blackout ends sooner than expected

THEO RAWANA (55)

ELECTRICAL power has been restored to all 15 000 Soweto houses hit by a power blackout last week.

The Soweto Council had feared repairs to the Mapetla sub-station would take at least two weeks, but with help from Eskom, the work was completed within 36 hours.

Soweto Mayor Sam Mkhwanazi said yesterday about 70 Eskom and council workers worked around the clock to design and build a temporary sub-station, and council PRO Johan Westhuizen said the council was working towards putting up a permanent structure.

He cautioned that consumers could still get temporary power cuts lasting as long as an hour. B'Day 4/7/89.

Protea, Naledi Ext 2, Mapetla, Chiawelo, Senaoane, Phiri, part of Moroka, part of Molapo and the Midway Industrial Area were affected by the blackout.

Cahora Bassa power still on agenda

South Africa, Portugal and Mozambique are continuing their talks on the possibility of restoring power supplies from the Cahora Bassa hydro-electric scheme in north-western Mozambique. Star 6/7/89

An Eskom spokesman said one of the issues being discussed was the ability of the Mozambican government to prevent Renamo rebels from damaging power lines. (2A)(55)

The spokesman said investigations had shown that damage to the power network in Mozambique was more extensive than originally estimated. — Sapa.

(55) The Star Thursday July 6 1989 3M

R10-m a year energy saving

Pretoria Correspondent

The Government is to introduce an energy programme in its buildings which could save at least R10 million a year.

A pilot project at Jan Smuts Airport has shown savings of more than R200 000 a year on the cost of running air conditioning, with an additional R65 000 estimated from changes to be made to lighting.

Savings on air conditioning were achieved in part by running plants only where and when necessary and running them at more efficient temperatures, while those on lighting involved installing more energy-efficient lights and cutting demand by switching off lights when not required.

A third kind of saving through setting norms for thermally efficient buildings is being investigated by the University of Pretoria's laboratory for advanced engineering.

The initiative for the energy saving programme comes from the Department of Public Works and Land Affairs (which is repsonsible for most Government buildings) with details devised by Mr Uys Ackermann, chief engineer of mechanical engineering services.

Energy-saving projects should be welcomed by the taxpayer as a means of cutting unnecessary Government spending, and promoting privatisation.

However, they were also vital to the more efficient use of diminishing reserves of fossil fuels, South Africa's primary source of power, Mr Ackermann said.

Programmes started with an energy "audit" of the building, to establish where savings in energy costs could be achieved, and if they could be justified. Individual projects could then either be tackled internally, or awarded to an outside contractor.

The door has been opened to outside organisations with a call for applications to implement energy management programmes.

Savings of just 10 percent on energy costs of Government-owned buildings could exceed R10 million a year.

B\Day 7/7/89. (55) (illegible)

Warning that power privatisation might not curb price rises

NEIL YORKE SMITH

PRIVATISATION of power may not be the answer to high price increases, according to a survey by the National Utility Service (NUS).

In its annual electricity price survey NUS says SA should learn from the UK power privatisation mistake. British consumers are losing out while power distribution companies earn high profits.

Higher prices are reducing trade competitiveness and acting as a hidden trade barrier. "Precisely the same may be said of SA," warns Peter Cornelius of NUS.

SA power costs are the lowest of the 14 industrial countries surveyed, but high price increases are eroding this advantage. At 12,5% the SA increase far outstrips that of Norway, which at 7,7% had the second highest rate. Pretoria and Johannesburg recorded SA's biggest price hikes.

Unless costs are controlled, says Cornelius, SA will join the ranks of the most expensive electricity countries.

Consistent price increases will force a complete review of SA power consumption, says Cornelius.

TIM COHEN reports Eskom CE Ian Mc Rae agreed last night that privatisation in general did not necessarliy lead to lower prices.

He refused to answer questions about Eskom because he said he did not want to pre-empt the study about the desirablity of privatising the institution currently being undertaken.

But he said privatisation could have advantages, especially regarding an institution's efficiency, its financial planning and long term strategic role.

If the parastatal was being run on business lines and was being run efficiently, he said is was quite true that prices might increase in the short term because the institution would have to pay dividends.

But in the long term, an institution might benifit greatly from being privatised, he said.

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SA's cheap power days under threat

By Ian Smith

ELECTRICITY is still comparatively cheap in South Africa, but warning lights are flashing.

Average SA power costs were still the lowest among 14 industrialised countries covered by the National Utilities Services (NUS) survey for the year to March 1989. The survey is the internationally recognised reference work on power price trends.

But SA's power cost increase — nearly 10% at the Eskom level, but slightly higher when electricity is resold by municipalities — was the highest recorded in the survey. The next largest increases were in Norway with 7,7%, the UK (6,83%) and Australia (5,98%).

Reasonable

NUS SA sales director Peter Cornelius says: "In gross terms South African electricity costs are still reasonable, but they are outstripping average world rates of increase. On this basis we will join the ranks of the most expensive electricity countries eventually — unless we bring costs under control."

He says the average SA increase when municipal charges are taken into account was about 12% last year.

Eskom general manager, finance, Mick Davies says the organisation will maintain its commitment to keep increases below the level of inflation for the "foreseeable future".

Finance

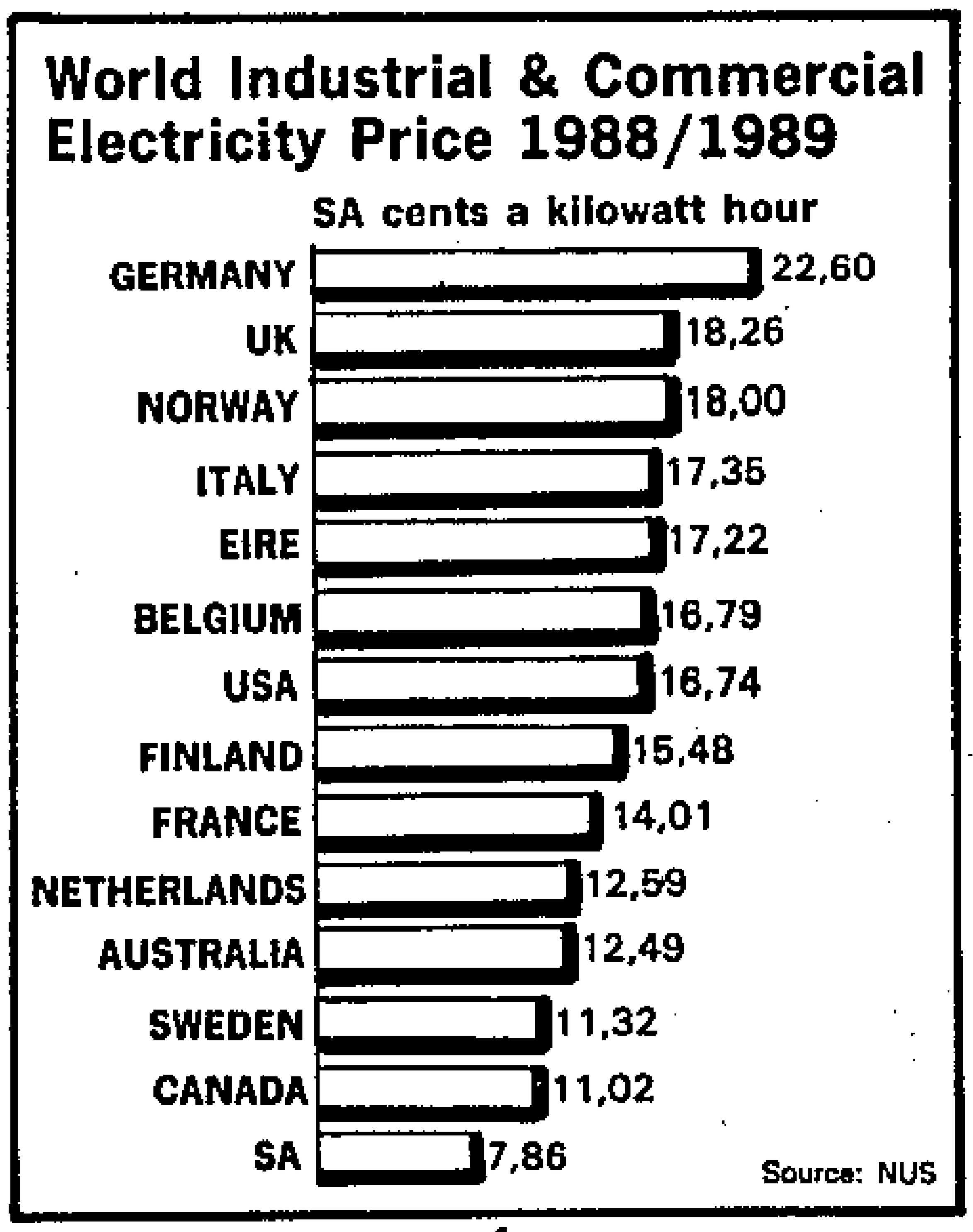
But Eskom cannot escape the general costs spiral which grips SA.

Contracts with coal suppliers are normally on a "cost plus" basis, which allows for general cost escalation.

At the same time employment costs are rising in the face of constant pressure from trade unions and other employees. This is still an important factor in cost increases in spite of Eskom's achievement in reducing total employment from 66 000 in 1985 to 52 300. The figure will be down to 52 000 by the end of the year.

But the main contributor this year to higher costs are interest rates and finance charges.

"A 1% increase in market rates has a bottom-line impact of R200-million a year for Eskom," says Mr Davies.



The 1988 Eskom price increase was 9,6% with inflation running at 13,5%, but this year's higher interest rates must make similar discounts harder to maintain.

With a net power cost of 7,86c per kWh, SA kept its place as the cheapest generator of power among the countries surveyed by NUS, an organisation specialising in energy savings for commerce and industry by tariff analysis.

But Mr Cornelius calculates that if increases remain above 10% to 12% for the next five years, SA power costs will at least double.

"This would put us in the middle of the power cost league as it stands now, although there would obviously be increases among other countries."

Compound

Within a decade SA power costs could compound at close to 30c a kWh, which will force a rethink on power consumption.

"South Africans still tend to be profligate in power consumption. Our prediction is that this will change drastically, spurring big demand for equipment and methods which will reduce electricity consumption. It will lead to more research into alternative energy sources," says Mr Cornelius.

His forecast has serious implications for industry, particularly heavy-electricity consumers like mineral refiners, which contribute hugely to exports.

The survey shows that Eskom is not the only electricity generator facing price problems. The UK is wrestling with the effects of privatisation.

In gross cost terms the UK is second only to Germany. The NUS survey comments: "UK electricity consumers are clearly paying the price of both privatisation and commitment to a nuclear power programme and it is questionable whether they stand to benefit from either.

Choice

"Electricity privatisation does not mean that consumers automatically have a choice of supplier. Individually negotiated contracts between the main generating companies and the distribution companies will be introduced. However, the main beneficiaries may well be the distribution companies and not the consumers."

Mr Cornelius says that because of the SA Government's commitment to privatisation it is important to learn from mistakes being made in the UK.

"It is apparent from the UK experience that privatisation of electricity generating concerns is not the panacea to all price ills. In fact, the opposite seems to be occurring."

High costs are placing UK industry and commerce at a competitive disadvantage in world markets.

"The costs are acting as a hidden trade barrier. The same could happen in SA."

Poisoners pose threat to SA food

S Times 9/7/87

By Robyn Chalmers

MALICIOUS product contamination, of which there have been more than 2 000 cases in the US since 1987, is rearing its head in South Africa.

Three cases of product contamination have been reported recently. The first involved the contamination of animal feeds, the second the poisoning of chocolates and in the third meat products destined for a supermarket were contaminated with ground glass.

Disastrous

PriceForbes Federale Volkskas (PFV) Southern Transvaal deputy managing director Charles van der Byl says that in the first two cases the contamination was not detected and the result was disastrous.

"Fortunately, the meat contamination was spotted before the products were offered for sale.

"There was also a case in Britian where the manufacturer of baby food was subjected to extortion threats. Callers claimed that some of its products had been deliberately contaminated."

Mr Van der Byl stresses that the cost of product recall, sale loss and perhaps even the rebranding and remarketing of an established product can be enormous.

"Several years ago international healthcare group Johnson & Johnson faced bills of up to $100-million in product recall costs when Tylenol — a popular headache remedy — was contaminated and seven people died. Loss of sales amounted to $400-million.

In the wake of such incidents, insurance products have been developed to provide protection for manufacturers and distributors. The policies, which are available abroad but not in SA, are known as malicious products tampering, product contamination or product integrity insurance.

Mr Van der Byl says: "The insurance covers the costs of disruption to the manufacturer or distributor if a product is contaminated or if there is threat of contamination.

"Irrespective of whether a deed has been carried out or not, a company cannot afford to ignore the threat and must take recall action."

Impossible

He says costs to the company include examination and analysis, destruction or rehabilitation of contaminated goods, value of goods destroyed, loss of profits, re-establishment and remarketing of the product, business interruption and the recapture of lost market share.

The London and US-based insurers with which PFV is connected to offer SA companies a facility to insure against product contamination require detailed proposal forms as well as information on the company's crisis response and recall plans.

"Because it is practically impossible to make products totally tamper-proof, the risks are high and insurers have to be cautious. In arranging these facilities, companies invariably require professional assistance, including advice on risk management planning and procedures."

Employer pension pay-out

300

By Robyn Chalmers

ALL employees leaving their jobs before retirement may soon re-

2 petrol price rises expected this year

S/w 10/7/87

55

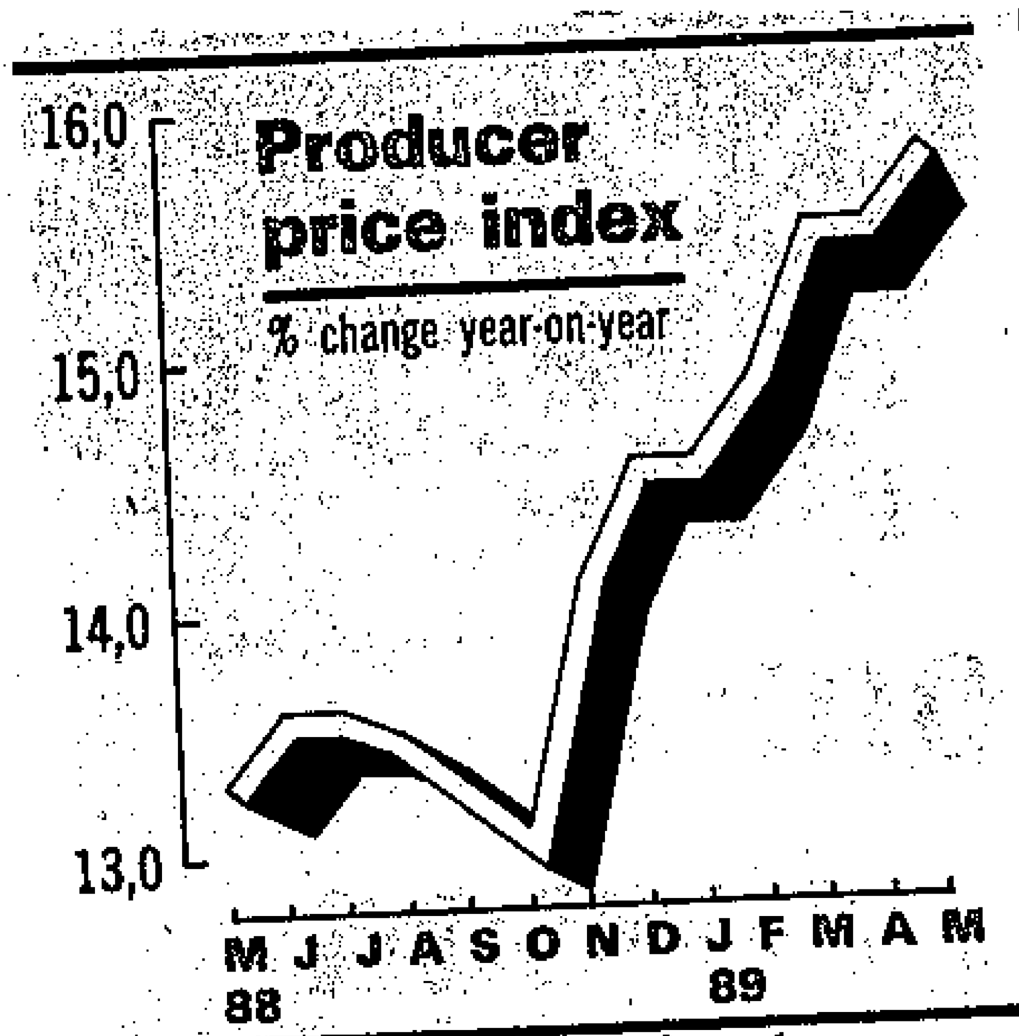
Two fuel price rises, totalling close to 20c, by the end of the year, with the first (9c) due this month — that is the prospect confronting the hard-pressed South African economy.

The increases can only be avoided if there is a dramatic improvement in the gold price, or if Government redesigns the formula for calculating the cost of fuel.

Since more than 50 percent of the price is made up of taxes and levies, which bear no relation to the landed cost of the fuel, this is a viable proposition.

It is one that has been put to Government by the Public Carriers' Association.

● **See the first edition of Star Transport on Page 14.**



Graphic: FIONA KRISCH Source: CSS 15/7/89

Levy on petrol pushes up PPI

SS KAY TURVEY BDAY

A WEAKER rand and increased tax on petrol pushed the producer price index up by 1,5% in May from April.

Central Statistical Service figures released yesterday show the Production Price Index (PPI) rose to 15,8%, reaching 319,6 points for May from 276,1 a year ago. This is 0,3 percentage points up from the 15,5% recorded in April.

The PPI last reached 15,8% in March 1987 before it moved downward to reach a low of 11,4% in December of that year.

The rise in the index reflects the petrol price rise in April with a relatively large monthly increase for petroleum and coal products at 6,5%. The year-on-year increase to May for petroleum products is 31%, reflecting not only a weaker currency but the surge in the tax component of fuel.

Strong rises were also shown in fresh meat (up 5,4%) and metal products (4,7%) on the back of strong commodity prices.

For the first time since January the monthly increase for imported commodities at 1,1% was below the 1,6% for locally produced goods. However, many categories are not measured for May.

Economists believe the PPI will continue to move up in the next few months because of the rand's weakness.

Trust Bank economist Ulrich Joubert said although economic policy had focused on the BoP, the sharp rise in inflation showed that it could not be ignored.

The monthly increase in the PPI has been more than 1% this year. Last year it was below 1% for most months.

Synfuel skills plan goes ahead

B/Day 11/7/89 55

ZILLA EFRAT

SA'S strategic plan to provide a pool of skilled labour for its synthetic fuels energy projects is moving into high gear.

More than 2 000 welders and other technicians have started working on the project since the training programme, run by the SA Fabrication and Construction Training Trust Fund (SAFCTF), began 18 months ago.

Many more are scheduled to graduate from training centres set up to provide a reservoir of manpower for the growing demands of Mossgas and other energy projects still on the drawing boards. The target is 30 000 skilled workers by the turn of the century.

A SAFTCF spokesman said: "The decision to build future synfuels projects will not be influenced by any lack of skilled manpower. We are confident that we can supply sufficient numbers to the standards required."

Petrol price rise: decision 'in day or 2' (55)

Star 12/7/89

By Norman Chandler, Pretoria Bureau

South African motorists could know by Friday whether or not the price of petrol is to go up.

A spokesman for the National Energy Board (NEB) was today unable to confirm the possibility of a rise, but said the country was unable to carry the burden of increased oil prices.

Last month, the NEB disclosed in its monthly statistics that there had been an "under recovery" of costs on petrol, and until the latest monthly figures were available — they are due "in a day or two" — no decisions could be taken.

The spokesman said: "It is very difficult to say what the situation may be."

A spokesman for the office of the Minister of Mineral and Energy Affairs, Mr Danie Steyn, declined to comment on speculation about a possible increase.

Mr Steyn was reported today to have "confirmed" that petrol would rise in price but that it would not be as high as 20c, as had been speculated. The Star reported on Monday that two petrol price increases might take place — one of 9c now and another of 11c later in the year.

'Critical strain' on equalisation fund

SS

GERALD REILLY

PRETORIA — The strain on the fuel equalisation fund has reached such critical levels that a petrol price rise is imminent, sources here say.

In Parliament earlier this year Economic Affairs and Technology Minister Danie Steyn said the fund at the end of April had a cash balance of R159,531m.

The equalisation fund is fed by a 7c/*l* levy on petrol and diesel. During May the drain on the fund continued with an average underrecovery of 12,8c/*l* for 93 octane on the Rand. B/Day 12/7/89

And when the figures for June are released by the National Energy Council at the weekend or early next week, the underrecovery figure is certain to be higher, informed sources here believe.

Meanwhile, motor industry sources said it was extremely unlikley government could "sweat it out" and hold prices at current levels until after the election.

A two-phase increase of 9c or 10c a litre was likely before the month end and another similar increase in the last quarter.

Sources said there was virtually no hope of a dramatic increase in the value of the rand or a spectacular fall in the price of crude oil.

Sowetan 13/7/89

Cost of cars, petrol go up

THE cost of motoring is set to soar with another hike in the petrol price now virtually certain and the motor industry gearing up for a further increases in the price of vehicles.

But a decision has not yet been taken either on the extent of the petrol price rise or car price increase or the effective date of the hikes.

However, a decision on the petrol price will only be taken after the National Energy Council has submitted its latest report on petrol sales, the under recovery on the petrol price and other data pertaining to the petrol price to Minister Of Economic Affairs and Technology, Mr Danie Steyn.

Report

A National Energy Council spokesman confirmed yesterday they hoped to finalise the report this week.

The spokesman said the monthly report they released to keep the public informed about the petrol price structure and the monthly shortfall or overpayment on the petrol price would be published by the end of this week or early next week.

However, the spokesman said and under recovery on the monthly petrol price in May of 7 cents a litre had increased to 12,157 cents a litre in May.

Petrol

"We are currently awaiting the final figures for June but it appears that the under recovery will be approximately the same as that for May," the spokesman said.

There has been speculation that the petrol price could increase by as much as 20 cents a litre but informed sources have indicated that this was highly unlikely.

Increase in new car prices are widely expected to add about R1 000 to the cost of the lowest priced runabout, which willl mean the cheapest new car will cost close to R25 000 with GST and insurance.

In addition, pressure on the Deutsche Mark could mean German manufacturers could be forced to increase prices at a higher rate than Japanese-sourced suppliers.

The increase is blamed on rising local costs caused by inflation and the weakening rand, which has pushed up the prices of imported components.

Petrol goes up on Saturday

The petrol price will be increased on Saturday, and an announcement was expected tomorrow, a Government source indicated yesterday. 55

Speculation was that the increase could be in the region of 12c a litre, which at present is the under-recovery on the fuel price with the further drop of the exchange rate of the rand against the dollar.

The National Energy Council last month said the under-recovery was 12,57c a litre. Star 13/7/89.

The Minister of Mineral and Energy Affairs, Mr Danie Steyn, was quoted yesterday as saying that there could be an increase in the price of fuel soon but that it would not be as high as a speculated 20c a litre. — Political Reporter.

Fuel rise expected tomorrow

BDay 13/7/89

GERALD REILLY

PRETORIA — The petrol price increase expected to be announced tomorrow will add further strength to already substantial inflationary pressures in the economy, warn economists.

And, if there is another rise in the second half of the year, as is strongly speculated, the inflation rate could reach 18% by year-end.

(55)

Government sources here said the Cabinet had been compelled to authorise a price rise in the face of a draining fuel equalisation fund and in spite of the possible adverse impact on government support in the September elections.

Throughout May the average under-recovery exceeded 12c/l on 93 octane on the Rand. The June figures and the fund's seriously depleted level will be released tomorrow.

Mineral and Energy Affairs Minister Danie Steyn said this week a price hike was imminent.

National Energy Council data shows that at least 12c/l extra will be needed to offset government subsidies from the equalisation fund, as the cost of petrol continues to be inflated by the drop in the rand's value.

SA has absorbed three price increases in the past nine months.

Stellenbosch economic bureau chief Ockie Stuart said a 10% increase, taking into account the multiplier effect, would add more than 0,6% to the inflation rate.

However, economists said a substantial price hike was unavoidable. The rand was unlikely to make the kind of recovery in the short term that could affect the extent of the coming increases.

Also, crude prices were not likely to sink to a point where they could lead to an easing of the price.

Our Cape Town correspondent reports that Professor Brian Kantor, of UCT's school of economics suggested government cut its revenue takings from petrol to lessen the impact of the weaker rand.

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Star 14/7/89

Rise 'will push inflation up to 18 percent'

Fuel's upward spiral condemned

By Sue Valentine

Consumer organisations have slammed the petrol price increase announced on Wednesday by the National Energy Council, which will raise the cost by 6c a litre.

The increase is the third this year.

In the PWV area 87 octane petrol will cost R1,15 a litre, while 93 octane will cost R1,18.

At the coast, 93 octane will cost R1,09, and 97 octane R1,12. Diesel at the coast will be R1,04, and R1,11 in the PWV. Agricultural diesel at the coast will be 75,6c, and 82,8c in the PWV.

Preliminary calculations by the Federated Chamber of Industries and the Steel and Engineering Industries Federation of South Africa suggested the increase would raise the Consumer Price Index by 0,4 percent, but the indirect impact would make itself felt only in coming months.

NEC chief executive Mr Lourens van den Berg said the average exchange rate of the rand to the US dollar in June this year was R2,79 to one dollar, making the deficit on petrol more than 12c a litre.

Gross mismanagement to blame . . . Mr Ken Andrew.

Democratic Party

Democratic Party MP for Gardens Mr Ken Andrew said the present and recent increases were a direct result of the collapsing value of the rand, rampant inflation and excessive taxation on petrol.

"The tragedy is that most of these price increases would not be necessary if it were not for the gross mismanagement of our economy by Government."

Conservative Party spokesman on economic affairs and technology Mr Clive Derby-Lewis said the 44 percent increase in the petrol price in less than a year was an admission of defeat by the National Party — the type of gross inefficiency which would bring a government down in any civilised country.

Automobile Association managing director Mr Peter Elliott said the under-recovery on the fuel price arising from the deteriorating exchange rate was a factor no one had control over and the organisation supported the decision to impose smaller price increases when necessary.

Cost always passed on to consumer . . . Mr Gordon Hood.

Inflation rate

Checkers group managing director Mr Sergio Martinengo said the price rise would push the inflation rate up to about 18 percent.

OK Bazaars managing director Mr Gordon Hood said fuel price increases always had an inflationary effect as the costs had to be passed on to the consumer.

Dawn Barkhuizen reports that the Housewives League of South Africa slammed the latest petrol price rise, saying it was "disgraceful" that South Africans had to suffer increases while people in Europe enjoyed reduced fuel prices due to lower crude oil prices.

The Federated Chamber of Industries and the Steel and Engineering Industries Federation of South Africa said they were encouraged by the fact that the increase had been kept to 6c a litre.

They said the price of crude oil on international markets had increased since the beginning of September 1988 by approximately 30 percent.

Over the same period, the price of 93 octane petrol on the Witwatersrand had increased by over 24 percent, if tonight's increase was included.

Rhodes gets a woman professor

Religion Reporter

Dr Felicity Edwards, a senior lecturer in the faculty of divinity at Rhodes University, Grahamstown, has been promoted to associate professor, becoming the first woman professor in divinity in South Africa.

The faculty of divinity at Rhodes is the only official university training centre in South Africa for the ministry in the Anglican, Methodist, Presbyterian and Congregational churches.

Dr Edwards' appointment is therefore a major development in South African theology

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You'll pay more after midnight as the petrol price goes up

By Norman Chandler,
Pretoria Bureau

Petrol and diesel will cost more from midnight tonight in the second major increase in fuel prices in four months.

Petrol jumps by 6c a litre in the PWV area to R1,18 and by similar amounts in other areas, and diesel goes up 2c a litre throughout the country. The price of illuminating paraffin is unchanged.

Described as a "partial price rise", the door has been left open for another increase, depending on the rand/dollar exchange rate and crude oil prices, before the end of the year.

The Government's energy experts explained last night that the increase was unavoidable because of dwindling resources in the Equalisation Fund which the State used to keep down the price.

The last price increase was in April.

The National Energy Council (NEC) said at a press conference in Pretoria yesterday there was no alternative but to increase the price of fuel.

"We made certain recommendations to the Cabinet and those were approved," said Group Energy Administration and Management Services Manager of the NEC, Mr Lourens P van den Berg.

The NEC said that during June the under-recovery on all petrol and on diesel as a result of fluctuating dollar prices resulted in a deficit and the fuel profit/loss account (known as the "slate") had therefore to be propped up by the Equalisation Fund.

A total of R200 million had been used since April to keep the fuel price at an artificially low level.

"The Equalisation Fund can, however, no longer bear these losses in full and it has become necessary to increase the price of fuel," he said.

The increases represent a rise of 5,8 percent at the coast and 5,3 percent in the PWV area for 93 octane petrol.

COUNTERTRADE

(55) Finmail 14/7/89.

R1bn Mossgas boost

The R7bn Mossgas project, launched to reduce SA's dependence on imported fuel products, is creating enormous opportunities for SA exporters through the countertrade mechanism.

Mossgas has an "imported" component worth R1,8bn. Countertrade deals have now been signed with some of the 250-odd foreign suppliers involved in the project to purchase SA goods worth R1bn over the next five years.

Prospective local exporters wishing to make use of these opportunities need not worry about convoluted countertrade agreements — these will be handled by a newly established international trading house, Marcosa, which will act as a catalyst in creating contacts, assisting with negotiations and working out payment arrangements between local and foreign parties.

"SA exporters will be paid in cash," says Marcosa MD Gert Strydom, who has handled most of the Mossgas countertrade dealings.

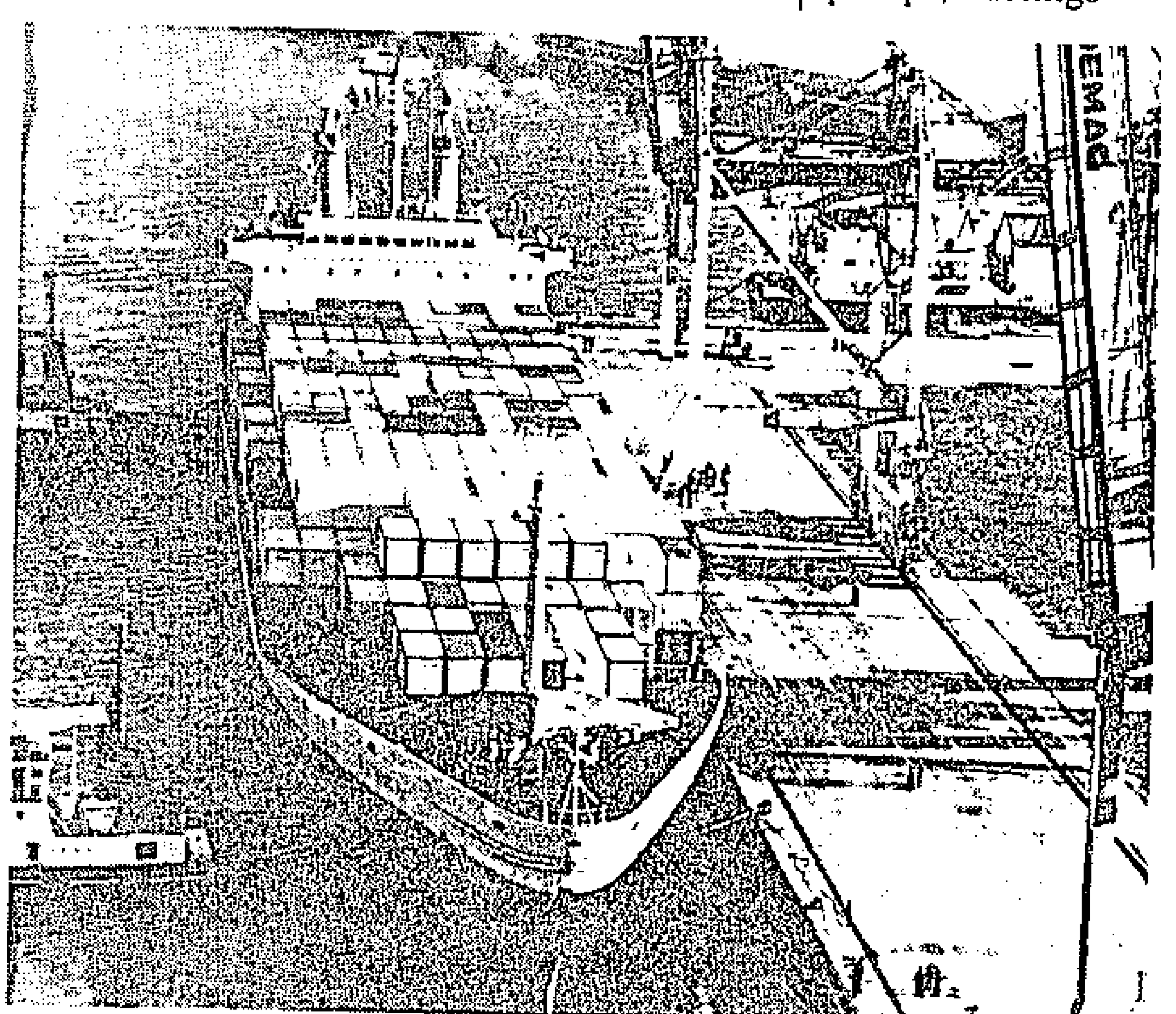
Strydom says the idea is to establish long-term relationships and export commitments from SA suppliers with lucrative international markets. Confidentiality will be a top priority.

The figures are impressive: apart from the remaining R800m countertrade leverage in the Mossgas project, links established with the foreign suppliers and trading houses will give local exporters entry into a potential market now worth about US$300bn/year.

"The principle of reciprocity underlies our dealings with foreign suppliers. They have contracted to buy SA products with a minimum of 40% local content on the following conditions: that SA goods, services and equipment will be bought on merit and that these should be *incremental* exports from SA and not form part of any existing deals."

Provided SA products are competitive in price, quality and service, new export markets and opportunities will almost certainly be created.

"Agricultural products, processed foods, textiles, vehicle components, steel and stainless steel products, chemicals, footwear, wool products, mining equipment, paper and pulp, packaging materials, paints, pipes, flanges, pumps, castings — whatever SA manufactures could become part of these future deals," says Strydom.



Exports . . . getting a powerful leg-up from Mossgas

The participation of SA companies in foreign tenders will not only benefit local groups, but also foreign contractors, as they will have a more competitive choice between various foreign suppliers.

"The attraction for SA exporters who enter into deals with foreigners is that they can establish firm links and lock themselves into lucrative international markets. The involvement of international trading houses means that there is hardly any limit to the countries — or products — that could be involved in these deals," adds Strydom.

Consumer resistance

Countertrade deals will assist SA's export efforts as there is significant "consumer resistance" to SA products overseas. This type of trade, as well as other unconventional trading methods, is growing strongly around the world. It could also help remove the misconception that SA is purely a commodity exporter.

"We have a huge potential to increase exports of value-added products. Anyone interested in the potential $300bn market now opening up is welcome to contact me," says Strydom.

He notes major projects are being undertaken in Red China by some of the 250-odd Mossgas-linked groups. One group alone is involved in 200 Chinese projects. The materials required to fulfil these contracts are said to be worth around R5bn. They include power stations and cement and glass factories. SA suppliers could help furnish equipment required.

The Marcosa initiative fits in well with the joint export offensive just launched by the Federated Chamber of Industries and Safto, supported by the Department of Trade & Industry, with a strong focus on countertrade.

AIRFREIGHT

Maintaining height

14/7/89

Sanctions on SA trade have not had a significant impact on the volumes of airfreight traffic in and out of SA.

While there is a lack of complete, up-to-date information, British Airways (BA), UTA and Lufthansa, which fly dedicated freighters between Europe and SA on a weekly basis, and accommodate up to 15 t of freight on their regular passenger flights, haven't noticed any significant drop.

Sometimes there's an overabundance of freight. A spokesman for Lufthansa, which operates a Douglas DC8 freighter, capable of carrying 45 t, in a joint venture with SAA, says that on a recent flight from Frankfurt 10 t had to be left behind.

MINERALS BILL

The dispute between the mining industry and government concerning the proposed Minerals Bill is far from over, despite recent reports that the two parties had reached agreement.

Chamber of Mines legal adviser Barry Shipman says the chamber is still negotiating on the draft legislation with a government task force headed by George Bartlett, Deputy Minister of Economic Affairs & Technology.

"While some significant changes were made to the proposed legislation since we saw the first draft last December, a number of provisions remain about which we are very concerned and unhappy. We expect to see another draft of the proposed legislation within the next few days, and to have further discussions with the government task force on it."

Shipman declines to indicate what the remaining sticking points are.

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'We did not withh[e]

withhold petrol

Only garages can make a quick profit, say oil firms

DAWN BARKHUIZEN

MAJOR oil companies yesterday denied allegations that they were withholding petrol, aiming to make a quick buck when the price went up by 6c a litre at midnight last night.

They have said only the service stations stand to make one-off profits.

Motorists were yesterday clamouring to fill up with petrol in order to beat the midnight deadline.

Service station owners were alleging that petrol companies had held back and refused to make extra deliveries since Wednesday in anticipation of the price hike.

Service station owners and managers agreed petrol companies would gain from the 6c a litre difference between the old and new petrol prices by holding back on deliveries until after the hike had come into effect.

But the oil companies hit back, saying service station operators or dealers were the only ones who stood to make a one-off inventory profits of 6c a litre on all products in their tanks bought at the old price and sold at the new.

Fixed profit margins

A spokesman for Caltex Oil SA said: "We make no more per litre if we sell petrol today or tomorrow. Our profit margins were fixed irrespective of fuel price."

This was confirmed by a Shell SA spokesman, who said they were doing their best to meet the flood of orders from dealers.

Mr Richard Woudberg, public affairs manager for Shell SA, said: "From information we have on hand, there has been no major increase in demand and we are unaware of any problems at our service stations.

"Shell's distribution operation is geared to meet normal requirements with provision made for emergency situations."

A **Pretoria Correspondent** reports that Bos Motors managing director Mr Dirk Meter said petrol companies had started holding back on supplies on Wednesday.

"I requested a tanker load on Wednesday but they said they were full and could not deliver. When I asked for two tanker loads for Thursday, I was told I was stockpiling ahead of the price increase.

"The only petrol company that has been prepared to deliver has been Sasol. The other companies have said they will deliver on Saturday. I've only got 24 000 litres in stock and I anticipate selling at least 21 000 today. There will be chaos because we will run dry either late tonight or early tomorrow."

Mr Meter said he also believed some service stations would lock storage tanks and say they had run dry to make sure they made 6c a litre profit by selling old petrol at the new price.

Magnolia Motors (Pty) Ltd manager Mr Paul Haak agreed some garages would run out of petrol.

He said he had been promised a delivery by Mobil yesterday — the normal day they made deliveries to his garage — but they were only prepared to supply him with the amount of petrol he normally took.

Mr Haak expected a rush by motorists trying to tank up but said the increase had been expected and his petrol sales had been higher than normal this entire week.

Announcing the increase this week, the National Energy Council said it hoped another increase this year would not be necessary. This depended on crude oil prices and the rand-dollar exchange rate.

If those factors remained constant, no further hikes were envisaged.

South Africans were paying a political price for the high cost of petrol, including today's 6c a litre increase, said Dr Zach de Beer, co-leader of the Democratic Party.

The public would continued to be confronted by rapidly changing petrol prices until "there is a situation of government by consent with the majority of people accepting the constitution".

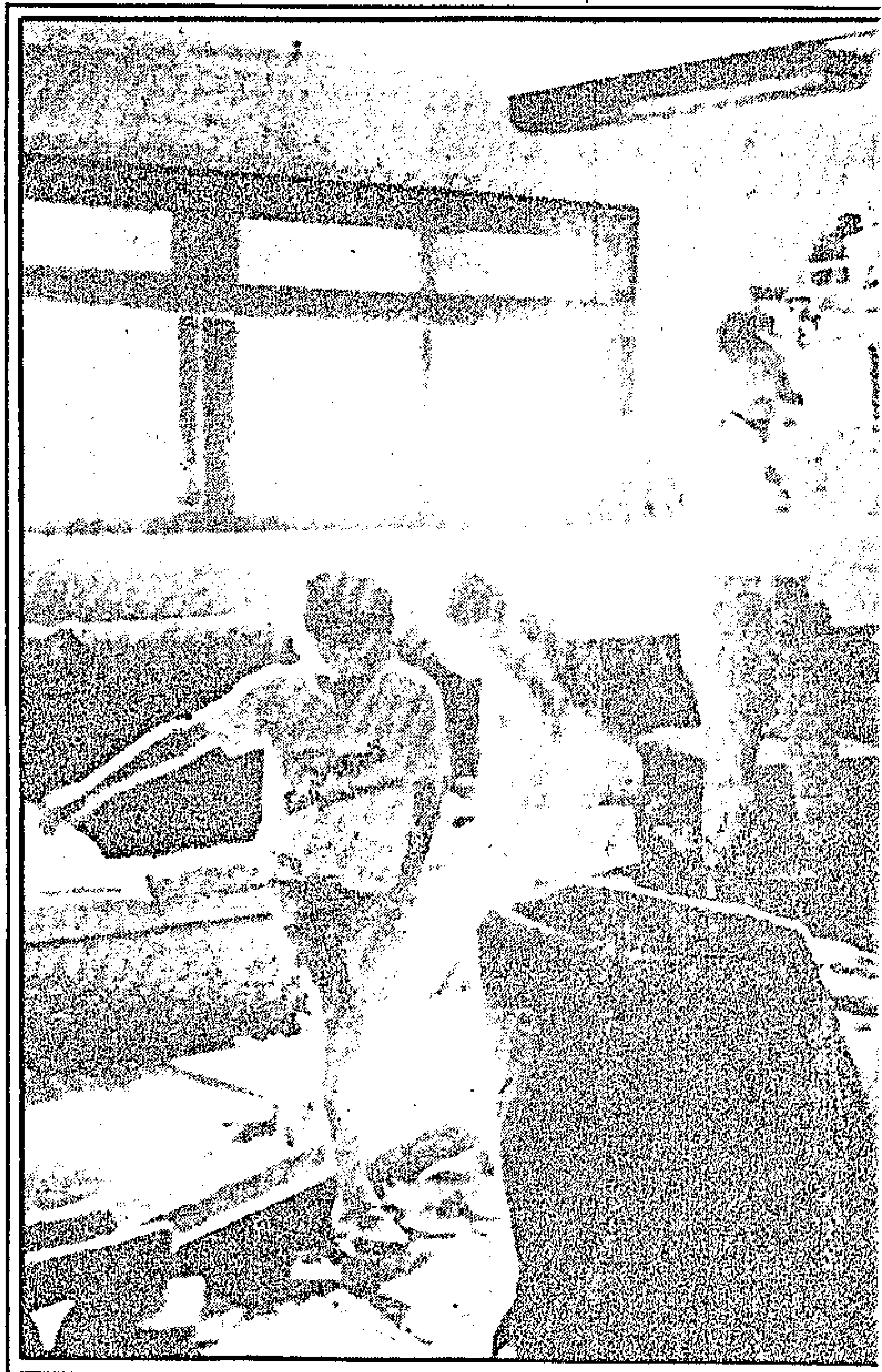
"What we don't know is what premium South Africa is having to pay for fuel because of sanctions imposed for political prices," he said.

The Conservative Party's spokesman on economic affairs, Mr Clive Derby-Lewis, rejected the midnight rise as "yet another reflection of the serious problems which the Government is having in balancing its budget".

The increases in the petrol price in less than a year was an admission of defeat. This type of gross inefficiency would bring down a government in any civilised country.

The SA Co-ordinating Consumer Council called the increase "inevitable" because of the weakening exchange rate.

"The council appeals to the private sector to absorb as much of the fuel price as possible by higher productivity in order to minimise the effect."



Kicking up a rumpus in the wee hours

BASEMENT [...] ridiculous! It [...] basement ru[...] watching TV [...] injured. Buil[...] search amor[...]

Jo'burg Hospital is not 'fa[...]

ALTHOUGH there was a critical nursing shortage, the Johannesburg Hospital was not "facing collapse", the hospital's chief superintendent, Dr R J Broekmann, said yesterday.

Responding to a report in a Johannesburg newspaper, Dr Broekmann said there were a number of services within the hospital which were threatened.

The management of the hospital and the Director of Hospital Services were "gravely concerned" about the situation. In an effort to alleviate the immediate crisis, the employment of private agency nurses had been approved.

"In the longer ter[...] of investigation app[...] the Transvaal, Mr I[...] for the resolution o[...] hospital."

[...] Broekmann sai[...] were working unde[...] stances.

"There are delays [...] particularly for patie[...]

Mossgas cooler

ST Times 16/7/89

(55)

A MULTI-million-rand contract for cooling towers for the Mossel Bay onshore project has been won by Hamon-Sobelco.

It is claimed to be one of the largest orders yet placed for this type and configuration of cooling tower in the southern hemishpere.

Hamon-Sobelco will provide the civil works, including inter-connecting water channels, pumps, suction bays, piping and electrical work.

S/Times 16/7/89.

Mossgas drive

Business Times Reporter

A CRASH programme has been launched to train welding supervisors and inspectors who meet the tough requirements of the Mossel Bay project.

The SA Fabrication and Training Trust Fund, which is channelling money into huge training schemes for the oil-from-gas project to reduce the need for imported skills, has been given the go-ahead to produce 400 inspectors and supervisors by the end of next year.

Executive direcor Rene Schmetz says existing training schemes are successful.

"Our top priority now is to get the right people for these special roles."

Pressure

The specialists will be trained by the SA Institute of Welding, whose chief executive, Chris Smallbone, says the country is facing a serious shortage in this field.

"In the past 10 years there has been a big drop in the number of welders under training in the fabrication and construction industry.

"This has led to a more severe shortage higher up the ladder."

The new scheme will involve the training of 150 welding inspectors, 60 senior ones and 210 level 1 and 2 welding supervisors.

About 70 inspectors and 40 supervisors have started training at the institute in Johannesburg.

Another 25 welding inspectors have been trained in the US as statutory inspectors for welded pressure vessels.

Petrol up — but rand firm and crude oil down

ST Times 16/7/89

By Don Robertson

THE fuel price increase — 6c a litre for 93 octane on the Reef and 2c on diesel — has been attacked by Assocom, the SA Agricultural Union, the Houswives League and the FCI.

They say two of the main factors influencing the fuel price — the cost of crude oil and the value of the rand against the dollar — have moved in SA's favour recently.

Other factors must have come into play in the latest price increases, they say. They are calling for an investigation into the structure of the fuel price.

Twice

The pump price of fuel is based on the landed cost of petrol or diesel at SA ports. But crude oil is actually imported and refined in SA.

Industry sources believe that the price structure is being incorrectly applied because the price of petrol landed in SA takes into account the cost of refining. But the crude landed in SA still has to be refined. It is believed that, in terms of the present structure, SA motorists are paying twice for the cost of refining.

In addition, insurance on a fictional cargo of petrol is higher than that on a crude oil shipment.

The landed cost of fuel is based on the price of a petrol shipment from four refineries — three in Singapore and one in Bahrain.

Fuel tax is also challenged. The price of petrol has risen by 44% in the past six months, and diesel by 65% in a year.

At present rates of underrecovery, the equalisation fund is being depleted by about R90-million a month. Although figures are no longer given, it is believed that the fund had a deficit of more than R100-million in April.

The National Energy Council (NEC) concedes that the 6c/l rise is insufficient to meet the underrecovery on petrol, which amounted to more than 12c/l in May and June.

Levy

This suggests that yet another increase can be expected before the end of the year, although the NEC says that "should the rate of exchange not weaken again after the latest partial increases and if the price of crude oil does not increase, the equalisation fund will be able to finance the remaining deficits up to the end of 1989".

It has been suggested that an additional levy might have to be introduced to pay for the R5-billion Mossgas project.

Economic information group Econometrix has questioned the underrecovery in the fuel price. It says that when the petrol price was raised in April, the landed cost of crude oil was more than R50 a barrel. However, in May and June, in spite of a sharp fall in the value of the rand, the price of crude fell to R48 a barrel.

"In the light of these facts, it is unlikely that the rand price of crude can be a root cause of any pump-price increase."

Econometrix suggests that the increase could be due to other factors.

Flexible

It says that in April, the price of crude oil was R49,86 a barrel. It fell to R49,37 in May and by the middle of June had declined to R45,29. In international terms, the price of light crude fell from $19,45 a barrel in April to $16,12 in mid-June.

The rand-dollar rate averaged R2,5637 in April, R2,6780 in May and R2,7913 in mid-June.

Assocom says that the only way to counter a further price rise is for the Government to reduce taxes and levies on petrol.

"A more flexible approach

● To Page 2

P.T.O

Petrol

● From Page 1

must be adopted in fuel pricing, or the SA economy will continue to experience shocks."

The FCI hopes that the 6c/l rise, which is below the 12c/l underrecovery in June, will not result in another increase in the future.

The direct and indirect effect of the price rise will add at least 0,6% to the inflation rate.

The Transport Consultative Committee — made up of many employee organisations — says the production price index rose sharply last month, largely as a result of dearer fuel in April.

SS / Times 16/7/89

It is concerned that the increase does not eliminate the underrecovery on the equalisation fund and warns that a fourth increase this year could be necessary.

Fuel price rise 'aiding govt policies'

Political Correspondent

The latest 6c fuel price increase was really an extra tax to help finance the Government's "integrationist" policies, the Conservative Party has charged.

Mr Clive Derby-Lewis, the CP spokesman on economic affairs and technology, said last night that there was an unexplained "extra 10 percent floating around somewhere" in the latest increase. He was speaking at a house meeting as the CP's election candidate in Krugersdorp.

Star 18/7/87

Mr Derby-Lewis referred to his "unanswered question" of how much petrol was manufactured locally and how much was imported.

"I have asked this question in Parliament and was told that it was not in the national interest to release such figures."

But the real reason was that it would show "the South African motorist is being taken for a ride through additional taxation to help finance the NP government's increasingly unworkable integrationist policies".

B/Day 19/7/89. (55)

Suspicion growing over price structure of fuel

JOHN STEWART

CONSUMER resentment at last week's fuel price increases has been heightened by incomprehension and suspicion, according to oil industry executives.

On the one hand, there is the mystery of the workings of the oil industry "slate", which is no more than a kind of profit and loss account which smoothes the extent to which oil companies recover their entitlement in terms of their (fixed) price agreement with the government.

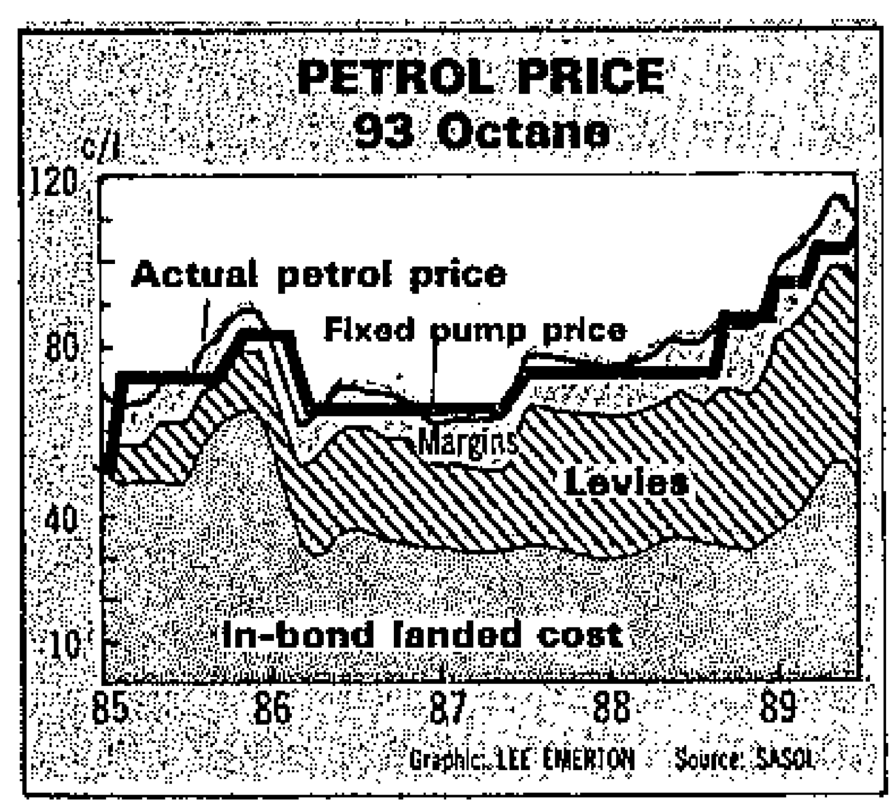
At times they get more, at others they get less than the agreed price, but over a period, during which in-bond landed costs of crude fluctuate due to exchange rate movements, or changes in posted prices charged by producing nations, they will receive their due share.

On the other hand, there are the shadowy workings of the taxes and levies imposed by government, which now amount to nearly 40c on a litre of 93 octane petrol (31,9 fuel tax plus 7c for the equalisation fund). Since no real dedicated application is assigned to such money there is deep suspicion that the funds are unwisely spent. Assocom and the Transport Consultative Committee have demanded an inquiry into the high fuel tax.

Another feature which offends the sensibilities of consumers is the "failure" of Sasol to live up to chauvinistic claims made by government at the time additional production facilities were initiated at Secunda. It was claimed that, not only would the additional Sasols protect the country from embargoes, but from steeply rising posted crude oil prices as well.

From this has sprung the belief that Sasol's synfuel production — which allegedly accounts for about half the country's automotive fuel requirement — should cushion the impact of a deteriorating exchange rate or rising Opec prices, or both.

If this were so, domestic synfuel production would have to be subsidised heavily and there would be any number of investors lining up to establish oil-from-coal facilities. (It has been estimated that to replicate Secunda at current prices would require about R30bn, which makes it unlikely that the company will invest in additional synfuel plant this century.)



For synfuel plants to be competitive their products have to be sold at a price equal to, not more than, that of an effective alternative.

The basis of the local price structure is the "import parity" of 93 octane petrol. To arrive at an in-bond landed cost the following price components are taken into account: the fob value, comprising a four-companies' average of producing a litre of petrol, based on the average costs of Shell, BP and Mobil in Singapore, and that of Caltex in Bahrain; the weighted average of ocean freight to SA ports from Singapore and Bahrain; marine and war risk insurance, ocean loss, and landing charges levied by Sats.

To this notional price are added taxes, levies and the government-approved wholesale profit margin for oil companies. The only segment of the market where oil companies are in open competition is at the service station pump, where they fight for the 8,7c/litre retail margin.

Comment: Page 10

Fmail 21/7/89

BP COAL (55)

Contenders moving

Rand Mines' purchase of Kanhym's 6% stake in BP's Middelburg coal mine puts the house in a powerful position to take over the mine. It has consolidated the sole right to match any bids BP may get for Middelburg when it auctions off its coal assets in the US, Australia, SA and Europe later this year.

Both Kanhym and Rand Mines, which manages Middelburg Mine and has a 5% stake in it, had rights of first refusal to match any bid BP may receive for its 89% share of Middelburg should it sell that shareholding. After last week's deal, Rand Mines now has that sole right.

This is confirmed by a BP Coal spokesman who says this right would have to be taken into account even in bids from companies wanting to buy all the BP assets up for sale. BP would like to sell its coal assets in one package but a number of industry sources reckon the SA interests will end up being split. Rand Mines deputy chairman Allen Sealey says the group has "some rights" over the sale of Middelburg and confirms he is particularly keen to buy the mine.

The R20m paid for Kanhym's stake values Middelburg at R333m. Views differ on how cheap or expensive that is but, given the replacement capital cost and the profit potential, that price looks reasonable. All Middelburg's production is exported and the mine was originally set up to produce 4,25 Mt/year of coal. BP has a total export allocation through Richards Bay of 5,5 Mt/year which used to be met from Middelburg's production with the 1,25 Mt/year balance from BP's stake in the Ermelo mine.

BP walked away from the Ermelo joint venture nearly two years ago and production from Middelburg has since been stepped up. The BP Coal spokesman says the mine is producing at a rate of 5,5 Mt/year but coal industry sources say that rate cannot be sustained for more than about two years.

Let's assume the mine can maintain 4,5 Mt/year for its estimated remaining economic life of 20 years. Contract prices fob Richards Bay for the quality of steam coal produced by Middelburg are around $30/t, now equivalent to about R80/t. Middelburg is one of the lowest cost producers in the industry. Estimated costs free-on-rail at the mine are about R25/t, railage costs to Richards Bay are about R24/t and handling charges through the terminal are about R6/t giving total costs of R55/t. That means the mine is making pre-tax profits of about R25/t, equivalent to around R112m/year at a production rate of 4,5 Mt.

Rand Mines intends making Middelburg part of Douglas Colliery, a subsidiary of its main coal mining arm, Witbank Colliery. The group has other coal reserves in the area which could be tagged on to Middelburg, and the mine is adjacent to the group's Duvha Colliery which supplies Duvha power station.

(55) Fmail 21/7/89.

Eskom requires a lower grade of coal than the export market. Rand Mines last year completed a study looking at rationalising coal reserves in the Douglas/Duvha complex, with a view to releasing high-grade coal committed to Eskom for the export market. There must be scope for including Middelburg in such a rationalisation and selling the mine's low-grade coal to Eskom.

However, all the other major mining houses are understood to be interested in BP's assets and strong cases can be made out for Amcoal, Trans-Natal Coal (TNC) and GFSA buying Middelburg. It seems strange TNC did not buy the Kanhym stake given that Kanhym is part of Gencor. TNC chairman Brian Gilbertson declines to comment on this, saying it is a complex issue. He confirms the group is interested in Middelburg.

BP's other asset in SA consists of several billion tons of coal in the Waterberg field of the north-western Transvaal. It is low-grade though a small percentage could be recovered for the export market. Trouble is, the area is remote from Richards Bay. Most likely long-term use for the coal is in an Eskom power station or an oil-from-coal plant, but the shortage of water in the region is a major stumbling block.

The auction of BP Coal's international assets is being run from the group's US head office, using Chase Manhattan bank as adviser. A brochure is to be sent to interested parties shortly. Plans are to call widely for initial bids and then whittle these down to serious bidders. Greater detail on BP's interests will be released to the serious bidders who will, however, be bound by a confidentiality clause. BP wants to complete the sale by the end of the year.

Brendan Ryan

F W de Klerk to Maputo, followed by the week-long Frelimo congress, could provide further pointers to the growing business links between SA and Mozambique. ■

(55) Fmail 21/7/89.

PETROL PRICE (55) Fmail

Another notch 21/7/89

Predictably, outraged responses to the latest 6c/*l* petrol price increase were deepened by an awareness that more pain may be on the way.

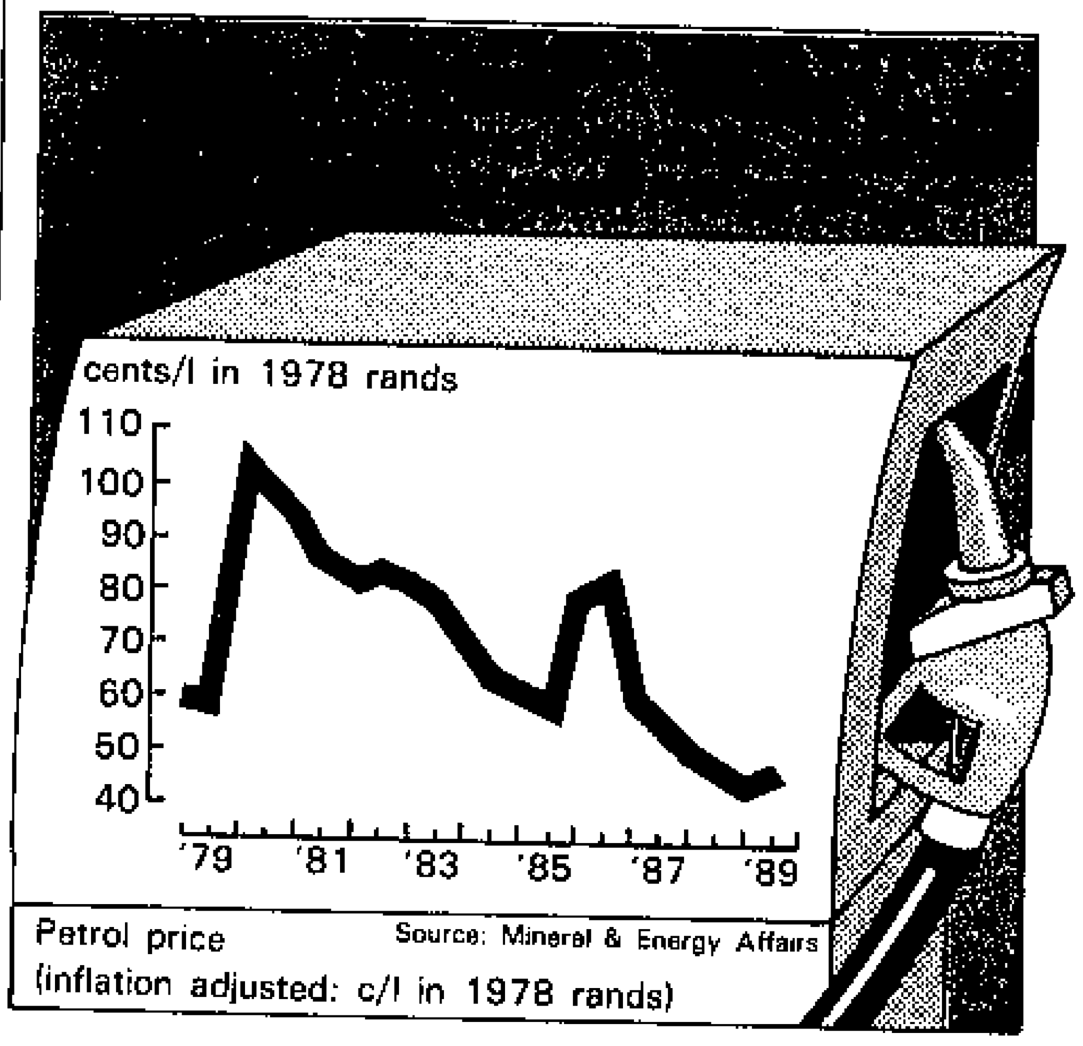
The hike is evidently not enough to stem the haemorrhage in the Equalisation Fund, which may have acquired a deficit of more than R100m by April 1989.

With the "slate" shortfall of some 12c/*l* in May and June generating deficits of roughly R90m each month, the 6c/*l* increase does not go far enough to rectify the balance in the longer term — unless the rand recovers or international oil prices drop.

As Sasol always produces at full output, any rise in total SA demand for liquid fuels leads to higher crude oil imports, with adverse affects for the BoP.

Surprisingly, real (inflation-adjusted) petrol prices have drifted down in recent years (see **chart**). Even the latest increase still leaves the price well down on the levels of the early Eighties — indeed less than half the real price just after Opec's "second oil shock" of 1979.

SA is still relatively lightly taxed on pet-



Petrol price (inflation adjusted: c/l in 1978 rands) Source: Mineral & Energy Affairs

rol. After the latest increase, which actually reduces the percentage of tax in the pump price, the total tax take, including the fuel levy and the equalisation fund, is under 40%. This compares with around 75% in France and around 60% in Germany.

And, if the fairly general perception that black mini-taxis are not paying what they should in GST and income tax is correct, then the 10c additional tax on petrol imposed earlier this year, may be government's only means (apart from toll roads) of extracting fair revenue. Hence, there is little reason to hope it will be lifted.

Diesel has been let off comparatively lightly with an increase of only 2c/*l*, as the shortage of diesel relative to petrol has become inverted in recent years.

Skyrocketing petrol consumption — the surge in the black taxi industry plays an important role — has caused petrol to be scarce, relative to diesel, contrary to the previous situation. So it makes good sense to reduce diesel pump prices, relative to petrol. Whether the 4c/*l* relative adjustment will be enough to produce a satisfactory equilibrium is still unclear.

Government's biggest priority is to stop inflation, so that the rand can hold steady against the currencies of SA's trading partners. If this could be achieved, only international price increases would affect petrol prices. ■

Why petrol prices go up (and will go up again)

WMail 21-27/7/89.

Weekly Mail Reporter

LAST week's 6c per litre fuel price rise, the fourth increase in 10 months, may be followed by yet another increase later this year if the rand's value continues to fall or international fuel prices rise.

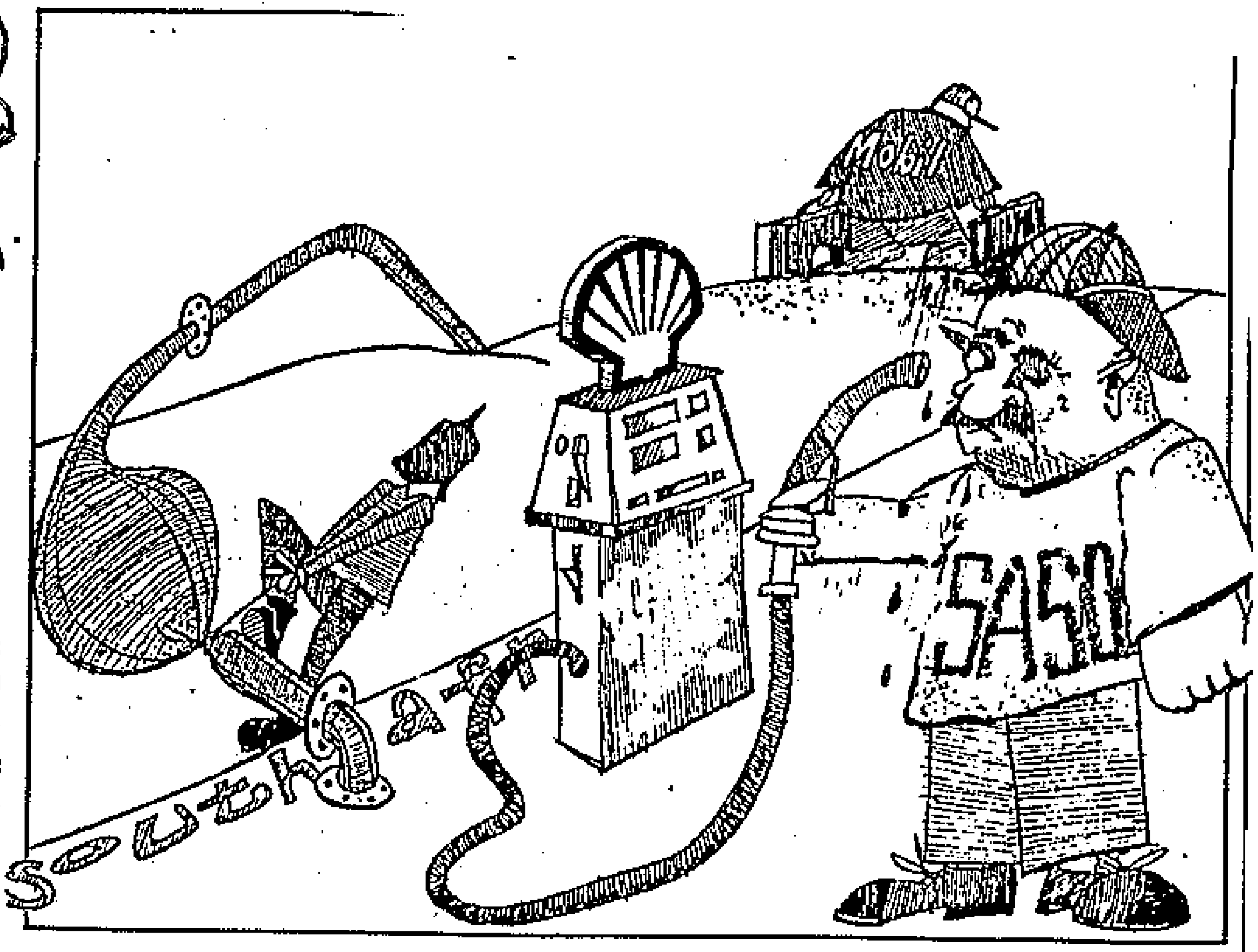
The most recent increase was a cost increase, necessitated by the shortfall on the fuel "slate" of some 12c a litre in May and June. Over half of South Africa's fuel is imported and therefore hard-hit by falling exchange rates. The rest, synthetic fuel manufactured by Sasol, is expensive and tends to be profitable only if its price is equivalent to the imported price.

The fuel price is controlled and the "slate" absorbs the difference between the costs and retail prices of petrol and diesel. Sometimes the slate is in surplus, at other times in deficit, and the equalisation fund administered by the government is used to balance it.

In May and June it was running up deficits of some R90-million a month, and last week's increase may not be enough to balance it this year.

The increase followed cost-motivated fuel price increases in September last year and April this year. However, January's increase was a government revenue-raising measure and the diesel price rise in April was partly revenue-raising.

The measures have brought the tax and levy component of a litre of 93 octane petrol to around 40 percent. The government has pointed out this compares favourably with industrial countries such as France, where tax makes up over 70 percent, and Britain (over 60 percent).



Fuel prices are increased for the fourth time in 10 months

But Assocom transport secretary Peggy Drodsky has argued South Africa should be compared with developing countries with similar per capita incomes, rather than with industrialised countries. Assocom has called for multi-sectoral enquiry into the structure of the fuel price.

One issue of concern is that the government has changed the fuel price structure so that there are no longer funds earmarked for roads, as they were prior to 1988 when the revenue raised from the fuel levy was allocated to dedicated funds.

While this doesn't necessarily mean the government won't finance roads, Drodsky notes that it could mean funds are not guaranteed and road maintenance projects could be shelved in years in which the government has other priorities. New roads are large capital projects which require long-term commitment of funds, she says.

Earlier this year the SA Bitumen and Tar Association, which represents the R250-million asphalt industry, called for funds to be earmarked for roads. Speaking after the April fuel price rise, the association's executive director, Piet Myburgh, came out against the government's decision to increase levies for heavy vehicles without directing any of these funds for road building and maintenance.

Myburgh said by allowing roads to deteriorate — as the government was doing by cutting road expenditure — the cost of repairs was being made to increase fivefold.

Research had proved that travel on poor or unsurfaced roads pushed up vehicle operating costs by as much as 45 percent, he said.

Petrol-price increase looks fishy

S/Times 23/7/89 (55)

By Don Robertson

THE 6c-a-litre petrol price increase is out of sync with a strengthening rand and lower crude oil prices.

In the past, petrol prices rose when the cost of crude increased and/or the rand fell. The latest rise is not supported by an increase in visible input costs.

"There is more to the rise than meets the eye," say some economists, who suspect a tax in disguise.

Inquiry

Although details of petrol sales are secret, the Association of Chambers of Commerce (Assocom), the SA Federated Chamber of Commerce and Industry (FCI) and some politicians believe that fuel receipts are being used for purposes other than matching the cost of crude-oil imports and the pump price.

An investigation into the structure of the fuel price has been called for. It is feared that there will be more price rises.

In the past six months, the price of petrol has risen by 44%. Diesel costs 65% more than a year ago. But the value of the rand has improved from a low of R2,85 to the dollar earlier this year to R2,70. The price of crude has fallen in the past month from R49,50 a barrel to R48,60.

Conservative Party spokesman on financial affairs Clive Derby-Lewis says the 5% decline in the rand in June would have translated into a 3c/*l* increase in the petrol price. He queries why 3c has been added to the price. Mr Derby-Lewis plans to investigate.

Protection

One reason given for the price rise is the 6c/*l* given to protect Sasol against imports of fuel. The Government's protection for Sasol petrol was raised from 3,6c/*l* to 6c/*l* last December, but was restrospective to January 1988. Probably more than R100-million was paid to Sasol from the equalisation fund.

The other oil companies — Caltex, Shell, BP, Total, Trek, Mobil and Exxon — pay 7c/*l* to the fuel equalisation fund, which props up the difference between production costs and the pump price. Sasol pays only 1c/*l* to the fund.

Had Sasol been paying the full rate, the equalisation fund would be bursting at the seams with cash.

Sasol says the protection does affect the equalisation fund, but because there has been no increase it is not responsible for the price rise.

Sasol was unhappy about the protection when it was introduced, saying it did not meet the synthetic fuel industry's needs.

The Government agreed to reconsider the matter and talks took place this year.

A condition of Sasol's listing on the JSE in 1979 was that it be granted protection on the theoretical landed cost of fuel. In 1979, it was granted protection of 3,6c/*l*.

Soaring profits in 1985 allowed the protection to be dropped. But changes in crude-oil prices and currency-exchange rates forced the reintroduction of the 3,6c/*l* in 1986.

Exports

Sasol exports petrol to countries in Africa, including Swaziland, Botswana, Zaire and Mozambique. But economists say that, for instance, petrol costs 19c/*l* less in Swaziland than in SA.

It is a moot point whether Sasol deserves protection. Whereas some industries need protection against cheap imports or dumping, it affects only consumers buying these products. But petrol prices affect the entire nation.

A National Energy Council (NEC) spokesman concedes that if Sasol had paid the full 7c/*l*, the equalisation fund would have been in a better position to meet underrecoveries.

He says, however, that the equalisation fund is capable of maintaining the fuel price at present levels until at least the end of the year.

Monitored

The pump price is based on a theoretical purchase of petrol from three refineries in Singapore and one in Bahrain. Some economists, however, challenge this calculation, saying that the price includes the cost of refining, whereas imported crude oil still has to be refined.

The NEC says SA refining costs are much the same as those in other countries and are constantly monitored.

Underrecoveries in May and June were more than 12c/*l* after having gone into deficit in January.

Dearer fuel will affect the consumer price index in August. CPI figures will be reported two weeks after the September 6 general election.

Star 24/7/89

East Rand sets aside R11½-m for electricity

55

By Abel Mabelane,East Rand Bureau

The East Rand Regional Services Council (ERRSC) will spend R11,5 million on the upgrading of electricity in Tsakane during the current and the next financial year.

A spokesman for the ERRSC, Mr Andries Schutte, said during this period 1 283 new sites situated between Tsakane and Geluksdal will also be electrified.

Tsakane and Geluksdal are on the Far East Rand.

Mr Schutte said two satellite stations were now being erected in the new area at a cost of R1,6 million and added that a further R1,9 million would be spent during the 1990/91 financial year.

He said the development cost of the new area would now work out cheaper after electricity had been provided by the ERRSC.

Mr Schutte said about R8 million of the R11,5 million would be used for the internal reticulation of electricity in the whole of Tsakane during the current and the next financial year.

He said the ERRSC had spent about R4,2 million for the upgrading of electricity in Tsakane during the past financial year.

R470 and that fees for third year courses would go up from R600 to R840

for future teachers who had to be sports - orientated.

fulfilling their educational role meaningfully. The students also complained

nothing.

"We will boycott classes until our demands are met".

Sowetan 28/7/89

Bus fares will not increase

55

PUTCO has assured commuters in Mamelodi that fares will not be increased because of the recent hike in the price of fuel, according to Mamelodi's mayro, Mr Zikhali Ndlazi.

The mayor made this announcement during the Mamelodi City Council's monthly meeting when reporting on a meeting held between the council and Pico officials on July 6.

In a letter addressed to Ndlazi, Putco's public relations officer in Pretoria, Mr Bruno Mautla, stated that his company was aware of the financial problems the community was facing.

Wind, sun power in the spotlight

S/Times 30/7/89

55

By Don Robertson

THE use of sun and wind to provide electricity will be the subject of an international conference arranged by the SA Institute of Electrical Engineers for September.

Although SA has abundant coal, it will not last forever. In addition, the cost of supplying electricity to remote sites, such as some farming communities and smaller villages, has become expensive.

As a result, many communities are unable to rely on a constant supply of electricty.

Although solar energy has been used to heat water, the generation of electricity, using the same source, is new and largely unexplored technology. Photovoltaics, the stimulation of electrons in silicon wafers, will be the main subject under discussion.

Photovoltaic modules cost about 40% to 60% of a power supply system, storage batteries making up the rest. Because maximum load requirements and the number of days of available battery capacity have to be carefully calculated for each application, it makes it difficult to cost a photovoltaic system.

The possibility of establishing wind farms for electricity generation will be discussed.

Equipment relevant to the programme will be on view at the workshop.

ring Craven on Saturday

... was 18-year-old Michael Friedman of Durban, who died last month in Addington

tomorrow he is expected to have a bone transplant to replace a fractured vertebra.

Eskom plans to provide millions with electricity

Star 31/7/89

SS

By Winnie Graham

A multibillion-rand project to provide electricity to 22 million people (two-thirds of the population) by the turn of the century has been initiated by Eskom.

If plans go according to schedule, half will have power within five years.

This project could affect people living in 2,5 million homes in South Africa.

The first scheme, launched in the Cape with 14 industrialists as shareholders, is serving its first 220 customers.

Mr John Bradbury, Eskom's reticulation market development manager, said that the establishment of 14 other supply entities were "in various stages of negotiation".

PROVIDING POWER

"South Africa has a population of 33 million, of whom 11 million have electricity in their homes, he said. "Providing power to the remaining 22 million was not conceived as a charitable venture. To succeed, the project must be viable."

Eskom, he said, hoped to involve both the private sector and customers as partners in financing the project and supplying power to the people.

The cost of providing power to 2,5 million homes, using traditional methods, was estimated at between R10 billion and R12 billion.

● See Page 5.

Bomb blasts ANC house in Lusaka

SK 31/7/89

LUSAKA — Several people were yesterday admitted to hospital after a bomb exploded outside a house occupied by black South African exiles, eyewitnesses said.

No one was believed killed, said a neighbour in the Lusaka suburb of Kamanga.

The neighbour said the explosion left a 2 m crater in the pavement adjoining the house in which the exiles lived, demolished part of a wall and a boundary fence and damaged nearby houses.

It was not immediately known if South Africans were among the unspecified number of people injured. Police released no details of the blast.

Last month, the African National Congress (ANC) accused the South African Government of mounting a new sabotage campaign against its members and facilities in Zambia.

Three Lusaka-based ANC officials were injured in a series of blasts at ANC offices in June.

One person died near the ANC headquarters building in Lusaka when explosives he was carrying blew up, police said on June 22. — Associated Press.

55 Fmail 28/7/89.

TRANSPORT COSTS 55 Fmail

Fuel to the fire 28/7/89.

While the recent 2c/*l* increase in the diesel fuel price increased road transport costs by only 0,5%, it helped push the total cost increase to 26% in the year to date.

This is well above the inflation rate, says Phil Erasmus, chairman of the Public Carriers' Association (PCA), who adds that the major cost increases started in September 1988 with the first of four fuel increases.

Many firms cannot absorb increases of that magnitude and pass them on to their clients who, in turn, pass them on to consumers. High bulk, low value goods, such as sand and stone for building, are most heavily affected.

Apart from the four fuel increases, licence fees, which were stepped up considerably last year, also contributed to the 26% costs increase. Add to that, says Erasmus, "the tolling of existing roads which we have paid for and have been using for many years."

A study conducted by the PCA shows that

vehicle prices increased by 23% and insurance escalated so rapidly that, despite an average 30% increase in the price of spare parts, insurance now costs more than maintenance.

A PCA source says transport cost increases, measured on a per kilometre basis, affect various transport industry sectors differently. Fuel price increases add tremendously to the cost of long-haul operators, but less to the cost of operating pick-up and delivery (P&D) vehicles.

Increased licence fees add significantly to the cost of operating P&D vehicles, but only marginally to the cost of running long-haul vehicles.

Erasmus says the industry's real problem is the cumulative effect of increases and taxes which are not related to transport and are not ploughed back into it, but are imposed to slake government's thirst for revenue.

"Imposing all these cost increases on the road transport industry could result in a swing to rail which will damage the SA economy.

"Road transport is the lifeblood of commerce and industry all over the world because of its speed and flexibility. There is no reason to believe that the scenario is any different in SA," says Erasmus.

"Government may well kill the goose that lays the golden egg," he adds. ■

ENERGY MANAGEMENT (55)

Growing awareness

Energy conservation for financial as well as environmental reasons is becoming increasingly important.

The management of energy is no longer relegated to obscure technical staff, but is now a key issue among many companies. Though electricity is still relatively cheap in SA — average SA power costs were the lowest among 14 industrialised countries, according to a recent National Utilities Services (NUS) survey — local firms have not been slow to recognise the importance of energy management.

Eskom, for example, is encouraging its customers to optimise their energy usage. "While at the same time we encourage the switchover to electricity, we discourage wasteful usage and welcome systems that can promote savings, which is in everybody's interests," says financial planning manager Hugh Ashby.

Energy control systems fall broadly into three areas: power factor correction, energy demand control and building management systems (BMSs) for use in mines, factories, supermarkets, hotels and office blocks.

The first aims at levelling out the incoming energy into a building. The energy demand systems have proved popular in commerce and industry. Energy savings are achieved by switching off equipment in a preprogrammed pattern when a predetermined energy consumption level has been reached. This is best suited to factories, where for example, forklift trucks are on charge, or in situations where lights or airconditioning can be switched off periodically. BMSs can be used to control not only energy, but also security systems.

These systems are becoming increasingly sophisticated. "We are making more intelligent use of energy," says Conlog systems manager Roger Billiet. "We are adding more information to a decision so there is a move away from penalty systems to scheduling loads and even preventing loads from starting up."

JCI Rustenburg Platinum Mines has ordered three energy management systems worth R850 000 from Conlog. It already has similar systems at its Randfontein and Western Areas gold mines. "Use efficiency can be improved in this case from 85% to 92%," says Billiet. "That 7% could represent a saving of around R250 000 which means the payback period is about two months."

At the lower end of the market, the smaller business can now also benefit. Seaboard Energy management claims its Enersave computer can save at least 20% of a user's energy bill. Believed to be the only locally manufactured product of this type, "it saves energy on refrigeration, air conditioning and electric heating, without penalty," says Seaboard sales manager Charles Davey.

OK Bazaars, which has installed the Enersave system in 131 of its stores nationwide, has been saving around 15% in energy costs. "In real terms this is a net saving, after leasing and maintenance costs of between 8% and 9%," says electrical engineer Richard Howson. The Enersave can be used in smaller establishments as well, such as butcheries and small supermarkets.

The Hillbrow Protea Hotel has made use of another system. It installed the A C Kee system from Gradocks Airconditioning Corp a year ago to prevent electricity cuts when the power load was at its peak.

The system, which has been installed on two floors, allows electricity to be supplied to an individual room only when the key is inserted into the control unit. According to the hotel, it has not had a power cut since installation and it has also achieved savings of around 40%.

Says Billiet: "Active energy management is the name of the game now." ■

FMail 28/7/89

PEOPLE AT THE TOP
ARE ON THE MOVE —
SEE PAGE 13

APPOINTMENTS

PAGES AND PAGES OF THE BEST JOBS IN SOUTH AFRICA

MANPOWER MIRROR by ROBYN CHALMERS

On target for 30 000 skilled workers

S/Times 30/7/89.

SOUTH Africa's plan to provide a huge pool of skilled labour for its synthetic fuel projects is moving into top gear, says SA Fabrication and Construction Training Trust Fund (SAFCTF) vice-chairman Hugh Brown.

More than 2 000 welders and other technicians have been fed into the workforce since the training plan began 18 months ago.

Many more are scheduled to graduate from training centres set up to provide a reservoir of manpower for the growing demands of Mossgas and other energy projects on the drawing boards.

The training scheme was reported by Business Times in November last year. SAFCTF was formed to co-ordinate the R300-million scheme, intended to supply more than 30 000 artisans for a wide range of industries in the next decade.

Although the scheme was formed in response to the R5.5-billion Mossgas project, Mr Brown says it is part of a strategy for the entire synfuel industry until the turn of the century.

"One hears a lot of talk about manpower shortages — but companies with deep involvement and commitment to the synfuel industry are doing something about it."

Many graduates from the scheme have joined major companies involved in the Mossgas project — among them Steinmuller, Fluor, Babcock, Dorbyl, Genrec, Elgin Engineering and Fraser & Chalmers.

Industry as a whole has for almost two decades been characterised by a severe lack of skills. As soon as there is evidence of a recession, the first budget to be cut by a company is for training, resulting in a huge shortage of skilled men and women when the economy revives.

SA Institute of Race Relations researcher Monica Bot says in her book Training on Separate Tracks that when there is a recession, companies tend to train for their immediate needs only and not for long-term requirements.

This can be seen from the decline in the number of apprenticeship contracts registered since 1980. The graph shows there were 14 497 in 1982 compared with 9 660 in 1986.

Miss Bot says an indication of the problem is that, even if only a 2% average annual growth rate is achieved until the year 2000, there will be a shortage of 200 000 workers with a degree, diploma or comparable skill level.

In contrast, there will be a surplus of 3,8-million with standards eight to 10, and an oversupply of 5,6-million people with lower than a standard eight.

The huge cost of importing skills — evident from reports earlier this year of a foreigner on the Mossgas project earning R30 000 a month — has meant training is a necessity.

It is estimated that it would cost about R80 000 a year to import a skilled foreigner compared with R20 000 to train a South African. It would therefore cost about R672-million to import skilled labour for the Mossgas project, but only R375-million to train and pay SA workers.

SAFCTF executive director Rene Schmetz is confident that the training scheme can supply sufficient skilled labourers for the present and future industry.

"The decision to build synfuel projects will not be influenced by any lack of trained manpower. Measures to provide these skills are in place, and they are contributing successfully to existing projects."

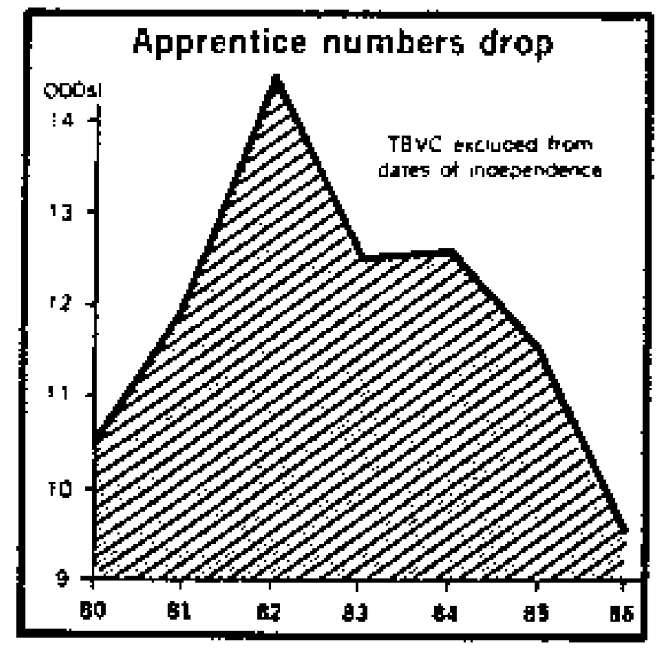
The trust is funded jointly by the Government's Central Energy Fund and Mossgas to the tune of R37,5-million. By 2000 it is estimated that the trust will require about R200-million to finance training.

Mr Schmetz estimates that between now and 1992, the trust will have supplied more than 8 000 trained people to contractors involved in existing and future projects.

The scheme was initiated by American consultant Earl Causey, who is now a construction consultant for the Central Energy Fund. He says the scheme will concentrate on improving productivity.

"Essential ingredients to dramatically increase SA construction productivity are project labour agreements controlling civil, mechanical, electrical and instrumentation contractors to the amount of wages to be paid to operatives.

"Second, a 45-hour work week with no overtime is required. Third, there must be a sound training programme. The achievement of substantially higher levels of productivity is largely dependent on having a properly trained and supervised workforce."



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Partners needed in R5-b power venture

New distribution method ma bring electricity to everyone

By Winnie Graham

Virtually every person in South Africa will have access to electric power by the turn of the century.

Eskom has developed a safe but inexpensive method of distributing electricity to townships and squatter camps, in urban and rural areas, and is now looking at ways in which it can involve the private sector as partners in the financing and supplying of power to the people.

The first 220 customers to benefit from the project are already receiving electricity from a new supply company in the Cape.

If plans go according to schedule, half of the 22 million people without access to electricity, including squatters in informal settlements, will be within reach of power within five years.

Once power becomes readily available — and electricity is less expensive than fuels such as wood, coal, paraffin and petrol — people in townships and informal settlements will be able to use it for lighting and heating, for stoves and refrigeration, television sets and radios, power tools and sewing machines.

Mr John Bradbury, Eskom's reticulation market development manager, believes the supply of power will not only give people a much-needed amenity, but create a host of new job opportunities.

"Not only will people be needed to provide the facility but once electricity is available it will have to be maintained," he said. "In addition, electrical equipment will have to be serviced and repaired."

Best value

Mr Bradbury said the supply of electricity would not be imposed on people. The situation would be assessed "project by project" in consultation with community leaders.

Electricity would have to be marketed as "the best value for money" so that people would buy it in preference to the other forms of fuel such as coal, paraffin or wood.

"South Africa has a population of 33 million, of whom 11 million have electricity in their homes," he said. "Providing power to the remaining 22 million was not conceived as a charitable venture: to succeed, the project must be viable."

The cost of wiring a house, he said, ranged between R1 000 and R2 000.

This infra-structural cost could be eliminated in townships and informal settlements where electricity could be provided from poles which, in turn, could be used as a support for a house under construction.

A pre-paid token which slotted into a meter would allow people to control their use of electricity.

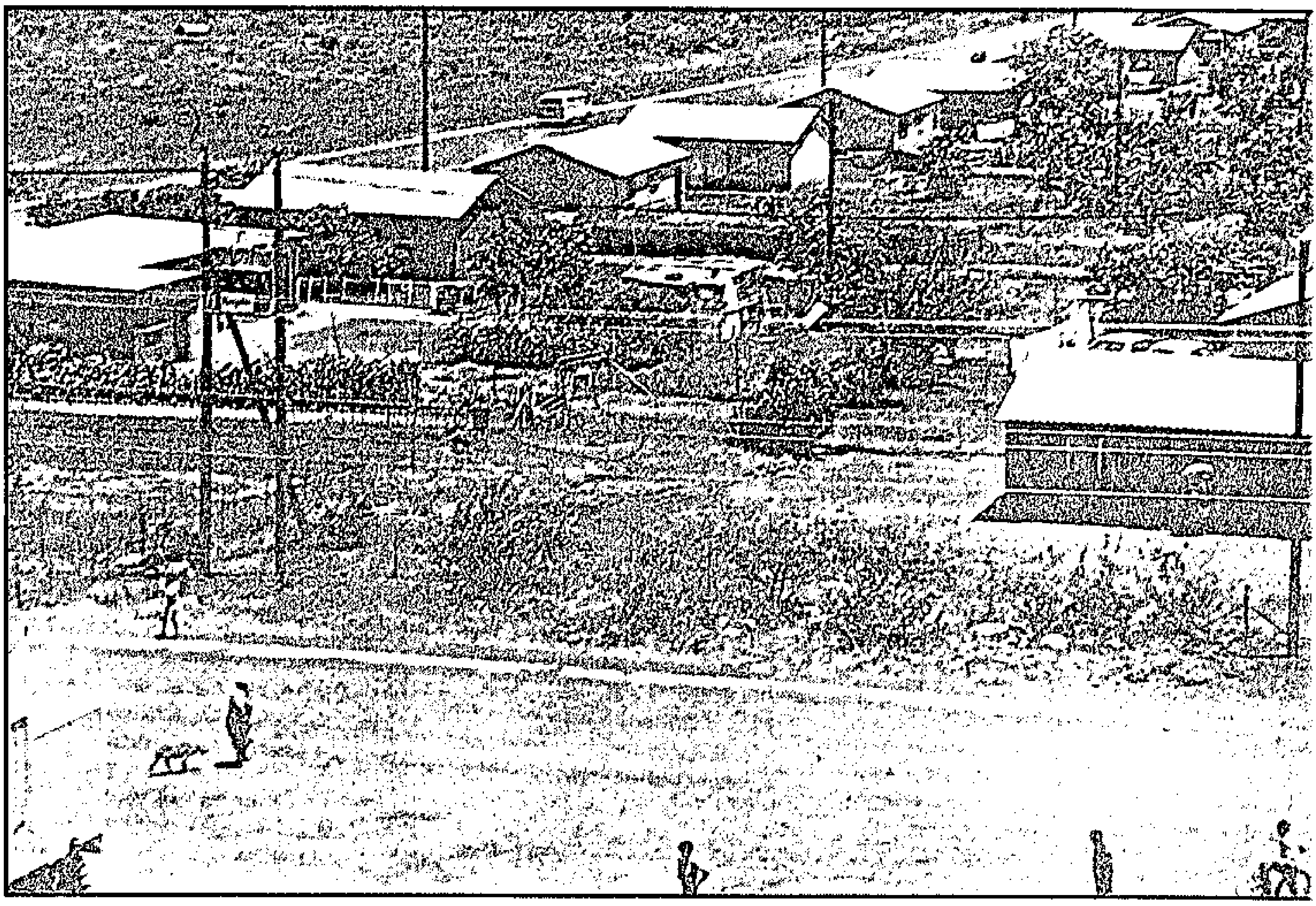
"The consumer will be able to check consumption in much the same way a motorist monitors his use of fuel by checking the petrol gauge."

The first scheme was launched in the Cape with 14 industrialists as shareholders. The establishment of 14 other supply entities were "in various stages of negotiation".

If the plans came to fruition, 300 000 houses would have access to electricity as a result of these projects.

Mr Bradbury added that the corporation was not locked into the establishment of either profit-making or non-profit supply companies but would work with many companies, co-operatives, closed corporations and Section 21 companies in ventures to supply power to townships and informal settlements.

The cost of providing power to 2,5 million homes, using traditional methods



Low-cost ... the new overhead bundle conductors can be seen in this photo, erected on the boundaries of

Urbanisation

(such as underground cables, sub-stations etc), was estimated at between R10 billion and R12 billion at 1989 prices.

To reduce capital expenditure, a cost-effective solution had been found which would cut expenses by half.

"Eskom, however, will not take on a R5 billion business risk on its own and it is for this reason we are looking for ways of involving other parties," he added.

Mr Bradbury quoted Dr Anton Eberhardt of the Energy Rese who said it was untrue s not afford electricity.

"They cannot afford not tricity," he said.

Eskom will use overhea ductors, mounted on fai planted along the back properties, to take electric ple.

From these poles, insu tors will be fed overhead and be connected to the board if the house is wi "ready-board" will be inst

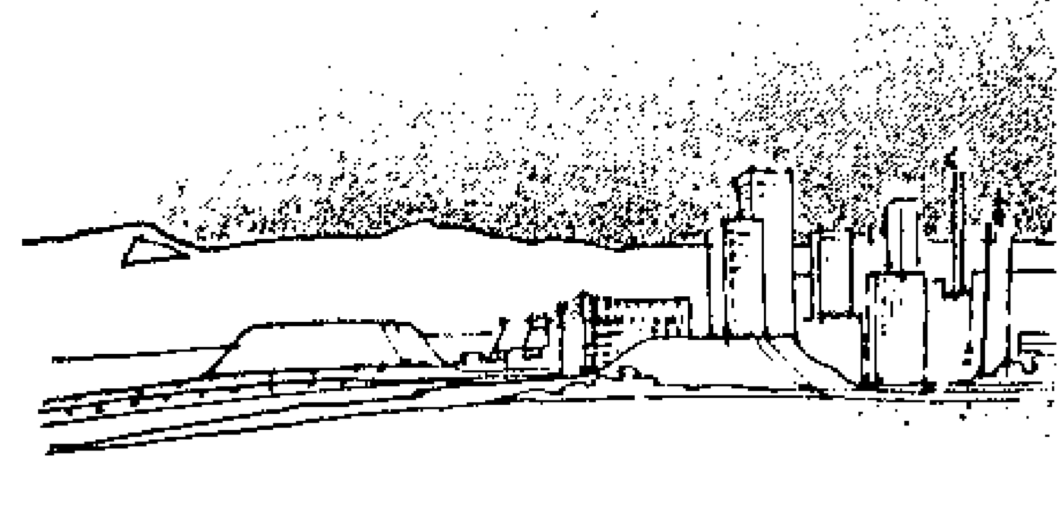
Mr Randolph Forbes, E al Manager of Distributior ing, said: "I challenge ever with electricity supply to vision of electricity for all

5 Free State road crash victims are identified

BLOEMFONTEIN — The names of five people who died in a car accident about 34 km from Hoopstad this weekend, have been released.

They were: Mr Vivian Calitz (20) and Mr Johannes Grobbelaar (19) both of Virginia; Mr Petrus Mienie (21), of Hennenman; a pensioner of Klerksdorp, Mr van Nickerk; and a national serviceman of 1 Parachute Battalion, Rifleman Johan Meyer.

The names of the people who died in an accident some 40 km north of Bloemfontein, have not yet been released. — Sapa.



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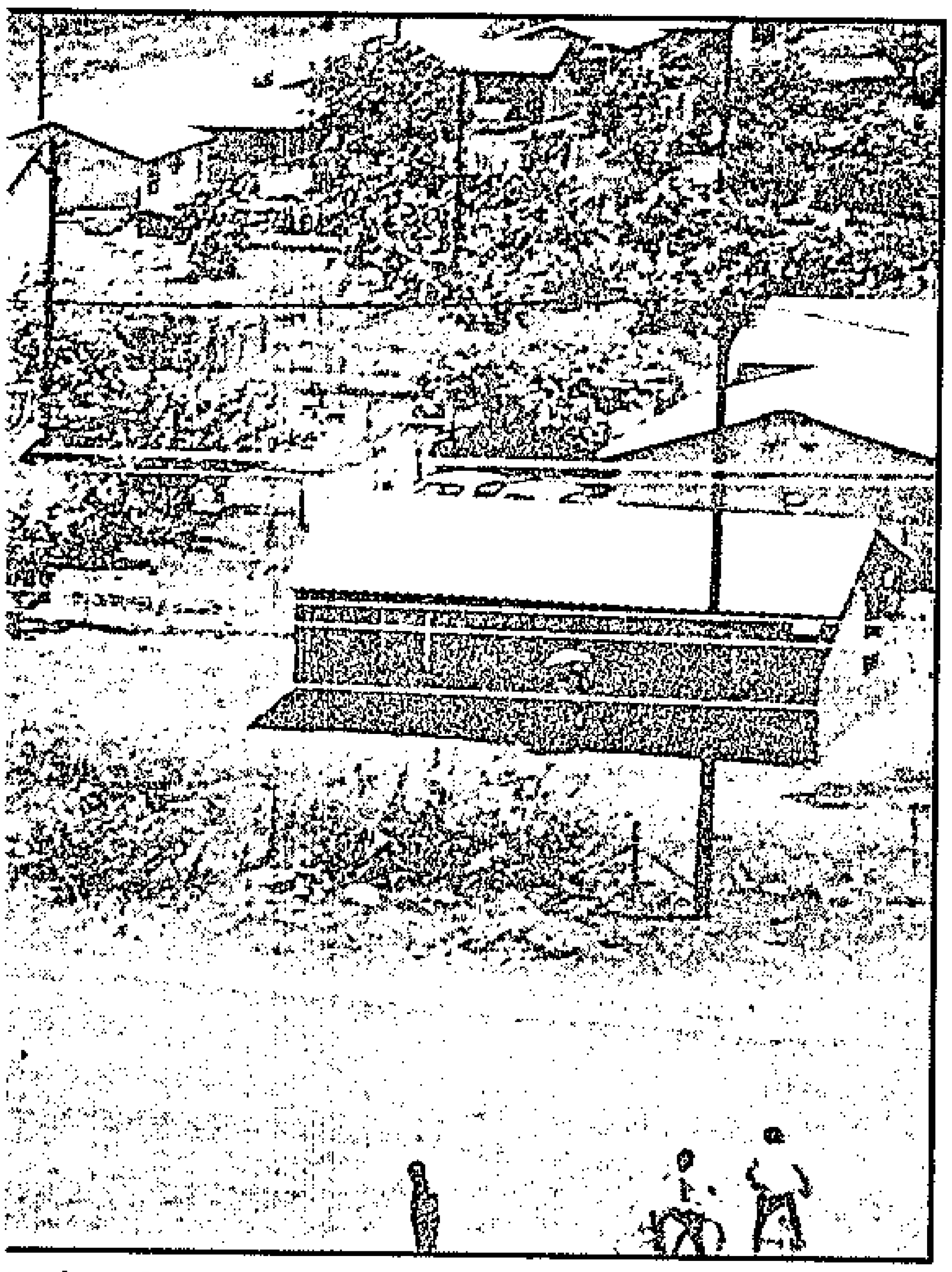

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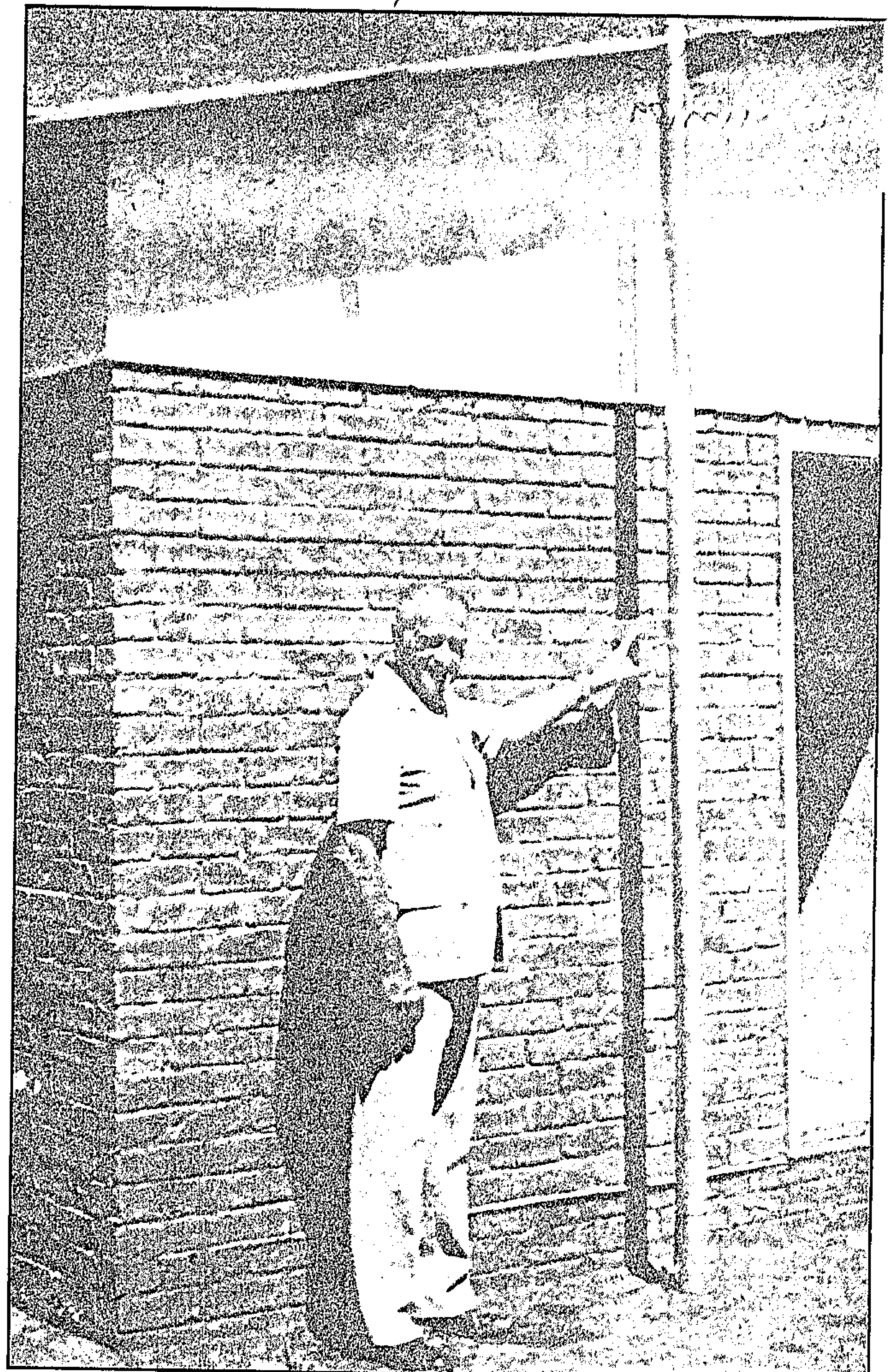
Anton Eber-hardt of the Energy Research Institute who said it was untrue squatters could not afford electricity.

"They cannot afford not to have electricity," he said.

Eskom will use overhead bundle conductors, mounted on fairly low poles planted along the back boundaries of properties, to take electricity to the people.

From these poles, insulated conductors will be fed overhead into the house and be connected to the distribution board if the house is wired. If not, a "ready-board" will be installed.

Mr Randolph Forbes, Eskom's General Manager of Distribution and Marketing, said: "I challenge everyone involved with electricity supply to help make our vision of electricity for all a reality."



Power for all . . . current is fed into the house from this pole, which can double as a TV antenna.

Mossgas job for Venture (SS)

VENTURE Offshore, the Cape Town-based oil specialist, has linked with North Sea partners and beaten international competition for a R85-million Mossgas contract.

The contract is for the installation and burying of the two main pipelines from the offshore platform to the refinery. S/Times 30/7/89

Venture managing director Phil Reina says the contract was won in spite of competition from international experts in partnership with SA groups.

"This should demonstrate that there is still a place for independent SA companies with the right background and skills, which recognises its limitations and selects, where necessary, the right partners to win the work."

The contract, in up to 105m of water, will last for about five months. Pre-engineering activities offshore are being undertaken.

55 w mail

THE WORLD

4-10/8/89.

Exxon row over who mops up the oil mess

Exxon, the world's largest oil company, says it will have mopped up the oil-spill in Alaska by the end of September. The Alaskan authorities are not convinced.

By LARRY ELLIOT

THE Exxon oil company is facing severe criticism over the extent of its commitment to repair the damage to the Alaskan shoreline caused by the Exxon Valdez oil spill in March, despite announcing the clean-up would cost almost $1,3-billion.

Exxon plans to complete its anti-pollution operations in the waters around Prince William Sound by the middle of September, when the onset of the bitter Alaskan winter will make further work impossible.

It then hopes storms and tides will remove any lingering pollution, and will return in the spring of 1990 merely to monitor the success nature has had in completing the clean-up.

The company revealed the cost of the Exxon Valdez disaster — the most expensive industrial accident on record — in its financial report for the second quarter of 1989.

It has set aside provisions of $850-million, topping up the $400-million insurance cover and the $30-million allocated for damage to the Exxon Valdez and the loss of its cargo.

However, Alaskan officials are doubtful whether work will be anywhere near completed before September. The operation has been hampered by 7,8m tides which wash through the area's countless inlets, often carrying oil from dirty beaches to ones newly cleaned up.

State officials said the company had removed pollution from less than 25 percent of the 1 168km of coastline it had promised to clean up, and Alaska's governor, Steve Cowper, said he was unhappy about Exxon's plan to wind down work within the next two months.

"Virtually from the beginning Exxon promised Alaskans the company would stay till the job was done. I expect the company to fulfil that promise."

In Washington, the Interior Department said Exxon had an obligation to restore Prince William Sound to its condition before the tanker ran aground and spilled 49-million litres into the water, causing immense ecological and economic damage.

"For Exxon to even intimate that it doesn't plan to return in the spring is at best just plain wrong," said a representative.

Oil industry experts say the long-term damage to the company is difficult to assess, since it is being sued for huge damages by the state of Alaska, and also faces more than 100 private legal actions.

Exxon is likely to fight the claims, and has indicated that it will sue the federal government on the grounds that the coast guard was negligent in not giving sufficient warnings to the tanker.

In a report to the National Transportation Safety Board last week, the company played down the fact that the captain of the Exxon Valdez, and other crew members, had been drinking at the time the ship foundered, saying the "role of alcohol in the grounding cannot be established". — The Guardian, London

S/Times 6/8/89.

Ethanol go-ahead

By Don Robertson

A START could soon be made on a R100-million ethanol plant at Richards Bay if the SA Sugar Association (SASA) is given the long-awaited go-ahead this month.

Sugar barons are enthusiastic that the project will be approved.

The first report on the project was submitted to Minister of Economic Affairs and Technology Danie Steyn last September and the Government's decision was expected in the first quarter of this year. It was postponed to June, but John Chance, chairman of SASA, says a decision will be made this month.

The plant is vital to the planned expansion in sugar production caused by recent deregulation of the industry. The expansion is expected to create 13 000 jobs in KwaZulu and Kangwane where a mill will be built.

Without the ethanol plant, the sugar surplus would have to be sold on the volatile export market.

The plant would also result in an increase in production by small growers and open opportunities for newcomers. An additional R55-million a year could be earned by growers.

The ethanol plant could also produce cattle feed and fertiliser as a by-product.

An independent environmental study will be done when the project is approved. The use of ethanol as a petrol enhancer reduces lead content. In America, the addition of 10% ethanol to petrol helped to reduce the lead content. Because ethanol contains oxygen, combustion improves and carbon monoxide emissions are reduced.

SS Cit 6/8/89

Change power supply, SPD tells Eskom

By SOPHIE TEMA

THE Soweto Peoples' Delegation (SPD) this week told Eskom officials the only way to resolve the electricity crisis was to find an alternative way to supply power to the people of Soweto.

The SPD also said an electricity tariff structure which could be afforded by the poor and pensioners had to be negotiated.

According to the delegation, Eskom was receptive to their proposals and agreed to negotiate until an acceptable solution was found.

The SPD told Eskom Soweto's power should be supplied on the same basis as Johannesburg's. It was unacceptable that a Soweto power station supplied Johannesburg and not Soweto.

Electricity should be suppled to Soweto through a credible, legitimate, professional and popularly-accepted entity – standards which the Soweto City Council had failed to meet.

In restructuring the electricity supply, the arrears should be written off unconditionally, the SPD said.

The delegation said the Soweto council's rates were unscientifically calculated and "grossly inequitable".

Eskom not in rent talks

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LAST week's meeting between an Eskom delegation and the Soweto People's Delegation dealt specifically with electricity supply to Soweto and not the rent boycott. Sowetan 7/8/89

This was said by Eskom in a statement following Press reports issued by the SPD that the meeting was arranged to discuss -among other items- solutions to the rent boycott.

The senior manager of Eskom, Mr Nic Terblanche, said while Eskom recognised the predicament of the local community with regard to the issue of arrears, it did not see itself as party to the negotiation as suggested by the SPD.

55 Bday 9/8/89.

FINANCE

BP and Shell set to report profit surge

LONDON — British Petroleum and the Royal Dutch/Shell Group are both set to report a surge in second quarter net profits despite the negative effects of oil production disruptions in the North Sea and the Exxon Valdez oil spill in Alaska, analysts say.

A continuing rise in crude oil prices and sharply higher refining and petrochemical margins during the second quarter combined to make the period an exceptionally profitable one when compared with the equivalent quarter of 1988.

Analysts' forecasts for Shell's net second quarter earnings on an historic cost basis range between about £830m and £900m, which would represent up to a 42% advance over the £633m reported in the second quarter of 1988. Earnings calculated on an historic cost basis include the company's inventory profits or losses.

BP's historic cost net is set to rise to between £365m to £480m, up as much as 34% from £357m in the same period the year before. On a current cost basis, which excludes inventory gains, BP's second quarter net should range as high as £400m, up 24% from £323m the year before.

Margins

Both BP and Shell are due to release their second quarter results tomorrow.

Refiners would normally expect to see their margins squeezed during the second quarter, a period of rising oil prices. But this simple formula was suspended during the second quarter of 1989 because of a sudden surge in wholesale petrol prices.

Both BP and Shell were boosting profits from their refineries at a time when oil prices were still drifting upward.

"The conditions in the second quarter were the best for some time in terms of firm oil prices and good refining margins," says Ian Graham, an analyst with the brokerage County Natwest Woodmac.

Rising oil prices normally narrow refining margins while raising exploration and production profits. But both were in their favour, says Graham.

The situation has been largely reversed so far in the third quarter.

In Europe the second quarter rise in petrol prices was especially dramatic on perceptions of supply shortages in the wake of a mild winter.

Chemicals, the two companies' third major profit source, also enjoyed a buoyant quarter.

Shell's operating profit from refining and marketing will rise to an estimated £310m, or 43% above the £216m reported for the second quarter of 1988, says an analyst with the brokerage Barclays de Zoete Wedd.

The only cloud on the horizon is the company's petrol marketing margin, the analyst says.

Refining

Shell may have found it difficult to pass on price increases to motorists in many countries where wholesale prices were rising.

Analysts say BP's refining and marketing profits are set to rise about 41% to £240m, but the latest figure will probably include an estimated $45m pretax gain on BP's $99m sale of a 37% stake in UK chemicals group Octel Associates. — AP-DJ.

Sugar-fuel on way, says DP

Star 9/8/89

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DURBAN — The Government was planning to give the go-ahead for ethanol production from cane sugar from a National Party election platform, Mr Kobus Jordaan, Democratic Party Umhlanga candidate predicted last night.

Own Correspondent

If the Government does give the go-ahead for ethanol production as a petrol extender it could give the industry, which is already gaining from the increased international sugar price, a major boost.

Full-scale ethanol production could provide as many as 25 000 jobs in Natal, kwaZulu and kaNgwane, Mr Jordaan said.

Mr Jordaan said at a DP meeting in Stanger that people in the sugar industry were being told an "important announcement" would be made by Deputy Minister of Economic Affairs and Technology, Mr George Bartlett, at an NP meeting at Gingingdhlovu in the heart of the sugar belt on August 15.

Mr Bartlett today declined to confirm or deny the claim.

"We will wait and see if he is correct or not on August 15. He obviously thinks he has some sort of inside information."

Mr Renier Schoeman MP (NP Umhlanga) said he was not aware of what Mr Bartlett would specifically announce at the meeting but "I have asked him to deal with the industry.

"Obviously he will be as up to date as possible. He is the Deputy Minister in charge of the sugar industry and there will be a tremendous interest in whatever he says."

Mr Jordaan said he would welcome the announcement but asked why the Government had not come to the aid of the sugar industry when it had been saddled with a R327 million debt as it had come to the aid of maize farmers who received a R400 million pay-out this year.

Elections

Mr Jordaan said the Government could not only announce sops to the voter from its R1 billion "petty cash" for the elections, such as announcements like an ethanol plant. It should also spell out decisions on issues such as the final consolidation plans for kwaZulu.

● Plans to build a new R500 million oil refinery at Mutare are at an advanced stage, according to Zimbabwe's Energy Minister Mr Kumbirai Kangai.

He said the refinery would have a bias towards diesel because of the high demand by industry and heavy transport.

Mr Kangai said Zimbabwe may import power from Cahora Bassa if peace is restored in Mozambique.

(Report by B Cameron, 85 Field Street, Durban.)

Mossgas costs set to soar to a final R10bn

S Times 13/8/89. (SS

Business Times Reporter

THE cost of the Mossgas fuel-from-gas scheme is likely to soar from the R5,6-billion announced by Mineral and Energy Affairs Minister Danie Steyn to R10-billion or more.

"The Minister's estimate was based on January 1987 numbers," Gencor director Bernard Smith, who heads construction of the project, tells Business Times.

If SA's inflation rate is applied to the original budget, the cost has already risen to R7,5-billion. The project comes on stream only in 1992, by which time, at a 16% inflation rate, the cost would be R10-billion.

Because of the rand's fall costs for the scheme are believed to have escalated by much more than 16% a year, so SA could be looking at a final bill of R12-billion.

Doubts

Mr Smith says enough engineering has now been done to arrive at fairly firm cost estimates. Inflation was allowed for in the original budgets and "at this point we are not significantly over budget".

Mr Smith will not give an estimate of the final cost of the scheme.

Many doubts have been expressed about the economic viability of Mossgas. One telling calculation is that the interest on R10-billion at 15% a year — R1,5-billion — would buy 32-million barrels of crude oil a year at current prices.

Strategic

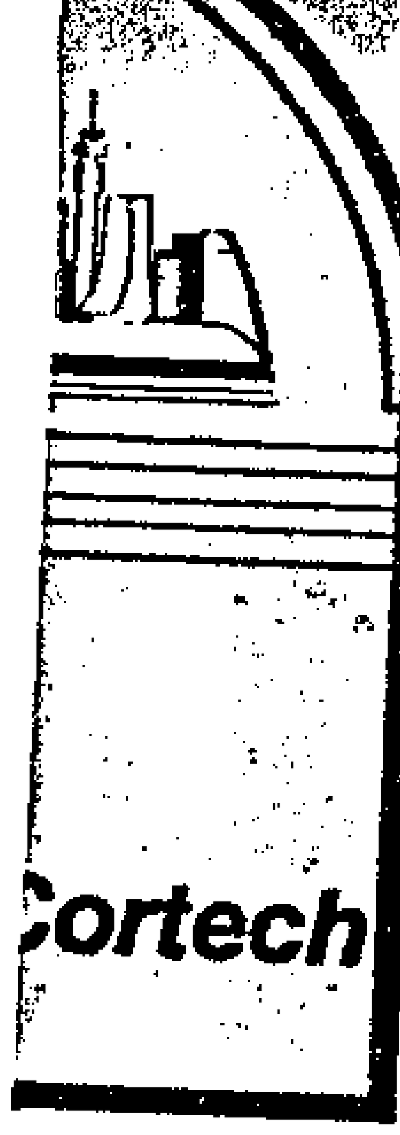
Planned production of Mossgas has not been disclosed, but is thought to be about a third to a quarter of that.

The official view is that Mossgas is a strategic not a financial investment to help SA cope with oil sanctions.

The scheme could become more viable if crude prices rise, the rand falls further — and/or bigger gas and oil strikes are made.

Gencor has an option to acquire 30% of the Mossgas scheme at cost.

There has been criticism that too many foreign companies and personnel are involved at Mossgas but Mr Smith says the scheme will be completed with 80% local content.



"In general, this factor of 50% applies throughout our range of DEC equipment."

LAN contract for Mossgas (55)

LOCAL Area Network supplier SA Office Automation has won a major contract for a fibre optic-based LAN at the onshore refinery from managing contractor Bateman Davey for the Mossel Bay petroleum project.

S\Times 13/8/89

Eskom's 16,5 ton mobile generator capable of illuminating a town the size of Komatipoort.

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Mobile power plant for N-E Tvl

By Clyde Johnson, Lowveld Bureau

NELSPRUIT — Specialised mobile equipment recently introduced to Eskom's north-eastern Transvaal region can restore electricity supply to a particular area within four hours of a major breakdown or disaster.

The equipment, the first of its kind to be used by Eskom, includes a mobile generator, a mobile sub-station and a fully equipped mobile office.

Stationed at Nelspruit the mobile power plant is on 24-hour standby for call-up throughout the region's 101 000 sq km area.

This includes towns such as Pietersburg, Louis Trichardt, Messina, Lydenburg, Phalaborwa, Komatipoort, Nelspruit and Barberton.

According to operations manager, Mr Rodney Dell, the equipment is intended to restore electricity as soon as possible in the event of damage to power lines or sub-stations.

The mobile office, a fully equipped caravan, contains plans, diagrams and general information applicable to every town and sub-station in the region.

"It is simply a matter of hitching up and getting to the affected area as quickly as possible," Mr Dell explained.

The generator, mounted on a huge trailer, was designed by Nelspruit's senior maintenance officer, Mr Fred Hailes.

S Har 14/8/89

Enclosed in a dustproof housing with built-in filters it has a 500 kva output at 380 volts — three phase — capable of generating enough power for a town about the size of Komatipoort.

It can run unattended and a computerised system automatically switches off the power in the event of a fault.

Fuel consumption is approximately 110 litres of dieseline an hour and the unit has a fuel supply to keep it running for eight hours.

The mobile sub-station, built on to a trailer, can be connected directly to power lines in the event of a faulted transformer or loss of a sub-station with a load of 15-20 MVA at 11 or 22 kv.

Weighing 35 tons it is self-contained with surge arrestors, low and high voltage breakers and transformers.

"The mobile equipment will enable us to restore an interupted electricity supply within the north-eastern Transvaal region with minimum delay until such time power is restored," Mr Dell said.

It is regularly inspected and well serviced to ensure maximum efficiency at all times.

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Suspend Mossgas, says DP MP, as costs escalate

Political Staff

DURBAN — Serious consideration had to be given to the suspension of the multi-billion rand Mossgas synfuel project following predictions of a cost underestimate of up to R4,5 billion which would result in substantial pump price increases.

The demand was made today by Democratic Party spokesman, Mr Roger Hulley MP, following widespread speculation that the cost could soar from the original Government-announced estimate of R5,5 billion to a possible R10 billion.

Attempts for the past week to get the revised figures from the Government and Mossgas have been unsuccessful. Mossgas project head Mr Bob St Leger said the figures were being revised, but would not be available for another month.

He denied the revised figures were being kept secret until after the general election. However a Government official associated with the project has said that an instruction had been given to keep the lid on the costs until after the election.

Mr Hulley, who has been investigating the project, said today the Government had to seriously consider suspending the project until it could be assessed by a panel of experts.

"The project viability was based on an estimate of the cost of crude rising to 60 a barrel whereas as the current crude price is expected by experts to remain around 20 until the end of the century.

"The cost of every litre of fuel from Mossgas would be more than three times as expensive as the current price of imported fuel which would push up the price to the motorists."

Mr Hulley said not even the "strategic" argument held water as Mossgas could not account for more than five to 10 percent of the country's requirements and this could have been met more cheaply in others ways, including by the construction of another Sasol.

Mr Hulley said there would never have been a need for Mossgas if South Africa was a normal society.

(News by B Cameron, 85 Field Street, Durban.)

Star 17/8/89.

Defence Force ordered to pay costs

Ruling against 3 servicemen set aside

Own Correspondent

CAPE TOWN — Three Cape national servicemen, court martialled for conspiring to disclose military information to the End Conscription Campaign, have had the ruling against them set aside by a full Bench of the Supreme Court.

Judgment by Mr Justice G Friedman, Mr Justice C T Howie and Mr Justice J H Conradie was given *in camera* yesterday but reasons will be made available only at 10 am this morning after lawyers for the SADF have checked it for security purposes.

Urgent application

The soldiers — Mr Heinrich Monnig, Mr Peter Pluddemann and Mr Desmond William Thompson — were sentenced to 18 months in detention after a court martial in February 1988. They appealed but sentence was confirmed by the SADF and the three launched an urgent application restraining the Minister of Defence from placing them in detention pending a review of their conviction and sentence.

A military tribunal later reduced the sentences of Mr Monnig and Mr Pluddemann to eight months each and the sentence of Mr Thompson to six months.

The court martial record, including exhibits, have been classified as secret and members of the public and the press have been refused access to review proceedings and court records on the case.

Giving judgment yesterday Mr Justice Conradie said: "In the result I am of the view that the proceedings and decisions of the Minister of Defence and the Officer Commanding Western Province Command, Brigadier A K de Jager, must be set aside."

The SADF was ordered to pay the costs of the application.

Mr Monnig, who was the only one of the three to attend court yesterday, said he was "relieved that justice had been done". Mr Monnig, a teacher, has been suspended without pay since the incident which led to their court martial two years ago. "I can't wait to get back into a classroom," he said. His wife Alison wiped away tears as they left the court.

Mr R G Goodman, instructed by Mr Reid Corin, of Reillys, appeared for Mr Monnig; Mr J van der Berg, instructed by Enver Daniels, appeared for Mr Pluddemann; and Mr Thompson, Mr W G Burger, SC, and Mr W G Louw, instructed by the State attorney, appeared for Brigadier de Jager.

Eskom argues for nuclear power

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Star 17/8/89

By Helen Grange

South Africa will have to invest in nuclear power stations if electricity needs are to be met 50 years from today, Mr Peter Spencer, nuclear manager in the engineering group with Eskom, said yesterday.

Speaking in a debate questioning the need for nuclear fission in South Africa, held at the University of the Witwatersrand, Mr Spencer said the country's coal reserves were enough only for about 30 years in the future.

"At the moment, our coal fire plants are more economical than nuclear plants. We are able to build the cheapest coal fire stations in the world.

THE ONLY WAY

"But the time will come when we have to look to another source of energy — and the only economical alternative is nuclear," said Mr Spencer.

It was necessary to remember that by the year 2050, South Africa's population would have grown to 80 million and that by then a far larger proportion of the population would have electricity.

But if nuclear stations were to be installed, South Africa would have to be ready to implement needed safety standards and build stations without delays.

Professor K Annegarn, associate professor at Wits nuclear science department, said social and political factors had to be considered in turning to the nuclear power option.

"The cost of installing nuclear power stations would be immense, not to mention the costs of maintainance.

"President Ronald Reagan subsidised America's nuclear stations by $1 020 million during his term of office.

"In addition, nuclear plants require highly qualified people to operate them. Much of their work is supervising machines that are largely automated. These operators can't be expected to maintain strict safety procedure all the time," said Professor Annegarn.

The prospect of nuclear power was also undesireable in a politically unstable country, he added.

Mr Mark Gandar of the Society Against Nuclear Energy said European countries which had invested vast amounts in nuclear power had backtracked because of the expense.

Sweden had decided to phase out its nuclear power service, while a power station in New Jersey, America had been forced to stop the programme as a result of over expenditure.

"South Africa is clearly not in a position to cope with this kind of expense," Mr Gandar said.

Case leaves 'Willies' red-faced

2 Cape Times, Friday, August 18, 1989

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Mossgas costs go up

Mossel Bay project to cost extra R1,3 billion

Own Correspondent

JOHANNESBURG. — The Mossgas project is going to cost about R1,3 billion more than the cabinet budgeted for last year — but it won't affect the price of fuel, says the government.

The Minister of Economic Affairs and Technology, Mr Danie Steyn, maintains the money to pay for the extra costs won't affect the fuel price or involve any disbursements from the Treasury.

But the Democratic Party's energy spokesman, Mr Roger Hulley, said the government should consider suspending the project and call for an expert review.

According to current estimates, the capital costs of the project, after the first offshore platform is installed, will be about R7,8bn, 20% higher than the escalated (money of the day) budget of R6,5bn.

The chief executive of Mossgas, Mr Bernard Smith, blames the increased costs to various factors including design changes, capacity increases, demand inflation, the weak rand and the rise in GST.

Engineering design improvements to increase fuel production and reduce operating costs account for R398 million of the R1,3bn increase. But the largest increase of R453m was due to inflation in the process plant construction industry, he said.

The estimated costs of the onshore base have increased 39% to R3,3bn, while those of the offshore base have increased 23% to R1,5bn.

Mr Smith says the rescheduling of project activities because of later delivery times of equipment and shortage of skilled personnel added R43m to the escalation figure.

Mr Hulley said a statement by Mr Steyn contained a number of generalities, such as improved plant efficiency and project definition, which attempted to throw up "a fine-sounding smokescreen around the hard and shocking admission" that the Mossgas project costs had been underestimated by billions.

"Minister Steyn's statement does not alter my opinion at all that the Mossgas project is a shockingly bad economic decision on the part of the government," said Mr Hulley.

"My basic criticism is that the government is spending many billions to achieve oil production by a hugely expensive and complicated method at some five times the cost of ordinary refinery equivalent capacity."

Design changes

In his statement, Mr Steyn said the capital cost of the Mossgas project had increased as a result of engineering design changes, but there had been a corresponding economic pay-out in terms of higher revenues and reduced operating costs.

He said that more detailed engineering design studies show that the ability of the onshore plant's original production capacity has been increased significantly in order to optimally utilise the offshore gas resource at Mossel Bay.

The statement noted that "further factors which have impacted on project capital costs are cost inflation considerably higher than the increase in CPI in the engineering and fabrication industry both locally and overseas, the sharply deteriorating exchange value of the rand, improved project definition and rescheduling of project activities."

Mr Steyn said the current estimate of the capital cost of the project after installation of the first offshore platform was R7,8bn in escalated money values (money of the day), which was some 20% higher than the escalated budget figure of R6,5bn originally approved by cabinet.

"Provision has been made for funding of the additional expenditure in such a manner that it will not impact on the fuel price or involve any disbursements from treasury," Mr Steyn said.

The latest progress report on the project had been submitted to cabinet, Mr Steyn said.

In response to the question of Mossgas's commercial viability, Mr Smith says calculations which take into account the current 6c per litre synfuels levy show that Mossgas will break even with an international oil price at $19 a barrel.

It will be able to make interest payments at $12 a barrel and service its debt at $15 a barrel.

He says the price of oil is expected to move around $16 in the short term, but is likely to rise to $19 or higher in the next decade.

These estimates are based on Mossgas's forecasts of future operating costs, exchange rates of the rand and world oil prices.

Mr Smith says it is hoped that the project would commence in the first half of 1992. At the end of July the total project was 30% complete.

However, the current cost estimate does not include the costs of building a second platform, included in original cost estimates.

Mr Smith says it may only become necessary to build this second platform in seven years time.

(Report by Z Erfat, 11 Diagonal St, Jhb and B Streek, 122 St George's St, Cape Town.)

Cost of Mossgas rockets

Star 18/8/89 (55)

By Derek Tommey

The Mossgas synfuel project is expected to cost about R7,8 billion at 1989 prices, which is R1,3 billion more than the Cabinet approved. But if inflationary price rises and plant improvements are excluded, its final cost should be within six percent of the original budget.

This was said last night by Mr Bernard Smith, managing director of the project, in reply to criticism that the project's cost would greatly exceed initial estimates and that consideration should be given to its suspension.

Mr Smith said the cost of Mossgas was originally estimated at R6,5 billion. However, inflation was expected to increase the cost by about R453 million.

The project was also experiencing demand inflation as a result of a number of factors, including global demand for petro-chemical plant and a 60 percent rise in the stainless steel price.

Improvements to the process to increase output and cut operating costs had added another R398 million to the cost. And with 30 percent of the engineering design of the onshore plant completed, Mossgas had been able to estimate plant costs more closely and this had added R389 million to the project's estimated fixed capital cost.

Rescheduling of activities because of late deliveries and higher GST had added R71 million to the costs.

Mr Smith stressed that these were still estimates, made in the light of the latest available knowledge, and could not be considered absolute figures.

He said half the cost had been expended and Mossgas hoped to bring the first gas ashore in June 1991, or sooner, and to start oil production in 1992.

Democratic Party MP Mr Roger Hulley yesterday said the cost of every litre of fuel from Mossgas would be "more than three times as expensive as the current price of imported fuel".

Mossgas costs set to soar to a final R10bn

Business Times headline brings it into the open

Oil-from-gas boss admits cost is rising

S/Times 20/8/89.

(55)

Business Times Reporter

BUSINESS Times estimated last week that the capital cost of Mossgas could exceed R10-billion — and the forecast might yet be spot on. Four days after the report appeared, Gencor director Bernard Smith, who is in charge of the project, told a news conference that allowing for escalations the final cost by 1992 would be R7,8-billion.

But his estimate excludes a second platform, which accounted for R1,2-billion of the R5,6-billion forecast by Energy Affairs Minister Danie Steyn at 1987 prices.

Mr Smith said such a platform might be needed in seven years. But new technology could obviate the need for it.

But Business Times is told that if a second platform is needed, the total cost could well rise above R10-billion.

With taxpayers fed up with rising State spending, the cost of the project is politically sensitive ahead of the general election.

It was thus not surprising that Mossgas quickly came clean with its numbers this week and that it is to take newsmen on a tour of its sites in the coming week.

Soft

Mr Smith said that at present exchange rates Mossgas would break even for shareholders at an oil price of $19 a barrel.

This compares with the present price of $17,50.

The project would be able to service debt at an oil price of $15 and at $12, it could still make interest payments on its loans.

But all these break-even estimates are based on soft loans being granted for 40% of Mossgas's funding requirements.

Mr Smith said estimates of gas reserves were conservative. If throughput exceeded expectations, all the numbers could improve. Higher oil prices and a lower rand would also improve the scheme's economics.

[redacted] 20/8/89

ST (Times) 55

Mossgas lights up

POWERTECH's Lascon Lighting Industries has delivered 30 tons of floodlighting equipment for the Mossgas offshore platform. The flameproof floodlights will be used to illuminate the sea below and around the platform in "man overboard" and other emergencies.

NDAY TIMES, Business Times, August 20, 1989

Survey August 20, 1989

Mossgas gets it on time

(55)

S1 Times 20/8/89

THE last load of Iscor's special steel for the offshore part of the Mossgas project has been delivered to Dorbyl Heavy Engineering works in Vereeniging.

The first steel, worth R62-million, left the Pretoria plant in November 1987.

The offshore work specified a grade of steel never produced in SA before. A great deal of money was invested in research and development before the first plates were accepted.

Rob Ferguson, traffic and shipping manager for offshore project managers EMSO, says: "Their successful manufacture saved millions in foreign currency."

Delivery of the steel was an exercise in logistics, orders being split among many sites. The plates — the largest was 12m long, 140mm thick and weighing 15 tons — presented challenges to the railway and road operators.

However, within two months of the first delivery, dispatch plans were streamlined from three weeks to 24 hours.

Minister defends viability criticism

Mossgas will give SA self-sufficiency

Star 24/8/89.

Kaiser Nyatsumba

MOSSEL BAY — Viability should not be the only criteria used to determine whether the R7,8 billion Mossgas oil from gas project should go ahead, the Minister of Economic Affairs and Technology, Mr Danie Steyn said here.

Responding to questions from the press at the end of the tour of the project building site, Mr Steyn said the Mossgass project was necessary to ensure self-sufficiency. The viability of the project would depend on the price of crude oil in years to come.

Mr Jonathan Stones of Gencor, seconded to Mossgas as commercial manager, rejected Democratic Party MP, Mr Roger Hulley's, argument that the cost of the project would go up to a possible R10 billion.

Mr Hulley last week called for the suspension of the multibillion synfuel project following predictions of a cost under-estimate of up to R4,5 billion which could result in substantial pump price increases. He was also present on the first of two days of tours of the Mossgas project.

Mossgas is owned 50 percent by the Government central energy fund, 30 percent by Gencor and 20 percent by the Industrial Development Corporation.

Mr Stones said the project was economically viable and would achieve a break-even point for shareholders at $19 a barrel of crude oil.

Mossgas project head, Mr R St Leger said the project's original budget was R6,52 billion including inflation but was now estimated at R7,8 billion with a variance of R1,3 billion. These costs were mainly as a result of inflation and better scope changes.

'Finest team ever'

Mossgas on-shore project manager, Mr Peter Dixon, said his present construction team was the finest he had ever seen, or heard of, in 30 years worldwide.

Mr Dixon also responded to criticism that the project was dominated by foreigners.

"Overseas experts working on the project are essential. We are professionals. When we are here in South Africa, we don't see it as a South African involvement but as just another project," he said.

Mr Dixon, an Australian, was responsible for the Sappi Extension project at Ngodwana a few years ago. He said all major projects he had been involved in around the world were at some stage dismissed as "unneccessary" but all these projects later turned out to be of critical importance in those countries.

In an interview after a series of presentations by Mossgas officials at the project's information centre in Mossel Bay, Mr Hulley said he was impressed with the engineering team's work and the project appeared to be handled professionally.

However, he remained sceptical of the viability of the project.

"It can only be viable if a gloomy view is taken of the value of the rand. I am also disappointed that they say the project is based on our continuing falling rand when we should be avoiding a perpetually falling rand.

"It makes sense only as a siege decision. If we were a normal society we wouldn't be taking these steps," Mr Hulley added.

55 City Press 27/8/89.

Massive power bills at Vosloorus homes

VOSLOORUS residents are up in arms about electricity bills of up to R400 a month.

Residents of the new areas of Extension 8 and Mailula Park have been hit with electricity bills averaging R160 a month – with some having to pay R350 for a month's electricity.

One *City Press* reader, Mrs Amelia Oliphant, complained that her July bill was R190, a crippling addition to the more than R800 she has to pay on her bond.

"I moved to Extension 8 seven months ago, and my electricity bill gets higher every month. It started at R60, now it's R190.

"It would be better not to have electricity than to pay these high bills," she said.

Another Extension 8 resident, Mrs Rachel Msimango, says she thought her bills were high at R180, but for the past few months, she has had bills of R250. This month's bill is R350.

"The home is empty during the day. We only get home in the evening and cook on a hot plate, not even a stove."

Mr Zola Mzamo thought he was up to date with his payments, but received a bill this month for R400.

"I can't afford to pay such a big amount. My monthly average is R160."

Acting Town Clerk for Vosloorus, Mr Ben Smit, admitted the council had a constant stream of residents from all parts of Vosloorus complaining about high electricity bills.

"We recently did a spot check on more than 30 electricity meters, and not one was faulty.

"We can test individual meters, but this costs the consumer R10. If the meter is faulty, we refund the R10, calculate the amount overcharged and credit the consumer's account," he said.

Mr Smit said the tariff for electricity in Vosloorus was roughly 12 percent higher than in other areas.

This was due to high peak time consumption, and the fact there were few industrial consumers to share the burden with domestic consumers.

Mr Smit felt the main reason for high bills was high consumption. He said many families used little electricty during the day, so thought their bills should be low.

"But they use a lot at night – cooking, heating and running maybe three or four baths."

Mr Smit invited residents to bring complaints to the council offices and speak to Mr Danie Kruger of the Electricity Department.

Go-ahead awaited on 'fuel from cane'

NKWS 31/8/89 55

The Argus Correspondent

DURBAN. — The government is expected to announce today the go-ahead in principle of a multi-million-rand ethanol-from-sugarcane plant at Richards Bay.

The Deputy Minister of Economic Affairs and Technology, Mr George Bartlett, was expected to announce the project at a lunchtime meeting of businessmen in Empangeni today.

The project, which will provide ethanol as a fuel additive and will have a major impact on fuel imports, is expected to get under way within a year.

20 000 JOBS

There was speculation earlier in the election campaign that the government would be announcing the project before election day.

It project is expected to create more than 20 000 jobs in Kwazulu and Kangwane.

This would mean additional jobs at milling plants as well as a major boost to small sugar-planters in the national states.

(News by B Cameron, 85 Field Street, Durban.)

Ethanol project could be big 'job provider'

Star 1/9/89

Own Correspondent

DURBAN — Natal's new ethanol blend of petrol could be available at the pumps in January 1992 if plans went according to schedule, Mr John Chance, vice-chairman of the SA Sugar Association, said in Durban yesterday.

Welcoming the Government's approval in principle for the ethanol project, Mr Chance said it would give a major boost to the deregulation process, help the industry to expand and directly create more than 14 000 jobs.

It would "broaden and strengthen the economic base of the industry which is the mainstay of the economies of Natal, kwaZulu and the eastern Transvaal".

The announcement also spelt a go-ahead for the proposed sugar mill and other industrial expansion in the eastern Transvaal.

The R120 million distillery would be built near Richards Bay at a site to be determined and would be owned by the Sugar Association itself, Mr Chance said.

However, the actual operation might be contracted out. Financial details still had to be worked out.

Mr Chance said that while approval had been given in principle, a number of practical decisions had to be taken in consultation with many bodies, including the oil companies, the Department of Water Affairs and the Department of Mineral and Energy Affairs.

1/9/89 (55)

MOSSGAS (55) Finall

Starting to flow

The Mossgas project, designed to take natural gas piped from below the sea off Mossel Bay and turn it into oil, is a vastly different animal from the scheme approved by the Cabinet a year ago.

The cost is up by 20%, from R6,5bn to R7,8bn. But the project's life is likely to be extended well beyond the original 25-year estimate and its production will be greater than envisaged.

In addition to being R1,3bn over budget, the project is also slightly behind schedule. Even so, it will start producing small quantities of fuel ahead of schedule — at the end of next year — and will be operating at 80% capacity by the completion date in 1991, according to Minister of Economic Affairs & Technology Danie Steyn, who toured the project last week.

Steyn . . . Mossgas to produce a little ahead of schedule

The offshore facilities are now 52% complete, procurement is 80% complete and the engineering staff is already being demobilised because engineering is 99% complete.

Reserves of gas, oil and condensate are much higher than anticipated. New wells have been discovered.

One well was "a disappointment," says Steyn, but another now being tested is yielding a constant 7 000 BPD of oil. The small volume of oil pumped from below the sea is being sold to local refineries — so SA is already using Mossel Bay fuel.

Of the R1,3bn budget overrun, R524m is earmarked for cost inflation — nearly all of it was caused by a switch in the fortunes of companies that service the petro-chemical industry worldwide. Demand for their services is pushing up prices. When the Mossgas project started, they were emerging from recession. Since then, construction has started on seven large projects worldwide.

The rest of the cost overrun, R787m, will be absorbed by design changes. The original design had problems, particularly in respect to the prefabricated buildings and modules erected on the platform. Many of the shortcomings became apparent only when fabrication started. The cost of putting them right is about R200m. Also included in the design changes is a power generation facility to utilise waste energy from the refinery. This will cost an additional R115m — but it will save around R33m a year.

Roughly 80% of Mossgas' total capital cost will be spent in SA. The modules are being built in Durban and Port Elizabeth. The platform's legs, called a jacket, are being built in Saldanha. Virtually every local engineering company of note is working on some aspect of the project.

Contractors, however, experienced a tremendous shortage of local artisans, particularly welders. They had to import them from the UK and Portugal and pay them pound-related wages of £12/hour-£13/hour, compared with the R13/hour-R14/hour for local labour. However, more local welders are being hired as training increases.

There might, however, be an unexpected spin-off. Once the Mossgas contract has run its course, efforts will be made to capitalise on the weak rand and use the acquired skills and infrastructure to sell SA-made platform legs and modules to other oil producers.

For all that, Mossgas is not without its detractors. Mike Smith, a visiting associate at Wits, sees it as a tremendous waste of money that could have been used to service SA's foreign debt. He points out that SA is spending R5,5bn on a refinery "that can produce only 25 000 BPD, when overseas they can construct one that produces 100 000 BPD for less than R1bn."

Furthermore, he argues, it won't have strategic importance as far as SA's fuel requirement is concerned, because he believes it will fall far short of meeting SA's total oil demand. It certainly won't be strategically important from a military point of view — out at sea the platform is "a sitting duck."

Smith says as the project is financed with loans from government, "it is the taxpayer who must pay for it."

But Mossgas project director Bob St Leger says the Central Energy Fund is providing 50% of Mossgas' capital, the Industrial Development Corp 20% and Gencor the remainder. It will, he says, break even if the world price of oil reaches US$19/barrel, repay its loans at $15 and repay interest at $12. Oil is now trading at $14/barrel-$18/barrel.

He says if Mossgas was refining crude oil, "which is basically separating a liquid into a number of components, we could save a lot of money on the refinery. But we are processing gas into white spirits, which needs a tremendously costly plant." ■

Fuel prices: Shock report

W/E ARGUS 2/9/89

(55)

Political Staff

A BOMBSHELL report of a government-appointed committee, opposing petrol price increases, has been deliberately suppressed by the government while it pushed ahead with three increases — including one to pay for rises for civil servants.

The commit warned nine months ago that consequences of a rise could include an increase in unrest and that the inflation rate would be pushed up 30 percent for a 10 percent increase in the fuel price, which could disrupt the entire economy.

The results of the investigation have been leaked to Mr Roger Hulley, Democratic Party energy spokesman.

The top-level committee was headed by Professor G L de Wet, professor of economics at the University of Pretoria and a number of government departments and institutions were also involved. Professor De Wet was not available for comment last night because he was on a return flight from Paris.

However, he said today the report in the early edition of the Weekend Argus was a "total distortion" and he regarded the matter "in a very serious light".

He said his department had been involved in an investigation for the National Energy Board, but the investigation, which had been publicly announced, had not been completed and had "nothing whatsoever" to do with politics or the election. He denied there was a committee involved headed by him.

Mr Hulley said that in the light of the findings of the committee that the last three price increases could only be described as "reckless".

Bad state

The fact that the government had pushed ahead with the increases in spite of the dire warnings of the committee indicated that the economy must be in an even worse state than the DP had been warning.

The committee advised:

- For blacks, expenditure on fuel and fuel-driven transport was becoming more important and could become a reason for discontent.
- An increase of 10 percent in the fuel price could "give rise to up to 30 percent inflation over a period of two to three years," which could "ultimately disrupt the whole economy. An increase in the price of petrol is a typical shock which gives momentum to the wage spiral and keeps it going".

(Report by B Cameron, 85 Field Street, Durban and F S Esterhuyse, 122 St George's Street, Cape Town).

Taxpayers may have to pay for ethanol plant

Star 2/9/89

55

THE Automobile Association is concerned about the announcement that the go-ahead has been given for an ethanol production plant.

It argues that if the project has to be supported financially by the Government, it will more than likely look to the motorist to foot the bill.

The Managing Director of the AA, Mr Peter Elliott, said it was always a concern of the AA that the reasons why projects were initiated were forgotten over time.

In this case these included the improvement of the economy of the sugar cane industry, the creatiion of jobs and a small contribution to South Africa's strategic self-efficiency in liquid fuel.

He said that should the project require financial support from the Central Treasury in the future, it was hoped the Government would remember why it had initiated the project and not simply see it as a fuel production project — with the motorist again being considered the easy tax target.

The motorist was, in the AA's opinion, already being taxed more than enough, he said.

3/9/89.

Blasted substation repairs to top R3m

By SOPHIE TEMA

THE cost of repairing the electricity substation which was damaged in Soweto on Thursday this week may exceed R3-million.

The damage caused a power disruption which left more than 15 000 houses in Soweto without electricity and may take six months to repair.

Areas that were affected by the power failure that followed a heavy explosion are Zola, Zondi, Mofolo North, Naledi, Jabulani, Emdeni and Dobsonville.

The Soweto City Council has still not determined the cause of the explosion but police are investigating.

Residents claimed the explosion shook several houses in Zola.

Soweto mayor Sam Mkhwanazi said damage was estimated between R3-million and R4-million.

He said the council would approach Eskom for assistance to repair the substation and request that emergency electricity supplies be provided to the affected areas while restoration work was going on.

Eskom Senior manager, Soweto Project, Nic Terblanche, said:

"We have made contingency plans to assist in the restoration of the substation only in the case of the Soweto City Council approaching us for help.

Eskom yesterday asked Soweto residents to ensure the safety of its workers while they work "around the clock" to ensure power would be returned in four days.

This followed reports that workmen refused to enter the townships for fear of attack after a technician was gunned down while working in Orlando West.

SS

International nuclear experts visit Koeberg

By Therese Anders

CAPE TOWN — A delegation from the World Association of Nuclear Operators (Wano) visited South Africa's high-security Koeberg nuclear power station last month.

Wano granted Eskom full membership in Moscow earlier this year.

A party of five European nuclear power plant experts was in South Africa for about three weeks looking at Koeberg's maintenance programme.

Disclosing details of the visit, Eskom's head of nuclear liaison, Mr Andre van Heerden, said it was quite possible that Soviet nuclear operators would visit Koeberg in the future, "and they will be most welcome".

He said Wano was formed largely as a result of the Chernobyl accident.

"Chernobyl indicated to the world that there was a lack of communcation between nuclear operators, which was an untenable situation.

"It proved that there is no way an industry such as a nuclear one can isolate itself.

"The radiation coming from an accident of the size and scope of Chernobyl knows no boundaries and is going to cross international borders."

He said every nuclear utility in the world had signed membership, though there was still a question mark over that of Bulgaria. South Africa has been accepted as a full member.

Mr van Heerden said Wano was unusual in that there was no government involvement at any level, and as far as he knew there had been no political opposition to South Africa's membership.

Eskom nuclear officials had already been to Moscow and been well received.

The first delegation to South Africa had included experts from France, West Germany and Belgium, and he believed they went away impressed with the Koeberg facility.

Loo fallout closes control centre

By Therese Anders

CAPE TOWN — For almost a year Eskom has managed to keep the wraps on an incident late last year when the emergency control centre at Koeberg, South Africa's first nuclear power station, had to be evacuated.

The incident had nothing to do with nuclear fall-out, but a lot to do with fall-out from the nuclear installation's toilets.

The emergency centre was out of action for almost a week after sump failures resulted in sewage flooding into the centre to a depth of several centimetres.

"There were some very red faces around here at that time," admitted an Eskom official, who did not want his name used.

He quickly added that while the cleaning squad moved in, the emergency control centre was moved to another part of the building.

In the event of any calamitous accident in which radio-active particules were emitted from Koeberg, the alerting of civil protection services as well as the possible evacuation of Cape peninsula residents would be controlled from the centre.

Reassuringly the Eskom official said the centre had never had to be used in Koeberg's five years in commerical operation, except for regular emergency planning exercises.

X

DP discloses fuel price 'bombshell' report

B/Day 7/9/89 (55)

LESLEY LAMBERT

CAPE TOWN — A 10% increase in the petrol price could give rise to up to 30% inflation over two or three years, placing considerable pressure on anti-inflationary policy and disrupting the entire economy.

This was the view of top-level experts in a report commissioned by the National Energy Council last year and leaked to DP energy spokesman Roger Hulley.

The NEC denied Hulley's claims this week that government had deliberately suppressed the report on investigations into the effect of fuel price increases on the economy because its findings warned against further increases, three of which were implemented after its completion.

The investigating committee which was chaired by Professor G L de Wet of Pretoria University said that price increases did, in the long run, cause serious inflation. They provided momentum for the wage spiral and kept it going.

Another controversial assertion by the committee was that the use of levies on the petrol price was an "extremely dangerous approach" which concealed the underlying problem of state over-expenditure.

"The state must, in the interest of general economic prosperity, control its overspending and not look for and exploit additional sources of income to finance the over-expenditure," the report said.

"In the face of such findings one can only describe the government's last three price increases as reckless and irresponsible. They collectively represent an inflationary time bomb which will choke our economy in 1990/91," said Hulley.

Toyota foresees no ethanol problems

55

Star 21/9/89 Finance Staff

Toyota sees no problems arising from the fuel to be supplied by the ethanol-from-sugar-cane project announced recently, provided the authorities ensure certain requirements are met.

"We have carried out extensive tests with our vehicles operating on various alcohol blends and are confident that drivers will not notice any difference in the operation of their vehicles," said Mr Colin Downie, Toyota's director of engineering.

Toyota's tests have taken particular note of power output, fuel consumption, starting difficulties and engine knock.

However, according to Mr Downie, the authorities should ensure that:

- The percentage of ethanol in the blend with petrol does not exceed a nominal 10 percent by volume.
- The blend has corrosion inhibitors similar to those adopted by Sasol for its alcohol blends.
- Octane ratings of the blended fuel conform to the standard agreed by the industry and the National Energy Council.

To cater for the many older vehicles operating on South African roads, which were not designed with the same level of corrosion resistance as present models have, Naamsa has requested that the ethanol producers establish a warranty fund to assist with any problems that may be encountered.

Eskom and Zimbabwe discuss Cahora Bassa

BDay 12/9/89

55

BRENT MELVILLE

ESKOM and the Zimbabwean Electricity Supply Association (Zesa) have entered into negotiations for the supply of power to electricity-starved Zimbabweans.

Discussion has centred around Eskom's plans to divert power directly from its Cahora Bassa hydro-electric scheme.

Negotiations are currently underway to get Cahora Bassa back on line, although Eskom is at over-capacity and has been involved in rationalisation.

CE Ian McRae said he believed the area's political climate had made conditions favourable for the sale of electricity to Zimbabwe.

The SA, Mocambique, and Portuguese governments, through the auspices of the Permanent Joint Committee (PJC), are considering proposals for relinking Maputo to the Eskom power grid, part of which would also be supplied by Cahora Bassa.

Although there have been setbacks and there is an ever-present threat of a political spoke being put in the wheel, McRae is confident that the new spirit of co-operation in the region will triumph.

Eskom corporate counsel and SA delegate on the PJC, Dries Loots, said while negotiations for the supply of electricity to Zesa were still "at the embryo stage", plans included the construction of transmission lines into Zimbabwe.

There are several technical reasons for the decision to transmit power, said Loots. "But Zesa wants power from SA because it is a lot cheaper to transmit power through lines than build new stations, or expand on existing ones," he said.

Last year Eskom announced it was to embark on a closure programme resulting in the eventual mothballing of 13 power stations. The decision was taken on the basis that Eskom was overproducing by 10% as a result of the economic slowdown.

Decision

"The rationalisations would increase efficiencies and were in line with Eskom plans to link the majority of South Africans to electricity, and to expand its power grid into neighbouring countries," said McRae.

He said the decision to bring Cahora Bassa back on stream would have no influence on the decision to rationalise.

Loots said Zesa's decision to enter into negotiations may have been prompted by technical difficulties in their own power stations. Electricity users in Bulawayo have suffered recently from a chronic power shortage and it is believed that the Zimbabwean government has been reluctant or unable to raise the necessary finance for the expansion of the Kariba hydro electric station.

Cape Times 15/9/89

SS

7 000 on Mossgas 'at peak'

Political Staff

ABOUT 7 000 workers will be employed on the Mossgas project during the third quarter of next year, the Minister of Economic Affairs and Technology, Mr Danie Steyn, said yesterday.

This figure represented the peak period of construction, he added, and would be sustained for only about six months.

Unveiling the official emblem of the Mossgas project at Mossel Bay, Mr Steyn said the Mossgas management had gone to great lengths to ensure minimal disturbance to the unique culture of the region.

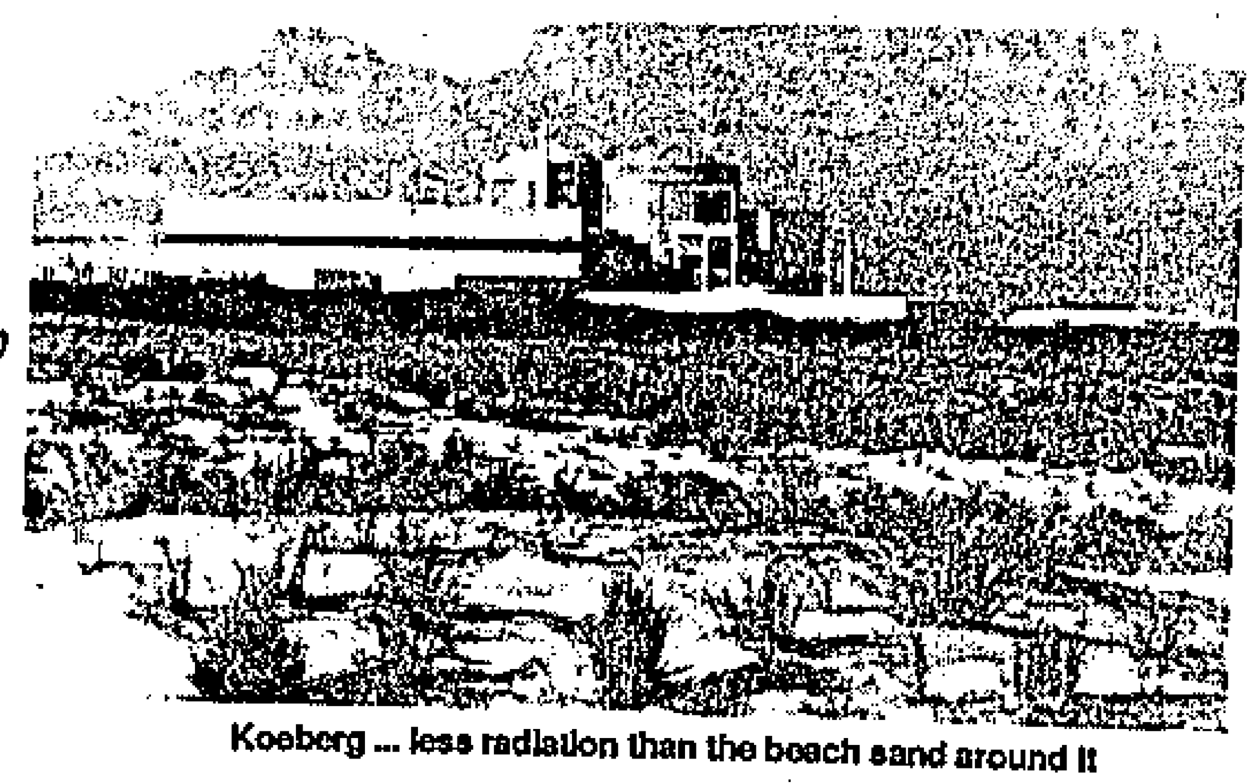
It was Mr Steyn's last official function as a minister, as he did not seek re-election to Parliament on September 6.

Mr Steyn said the entire project was more than 30% complete and was on target for bringing the first gas onshore in just under two years.

NUCLEAR POWER: THE OFFICIAL VERSION IS THAT IT'S NO THREAT TO THE NEIGHBOURS. THE CRITICS SAY THE THREAT WILL LAST CENTURIES

Koeberg's two faces

Our nuclear programme is either safer than Sandy Bay ... or a menace for fifty thousand years



Koeberg ... less radiation than the beach sand around it

Eskom takes EDDIE KOCH on a tour to prove that Koeberg is perfectly safe ...

WHEN a new nuclear power station has been fired up and starts to deliver a constant flow of megawatts, the plant is said, in the jargon of the industry, to have reached a "critical" phase.

During a tour of the Koeberg power station near Cape Town this month, Eskom assured journalists that this was merely an unfortunate choice of phrase and that nuclear-generated electricity was the cleanest and safest form of power available to South Africa.

But the Chernobyl catastrophe in the Soviet Union has established beyond doubt that the nuclear industry deserves the terminology it has inherited, says a lobby of local ecologists. And while other industrialised countries are exploring energy supplies that have less cataclysmic prospects, apartheid and international isolation are forcing South Africa along the path to nuclear power.

During its show-Koeberg-to-the-media tour, Eskom representatives highlighted the following facts to back their claim that during its "critical" phase the power station is, in fact, no threat to the ecology and the people around it:

- Radiation is a natural phenomenon and the levels emitted from the granite rocks on the beach of Sandy Bay, on the same coastline as Koeberg, is about 450 times the radiation that the power station adds to its immediate environment.
- The massive amounts of soot, dust and sulphur dioxide — which cause acid rain and pose a threat to the ozone layer — are absent from Koeberg. A coal-fired station the size of Koeberg churns out two million tons of ash a year; Koeberg produces just 22 tons of waste.
- Unlike the Chernobyl power station, the French-designed nuclear reactor in South Africa is protected by an encasement of steel and concrete that is capable of withstanding the impact of an out-of-control Jumbo jet and most explosions that might occur inside the reactor.
- The highest dose of radiation that an individual worker has ever been exposed to at the plant is little more than half the legal limit. During the seven years that it has supplied nuclear power, Eskom boasts that not a single worker has died from radiation exposure or any other form of industrial accident at Koeberg.

Earth Life Africa, a recently formed organisation of environmental activists, disagrees.

"There is a need to look at the whole chain of nuclear production, from the mining of uranium for fuel to the handling of deadly plutonium waste, before one can assess the amount of environmental contamination that a nuclear power station can produce," says representative Henk Coetzee.

Power stations like Koeberg create some of the most potent toxins known, during the reactive process. These include radioactive iodine, which concentrates in the thyroid gland and causes cancer; strontium-90, which is absorbed into human bone marrow causing highly malignant tumours as well as leukaemia; and plutonium, which breeds malignancies and can cause great deformities in a developing foetus.

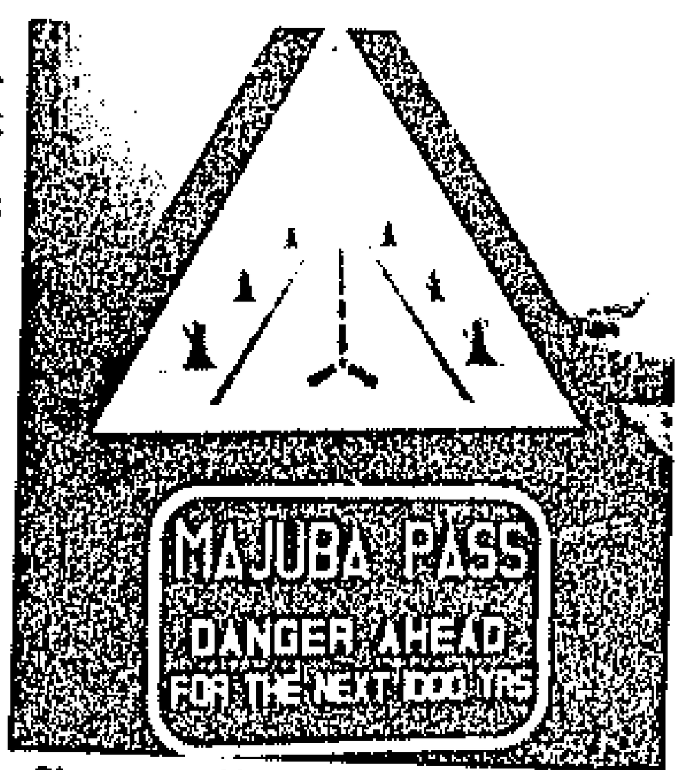
Plutonium, named after the god of the underworld, is potent enough for just one millionth of a gram to kill a human, says Coetzee, who works at the University of the Witwatersrand as a research geologist. Only 2,5kg of plutonium would be sufficient to kill every man, woman and child on earth.

The Koeberg power station produces 400kg of plutonium a year, says Coetzee. Eskom says the figure is closer to 100kg. The waste has a half-life of 25 000 years — it takes this long for half of the substance to decay. And for all of South Africa's energy needs to be supplied by nuclear power at least another 30 Koeberg's will have to be built.

Eskom stores these lethal substances underwater in a spent-fuel tank at Koeberg, which is not located in the containment that protects the plant's reactors. Within 30 years these will have to be removed and stored permanently — and Eskom admits that it does not yet know how and where it will dispose of its high-level wastes.

Eskom's agreement with Framatome, the French company that built Koeberg, states that the spent-fuel must eventually be sent for reprocessing to France. There the wastes will be extracted. France will keep the plutonium for fear of it being used by Pretoria to make nuclear weapons. The rest will be sent back to South Africa for storage.

Most other nuclear countries plan to store their nuclear waste in deep underground caverns carved into rock that is impermeable to water. "But there is absolutely no place on earth where it is safe to keep these substances," says Earth Life member Peter Lukey. "No rock type can be said to resist seepage or be safe from tremors and earthquakes for the thousands of years that the waste will be highly radioactive."



Sign erected by ecology activists after a truck spilt nuclear waste on a Natal road

In 1976, dissident Soviet physicist Zhores Medvedev reported a vast nuclear explosion had been sparked by waste stored underground in the Urals. Whole towns had to be evacuated, rivers and lakes in the region were isolated by canals, and maps of the region were mysteriously redrawn. The Soviet Union, which denied the reports for years, has recently acknowledged the catastrophe.

In the year that the accident occurred, Sir Brian Flowers, head of a British Commission on Environmental Pollution, reported: "We must assume that these wastes will remain dangerous and will need to be isolated from the biosphere for hundreds of thousands of years. In considering arrangements for dealing safely with such wastes, man is faced with time scales that transcend his experience."

South Africa's political instability exacerbates the dangers inherent in producing high-level nuclear waste, says Earth Life. There is no guarantee of social stability in the immediate future and the country's fragile international status makes it necessary for the waste to be transported over long distances before being reprocessed in France.

"Planes crash and ships sink," says Coetzee. "This arrangement greatly increases the chances of an accident." The potential for such a disaster was highlighted last year when a truck loaded with radioactive uranium powder, to be used in the manufacture of nuclear fuel rods, overturned on the Majuba Pass in Natal.

The government's concern for the security of its plants is reflected in a ruling that nuclear power stations may not be built within 100km of a foreign border and 50km from a "homeland" border. Ironically, while journalists were being shown around Koeberg, barricades were burning 30km away in the streets of Cape Town.

South Africa also does not have the capacity to recycle its spent nuclear fuel. If a French government decided to cut all ties with Pretoria, this country would be left with hundreds of kilograms of highly toxic waste and no immediate method of disposing of it.

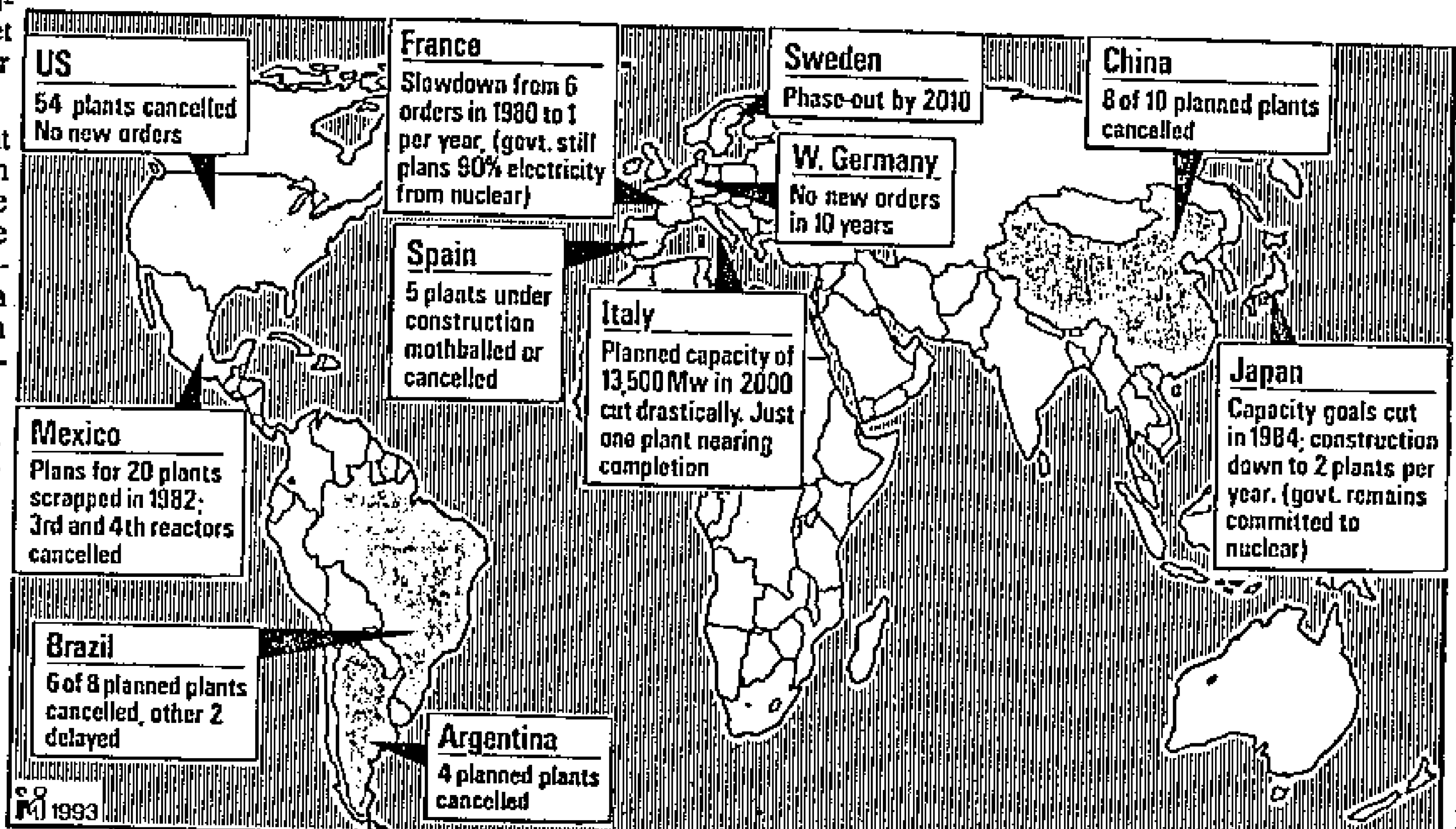
Earth Life is also concerned by the potential for nuclear power stations to undermine what civil liberties are left in this country. Koeberg is already surrounded by a massive security apparatus and some of these facilities are let to the SA Police for the housing of *kitskonstabels*.

The Nuclear Energy Act gives the minister of energy affairs powers that are as harsh as the media restrictions imposed by the State of Emergency. These include the discretion to bar the publication of any information related to a nuclear accident — making it theoretically possible for incidents to have occurred at Koeberg which the public is not aware of.

While apartheid and international isolation magnify the dangers that surround nuclear power stations, Pretoria's policies have cut the country off from cheaper and safer sources of power in Southern Africa.

Just one dam on the Zaire River, which would be cheaper to build than a power station and has none of the hazards associated with nuclear power, would be able to supply the whole of South Africa's electricity needs.

But the failure of Mozambique to supply even small amounts of electricity to South Africa from its Cahorra Bassa Dam, because of sabotage from right-wing rebels, illustrates that the importation of hydro-electric power will become an option only when regional conflict and aggression in the region is put to a stop.



While the rest of the world cuts back on its nuclear power, apartheid is forcing us along this route.

Satellites spot the the ideal toxic dump: Right here

THE construction of nuclear power stations in South Africa will increase the prospect of this country becoming a dumping ground for toxic waste from Europe and America.

Earth Life Africa this week released documents to the *Weekly Mail* that indicate South Africa is being targeted by the international nuclear industry as a prime site for the dumping of industrial poisons.

Dennis Toens, energy consultant for Eskom, told reporters on the visit to Koeberg this month that the existence of high-level radioactive waste at the plant meant South Africa would have to build a site to dispose of it.

"South Africa does not have enough waste to finance a mega plant to incinerate and dispose of it. Because of environmental pressure groups and population constraints there are not many waste sites overseas," he said.

"It would be better if these processes could be conducted here by scientists, rather than that the waste is brushed under the carpet. If this means the importation of limited amounts of overseas toxins then that's one way to go."

Earth Life representative Peter Lukey says South Africa is a highly industrialised country that has the expertise to handle the toxins but shares the Third World's desperate need for foreign currency. Satellite surveys have identified tracts of the Kalahari Desert as some of the most suitable land in the world for waste-storage.

Earth Life this week released a letter, sent by a a waste dealer in Israel to a South African manufacturer of mining equipment, which illustrates how South Africa is being handled as a potentially prime market for the international trade in toxins.

The letter, from Dr Avraham Azriel of Agam Consulting and Management in Tel Aviv, says: "As you may well know, most industrialised countries encounter nowadays the problem of storing dangerous waste materials (mostly from chemical and medical industries)... Presently, new deposit locations are required and in fact that is the main reason for approaching you.

"In order to give you an idea of overall funds rolling in this operation: wastes are shipped on averagely (sic) 750-ton ships and customer pays US$4 a kilogram (about US$3-million a ship). Foreseen gross activity is in the rough borders of US$50-million, with each country, a year."

Agam claims to deal with waste from 15 nations — including England, France, Spain, Portugal, Belgium, Switzerland, Taiwan and South Korea — suggesting the annual turnover for a local company that imported waste would be in the region of a staggering US$750-million.

"We have to get an official permit or letter from the government and yourself pointing out clearly that the country in question is ready and willing to accept these wastes, and what possibilities exist to store these wastes underground. Please advise as to what size of ships can enter port. Permits and contracts have to be for a period of 10 years," the letter says.

"Alongside payments per shipment to host government the operation will create jobs for many local people and cause remarkable environmental development."

SUNDAY TIMES, Business Times, September 17, 1989

SS

Eskom close to nuclear decision

By Don Robertson

ESKOM will decide before the end of the year where to build its second nuclear power station.

Although SA has the fourth-largest coal reserves in the world — about 60 000-million tons — they will eventually be burnt out. So consideration must be given now to alternative sources of energy supply.

Eskom has secured about 9 000-million tons of coal for use in its existing and future power stations. This will see it through to the year 2030 at current expected rates of growth.

However, the growing threat of air and waste pollution is receiving increasing attention from environmentalists and is becoming a major political issue.

Power stations in the Transvaal emit 3 000 tons of sulphur dioxide a day — enough to fill 400 Olympic-size swimming pools. The thousands of tons of ash from the power stations have also to be dispersed.

A nuclear power station the size of Koeberg, which generates 1 800mW, produces between two and three casks of spent fuel a year, as well as 1 500 drums and 500 concrete containers of low and intermediate waste.

Another consideration is that as reserves decline, prices of SA's relatively cheap coal will increase.

Although nuclear power-stations are more expensive to construct than coal-fired ones, the rising cost of coal will balance out costs.

In the years ahead and with today's technology, nuclear power will become the only alternative. SA has insufficient water to supply cheaper hydro-electrical power.

Eskom has in the past four of five years investigated possible sites for nuclear projects.

It has looked at 19 sites and is putting together an area of between 1 400ha and 1 500ha at Thyspoint between Cape St Francis and Oyster Bay. The purchase of this site — 60% has been bought — does not necessarily mean that the next nuclear station will be built there.

Also considered was a site west of Port Elizabeth, but it has been ruled out.

Three sites are being investigated on the southern Cape coast between Gansbaai and Agulhas Bay. Other potential sites for a nuclear power station are on the west coast, up to 100km south of the Namibian border.

An area in Northern Zululand has been scrapped because of the high population density and the possibility of earthquakes.

A nuclear power station would cost cost R8-billion in today's money, and would require up to 12 years from conception to commissioning.

It is therefore unlikely that a new plant will be built this century.

Eskom is investigating other forms of power from coal. In about two years, Eskom personnel will go to Europe to study developments in integrated gasification combined cycle technology and energy farms. These projects involve complexes which produce electricity, sulphur from the sulphur dioxide and other chemicals from the residues.

SA has not yet faced the problem of storing high-level waste. Koeberg produces about 30 tons of unprocessed waste which is stored in water where it will be kept for about 10 years to allow it to cool.

The waste will then be taken in casks to a disposal area at Vaalputs in the north-western Cape. It will be kept for several decades before being sent to France for reprocessing. The reprocessing will recover uranium and plutonium.

Fuel fumbles could foul FW's victory

Star 18/9/89

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Fuel looks like being the first block on which newly elected State President FW de Klerk could stumble.

Sources in Government say that discussions are currently taking place on the possibility of another fuel price rise this month, despite the fact that neither the slate nor the exchange rate needs it.

If the decision is made to go ahead and increase the price, it will be a resounding admission that Government is committed to using fuel as a revenue source — and it will blast to pieces FW's promises about reducing inflation and improving the economy.

Senior executives in the transport industry maintain they know nothing about another increase. In fact, they are astounded that the matter is even being considered.

Said chief executive Ian Moss of the Public Carriers' Association (PCA): "Our contacts in the National Energy Council practi cally put their heads on a block that there wouldn't be another rise this year, because it just isn't necessary.

"If Government disregards this and raises fuel prices, it will be disastrous for an already hard-pressed road transport industry — not to mention the economy as a whole, because of what it will do to the inflation rate.

"For every cent added on to the fuel price, the consumer pays three cents. It's the single most inflationary action the State can take."

Price is not the only issue on the fuel front, however. The pre-election decision to go ahead with the R120 million ethanol-from-sugar plant at Richards Bay has provoked another set of discussions — about the possibility of having provincial variations in fuel prices in the 1990s.

Blended fuel cost

Said one Government source: "When the distillery comes on line and ethanol starts being blended with petrol in Natal in 1992, there is no way the price of fuel in that province can remain unaffected.

"Obviously there will be a Government subsidy, but unless it is at remarkably higher levels than with other synfuel projects (Mossgas and Sasol) the price of blended fuel will have to go up to pay for the ethanol content.

"There's no other way the arithmetic can make sense."

Once Natal's fuel is at a different price from that in the rest of the country, he said, the way is open to launch other provincial variations.

Said another official: "The viability of different provincial fuel prices has been discussed before. There are quite a few people in Government who feel South Africa should do with its provinces what America does with its States, and have a variety of prices depending on what it costs to get the fuel to where it is going to be used.

"After all, there is a case to be made for arguing against the current system of coastal and inland prices. 'Inland' is a vast area, and it costs more to transport fuel to the far north than it does to, say, the central regions.

"Provincial or regional pricing would certainly be a fairer system than the present one."

Hauliers vehemently disagree.

Said Phil Erasmus, managing director of Tanker Services and chairman of the PCA: "It would simply encourage people to carry more fuel in their vehicles, thus raising the weight and increasing transportation costs. We're busy now pulling long range tanks off most of our rigs and putting in smaller tanks. If a system like this is instituted, we're back to square one.

"I wish Government would just stop messing around with the fuel price and introduce an average unitary price for the whole country. It would make everyone's lives easier."

Oil companies' fear

Oil companies, already concerned at the synfuel moves (especially the Richards Bay project, which was not even discussed with them), are inclined to agree. They are reluctantly supporting the concept of blended fuel, for fear of being penalised if they resist. But they are worried that they will have to carry the financial can.

George Bartlett, Deputy Minister of Economic Affairs and Technology (who announced the latest synfuel exercise) would not be drawn on such details, taking refuge in regulations protecting national strategic interests.

Only one thing is therefore clear: that at the start of a new Government and a new Presidency, fuel price is a contentious issue. The way in which it is handled will indicate, more than anything else, the economic direction of the next five years.

Trained SA personnel for Mossgas

BRENT MELVILLE

CRASH-TRAINED South Africans are replacing their more expensive foreign counterparts on the R7,8bn Mossgas project. Project engineers say Mossgas has exposed the country's acute shortage of skilled engineers and semi-skilled assistants and has prompted a remedial training programme.

The principal training body is the Mossgas civil engineering training scheme, which was launched late last year under the auspices of the SA Federation of Civil Engineers (Safcec) — representing 236 engineering and construction companies — which identified the need for a massive injection of local labour.

Void

Run by Safcec's Industry Training Scheme (Ceits) in conjunction with the Central Energy Fund, Bateman Davy Engineering and Mossgas, the training scheme has already trained a cross-section of more than 2 100 South Africans.

One of the aims of the scheme was to fill the void left by the swiftly deteriorating numbers of civil engineering students in SA. "And Mossref has placed about 60% of its trainees on site at Mossgas," says Ceits chairman Tony Smith.

"Although at the point of initial appointment they may appear as rough and ready workers, with greater contracting experience the scheme should be regarded as a success," says Smith.

The trainees, men and women and made up of all race groups, are drawn from within the area extending from Knysna to Albertinia and Oudtshoorn.

The scheme is financed by a levy imposed on contractors working within what is called the "fenced area", and deducted from all payment certificates submitted by the contractors for the duration of the project, says Smith.

Training is carried out in the South Cape Training Centre for four categories including: labourers (basic hand construction), lower semi-skilled, higher semi-skilled and skilled. The total number of persons to be trained for Mossgas through the scheme is 4 000.

SS

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MEANWHILE, ECOLOGY SUDDENLY BECOMES A BIG POLITICAL ISSUE

Biggest-yet nature row over dunes

Meanwhile on the opposite coast to Koeberg, another ecology row wages, over plans to mine in a wildlife sanctuary. EDDIE KOCH reports

A SMALL stretch of sand dunes occupying just 20 square kilometres of Northern Natal's coastline has become the focus of one of South Africa's most heated ecological controversies.

Popular protests against plans by a mining consortium to mine the dunes north of St Lucia — recognised as one of the world's precious wildlife sanctuaries — is set to unite environmental and opposition groups from across the political spectrum.

Already two national petitions have been launched to save the reserve; high-level protests have been handed to Acting State President FW de Klerk; and members of extra-parliamentary movements, which have never yet taken up a "Green" issue, are thinking of entering the fray.

The cause of the anger is a decision by Richards Bay Minerals (RBM) — a mining company owned jointly by Gencor, Old Mutual and a mining corporation — to mine the dunes for a rare mineral called titanium that is used in the manufacture of military aircraft and warheads.

RBM has asked the government for permits to begin mining on the eastern shores of Lake St Lucia — the biggest estuarine system in Africa. The region is recognised by the International Union for the Conservation of Nature (IUCN) as one of the world's few natural heritages.

Popular anger at this prospect has galvanised a unique range of organisations into protest action.

- Two national petitions have been launched to oppose the scheme. One is administered by the group Earth Life Africa, the other by the *Star* newspaper.
- The Wildlife Society of Southern Africa has submitted a high-level protest urging De Klerk not to grant the permits.
- The Democratic Party submitted complaints to Environment Minister Gert Kotze and has obtained an assurance that mining will not be allowed without a full investigation.
- Individuals in the leadership of the mass democratic movement in Natal have expressed an interest in the controversy and say the issue is likely to be placed on the agenda of local United Democratic Front affiliates for discussion. If the MDM joins the protest, it will be the first environmental campaign to be launched by extra-parliamentary resistance groups.
- The SA Council of Churches and the Witwatersrand Council of Churches are reported to be discussing the campaign to save St Lucia.
- Local farmers in the area have threatened to blockade roads into the area with trucks to prevent RBM from bringing in equipment and labour.

The titanium reserves of St Lucia, estimated to be worth R5-billion and capable of generating government revenue worth R1-billion, were chosen after similar sites in the United States and Madagascar had been rejected, largely because of opposition from environmental lobbies.

The operation will also allow South Africa to monopolise the international supply of titanium, which is valued by armaments manufacturers as a durable and lightweight material that can be used to make aircraft skins and warhead coatings.

Ecologists fear that the foreign currency-earning potential and strategic value of the scheme will induce the government to grant the mining rights without considering its environmental impact.

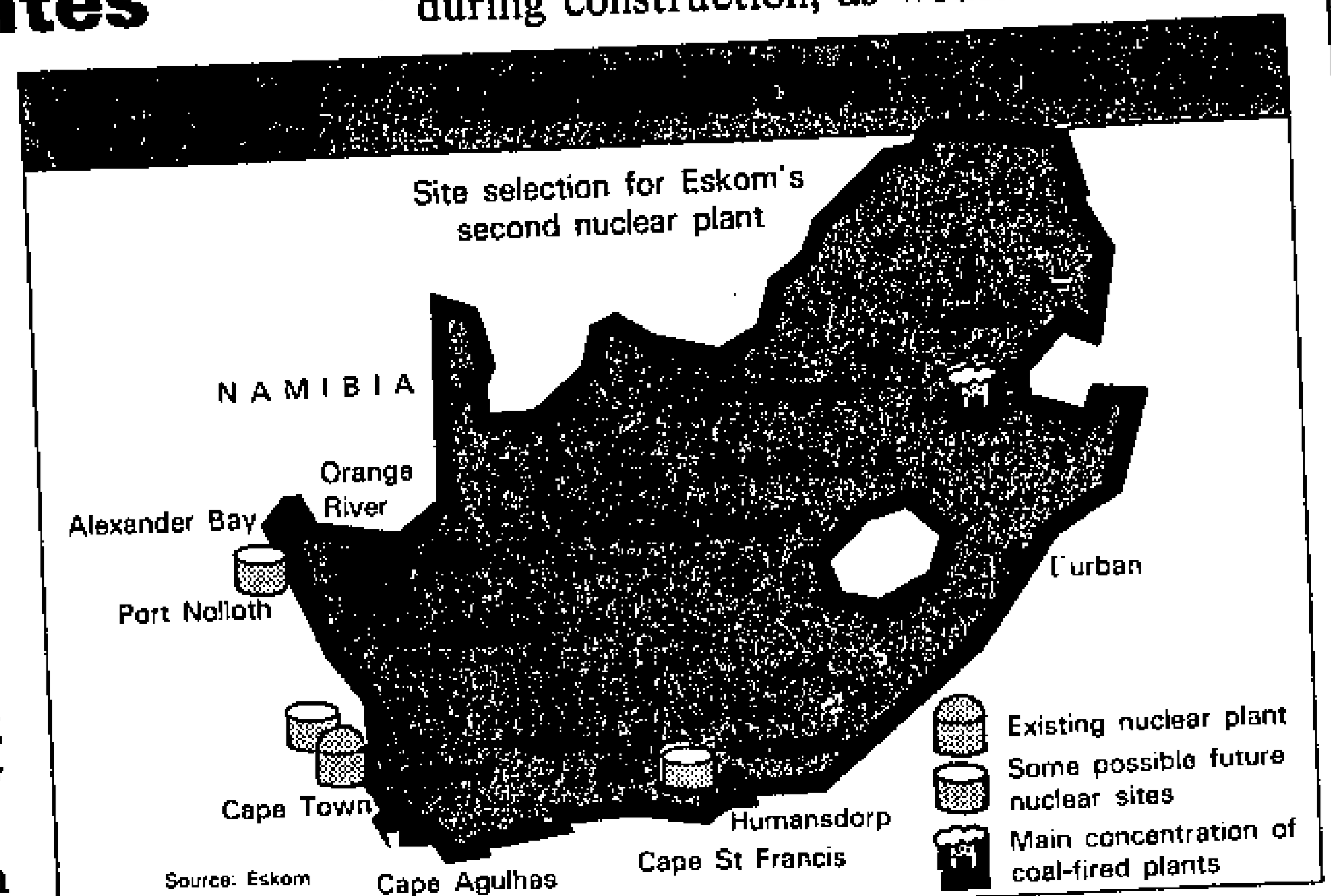
Fmail 22/9/89.

NUCLEAR POWER (55)

Evaluating sites

With its current surplus of generating capacity, Eskom has no immediate plans to build a second nuclear power plant. But the long lead time required for building one means sites must be chosen far in advance.

Eskom environmental impact manager Otto Graupner says the company began evaluating new sites in the early Eighties.



Source: Eskom

The requirements for a nuclear power site are numerous. Plants have a huge need for cooling water, its scarcity inland means the search must be confined to the coast.

The need to balance the country's electrical grid by minimising transmission losses argues for a site remote from Eskom's inland complex of coal-fired stations, mostly in the eastern Transvaal. It was this logic that resulted in the choice of Koeberg's site north of Cape Town.

This site could accommodate a second plant but the risk that one accident could knock out two plants is leading Eskom to consider other sites. Graupner says Eskom would like to find a site stable enough to avoid the cost of the earthquake cushions that the nuclear installation at Koeberg rests on.

But Koeberg remains under consideration because of the economies of scale in using the existing infrastructure.

The cost of high-voltage transmission lines to link a more remote site — such as the Port Nolloth location at the mouth of the Spoeg River recently mentioned by Electricity Council chairman John Maree — would be offset by savings on earthquake cushions.

Another preference of Eskom's nuclear planners is to avoid complex sites that require special engineering designs because their goal is to standardise nuclear plant construction as much as possible.

Eskom is pleased with Koeberg's efficiency and wants new plants designed along the same lines.

A major factor contributing to the success of the French nuclear power programme is its insistence on almost m ss producing plants.

Eskom originally considered the entire coast but has eliminated Natal. On the east Cape it looked at two sites near Cape St Francis.

One is eliminated while the other, to the east, about halfway to Oyster Bay and roughly south of Humansdorp, is still in the running.

Eskom has identified several sites along the West Coast, including Koeberg and Port Nolloth.

Peter Spencer, Eskom's nuclear manager, says the extreme shortage of potable water in the far north would be a severe disadvantage during construction, as would the weakness of the area's infrastructure.

Eskom is looking into the 21st Century, to when coal will no longer be readily available or as cheap and SA may have to go nuclear. ■

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Alex advised on use of power

AN electricity information centre offering a free advisory service to householders has been opened in Alexandra.

The Alexelek Electricity Information Centre, sponsored by Eskom and situated c/o Rooseveldt Street and 8th Avenue, was opened last Friday.

The centre offers advice on:

* The benefits of electricity;
* The safe use of electricity;
* How best to use appliances and save costs;
* The use of card-operated meters;
* How to monitor household electricity consumption; and
* How electricity payments should be made.

Leaflets on all aspects of electricity are also available free of charge to visitors.

Alexelek staff are planning a full programme of events to be held at the centre. These include cooking demonstrations and seminars on food technology.

The centre is staffed by three advisors: Mr Samuel Khuzwayo, Mr Motsamai Choabi and Miss Catherine Mathabe, who have been trained by Eskom and are employed by the council.

The centre is open between 8am and 4pm from Monday to Friday, but the council intends extending operating hours to evenings and weekends to enable people who work late to benefit from the service.

Officially opening the centre, Eskom's general manager (management services), Mr J P van den Bergh, said more such centres would be established in various parts of the country. "We have chosen Alexandra as a pilot study and if this centre proves to be a success, we will spread the idea to other townships," said van den Bergh.

The mayoress of Alexandra, Mrs Jacobeth Pooe, appealed to local residents to make use of the centre.

Vital role

The council's public relations officer, Mr Nunka Mkhalipe, said the Alexandra urban renewal programme was well under way and the council was aiming at having all homes in the township supplied with electricity.

"Alexelek will play a vital role in helping people, many of whom are first time users, to operate electricity economically and safely," said Mkhalipe.

The centre can be contacted at (011) 887-8600.

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BUSINESS

City council brings power to the people

The supply of electricity to kwaZulu townships by Durban City Council is a departure from the state's decentralisation policy and Eskom's plans to privatise. By ELAINE COSSER

THE Durban City Council has become the first white local authority to take over full control of electricity supply to adjacent "homeland" townships — going against national policy trends.

The move is a significant departure from the policy of separate control and development of "homeland" infrastructure. It also runs counter to Eskom's initiative to transfer responsibility for electricity provision from local authorities to private utility companies.

The Durban council, which is now supplying electricity to kwaZulu's townships, appears to be offering a better service. But the costs to residents have — inevitably — risen.

The council is including in its supply and maintenance network 20 000 kwaZulu consumers in the townships of Umlazi, kwaMakhutha, kwaMashu, Ntuzuma and kwaNdengezi.

In the past, the council sold electricity to the kwaZulu government, which supplied it to these townships. Now the council maintains the infrastructure, sets tariffs and bills users.

The tariffs in these townships are no longer subsidised, as they were when the kwaZulu administration was responsible for the service. The city council has increased the tariff to an economic rate so that the new tariff is the same as that charged elsewhere in Durban.

The basic tariff for the first 100 units is 18,5 cents a unit, declining to 8,2c/unit for up to 500 additional units. A surcharge is also payable by users more than 10km away from the centre of Durban.

In the past the kwaZulu administration charged a lower rate and paid the Durban City Council for the bulk supply of the electricity. Although no direct subsidy was paid, the administration did not recover the cost of the electricity — because tariffs were uneconomic and some residents incurred arrears. KwaZulu contributed the difference between the cost and its electricity revenue.

According to the city council, the new tariff merely covers the cost of supply.

The council has also done some upgrading work on the electricity infrastructure to ensure a reliable supply. It has spent R1,5-million in Umlazi to upgrade the electricity network and plans to install a new substation at a cost of R6-million.

The Durban council is reluctant to increase tariffs further and has not yet settled on a way of recovering the capital costs of its upgrading efforts.

Some 92 to 94 percent of residents in kwaMashu and Ntuzuma paid their first account after the council took control of billing. Supply to defaulters was discontinued — a step which, according to council officials, was not taken when kwaZulu controlled the service.

The city council believes that the non-payment of accounts may be partly a consequence of the poor postal service in the townships.

Demand for electricity in the township has increased by 16 percent over the past year.

The reticulation network in all five townships will require upgrading in the near future as the kwaZulu government did not have the funds to maintain the system adequately in the past.

These kwaZulu developments come at a time when Eskom is pushing privatisation as a means to get electricity to black townships — it is currently pursuing 17 such schemes around the country. One which has already been established is in kwaNobuhle, near Uitenhage, where electricity is being supplied by a private company which is a joint venture between Eskom and employers in the area. Negotiations are also in progress to set up a private utility company in Soweto.

DCC's takeover in kwaZulu suggests that privatisation is not the only way to develop electricity supplies in black areas.

In kwaZulu the infrastructure was already in place and some form of supply existed, but the Durban City Council's attempt to rationalise the greater Durban area supply offers a blueprint for other white and black municipalities to raise standards in black areas.

Meeting the inevitable upgrading costs is, however, a key issue. An obvious solution would be to raise tariffs in established — white — areas. But this is likely to meet with substantial resistance.

Escom's vision of single power grid

B/Day 26/4/89 (55)

SOUTH Africa has a total installed electricity generating capacity of 28 835 megawatts — but that potentially generated by hydropower is only 540 MW, compared with Mozambique's Cahora Bassa hydropower capacity of 2 164 MW and Zambia's 1 670 MW.

These statistics come from the Development Bank of Southern Africa in conjunction with the Africa Institute.

It is well known that Zaire could potentially be a rich resource of cost-efficient hydro-electric power if such a development project could be undertaken.

There are clearly great opportunities for energy co-operation between the countries of southern Africa for the good of the continent as a whole.

Such a level of co-operation may be a long way off, but Eskom, which supplies 97% of all electricity consumed in SA, has an inspiring vision of what could be achieved.

In a statement issued for this survey of development, the organisation states: "It is Eskom's view that the lack of useable electrical power is one of the major factors holding back growth in southern Africa. All the other resources are there — abundant labour, minerals and access to technology.

"Eskom's vision is of a single electricity grid connecting all the countries in the region."Those countries with strong-flowing rivers would be assisted to build huge hydro-electric schemes. Those with coal could build coal-fired power stations. Both would sell power to consumer countries, thus gaining much-need foreign exchange and spinoff electricity to power new local industry.

"Neighbouring countries would be able to buy power to boost their own industrialisation programmes. The benefit to SA as a buyer of electricity would be threefold: firstly, we could stop burning valuable coal and use it for industrial raw material.

"Secondly, we would reduce the air quality problems over the eastern Transvaal highveld which are currently in the news.

"Thirdly, the improved level of cross-border communication which would result would have spinoff benefits such as reduced tensions, increased trade and improved co-operation in other spheres.

"Technically, such a vision is achievable. Eskom already has experience with high-power transmission over long distances and at high altitudes. Economically, the proposal would be sympathetically viewed by international financiers if Eskom undertook to project-manage it.

"Socially, the idea would have positive benefits for all the peoples of southern Africa. It is only on the political front that progress needs to be made before it becomes reality."

ELECTRICITY GENERATION

ANC protest on Koeberg repairs

CAPE TIMES 26/9/89

Own Correspondent

PARIS. — The Anglo-French power engineering company GEC-Alsthom has come under pressure from the ANC over repair work to a transformer from the Koeberg nuclear power station.

The 231-ton transformer was shipped to Alsthom's plant in the Paris suburb of Saint-Ouen recently for emergency repairs to defects caused by overheating.

ANC Paris representative Mr Solly Smith said he planned to go to the Alsthom plant on October 12 to explain to workers why the transformer should not be allowed back to SA.

He will argue for a tightening of sanctions and economic pressure.

The planned visit follows a meeting held earlier this month at the ANC offices in Paris between Mr Smith and a delegation from Alsthom's CGT trade union.

CGT members at Alsthom's workers' council have already planned a two-week information programme aimed at educating workers about the SA situation. Local newspapers have also been alerted.

A CGT spokesman said: "The aim of our union is clear. We want a total boycott of South Africa."

He said that while Alsthom management had the power to prevent Mr Smith from addressing workers on the premises, he did not believe they would go so far.

BUSINESS DAY, Tuesday, September 26 1989

ANC pressure on Koeberg

B/Day 26/9/89

ROBERT GENTLE

10/55

PARIS — The Anglo-French power engineering company GEC-Alsthom has come under pressure from the ANC over repair work it is currently doing on a transformer belonging to the Koeberg nuclear power station.

The 231-ton mono-phase transformer was shipped to Alsthom's plant in the Paris suburb of Saint-Ouen recently for what are believed to be emergency repairs caused by overheating.

ANC Paris representative Solly Smith said he planned to go to the Alsthom plant on October 12 to explain to workers why the transformer should not be allowed to go back to SA.

An Alsthom spokesman said he doubted whether management would take time off to meet Smith, as this would introduce politics into what was a purely commercial matter. He declined to comment futher.

□ The UK plastics firm Granby, based in Leicester, is still involved in a row with the militant Transport and General Workers Union (TGWU) over allegations that it sacked two workers who refused to handle an SA contract. The TGWU is planning a picket outside the company's premises next month. Granby says the workers resigned of their own accord.

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Mossgas a magic word for PE

THE Mossgas project was the magic word for economic development in Port Elizabeth after the loss of Ford Motor Company's vehicle manufacturing plant.

On hearing the "rumours of drilling rigs and gas fields", PE businessmen began to look forward to what they could put into the project, says city development officer Andre Crous.

He says economic activity in the Port Elizabeth area is now booming, with projects worth over R150m under development or just completed. These include the R40m Mossgas earthworks contract recently completed, a new GPO building project worth R36m, the R10m City Lodge Hotel development and improvements to the Elizabeth Sun worth R3m. Federal Insurance is building a R6,5m office block.

Unispin and General Tyre are involved with developments worth R20m and R30m, respectively and Barlan Forms is spending R5,25m.

"Our industrial base is now a fairly broad one spanning glass manufacture, wool processing, motor components from stainless steel, tanning elephant hides, exporting pharmaceutical and medical goods and the building of drilling rigs.

"Our harbour is an ideal gateway to the rest of the world, while we are also well-equipped by road and rail to undertake delivery further north."

Players in the game

John Kilroe is the chairman of Shell SA.

FM: **How do you view the political situation?**

Kilroe: The municipal election results a year ago gave the impression of no change and, if there was change, going to the Right. Since then there has definitely been movement in a direction which makes me cautiously optimistic. My hope was that there would be a movement to the Left in white SA politics and I think we have seen that happen. What is so encouraging is that the NP stood on the platform of a negotiated future for SA — which came through as the main issue in the election — and there was definitely support for that type of thinking.

Also encouraging is that the rightwing seems to have peaked. However, what we are going to have to face up to in SA is that there are going to be some backlashes, frustrations from the Right.

What are your views of the new State President and his role in all of this?

He has started off very well. I believe that he has told the securocrats within government that there has been a change, that there is a new man at the helm and he wants to sort out problems around the table, not with teargas, whips and that sort of thing. This is very important for SA internally; we have to sort out our problems internally.

Also, facing the enormous repayments of debt, and inhibitions to growing our economy, which we desperately need to do, the international opinion of SA can be greatly enhanced by the type of action he has been taking.

Why has the company chosen — since August 1986 — to take such a high political profile?

We had a long period in this country when nothing seemed to be happening, where apartheid seemed to be getting further entrenched. The feeling of the management of Shell in SA was that the leadership for change wasn't coming from government and that business would really need to try to help in taking over this responsibility. In line with our code of ethics, we did start to take a higher profile.

Really, it is the management's sincere willingness to help the change process that is behind what is happening. What disappoints me most is when others say: "Oh Shell, you're only doing these things and the stand you've taken is only because you have to get the right signal to people overseas." Obviously it's true, we are a multinational — so the international dimension is very important. Our shareholders are overseas so we do have a responsibility to them. It is also true that we are a business institution in the first instance; but in doing business we feel we have an important social responsibility to the people in the country where we are doing business.

I believe most sincerely that SA's problems can't be solved by burning down service stations in Holland, or blockading our laboratory, as happened in Amsterdam earlier this year. The problems have to be solved within SA by South Africans.

Is Shell still under a lot of pressure to withdraw from SA?

Yes, the international pressure is unrelenting and growing. We have recently had a lot of problems in Italy where we re-entered the market after a number of years; they have been attacking our service stations and doing a lot of damage. Shell is in a difficult position, with its SA operation, but the management of the group, and chairman Lo van Wachem in particular, is determined to try and stay here because they believe we can help the process of change.

He has had to put up with an awful lot of flak, and the management of the company have a lot of their time wasted because of the SA issue — but they're determined to see it out. It has been suggested that the anti-apartheid activists overseas probably chose the wrong target when they singled out Shell among all the multinationals.

In the final instance our staying here is a decision of the shareholders. They give us their full support, and I'm sure will continue to do so as long as we can remain a viable company in this country, which we certainly are. They are also fully supportive of our assisting change from within. Of course the anti-apartheid movement has become an industry overseas and a lot of people have got vested interests in the SA situation not being solved. That is something we are going to have to live with.

Is it understood internationally that multinationals can be a positive force for change?

There are none deafer than those that don't want to hear — and a number of people made up their minds long ago about SA. But we do get encouraging signs. I believe that those black leaders who were calling most loudly for disinvestment are reassessing the situation and moving from the position where total disinvestment of all multinationals was seen to be a quick fix for SA. An example was a recent programme for Dutch TV in which I was asked to give Shell's position and the Rev Allan Boesak spoke. He said that Shell could stay in SA if it fulfilled certain conditions.

While Shell finds it almost impossible to fulfil those conditions, the positive side was that he was saying that Shell could stay "on condition . . ." whereas in the past he had been saying that Shell should go. Even more encouraging was, before we decided to march in Cape Town last week, we consulted with the organisers and they were very pleased and very positive about it, whereas surely if they really wanted us to disinvest, they wouldn't have wanted us participating in the march.

It comes back to Anthony Sampson's book *Black and Gold* in which he says that multinationals who believe they have a role to play should stay in SA, but if they do they have to be players in the game and not spectators. That sums up what we are trying to do: we're trying to be players in the game. We're invested here for the long term, not just for the short term.

How do you react to the view that there is an unholy marriage between business and government?

That is not true of Shell and we have been very public in our views. However, I do believe there are a lot of other companies who could stand up and support similar programmes. I think there is truth in the feeling that some business leaders have enjoyed the fruits of apartheid.

Do you think business could do more to present government with a united set of demands?

I wouldn't rule that out, I think it could be worthwhile examining doing just that. I wouldn't like to give the impression that there aren't like-minded business leaders. There are some, but not a great number, I'm afraid. Most businessmen think that the bottom line is all that matters, but I see that as head-in-the-sand thinking.

Also, business is not the sort of homogeneous mass that some believe. The social involvement thinking which exists in the culture of Shell doesn't exist in a lot of companies. Business leaders in SA represent a very wide spectrum of political and social thinking. I would think the vast majority still think the business of business is business and leave the politics to the politicians.

How do you view the state of the economy?

The economy is in a very poor state and the message coming from the Minister of Finance and his colleagues that this has to be got in order is long overdue. Ironically, I think its weakness has been one of the driving forces for looking at political change; you can't separate the two. Another issue that has to be addressed is the enormous wastefulness of apartheid. The most recent examples have been new synfuels projects. That money would have been far better spent on different types of projects which are not capital-intensive but create jobs.

If we could get our politics right quickly we could become part of the world community again and not have to worry about getting oil supplies.

Howden to close Airtec

S/Times 1/10/89

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ESKOM'S cuts in the construction of power plants has forced the Howden group to close its Airtec Howden factory at Rietfontein at the end of November.

Most of the workers will be absorbed in group companies, but a maximum of 180 will be laid off. This is about 15% of the group's labour force in South Africa, says a spokesman.

He says Airtec Howden is the only subsidiary depending heavily on power generation.

The manufacture of heavy fans will continue at the group's Booysens plant in Johannesburg.

"The closure will not weaken our ability to provide technical services to all sectors of the industry," says Howden Group managing director Jan Moodie.

BDay 5/10/89

Mossgas project boosts Klipton profit-taking

NEIL YORKE SMITH 55

KLIPTON joint chairmen Nigel and Robert Matthews said in their annual report the dynamic industrial holding company was well placed to improve market penetration and boost profits.

They said the group had enjoyed steady trading conditions in all its target markets in the past year although evidence of a slowdown occurred in the second six months.

"The group benefited from the impetus provided to a number of heavy industries by the Mossgas project..."

Petrochemicals, power generation and transport were cited as major beneficiaries from the project.

Klipton's results were "satisfactory," said the report. Turnover rose 40% to R57m, and operating profits soared 84% to R5,4m. Attributable income was 34% up, to R2,9m.

Klipton's recent acquisition of Austen Safes Group is seen as offering huge potential. The company paid an initial R5,2m for Austen, consisting of R3,3m in cash and the issue of 950 000 shares at R2 each.

The report said Klipton was already meeting budgets for the current financial year and, despite uncertainty in the economy, was confident successful operations would be maintained.

OIL (55) 6/10/89 F Mail

Opec fails to agree

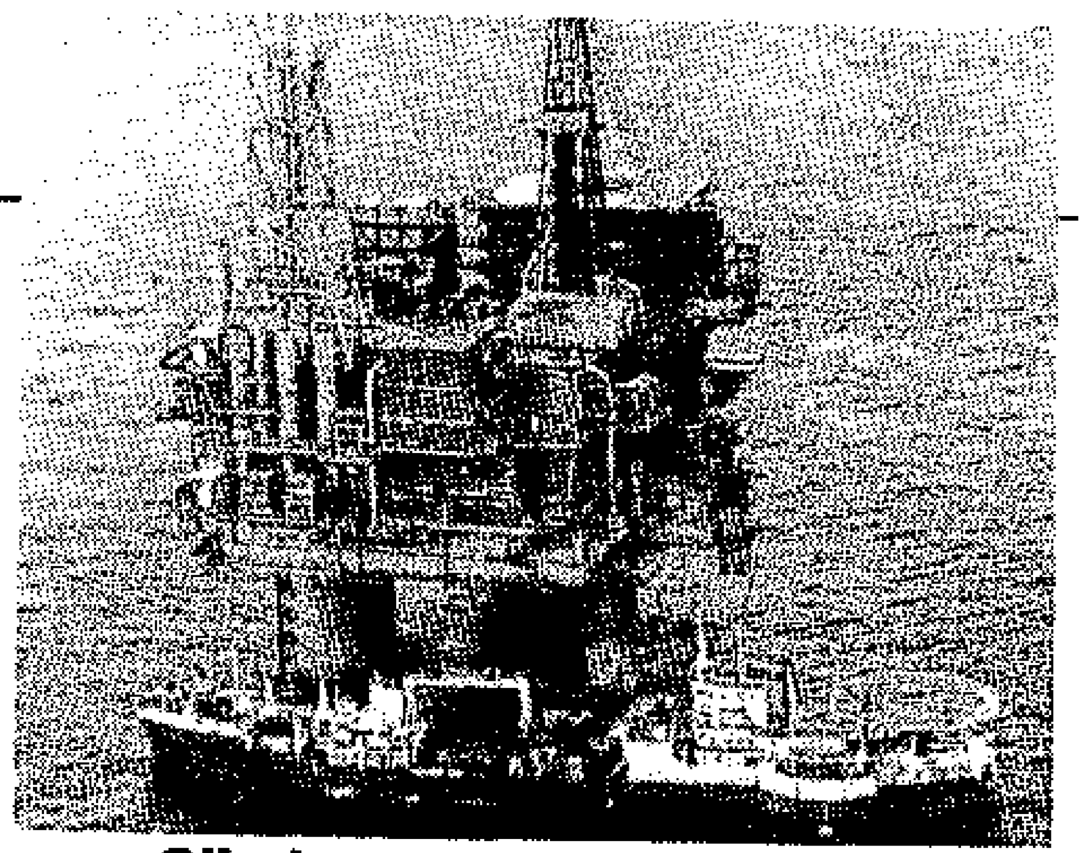
Buoyant demand (Far Eastern consumption is running 4% up, against only 1% in Europe and the US) plus pre-winter stockbuilding of 1,5m BPD is keeping crude oil prices up in spite of Opec's failure to resolve quota cheating among its 13 members — principally the United Arab Emirates and Kuwait. North Sea Brent blend rose a dollar to US-$18,55/barrel, matched by West Texas Intermediate's $19.

At its Geneva meeting last week Opec raised the total output ceiling by 1m BPD to 20,5m, but failed to get agreement on how to share it out. But with demand at levels which require 22,5m BPD from Opec in the fourth quarter, the ceiling was irrelevant to the cheat-inflated production of 22m BPD in the previous three months. On the margin a drop of 10,5 Mt — 186 000 BPD — in Soviet production is adding to the firmness.

An Iranian plan to give all members a bit more volume, but paring back the percentage share in some cases and increasing it in others, won approval of all ministers except those of UAE and Kuwait, which are pumping a combined 1,7m BPD more than their nominal quotas.

The spotlight now switches to Opec's main annual meeting on November 25 when, it is feared, a further lifting of the ceiling will be needed to placate the wranglers.

Oil industry concerns are that Opec will be lulled into false security by the strength of prices and start talking of a first-quarter 1990 ceiling of 22m BPD — when destocking will reduce needs to 21m or less. Prices are expected to crack, though not to $10/barrel, as during the Saudi Arabian free-for-all in early 1986. London analysts expect crude could drop $3 before recovering.



Oil rig at work... who's cheating?

With consumption up from the end of next March, demand for Opec oil is estimated at 22,5m-23m BPD. The ballpark forecast for average prices in 1990 is Brent at $19 and WTI at $20. That will leave Opec a dollar short of its elusive target of $18 (cif costs account for the difference) while it waits for the mid-Nineties.

On International Energy Agency projections of a 25% rise in demand from developing countries — "the Koreans, Taiwanese and others are all buying cars," says an official — global consumption will be up from 51m BPD to 56m by 1995 and all of it will come from Opec. ■

6/10/89

SASOL STRIKE 55 F. Mail

A high price

It's unusual to hear a union leader say, after winning a long court battle: "You wouldn't believe it, it was terrible. Sure, it's a victory, but to us the whole thing was so unnecessary."

This was how SA Chemical Workers' Union (Sacwu) general secretary Humphrey Ndaba described Monday's Industrial Court (IC) ruling. The IC slammed two companies, Sasol 1 and Natref, for firing 2 000 legal strikers. Advocates M A E Bulbulia and V W Apostoleris ordered the companies to reinstate 865 employees, who are also to get six months' backpay (which could amount to some R3m).

Ndaba's comments follow a particularly brutal two-year strike at the Sasolburg plants. In August 1987, Sacwu brought its members out on strike over the employer's refusal to grant more than R100 across the board, or a minimum wage of R570.

"Since then, 22 workers have died in clashes with non-strikers; diseases related to hunger and deaths from natural causes and suicide followed; four workers are invalided or crippled," says Ndaba. He says 100 workers were detained for periods of up to three months. "If Sasol was an equal opportunity and nonracial company, people would not have suffered like this. Never have so many people died in a legitimate wage dispute in the labour history of the chemical industry."

Bulbulia and Apostoleris, in their 102-page judgment, say the "peremptory" dismissal of the unionists who had "embarked on a legitimate strike for higher wages" was an unfair labour practice. They ordered their re-employment in conditions no less favourable than at the time of their dismissal. Employees wishing to return to the firms have until October 14 to do so, or be excluded from the order. No order was made on costs.

In a statement, the union said two conciliatory board hearings, after the strike had commenced, brought the offer to re-employ half the strikers. The offer was refused in the interests of the strikers' unity.

The advocates describe as "astounding" a comment by a Sasol I official who said: "It did not strike me as a factor at any stage that there are people with so many years' service. It is not something that worries me. The age of people does not bother me." The union pointed out that 22 of the strikers had more than 30 years' service, 161 had between 20 and 30 years, 420 had between 10 and 20 years and 175 had 6 to 10 years' service.

Sasol says it will appeal against the decision. Meanwhile, the two parties are back before the IC over this year's wage negotiations.

The union has applied for a conciliation board hearing on its demand for R150 across the board, compared to Sasol's offer of R120 or a minimum wage of R810. ■

6/10/89

STAINLESS STEEL FMail

Whither Iscor? 66

Iscor executives, on a number of occasions during the run-up to the group's JSE listing, have denied that the group intends moving into stainless steel production.

However, within three years, Iscor will have the infrastructure to do precisely that at limited additional capital cost should it want to. Given favourable market conditions, this could make a decision to go for stainless steel production attractive.

Rationalisation of Iscor's Pretoria works, which according to the prospectus has been approved in principle, means this plant will shift from conventional ingot casting to 100% continuous slab casting with the installation of a continuous slab caster and a ladle furnace.

According to Ben Havenga, senior GM steel operations, this project will cost about R240m in present day money values and give the plant the capacity to produce about 60 000 t/month of continuous cast steel slabs. The rationalisation should be completed by the end of 1992.

Havenga says the 10-year plan does not include provision for starting stainless steel production but he says such a move does become an option once the Pretoria works rationalisation is complete.

He says the only major additional expenditure then needed to make stainless steel would be to install a VOD (vacuum oxygen decarburising) plant, which is used to add the various alloys required, such as nickel and ferrochrome. He estimates the cost of such a plant at about R100m in today's money.

The Pretoria works could then split its output between stainless and carbon steels. Havenga says that about 25 000 t/month of stainless steel could be produced should the Iscor board of directors decide to go for such a project. That means Iscor could produce up to 300 000 t/year of stainless steel for minimal capital outlay compared with the Samancor/Hiveld project which apparently involves setting up a plant to produce between 250 000 t/year and 300 000 t/year of stainless steel at a cost of more than R1 bn.

An Iscor move into stainless steel would have a number of implications. A crucial one is whether the stainless steel market will be firm enough to allow two projects of this size to be economically viable.

According to broking firm Shearson Lehman Hutton, total non-socialist world stainless production rose 14,2% to 10,5 Mt in 1988 after a 13,3% rise to 9,2 Mt in 1987 from the 1986 level of 8,1 Mt. A 300 000 t/year project would add 2,8% to current world production in one step. Samancor MD Hans Smith commented earlier this year (*Fox* September 1) that he felt the Samancor/Hiveld plant could be successfully phased in, and had Samancor not gone for the project then "Iscor, or someone else would have."

Shearson Lehman Hutton feels the long-term outlook for stainless steel is excellent but is worried about immediate growth prospects. These have been harmed by recent increases in the cost of stainless steel, caused mainly by the soaring price of nickel. The traders estimate 1989 non-socialist production at 10,4 Mt and 1990 production at 10,2 Mt.

An Iscor stainless steel plant would also require further expansions in SA ferrochrome and nickel production capacity in addition to those needed for the Samancor/Hiveld project.

The Iscor prospectus leaves the issue wide open. There is a reference to new study projects one of which is the production of "higher chrome-content steel." That includes speciality steels with chrome content of around 5%, such as required for the Mossgas project, as well as stainless steels which contain at least 12% chrome. *Brendan Ryan*

55 FMail 6/10/89

FCI AND ASSOCOM

To merge, or not . . .

The long-debated merger between the Federated Chamber of Industries (FCI) and Assocom looks set for confirmation when the joint steering committee of the two bodies meets on October 11. The final decision on the merger is likely to be taken at the organisations' respective national congresses later this month.

"Should Assocom and FCI both decide to ratify the merger at their coming congresses, the merger would become effective in early January, as Assocom first has to change its constitution," says Dennis Paxton, Assocom's representative on the steering committee. "At this stage, the signs are very good that the merger will take place."

The Assocom congress, October 17-19, will be followed by the FCI congress, October 30-November 1. Initially, the merger will be at the national level only, but later, a megabody representing English commerce and industry could be created by merging regional chambers. Afrikaans business is still represented by the Afrikaanse Handelsinstituut (AHI).

"I trust that the AHI will also join forces with us at a later stage," says joint steering committee secretary Jurie Coetzee.

The merger of the two bodies will lead to FCI's executive staff (including its economic unit) moving to Assocom's headquarters in Braamfontein. "We still have to decide on a name for the proposed body, but all staff will be accommodated in the new organisation," Paxton says.

There is a stumbling block in the way of a smooth marriage. Assocom has created some tension with its request to the Bureau for Economic Research at the University of Stellenbosch to launch an investigation into "investment intentions in the manufacturing industry."

The timing of the Assocom initiative is odd, seeing that FCI's economic unit has been undertaking similar research over the past year. FCI's monthly industrial confidence index has become a valuable indicator of expectations in SA. Moreover, Assocom's request to research industry goes to a Stellenbosch body, while about 50% of the sector is represented in the vicinity of FCI's Johannesburg office.

It is uncertain how the perceived "slight" will influence the committee's decision. The members are: Paxton, Sidney Matus, Harold Groom, Alec Rogoff, Raymond Parsons and Hennie Viljoen for Assocom; and Leslie Boyd, Norman Duncan, Hugo Snyckers, Andy Warner, John Hall and Ron Haywood for FCI.

But, while the way appears clear for a unification, it could be some time before the dust settles. For one, a single body will probably need a single executive head, which raises the question of whether Assocom chief Raymond Parsons or FCI's ebullient executive director Ron Haywood would get the job.

"It is vital that the right man be chosen to represent the new body," says Sanlam chief economist Johan Louw. "If need be, they could bring in an outside expert." He supports a merger claiming "rationalisation" would make sense. "On broader issues, there seems to be duplication of activities, but subunits in a single organisation could still concentrate on separate issues."

AHI has separate chambers for industry, commerce, tourism and mining, which retain a measure of independence within the umbrella body. "There is too little co-ordination in SA — we need to rationalise our efforts," Louw says.

There's no question, however, that the public debate will definitely be the poorer should FCI disappear as a separate and influential lobby representing industry views in SA. Further, there's the open question of whether a single body could equitably represent the sometimes opposing views of industry and commerce. Industry, for example, may oppose imports, while commerce may favour them.

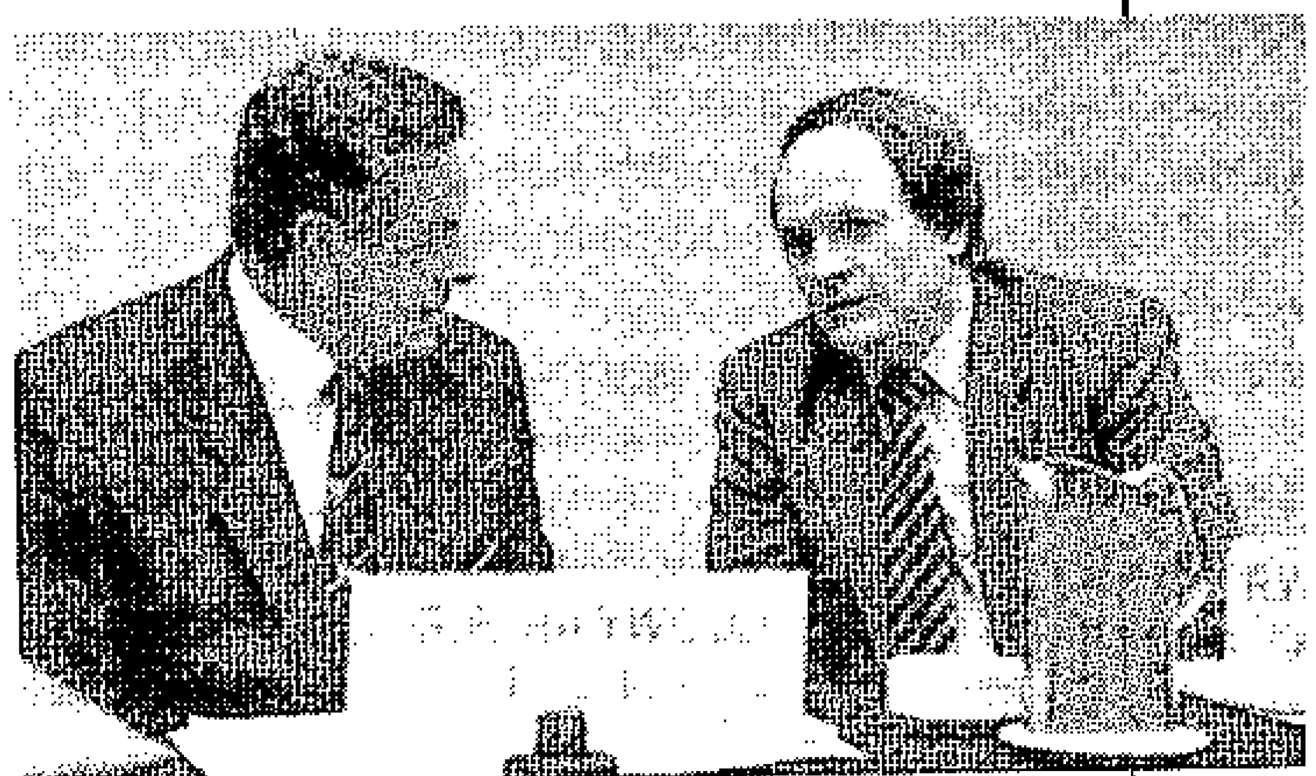
"The future debate will be internal, not external," Paxton says. "Consensus, rather than public debate, will be the name of the game. But we will represent a stronger and more unified voice when talking to government."

AHI vice-president Tom de Beer says AHI would be interested in co-operating in joint projects with any new body formed "in the interests of businessmen," but he sees no possibility, "at this stage," of any AHI merger with the proposed superbody.

"We restructured AHI about two years ago and our standing committees represent the various business sectors," he says. "These committees are empowered to act proactively and quickly and only have to defer to the executive if the matter is of national importance." Public pronouncements could therefore emanate from committee level.

Whatever the outcome, it will hopefully still allow for a measure of public debate on important issues. Otherwise the new umbrella body might head the way of some State corporations which eventually had to be corporatised and privatised in order to fulfil a proper public function.

And one can only hope that, after the merger, the next step would not be to get Nafcoc, Seifsa, Bifsa and Safcec to also join forces in creating one "superbody" to represent the entire private sector in SA.



FCI's Haywood and Assocom's Parsons

With the public mood favouring deregulation, privatisation and decentralisation of power, it is doubtful whether such a development would be acceptable in the public interest — to say nothing of whether it would work. ■

Powerline close to completion

55

By Dirk Nel, Northern Transvaal Bureau

PHALABORWA — Eskom will soon complete one of its most important projects for 1989 — a R1,9 million overhead powerline to the Mopani rest-camp in northern Kruger Park.

Star 9/10/89.

Eskom north-eastern Transvaal regional manager Mr Douw van Wyk says the environmental impact of the line was carefully considered during the planning stages.

The route was designed to keep the powerline and other equipment out of sight as far as possible by taking it along the boundary of the park from Phalaborwa and completing several kilometres to the camp by means of an underground cable.

NEW TECHNOLOGIES

Kruger Park chief warden, Dr Salmon Joubert says the park's "old hands" look back with nostalgia to the days of lanterns and other primitive necessities, but adds that progress cannot be halted.

"It is for us to direct progress and new technologies to suit our needs, always bearing in mind that the environment has to be considered."

Dr Joubert says Eskom has played an important role in opening the park for 12 months of the year by providing a reliable electricity supply.

The 22 kW line joins the powerline to Letaba at a point about 10 km south of the Phalaborwa entrance gate. From there it runs along the game reserve border for 35 km before turning off into the park.

Run on Aids brochure

STAR (55) 10/10/89

Eskom plans to electrify all townships

Electrification of those black townships without power would make great inroads towards cutting air pollution, says Eskom chief executive Mr Ian McRae.

He said yesterday that Eskom, in accordance with a resolution of the World Energy Conference in Montreal, which he attended, would place greater emphasis on environmental issues.

Protection of the environment had to be balanced against economical considerations.

Mr McRae said townships, particularly portions of Soweto, without electricity and where coal and wood were burnt for power, contributed significantly to air pollution.

He said Eskom was working to electrify all of South Africa's black townships. — Sapa.

SASOL (55) F Mail

Export plans 13\10\89

Despite a strong profit recovery in the second half of the year to end-June, Sasol's share has lagged recently. Before the release in late August of the preliminary figures for the year to end-June, the price traded above 1 300c but has slipped to around 1 180c.

The main reason appears to investor concerns about the currently weak profitability of the synfuel operations. Though attributable earnings rose by 32,7%, synfuel profits were marginally lower and the bottom line result was below some analysts' forecasts.

In his review and at a press conference this week, chairman Joe Stegmann has gone to some length to emphasise the value of the synfuel operations. He argues that the international oil market is unlikely to remain depressed indefinitely, the US is again importing more than 50% of its requirements and production by non-Opec countries has reached a plateau and will recede in coming years.

"I would not like to predict the timing but I think it's becoming more evident that a turnaround will take place in the Nineties," he says. While the medium-term growth prospects for synfuels are uncertain, they now provide about 50% of turnover and just over 40% of operating profits.

Meanwhile, Stegmann says, the synfuel business is a "powerful locomotive" that is working for Sasol in two ways: firstly, as a cash generator; and, secondly, as a source of feedstocks which are increasingly being used as a basis for producing value-added products.

Rising output of such products is providing most of the growth for Sasol now. A number of new chemical projects are being developed (*Fox* September 1), such as the new polypropylene plant which comes on stream in December. MD Paul Kruger says that the 120 000t/year plant will absorb only about 25% of the group's propylene output, so there will be large scope for expansion later. He notes that demand for polypropylene is growing by 7%-8% annually, which is higher than that for any other plastic.

Owing to the volumes needed to make the investments pay, most such added-value projects will be aimed not only at local but, more particularly, at foreign markets. An international consulting firm was recently employed to assess the group's competitive advantages, and it concluded that Sasol can be a low-cost player in many areas. This is partly because the feedstocks are produced as co-products at the synfuel plants.

Exports now go to more than 30 countries. Whereas, until recently, agents were used to address the European markets, a new European division has been established — partly with an eye on Europe 1992. Stegmann says a joint venture involving offshore processing has been commissioned and negotiations on a second joint venture are at an advanced stage.

One aspect that should please investors is that the group appears to be heading in a direction that will further increase its attractions as a rand hedge.

Andrew McNulty

Sasol fuel speculation

S/Times 15/10/89

55

By Don Robertson

SASOL, now a fully diversified group, is optimistic that a new system of protection for the liquid fuels industry will be introduced before the end of the year.

Presenting the annual report last week, chairman Joe Stegmann was not prepared to speculate on the new form of the protection scheme, insisting only that, "a more acceptable framework for protection ... will shortly be approved by the Government and be instituted before the end of the calendar year."

If the protection should follow the system which has been adopted in the past — whereby Sasol contributes only 1c a litre to the stabilisation fund, compared with 7c by other oil companies — it could put pressure on the petrol price.

The difference between the 7c/l that oil companies pay and the 1c/l that Sasol pays represents the 6c/l protection offered to Sasol which was agreed to by Government, at varying rates, when the company was privatised in 1979.

When the protection was raised from 3,6c/l to 6c/l in December last year, Sasol agreed that the 6c/l which came from the equalisation fund did have the effect of reducing the size of the fund. In addition, Sasol was paid about R100-million in cash as the increased protection was back-dated.

If the protection follows this course, it could mean that the equalisation fund will have to support the Sasol protection, and will again wittle away at any surplus on the fund.

However, Dr Stegmann says that the effective 12% protection that Sasol enjoys in terms of protection is not unusual in terms of other strategic industries.

If recent experience is anything to go by, the fall-off in crude oil prices — on which the equalisation fund bases its deficit or surlus — could be sufficient to offset a lower rand value. Crude oil prices recently recently tumbled to about $16 a barrel.

The rest of the annual report is, however, full of encouragement and a "reasonable" earnings increase is expected in the current financial year, says Dr Stegmann and with R533-million in the bank, it is not surprising.

In the year to June last, profits rose to R629,4-million from R473,4-million, equivalent to earnings of 111,7c a share against 84,2c. Dividends were increased to 52,5c compared with 42c excluding a 5,5c special payment.

Feedstock

And no, the cash is not an embarassment for the group, which has to keep in mind the eventual possibility of acquiring Sasol Three in which it has a 25% interest. Sasol Three paid its part-parent R25-million in dividends after a R100-million profit declaration.

The excitement among the Sasol board stems from its ability to use its fuel-based feedstock to produce a wide range of chemical products.

The synfuel division performed at much the same level as in the previous year and contributed 50% to turnover and 40% to profits. However, Dr Stegmann gives the hint that diversification is certainly under way, when he adds that "oil-from-coal is the mainstream of Sasol's business and this is likely to continue for many years".

JOE STEGMANN ... quiet optimism

Because of the cost of new plant, it is unlikely that new investment in this field will be made for some time.

A recent study conducted by an international group showed that Sasol has a competitive edge in chemicals on world markets. Dr Stegmann explains that this is because the necessary feedstock can be produced as a by-product of fuel from plant that was installed many years ago, whereas other plants in the world require sophisticated and expensive equipment to produce the same products.

A polypropylene plant is due to come on stream in December and should be producing by the middle of next year. It is expected to make a small cash contribution to the group in the first six months. Only half of the propylene will be used so the plant has capacity for further growth.

The fertiliser and explosives arms are expected to continue to perform well.

The Natref refinery is expected to make a substantial contribution to profits.

Sasol One will be converted into a purely chemical plant in the next two years which should add considerably to profits. The group is also moving into the organic acid market and has perfected the production of anode coke from pitch. It has already established a marketing arm in Europe and a second is being considered.

Capital spent on research has resulted in a new reactor system for synfuels which is now undergoing commercial tests. This will reduce the capital investment required for new synfuel plants and will increase efficiencies.

Flexibility

Dr Stegmann, however, insists that although the group will not "walk away from our basic business, we have the flexibility to respond to any opportunities".

On a more cautious note, Mr Stegmann says that lower oil prices and easier chemical prices internationally could influence results in the current financial year, although an improved income from projects that have come on stream, but did not contribute to profits for the full period, can be expected. The protection for the synfuel operations should arrest the gradual reduction of this division to group profits.

Chernobyl 'surprised Soviets'

US expert lauds Koeberg safety

Star 18/10/89 (65)

By Toni Younghusband, Medical Reporter

South Africans would probably not suffer effects from a nuclear accident at Koeberg, says visiting United States nuclear medicine expert Dr Robert Gale.

Dr Gale, who has been working with victims of the Chernobyl nuclear disaster in the Soviet Union for three years, said Koeberg's reactor was properly housed, and an accident there would probably have much the same results as the Three Mile Island incident in the US in 1979.

Developed cancer

"At Three Mile Island, the radiation was contained within the structure. One person died of cancer as a result and another two people developed cancer later," Dr Gale said.

In contrast, the fire at the Chernobyl nuclear power station near Kiev in April 1986 killed more than 30 people. As a result of the accident, more than 250 000 people will have to be monitored closely for the rest of their lives.

The village nearest to the Chernobyl plant — which had a population of about 45 000 people — had to be bulldozed and buried. Three years after the incident, authorities are still evacuating villages affected by the radiation.

He said the Soviets were totally unprepared for a nuclear evacuation.

Dr Gale, who has been invited to address the 75th anniversary congress of the South African Institute for Medical Research, said the long-term preparation to prevent nuclear accidents was to develop a new generation of reactors. This was now being developed in the US.

A major problem was the use of nuclear power by underdeveloped countries which built reactors without expert knowledge.

"By the year 2000, 20 percent of the world's electrical power will come from nuclear energy, particularly in those countries which cannot afford fossil fuels. The problem in those countries is the construction of reactors without our advice."

● See Page 17.

Sowetan 18/10/89

Sasol in appeal

(65)

By LEN MASEKO

SASOL and associate company Natref have appealed against the Industrial Court judgment which reinstated about 865 members of the SA Chemical Workers Union.

Sacwu official Mr Humphrey Ndaba said the appeal came at a time when the former Sasol employees, who had waited for two years for the dispute to be resolved, thought a settlement had finally been reached.

The Sacwu members were dismissed after taking part in a legal wage strike in October 1987. The court ordered Sasol and Natref to reinstate the dismissed employees two weeks ago.

Appeal

Sasol spokesman Mr Jan Krynauw yesterday confirmed that the company had lodged an appeal against the judgment.

Ndaba said under the agreement between the two parties the workers were to have reported for duty on or before October 14 but this had been shelved pending the outcome of the appeal. Sasol and Natref managements informed the union last week that they were appealing against the court's decision.

The appeal would probably be heard by the newly launched appellate division of the Industrial Court, the Sacwu official said.

The two year-old dispute revolved around the workers' demand of a R240 across-the-board increase. At the time the company's offer stood at R100 across-the board. Sacwu later reduced its demand to R200 across the board.

6 Day 18/10/89

55

ANC Koeberg protest barred

ROBERT GENTLE

PARIS — Power engineering firm GEC-Alsthom yesterday reaffirmed its commitment to completing repair work on a transformer belonging to the Koeberg power station after it quashed a protest campaign by the ANC.

A spokesman said: "We have a contract to do the job within a specified time limit."

He confirmed that the ANC's chief Paris representative Solly Smith had been barred from entering the plant there on Thursday at the orders of senior management.

Smith had been invited to the plant by members of the CGT, a militant trade union which says it wants a total ban on economic cooperation with SA and SA companies like Koeberg.

He had been scheduled to address workers on the issue of the transformer in what was to have been the high point of almost two weeks of lectures and in-house briefings on the SA situation.

In the event, the ANC representative was forced to speak to a group of interested workers outside the factory gates.

The GEC-Alsthom spokesman denied suggestions by anti-apartheid sources that the company had come under legal pressure from Koeberg.

The CGT, for its part, slammed the management decision to keep Smith out. It also charged that management had deliberately scheduled workers with strong anti-apartheid views to carry out the repairs on the transformer.

GEC-Alsthom said the main criteria governing who worked on what were "suitability for the job, skills and effectiveness".

survived by three broth- ers, two sisters and a

school teacher Barry Napo of Mapetla.

in an orderly and discip- lined way," Viljoen said.

Iscor shares 'ok' (55)

WOULD-BE investors in the Iscor share offer should not allow Monday's chaotic trading on the Johannesburg Stock Exchange (JSE) to force them into taking hasty decisions, experts said yesterday.

"The market had by mid-morning yesterday already picked up a lot of the losses and I believe we should see this as a one-day phenomenon which shouldn't dampen the market or affect investors' decisions," said Mr Jeff Rothschild, of Frankel, Kruger and Vinderine stockbrokers.

"However, I do advise investors and potential investors to seek expert advice before making investment decisions," Rothschild added.

Advice

A corporate finance consultant at one of the merchant banks involved in the Iscor share issue said Iscor shares were "still a good offer" but he also also advised private investors to seek expert advice from a stockbroker or financial advisor.

"Iscor offers excellent value per share and it is still a good investment," he said.

"There is, however, a strong indication that the indices will recover and I expect the Iscor share price will still open at a fair premium. Investors may be expecting a slightly smaller profit premium now but they cannot have a loss."

Sowetan 18/10/89

FCI AND ASSOCOM 55

Merger on track

Only a change of heart will prevent the SA Chamber of Business from opening shop early next year.

Long-discussed plans for the merger of the two English-speaking employer bodies, the Federated Chamber of Industries (FCI) and the Association of Chambers of Commerce (Assocom), are preceeding smoothly and should be completed by January. This week, Assocom is voting at its national congress whether to give its negotiating team a mandate to continue talks with FCI. The joint steering committee for the merger is confident the motion will pass without difficulty.

FCI is meeting on October 31 and November 1 and is expected to approve continuing talks. The chairman, Dennis Paxton, doesn't expect any staff to be laid off after a merger and says the new organisation's headquarters will "most logically" be in the office block where Assocom is located.

But the problem of leadership remains. FCI executive director Ron Haywood and Assocom CE Raymond Parsons may have to share joint leadership. One suggestion is to draft an outsider, such as the JSE's Tony Norton, to kick off the new Chamber of Business with a new image. "It might be in the interests of the new organisation," says Natal Chamber of Industries president Brian Wallett, "if someone was appointed with no axe to grind." ■

F Mail 20/10/89

New power, water meters for Naledi Ext 2 soon in Deeper Soweto

Consumer Corner

By MZIKAYISE EDOM

HE Soweto City Council will be introducing the rd-operated combined ater and electricity ota meters in Naledi xtension 2 before the d of next month.

The meters will also e installed in a number f white and black areas n the Reef early next ear, according to the ermiston-based Larry arnett International ompany which manufacures them.

"We are about to omplete our negotiations with some of the areas nd black townships, which include Vosloorus n the East Rand. We ope to start with the installation as soon as the egotiations are completed and this might happen at the beginning of ext year," said Mr Larry Barnett, owner of the ompany.

The system, known as CUMCON, was first installed in Rustenburg, Sandton and Kempton Park last year.

LARRY BARNETT

A similar system, called LBI budget meter, has been installed in Khayalitsha, Cape Town, by the company. The difference between the two is that while CUMCON reflects the amount of water and electricity consumed and the credit left, LBI does not show this.

In Soweto, the system was introduced this year in the newly built Protea South and Protea South Extension houses, mainly occupied by civil servants.

Completed

The company announced this week that they had completed negotiations with the Soweto City Council and that it was just a matter of weeks before it was introduced in Naledi Extension 2. The Soweto council has confirmed this.

The system is the brainchild of Larry Barnett of Wadeville, Germiston. It took his company five years to design it.

A number of councils *Consumer Corner* spoke to this week welcomed the introduction of the new meters. They said the system would help to curb the ongoing rent boycotts in some of the townships like Soweto and the Vaal Triangle.

The Soweto City Council told *Consumer Corner* two weeks ago that they had decided to introduce the system in an attempt to break the ongoing rent boycott which has cost the council about R256 million.

A spokesman for the council said they intend installing the system in the whole of the area since the one introduced in Protea had proved to be "successful".

Barnett said his company was still negotiating with a number of both black and white local authorities and if all went according to plan, CUMCON, would be installed in more areas early next year.

"The system has advantages for both the consumer and local authorities," he said.

Some of the benefits enjoyed by the councils, Barnett said, included:

* Money up front.
* No arrears or bad debts.
* No meter reading.
* No disconnections and reconnections.
* Legal fees reduced.
* No data input/capture.
* No account queries.
* Easy installation.

Advantages for the consumer included:

* Budgeting.
* Being able to read credit shown on the meter.
* Becoming more energy conscious.
* Convenience of payment.

Sowetan 26/10/89

E Rand town in crisis without any water

By MZIKAYISE EDOM

RATANDA residents on the East Rand have been without water for the past two weeks.

So serious is the situation that residents are forced to fetch water from the nearby townships of Tsakane and Duduza. The unlucky ones have to part with about R10 in taxi fares for a return trip to the two townships.

If fortunate, they can get water between 5 and 7am in Extension 3, a new section in the township.

Residents *Sowetan* spoke to said they were not informed about the water cuts. "We also do not know how long we will be out of water. We are in the dark," they said.

Ratanda's town clerk Mr D van Rensburg confirmed that there was a problem with the supply of water in the township.

He said: "Our present water reservoir cannot cope with the demands of the residents. We have decided to switch off the supply during the day to allow the reservoir to fill up and only open it in the mornings and evenings."

Iscor listing 'no surprise'

B5 Star 21/10/89

Poll shows high level of public awareness about privatisation

CHRIS MOERDYK

THE listing of steel giant Iscor on the Johannesburg Stock Exchange within the next few weeks has come as no surprise to the man in the street.

A recent market research poll shows that Iscor was high on the list of parastatal bodies expected to be handed over to the private sector.

Close to 50 percent of white South Africans and 10 percent of blacks named Iscor as a government-controlled company targeted for privatisation.

These are the findings of a Markinor/Bates Privatisation and Deregulation Monitor, conducted in October 1988 and again in April 1989 prior to the announcement that Iscor was to be listed. The survey was conducted among 1 000 white and 1 300 black adults in the major metropolitan areas.

"The level of understanding of the concept of economic reform varies enormously between the white and black groups," comments Markinor managing director Nick Green.

"Three out of four white South Africans understand the concept of economic reform, with 62 percent believing it is a good or a very good idea. By contrast only one in three blacks understands the concept and only 26 percent support the idea."

The level of understanding among whites has risen by 8 percentage points over a period of six months. Among blacks, however, there has been little change.

Green pointed out that experience in Britain has shown that the privatisation process worked because it expanded the range of people who owned shares.

"In other words, there are many first-time buyers of shares. Many analysts predict that the same will happen here.

"However, our survey shows that only 11 percent of whites and virtually no blacks own shares. This, combined with the low level of understanding of economic concepts among blacks indicates that the spread of buying will not be nearly as broad in this country."

In the April 1989 poll, Iscor was ranked fifth among whites and seventh among blacks as a target for privatisation. Since the first poll in October 1988, Iscor and Posts & Telecommunications substantially increased their ranking among whites as organisations likely to be sold to the public.

Among both whites and blacks, SATS topped the list of organisations headed for privatisation. After SATS, whites ranked Post & Telecommunications, SAA, Eskom and then Iscor as candidates for privatisation. The black list was different: after SATS come hospitals/clinics, Posts & Telecommunications, the SABC, Eskom, SAA and Iscor.

Eskom chief predicts power grids linking southern Africa

By Karen Stander

Regional co-operation in energy affairs will ensure the establishment of a South African "power group" by the mid 1990s, Eskom chief Mr Ian McRae has predicted.

Speaking at a press conference on his return from a meeting of the World Energy Conference in Montreal, he sketched a picture of future close co-operation with an eastern power grid linking South Africa with Zimbabwe, Mozambique, Malawi and other countries. There was also a potential for another power grid on the western side of the continent.

Mr McRae said he believed the Cahorra Bassa scheme would be completed in the next two years and other joint projects between South Africa and her regional neighbours were also possible. Some had already been discussed, he said.

The three key issues identified at the Montreal conference were the importance of protecting the environment while ensuring sufficient energy, the greater role which nuclear power would play in the future and the importance of regional co-operation, particularly in the assistance of developing countries.

He said the conclusions drawn on the continued availability of world energy resources at the Montreal conference were in direct contrast to what was believed in 1980, when there was concern that they would run out.

Experts now believed there would be no problem in the foreseeable future. South Africa's resources were also plentiful, Mr McRae said.

While South Africa did not have its own oil and would continue importing, the country's coal reserves, used mainly for making synthetic petrol, would last well into the latter half of the next century.

Natural gas was also available and South Africa would continue to explore this potential.

Uranium was also plentiful and the country's supply would last until the end of the next century, while the potential of "renewables" such as wind, water, solar and wave-power would continue to be explored.

Mr McRae said there was great scope for nuclear energy, now favoured by environmentalists above coal-produced power.

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The Star
Finance

Iscor free to move into 'linked' markets

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Star 27/10/89

By Ann Crotty

As a public company in the private sector, Iscor will "enjoy unlimited competence to enter any industrial sector which can be sensibly linked to Iscor's present activities."

Addressing the *Financial Mail's* annual conference, Iscor chairman Marius de Waal made the point that this reflected a significant change from the situation which existed when Iscor was governed by the Iscor Act.

This restricted Iscor's business to "the primary objectives of steelmaking and accompanying mining activities, and to related internal service functions."

Because of its strategic importance as the country's dominant primary steel manufacturer, the government decided that Iscor's shareholding should be spread as widely as possible to prevent any shareholder or group of shareholders from obtaining a position of dominance in Iscor.

Mr de Waal stated that it was for this reason that no domestic shareholder or group of shareholders can possess more than 20 percent of Iscor.

COMPETITION

Referring to competitive aspects of the privatisation of Iscor, Mr De Waal noted that among the studies undertaken was one to ascertain whether the ten mines operated by Iscor should not be separated from the three major steel works, "in order to facilitate equal access of potential competitors to raw materials."

"The finding was that such a vertical division between the mines and steelworks was not to be recommended because it would not necessarily encourage anyone to embark on steel manufacture, in view of the high costs involved."

"New infrastructure would also not easily be created, except by existing members of the industry, and new entrants would have to export excessive volumes because of the restricted total domestic market."

According to Mr De Waal the conclusion of the investigations into competitive aspects of privatisation, were that Iscor should remain a single entity and that the shares should be distributed in such a way as to prevent absolute control by a single individual, company or interest group.

GROWTH

Mr De Waal referred to the 2,1 percent annual growth volume in the domestic market that is targeted in the corporation's ten-year budget: "Although the expected growth in the domestic turnover is not high, management expects a continued growth in attributable income."

This optimism stems from a number of assumptions about the opportunities that exist for increased profitability, including: the maintenance of "realistic prices" as surplus world capacity becomes less of a problem; a move into higher value products; possible participation in secondary trading operations and; Iscor's modern and effective technology.

Among the factors that made Iscor a suitable candidate for privatisation weret:

- It has been operating successfully in a highly competitive market without any special protection (except against dumping of imports);
- Earnings had reached a stage which would allow for paying normal tax in future, an acceptable dividend, and allow for an adequate ploughback in order to maintain assets of such a capital intensive industry in prime shape;
- No funding from government was needed and as a profitable organisation investors would be keen to take over the supportive role;
- Privatisation would reduce the State's share in the SA economy, widen the base of private ownership and allow Iscor greater freedom in developing new markets and new products which could support growth in earnings.

Iscor's chairman Marius de Waal.

All avenues examined

S/Times 29/10/89.

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ENVIRONMENTAL concerns have not been ignored in the planning of the Mossel Bay gas project.

Extensive environmental studies have been conducted to guage what effect it would have on the marine life, on the surrounding dunes and on the atmosphere.

Specialists from private sector and government have worked together on these studies.

The pipelines that will carry the gas from the platform to the refinery have been buried beneath the seabed.

This will prevent them being ripped up by the action of trawlers.

The gas itself is so light that it will simply disappear into the atmosphere in the event of a spill and, because it is sulphur-free, it will not damage the ozone.

Within a 500m radius of the platform the sea will be out of bounds while the 400ha onshore working area was chosen after intensive studies to monitor what the best possible site would be.

The Department of Environmental Affairs was involved in making this choice.

It is not just the natural environment that has come under scrutiny but the effect the project will have on the community of Mossel Bay has been closely examined.

A team from the University of Port Elizabeth was engaged to study the socio-economic profile of the community on a before and after basis.

This study will go a long way towards examining the effect similar projects will have on tourist potential in new areas being developed in the future.

Residents have also been asked what effect the arrival of newcomers is having on their community life.

Big time comes to sleepy village

SS

S Times 29/10/87

BEFORE the synfuel project was envisaged, Mossel Bay could be described as a sleepy little village.

With a population of about 32 000, Mossel Bay could hardly be called a retirement village, but the pace was slow and the living easy. Fishing, sailing and surfing were features in the lives of most residents.

Mossgas has changed all of this, but residents are determined to hang on to their heritage while adapting to the opportunities and spin-offs of the Mossgas project.

Mossel Bay mayor Johan Oosthuizen is optimistic about the effect the project will have on the town. He foresees more people, more businesses and more job opportunities.

Example

Together with his wife and fellow councillor Marietje, he has encouraged the development of industrial sites next to the refinery.

It appears that no more than 1 000 people from Mossel Bay will be employed at the refinery and offshore platform. The influx of other workers will give the town a boost.

An example can be seen in Johnson Crane. The firm has been contracted to supply a major part of the overall craneage contract for the fabrication of the Mossgas jacket at Saldanha Bay.

The contract is the biggest ever awarded to a Mossel Bay crane company. It will involve a large number of cranes, most of which are 150-ton crawlers which the company recently added to its fleet.

Movies

The firm has a fleet of 300 cranes, ranging from small lifting devices to some of the largest available and claims to be able to service almost any lifting application.

Other services, such as video shops, will do more business. The video suppliers will rent movies to the crews that shuttle the boats to the rigs, and supermarkets and restaurants will benefit from the enlarged population.

Even without the project, however, Mossel Bay has been recording an annual growth rate of between 10% and 12%. Tourism is an important source of funds for many businesses, bringing in about R25-million a year.

Hotel

The annual Dias festival, which celebrates the landing of Bartholomew Dias in February 1488, should attract much attention now that Mossel Bay is in the public eye.

The town is undergoing a face-lift in anticipation of the celebrations, including the development of a maritime museum. In addition, old buildings are being revamped to create a historical atmosphere.

Development of the infrastructure of Mossel Bay and surrounding areas is being undertaken, including the construction of a 3km road from the harbour to the industrial area.

The contract, undertaken by SA Transport Services (Sats) subsidiary Transcon, involves the construction of a road. The road will run on a railway line, bypass the town and join the existing highway.

At the peak of construction Mossgas will require 7 000 workers, of whom about 2 000 will be housed in the area. Mossgas has therefore bought the Golden Rendezvous Hotel in Mossel Bay to accommodate 600 single contract workers.

The hotel has been refurbished by Murray & Roberts South Cape division. Mossgas has also acquired 150 houses in Mossel Bay-George for married couples.

20 months to fuel dream come true

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By Robyn Chalmers

SOUTH Africa's first natural gas will be piped ashore within the next 20 months for conversion into liquid fuel by the multibillion-rand Mossgas refinery.

Soekor's find nine years ago on the FA gasfield 85km off the Mossel Bay peninsula set the Mossgas ball rolling, and much has been achieved since then.

The shareholding in the Mossgas project is split between the Central Energy Fund which has 50%, Gencor (30%) and the Industrial Development Corporation (20%).

Scrutiny

Gencor is also the project manager. Once Mossgas has been completed and is turning in profits, Mossgas chief executive officer and Gencor executive director Bernard Smith hopes to list it on the Johannesburg Stock Exchange.

The Mossgas project, which has at times come in for criticism because of rapidly rising construction costs, is unique.

For SA, it represents the first exploitation of petroleum hydrocarbons recovered from 2,5km and more under the seabed in water 105 metres deep.

Internationally, it is the first petrochemical project designed to produce petrol and diesel fuel from offshore gas and condensate.

Local content in terms of materials and manpower is likely to remain about 75%.

The project is divided into two operational areas. The FA platform will operate 85km from the peninsula.

The refinery is under construction on a 410km² site 11km west of Mossel Bay. It will be connected to the wells by two 91km-long parallel pipelines — one for the gas, the other for condensate.

Spinoff

The project has had a huge spinoff for industries throughout SA, especially the economically hard-hit Eastern Cape. Sections for the offshore platform are being made at quayside sites in Saldanha, Cape Town, Port Elizabeth and Durban.

The biggest of these is the jacket, which is being constructed at Saldanha Bay. When the single-use buoyancy tanks from Elgin Engineering in Durban and Genrec in Wadeville, are fitted towards the end of this year, the jacket will be complete.

It will be taken by barge from Saldanha Bay to Mossel Bay. Once the buoyancy tanks and sea-fastenings are cut away, the foot of each leg of the jacket will be nailed into the seabed by a semi-submersible crane vessel (SSCV).

Bernard Smith ... hopes Mossgas will go to JSE

The SSCV will then put the topside elements into place, including the module support frame (MSF) and the modules for process, wellhead, utilities, power generation, accommodation, mud treatment and drilling.

The hook-up and commissioning at sea are expected to take about five months and will be done by 350 workers living on a flotel anchored next to the platform.

The MSF is on schedule at Dorbyl's dockside in Durban, and construction of the accommodation module is close to completion. It contains the main control room offices, recreational facilities, sleeping quarters for 129, the canteen and hospital.

Helicopters will be a key component in the operation of the FA platform. They will fly the crew between the platform and the shore.

Supplies for the platform will mostly be ferried out by boats whose flat decks are designed to carry heavy equipment and 30m lengths of piping.

Piping wórk has started at the refinery. Two of the biggest reimbursable contracts for the mechanical, electrical and instrumentation (MEI) work on the refinery construction and synthol area are being adjudicated.

Concrete

Work on the pipeline connecting the refinery to the offshore platform is going well. A barge has started laying the 85km of condensate pipeline.

By the time the refinery is completed, about 5,5-million cubic metres of earth will have been moved. Materials for the refinery include 150 000m³ of concrete, 500km of piping, more than 50 000 tons of steel and 1 300km of cable.

The plant is based on Sasol II and Sasol III, which use the Fischer Tropsch process to convert gas from coal into liquid fuel.

The first task set for the refinery will be to convert the light hydrocarbons into a workable gas for the final synfuel process. The final products will be stored in a tank farm at the refinery for distribution.

Abundant

Although Soekor abandoned its land search for petroleum hydrocarbon in 1978, it is still looking offshore for the oil and gas which SA needs to keep its industries going.

Coal is the predominant energy carrier, providing 84% of SA's primary energy needs, including the basic raw material for the three Sasol synfuel plants. Fortunately, this is one of the many commodities that SA has in abundance.

When it is completed, Mossgas is expected to produce synfuel for 29 years, taking SA well into the 21st century.

Effluent for sea

ST Times 29/10/89

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MEGAPIPE has been awarded a major Mossgas pipeline installation contract.

The main contractor for phase one of the pipeline is CBI Constructors SA. Megapipe's installation expertise will be used to weld the HDPE pipeline.

The pipeline will eventually extend from the refinery to a point 1,5km out at sea. The sea section will be encased in a steel sleeve. When completed, the pipeline, which will carry refinery effluent, will be 7km long.

Megapipe, a division of Mega Plastics, pioneered the use of HDPE piping in South Africa.

S/Times 24/10/[illegible]

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Houses for all the staff

By Robyn Chalmers

TIME Housing has been appointed to manage a project which will provide homes for the entire permanent Mossgas workforce.

Time Housing is a member of the JSE-listed management and financial services group Time Holdings.

The services to be provided by Time Housing can be divided into three major categories — finance, project and property management and sales and marketing.

Time Housing managing director Mike Graham says the contract, one of the largest to be awarded recently, has several notable features.

"First, private sector experts are brought in to work with Mossgas and advise on providing a housing package tailor-made to Mossgas staffers.

"The scheme encourages home ownership and has been designed with the prime objective of minimising Mossgas's investment in permanent staff housing. This is a novel approach and will save Mossgas big sums of money in the years ahead."

The financial services include raising bridging finance funds at favourable rates. A feature of this service is that employees buying houses can take advantage of low rates for up to 15 years.

Mr Graham says the major responsibility of Time Holdings will be the project management of all contractors' and developers. It will ensure the smooth and cost-effective project execution and delivery of top-quality houses.

The company will develop a project programme and ensure that contractors' performance meet time, cost and quality demands. The first houses are expected to be ready early next year. The project is scheduled for completion by mid-1991.

Time will provide property management services related to rented houses as well as maintenance and security services for these properties.

Time's land procurement and sales and marketing work has been designed to take cognizance of the fact that it is Mossgas's prime objective to sell as many houses as possible by offering employees a wide choice of sites and designs.

The company is investigating sites in the vicinity of Mossel Bay, in addition to those already bought by Mossgas.

As part of its sales service, Time will help employees to select designs, sites and specifications and thereafter carry out bond and conveyance procedures on their behalf.

Mr Graham says: "As sales managers, we will be able to provide prompt feed-back to Mossgas about the housing requirements of its employees.

"This, in turn, will allow for quick and effective adaptation of the product range and specifications to meet these demands, avoiding the pitfalls of most large projects where hundreds of identical houses remain in company ownership."

He says that in the past two years Time has opened five housing branches to meet the needs of employers in areas like Witbank, Klerksdorp and Welkom.

"This experience will stand us in good stead in Mossel Bay. We are also fortunate to be able to draw on other resources in the Time group, particularly project management expert Time Projects. It is handling capital projects worth R50-million."

Time Housing will establish an office in Mossel Bay for the duration of the contract. The company's regional director of the Western Cape, Arthur Augostatos, will be in charge of the project.

Mike Graham ... housing scheme saves money

Cost climbs, but it could be a winner

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By Patrick Bulger

THE Mossgas project is as much a result of the quest for energy self-sufficincy for South Africa as it is a child of controversy.

Conceived in the hysterical run-up to the 1987 general election, it was immediately branded a political ploy — an extravagant attempt to buy votes by offering the electorate the promise of more jobs and a vibrant economy.

Coincidental

White elephant, the opposition parties charged. If SA were a country whose politics were acceptable to the international community there would be no oil embargo and therefore no need for a scheme to circumvent it by developing indigenous sources of fuel, it was said.

Robert Scott, director of energy planning in the Department of Mineral and Energy Affairs, insists that Mossgas was not an election ploy.

Dr Scott says: "It was coincidental that it was announced in the run-up to the general election. There was no request from any politician to make the recommendation."

Originally billed to cost the taxpayer a little more than R5-billion, it now seems that the bill will be almost twice that amount because of inflation and hidden production expenses.

Among the advantages offered by its backers are the technological spinoffs, greater energy self-sufficiency and a boost to the stagnant economy of the Eastern and Southern Cape by creating jobs and proving work for civil engineering.

One critic of the project has emerged in Democratic Party spokesman for energy affairs Roger Hulley. He has repeatedly branded the exercise unviable and a waste of taxpayers' money.

He has called on the Government to cut its losses and abandon the project.

Mr Hulley argues that soaring production costs and the low world oil price have made Mossgas an unprofitable proposition. Besides, there are better ways to use the money, he says.

"Even with the R4-billion committed to it, the project should be put on ice."

Unrealistic

A fundamental drawback of the project has been an unrealistic assessment of the world price of crude oil.

Although Government spokesmen talk about a world oil crisis in the mid-1990s, the price of crude has slumped to about $17 a barrel.

It has been pointed out that Mossgas becomes profitable at a price of $60 a barrel.

Former Sasol general manager Jan Hoogendoorn has advised the Government to use the funds to build 200 000 houses at R40 000 each.

It has also been argued that although Mossgas will create 8 000 short-term jobs, when it comes on stream it will employ about 2 000. It will require only 1 000 skilled workers to keep it running.

But Mossgas project director Bob St Leger says the arguments miss the point.

"The South African economy needs a mixture of labour-intensive and capital-intensive projects.

Currency

"We must remember that this is a strategic project at a time when South Africa is still subject to a world oil boycott. The arguments for Mossgas are similar to those for the establishment of Sasols II and III — to achieve a desired degree of self-sufficiency."

It will go some way towards achieving self-sufficiency.

At its peak it is estimated it will provide 25 000 barrels a day against a daily national need of 200 000.

There are other advantages to be considered — like the savings in foreign currency.

"The savings in foreign exchange from Mossgas are considerable at R120-billion in the lifespan of the project and with the local content programme of 80%."

Government expects Mossgas to have proved its profitability by the mid-1990s.

Mossgas commercial manager Jonathan Stones says the project will reach break-even point for shareholders at a world price of $19 a barrel of crude.

But costs of the project keep on rising.

According to the managing director of the project, Bernard Smith, inflation alone has added R453-million to the cost since the initial estimates.

Police rule out sabotage

Evacuation after fire at Eskom plant

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Star 1/11/89

By Therese Anders and Joe Openshaw

ERMELO — Eskom's Camden power station, 15 km east of Ermelo, was partially shut down and evacuated yesterday when a transformer-generator exploded, causing damage estimated at more than R20 million.

It took Camden's firefighting team and Ermelo's fire brigade four hours to put out the oil fire which at one stage threatened to spread to more of the station's eight transformer-generators.

One employee, senior boiler operator Mr Willie Harding (47), overcome by smoke in a control room, was rescued by a co-worker.

He was treated at hospital and discharged.

Cause

Power station manager Mr Peter Collings said the cause of the explosion had not been established but Eskom engineers would start investigations today. Damage might be R20 million or higher but the cost had not been fully assessed.

The explosion was heard by several mine employees living in nearby Nucamden and smoke from the burning fire could be seen 6 km away.

Security police on the scene ruled out sabotage.

Mr Collings said the explosion occurred at 3.40 am.

"No 8 transformer-generator was in flames and tons of burning insulator oil spread to No 7.

"Our team immediately started trying to cut off the oil spill and were joined within 15 minutes by the Ermelo firemen who covered the 15 km remarkably quickly. We managed to contain the fire after an hour and before Camden employees arrived for work, the fire had been extinguished.

"We had to evacuate 150 of the operators who were on shift because smoke had become a dangerous hazard. This was carried out calmly and efficiently.

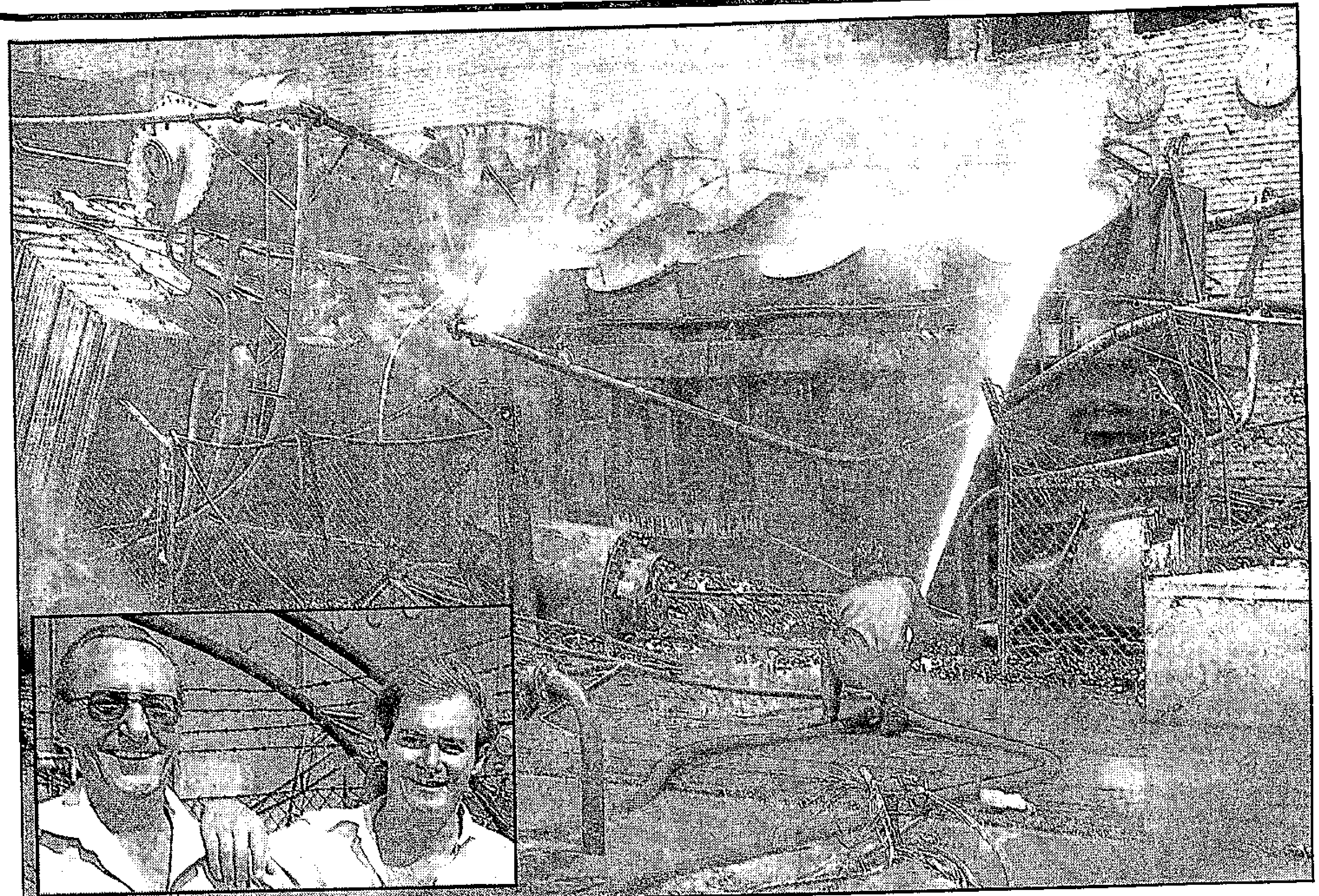
"No 8 tripped out automatically after the explosion and No 7 and 6 were manually tripped out when the fire spread.

"There is some damage to No 7 but the station is still on stream and only two transformer-generators are out of action."

Mr Jan Otto of Ermelo's fire brigade said: "We could see the flames lighting up the sky above Camden from about 5 km away. When we got there we used foam and two hydrants to extinguish the flames."

At 2.30 pm yesterday, firefighters were still spraying the warped transformer metal to cool it. Bolts were flung more than 100 m by the blast.

Camden senior technical service manager Mr Dick Goodfellow said the transformer-generators were insulated with oil and when No 8 went up, many tons of this oil was set alight. The accident was evidently caused by a fault.



Saved . . . Mr Willie Harding (46), left, a senior boiler operator, with the man who saved him from succumbing to smoke-inhalation, Mr Smiler Lourens (27), a senior turbine operator. ● Picture by John Hogg.

Smiler braves smoke to save his mates

By Joe Openshaw

Among the many brave and dedicated men who fought the massive fire at Camden Power Station at dawn yesterday morning was Mr Smiler Lourens (27), a turbine supervisor who was picked out for special commendation by the plant manager, Mr Peter Collings.

Yesterday afternoon Mr Lourens stood on the oil-soaked lawns in front of the transformer-generator that exploded and spread massive flames and dense smoke to the rest of the plant, now freshly cleaned, with the man he had rescued from a smoke-filled room, Mr Wille Harding, the senior boiler supervisor.

In the background fellow workers with fatigued and blackened faces — plant firemen who had been up since before 4 am fighting the fire — were still playing hydrants on the hot and twisted metal which had once been Number 8 transformer-generator.

Mr Harding said: "I was in the panel room when the explosion came and very soon dense smoke poured in. The lights had gone and it was dark. I was overcome by the smoke and eventually could not move. I felt I was going to lose consciousness.

"Then Smiler found me and pulled me to my feet and got me out of the panel room. He left me to find out if anyone else was inside and I collapsed.

"He came back and shook me, shouting my name, and the dizziness cleared. The next thing I knew I was outside, breathing fresh air."

Mr Lourens, who lives in Nucamden, tells his story with the casualness of one giving you directions to the gents'.

"I went into the panel rooms where it was so dark I could not see.

"I had already got my mate, James Clarke, out from the smoke and I suspected Willie was still in there so went back for him. I groped around and eventually stumbled on Willie and brought him out as well."

While the two men posed happily for a cameraman, stark evidence of the early morning drama lay behind them.

Mr Lourens and Mr Harding were waiting to be taken home to catch up on their sleep after just another shift completed.

Escom on hiring drive

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By JOSHUA RABOROKO

Sowetan 8/11/89

ESCOM has embarked on a major recruitment campaign to make up for the dire shortage of management skills, according to a spokesman for the company.

The company says in a statement that it cannot fulfil its objective if it does not have sufficient skilled technicians and artisans to erect power lines and to maintain power stations.

The campaign is to ensure that workers are given equal opportunities to develop because "we cannot run the future with white skills only".

"If we want to build the South Africa we dream about, a tough and long road lies ahead - this is the challenge for the future and the challenge to all young South Africans who will be the people of tomorrow," the spokesman said.

Shortage

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Sowetan 8/11/89

Escom has a workforce of some 50 000 people throughout the country.

"If young people are going to persist in studying towards non-technical qualifications, the South African manpower shortage is going to be seriously affected," he said.

The company has assisted many high schools and tertiary institutions, but bursaries in the non-engineering discipline are limited. It is advisable that applications be made before June 1990.

55 W Mail 10-16/11/89-

Eskom explains why electricity is being raised by 14 percent

By HILARY JOFFE

IF pension and provident funds can put their money into shares, why should they invest in Eskom?

That was the implication of what Eskom was saying this week in justifying its decision to raise electricity tariffs by 14 percent from January.

Announcing the increase, Dr John Maree, chairman of Eskom's Electricity Council, said apart from the surplus it generated from electricity sales, borrowing was Eskom's only source of capital — and borrowing had become more difficult and more expensive.

He cited the recent abolition of the prescribed assets requirements for pension and provident funds as a key factor in this: "The amount of money available to us in the capital market is going to fall dramatically as a result of the abolition of prescribed investments. Pension funds, insurance companies and other large investors will use their greater freedom of choice to invest elsewhere."

And Eskom's Mick Davis cited figures which explained this: real rates of return on gilts (government and semi-government stocks, including Eskom) had been a negative 7,2 percent a year between 1979 and 1988 while real rates of return on shares had been positive to the tune of 9,3 percent a year over this period.

Prior to the abolition of the prescribed assets requirements, pension funds had to hold 53 percent of their assets in gilts or cash, while the figure for provident funds (if invested with a life assurer) was 33 percent. Now the system has been replaced by guidelines which enable the funds to hold up to 80 percent of their assets in shares and property. This has not resulted in a sudden flow of money out of gilts and into shares because, as reported in the *Weekly Mail* two weeks ago, the basis of fund valuation has changed from book to market value and many older established pension funds in fact already were holding up to 65 percent of their assets — at market value — in shares. But it does allow pension and provident funds greater flexibility in trading their assets and will give newer funds the ability to put more of their money into shares. It is this, presumably, which has Eskom in a squeeze.

Maree said this week Eskom estimated the cash flow of South Africa's financial institutions next year would be R31-billion, of which R4,6-billion would be available to the fixed interest securities market (that is, for stocks and bonds). Eskom's needs were as high as R3,1-billion, or 70 percent of what was available.

Maree added that higher interest rates meant Eskom's money was more expensive. A one percent change in interest rates had a R200-million impact on Eskom's interest bill, he said.

Eskom chief executive Ian McRae was concerned to stress that the 14 percent increase, although higher than the 10 percent increases of 1988 and 1989, was below the inflation rate. He also emphasized Eskom's record in improving productivity by 3,8 percent over the past year and in cutting costs — most notably by its mothballing and closing of power stations last year, when it explained that it had built up a great deal more capacity than it would need until the late 1990s as a result of over-optimistic growth projections.

McRae explained in August 1985 Eskom planned to spend R11,9-billion on expansion — by 1989 this was cut to a mere R6,8-billion, resulting in a R872-million saving next year on interest costs.

In 1988 Eskom's revenue from electricity was R8,1-billion, while operating expenditure was R4,8-billion and net interest and finance charges were R2,4-billion.

55 Stow

17/11/89

Reef power failure stops trains, traffic lights and lifts

Standstill after Eskom's error

Staff Reporters

An Eskom worker was injured when he connected equipment incorrectly yesterday. It caused a power failure which affected most of the Reef from Germiston to the Johannesburg city centre.

The blackout snarled up traffic and halted trains. Dozens of people had to be rescued from lifts.

An Eskom spokesman said the incident was aggravated by the simultaneous failure of other equipment.

The worker was treated for burns at hospital.

A spokesman for the Johannesburg Fire Department reported seven distress calls from people stranded in lifts over the city.

Mr Peter Bredenkamp, managing director of the Otis Elevator Company, said more than 20 calls had come in. Other companies also reported calls to rescue people.

The areas affected included the Johannesburg CBD, Alberton, Germiston, Bedfordview, Houghton, Norwood, Killarney, Rosebank, Yeoville and Bellevue.

The Sandton municipality said power to Wynberg, Bramley, Athol and Inanda was also affected.

No road accidents were reported as a result of the failure, but traffic officials said most robots in the city were out of order.

Shops in Eastgate shopping centre and Balfour Park reported a brief failure, but after a few minutes it was restored.

A South African Transport Services spokesman said the power cut had blacked out railway signals on the East Rand for 40 minutes from about 9.15 am and no trains operated in that period.

One of the East Rand's largest metal firms, Scaw Metals, confirmed that its operation was at a standstill for half an hour because of the failure.

The Eskom spokesman said the problem arose when personnel switched off power to one of two lines between Jupiter sub-station near Germiston and the Johannesburg municipality's Prospect sub-station, to do tests.

About 9.15 am, the Eskom employee inadvertently connected equipment incorrectly, despite safety procedures and instructions. This resulted in a high voltage short-circuit causing a major fault on the network.

Eskom's load-loss was about 800 MW, a loss of about 60 percent of a typical Johannesburg load.

He said Eskom supplies were fully restored by shortly after 10 am, but the Johannesburg municipality had some further problems restoring supplies. These were settled before 11 am.

Several shops in the Carlton Centre were left in darkness and closed their doors to customers, while others tried to trade by candlelight.

A pharmacist in the Carlton Hotel complex said he could not do any businesss while his till was not working.

"I've got a comfortable armchair, but the only problem is that my two candles don't give me enough light to read," he joked.

BDay 17/11/89

Govt plan to provide electricity for all

55

MATIMBA — Government was serious about plans to create opportunities for less privileged communities to have access to electricity of some kind on a cost-effective basis, Mineral and Energy Affairs and Public Enterprises Minister Dawie de Villiers said yesterday.

Opening the new power station at Matimba in the north-western Transvaal, he said the National Energy Council, in co-operation with Eskom, was engaged in a study of the most cost-effective systems to be employed in rural areas.

In this way government hoped to find a solution to the deforestation problems encountered in SA.

De Villiers said close to 13-million tons of firewood were used annually in SA, which led to serious deforestation problems, and which in turn retarded economic development.

Although it was expected the electricity growth rate in SA would decline further over the next few years, there would still be an increasing demand for electricity.

Eskom had assured him it was cheaper to complete a power station such as Matimba once construction had started than to stop it.

The excess electricity capacity was a temporary situation, as there would still be an increase in the demand for electricity.

Matimba would also enable Eskom to mothball smaller and less efficient power stations. — Sapa.

dealing in gold coins on overseas markets was very active. But on the JSE the Krugerrand eased R3 to R11,37.

lar from Monday's R2,6358.

Helped by the rise in the gold price, the rand has now firmed 7,6% — from R4,44 to R4,1 — against sterling since September.

Synfuel projects canned by govt

22/11/89 BDay 55

ZILLA EFRAT

GOVERNMENT has canned further development of SA's synthetic fuel industry by not approving AECI's methanol-from-coal and Gencor's oil-from-torbanite projects.

National Energy Council group executive Robert Scott said yesterday the Cabinet had not approved the projects for the time being because they were unviable under prevailing economic conditions.

Current and forecast oil prices, the present exchange rate and the capital costs involved made the projects as proposed financially unattractive.

As a result, the Cabinet decided further support could not be considered at this time, said Scott.

AECI MD Mike Sander said AECI's resources would be used for other petrochemical projects. While the methanol project involved fuel production, the by-product feedstocks had been the most important aspect to AECI.

SA currently had a perfectly adequate supply of feedstocks to meet AECI's needs, but AECI's needs could increase in two to three years time, said Sander.

As a result, AECI was currently examining ways in conjunction with other companies to meet its feedstock needs when the time came.

It was looking at the viability of methods such as conventional "cracking naphtha" and catalytic technology based on coal, Sander said.

Gencor director and head of its energy division Bernard Smith said he regarded the torbanite project as suspended rather than written off.

When it announced its results for the year to August, Gencor stated it did not expect the project to succeed in the short to medium term and that it had written off the full R27m of expenditure incurred during the year on the project.

Petrol's margin hike will not result in immediate increase

ZILLA EFRAT

BIDay 29/11/89

THE retail margin of the petrol price would rise 1,5c/*l* in December, but this would not lead to an immediate price increase for consumers, the National Energy Council (NEC) announced yesterday.

A financial cost investigation done on the profitability of service stations found an inrease in retail margins was justified and could be not be postponed any longer, the NEC said.

As a result, Cabinet approved a rise in the retail margin to 10,2c/*l* in SA and TBVC countries from December 1. (55)

This new margin amounted to 9,3% of the purchase cost of service stations for 93 Octane in the PWV area.

However, the NEC said the rise would not lead to an immediate petrol price increase because the equilisation fund had enough funds available to finance it temporarily.

In October, PWV motorists were overpaying 1,05c a litre because of an improvement in the exchange rate.

The NEC said real cost factors would determine how long and to what extent a general petrol price increase could be avoided.

And according to present indications, a price increase would not be necessary before 1990, it said.

The NEC said the price of petrol, diesel and illuminating paraffin in Namibia would increase by 5c/*l* on December 1.

When SA petrol prices increased in July this year, Namibia decided not to effect price adjustments. However, because of normal cost factors Namibia could no longer postpone increases, said the NEC.

The Namibian retail profit margin on petrol had not been adjusted.

Mobil SA's link to US cut

Star 2/12/89

American MD stays on to join new owners

CAPE TOWN — Mobil Oil southern Africa's last link with the New York-based Mobil Oil Corporation, was severed yesterday when it was announced in Cape Town that local managing director Mr R J (Bob) Angel had resigned with immediate effect from the Mobil Oil Corporation.

Mr Angel will be remaining in South Africa to join the Energy Division of the Gencor Group, which acquired Mobil's southern African interests on July 1, according to a statement released in Cape Town yesterday.

Expatriate

Mr Angel (47) was transferred from the United States to South Africa in February 1986 on an expatriate assignment. In March 1987 he was appointed chief executive of the then-South African subsidiary of Mobil.

"South Africa is truly a remarkable place — it is a developing, changing society filled with unequalled promise and opportunities, and we are undoubtedly living at the most exciting and challenging time in the country's history," Mr Angel said yesterday.

He said in business as well there was an urgency and dynamism which was infectious, and he had thoroughly enjoyed his time as chief executive of the Mobil Group in southern Africa.

"Clearly the major event during my assignment has been the acquisition on July 1 of Mobil Oil SA by the Gencor Group. At that time, I told Mobil staff we had every reason to be confident and secure about the future of our company."

Mr Angel said that after nearly six months, he was even more convinced the new ownership was in "our direct and best interests".

"We are a major part of a multifaceted, highly successful group at the very forefront of economic development and progress in southern Africa.

Impressed

"I am tremendously impressed with the quality and vision of Gencor's management, and their imaginative plans for the energy division of which Mobil Oil Southern Africa is an integral part.

"As we enter the 1990s, we are without doubt at the threshold of a new and exciting era for the South African energy industry," Mr Angel said.

The chairman of Gencor's energy division, Mr Bernard Smith, said Mr Angel's decision to join Gencor reflected his total confidence in the future of the company.

"By choosing to remain in South Africa, Bob Angel has also demonstrated his faith in the economic, social and political future of this country," Mr Smith said.

"We in the Gencor group are delighted by his decision. Bob has 23 years of international experience as a senior executive with the Mobil Corporation and he will be an invaluable asset to our group and to the expanding energy industry in South Africa as a whole," Mr Smith added. — Sapa.

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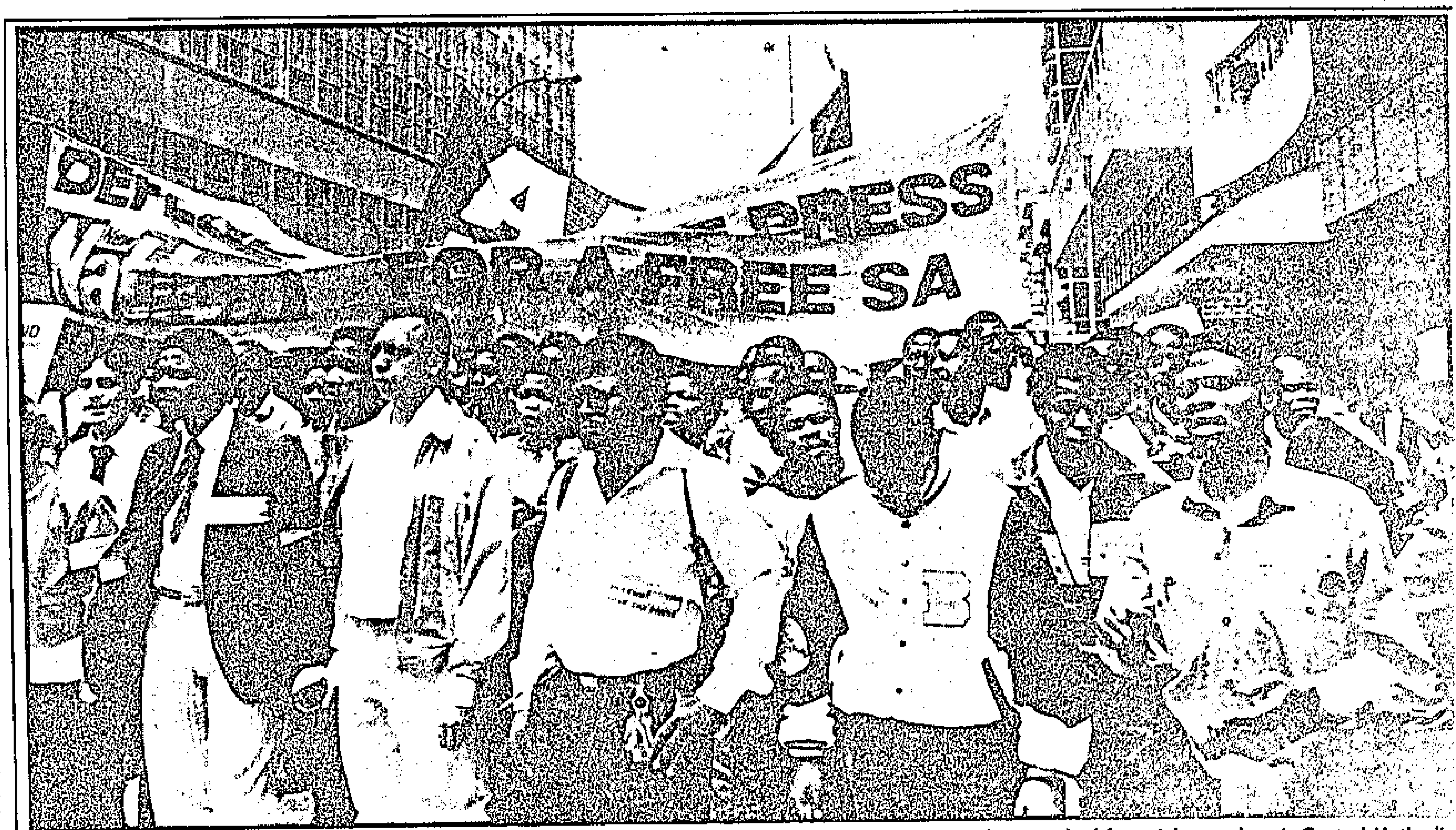

Journalists march for press freedom

Star 2/12/89

About 300 journalists and media workers yesterday marched from Johannesburg's Central Methodis Church to the Department of Home Affairs to hand over a petition protesting against the infringements on press freedom. The Southern African Society of Journalists asked journalists to support th march and petition, which was handed to a Department of Home Affairs official, "because indic tions are that since the warning issued to *New Nation* three weeks ago, harassment of the medi has not ceased". The chief magistrate granted permission for the march. © Picture by Alf Kumalo

3 in court over caretaker's death

THREE men appeared in the Johannesburg Magistrate's Court yesterday in connection with the murder of the caretaker of King Edward VII School in Johannesburg, Mr Sidney Robson.

They are Mr Andries de Beer (21) of Carltonville, Mr Petrus Kruger (19) of Vrededorp, Johannesburg, and Mr James Bothma of Hillbrow, whose age is not known.

The men said Mr Robson was strangled with martial arts fighting sticks in his vehicle early last Friday morning and that his body was thrown down an old mine shaft outside Johannesburg.

The body has not been recovered.

The men, who were arrested in Durban on Tuesday, have admitted breaking into Mr Robson's house and to charges of robbery, but denied intending to murder him.

The trial continues on Monday. — Sapa.

Ecology Party makes its entry on political stage

SOUTH Africa's newest political party, the Ecology Party, was formally registered in terms of the Electoral Act this week.

This means that in the next election voters will be able to cast their vote, and elect representatives to municipal councils and Parliament, on environmental issues.

The legally required 500 signatures to register the party were obtained within 30 days. The party claims to have close to 1 000 members.

A steering committee has been formed to handle interim administration and to plan future developments. A countrywide network of branches is the next step.

Although it has adopted a green heart as its emblem, the Ecology Party has no links with the leftist Green parties in Europe. It believes South Africa needs an unemotional, pragmatic approach and solutions to environmental issues which are unique to southern Africa.

Anyone interested in joining the party should write to Ecology Party, PO Box 41890, Craighall 2024; or phone Mrs Patty van Pletzen at (011) 786-2360.

WEBSTER WATCH

POLICE announced this week that a month ago th had detained a former police sergeant, Mr Ferdi B nard, under section 29 of the Internal Security Act connection with the assassination of Dr David We ster. It is now 209 days since Dr Webster was kille Asked why the police did not reveal the detention o suspect at the time, Major Reg Crewe said that poli believed it would have hampered their investigatio. A reward for information leading to the arrest of Webster's assassins now stands at more th R150 000.

BARA BAROMETER

In the week between November 23 and November there was a cumulative shortage of 518 beds in medicine wards at Baragwanath Hospital and ea night an average of 74 patients slept on the floor. worst night was on November 26, when there were patients without beds. The worst overcrowding i single ward occurred on November 27, when th were 69 patients in a 41-bed ward, requiring 28 tients to sleep on the floor. This week a total of fewer patients slept on the floor, thanks to the sev newly extended wards now in use.

Majority say hit squad exists and condemn its actions

THERE'S little doubt the police "death squads" exist in the eyes of most **Speak Out** callers this week — and most condemn their actions.

Speak Out! ON SATURDAY

Mrs Mitchelson, Riverlea: The death squad comes as no surprise. The SAP belongs to the Government — the fact that I pay for these people is sickening.

Andy Meintjies, Haddon: Anyone who is reasonable knows the death squads exist.

Mark Fuhr, Sydneham: The squad may be part of the police and if they were killing ANC terrorists they have my blessing.

Louis Ardelson, Rustenburg: Death squads exist worldwide and I don't see anything wrong with them.

L Anvil, Rosebank: Individual policemen and police groups have been involved in these scurrilous activities. An honest police force that helps people must be set up.

Hans van Bavel, Hillbrow: The squads exist and the Government knows it. The punishment should be De Klerk's disappearance.

Anita Kuper, Sandton: All free-thinking South Africans believe the police force is corrupt. We are sick and tired of police brutality.

Louis Kuna, Soweto: Police hit squads have existed for a long time.

Laura Hofer, Fontainbleau: The squads do exist. Punishment for corruption in an organisation that is supposed to uphold the law should be the strictest possible.

Tony Motsa, Kabokweni: The death squad is the brainchild of a previous government of which De Klerk was part. He knew about the squad.

Daluxolo Yeki, Tsakane: This had to come into the open. Mr Vlok and company will try to hide the squads but they should be given a dose of the medicine they have been prescribing for others.

Siphiwe Mfuphi, Kanyamazane: The SAP must root out this vicious squad and they should receive life sentences.

A Rakgomo, Makwassie: The hit squads

Kanakana Mathibha, Sebokeng: I believe the squads exist within the police, particular the racist officers who belong to the extreme Right.

Titus Sgudu, Middleburg: The squads exist — I believe the Minister of Law and Order is involved in buying ANC members to man his hit squads.

Mr Alan Bland, Boksburg: It is hard to believe that the Department of Justice and the Department of Law and Order were unaware of the existence of police death squads. If the murder allegations are proved correct, the perpetrators should be hanged.

Mr Guy Mogashoa, Daveyton: There are death squads. Three policemen cannot tell one accurate lie.

Mr Mabuti Manana, Springs: When these people are found guilty, they should be sentenced to death.

Mr Phillip Dempsey, Hillbrow: There should be some sort of inquiry into some of the court cases, when you consider that Barnard has already served six years for murdering two people — while a gang of blacks can be sentenced to death for just being on the scene of a necklacing.

Miss Alison Tomas, Hillbrow: In 1987.

Mr Ahmed Kahn, Lenasia: When you how many of the police take the law into t own hands and you see how they abuse t authority, then you are bound to believe stories about the death squads. The cul should be hanged.

Mr Valentine Mkhize, Bethal: The squad is present. But I don't believe ther going to be any punishment — just denials

Mr Thabiso Koto, Tsakane: The d squads do exist, because if you get a t from a horse's mouth, it's convincing.

Barney Sogol, Yeoville: Are we bec ing a vigilante-type nation eliminating tims no matter what their political v and leanings — something associated the Thirties mafia-style assasinations?

Mr Gerald Alper, Bezuidenhout Va This whole business is a vindictive and ı cious smear campaign to besmirch the and the SADF. The editors of certain n papers are printing absolute rubbish, giv them by people with doubtful and even c nal records. I have the highest regard fo police. Without them, many of us wou victims of ANC terrorists.

Mrs Lynne Diggo, Windsor: The squads are shocking and as far as pu

Cheaper petrol hopes rise

By Don Robertson

THE petrol price could fall early next year.

Romano F Del Mistro, executive director of the AA Foundation, says available information suggests there will be an overrecovery in the fuel price in November. The overrecovery was 1,05c a litre in October.

Dr Del Mistro says: "Should this continue into 1990, a related reduction in the fuel price could be expected."

However, the increase in the profit margin for garages on the Reef — to 10,2c/l from 8,7c/l — will have to be financed out of the Government-managed Equalisation Fund.

Any price reduction would be limited by the additional 1,5c/l awarded to garages.

Dr Del Mistro is worried about the size of the increased margin. He says it has risen by 30% in the past 15 months — and by 500% since 1979. The consumer price index has risen by 400% since 1979.

"It will ultimately lead to an additional cost to the motorist, although in the interim the increase has been adsorbed by the Equalisation Fund."

However, industry sources hope that the improvement in the rand exchange rate will continue for some time. The average rate in October was R2,6742 to the dollar, resulting in a landed price of petrol of 44,892c/l. In September the rate was R2,7886 to the dollar, making the landed cost 46,795c/l. The rate has since improved to R2,6010.

55

3/11/89

Busaf buses for Mossgas 55

MOSSGAS has ordered 67 buses from Busaf.

They will be used to take workers to sites in Mossel Bay. N Times 3/12/87

The order consists of 20 MAN buses with seating for 70 and 47 semi-trailer buses which take 82 people.

The semi-trailer buses were ordered because the Nissan truck tractors that haul them will be available during the day for other work.

The buses are being produced at Busaf's Port Elizabeth and Letaba plants.

Johannesburg 2000.

Power to be restored to consumers

55

By John Miller, Star Line

The Johannesburg City Treasurer's department will restore the electricity supply to 2 162 consumers in Claremont and surrounding suburbs once they have paid a reconnection fee and undertaken to comply with certain conditions.

Mr Neil van Heerden, deputy city treasurer, said yesterday that once consumers had paid the R50 reconnection fee, council officials would look at each case on merit and try to reach an agreement with the consumer. Star 6/12/87

Mr van Heerden gave an undertaking that there would be no more power-cuts this year.

Light, water cut for 1 000 families

Star 4/12/89

By John Miller

More than 1 000 families in Claremont, Newlands, Montclare and Triomf were without water and electricity yesterday when municipal electricians cut off supplies after home-owners had failed to pay their accounts.

Two Claremont residents told how officials arrived at their homes yesterday morning and left a notice warning their electricity would be cut if immediate payment was not made.

Miss Jane Stiglingh said her 27-year-old sister, a mother of three, received a Government grant of R420 a month and was unable to pay for electricity.

Miss Stiglingh said she could not believe how uncaring the Johannesburg Municipality was as many of the almost 500 homeowners in Claremont were in a similar position.

She said her sister now owed the council about R1 000 but was unable to find a job.

Mrs Maria Botha, a 24-year-old mother of two, said she had been unable to pay her account for the past three years and owed almost R1 500 and a friend of hers owed around R4 000. (SS)

One of the more fortunate residents of Claremont said she was forced to sell her unemployed husband's car about two weeks ago to pay the electricity account of about R1 200.

She is 28 years old and has five children aged from four to nine.

A spokesman for the Johannesburg Municipality's Emergency Services last night confirmed that about 1 000 home-owners had had their power and water cut off.

Star 5/12/87. (55)

2 162 homeowners owe city council

There will be more power cuts – warning

By John Miller, Star Line

The Johannesburg City Treasurer's department has warned those homeowners who are still in arrears with their electricity payments that they too will have their power cut as has happened to about 1 000 people on Sunday.

Mr L Opperman, senior deputy city treasurer, said yesterday the department had sent out almost 6 000 requests at the beginning of November asking people to come and see them and "bring their current accounts up to date."

Outstanding amounts

He said only 1 000 homeowners had taken advantage of the offer.

"We asked these consumers to come and see us and at least bring their current accounts up to date and at the same time come to some arrangement whereby they will be given time to reduce the outstanding amounts."

He said that a total of 2 162 homeowners each owed the city council about R1 500.

By yesterday afternoon 1 300 across the city had been visited by municipal electricians who had cut their power, with a further 800 people to be visited by the end of this week.

"Almost all these people have had their power cut at least twice during the past eighteen months and have failed to respond to several requests to settle their accounts."

Mr Opperman said that many of these homeowners had also broken open the sealed electrical box and reconnected the power illegally after previously being visited by electricians.

Modules for Mossgas project

BDay 7/12/89

DORBYL Shipbuilders, in conjunction with Roevin of the UK, formed the Sanro consortium which has won contracts to build two complete modules for the Mossgas offshore platform.

The first contracted for was the accommodation module, including the helideck. Work on this began in August 1987.

The 36m-long module is over 17m wide and 18,3m high. When completed it will weigh 2 048 tons and provide accommodation to match that of a three-star hotel.

The module was designed to accomodate 129 people who will operate the Mossgas platform.

It includes four levels, each designed as a self-contained pressurised unit that can be totallly isolated from the rest of the platform in an emergency.

Withstand

Each independent unit can withstand extremely high temperaturs in the case of on-board fire.

The first level will include all mechanical equipment. The second will house entertainment facilities, including a galley, mess room, freezer rooms, laundry, library and gym.

Above the third floor, which houses sleeping cabins, are a mini-hospital, some sleeping cabins, offices and the radio room.

Work on the second module, including the support frame, began in August 1988.

The most difficult part of the outfitting, and a significant feature of the engineering process, is the large amount of pipework on this module.

The module includes 4 200m of carbon and 200m of stainless steel pipes. These are made by Dorbyl Shipbuilders.

A high level of expertise and technology is required for the module construction. The contracts involve technology and quality as used in the North Sea platforms.

According to DSE, the successful transition from a shipyard to an offshore yard is largely due to the experience bought into the consortium by Roevin.

Trained

DSE trained the artisan welders to the level where they could work on offshore contracts.

In all, two years were spent training 433 welders, of which 271 qualified and 112 are still engaged in welding the modules.

It is interesting that 116 new weld procedures were required at Dorbyl Shipbuilders during the development of the two modules.

Other Dorbyl companies offered support in areas as diverse as manpower requirements, CAD facilities, mobile cranes and welding equipment.

Both modules are being built at Dorbyl Shipbuilders premises in Durban and will be loaded out together onto the same barge for transporting in October 1990.

Vaal's water quality deteriorates

CHARLOTTE MATHEWS

INCREASING salinity in the Vaal Dam arising from the burning of fossil fuels in the Eastern Transvaal Highveld could cost urban and industrial water users in the PWV area up to R100m a year by 2000.

This was the finding of a paper presented by Stewart Sviridov & Oliver (SS & O) researchers Irina Taviv and Chris Herold and Water Affairs Department Deputy Chief Engineer Helgard Muller at the Fourth SA National Hydrological Symposium in Pretoria last month.

"The environmental and economic consequences of the projected deterioration in water quality appear to be serious," the SS & O researchers said.

As a result of these preliminary findings, the Department of Water Affairs plans to initiate a multi-disciplinary research project to study the effect of atmospheric pollution on the water resources of the Vaal Dam catchment.

The paper said the cost associated with the curtailment of atmospheric emissions was very high and the projected cost to consumers of the salinisation by 2020 could rise to about R200m a year.

Runoff from the Vaal Dam catchment area, which roughly covers the Sasolburg-Ermelo-Bethlehem-Sasolburg triangle, provides most of the raw water supplied to the PWV area.

Water Affairs' concern about the quality of the water in the Vaal River and especially the Vaal Dam led it to appoint SS & O to examine the water and recommend management strategies.

Herold said the deterioration in the quality of the water held the potential for a much more serious long-term problem.

(SS)

BD 7/12/89

Star 7/12/89 (55)

Warnings of dangers in electricity cut-offs

By Shirley Woodgate, Municipal Reporter

The Johannesburg City Council has been warned of a "Soweto-type situation" developing in high-density flatlands unless immediate improvements are made to the present system of levying charges for electricity, water and gas.

In the wake of the council's latest blitz on consumers who are more than three months in arrears, Democratic Party councillor Mr Clive Gilbert has urged a rethink on the metering system in flats.

He said it was prejudicing innocent tenants in favour of defaulters.

In many highrise buildings the landlords were forced to "carry" tenants who failed to pay, or the electricity supply to the whole block was cut off.

Senior deputy City Treasurer Mr Lucas Opperman said about 1 000 of 6 000 consumers owing a total of R10 million in arrears had reacted to last month's warnings of cut-offs.

By Monday about R5,5 million had been paid. Others were "drifting in" to pay.

About 2 200 were on the final "hit-list" — of which about 1 800 had already been cut off.

Mr Gilbert said a more equitable system was replacing the present single meter for entire blocks by separate meters for each tenant, probably meaning another 60 000 to 100 000 accounts being added to the council computer, instead of landlords acting as its collection agents.

This would avoid duplication and reduce costs, because landlords were forced to employ private meter readers to check individual tenants after the council had read the main meter.

Mr Opperman said: "Generally, if the services are in arrears, we take the landlord to court before cutting off electricity.

"The council is investigating the matter."

R967,05 a fine ounce at the end of No- duced substantially during No

Mobil investigates R500-m capex

55

By Des Parker

Mobil Oil SA is investigating ways to increase production at its Wentworth Refinery in Durban.

The resulting development could involve expenditure of close to R500 million, Bernard Smith, chairman of the company and executive director in charge of energy affairs with holding company Gencor, says officials at the refinery and an engineering company last month began investigating alternatives for increasing the capacity of the plant.

These are "de-bottlenecking" the operation or adding new refining units in a "brownfield" development. "The method, if it were adopted, would involved capital expenditure of the order of R400 million," said Mr Smith.

"It would be premature to speculate on what developments will take place, but if we think it's important to bring on additional capacity we will be in a position to make the announcement in about six months' time."

The decision to investigate expansion at the Wentworth refinery followed Gencor's R650 million takeover of Mobil from its American parent.

Gencor has been laying foundations for the formation of a widely-diversified energy-related company, to be called Engen.

It will house the mining house's strategically acquired interests in Mossgas, Soekor, Mobil, Trek and other smaller energy-producing companies.

Star 8/12/89

Huge leap in ZCCM

Three Eskom employees electrocuted

55

12/12/89

Star

Staff Reporter

Three Eskom employees were electrocuted at the weekend on a farm outside Newcastle where they had gone to repair an electrical fault following a storm, an Eskom official said today.

Mr Scotty Rodgers (25), Mr F T Ngcobo (42) and Mr B Xulu (47), all of Ingagane Power Station, died instantly.

Another worker, Mr Tienie Foure, was slightly injured in the accident, which took place at Kilbarchan farm on Friday night.

The Eskom spokesman said an investigation into the accident had begun. A statement Could uld be released when it was npleted. Completed.

55

BUSINESS

Soweto people negotiate over power – and end the boycott

There's a bright light on Soweto's horizon — Eskom and the city's representatives are negotiating a deal to improve the electricity supply. By HILARY JOFFE and ELAINE COSSER

ESKOM and the Soweto People's Delegation are in the advanced stages of a negotiation process which could see an end to the four-year boycott of electricity bills and an upgrading of the township's electrical service.

If negotiations succeed, a new independent company established by Eskom with community participation and support would take over the supply of electricity from the Soweto City Council — if the council agreed to grant it the rights of supply.

A permanent consumer structure and direct representation to give consumers a say in the quality and cost of their electricity supply would be part of the deal. In the interim, a *phase is envisaged whereby the service would be restored while a suitable permanent supply authority is organised.*

Consumers are also expected to have an input in this phase.

A technical committee comprising SPD and Eskom Soweto Project representatives has been meeting regularly since August, following talks between senior Eskom officials, including chief executive Ian Macrae, and an SPD delegation which included leaders such as Reverend Frank Chikane, National Union of Mineworkers general secretary Cyril Ramaphosa and Fedtraw president Albertina Sisulu. This round of talks has now ended and the SPD is considering Eskom's proposals.

Eskom has set up a subsidiary, Econelec, as the interim vehicle to establish the new system. For the project to be established, Econelec has to negotiate with many community groups and leaders and the city council. But the company has made it clear that it views the SPD as representing the interests of a broad sector of the community and, among others, an important negotiating partner in establishing a new electricity supply service.

An Eskom spokesman says they estimate R100-million will have to be invested over a two-year period to upgrade Soweto's electricity infrastructure and the administrative support system, in addition to the R25-million a year which the Central Witwatersrand Regional Services Council has committed to capital maintenance and upgrading of the system.

It is intended that the additional funds would come from the Development Bank of South Africa as "soft" (low interest) loans, on a "subordinated" basis — in other words, interest has to be paid only once the company starts making operating profits.

Eskom projections put the company as breaking even only after 10 years, since it will take seven years to cover the debts incurred in the first three years.

Soweto is South Africa's fifth largest domestic user of electricity, with 125 000 supply points — so that the vast majority of formal households are electrified. But electricity in the township is costly and subject to frequent blackouts.

In a position paper presented to Eskom earlier this year, the SPD outlined a series of criteria which would have to be met by the new scheme for it to gain the support of Soweto residents. These included:

- Non-racialism
- Exclusion of the Greater Soweto local authorities
- Efficient supply of electricity
- Establishment of a new entity
- Non-profit basis
- Grant finance
- Arrears must be written off
- New tariff structure.

The two sides are likely to agree on many of these principles, although some, an Eskom respresentative stresses, touch on areas in which the electricity corporation is "not a player". He also said Eskom must *ipso facto* recognise the position and functions of the local authority.

A key issue is the SPD's demand that electricity arrears be written off. Eskom has agreed with the delegation that the new company will not take responsibility for Soweto's historical debt. Thus there is no question of it trying to recover past arrears through higher tariffs once residents start paying. But Eskom has stressed writing off the debt is a government decision.

State and provincial officials publicly reject writing off all the arrears, arguing this would be unfair to township residents, in other townships as well as Soweto, who have paid rent and service charges.

Albertina Sisulu

Cyril Ramaphosa

The SPD's historic recent meeting with the TPA, and the beginnings of a process of SPD-province negotiation, may therefore be the essential backdrop for the success of the electricity project.

Eskom and the SPD have also agreed that the new scheme must involve community participation, although the nature of this has not yet been decided.

It could take the form of community representation on the board of the new company, but it is more likely that in the short term it would take the form of a some sort of consumer board with which the new company would liaise.

Another important area of agreement is tariffs. Eskom has agreed that tariffs in Soweto will be no higher than those in Johannesburg.

At this level tariffs will initially not cover the costs of the project. The sides have jointly identified a number of ways in which costs can be reduced to make it viable.

But the affordable tariffs issue touches on a key SPD proposal: non-racialism. The delegation has called for Soweto and Johannesburg to be one city, with a unified tax base.

This is a national constitutional issue — and in Eskom's view it cannot be a player in the political debate that will determine this.

But it is also an economic issue, one which may be vital to the success of the new project in ensuring affordable electricity tariffs.

Eskom can't change the constitution — but it acknowledges that there may be considerable economic advantages for Soweto in having its electricity network linked to Johannesburg's.

Electricity experts say if it were to link the Johannesburg and Soweto systems, electricity costs would drop in both areas because the usage pattern would change. Eskom supplies electricity in bulk to the Johannesburg basis of the relative pattern of peak-load and base-load usage. If the two grids were linked, this pattern would change such that the total bill would be cut by several million a year.

There appears to be broad agreement between Eskom and the SPD about the quality of service which consumers would find acceptable.

This covers such issues as reliability of supply, responses to customer queries or problems, frequency of meter reading and audit meter readings. Around five percent of electricity bills are wrong because of human error or damaged meters; a big problem in Soweto at the moment is that the council insists people pay their accounts and does not do audit readings if they complain.

One issue which Eskom and the SPD still have to sort out is tariffs for the poorest consumers.

The Soweto delegation called for "a new tariff structure involving subsidisation mechanisms designed to address the issues of affordability, basic needs and differential paying capacities".

It is estimated about 3 000 to 4 000 families (about two percent) have formal incomes of R2 500 a year or less and would be hard-pressed to pay anything for electricity.

Econolec is opposed to direct subsidisation of the poorest, on the grounds that it would be economically unhealthy for the company to run on this basis.

One possible obstacle which has still to be resolved is the role of the black local authorities. For the plan to go ahead, the councils of Dobsonville, Diepmeadow and Soweto will have to transfer their responsibility for electricity supply to the new company. But some members within these councils fear a loss of status and the admission of defeat if they allow another party to take over one of their functions. They may also stand to lose financially because councils are graded and their officials remunerated based on their gross turnover, of which electricity supply comprises a major part.

Provincial officials have assured councillors this issue will be attended to. Legal experts have noted that the provincial administrator does not have the power to over-rule a council should it refuse to transfer authority over electricity to Econolec. But they note that in the current political climate this would damage the credibility of the councils which the province

One other area on which Eskom and the SPD have yet to agree is the eventual structure of the new project.

Econolec has been registered as a "shell" company awaiting the conclusion of negotiations and is intended by Eskom to be a partnership with the community and with private business. Under Eskom's control, the company will arrange the physical upgrading of infrastucture, implement a large scale customer service system and reorganise the accounting system, which is in disar-

The company will act in an interim capacity as it is not clear what shape the final supply entity will take.

Possible options are electricity supplies could be administered by a non-profit company or by local community-based co-operatives. Eskom would like to see responsibility for the project eventually handed over to the Soweto community.

Eskom's involvement in the Soweto talks is in line with its mission of Electricity for All — in terms of which it wants to see affordable electricity made available to the estimated 60 percent of black South Africans who currently have no access to this. At present many other initiatives are underway around the country.

But it is also an attempt to pre-empt a situation in which Soweto finally runs out of money and Eskom has to cut off the "juice".

The four-year boycott of rent and service charges by Soweto residents has so far not affected Eskom, despite the fact that the township's arrears on electricity are running at between R5-million and R7-million a month. The Transvaal Provincial Administration has been providing bridging finance to cover the debts of the Soweto City Council, which in terms of the Black Local Government Act of 1982 has sole right to supply electricity in the township.

But Soweto's debts are vast — up to R1-billion in total — and the TPA admitted in talks last week with the SPD that it had run out of bridging finance for the Transvaal's townships and this month is drawing from a special fund to cover township debts.

1000 needed to fill jobs on Mossgas

16/12/89

Weekend Argus Correspondent

PORT EIIZABETH. — About 1 000 men are needed to fill jobs on a huge new Mossgas contract worth R170 million.

"I would like to think that we can fill most of these jobs with men from Port Elizabeth," said Mr Dave Stewart, construction dir ctor of Babcocks Engineering.

The 87-week contract starts next month and will provide welcome jobs for new trained people in the city.

It is for the mechanical, electrical and instrumentation construction work for the synthol refinery plants at mossel Bay.

Extensively involved

Babcoks is already extensively involved in Mossgas assembly work in Port Elizabeth, building four modules for the ofshore right in the city's harbour.

"I am sure there will be many from Port Elizabeth getting involved in the refinery work from now on," Mr Stewart said.

"Our personnel people have just arrived in Port Elizabeth and started recruiting.

"We hope to find most of our labour there."

Mr Stewart said Babcocks was satisfied with the men taken on after training at the Eastcape Training Centre.

"They have mastered the necessary skills and we give them further on-site training," he said.

He said men employed on the modules in the harbour would most definitely be used on the refinery work as the module contracts came to an end.

Petrol, diesel prices to rise in some areas

STAR 22/12/89

The prices of petrol and diesel are to increase between one and three cents a litre on January 1 — but the increases will not affect areas served by pipelines.

The increases, the National Energy Council said yesterday, were a result of recent tariff rises announced by the South African Transport Services.

(55)

For example, there will be no petrol price increase in Cape Town, Durban, East London, Port Elizabeth, Johannesburg, the Reef or Pretoria.

However, petrol will go up 2c a litre in Bloemfontein and 1c a litre in Beaufort West and Upington. — Sapa.

PWV not hit by 3% rise in fuel cost

B/Day 22/12/89 (2042) (SS)

Business Day Reporter

PETROL and diesel prices are set to rise by 3% from January 1, the National Energy Council (NEC) said yesterday. The price increases will not apply to the PWV area.

The move follows this week's announcement by Sats that it is to raise tariffs on fuels transported by road and rail.

The price of illuminating paraffin distributed in drums and tins will increase by up to 2c/l at wholesale.

In a statement released yesterday the NEC said the Sats increases would affect only those areas served by road or rail.

The prices of petrol and diesel in areas served by pipelines, including the PWV, would not be increased.

Price increases in those areas not served by pipeline would be between 1c/l and 3c/l. In Bloemfontein petrol would cost 2c/l a litre more, Beaufort West 1c/l and Upington 1c/l.

A government notice will be published next Friday.

Sapa reports the pump price of fuel in Namibia would also be increased on January 1, Administrator-General Louis Pienaar announced in Windhoek yesterday.

Pienaar said the decision to up prices followed an announcement by Trans Namib Transport Corporation on December 18 that fuel tariffs would be increased by between 8% and 15% from January 1.

"The Equalisation Fund, from which the fuel prices have been subsidised for some time, has become totally depleted, and with no other form of subsidy available, the Department of Economic Affairs has had no choice but to increase the price to the consumer."

New petrol prices per litre will range from R1,09 in Walvis Bay and R1,10 across the border in Swakopmund through R1,16 in Windhoek to as much as R1,37 at Katima Mulilo in the Caprivi.

Next year a litre of diesel will cost from R1,07 in Walvis Bay and R1,08 in Swakopmund to R1,13 in Windhoek and R1,33 at Katima Mulilo.

cific Highway this year before Friday's crash.

terday morning — and there is no indication that it will decrease soon.

Fuel price rise to be held back

STAR 23/12/89

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HOLIDAYMAKERS will be happy to learn that an increase in the price of fuel has been held back — until an unspecified time in the New Year.

The National Energy Council (NEC) said in Pretoria yesterday that in view of the holiday season, the Government had asked the council to withhold the increase until the New Year, after which the matter would be reconsidered.

Pump prices in selected areas not directly served by a pipeline were to have increased between one and three cents a litre from January 1.

The NEC said that because the effect of the road and rail tariff increases varied from place to place, depending on the distance over which fuel was transported, it was customary to pass on the increase which flowed from any road and rail tariff adjustments.

The NEC had consequently taken the necessary steps to give effect to this. However, the Government had asked the NEC to provisionally withhold the increase. — Sapa.

ENERGY – 1990

JANUARY — MAY

New oil strike off Cape coast

Cape Times 13/1/90

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By PETER DENNEHY

SOEKOR has struck oil again in drilling operations off the southern Cape coast, according to its public relations spokesman, Mr Mike Leibbrandt.

He confirmed yesterday that the organisation had encountered oil about a week ago, but added that there was "no way of knowing" at this stage whether the find would be "of any value whatsoever".

"We are not too excited about this one," he said. "It was not a dramatic find."

The well at which the find had occurred was in an area known as the Southern Offshore, on the Cape Town side of the Mossel Bay gasfields. The drilling operation is continuing.

Mr Leibbrandt would not give the exact location of the strike. He said it was "not unusual" to encounter oil during drilling operations.

A series of tests would have to be conducted in the laboratory of the rig, and if these proved promising more drilling would have to be done in the same general area.

In September last year, the Minister of Economic Affairs and Minerals, Mr Danie Steyn, announced that tests of South Africa's most promising oil well thus far had raised hopes of finding exploitable reservoirs off the southern Cape coast.

He made this statement during a visit to the Omega oil rig, 120km south-west of Mossel Bay, where it was drilling at the time.

That particular well had yielded 5 000 barrels a day, but Mr Steyn said a sustained flow of double that rate would be required to make it viable to extract the oil using a fixed production platform like an oil rig.

Mr Leibbrandt said: "We are now exploring reservoirs unrelated to those of the Mossgas project. We have been exploring in these fields for about two years and this is not the first time we have found oil there.

"The laboratory on board the rig analyses cuttings brought up from the drill and one formation showed signs of hydrocarbons."

To test the find properly — to justify or rule out further drilling — would take "up to three months", but at this stage it was not even known whether it would be worthwhile to run the three-month battery of tests.

It had taken seven years to determine that the Mossgas project deposits were commercially exploitable, Mr Leibbrandt said.

Lower landed petrol cost is negated by retail margin

(55)

ZILLA EFRAT

PWV motorists are still overpaying for 93-octane petrol, but the effect of lower landed costs of petrol in December was countered by the rise in the retail margin of service stations, according to the National Energy Council (NEC). B Day 17/1/90

Motorists overpaid 0,892c/l for 93-octane petrol in December compared with 1,869c/l in November.

The NEC said yesterday that an improvement in the exchange rate in December resulted in the landed price of 93-octane falling from 44,073c/l in November to 43,550c/l in December.

While December's over-recovery position would have been 2,392c/l, it was countered by the 1,5c/l rise in the retail margin on December 1. In addition, motorists underpaid 3,499c/l for diesel in December after underpaying 1,175c/l in November, the NEC said.

In December, the NEC announced a 3% increase in petrol and diesel prices from January 1. However, this increase, which did not affect the PWV area or areas served by pipelines, was held back because of the holiday season. An NEC spokesman said yesterday that no date had yet been set for this rise.

Landed cost of diesel increases

Finance Staff

The landed price of diesel rose by 2,3c a litre from November to December, almost trebling the shortfall on retail prices.

The National Energy Council (NEC) says the landed cost of diesel rose from 45,63c a litre in November to 47,95c last month. Star 18/1/90

The under-recovery, funded by the fuel equalisation account (the slate), rose from November's 1,18c a litre to 3,5c in December.

The shortfall for diesel has increased consistently since September, when it was 0,37c a litre.

However, the level for December was the first time in several months that the shortfall exceeded the excess paid into the slate from petrol sales.

The over-recovery on sales of 93 octane petrol last month on the Reef was 0,89c a litre.

Naamsa adjusts figures

Finance Staff

The slump in new car sales in December was worse than originally anticipated.

The National Association of Automobile Manufacturers (Naamsa) yesterday corrected its earlier sales figures — new car sales in December fell to 13 875 units compared with 19 540 in November, a massive decline of 28 percent. The original statement had over-reported this figure by 1 009 units. Star 18/1/90

The figure is the lowest in almost three years and is 14,4 percent down on December 1988 sales. The correction implies that new car sales totalled 221 342 last year.

Naamsa also corrected the sales of new heavy truck sales for December to 660 units and those of medium commercial vehicles to 283 units.

Naamsa says the adjustment was made as a result of a reporting error on the part of one manufacturer.

Heading for the sea and anchor . . . the Mossgas rig jacket nears completion at Saldanha Bay

R280m SA triumph as Mossgas jacket rolls up

SS

S/Times 21/1/90

By Ian Smith

A R280-MILLION engineering project which sceptics said was beyond South Africa's capability has entered its final phase.

The 14 600-ton jacket, which will be submerged to support the offshore production platform on the gas strike 85km south of Mossel Bay, is 87% complete — and work is ahead of schedule.

Genrec group chief executive Ian Colepeper says: "There were many sceptics when we won the contract — they believed the jacket would have to be built abroad. But the project has gone well, and I am confident we will comfortably meet the sailaway date of October 1."

Problems

Originally, Mossgas hoped that SA's two leaders in heavy engineering — Genrec and Dorbyl — would take part in the contract, foreign partners providing the technology.

But irreconcilable problems in the tenders of the two SA companies resulted in the contract's being awarded to Genrec Offshore, a venture between Murray & Roberts subsidiary Genrec and the UK's RL Stevenson, a pioneer in North Sea jacket construction.

SA construction has resulted in huge foreign-currency savings and the project has led to the development of new skills.

Mr Colepeper says: "It has added a new dimension to our engineering skills. The whole industry will benefit for years to come from the upgraded quality of workmanship demanded by this contract."

Timing

VIPs were on the Saldanha Bay construction site this week to watch the "roll-up" of the first outer frame of the jacket. The roll-up of the second, and last, outer frame will be done on Wednesday.

The roll-up calls for split-second timing and tight control as five huge cranes take the strain of the 1 530-ton frame and swivel it on its base until the cross-members meet their mates on the central section of jacket.

As the radioed countdown ends, crane engines roar and the 124-metre-long frame is lifted, centimetre by centimetre. The cranes spaced along the length of the frame "walk" towards the centre section between lifts.

Surveyors behind theodolites ensure that the frame is lifted to the same height along its length, and the controller directs each crane to level the lift.

Six hours after the first lift hooters and sirens signal the end of another successful roll-up.

"All the connections were within good tolerances," says Mr Colepeper.

Work on the project will wind down after the second roll-up.

Four 710-ton "bottles", which will support the jacket on the seabed, have arrived from the UK and will be welded into position. Finishing work will be done and huge buoyancy tanks, which will support the jacket when it is tipped from a barge over the Mossgas site, will be attached well before the sailaway date.

Teamwork

"The whole project has been a triumph for timing and teamwork," says Mr Colepeper. "I have never seen a team work so well on a contract. The co-operation between South Africans and specialist expats was tremendous."

The quality of workmanship on steel developed by Iscor was extremely high, he says. Every weld was X-rayed and ultra-sonically tested to ensure perfection.

Mr Colepeper says: "The reject rate is less than 1%."

Shortly after erection work began last April the contract was 10 weeks behind schedule. Now, on average, work is two weeks ahead of schedule.

Components have come from abroad, Durban, Port Elizabeth and the Reef.

As the contract draws to an end Mr Colepeper is turning his attention to the future of Genrec Offshore, 80% held

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Mossgas

SS

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S/Times 21/1/90

by Genrec and 20% owned by RL Stevenson.

"I will have talks with our our foreign partners about the future of the company in the next few months.

"It would be great pity to lose everything we have built up. We will explore means to keep the company going, possibly building other undersea components or doing work for other oil and gas fields."

The Saldanha Bay site is well placed to build equipment if development of the Kudu fields off the coast of Namibia goes ahead. A UK oil company is about to resume exploration in the area.

A barge is being built in Europe to carry the jacket to the Mossgas site, where it will be submerged in 105m of water. Piles driven 122m into the seabed will anchor it.

ay January 26 1990

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The Star
Finance

Star 26/1/90

Ethanol project runs into pricing problem

By Des Parker

DURBAN — Results of investigations into the pricing and technical performance of ethanol-blend petrol will be known towards the end of March, says SA Sugar Association (Sasa) executive director Michael Mathews.

The technical investigation, understood to be being carried out by Sasol's technical arm, and the lack of agreement between the sugar and oil industries on pricing, are proving stumbling blocks to the development of an ethanol-from-sugar cane plant agreed to in principle by the Government.

Mr Mathews, who joined Sasa on November 1, says in an interview published in the January edition of the association's *Sugar Journal* that the uncertainty over the ethanol project makes prediction of the future of the industry difficult.

Enormous socio-economic benefits could flow from acceptance of the industry's proposals, as well as exciting developments for the sugar industry.

While the sugar industry has declined to comment on the pricing issue, a spokesman for the oil companies has said the price the canemen want for ethanol is excessive.

Subsidisation of the ethanol price, either paid directly by the Government or funded from higher petrol pump prices, appears to be the only measure likely to settle the matter.

Neither, however, is likely to appeal to a Cabinet with a newfound taste for austerity.

Meanwhile, with all the fundamentals in place for the international sugar price to rise to its highest levels in the past decade, there is still tremendous uncertainty for 1990, says Lindsay Williams, chief trader at Holcom Futures.

Pilot enrichment plant for uranium to be shut down

BDay 29/1/90

Business Day Reporter

THE Atomic Energy Corporation (AEC) is to discontinue operations at its pilot plant for the enrichment of uranium on February 1.

The move is seen as a cost-cutting exercise following the successful commissioning of the corporation's uranium enrichment plant.

A statement released at the weekend said the pilot plant was commissioned in 1978 with the aim of testing the uranium enrichment process developed in SA on an industrial scale.

It was also used to carry out experiments such as the testing of components under process conditions.

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"Shortly before the commissioning of the plant the supply of fuel by the US for the Safari 1 research reactor was discontinued in 1977," the statement said.

"The pilot plant could, therefore, be used to produce 45% enriched uranium for Sarari 1. During the operation of the pilot plant an adequate reserve of enriched uranium was produced to ensure the continued operation of the Sarari 1 reactor.

"The 3,25% enriched uranium for the first four fuel elements supplied to Koeberg in 1988 was also produced in the pilot plant."

The success of the pilot plant led to the construction of a production plant for uranium enrichment, which was commissioned in 1988.

The plant had a design capacity to satisfy all the short-term fuel requirements of SA's nuclear power programme, the statement said.

"Members of staff affected by the shutdown of the pilot plant will, as far as possible, be transferred to other programmes.

"A number of posts will of necessity become redundant, but the members of staff concerned will, as in the past, be treated fairly and justly," the statement said.

No details of the number of retrenchments were released.

Mossgas project 'on track'

ZILLA EFRAT

CONSTRUCTION of the Mossgas project was to continue as scheduled after all options relating to the project were recently evaluated.

Mineral and Energy Affairs Minister Dawie de Villiers said yesterday rumours that the project would be canned were unfounded.

He said an evaluation of the project, which had examined all the alternatives for the project, as well as alternative applications of the Mossgas gases, had been completed in December.

Input had been received from a number of leading SA businessmen and industry experts.

De Villers said from the evaluation it was clear that continuing the project as planned remained the best route to take.

On the basis of the investigation, an internal report had been handed to him and he was currently finalising a report for the Cabinet. (55)

Mossgas director of projects Bob St Leger said the project was now 50,8% complete and on schedule.

However, it is believed there is considerable doubt in the industry as to Mossgas's viability.

Spokesmen for AECI and Sasol, major contractors to the project, would not comment on this.

Recent critics of Mossgas have included DP spokesmen on energy affairs Roger Hulley and former Sasol GM head Jan Hoogendoorn.

Mossgas: DP calls for a major probe

B/Day 30/11/90 (SS)

ZILLA EFRAT

A TOP level inquiry was needed to establish whether the R7,8bn Mossgas project should be continued, DP spokesman for energy affairs Roger Hulley said yesterday.

On the basis of information available to him, Mossgas did not appear to be viable and seemed to be "the biggest economic liability left over from P W Botha's era".

He intended to call for an investigation by experts into the half completed project when Parliament opened next month.

He said Mossgas was a great expense at a time when the country could least afford it and questioned whether it was not better to end the project now in spite of the money already spent on it.

At the weekend, Mineral and Energy Affairs Minister Dawie de Villiers said construction of Mossgas would continue as scheduled. An evaluation of Mossgas had been completed in December, which had examined all the alternative applications of the Mossgas gases.

Head of Gencor's energy division Bernard Smith said about 70% to 75% of the costs of the project had been committed. The capital costs were revised to R7,8bn from R6,5bn in August last year.

Smith said further cost increases would depend on the rate of inflation.

He said based on 1989 prices Mossgas would be able to meet its interest repayments with world crude oil prices at $12 a barrel. At $15 a barrel the project could repay its loans and at $19 a barrel it would break even.

World crude has traded between $17 and $20 a barrel during the past few years.

Smith said judgments should not be made on the day-to-day movement of world oil prices, which he believed would rise in real terms by the middle of the decade.

He said Mossgas was not started as a wholly-commercial venture. The decision to go ahead with the project had been based on the perception, at the time, of SA's strategic needs.

However, former Sasol GM Jan Hoogendoorn said SA's strategic needs were no longer the issue they had been in the past. The world was heading for an oil glut and people would be willing to sell oil if they got paid.

The only effective method of applying sanctions against SA's petrol supply would

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B/Day 30/11/90 (SS)

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be to physically block off the seas, he said.

The viability of SA's synfuels industry has come under much fire recently. Last year government called off AECI's methanol-from-coal project and Gencor's oil-from-torbanite project.

The sugar-from-ethanol project, which government approved in principle before last year's election, was still being assessed and there were doubts whether it would receive final approval.

According to a Sasol spokesman, Sasol would not consider any new synfuels plants while world oil prices were at current levels. Instead Sasol was increasingly moving into high value-added chemicals.

Well-placed industry sources who did not wish to be named said yesterday the report which had been handed to the Minister had found that the synfuels alternative, with all the doubts associated with it, was a more viable option than producing other chemicals at Mossgas.

Synfuels had an assured local market, while other chemicals would be subject to the risks of volatile export markets.

Petrol price rise put off temporarily

ZILLA EFRAT

BDay 31/1/90

THE 3% rise in the petrol price for areas served by road and rail had been postponed "presumably for the best part of the first quarter of this year", a National Energy Council (NEC) spokesman said yesterday.

The rise, ranging between 1c/l and 3c/l depending on the area served, was announced in December following Sats's increase of its tariffs on fuels transported by road and rail.

The increase, which did not affect the PWV area or areas served by pipelines, was effective from January 1. It was, however, held back because of the holiday season.

The spokesman said it had been postponed to allow motorists to combat inflation for as long as possible.

CEF chief defends Mossgas project

ZILLA EFRAT

FOLLOWING the recent questioning of the economic sense of the R7,8bn Mossgas project, Central Energy Fund (CEF) chairman Dannie Vorster has outlined what the implications of cancelling it would be.

Vorster said about R5bn had been committed to the project. If it was cancelled this investment would be lost with nothing to show for it.

"The alternative to the project should then be evaluated only in terms of the further expenditure required to complete it, which, of course, shows a much higher financial return for a given oil price, or conversely requires a much lower oil price to show the same level of return as the present project," he said.

Depending on future international oil prices, estimated foreign exchange savings in excess of R120bn would be lost to SA.

Vorster said foreign loan commitments on Mossgas totalled R1,7bn. This money would have to be repaid to foreign lenders without a corresponding saving in foreign exchange by the project, with the resultant negative implications for SA's balance of payments.

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Cancellation

In addition, summary cancellation of international supply contracts on the scale of the Mossgas project would have a severe negative impact on SA's image in the international engineering and capital equipment markets.

Vorster said the decision to implement Mossgas was taken in terms of Cabinet policy to maintain a certain level of self-sufficiency in fuel production.

There was still a formal crude oil boycott of SA by oil producing countries.

In addition, a number of UN member countries as well as anti-apartheid organisations were actively lobbying in the UN to have mandatory oil sanctions by all UN members imposed on SA.

Pressure was also being placed on all international owners of crude oil tankers, as well as their host governments, to end oil shipments to SA.

Coating advice for electronics

P/Times 4/2/90. (55)

Business Times Reporter

EXPERTISE developed by the Atomic Energy Corporation (AEC) in coating components could play a major role in helping electronics companies to replace imports.

Joachim Giesel, of AEC's plating division, says many electronic companies are frustrated in their efforts to manufacture components because of difficulties in finding the expertise required to meet international surface treatment specifications.

Plastic

"This is where we can play an important role. Our division can come in at the project planning stage. We can assist companies in looking at alternative routes.

"The service extends to giving advice about the installation and operation of coating plants. For small firms, however, the plating division is available to undertake coating work."

Mr Giesel says the offer covers methods of reducing contact resistance and corrosion in electronic components and in several other areas.

AEC's facility includes the speciality coating of gold, silver and rhodium. In addition, clients can be advised about ways of effectively using alternative base materials which, when plated with the right material, are equivalent to the performance of the originally specified component.

In recent months, several electronic component plating projects have been undertaken. They include plastic housings, elecromagnetic interference shields, electrical contacts, aluminium, heavy switchgear, relays and slip ring assemblies.

AEC also offers conventional surface treatment service.

The Star
Finance

NEI wilts under high tax burden

By Ann Crotty

A weaker than expected performance from the diesel division and a hike in the tax rate resulted in a disappointing earnings figure from NEI in the 12 months to end-December.

But, in view of the group's excellent track record and the restricted availability of the shares, the drop in earnings from 527,6c a share to 519,7c should do little to dampen investors enthusiasm.

Most of the damage was done by the hike in the tax rate which shot up from 37,5 percent to 46 percent and in financial 1989 cost the group R27,4 million compared with financial 1988's tax bill of R18,9 million.

Despite the weakness in the diesel division, group turnover was up 34 percent to R587 million (R438,7 million). Operating income was up 20,6 percent to R69 million (R57,3 million).

MARGINS

The squeeze on operating margins is only apparent as operating profit in any one period cannot be directly related to turnover in that period. However chief executive Blitz Bieber did point out that there was pressure on margins in certain areas.

Net financing costs were up 39,6 percent to R9,4 million (R6,8 million). So, by the time that the pre-tax income level is reached, the 34 percent hike in turnover is reduced to a 18 percent improvement from R50,5 million to R59,6 million.

After allowing for the tax bill, net income shows an increase of only 1,4 percent to R31,9 million (R31,5 million). An increase in shares in issue (to fund two small acquisitions) meant that eps was down to 519,7c.

At the half-way stage when earnings were up 8 percent, Mr Bieber had indicated that full year earnings growth could be in the region of 6 percent. At that stage it was hoped that the tax rate could be held below 46 percent.

In addition the extent of the slowdown in the transport sector and its impact on NEI's diesel division had not been foreseen.

Mr Bieber points out that the diesel side of the group's business (which accounts for around 30 percent of turnover and operating income) reacts very quickly to swings in economic activity.

Performance at the electrical division was fairly pedestrian with increased competition squeezing margins. Mr Bieber says that in 1990, turnover will not be chased at the expense of margins.

The good news is that mechanical division had a very good year. In addition, at this stage the order books in all three divisions are pointing to strong performances for at least a year or two down the track.

With the hike in the tax rate now out of the way (Mr Bieber believes that exports and capital investment will ensure that the tax ceiling stays at around 46 percent) future pre-tax earnings growth will be fairly reflected in distributable income.

For 1990 Mr Bieber, who retires in July, is looking to eps growth of around 5 percent above inflation.

STAR 7/2/90

B/Day 8/2/90

NEC's chief warns govt on energy policy

LESLEY LAMBERT

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CAPE TOWN — National Energy Council (NEC) chairman and former Sasol MD Dawid de Villiers warned government in the NEC's 1988/89 annual financial report not to allow strategic goals to outweigh economics in the energy projects it chose to develop.

"In the interest of the economic welfare of SA, we will have to realise that energy policy must make its contribution to the resolution of our country's economic problems," he said.

"This will necessitate a commitment not to embark upon energy projects where the strategic considerations are so paramount that the importance of economics is ignored or not given sufficient weight."

De Villiers said energy planners needed to focus more attention on those areas where contributions could be made to the improvement of the balance of payments.

Speaking from his home in Cape Town yesterday evening De Villiers said he had not been referring to the controversial Mossgass project in the annual statement. His emphasis had been largely on the need to save fuel by building better roads which would lower fuel consumption or making more fuel-efficient cars, he said.

Clashes

In the 1988/89 statement, he referred to the growing importance of environmental considerations in international and local energy planning. "Clean energy in production and consumption is becoming of paramount importance and is already figuring very prominently in short and long-term energy planning world-wide."

Reporting on the first full year of the NEC's existence, De Villiers said clashes between government points of view and the views of those who had planned the establishment of the NEC had slowed down the Council's disentanglement from the public sector.

This had been the main reason for the difficulty in agreeing on a generally accepted definition of the nature of the NEC. "Privatisation figured prominently in the minds of the legislators when the Council was established by law and the NEC can truly be regarded as a public/private sector forum on energy matters," he said.

Shots fired at Mossel oil venture

STAR 10/2/90

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State will respond to 'waste of cash claim'

CHRIS MOERDYK

THE GOVERNMENT is planning to react strongly to claims that South Africa's massive Mossgas project is a white elephant and waste of money.

Minister of Mineral and Energy Affairs and Public Enterprises Dr Dawie de Villiers is to hold a press conference in Cape Town next week. He will present the findings of the special commission of inquiry into the Mossgas project.

The commission was headed by Iscor chairman Dr Marius de Waal, and it is believed the findings concluded that the project should go ahead.

Debunk claims

After charges this week by former Sasol senior general manager Mr Jan Hoogendoorn that the project was equivalent to "shooting a midge with a cannon", it is believed that Dr de Villiers will use the press conference to debunk this and other negative claims.

Mr Hoogendoorn, now an independent energy consultant, and former head of Sasol research and development, claimed that originally the Government estimated that Mossgas would cost R5,5 billion. This was later increased to R6,6 billion.

In August, the former Minister of Economic Affairs and Technology, Mr Danie Steyn, set the figure at R7,8 billion. Current estimates are R8 billion.

Mr Hoogendoorn said that if the project was scrapped now, a saving of R3 billion could be made.

He said taxpayers were now having to support interest charges on capital loans for the project by about R540 million a year.

He added that the cost of Moss gas was not justifiable, even for strategic reasons.

"In spite of sanctions, South Africa has still managed to acquire oil on the open market."

Comparing Mossgas with other international projects, Mr Hoogendoorn said the North Sea Miller Field gas/oil project would cost only R5,4 billion, including a 240km pipeline. But this would deliver 113 000 barrels a day, compared to only 8 000 a day from Mossgas.

Miller Field would produce 200 million cubic feet of gas a day compared to 160 million from Mossgas.

For South Africa to make a saving by using Mossgas instead of imported fuel, the value of the rand would have to decrease to as much as R6,50 to the US dollar.

Mossgas project managers, Gencor, declined to comment on Mr Hoogendoorn's claims this week, because they did not wish to pre-empt the statement which Dr de Villiers is planning to issue on the subject.

Saturday Star made repeated attempts to elicit comment from Dr de Villiers in order to present both sides of the Mossgas debate.

But in spite of the possibility of yet another single-sided argument being published, he declined to comment. However, a spokesman reiterated that Dr de Villiers would hold a press conference.

Meanwhile, sources involved in the Mossgas project claim that Mr Hoogendoorn is off beam in his calculations on the economic feasibility of the project.

Vital strategy

They told Saturday Star that as all projected Mossgas production figures were classified by law, Mr Hoogendoorn was simply assuming production figures.

They believed that Mossgas would be economically viable even at present oil prices.

They also pointed out that from a strategic point, the Mossgas project was vital. They referred to recent statements by Opec that it was finding it impossible to continue producing oil at present prices, and a cost of 40 US dollars a barrel was not out of the question in the near future.

They also said that warnings by various international experts of another oil crisis in this decade had to be taken seriously.

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Synfuel plant that became a white elephant

FOCUS ON A COSTLY FAILURE

By Charles Parry in Auckland

WHILE SA is shelling out R8-billion for Mossgas, the New Zealand Government wants to pay a private company $390-million to take its $1,2-billion fuel-from-gas plant away.

New Zealand's State-owned synfuel plant became a white elephant because it was debt funded. Falling oil prices and high interest costs have virtually overwhelmed Synfuel, as it is named.

The government is prepared to keep the debt if a prospective buyer merely takes the thing away. It cannot close the plant because it is locked into take-or-pay contracts and there is an oversupply of gas.

New Zealand completed its plant in 1985 at a cost of US$1,22-billion in response to the 1979 oil crisis, which forced the introduction of "carless" days to cut fuel consumption.

Before the first oil shock of 1973, oil imports cost less than 5% of export earnings. The figure jumped to about 25% and weakened the economy.

[redacted]

In financing the Synfuel plant, the government assumed the market risk over the project's 18-year life.

But oil prices dropped, leaving an expensive baby — even if it does produce about 600 000 tons of synfuel a year and uses some of the excess natural gas.

If the debt and costs of the gas are included, Synfuel operates at a loss and has always done so.

But exclude the debt, and Synfuel can produce at about US$23 a barrel, which is competitive with oil-based fuel. The trouble is capital is the biggest cost of all and its cost — interest — cannot be wished away.

The front-end of Synfuel produces methanol, which is then turned into synthetic fuel using a process developed by Mobil.

With hindsight, the contracts signed with Mobil were not commercially sensible either — except from Mobil's point of view.

Although the Sasol process was looked at, Mobil's methanol-to-gas process was selected. It uses the ZSM-5 class of zeolite catalyst, which had not been tested commercially at that time.

The process was proved on a pilot plant and Mobil emerged with a 25% share of Synfuel earnings, plus a contract to provide technical and management services.

The synthetic product is a 92-octane, premium, lead-free fuel. Most of it is sent to a refinery where it is blended with petrol for domestic consumption. Depending on relative prices, about 30% of the raw synfuel is exported, and some recipients use it in cars in undiluted form.

New Zealand is now more than 50% self-sufficient in fuel. It comes mostly from using natural gas in various forms — oil production is still in its infancy.

[redacted]

As part of New Zeland's deregulation process started about six years ago, the government is trying to sell all its assets, and to get rid of the Synfuel plant. It was even willing to effectively pay about US$390-million and absorb the $1,3-billion debt to get rid of Synfuel.

Unfortunately, the Commerce Commission spiked the package deal that included the purchase of offshore gas supplies, so the plant is still on the market.

The would-be buyer is Petrocorp, once a State organisation and now owned by Fletcher Challenge, a New Zealand company better known for its international forestry operations.

Nevertheless, Petrocorp has put in a pipeline to draw off methanol from Synfuel for distillation at Petrocorp's nearby plant. The plant is being upgraded to produce 1 700 tons of distilled methanol a day.

This will allow Synfuel to produce either methanol or synfuel, according to relative international prices. The front-end of the Synfuel plant is the biggest methanol producer in the world, and even if Petrocorp does not buy it, a new owner would welcome the means of having product flexibility.

New Zealand's two largest gasfields are onshore Kapuni with reserves of 419 petajoules (PJ) and offshore Maui holding 5 193 PJ. Both fields are in the Taranaki region — a bulge on the south-west corner of North Island.

[redacted]

Even oil-producing Australia is considering a synfuel plant — its refineries are prone to problems and it has a good supply of natural gas.

Synfuel plants can be profitable, depending on economics, geography, and political factors. But the big lesson from New Zealand is that governments lack the skills to handle the commercial planning, which will not be news to private industry.

Fuel concessions

GERALD REILLY

PRETORIA — Government is to extend exempted area concessions to allow certain bulk conveyance of petroleum products, Transport, Public Works and Land Affairs Minister George Bartlett said here.

The extended concession, which would not affect the revenue base of Sats, was a positive step towards deregulation of the road transportation industry.

Bartlett said the white paper on national transport policy recommendations on deregulation had been accepted by government.

BDay 12/2/90

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Govt stuck with Mossgas

By Peter Fabricius, Political Correspondent

The Government is to push ahead with the multibillion-rand Mossgas fuel-from-gas project — because it has gone too far to be dropped.

Minister of Mineral and Energy Affairs Dr Dawie de Villiers admitted yesterday it was "highly unlikely" the Government would have launched a Mossgas project today.

But R5 billion had already been spent on the half-completed project — estimated) to cost a final R8 billion — and it was too late to get out.

He said the Government had decided to go ahead on the basis of the viability of the remaining costs. The Government had estimated that at an oil price of $19 to $20 a barrel the project would break even.

The present oil price was $18 a barrel.

Dr de Villiers issued a statement yesterday to dispel suggestions that the Government might close the project.

He said that the decision to launch Mossgas was based primarily on strategic and not economic considerations. South Africa was subject to a formal boycott of crude oil supplies.

But in the present changing political climate and with the Government's commitment to sound economic policies, approval for further projects like Mossgas would be "highly unlikely".

Dr de Villiers said he had ordered an assessment of the viability of Mossgas and an investigation of possible alternative uses of the natural gas — including the production of petro-chemicals, steel and electricity.

No better options were found and there were several reasons why the synfuel project could not be ended:

- It was already half complete, the off-shore project was ahead of schedule and the first gas onshore was expected in mid-1990.
- The onshore processing facility was three months behind schedule but was being brought forward.
- Commercial production was expected by mid-1992.
- Existing commitments on the project already amounted to more than R5 billion. If the project was ended this figure would rise significantly because of cancellation and construction clearing costs.
- Depending on future international oil prices, foreign exchange savings would be about R120 billion in money of the day over the life of the project.
- If the project was cancelled foreign loans totalling R1,7 billion would have to be repaid.

Mossgas, Mossref keep expenditure climbing

(55) B'Day. 15/2/90

GRETA STEYN

THE Mossgas and Mossref projects are a major factor keeping the public sector's capital spending increases positive in real terms.

A Central Statistical Service (CSS) survey released yesterday shows the rate of increase in capital spending by the public sector is expected to be a nominal 18,5% in 1990, after 20,2% in 1989.

"Real capital expenditure of the public sector in 1989 was therefore slightly higher than in 1988," CSS said.

Continued real increases in capital spending by the public sector contradict government's stated intention of reducing the public sector's stake in the economy.

But the Mosselbay projects also contribute to economic growth by keeping Gross Domestic Fixed Investment from sagging.

Public corporations are growing at the fastest rate (except Eskom and the Rand Water Board) and CSS ascribed this to expenditure on Mossgas and Mossref.

Last year, spending rose by about 50% and the expected increase for this year is 67%. At R4bn, the spending this year will be more than double that of two years ago.

This category will account for more than 20% of total public sector capital spending this year, from only 11,5% in 1988.

The rise in this category's stake reflects the extent to which other public sector bodies are restraining capital outlays.

Other important spending categories are rising at a slower rate — often negative in real terms. The biggest — electricity — rose by 14,7% in 1989 and is set to rise by only 3% this year.

CSS figures show capital spending by the public sector is expected to be R2,8bn higher in 1989 — after rising by less than R1bn in 1988. Spending is expected to rise a further R3bn in 1990.

But the survey also shows the public sector spent less than planned during 1988. As a result, the increase in public sector spending was negative in real terms in 1988 (A nominal increase of about 7%). It is possible that final figures for 1989 and 1990 will be lower than the survey indicates.

FIM 16/2/90

CATALYTIC CONVERTERS

Curbing vehicle pollution

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At one time the Magaliesberg could be seen clearly from Johannesburg. Now even the downtown skyline is sometimes obscured by smog. Equipping new cars with catalytic converters to reduce dangerous emissions won't eliminate the problem, but it would be a good start.

Stringent legislation mandating converters has improved the air in the US; lead emissions are little more than one-tenth the 1975 level. Europe hopes to follow suit and after 1992 converters will be compulsory throughout the European Community.

This doesn't mean that converters will be coming to SA soon. SA lags so far behind Europe and the US in environmental consciousness that there is not even a consensus that auto exhausts are a serious problem. Even if there was a consensus, there's a Catch-22 situation to overcome: there are no converters because there is no unleaded petrol and there is no unleaded petrol because there are no converters. Some say government must force oil companies and car manufacturers to reduce auto exhaust emissions. But others say this is counterproductive and that a carrot approach is better.

Les Hall of Bosal Afrika, which plans to build converters in SA, says the small size of SA's vehicle population means that exhausts make an infinitesimal contribution to pollution. He says the costs involved are not "Mickey Mouse and there would have to be a real threat before there is legislation enforcing catalytic converters."

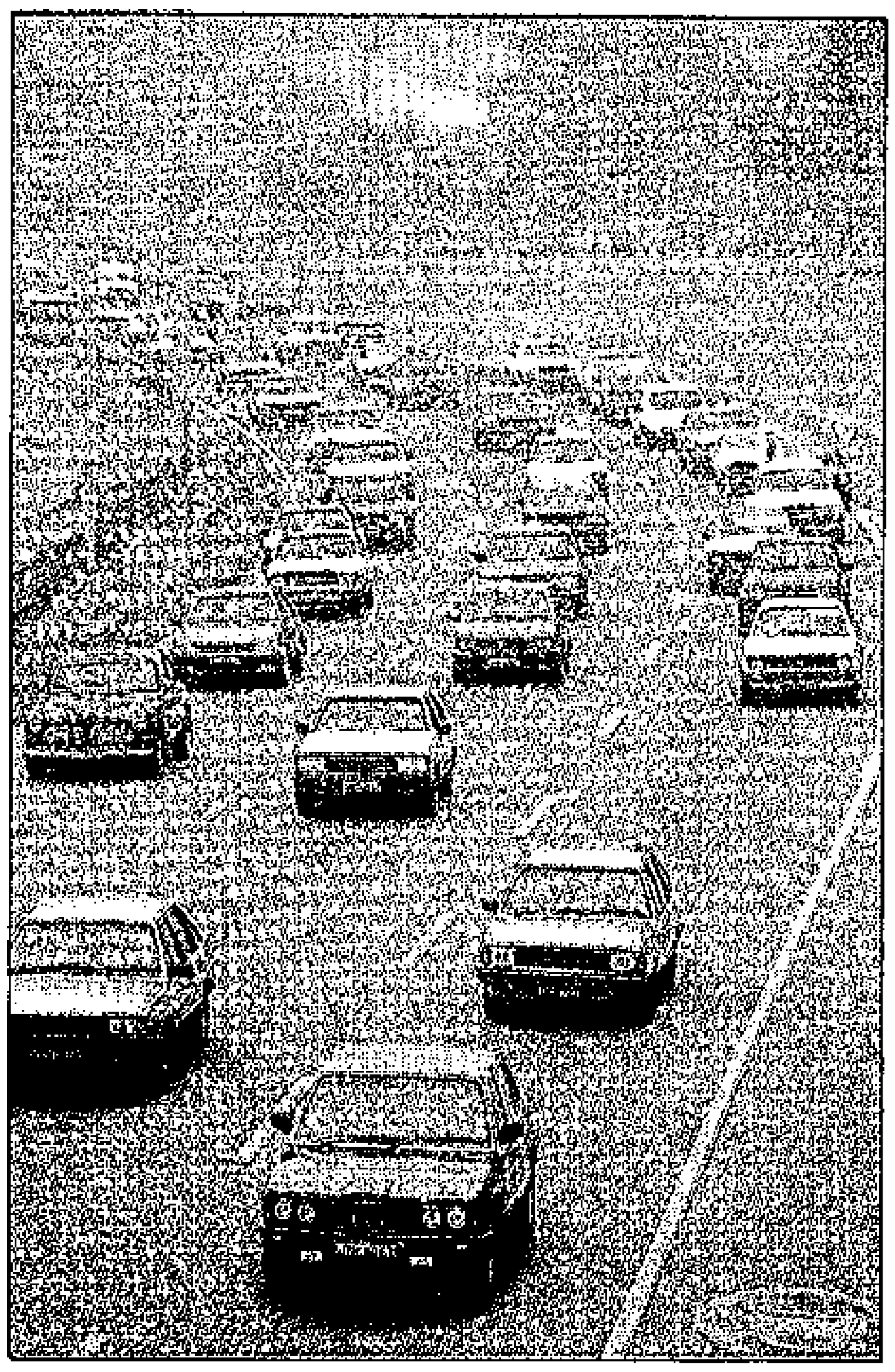
Rupert Lorimer, the Democratic Party (DP)'s environmental spokesman, disagrees. He says that without doubt, SA's pollution is affecting public health and is bad enough to warrant legislation. "Obviously the capital investment and the cost is not something to be happy about — but on the other hand we are poisoning our world."

Martin Lloyd, chief air pollution control officer at the Department of National Health, says the two major contributors to SA's air pollution are smoke from domestic coal fires in the townships and sulphur dioxide emitted from power stations in the Eastern Transvaal. He says vehicle exhausts do contribute significantly to urban pollution, but the problem is not yet serious.

Platinum group metals — platinum, rhodium and palladium — are needed to make converters and unleaded petrol is needed to use them. The platinum metals pose no problem; SA produces more than 80% of the world's platinum-group metals and at least two companies plan to manufacture converters for export.

But while a domestic supply of converters will soon be available, the unleaded petrol they require will not. Unleaded petrol is necessary because lead disables the converter. Lead is added to petrol to increase the octane level, which prevents pinking in the engine. To achieve high octane levels without using lead means additional refining, which is more expensive and reduces the amount of petrol obtained from crude oil. But in the US, unleaded petrol costs only a few cents per gallon more than ordinary petrol.

Shell MD John Drake says setting up the necessary refinery equipment to produce unleaded petrol for SA will take about five years, with costs running into hundreds of millions of rands.



SA's traffic . . . losing sight of downtown

The Automobile Association's Fred Bothma says he doesn't think the country can afford converters. He says the association would like the atmosphere to be clean, "but hell, you've got to be reasonable — there's 1 000 more important things you could spend the money on."

Not surprisingly, car manufacturers are not keen on moving towards converters. One reason is that they would increase car prices — about R500 for a small car and up to R1 500 for larger cars, according to Robert Scott of the National Energy Council.

Nico Vermeulen, director of the National Association of Automobile Manufacturers of SA, says: "Once the decision is taken to fit catalytic converters, it would take years to (have an effect) because only new cars can be fitted with the exhaust systems. SA has a car population of 3,2m while only about 200 000 cars are sold each year. It could take 10-15 years to replace all the old systems." However, proponents say that's all the more reason to start now.

Oil companies and car makers may have to cope with environmental pressures sooner than they think. The DP's Lorimer says public awareness of green issues "will force government into legislating for converters within a good deal less than five years."

Algorax MD Danie Vorster says that though his company makes converters, pressure for legislation "will not come from our side" and that "if the ordinary man wants such legislation, he'll have to pay for it."

There are already moves in this direction. Earthlife Africa has put out a bumper sticker with the message: "This car would rather use unleaded petrol."

However, the Health Department's Lloyd claims vehicle-emission legislation will "definitely not happen within five years." And he doubts whether SA will need such legislation in 10-15 years. "We won't do it until we're absolutely forced to do it." However, he says the department would recommend legislation when it foresees dangerous levels of vehicle pollution.

Frank Vorhies, a business professor at Wits, opposes legislation specifically mandating converters or other pollution-control devices. He says he's concerned that the State doesn't know which technology is best. And he adds that laws like this usually become a floor as well as a ceiling. For example, if converters are required, there's no incentive to find cheaper and even more effective ways of cutting vehicle emissions.

The National Energy Council, for one, rattles off a stream of alternatives to converters: fuel conservation, improved traffic flow, mass transport, correct engine settings, smaller cars, alternative fuels and alternative modes of transport.

Instead of forcing the use of converters or other devices, Vorhies would like to see a tax on vehicle pollution that would encourage continuous research into finding new ways of reducing emissions. He says there could be a pollution meter on the exhaust system that would be checked much like an electric meter, and drivers would be taxed on how much gunk their cars spewed into the atmosphere. It would pay car owners to buy cars with converters to avoid the tax.

Another way would be to have an annual pollution check, he says. Many cities and states in the US require an annual "roadworthy" for pollution. Cars that don't pass

P.T.O.

SOWETAN Tuesday February 20 1990

Mine used in blast

8020

(55)

SOVIET SPM limpet mines caused the two explosions which rocked an Eldorado Park electrical substation on Sunday night, setting the installation on fire and cutting the area's power supply, police said yesterday.

SAP spokesman Col Tienie Halgryn said it had been established the blasts were caused by SPM mines.

The first blast occurred just after 10pm and the second minutes later.

An Eldorado Park resident said the two blasts drew a large crowd of onlookers who watched while police attempted to extinguish the blaze.

A spokesman for the Johannesburg City Council's electricity department was not available for comment on the extent of the damage and progress on repairs to the substation. - Sapa during the latest specified period of 12 months for which figures are available;

(2) whether this base is manned by (a) the Krugersdorp Commando and (b) other Defence Force units; if so, by which other units?

Hansard 20/2/90

B105E

The DEPUTY MINISTER OF DEFENCE:

(1) R136 049 for the period 1 February 1989 until 31 January 1990.

(2) (a) and (b)

Particulars about the utilization and deployment of SA Defence Force units can, due to security implications, not be supplied.

Henry R Pike: prohibited publication

*8. Mr J H VAN DER MERWE asked the Minister of Home Affairs:†

Whether a certain book by the author Henry R Pike, the name of which has been furnished to the Minister's Department for the purposes of his reply, is a prohibited publication in the Republic of South Africa; if so, (a) for what reasons and (b) what is the name of this book?

Hansard 20/2/90

B106E

†The MINISTER OF HOME AFFAIRS:

No.

(a) and (b) fall away.

Nuclear Non-Proliferation Treaty: signing

*9. Mr F J LE ROUX asked the Minister of Foreign Affairs:†

(1) Whether the Government intends to sign the Nuclear Non-Proliferation Treaty; if so, why;

(2) whether he will make a statement on the matter?

Hansard 20/2/90

B117E

†The MINISTER OF FOREIGN AFFAIRS:

(1) The Government's position is broadly still the same as set out in a statement by the previous State President dated 21 September 1987 which reads as follows:

"Na aanleiding van persberigte oor Suid-Afrika se moontlike ondertekening van die Kernsperverdrag het die Staatspresident vandag in Kaapstad gesê dat die Suid-Afrikaanse Regering reeds jarelank met die IAEA asook met sekere individuele lande onderhandel oor voorwaardes vir waarborge op Suid-Afrikaanse installasies. Hansard 20/2/90

Suid-Afrika se standpunt hieromtrent is gedurende die afgelope week soos volg aan die Regerings van 'n aantal lande oorgedra:

'The Republic of South Africa is prepared to commence negotiations with each of the nuclear weapon states on the possibility of signing the non-proliferation treaty. At the same time the RSA will consider including in these negotiations safeguards on its installations subject to the NPT conditions. The nature of these negotiations will depend on the outcome of the 31st General Conference of the IAEA to be held in Vienna as from 22 September.'

'South Africa hopes that it will soon be able to sign the NPT and has decided to open discussions with others to this end. Any safeguards agreement which might subsequently be negotiated with the IAEA would naturally be along the same lines as, and in conformity with, agreements with other NPT signatories.'"

(2) No, not at this stage.

Fishing vessels with gill nets

*10. Mr C W EGLIN asked the Minister of Environment Affairs: Hansard 20/2/90

(1) Whether he has had any discussions with the Minister of Agriculture of the Republic of China on the subject of fishing vessels equipped with gill nets; if so, when did these discussions take place;

(2) whether the said Minister gave him any assurances in this regard; if so, what assurances?

B119E

†The MINISTER OF ENVIRONMENT AFFAIRS:

(1) Yes, on 22 January 1990.

(2) Yes.

(a) Assurance was given that the Government of the Republic of China will do everything in it's power to prevent a repeat of the incident.

(b) the Government of the Republic of China is presently busy revising their own regulations with regard to gill nets in order to phase out the use thereof.

Tunny landed

*11. Mr R J LORIMER asked the Minister of Environment Affairs: Hansard 20/2/90

What was the quantity of tunny landed at South African ports by (a) South African and (b) foreign boats during the latest specified period of 12 months for which statistics are available?

B121E

The MINISTER OF ENVIRONMENT AFFAIRS:

The figures for 1989 are as follows:

(a) 4 000 tons landed.

(b) Statistics of this nature are kept by the customs authorities and will only be available in a few months time.

Mr R J LORIMER: Mr Chairman, arising out of the hon the Minister's reply, are tunny subject to quota controls as are other white fish in the Republic.

The MINISTER: Mr Chairman, tunny are not subject to quota control.

Mr R J LORIMER: Mr Chairman, further arising out of the hon the Minister's reply, could I ask him whether or not he will give consideration to introducing control over the quantity of tunny landed off our coast?

The MINISTER: Mr Chairman, tunny is one of the species which, as far as I am aware, is not under quota control anywhere in the world because it is considered as a sort of international fish which moves from one ocean to another. It would be very difficult to introduce tunny control quotas into this country but I will consider the suggestion of the hon member and perhaps report back on it later.

Cycads: illegal export

*12. Mr R J LORIMER asked the Minister of Planning and Provincial Affairs:

(1) Whether the commission of inquiry into the possible illegal export of cycads has presented its report; if so, what were its findings; if not, when is it anticipated that the report will be presented;

(2) whether the report will be published; if not, why not; if so, when?

B122E

The DEPUTY MINISTER OF PLANNING AND PROVINCIAL AFFAIRS:

(1) and (2).

It is anticipated that the report will be ready for submission to the State President approximately April 1990. Government will then study the report and decide on further steps.

Mr R J LORIMER: Mr Chairman, arising out of the hon the Deputy Minister's reply, when he talks about further steps, do these involve whether or not the report will be published?

The DEPUTY MINISTER: Mr Chairman, I suggest that the hon member has a bit of patience unless he wants to prescribe what must happen before the report is even dealt with. I think the Government will study the report and then steps will be considered. [Interjections.]

Eskom: second nuclear power station

*13. Mr R M BURROWS asked the Minister of Mineral and Energy Affairs and Public Enterprises: Hansard 20/2/90

Whether Eskom intends erecting a second nuclear power station in South Africa; if so, (a) where is it anticipated that this power station will be erected, (b) what is the anticipated life span of the station and (c) when is it anticipated that construction will begin?

SS

B123E

The DEPUTY MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES:

No decision has as yet been taken by the Government in connection with the erection of a second Nuclear Power Station.

(a) Fall away.

(b) Fall away.

(c) Fall away.

SANA: conditions of service

*14. Mr M J ELLIS asked the Minister for Administration and Privatisation: Hansard 20/2/90

Mossgas project: cost estimate

*23. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs and Public Enterprises: (55) Hansard 20/2/90

(1) (a) What was the originally budgeted cost estimate for the Mossgas project and (b)(i) what is the latest estimate for the final total cost of the project and (ii) in respect of what date is this estimate furnished;

(2) whether he will make a statement on the viability of the project?

B132E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES:

(1) (a) The originally budgeted fixed capital cost for the FA gas reserve development phase and the onshore facility was R6 520 million before contingencies or R6 895 million with contingencies in escalated terms.

(b) (i) R8 000 million in escalated terms for the mentioned development. The extent of additional capital investment for the development of further gas reserves will depend on the extent of reserves in the existing FA gas field. Should such investment be necessary, indications are that it could be long deferred and financed from the cash flow of the project itself.

(ii) December 1989.

(2) I have already issued a full statement on Tuesday, 13 February 1990.

Lead level: urban locations

*24. Mr R F HASWELL asked the Minister of National Health and Population Development:

Hansard 20/2/90

(1) Whether, with reference to the statistics on Cape Town given in the replies to Question No 528 on 23 February 1987, Question No 1218 on 14 June 1988 and Question No 506 on 26 May 1989, the average recorded lead level in all major urban locations has similarly increased;

(2) whether she intends taking any action to ensure that such levels do not exceed the stated maximum permissible concentrations for lead in the atmosphere; if so, (a) what action and (b) when?

Hansard 20/2/90 B133E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

(1) Yes for inland, no for coastal areas;

(2) although an increase in the concentration of lead levels in air was found for inland regions, the levels to which the public is exposed to, remain well below accepted maximum allowable concentrations. It may however be expected that the trend will now be downwards after the lead content in petrol was further reduced from 0,6 to 0,4 gram per liter in 1989,

(a) and (b) fall away.

Pietermaritzburg area: toxic waste dump

*25. Mr R F HASWELL asked the Minister of Environment Affairs:

Whether his Department has taken any action as a result of the discovery of toxic waste dumps in the Pietermaritzburg area in (a) September 1989 and (b) January 1990; if so, (i) what action, and (ii) when, in each case; if not, why not?

Hansard 20/2/90 B134E

The MINISTER OF ENVIRONMENT AFFAIRS:

(a) Yes.

(i) and (ii) The Department of Environment Affairs, which has a co-ordinating function regarding pollution control, and the Department of Water Affairs, which has executive powers regarding water pollution and waste disposal control, both followed up the matter. The Department of Environment Affairs brought the matter to the attention of the Town Clerk of Pietermaritzburg. The Department of Water Affairs called a meeting for 21 September 1989 with ISP Recyclers. It was stipulated that the company must report back by 6 October 1989 on the method for the removal of the drums and any contaminated soil and the treatment of the waste. On 6 October 1989 it was agreed that the drums would be removed from the Table Mountain, Mattison and

continues to p185 →

continue from p84

Rainy Days sites. The Department of Water Affairs requested that this latter site be fenced in and that a two weekly report on progress be submitted.

(b) Yes. Hansard 20/2/90

(i) and (ii) With the discovery of a further dumping site at Copes Folly as well as the delay in meeting the full requirements of the Department of Water Affairs in removing all the drums from the Table Mountain, Mattison and Rainy Days sites, another meeting was called on 2 February 1990. That Department instructed the company to completely remove all drums and contaminated soil from Copes Folly, before 16 February 1990. (Officials of the Department of Water Affairs have confirmed that this has been done). It was further stipulated that all drums from the Rainy Days site be removed by 22 February 1990 and from the Mattison site by 28 February 1990. It addition it was stipulated that all the sites should be rehabilitated to the satisfaction of the Department.

It has now been established that all drums have been removed from all the sites and that rehabilitation measures are about to commence. The situation has therefore been 95% remedied. After in depth investigation by officials of the Department of Water Affairs it was concluded that no legal action could be taken in terms of the Water Act, 1956 (Act 54 of 1956) as no water was polluted. The proposed regulations on solid waste disposal should address matters such as these in the near future.

PE: Group Areas Act

*26. Mr E W TRENT asked the Minister of Planning and Provincial Affairs:

Whether he or his predecessor received an application by the Port Elizabeth City Council for the provisions of section 19 of the Group Areas Act, No 36 of 1966, to be made applicable to the entire municipal area; if so, (a) when was this application received, (b) what was the response thereto and (c) what action has been taken as a result of the application? Hansard 20/2/90

B135E

The MINISTER OF PLANNING AND PROVINCIAL AFFAIRS: Hansard 20/2/90

Yes.

(a) 26 July 1985.

(b) and (c) A smaller area was advertised and investigated by the Group Areas Board. Seven areas were proclaimed free trading areas by Proclamation 207 of 1986.

Tembisa scene of unrest: press

*27. Mr P G SOAL asked the Minister of Law and Order: Hansard 20/2/90

Whether any members of the South African Police ordered members of the Press to leave a scene of unrest in Tembisa on or about 5 February 1990; if so, (a) why, (b) on whose instructions and (c) in terms of what statutory provisions or regulations?

B141E

The MINISTER OF LAW AND ORDER:

Yes.

(a) to (c) As far as could be ascertained only one television cameraman was warned, in terms of Regulation 2(3) of the Security Emergency Regulations, to leave the area.

This cameraman continually attempted to take close up photographs of the commander of a riot unit which was already deployed and busy dispersing a riotous crowd. On the one hand these actions hindered the officer in his attempt to maintain the public order and on the other hand, for that very reason, had the effect that the crowd who observed it, acted more sensationally and in so doing further disturbed the public order.

The officer warned the cameraman several times to cease his conduct. However, the cameraman did not heed these warnings. As a last resort, instructions were given for him to be taken to the Tembisa police station and warned to leave the area. He did not return to the scene of the unrest.

Protest march: free trains

*28 Mr J VAN ECK asked the Minister of Law and Order: Hansard 20/2/90

(1) Whether, with reference to the protest march held in Cape Town on 31 January 1990, the South African Police were in-

continue p187 →

The Star

Finance

Productive Delta scores on all fronts

Star 23/2/90 (55)

By Ann Crotty

The Delta Electrical team has produced the goods yet again. For the 12 months to end-December 1989 earnings per share rose 33 percent to 42,9c (32,3c). A dividend of 19c a share has been declared — 52 percent ahead of the previous year's 12,5c.

Apart from the strong operating performance, two major features of financial 1989 were the acquisition of control of Delta EMD and, the acquisition of 20 percent of Valard in exchange for Delta's 50 percent stake in Ernest Lowe Hydrotube. These transactions were concluded during financial 1988 but only became effective at beginning of January 1989.

No turnover figures are given. MD Graham Salter says that the percentage increase will be revealed in the annual report.

Operating income shot up 65 percent to R37,2 million (R22,5 million). This is likely to include a significant improvement in margins coming from improved productivity and a change in sales mix.

Part of the improved productivity is reflected in the fact that working capital was only up 7,5 percent.

The sales mix will have changed in favour of stronger margins as a result of taking on board the higher margin EMD sales.

The interest position has switched to a payment of R1,1 million from a receipt of R970 000. This is in line with the sharp increase in borrowings from R190 000 to R6,8 million and reflects the use of cash to fund part of the EMD acquisition plus the need to finance plant upgrading at EMD.

Pre-tax income was up 53 percent to R36 million (R23,5 million); taxed income was 62 percent ahead at R19,1 million (R11,8 million). There was a sharp rise in income from associates to R1,4 million (R408 million) as a result of the Valard deal.

The increase in outside shareholders' interest to R2,9 million (R739 000) is chiefly due to the 40 percent minority shareholding in EMD.

Attributable earnings are up 53 percent to R17,6 million (R11,5 million).

Dividend cover has been reduced from 2,6 to 2,3 times. Mr Salter believes that this level can be comfortably sustained given the group's strong cash flow.

It looks as though the contribution from EMD was stronger than expected at the time of the transaction — it accounted for 17 percent of the group's attributable income against a forecast of around 15 percent.

The balance sheet was significantly affected by the EMD acquisition. Outside shareholders' interest shot up to R9 million from R3 million; deferred tax was up from R4,8 million to R10,3 million; short-term borrowings increased from R190 000 to R6,8 million and; fixed assets more than doubled to R34 million from R16,4 million.

Unless there's a major deterioration in the economy during financial 1990, it seems likely that Delta will produce another set of sterling figures for this year.

The group's involvement in the repair and maintenance industry means that it is comfortably cushioned from the impact of economic downturns. In addition the inevitable real growth in the use of power means that its market will always be increasing.

Gencor takes R2bn energy giant to JSE

S/ Times 25/7/90. (55)

GENCOR is to form a huge energy company by injecting Mobil, its stake in Mossgas and other energy interests into its listed subsidiary Trek Petroleum.

Engen, as the company will be known, will have turnover of R5-billion and taxed profits of about R200-million in its first year. The group will comprise marketing, production and exploration arms.

By Ian Smith

The marketing arm, incorporating Mobil, Trek and Sonap, will have 1 500 petrol stations.

The production division will refine oil, producing petroleum and chemicals. Exploration will be by contract with Soekor.

In a R2-billion reconstruction, Engen will come to the JSE boards through the acquisition by Trek of Mobil SA, Sonap, Gencor's 30% interests in the Mossgas oil-from-gas project and its 20% interest in Soekor's Bredasdorp basin offshore drilling prospect.

Spread

Trek Beleggings, listed in 1968 and prominent in the Business Times Top 100 companies, will change its name to Engen. Gencor will exchange its 100% Mobil holding for the issue of 89,8-million Engen shares.

Stakes in the Engen group will be Gencor with 84,4%, Genbel with 9,6% and other minorities, mainly existing Trek shareholders with 6%.

Gencor intends to dilute its Engen holding to give a wider spread, says Engen chairman Bernard Smith. Details about how this can be done have not been decided.

The issue of new shares may mean some earnings dilution in the first year because of the effects of Soekor's exploration

Gencor's oil-from-torbanite scheme, which has been put on ice with other synfuel projects, and minor interests in North Sea oil operations.

A feasibility study for the expansion and upgrading of the Durban refinery at a cost of about R600-million is in its final stages. The total cost over five years could be R1-billion, says Mr Angel.

The project will be aimed at enabling the refinery to take over the Trek refining currently handled by Shell and BP under a three-year agreement, together with other processing and export opportunites.

The revamp will also try to improve total yields, including more by-product chemical feedstocks.

The group's lubricant blending plant is also likely to be upgraded at a cost of about R100-million.

Engen's profits, including the results of Mobil and Soekor from March 1, are forecast at R117,8-million, or 180,8c a share, for the year to August 31. Attributable profits should be about R200-million, or 181,9c a share.

Trek Beleggings is expected to declare a 35c dividend next month for the half-year to February 28. The new shares issued for Mobil and Genref will not qualify.

Engen is expected to pay a final dividend for the 1990 year of 55c a share. Future dividends will be at least twice covered by earnings.

Mr Angel, who spent 22 years with Mobil around the world, says the formation of an energy group which is not hampered by restrictions on foreign-controlled companies and which has access to huge SA resources, opens up great opportunities.

Balance

Engen will take over the contract to manage Mossgas. The balance of Gencor's agreed contribution of about R1-billion is due within six months of the start of commercial production or four months after the project has been deomonstrated to be "commercially viable and robust".

This is unlikely to be before the second half of 1992, and if Engen does not take up

To Page 2

ROB ANGEL . . . turned down six top jobs with Mobil to stay in SA Picture: TERRY SHEAN

MD goes as Southsun Timeshare retrenches

S/ Times 25/7/90.

SOUTHERN Sun Timesharing (SST) has trimmed operations and retrenched former managing director Gavin Michelmore.

By Charmain Naidoo

With the timeshare business in the doldrums, SST and Southern Sun Hotels have restructured the operation of their Resort Ownership Division.

SST executive chairman Brian Stocks says: "This division was previously responsible for the operation of the timeshare sales at eight resorts and for management at 10 Southern Sun hotels.

"The partners have agreed to reallocate its work to eliminate some of the duplication between the division and on-site hotel operations."

All hotel duties at the timeshare resorts will fall under the direct responsibility of Peter Smith, managing director of SS Hotels

The group's share of earnings from SST declined by over 50%.

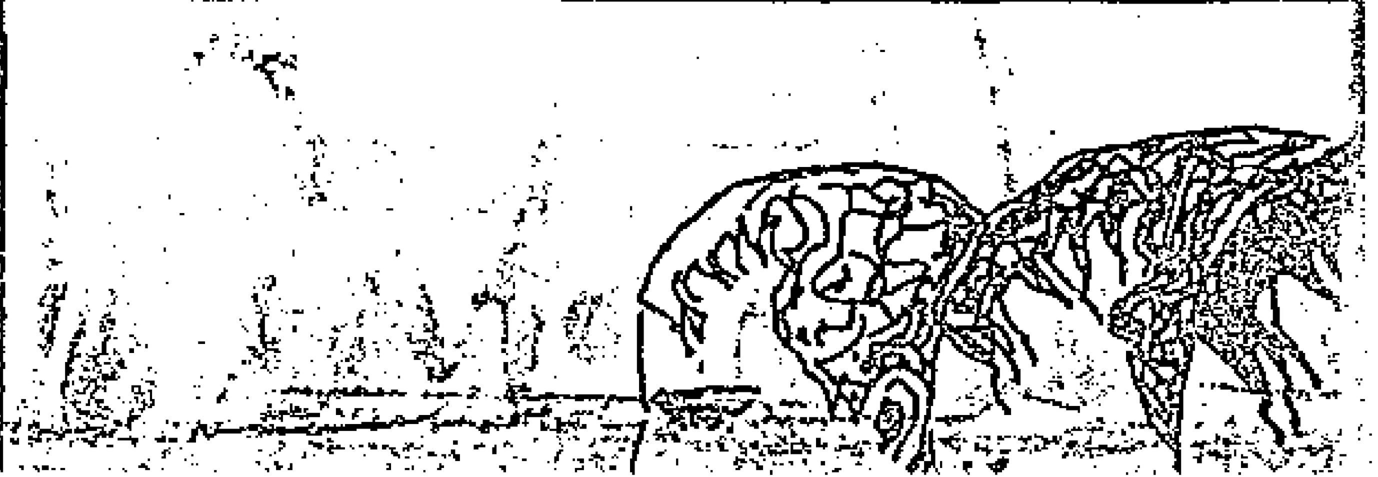
Mr Stocks says: "Our profitability was down because four projects were added to our portfolio — Drakensburg Sun, Pine Lake, Breakers at Umhlanga Rocks and The Palace in Durban."

Southern Sun group managing director Bruno Corte said in the annual report that because of delays in launching and high start-up costs, profit contributions by existing projects — Umhlanga Sands, Beacon Island, Cabana Beach and Sabie River Hotel — were eroded by new projects.

Sun Swop, begun in Mr Michelmore's time with the company and sanctioned by chairman Mr Stocks, provides facilities for existing owners. The swop division

Barend takes

S/ Times 25/7/90. (49)



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The issue of new shares may mean some earnings dilution in the first year because of the effects of Soekor's exploration.

But these are likely to be more than offset by the significant rationalisation and synergistic benefits of the new group," says Mr Smith.

Engen will pay R30-million in cash for Gencor's stake in Mossgas and R24,8-million for Gencor's rights and obligations under the Soekor participation agreement.

Seconded

For the first time, SA will be able to claim it has a totally integrated energy group, says former Mobil SA chairman and chief executive Rob Angel, who has opted to remain as managing director and chief executive officer of Engen.

Australian-born Mr Angel was seconded to Gencor for a year after the Mobil sell-out to smooth the transition. But he decided to stay when he recognised the prospects of the new group and Gencor's management style.

"I was given the choice of several international positions with Mobil, but this is the job for me."

Mr Smith says Engen gives investors a unique opportunity to share in the full spectrum of petrochemical activities, from oil and gas exploration to marketing of the product.

In the background and not committed to Engen are Gencor's oil-from-torbanite scheme, which has been put on ice with other synfuel projects, and minor interests in North Sea oil operations.

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55

● From Page 1

Gencor giant

its option its shareholding will be diluted.

Mr Angel says a projection giving a Mossgas break-even point of $20 a barrel of crude oil is "reasonable". The current price is about $21 a barrel.

COMMENT: The strongly rising share price of Trek these past few months shows that the market had wind of the deal for some time. The Friday closing price of 2 300c is 12,6 times pro forma earnings compared with Sasol's PE of about 10.

Engen's tax rate is likely to remain low for several years because of proposed extensions to the refinery. So, given the benefits of more throughput at the refinery, distribution and overhead cost savings, earnings are likely to spurt in years two and three.

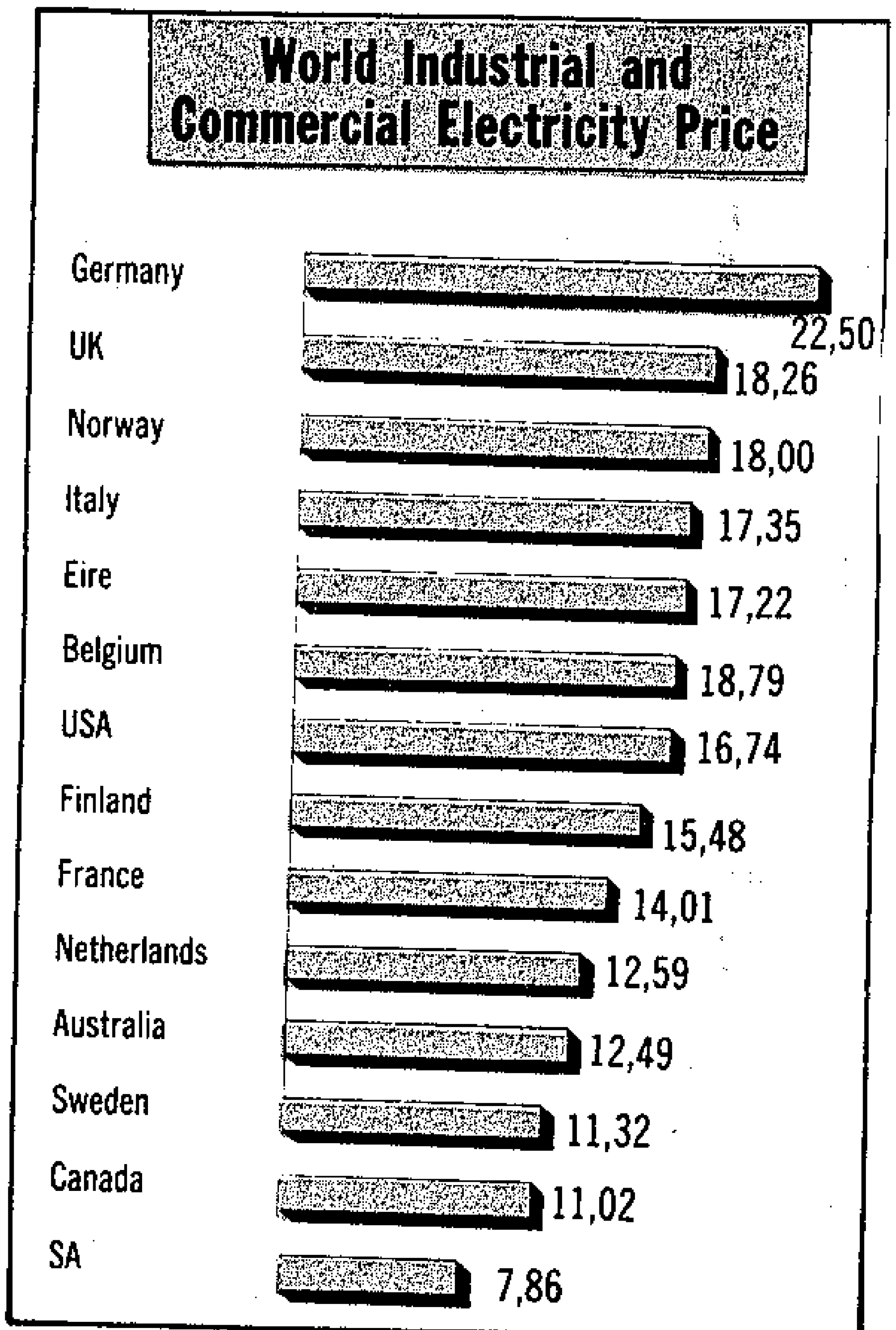
Petrol product demand grows reliably by 4% to 5% a year and Engen is well placed to increase market share. It is an all-cash business. Engen is well placed for acquisitions, should any of its rivals consider disinvesting. There is a shortage of this quality of scrip, so the price is likely to move up sharply tomorrow.

The deal illustrates the financial genius of Derek Keys, who bought Mobil for R650-million and which is valued here at R1,9-billion (89,8-million new Trek shares being issued at current value of R23). The deal adds a net R1,3-billion or 120c a share to Gencor's net asset value.

Sunday Times

B/Day 26/2/90

Increases will put SA consumers among highest of payers



THE local cost of electrical power is among the lowest in the Western world, but inflation is eroding this advantage and at the present rate of increases SA will shortly begin overtaking other nations.

Marketing director of National Utility Services (NUS) Peter Cornelius says local price increases far exceed average world rates of increase.

"Unless we bring costs under control we will eventually rank among the countries with the most expensive electricity in the world," he says.

"The net power cost in SA as at the first billing of 1990 is 9,13c/kWh, based on a 1 000kVA, 450 000kWh customer-owned transformer. It shows that SA is still the cheapest generator of power among 14 countries we survey.

"But if increases hold at above 10% to 12% a year for the next five years, SA power costs will at least double, which would put it in the middle of the power cost league as it stands at present.

"Within a decade, local power costs could compound to close to 30c/kWh."

The cost of power from Eskom has increased by at least 10% annually for the past five years.

In 1987 it increased by 20%, in December 1988 price hikes amounted to 12,5%, and in January this year it went up a further 14%.

Comparison

By comparison, during 1988, the UK and Australia recorded increases of 6,83% and 5,98% respectively, and the 11 other countries recorded showed even more conservative increases, while the Netherlands experienced a decrease.

NUS specialises in the use of tariff analysis to enable its clients in commerce and industry to maximise their energy savings. It operates in 80 countries, servicing 750 000 business establishments worldwide.

The company conducts an annual international survey of electricity prices based on prices paid by its clients.

1989 was the second consecutive year that the cost of power in major South African centres formed part of the NUS study, which is published locally in July and is recognised internationally as the authoritative reference work on power cost trends.

Cornelius says SA must completely rethink its attitudes towards power consumption.

"South Africans tend to be profligate with their power consumption."

"This will change drastically, spurring heavy demand for methods and equipment which reduce consumption of electricity, or research into the viability of alternative energy sources."

In the meantime, he says, SA's electricity costs are acting as a hidden trade barrier, putting it at a competitive disadvantage in world markets.

He criticises Eskom for having estimated power consumption off-take, which has forced it to put a significant proportion of its power station construction programme in mothballs.

Resurrecting the programme would ultimately be more costly, he says, while in the meantime unproductive assets are lying idle.

Sasol fails to match last year's growth

Star 26/2/90 (55)

By Derek Tommey

Shareholders in Sasol, South Africa's biggest petro-chemical operation, will not be too pleased with profit figures for the six months to last December 23.

A year ago, in the six months to December 1988, Sasol reported a 34,8 percent increase in taxed profit.

Six months ago it reported a 32,7 percent rise in profits for the 12 months to last June.

But for the six months to last December the increase was only 18,3 percent — from R279,2 million, equal to 49,6c a share, to R330,2 million, equal to 58,6c a share.

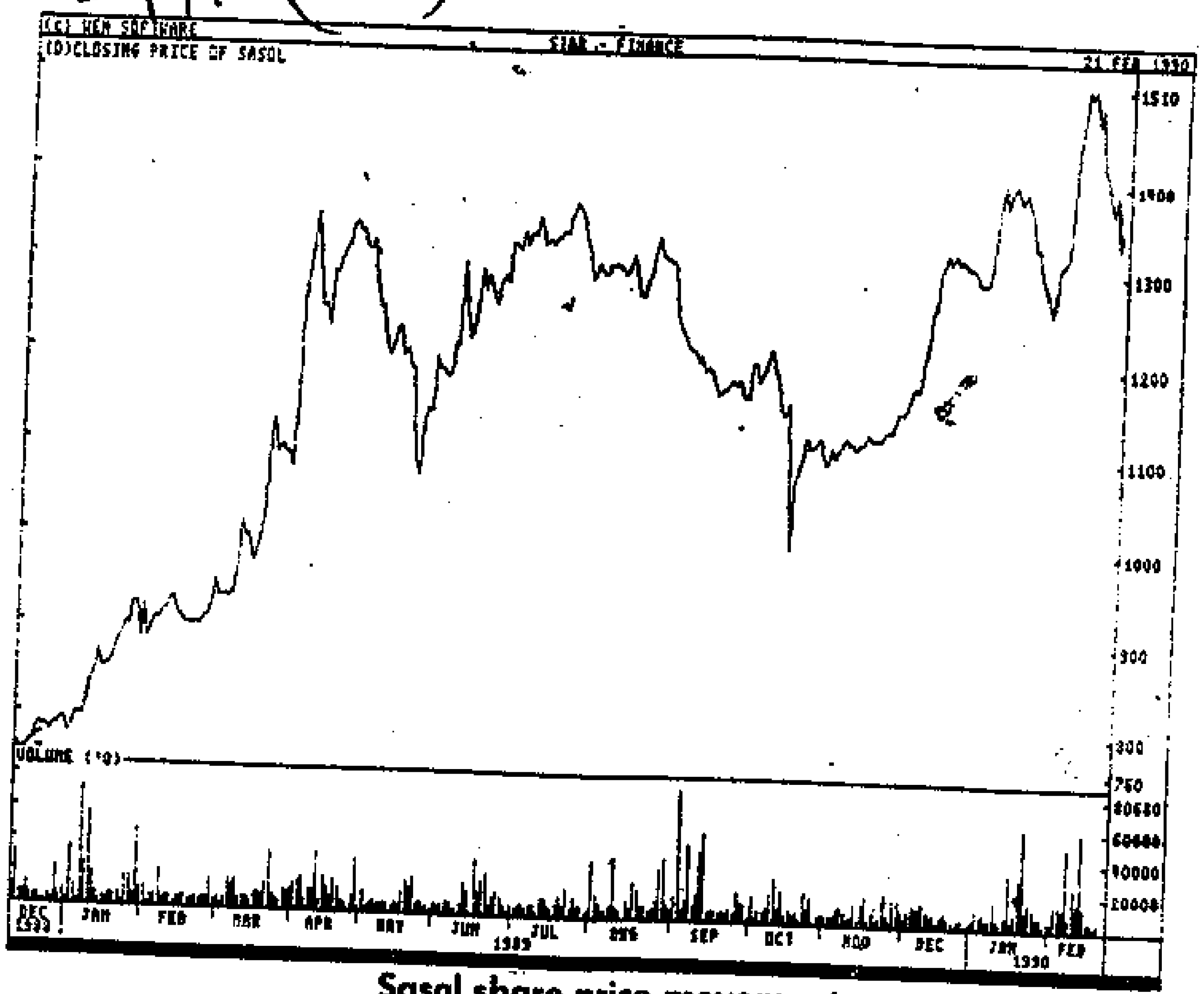
The figures would not have been this good if Sasol Three had not declared an interim dividend, which it did not do last year. The interim dividend has been increased 10 percent (11,1 percent a year ago) from 25c to 27,5c.

The figures reflect a marked slowdown in profit growth. However, the directors assure shareholders that in the absence of major changes in current price levels, profit in the second half should be better than in the first.

The directors blame the slower profit growth mainly on the need to replace the equipment downstream of the synthol reactors.

This equipment, which has become corroded, caused the fire at Sasol Three last year.

The inspection and replacement programme affected production at Secunda in the six months and will continue to do so in the six months to June, though to a lesser extent.



Sasol share price movement

But profits continued to improve, mainly as a result of higher crude oil prices, better refinery margins, higher prices for chemical products, a weaker rand and strict cost control.

Sasol was also helped by a new framework for tariff protection, which provides greater stability for the local industry.

This month the industry is getting 7,8c a litre tariff protection, against 6c previously.

Higher prices resulted in the contribution of chemical activities to profits being about the same as in the previous period, despite lower production.

The demand for fertilisers droped sharply, but operating profits increased thanks to the purchase of part of the Fedmis operation.

But Sasol says the return on the investment is still unsatisfactory.

The explosives division is not contributing much to profits, by is incrasing market share.

Production at Sasol Three was also affected by the inspection and replacement programme.

But it was able to increase profit from R50 million to R73,5 million and has declared an interim dividend of R50 million (last year, nil), of which R25 million goes to Sasol.

Turnover rose 15,8 percent from R2,0 billion to R2,36 billion, net operating income increased 16,4 percent from R526,3 million to R613,1 million and pre-tax income, boosted by Sasol Three's dividend of R25 million, rose 22,3 percent from R525,2 million to R642,1 million.

A slightly higher tax rate trimmed the increase in taxed income 19 percent to R333,3 million.

The Star
Finance

Cash mountain needed to fund Engen interests

By Derek Tommey

Details about arrangements for financing the controversial Mossgas energy project are published today by Engen, the petrochemical giant being formed by Gencor from the consolidation of its interests in Trek, Mobil, Sonap, Genref and Mossgas.

Listed Trek Beleggings is being renamed Engen and after it has absorbed Gencor's interests it will have a turnover of R5 billion, profits of R200 million a year, earn 182c a share and pay 90c a share.

One of Engen's most important holdings will be Gencor's interests in the Mossgas synfuel project.

Mossgas is tapping gas deposits below the seabed off Mossel Bay to be piped ashore and converted into petroleum fuels and chemicals.

It is estimated that Mossgas will have enough gas for a life of at least 25 years.

Engen is acquiring from Gencor its 30 percent stake in Mossgas and its contract to manage the company. The other shareholders are Central Energy Fund (CEF) with 50 percent and the Industrial Development Corporation with 20 percent.

Gencor has contributed R30 million to the project and if it is satisfied it is viable it will have to provide R1 billion when it reaches the production stage.

The agreement with Gencor, which presumably will be taken up by Engen, stipulates that Gencor has to provide the balance of funds within six months from the start of commercial production by Mossgas or within four months of the project having been demonstrated "to be commercial viable and robust".

The project will cost R8 billion. Shareholders are to provide 40 percent (about R3,2 billion), the CEF will provide a further 40 percent from special loans and the balance of 20 percent (R1,6 billion) will come from commercial loans and normal export credits.

Mossgas is expected to break even at a world oil price of $15 a barrel and to earn enough to pay interest on its loans and pay dividends on its share capital at a price of around $20 a barrel.

North Sea Brent crude, the main international price marker, was trading at $18,75 a barrel on Friday.

Engen does not mention how it will raise the R1 billion to follow up its interests in Mossgas. But a rights issue would appear to be the obvious course.

However, as only six pecent of Engen's issued share capital is held outside Gencor, this would mean most of the R1 billion would have to come from Gencor itself.

Gencor might be able to raise the money, if pressed — it recently raised R1,3 billion from is own rights issue.

And Engen says it has considerable financial resources at its disposal. Nonetheless, the burden on Gencor would be lessened if some of its Engen shares were sold to other institutions and people. And this apparently is what Gencor intends doing.

This will be an interesting excercise and investors will have to wait to see how this affects Engen's share price.

On the one hand, Gencor would like Engen shares to have a high market rating so that they command a high price.

On the hand, Gencor would not like the price to go so high that it had difficulty selling large numbers of Engen shares.

Engen is getting several important assets. Mobil is a major marketer of petroleum products and has more than 1 000 retail outlets and 70 bulk fuel storage depots.

Trek has 385 service stations and an interest in a plant for the re-refining and manufacture of bitumen.

Sonap has 130 service stations, while Genref operates the former Mobil refinery in Durban.

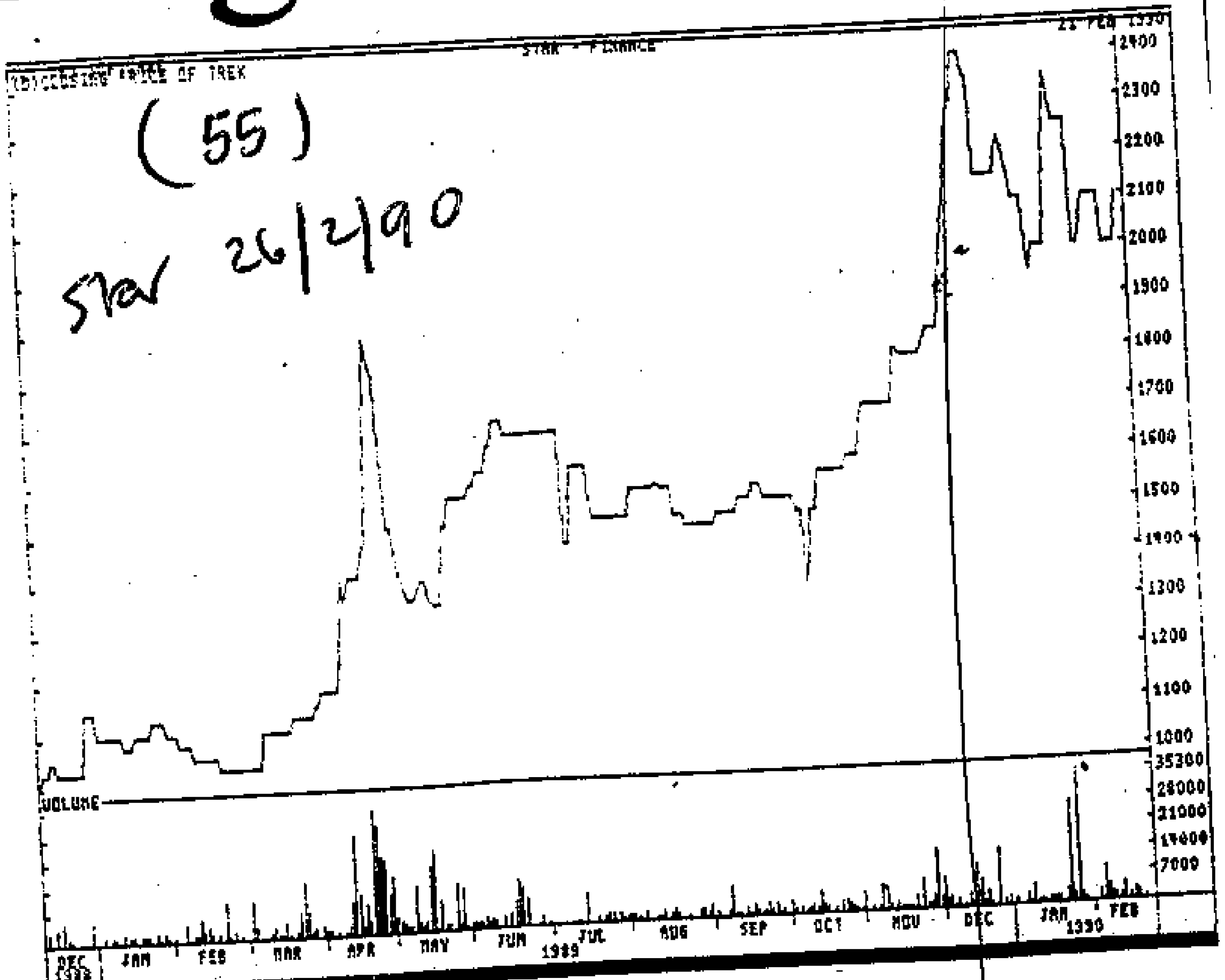
Engen will also take over certain participation rights negotiated by Gencor with Soekor.

Internationally recognised energy advisers say Soekor's exploration work has been encouraging in the areas in which Engen has an interest.

But Engen warns that exploration for natural gas and oil, particularly off-shore, is a financially high-risk acivity.

Engen's directors say the company has exciting growth potential. It is well-placed to participate in the liquid fuels and lubricants markets which should grow at a faster rate than the economy.

(55)
Star 26/2/90



Trek share price movement

Petrol prices are not so excessive

BDay 26/2/90

55

CONTRARY to popular opinion, local motorists have no grounds for complaint about petrol prices, say fuel companies and the Central Energy Fund (CEF).

Trek Petroleum CE Sarel Steyn says: "Prices are very fair in SA compared to other Western countries."

Competitive

Industrial & Petrochemical Consultants MD Ray Swanepoel says: "SA fuel prices are competitive compared to large areas of Europe and are not much higher than those in the US, taking into account the rand exchange rate.

"But if one considers the exchange rate is artificial and the buying power of the rand is equivalent to the dollar and probably close to the pound, the scenario is less attractive," he says.

CEF GM Kobus van Zyl, however, questions the validity of "assumptions on exchange rates which differ from the official exchange rate".

Local fuel prices vary between a high of R1,18/*l* for 93 octane petrol in Johannesburg, to 81c/*l* for diesel at the coast.

Converted to US dollars (as at February 16), the top price of local petrol is 44c, which is slightly more than half the price of petrol in France.

In Germany it is 67c, in Italy $1,06, in Spain 68c, in the UK 64c, in Japan 82c and in the US 26c.

Diesel, which starts at 32c (US) in SA, is 51c in France, 50c in Germany, 54c in Italy, 45c in Spain, 54c in the UK and 47c in Japan.

It has been suggested that SA — which has been officially subject to fuel sanctions for some years — is paying a premium for its crude oil supplies, but this does not seem to have had much effect on prices.

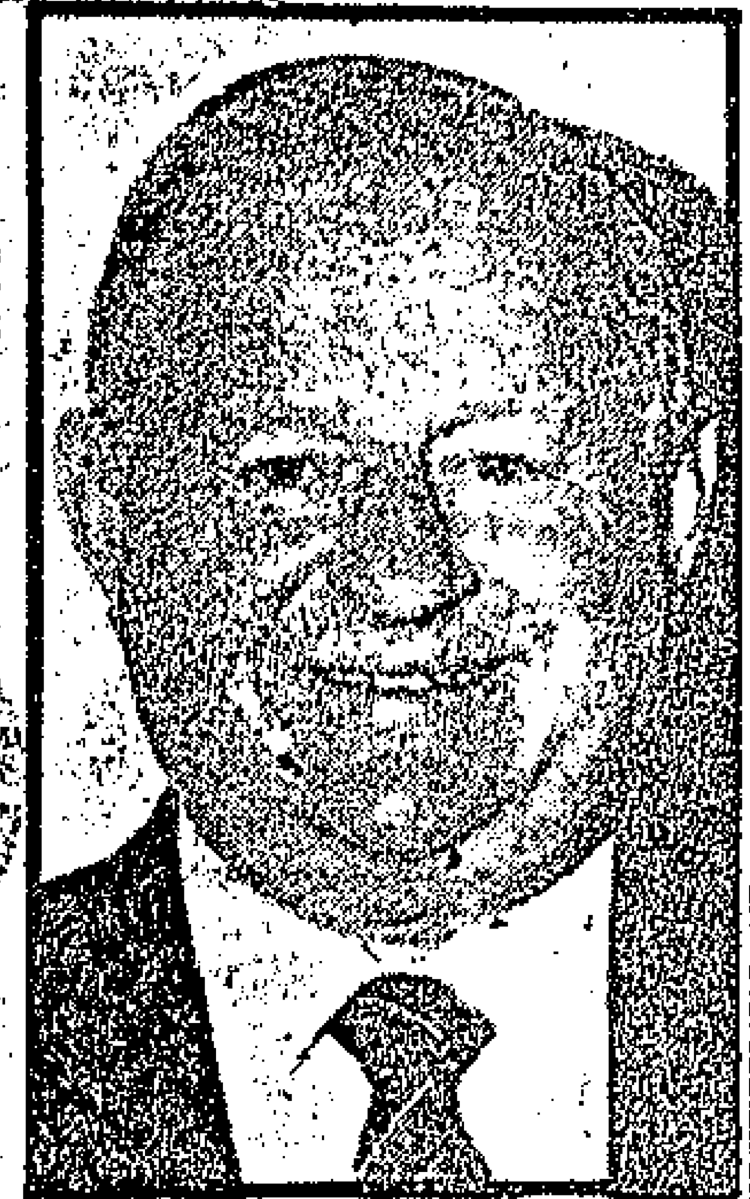
On the other hand, the tax element in the petrol price in European countries is considerably higher than in SA, where it is 30,4%.

Ranges

In Europe, the tax on petrol ranges between 64% in the UK and 78% in Italy, while in Japan it is 46% and in the US 33%.

It is possible, therefore, that SA is paying a higher price for its crude than is the case elsewhere in the world.

Should the current positive trends in the local political situation lead to the dropping of sanctions, the local consumer could look forward to a significant drop in fuel prices — particularly if this is accompanied by a strengthening of the rand.



SAREL STEYN

On the other hand, should sanctions be enforced more vigorously, prices will rocket, since Sasol is believed to supply only some 40% of SA's fuel requirements.

But Van Zyl says SA's crude oil resources are not threatened by sanctions, "provided we continue operating on a highly confidential basis and retain the goodwill of suppliers".

Demand is for solar systems

Hunt continues for

BDay 26/2/90

Increases will put SA consumers among highest of payers

55

THE local cost of electrical power is among the lowest in the Western world, but inflation is eroding this advantage and at the present rate of increases SA will shortly begin overtaking other nations.

Marketing director of National Utility Services (NUS) Peter Cornelius says local price increases far exceed average world rates of increase.

"Unless we bring costs under control we will eventually rank among the countries with the most expensive electricity in the world," he says.

"The net power cost in SA as at the first billing of 1990 is 9,13c/kWh, based on a 1 000kVA, 450 000kWh customer-owned transformer. It shows that SA is still the cheapest generator of power among 14 countries we survey.

"But if increases hold at above 10% to 12% a year for the next five years, SA power costs will at least double, which would put it in the middle of the power cost league as it stands at present.

"Within a decade, local power costs could compound to close to 30c/kWh."

The cost of power from Eskom has increased by at least 10% annually for the past five years.

In 1987 it increased by 20%, in December 1988 price hikes amounted to 12,5%, and in January this year it went up a further 14%.

Comparison

By comparison, during 1988, the UK and Australia recorded increases of 6,83% and 5,98% respectively, and the 11 other countries recorded showed even more conservative increases, while the Netherlands experienced a decrease.

NUS specialises in the use of tariff analysis to enable its clients in commerce and industry to maximise their energy savings. It operates in 80 countries, servicing 750 000 business establishments worldwide.

The company conducts an annual international survey of electricity prices based on prices paid by its clients.

1989 was the second consecutive year that the cost of power in major South African centres formed part of the NUS study, which is published locally in July and is recognised internationally as the authoritative reference work on power cost trends.

Cornelius says SA must completely rethink its attitudes towards power consumption.

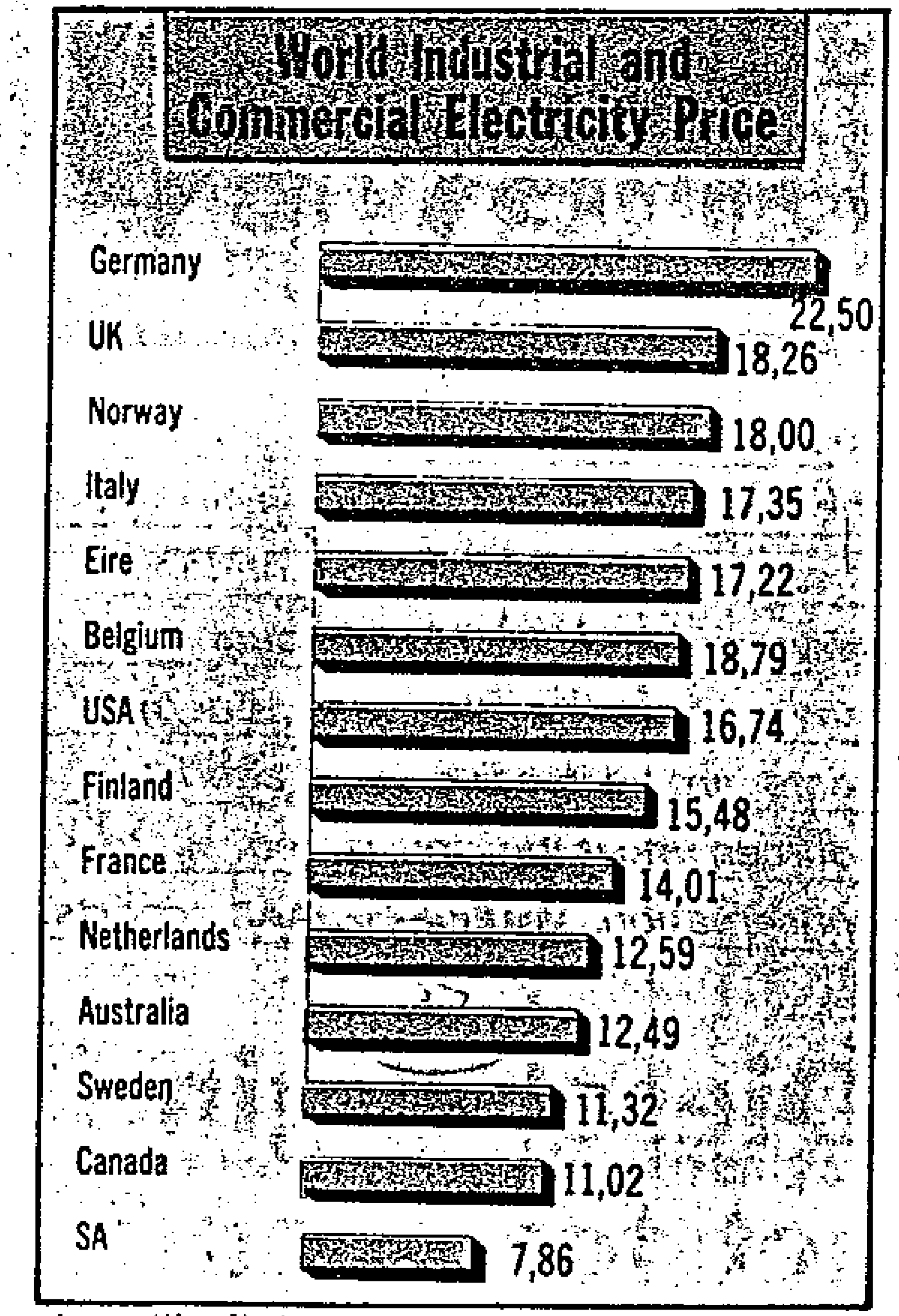
"South Africans tend to be profligate with their power consumption."

"This will change drastically, spurring heavy demand for methods and equipment which reduce consumption of electricity, or research into the viability of alternative energy sources."

In the meantime, he says, SA's electricity costs are acting as a hidden trade barrier, putting it at a competitive disadvantage in world markets.

He criticises Eskom for having estimated power consumption off-take, which has forced it to put a significant proportion of its power station construction programme in mothballs.

Resurrecting the programme would ultimately be more costly, he says, while in the meantime unproductive assets are lying idle.



Gencor forms energy giant for JSE listing

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CAPE TIMES 26/2/89

JOHANNESBURG. — Gencor announced on Saturday it was injecting its energy interests — its investments in Mobil, Mossgas and Soekor — into Trek Beleggings in exchange for shares and cash.

The considerably enlarged entity, called Engen, will be SA's first, fully integrated energy group and will have a turnover in excess of R5bn, a taxed profit of R200m and a market capitalisation of around R2bn, Gencor's statement said.

Gencor finance director Tom de Beer said Engen was set to become a major contributor to earnings.

"On our current projections we expect that the energy division will contribute about 14c a Gencor share in the present financial year ending August 31, 1990.

"Assuming static earnings for Gencor of 105c a share, this mean that the division would contribute a meaningful 13% of the group's earnings," De Beer said.

He added that Gencor was tremendously enthusiastic about Engen's future potential.

"The group has a low debt:equity ratio of 18%, is a net cash generator and has the potential to become a real force in the development of the Southern African petro-chemical industry."

According to De Beer, the decision to list the integrated energy group using the Trek Beleggings listing was prompted by Gencor's desire to allow the investing public to participate in this new group.

"In Engen we believe that we have a great investment, with exciting potential.

"But remember, Gencor had a R1,5bn rights issue last year and we don't need the cash that a public offer would generate. This prompted our decision to inject our energy assets into Trek Beleggings in exchange for 89,8m new Engen shares and R55m cash.

"We see this as a first step in a process and envisage that in time Gencor will reduce its investment in Engen as we spread Engen's shareholding still further."

Engen is forecasting earnings of 182c a share in the year-ending August 31, and expects to pay a dividend of 90c for the full year.

The new shares to be issued will not rank for the interim dividend to be declared in March.

At last week's level of R20 the Trek share price currently stands on an 11 times price earnings ratio and, if this share price is maintained after the transactions and once the name has been changed to Engen, with the 110m shares which will be in issue, Engen could have a market capitalisation of around R2,2bn.

If one were to take the published costs of the assets that are being injected into Engen — R650m for the purchase of Mobil, a total of R106m when Gencor took out the BP and Shell investments in Trek beleggings, the R30m Gencor paid for its 30% interest in Mossgas and the R24,8m that is being paid for Gencor's participation rights in Soekor — and measures this up against Trek's probably market capitalisation, one can see that Gencor's executive chairman Derek Keys has indeed fulfilled one of Gencor's stated missions.

He has certainly created additional wealth for Gencor shareholders.

On analysts' suggestions of a possible market capitalisation of R2,2bn, Gencor's 84,4% interest in Engen could be worth around R1,8bn.

Commenting on the developments, Engen chairman and Gencor executive director Bernard Smith said Engen was an excellent opportunity for the SA investing community.

"Under one umbrella we house a complete and logically integrated energy group.

"Engen encompasses exploration for oil and gas with our participation agreements with Soekor, production capability via our 30% interest in Mossgas, refining and the ability to produce various chemical feedstocks at Genref (the Mobil oil refinery in Durban) and three independent and competing fuel marketing companies — Mobil, Trek Petroleum and Sonap.

"Within the englarged group there are excellent opportunities for rationalisation in common areas such as production, distribution, systems, technology and finance."

Smith added that the group is already engaged in detailed engineering studies to expand and upgrade Genref.

The creation of Engen requires certain approvals and a circular to Trek Beleggings shareholders is being prepared and will be circulated in due course.

The transmuted listing statement will be published in early May and the new name comes into effect at the same time. — Sapa

February 1990

Electricity costs more in Durban

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INDUSTRIAL and commercial electricity users in Durban have experienced the biggest jump in electricity costs since Eskom's price increase in January.

The other major centres all managed to keep their increases below the 14% set by Eskom, with Johannesburg's electricity price increasing by only 7%.

In Port Elizabeth an increase of 8% was levied and in Pretoria it was 13%, while Cape Town suffered an 11,5% increase in October last year.

According to National Utility Services (NUS), an international organisation which provides an energy cost analysis service, figures indicate that commercial and industrial companies almost invariably failed to use the most beneficial rate available to them.

NUS MD Peter Cornelius says:

"We estimate over 80% of local industry and commerce is paying more for its purchased energy than it should.

"Scores of different tariffs, variants and rebates — many of them confidential — are used in this country, and published tariffs are subject to interpretation by the staff of the suppliers."

passive temperature con- ... in ageing buildings and those where internal modi- ... "In other areas, such as the Lowveld and Durban,

An increase in price of oil is on the cards

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BDM 20/7/90

AN INCREASE in the price of crude oil is likely during the course of the next 12 months, and this could force up the cost of petrol.

The price increase will be in response to hardening international demand for crude, coupled with a decline in oil production in the Eastern Bloc.

Central Energy Fund (Cef) GM Kobus van Zyl says oil demand in non-socialist economies is expected to reach 53,6-million barrels a day this year — representing an increase of 1,3m b/d, or 2,5%.

Demand

Last year saw demand in these countries increase by 2,8%.

At the same time, commercial on-land stocks in the Organisation for Economic Co-operation & Development (OECD) is at a 15-year low of 320Mt — sufficient for 65 days forward consumption.

Emergency stocks in the OECD are at 28 days forward consumption, amounting to 137Mt.

"These levels are considered dangerously low and a stock build of 500 000 b/d is expected in 1990," Van Zyl says.

The past five years have seen demand in the Western World rise from 48,8-million b/d in 1985 to a projected 53,6-million b/d in 1990.

Supply from non-Opec sources holds firm at 28,8-million b/d — an overall increase of only 0,3 b/d during that period. This supply is expected to remain stable at around 29-million b/d for the next two to three years, but will fall off by 1995.

On the other hand, the Opec supply has increased steadily from 17,5-million b/d in 1985 to a projected 25,3-million b/d this year.

Soviet oil production in 1988 was 12,6-million b/d, but it declined in 1989 and is expected to drop further this year.

Production in Eastern Europe has also declined significantly, from 400 000 b/d in 1984 to 352 000 b/d last year.

As a result, exports from the USSR have declined from the fourth quarter of 1989 to the first quarter of this year. Exports to the OECD dropped from 1,85-million b/d to 1,60m b/d, while those to Eastern Europe fell by more than a third from 1,54-million b/d to 1,00-millionb/d.

To counterract this trend, Opec exports to Eastern Europe rose from 375 000 b/d in 1987 to 750 000m b/d last year, and they are expected to reach 1 990m b/d this year.

Forecast

Demand by Opec countries is forecast to reach 23,4-million b/d this year.

"Opec will supply an annual increase in world oil demand of 1,0 to 1,5-million b/d. Its supply will increase to 25-million b/d in 1992," says Van Zyl.

"In response to the rising demand for oil, Opec will raise its $18 price objective to $20 within the next 12 months — but in the meantime there is some doubt as to whether Opec has the ability to finance the required expansion in capacity."

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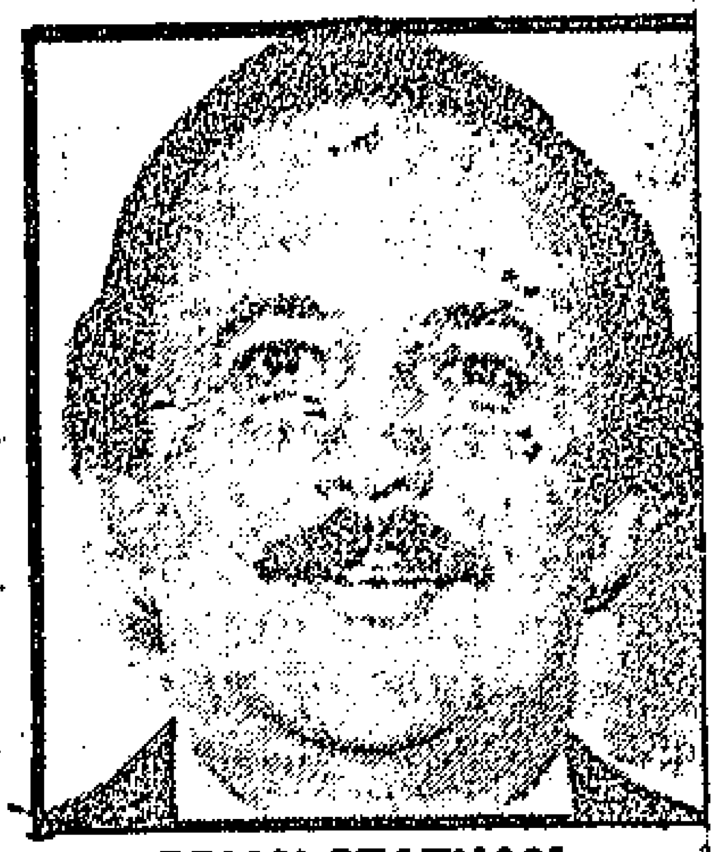
Environmental legislation needs to be enforced



BRIAN STATHAM

ENVIRONMENTAL control legislation is not enforced strictly enough in SA and too little is being done to limit industrial pollution of water and atmosphere, say some observers.

But Eskom technical services manager Brian Statham says legislation is adequate and is "responsibly" enforced. However, there is a lack of adequate national co-ordination on environmental issues.

"The legislators take a corrective rather than a punitive approach, which has a more positive effect. It encourages people to become self-regulating," he says.

"But the different bodies and corporations involved in research and active in environmental conservation at all levels need to pool their resources to make all of us more effective.

"There also needs to be some sort of reward system to encourage businessmen to prevent pollution and to help compensate them for costs incurred by doing so."

Impact

Either way, the impact on SA's natural resources continues to grow — and while Eskom is active in the field of environmental conservation the concentration of coal-fired power stations in the Eastern Transvaal has an undesirable effect.

Some 80% of the country's electrical power is produced from coal, which emits carbon dioxide and sulphur dioxide.

Presenting as serious a problem as the power stations themselves — and far harder to control — are the waste dumps of duff coal which comes out of the cleaning process.

At present, this is unusable, but it is still combustible enough to smoulder when dumped, polluting both the air and ground water.

Industrial & Petrochemical Consultants MD Ray Swanepoel says: "SA's pollution control laws are more lax than those in most Western nations, and they are not rigidly enforced."

"Inevitably, there has to be a cost trade-off. The more anti-pollution controls there are, the more expensive the end product will be."

SA already has a higher rate of electricity price increases than most other nations. The installation of emission control equipment and facilities would boost this further, as would the ongoing running costs of a more stringent pollution control programme.

"People tend to take the attitude that the polluter must pay — but in fact the cost of conservation must be met either through some form of tax relief or in increased prices for the goods."

Issue

Statham says: "The issue is: how much are South Africans prepared to pay?"

This question may be asked in the context of petrol as well as electricity. The move in favour of lead-free petrol is well entrenched, even in countries where consumers pay a premium for it.

Vehicles marketed today in most European countries and the US tend to be fitted with catalytic converters for emission control, but these are not yet used in SA.

Castrol SA CE Deryck Spence says: "As yet, there are too few vehicles on SA's roads to warrant the extra cost, although it will become necessary in the foreseeable future."

In SA, controls over petrol content have become tighter over the years. While 20 years ago a level of 0,8g/l of lead was acceptable, this has been reduced to 0,4g/l and there is talk of a further reduction to 0,2g/l.

"An alternative to lead as an octane booster is oxygenated chemicals. These are fairly clean burning, but much costlier.

"Fuel prices hit the consumer on every front: it's an emotional issue," says Swanepoel.

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"Fuel prices hit the consumer on every front: it's an emotional issue," says Swanepoel.

Hunt continues for a good alternative

(SS)

DECLINING fuel reserves, combined with the increasingly imperative need for environmental conservation, continue to motivate research into alternative forms of energy — but as yet the world has no clear path to follow.

Nuclear power seems to hold the key to the future. World uranium resources have a far longer projected lifespan than coal, while nuclear energy — barring accidents — ranks among the cleanest and environmentally safe source of power available.

But it comes attached to a major difficulty — what to do with the spent fuel.

Industrial & Petrochemical Consultants MD Ray Swanepoel says: "Nuclear waste is deadly and takes thousands of years to decay. At present it is being buried deep under the ground in desert areas inside steel and concrete containers — but these will decay sooner than their contents do.

"The authorities' attitude tends to be that in 10 000 years time the problem of what to do with the waste will be someone else's and that, by then people will probably have worked out a solution.

"But the popular view is that this attitude is not acceptable."

The tide of world opinion following the Chernobyl disaster of 1988 continues to flow strongly against increased dependence on nuclear power.

Cold fusion

B/Day 26/2/90

Research into the detoxification of nuclear waste and into such alternatives as cold fusion continues — and periodically bursts into the public eye with popularised accounts of "breakthroughs".

But the billions of dollars being poured into this work have yet to show signs of bearing fruit in the form of a commercially viable application.

In the meantime, opinions differ as to the extent of conservative fuel reserves.

"Established oil reserves are sufficient for a further 30 to 50 years," says Swanepoel.

"The search for more reserves continues, but it becomes progressively more expensive to find fresh deposits and it is clear that oil is a limited resource."

By contrast, he says, coal is "very much a going proposition", and the trend is to regard coal as more than "merely something you burn".

Research and development is aimed at increasing the value of coal — for instance in power stations, where it has become possible to burn a product formerly not regarded as usable.

On another front, research in the US and, to an even greater extent, West Germany, is directed towards the development of methanol fuels as a substitute for petrol.

"At this stage, methanol is the only really viable alternative to petrol," says Swanepoel.

"It appears to be a cleaner fuel, but certain of its emissions seem to have harmful effects and research is ongoing."

Demand is for solar systems

THE high cost of reticulation in outlying areas is causing many development authorities to turn to solar energy for their electrical requirements.

(55)

This growth in demand is causing a boom in the solar energy industry, which is estimated to be growing at 35% annually, although from a small base.

The advantage of solar energy is primarily its simplicity and low maintenance — vital factors in the development of rural areas. But it is not a universal panacea — initial costs are high and can be justified only where energy requirements are relatively low.

However, according to a 1986 UN Development Programme report, solar energy beats diesel generators hands down on cost of generation when daily demand is less than 6kWh/day. On the other hand, solar power is not cost-effective in large irrigation schemes with a water demand of over $20m^3$/day.

Sowetan 26/2/90

(b) Before salary payments can be authorised, certain appointment documents must be submitted. Due to various reasons delays with the submission of documents are experienced. The Department has taken special steps to limit delays to the minimum. Hansard 26/2/90

2. No.

Central Energy Fund: balance SS

23. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs and Public Enterprises:

What was the balance in the Central Energy Fund as at 31 December 1989?

Hansard 26/2/90 B53E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES:

R2 737,3 million.

Equalisation Fund: balance SS

24. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs and Public Enterprises: Hansard 26/2/90.

What was the balance in the Equalisation Fund as at the latest specified date for which information is available

B54E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES:

	R'M
Balance as at 31/01/1990	302,313
Less BLS Trust Funds	43,291
Total	259,022

Bus companies: subsidies

35. Mr P C CRONJÉ asked the Minister of Transport: Hansard 26/2/90

What total amount was paid to bus companies in respect of subsidies for the transport of passengers in the (a) Johannesburg/Pretoria, (b) Cape Town/Peninsula, (c) Port Elizabeth/Uitenhage and (d) Durban/Pinetown areas in the 1988-89 financial year?

Continue P148 B76E

The MINISTER OF TRANSPORT:

(a) R173 943 028,31. Hansard 26/2/90

(b) R 38 411 728,38.

(c) R 11 919 219,45.

(d) R 59 329 429,39.

Department of Education and Training: teachers

53. Mr D S PIENAAR asked the Minister of Education:† Hansard 26/2/90

How many (a) White, (b) Black, (c) Coloured and (d) Indian teachers were employed by the Department of Education and Training in each specified teaching category as at the latest specified date for which figures are available?

B101E

The MINISTER OF EDUCATION:

(a) 3 962.

(b) 52 700.

(c) 30.

(d) None.

Combi taxis: permits

54. Adv J J S PRINSLOO asked the Minister of Transport:† Hansard 26/2/90

How many applications for permits to operate combitaxis were granted in the Republic of South Africa in the period (a) 1 January 1985 to 31 December 1987, (b) 1 January to 31 December 1988 and (c) 1 January to 31 December 1989?

B103E

The MINISTER OF TRANSPORT:†

The statistical information is not available in the format as requested by the honourable member. The following number of applications for permits to operate combi taxis were granted during the undermentioned periods:

(a) (i) for the financial year 1 April 1985 to 31 March 1986.

4-8 seater vehicles	9-15 seater vehicles
1 097	2 684

(ii) for the financial year 1 April 1986 to 31 March 1987.

4-8 seater vehicles	9-15 seater vehicles
9 707	7 093

Continue p.149

(iii) for the financial year 1 April 1987 to 31 March 1988.

4-8 seater vehicles	9-15 seater vehicles
4 816	34 788

(b) for the financial year 1 April 1988 to 31 March 1989; and

4-8 seater vehicles	9-15 seater vehicles
1 693	19 667

(c) for the period 1 January 1989 to 31 December 1989.

4-8 seater vehicles	9-15 seater vehicles
3 010	29 450

Please note that the abovementioned statistics are in respect of the number of new applications for taxis, including those for combi taxi services, granted during the past five financial years. These applications were granted on certain conditions. Many applicants failed to comply with the conditions with the result that permits have not been issued to them. Statistics in respect of the exact number of permits physically issued for taxis are not kept. The Department is in the process of developing an extensive information system relating to combi taxis so that comprehensive information will in due course be available. Hansard 26/2/90

Bureau for Information: publications

75. Mr P G SOAL asked the State President:

(1) (a) What total number of publications was produced by the Bureau for Information in 1989, (b) what was the title of each publication, (c) what was the total cost of producing each of these publications and (d) who printed each of them;

(2) whether the printing contract in respect of each of these publications was put out to tender; if not, why not; if so,

(3) whether he will furnish details in regard to these tenders; if not, why not; if so, (a) what companies submitted tenders in respect of each publication and (b) what was the amount of each tender?

Hansard 26/2/90 B185E

The STATE PRESIDENT:

(1) (a) 87.

(b) Regional publications

1. Kudu.
2. Om te weet In the know.
3. Inzindaba.
4. Silulu
5. Light/Khanya.
6. Die Karet.
7. Vukani (Ikapa).
8. Nduli News (Ceres).
9. Mbekweni News (Paarl).
10. Crossroads News (Crossroads).
11. Ulwazi (Zweletemba, Worcester).
12. Qaphela (Khayelitsha).
13. Phamhile Zwelihle (Hermanus).
14. Kayamandi News (Stellenbosch).
15. Puisano.
16. Ilizwi.
17. Phoenix.
18. KwaNobuhle News.
19. Smaldeel News.
20. Isigodlo.
21. Masizame.
22. Rini News.
23. Bofolo News
24. Lingelihle News.
25. Umyalezo.
26. Camdeboo News.
27. Indaba Zika Masizakhe.
28. Women's Forum.
29. Umzamomhle/KwaNomsamo.
30. Motherwell News.
31. Umso.
32. Metropolitan Digest.
33. Bekkersdal Newsletter.
34. Munsieville News.
35. Evaton News.
36. Katlehong Newsletter.
37. Diepmeadow News.
38. Tsakane Herald.

Hansard 26/2/90

continue →

Gas goes into the privatisation scene

B/Day 26/2/90

(55)

AN INTRIGUING development on the energy usage front in SA is the recent privatisation of gas supply in Port Elizabeth.

Easigas has taken over the responsibility for gas supply from the municipality, which was making a net loss on gas production and distribution.

But whereas the municipality generated gas from coal, Easigas provides gas from a mixture of liquid petroleum gas (LPG) and air via the existing reticulation system.

For domestic users there has been no change in rates, says National Utility Service (NUS) energy consultant Peter Cornelius.

PETER CORNELIUS

Attractive

But, he says, the change has attractive implications for industrial and commercial users in that rates are now fixed by negotiation, depending on off-take.

The effect, says an Easigas spokesman, is that rates have decreased for many users — although unlike the council the company presumably manages to make a profit.

This exercise seems to support the privatisation lobby's contention that the greater efficiency generally achieved by businessmen leads to a more economical service.

However, local gas prices are, on average, by far the most expensive of the 10 industrialised countries analysed in the NUS international gas price survey.

Because of this, there is little hope of gas gaining wider popularity in SA for domestic or industrial purposes.

Easigas does not disclose its rates and it becomes difficult to assess the effect of its reduced rates on the average cost of gas in SA.

"Theoretically, assuming a 10% average reduction for Easigas consumers, SA's status as the most expensive gas supplier among the nations surveyed does not alter," says Cornelius.

"If anything, the position has deteriorated in that Cape Gas has increased its price by 39% since NUS last analysed tariffs, barely four months ago.

"Assuming a 10% decrease in prices in PE, the average price of local gas based on the rates for Cape Town, Gascor in the Transvaal, Port Elizabeth and Johannesburg is now R2,51/therm."

This is 70% more expensive than France, the next most costly supplier of gas mentioned in the NUS international survey.

Generated

In SA, gas for domestic usage is generated by municipalities, Sasol subsidiary Gascor, which supplies the PWV area, and Easigas.

Says Cornelius: "In much of the industrialised world, gas usage is an inexpensive, cost-effective source of energy for both industrial and domestic users.

"In SA, the use of gas will remain restricted because of the lack of official backing."

The western Cape currently has the highest price of R4,21/therm, followed by PE and Johannesburg. These are on a par at around R2,69 and R2,04/therm respectively, while Gascor supplies to the PWV area at a price of R1,13/therm.

Designing with the bills in mind

(55) B/Day 21/2/90

AS THE cost of electricity rises, along with that of heating and air conditioning equipment, there is a strong trend in favour of energy efficient building design.

In many cases in Johannesburg this has been accompanied by a return to the stone and facebrick façade of the first half of the century.

Developers and architects alike are turning away from the inefficient, architecturally unfriendly glass building.

Even where the designer does not opt for total thermal self-sufficiency, such projects as Old Mutual's new Mutual Building, in the Johannesburg CBD, he has opted for such energy saving features as optional, individually controlled air conditioning units and recessed, openable windows.

Energy efficiency goes far beyond aesthetics, however. According to Pretoria consulting engineer Michau Nel, the decision to opt for passive temperature control calls for a balancing of the relative costs, and demands a decision at management level.

Such design takes cognisance of the fact that, at the current rate of increases, electricity prices could double within the next five years, while inflation and an unfavourable rand exchange rate make air conditioning units astronomically expensive.

Single

Energy is the single largest operating expense in a typical commercial building, accounting for some 40% of general operating costs. Up to 15% of the energy used in SA is consumed in commercial and industrial buildings.

Energy consumption in a building typically goes 40% to lighting, 45% to air conditioning and the balance to lifts, small power outlets and miscellaneous uses.

In ageing buildings and those where internal modifications have been made, the wastage on energy can be enormous, totalling tens of millions of rands a year.

J H Isaacs head of energy management Mike Lockett says: "On average, a 16% saving can be achieved in factories and 13% in buildings through energy management.

"Wastage results from a variety of causes, from a too high setting on water geysers and wasted lighting to inefficient air conditioning and peaking of production flow in factories.

"All these increase the load factor in a building. With SA's largely benign climate, it often makes good economic sense to design for minimum energy consumption.

"In certain geographical regions in SA, such as the Witwatersrand, it is possible to design even large buildings to be thermally self-sufficient.

"In other areas, such as the Lowveld and Durban, where ambient temperatures and humidity are exceptionally high, it is impossible to do away with air conditioning altogether — although energy efficient design will maximise the comfort of people in the building while minimising energy consumption.

"At the outset, one must take into account such factors as the location, design, use and life cycle of the building to determine whether passive energy techniques are cost effective," he says.

Classic

Ultimately the decision will rest with management. A classic example of how a policy decision made at management level can affect the comfort of staff and, indirectly, energy consumption, is the Development Bank of SA.

This organisation recently moved into its new headquarters in Midrand which was designed for optimum energy efficiency.

At the same time, a new management policy dictated that short sleeves and open-necked shirts would be regarded as acceptable formal wear during summer.

The only air conditioning required in the building is in the central area holding conference rooms, while the office wing — which makes up the bulk of the building — is designed to make use of passive cooling techniques.

"The principle of passive solar design of buildings is to use the lower temperature of the night air to cool the building so that during the hot part of the day it can absorb the heat," says Nel.

"In the electronic age the heat load of the average building is becoming considerable, because of the high concentration of electronic gadgets such as personal computers, fax machines, photostat machines and the like."

AGEING PROCESS IS THREA

A GRADUAL corruption of the global power source, mainly through ageing, is threatening to disrupt, damage and degenerate all forms of sensitive electronic hardware.

In a world dependent on electronic equipment in almost every field of human endeavour, the new menace can no longer be ignored, says ATE Systems House director Henry Kane.

Taking SA as a model, he says many reasons for the threat to raw utility power are arising through old age.

"This is especially so where electronic devices inherent to life-support systems and computers are concerned."

A major cause of this degredation is old reticulation and, in the equipment itself, the vagaries of raw utility power can inflict continual degredation and even reversable damage.

Protection

As technology advances, the need for protection against an erratic power supply will increase in direct proportion to the need for accuracy and reliability in an electronic application.

"It is impossible for utilities anywhere in the world to provide a clean, consistent level of power. There are just too many factors, most originated by users themselves, which effect the power source," says Kane.

While the forces of nature must be guarded against, it is the unseen, un-noticeable variations and problems in the power source that pose the greatest risk.

"Even momentary interruptions of a few milliseconds can cause serious malfunctions and complications in sensitive equipment."

Kane says that in SA a company such as ATE Sinex has, through its ongoing research and technology, developed systems which provide a clean, constant and consistent source of alternate current (AC) power.

Most notable of power supply problems caused by old reticulation, including old circuit breakers, connectors and wiring and the hardening of copper, are:

Draining

☐ Spikes — a high-voltage incident usually of short duration and usually caused by high-demand equipment suddenly draining a large amount of power from the communal grid, sometimes caused by lightening;

☐ Dips, which is the reverse of a spike and does not generally have the same harmful effects, but which can drastically effect the long-term performance of an electrical device;

☐ Blackouts — short-duration power failure incidents which occur frequently in the grid feed;

☐ Dirty power reaching electronic systems down the communal grid arising from poorly maintained and incorrectly adjusted equipment, old cables and poor connections, and;

☐ Total power failure.

"In situations where equipment function is critical to human life, or other strategically important operations, the highest possible security against power malfunction is most desirable," says Kane.

S5

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Business Day 26 Feb 1990

Uranium waits for the final market decision

THE future of energy generation, in the face of diminishing oil and coal reserves, is widely believed to lie with nuclear power — but general acceptance of this has yet to be reflected by any improvement in the state of the uranium market.

Uranium production dived after the Chernobyl nuclear disaster in 1988 led to a slow-down in world nuclear generation.

At the same time, SA's uranium producers were hit by political restrictions on the available markets.

Since 1980, SA has been losing ground on the Market Economy Countries (MEC) market, with its market share decreasing from 14% in 1980 to 10,5% in 1988.

This is a result of a 6% annual decline in local production — as compared with a worldwide decrease in production of 2,1% a year since 1980.

South African uranium production in 1987 was 4 735t, and in 1988 it dropped 3% to 4 590t.

Last year to November it dropped further to 3 185t. This trend was reflected in overall uranium production worldwide, although the decline in production in the MEC was small.

Steady

Although international production remains fairly steady, growth is minimal. One reason for the dropping off of international uranium production is the closure of a number of old plants, for example in the UK.

These were showing evidence of radiation deterioration and were closed to prevent the risk of explosion.

The development of new plants has been inhibited by limited demand, which is projected to increase worldwide at a modest rate until the year 2000.

Recent forecasts indicate that world consumption of uranium will increase only 2,8% a year from 49 300t in 1988 to 68 800 tons in 2000.

This slow growth is largely due to reaction to the Chernobyl accident, which dampened expansion plans in a number of countries, especially in Europe.

Ford believes the rate of growth in demand could increase during the course of the next few years, but says the worldwide tendency is to return to coal-based energy production.

Such growth as there is is likely to take place in the Far East, Canada and India, where a number of reactors are under construction.

As a major uranium producer, SA will eventually feel the impact of any growth, but current world stocks are high, estimated at sufficient to meet three years of demand.

In the meantime, falling prices are affecting local confidence in the future of uranium. Three local production plants — Driefontein, Randfontein Estates and Chemwest — closed in 1988.

Effect

All of these were low-grade producers, two of them working old dumps, and the effect of the closures on overall production figures was not too dramatic, but the short-term outlook for uranium is poor.

The open market price has been declining since 1978, when the Nuclear Exchange Corporation (Nuexco) exchange value peaked at US$43,40. The Nuexco exchange value quoted in 1988 was US$14,55/lb.

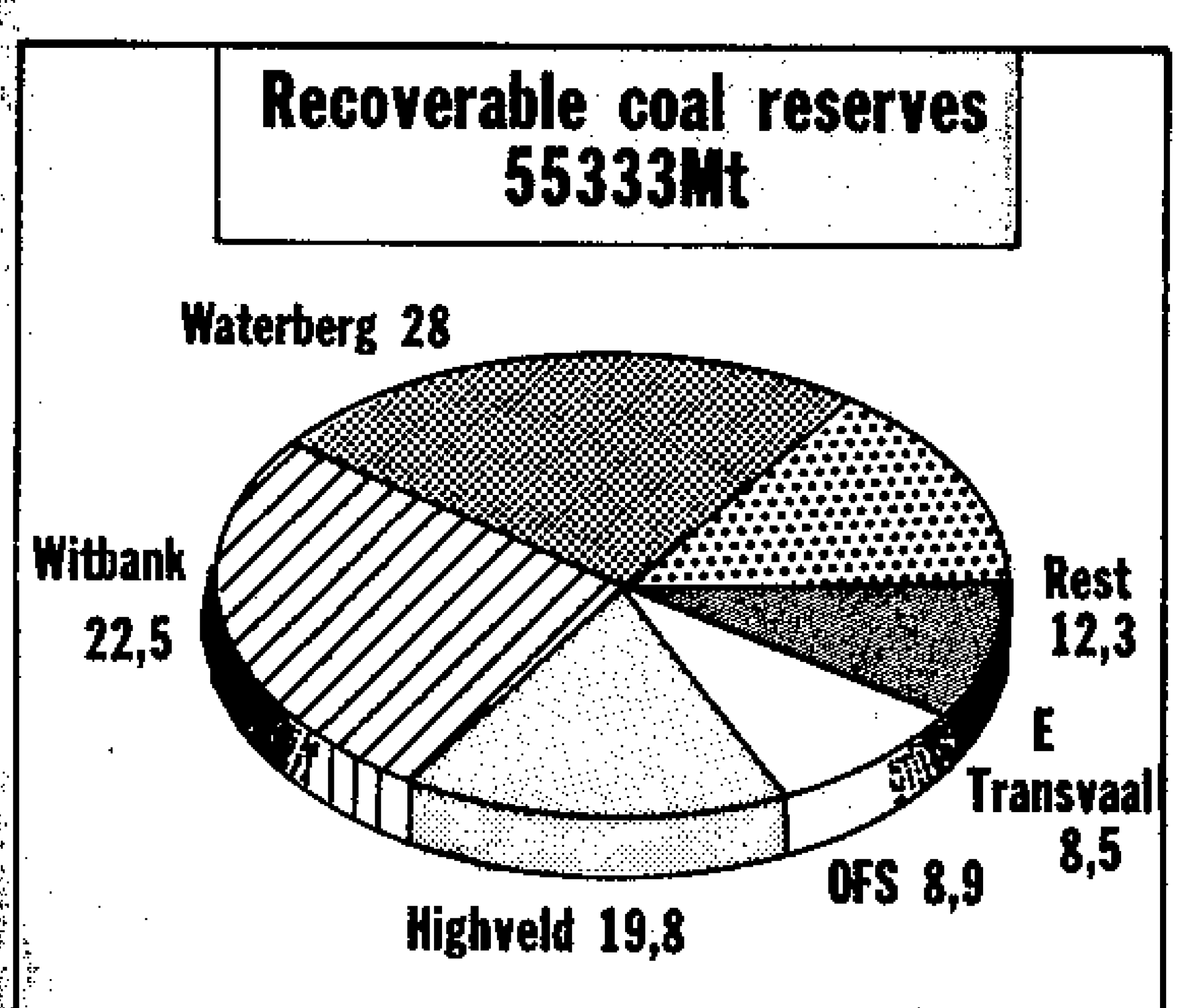
Long-term contract prices tend to be higher, depending on the quantities and suppliers involved.

The longer term outlook for uranium is reasonably positive. World consumption even in 1988 was 12% higher than production, and consumption has exceeded production since 1985.

On the basis of this, Mintek predicts the spot price of uranium is likely to bottom out within the next few years.

At that stage, and particularly if current positive trends in the political climate continue, buyers will be able to return to a fuller dependence on long-term contracts.

Sasol is looking to chemicals



LOW producer prices of liquid fuels and rising costs in the SA economy have influenced Sasol to switch its emphasis from fuel production to the chemical industry.

Sasol MD Paul Kruger says a new era is dawning in which the group is reorganising in order to broaden its base in the chemical industry in SA and abroad.

Reverted

Noting that the commissioning of Sasol 2 and Sasol 3 has reverted the group to the situation in which it found itself in the '50s — namely, an over-exposure to synthetic fuels — he says Sasol has to find a better balance between its fuels and chemical production.

"This broadening must link up with the existing business and has to be focused on areas where a competitive advantage exists."

There is usually good demand for petro-chemicals when the crude oil prices are low, and the group's future lies in areas of greater business opportunities, where value can be added and where it can enjoy a competitive advantage.

Sasol's greater involvement in chemicals will not significantly affect its production of fuels, says Kruger.

However, the first major announcement on the new era was last month's statement that the older Sasol 1 plant at Sasolburg would be diverted from synthetic fuel production.

Synfuel can be produced more cheaply at the two Secunda plants, which will ensure there is no shortfall arising from the changes at the older plant.

Sasol 1's synfuel production will be phased out and the plant will continue to produce industrial gases. It will also be revamped to produce high-grade chemicals.

The manufacture of polypropylene, due later this year, is also significant.

Among a host of new projects and others still under investigation will be the development of a fifth coal mine. This will meet growing demand at Sasol 2 and Sasol 3.

Consistent

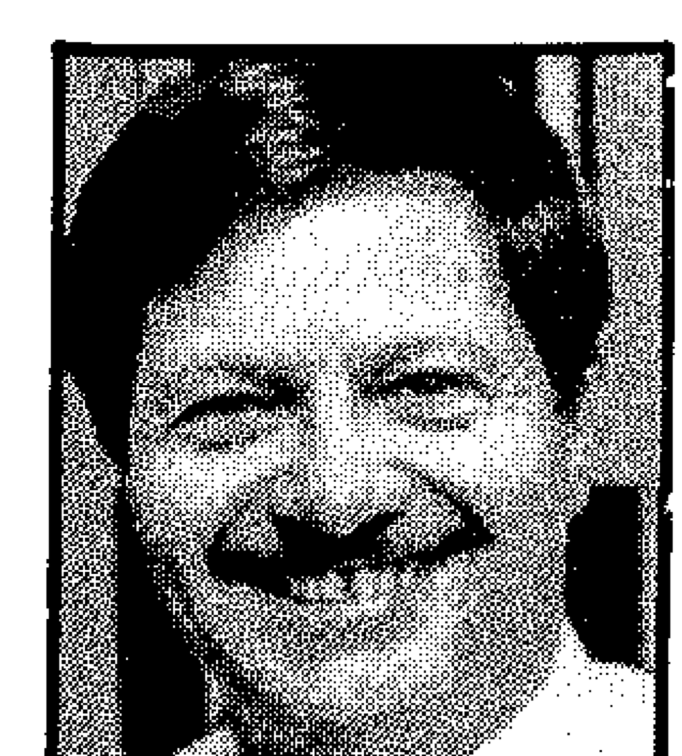
Sasol's new era is consistent with its history, which is characterised by approximately 10-year phases in which attention is directed at different phases.

From 1950 to the early-'60s, the greatest challenge was to get the technology to work and make it technically viable.

The next phase during the '60s was one of expansion in which it established itself in the chemical industry and the supply of gas.

At the end of this period Sasol entered crude oil refining with the erection of the Natref refinery at Sasolburg.

Then the synthetic oil-from-coal industry under-



PAUL KRUGER

went an explosive expansion after the oil crises of 1973 and 1979 which, respectively, led to the establishment of Sasol 2 and Sasol 3.

This was soon followed by the decision to privatise Sasol.

While the '70s were mainly a phase of construction, the emphasis in the early '80s fell mainly on enlarging the manpower resources in order to man Sasol's massive facilities.

Further downstream diversification has already begun with developments such as the fertiliser division and later the mining explosives division.

Kruger says the difference between the expansion of the '60s and '80s is that now Sasol does not look only at the local market.

"Competition simply became too fierce and we cannot establish plants which are aimed at the South African market only. The competitive advantage cannot be obtained in this market alone."

Efficient system from Liebherr

EFFICIENCY and energy conservation are the most striking characteristics of Liebherr's earthmover range — which has acquired a special edge over its competitors by the development of the Litronic system.

This self-monitoring system comprises a synthesis of computer and hydraulics. It monitors, controls, co-ordinates and regulates all the key systems in the machine, from the engine and mechanical operations to the hydraulics

Response

Liebherr's Glen Stagg says: "The use of electronics gives a faster response time than is possible with any conventional hydraulic pressure monitoring system.

"It improves the machine's efficiency — and hence productivity — and minimises downtime by detecting problems before they can do damage."

These features, combined with the competitive price of the Liebherr range, attracted the attention of the Cape Provincial Administration when it expanded its fleet recently.

The CPA took delivery of two PR722 Litronic excavators.

These machines are in use on road construction projects in Graaff Reinett and Grahamstown, where they are helping maximise the efficiency and minimise the operating costs of the roads department.

Regulating

Sensors and transmitters continuously monitor the systems of the machine, transmitting data to the Litronic computer system. A control board gives the operator ongoing knowledge of the unit's operating processes.

In addition, by regulating the pumps through means of electronic engine speed sensing, the system allows full use of all the available engine horsepower at any engine speed setting. At the same time, the system protects the engine from overloads regardless of the conditions under which it is working.

"Liebherr has long been recognised as a 'green' machine and another feature of the Litronic system — our new Eco Control operating mode selection system — is in line with this tradition," says Stagg.

"It allows the operator to adjust the machine's performance to the exact requirements of the application."

Marketing to boost electricity demand

BDay 26 Feb 1990

GROWTH in demand for electricity has, over the past few years, failed to meet Eskom's expectations of a decade ago, and as a result SA's capacity exceeds demand by some 12 000MW.

Although the organisation's power station construction programme has been damped down, when projects under construction come on stream SA will have a production capacity of 40 000MW.

Coupled

The result of this, coupled with Eskom's vision of electricity for all, has been to put Eskom into a direct marketing mode for the first time in its history.

Marketing manager Martin Opperman says: "Electricity occupies only 26% of the energy market and competes across the board with coal, oil, gas, diesel and petrol.

"Statistics indicate that of a total population of about 36-million in SA (including the TBVC states), only 13-million have electricity available in their homes.

"We have embarked on a campaign to market electricity to all sectors of the market, including the remaining 23-million people."

He acknowledges that the resources required to install electricity in all these homes would be beyond Eskom's capabilities.

"Producing electricity at a power station is one thing — getting it to the people, particularly in remote areas — is entirely another.

"For that reason we are working towards bringing other organisations on board as distributors, working with Eskom in some form of joint venture."

Potential distributors range from local government bodies to industry, mines and private ventures.

"The concept offers a marvellous opportunity to private enterprise to get involved, and we are currently negotiating a number of deals," Opperman says.

"Our first joint venture — between Eskom and various local businesses — is up and running at kwaNobuhle, near Uitenhage.

At the same time, Eskom is actively marketing electricity to all sectors of the economy, from farmers, mines and industries to black townships, where electrification has become a political issue.

Cleanest

"Electricity is, in most cases, the cleanest and most efficient form of energy available," he says.

"On a unit-for-unit basis, electricity is also cleaner at the production stage. Coal burnt in households, for instance, will produce substantially less useful energy than is possible using the sophisticated techniques and equipment of a modern power station."

Other advantages to electricity, says Opperman, are that once installed it is readily available and cheap.

A quality listing by the SABS

AN INTERNATIONALLY recognised system of quality management has been introduced at the SA Energy Co (formerly Mobil Oil SA) — and as a result the company last week became SA's first solvents supplier with an SABS listing.

Quality manager Warren Taylor, whose operations are based at Genref refinery in Durban, says his department's role is to ensure the quality of products at all stages, from the time the customer expresses his need to the point where he calls for more.

Total Quality Management (TQM) involves achieving customer satisfaction cost-effectively.

"We must ensure quality in our raw materials, in our manufacturing process and in our management," he says.

"We must produce the product as specified the first time round and every time subsequently.

Extends

"This is not restricted to our products. It extends the concept of quality into the design and maintenance of our manufacturing facilities, environmental management, occupational health management and training and human resource management."

He believes it is as a result of this programme that the Isando solvents blend plant received the coveted SABS 0157 listing recently.

SABS 0157 is a Code of Practice identical to the International Standards Organisation's specification ISO 9002, an internationally recognised hallmark of quality assurance.

It incorporates three essential elements:

- ☐ Prevention is better than correction;
- ☐ Right first time, every time; and
- ☐ Striving for continual improvement in product and service excellence.

The company's quality management system was installed by a team of eight under the leadership of Warren Taylor.

CCB and that Mr Curren would not have been the next target of the CCB's activities?

†Adv C D DE JAGER: Mr Speaker, further arising out of the hon the Deputy Minister's reply, can he inform us when he became aware of the existence of this organisation?

†The DEPUTY MINISTER: Mr Speaker, I have nothing to add to the answer that I have already given.

Mr S S VAN DER MERWE: Mr Speaker, further arising out of the hon the Deputy Minister's reply and in view of the statement of the hon the Minister of Defence that Mr Anton Lubowski was a SA Defence Force agent and would therefore not have been murdered by the CCB, can he tell this House why he withheld this crucial piece of evidence from the Supreme Court action on 14 February which could well have led to the release of another member of the CCB, Mr "Slang" van Zyl?

†Mr J H VAN DER MERWE: Mr Speaker, further arising out of the reply . . .

†The SPEAKER: Order! I have already allowed five supplementary questions and I am not allowing any further questions. [Interjections.] Order!

Limitation on lead in petrol

*5. Mr R J LORIMER asked the Minister of Mineral and Energy Affairs and Public Enterprises: Hansard 27/2/90

(1) Whether a further limitation of the quantity of lead in petrol is contemplated; if so, what limitation; if not, why not;

(2) whether he will make a statement on the matter? SS

B218E

†The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES:

(1) No, not at this stage. The lead content in petrol has been reduced by more than 50 per cent since 1986, and is now at a maximum of 0,4 g/l. This maximum is in line with many other countries. The National Energy Council is, nevertheless, co-ordinating a study to determine the technical and economic implications of the possible future introduction of unleaded petrol.

(2) No. Since the lead levels in petrol were reduced in two stages from the former maximum of 0,813 g/l, several announcements had already been made. SS

Mr R J LORIMER: Mr Speaker, arising from the reply given by the hon the Minister, could he tell the House when it is expected this study which has been instituted will result in a report? Hansard 27/2/90

The MINISTER: Mr Speaker, as soon as possible. Certainly before the end of this year.

Estcourt area: burning of industrial/domestic waste

*6. Mr R J LORIMER asked the Minister of National Health and Population Development:

Whether her Department has taken any action regarding the alleged large-scale burning of industrial and domestic waste on a farm in the Estcourt area owned by a certain person, whose name has been furnished to the Minister's Department for the purpose of her reply; if so, (a) what action and (b) what is the name of this person; if not, why not?

B219E

The MINISTER OF NATIONAL HEALTH AND POPULATION DEVELOPMENT:

Yes,

(a) as soon as this problem was brought to the Department's attention, a notice was served on the owner of the relevant farm on 12 January 1990 in terms of the Health Act, 1977, to cease the burning of waste,

(b) Mr Tim Ralfe.

Business interrupted in accordance with Rule 180C (3) of the Standing Rules of Parliament.

Certain persons: sentences

*7. Mr L FUCHS asked the Minister of Justice: Hansard 27/2/90

Whether the sentences currently being served by two persons, whose names have been furnished to the Minister's Department for the purpose of his reply, have been in any way affected by the announcements made by the (a) Minister of Defence regarding the reduction in military service and/or (b) State President in February 1990; if so, (i) in what ways in each case and (ii) what are the names of the persons concerned; if not, why not?

B220E

The MINISTER OF JUSTICE:

(a) Yes.

(i) The State President has granted remission of sentence in terms of Section 69(1) of the Prisons Act, 1959 (Act No 8 of 1959) to all prisoners who have been sentenced in terms of Section 126(A)(1)(a) of the Defence Act, 1957 (Act No 44 of 1957), to the effect that their sentences in terms of the afore-mentioned section, are reduced by half.

(ii) The same as furnished by the Honourable Member.

(b) No.

(i) and (ii) Fall away.

Environment Conservation Act: regulations

*8. Mr R R HULLEY asked the Minister of Environment Affairs:

Whether the regulations arising from the Environment Conservation Act, No 73 of 1989, have been finalised; if so, when will they be promulgated; if not, why not?

Hansard 27/2/90 B221E

The MINISTER OF ENVIRONMENT AFFAIRS:

No, in view of the fact that consultation has to take place with many other bodies, for instance local authorities, other departments, et cetera before regulations can be promulgated, and also in view of the fact that considerable legal technical problems are being experienced with the promulgation of regulations. I refer the hon member to Sections 24 to 28 of the Act. It is envisaged to publish noise control regulations in terms of the Act shortly in the Government Gazette for information.

East London area: certain security guard charged

*9. Mr D J DALLING asked the Minister of Justice:

(1) Whether a certain security guard working in the East London area, whose name has been furnished to the Minister's Department for the purpose of his reply, has ever been charged with any offences; if so, (a) with what offences, (b) with what result and (c) what is the name of this person;

(2) whether he has been subject to any inquiry regarding the deaths of any persons; if so, (a) how many persons were involved and (b) what were the circumstances of these deaths?

B222E

The MINISTER OF JUSTICE:

(1) and (2).

The incidents, in which Mr Sybrand Louis van Schoor is allegedly involved, are currently subject to a police investigation. I have requested the Attorney-General concerned to supervise the investigation personally. Apart from the above there were also a number of *post mortem* inquests in which the name of Mr van Schoor had figured.

Cape Town City Council: permit

*10. Mr S S VAN DER MERWE asked the Minister of Water Affairs:

(1) Whether his Department issued a permit to the Cape Town City Council on 15 September 1978; if so, what is the nature of this permit;

(2) whether the said City Council is currently complying with clause 8.1 of the permit; if not, Hansard 27/2/90

(3) whether he has taken any action in this regard; if so, what action; if not, why not;

(4) whether he will issue this City Council with a long-term permit of this nature; if so, (a) when and (b) subject to what conditions; if not, why not?

B224E

The MINISTER OF WATER AFFAIRS:

(1) Yes, a permit was issued in terms of section 21(4)(a) of the Water Act, 1956 (Act 54 of 1956) to discharge screened, macerated, raw sewage by means of a pipeline into the sea near the Green Point Lighthouse in Mouille Point, Cape Town.

(2) No, the pipeline was recently damaged in a severe storm resulting in it being shortened from 1 700m to only 280m. This occurrence considerably reduced the dilution capability of the sea-water on the effluent, which in return resulted in aesthetically unacceptable conditions and an increased health risk, associated with swimming and collection of filter feeders,

PTO →

to supply water to consumers in the RSA. The water supplied from these possible dams will, however, in the most cases not be exclusively allocated to a specific sector, such as agriculture. Experience has shown that multi-purpose schemes can, in most cases, supply water in the most economic way. The one dam will even have to be operated empty, viz the flood attenuation dam outside Ladysmith in Natal.

(b) The specific dam sites are, for obvious reasons, not made public beforehand. The Water Act, 1956 (Act 54 of 1956) stipulates that a White Paper on a Government water scheme amounting to more than R20 million must, however, be Tabled in Parliament, before the construction thereof may commence. Members of Parliament will thus be informed timeously of proposed schemes. For the information of the honourable member, I wish to mention that of the 13 possible dam sites which I already referred to, the majority under consideration are in the Transvaal and more than half thereof is in turn situated in the Eastern Transvaal region.

I trust that the honourable member, after having studied the Report on Water Resources Management, will have greater clarity in the way in which the utilisation of the water resources of the RSA is planned, developed and managed.

RSA: petrol/diesel produced by Sasol (55)

*22. Dr P J GOUS asked the Minister of Mineral and Energy Affairs and Public Enterprises:†

(1) What percentage of the petrol and diesel consumed in the RSA during the latest specified period of 12 months for which figures are available was produced by Sasol; Hansard 27/2/90

(2) whether at the privatisation of Sasol the State gave guarantees in respect of selling prices of fuel to the new shareholders; if so, what price guarantees;

(3) whether the prices of locally produced fuel products are determined by market factors; if not, why not; if so, what market factors are taken into account?

Hansard 27/2/90 B252E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES:

(1) Consumption figures of fuel as well as Sasol's production figures are classified information in terms of the Petroleum Products Act, 1977 (Act 120 of 1977). The percentage of petrol and diesel consumed in the country produced by Sasol cannot, therefore, be published. (55).

(2) No. With the privatisation of Sasol additional protection of 3,6 c/l to the 0,9 c/l excise duty rebate was granted to the local industry to bring the total protection to 4,5 c/l. In Sasol's 1979 prospectus it is stated that prices of its fuels will be the same as those manufactured from crude oil.

(3) Yes. In view of the RSA's geographical situation, South African fuel prices are based on quoted international market prices of huge export refineries in Bahrain and Singapore. International supply and demand factors therefore play a role. The landed international market price in South Africa includes freight and local harbour charges. Local manufacturers of fuel, therefore, compete with the price at which products can be imported.

INTERPELLATIONS

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

Own Affairs:

Housing for senior citizens [redacted]

Mr H J COETZEE asked the Minister of Health Services, Welfare and Housing: Hansard 27/2/90

Whether he intends taking any steps to supplement the shortage of housing for senior citizens at homes for the aged and elsewhere; if not, why not; if so, what steps? [redacted]

B320E.INT

*The MINISTER OF HEALTH SERVICES, WELFARE AND HOUSING: Mr Speaker, it is not clear what the hon member means when he says among other things that there is a shortage of housing for senior citizens at homes for the aged.

South Africa is one of the Western countries in which the highest percentage of its aged population receives institutional care. A total of 8,7% of the White aged population is cared for in homes for the aged. In most Western countries this figure amounts to between 3% and 6%. In the USA it is 5% and in England 2%.

Institutional care for the aged in South Africa is provided in subsidised homes which are operated by welfare organisations. There are 428 such homes, in which 31 070 aged people receive care. During the past 10 years the number of residents in these homes has increased by 51%. Three hundred and sixty people are accommodated in four homes for the aged and handicapped which are run by the department itself. Five hundred and thirty-four aged people are accommodated in four homes, which are run by a private enterprise on behalf of the State.

One hundred and twenty private homes which are run by individuals, welfare organisations or other institutions provide for 5 760 aged people.

With regard to category B old age homes, it is a pleasure for me to announce that the subsidy per resident has been adjusted upwards by R91,89 per month with effect from 1 October 1989. In co-operation with local authorities, welfare organisations and utility companies, good progress has been made in establishing housing projects for aged people in the sub-economic category in particular.

Four hundred and twelve projects, in which 25 500 aged people can be accommodated, have been approved. That comprises 6,2% of the total projected aged population for 1988. A provision of 10% for such housing projects is the ideal. Consequently we have a backlog that must be eliminated. The ideal, however, is that aged people themselves should be responsible for their housing as far as possible. They must be kept in the community for as long as possible.

The provision of welfare housing for the aged is aimed mainly at the sub-economic aged people in the country. Loans for the building of service centres, housing and old age homes are granted at an interest rate of 1%, repayable over a period of 30 years. Welfare organisations receive large-scale subsidisation for the management of service centres and old age homes. [Time expired.]

*Mr H J COETZEE: Mr Speaker, I take cognisance of what the hon the Minister has told us. I wish to thank him for the subsidies which are being adjusted upwards.

Nevertheless it appears to me that the Government is not aware of the enormous shortage of housing for our senior citizens and State pensioners, the fathers and mothers of our White people. As a result of the hon the Minister's policy of converting old age homes into frail-aged sections in the future, only persons in group three are accommodated. What is the hon the Minister going to do about the immense shortage of housing for senior citizens who qualified for this in the past?

The hon the Minister is cutting off the source of supply from frail-care sections at old age homes. That is already being reflected elsewhere in the Budget. The hon the Minister is not even spending the money for which was budgeted. A considerable amount is being saved on the item care of the aged in the Budget. Why does the hon the Minister not negotiate with his colleague of National Health and Population Development to occupy those empty beds in White hospitals with infirm aged? I am sure the hon the Minister should speak to that hon Minister; she has a very soft spot for the aged in South Africa.

Is the Government aware of where these senior citizens find themselves at present? Allow me to inform hon members. Some of them live in the most terrible conditions imaginable in old, decrepit houses on farms, without transport, without water or electricity. That is where so many of our aged people are murdered. Some of them live in backyards in servants' rooms without ceilings and without essential facilities. I even came upon a group living in an old house which is going to be demolished. They have only a toilet and an old bath, without water. Water has not even been laid on.

Even worse is that if there is a place in a frail-care section for the husband or wife, the two old people are separated. The one who remains behind simply has to make do somehow. Hon members know how traumatic it is when two old people are separated.

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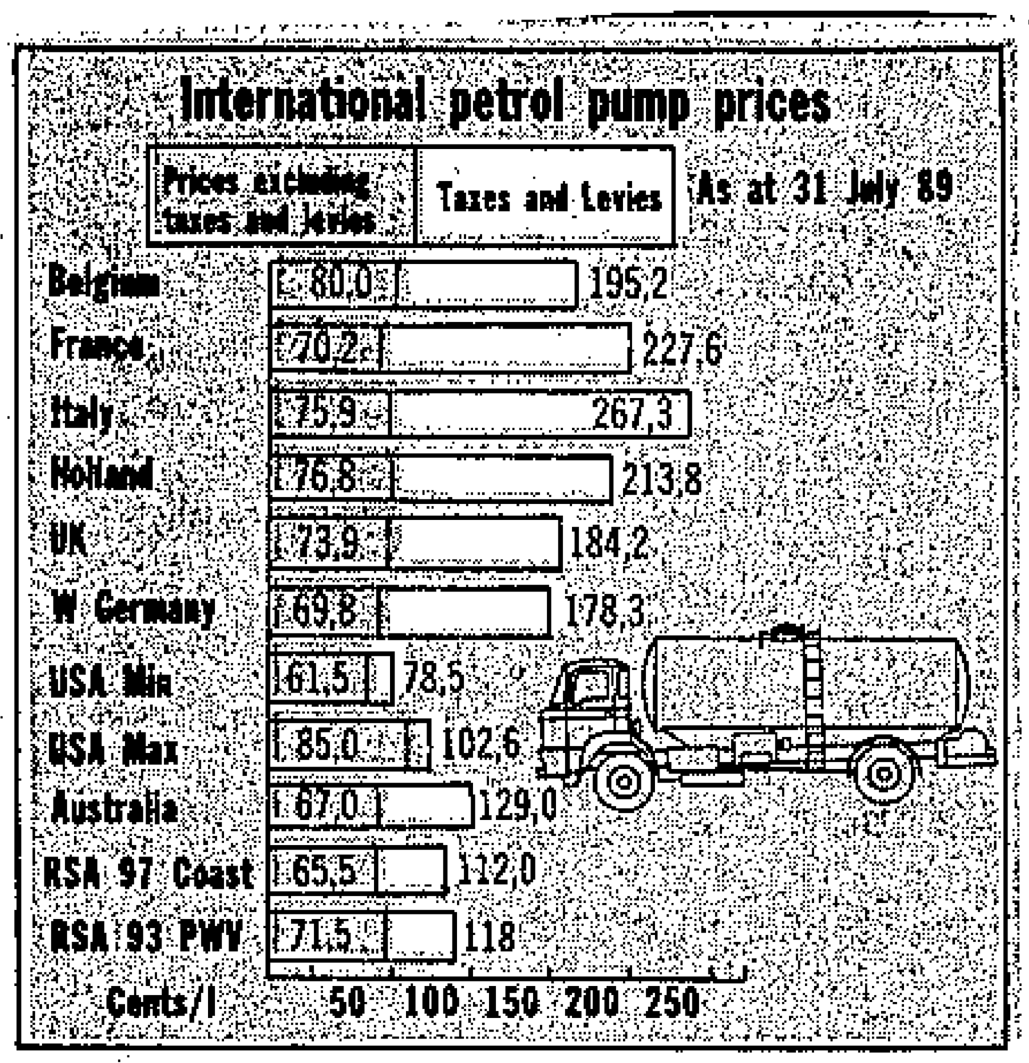

More protection for synfuels industry

(55) ZILLA EFRAT

GOVERNMENT has implemented a new framework for the protection of the local synfuels industry which will provide it with greater stability. B/Day 28/2/90

According to Sasol, a new protection tariff will limit the influence of some uncertainties experienced in the volatile international crude oil market in which the SA industry competes on a price basis with imported refined products.

At February's ruling prices, the new protection ammounted to 7,8c/*l* — a protection rate of about 17,5% — compared to the 6c/*l* which had applied since January 1988.

After considering several approaches, government decided on the floor price framework which had been successfully applied in other import replacement indus-

☐ To Page 2

Synfuels B/Day 28/2/90

(55)

☐ From Page 1

tries.

Sasol says a crude oil floor price of $23 a barrel has been set which compares favourably with the current crude oil price around $22 a barrel. Based on a formula, the protection level per litre will be adjusted regularly with this floor price as a reference.

An account will also be kept of the cumulative difference between ruling crude oil prices and the floor price. When prices exceed $28~~,7 a ba~~rrel, 25% of the additional income above this price will be used to redeem the accumulated protection.

As a result, when the oil prices rise above $28,7 a barrel, the effective marginal tax rate of the on synfuels will rise to 62,5% until the accumulated protection has been redeemed.

Sasol says the new framework is fair to the industry and the consumer.

mental matters, the Government takes notice of petitions and that such petitions have to be evaluated.

Inevitably, it is not possible to respond to every signatory of the petitions but on several occasions and in press releases I have addressed this matter and have pointed out that I have no statutory authority to out of hand institute a prohibition regarding the proposed mining activities at St Lucia. I gave instructions that a comprehensive environmental impart study should be done which will be objectively evaluated and which will put me in a position to make meaningful recommendations regarding the environmental impact control measures.

Hansard 28/2/90

(4) I have done so repeatedly. As recently as 13 and 18 February 1990 I addressed media conferences in this regard. I would like to repeat that I shall do everything in my power to stop the mining activities should the studies, now been undertaken, prove that mining will have an irreparable effect on the environment.

White fish landed

63. Mr R J LORIMER asked the Minister of Environment Affairs:

How many tonnes of each species of white fish were landed during the 1989 fishing season?

Hansard 28/2/90 B159E

The MINISTER OF ENVIRONMENT AFFAIRS:

Hake	136 604
Kingklip	1 650
Monk	4 955
Jacopever	1 034
John Dory	1 536
Angel Fish	1 150
Ribbon	8 945
Other	8 248

Cedarberg: State-owned areas

71. Mr R J LORIMER asked the Minister of Environment Affairs: Hansard 28/2/90

(1) Whether there are any State-owned wilderness, conservation or forestry areas in the Cedarberg; if so, (a) what areas and (b) what is the status of each such area;

(2) whether persmission was granted to any persons to graze stock in any of these areas during the past five years; if so, (a) (i) to which persons, and (ii) for what reasons, in each case, and (b) in terms of what statutory provisions was such permission granted?

B176E

Hansard 28/2/90

The MINISTER OF ENVIRONMENT AFFAIRS:

(1) Yes.

(a) (i) Wilderness Area

(ii) Water Conservation Area

(iii) Plantation Area

(b) (i) Wilderness Area, set aside in terms of section 15(1)(a)(ii) of the Forest Act, 1984 (Act 122 of 1984).

(ii) Water Conservation Area — section 1(xxxix) of said Act.

(iii) Plantation Area — section 1(xxxix) of said Act.

(2) Yes, only emergency grazing on water conservation area.

(a) (i) To Brothers Nieuwoudt.

(ii) As result of a fire caused by lightning on the State Forest which spread to property owned by the Bros Nieuwoudt and which destroyed their natural grazing, emergency grazing was allocated to Bros Nieuwoudt on humanitarian grounds and as a gesture of good neighbourliness and goodwill for a period commencing on 1 April 1989 until 30 April 1989 for not more than 420 head small stock on payment of the prescribed fee after they applied therefor.

(b) Section 11(2)(a)(ii) of said Act.

Central Energy Fund: amount collected

76. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs and Public Enterprises:

What total amount was collected on behalf of the Central Energy Fund in the 1989-90 financial year?

SS B194E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES: Hansard 28/2/90

No amount was collected from levies on behalf of the Central Energy Fund in the 1989-90 financial year.

Other income:	R'm
Interest	477,09
Dividends	191,80
	668,89

Lake St Lucia: mining activities

79. Mr R F HASWELL asked the Minister of Environment Affairs:

(1) Whether he has received any representations regarding proposed mining activities at Lake St Lucia; if so, (a) how many, (b) from whom and (c) what was (i) the purport of and (ii) his response to each such representation;

(2) whether any of these representations was in the form of a petition; if so, (a) who drew up the petition and (b) how many signatures did it contain;

(3) whether an environmental impact analysis is being undertaken in regard to the proposed mine; if so, by whom;

(4) whether (a) Parliament and (b) the public will be given time to respond to this analysis; if so, how long; if not, why not?

Hansard 28/2/90 B168E

The MINISTER OF ENVIRONMENT AFFAIRS:

Yes.

(a) Petition:

Two batches of petition documents were received by the Department of Environment Affairs. The verbal information received at the times of delivery was that the first batch contained 116 000 signatures and the second batch 50 000 signatures.

Hansard 28/2/90

A rough estimate carried out indicated that between 120 000 and 130 000 signatures were actually received.

"The Star" of 1 December 1989 claimed that 200 000 signatures were collected and in "The Star" of 5 December 1989, it was claimed that 278 148 signatures were collected. In The Star of 12 December 1989 it was reported that 217 000 signatures were collected. In the Pretoria News of 14 February 1990, 300 000 signatures were claimed to have been received. In the light of the above it appears that contradiction on the number of signatures exists.

Letters:
610 letters were received by the Department of Environment Affairs.

(b) The Star's CARE Campaign which includes the reaction of the public and the following organisations:

- — Endangered Wildlife Trust
- — Kangwane Parks Corporation
- — Zululand Society for the Protection and Care of the Environment (SPACE)
- — Trador Cash & Carry
- — Pick 'n Pay
- — Rand Afrikaans University
- — University of Natal
- — University of the Witwatersrand
- — UNISA
- — Several schools
- — Technikon Witwatersrand
- — Birnam Business College Johannesburg
- — St James Presbyterian Church
- — Salvation Army Vereeniging
- — Liberty Life Insurance
- — First National Bank
- — National Council of Women of SA

P. T. O →

Star 1/3/90 (55)

Eskom seeking to roll over foreign-held maturing bonds

By Derek Tommey

A large number of foreign investors are expected to reinvest the money they get this year from their maturing Eskom bonds, saving the country much needed foreign exchange.

This was the good news brought back by Mr Francois Botha, Eskom's assistant general manager, finance, from his recent visit to Europe.

The problem of finding the $1 billion in foreign exchange needed to redeem maturing Eskom bonds has been giving top officials at the Reserve Bank and the Treaasury nightmares for several months. It is partly to have enough foreign capital to repay these bonds that the Government has been squeezing business recently.

But the years in which visits by Eskom officials to foreign bankers produced only hot tea, warm smiles and no money may have ended, says Mr Botha. He is cautiously optimistic that Eskom will be able to refinance some of its maturing bonds.

Recent developments in South Africa have made it easier for banks in Europe to reconsider their position towards this country.

He found a strong demand in Europe for the high yield Eskom loans. The heavy buying of local Eskom stock through the financial rand was confirmation of this.

Over the years Eskom has built up a sizeable group of loyal private investors — people who are comfortable with the risk-and-return ratio which South African securities offer, he says.

It is important for Eskom's future loan financing that these investors should be given another opportunity to invest in Eskom securities.

It is also important for South Africa that this year's maturing bonds should be rolled over. If half are rolled over, it will save South Africa R1,25 billion in foreign exchange which can be used to buy much needed plant and equipment.

According to a recent economic study this could add 0,5 percent to the country's economic growth rate.

Mr Botha said all that is needed is for a select nunber of banks to take the lead in arranging the roll-over and he was confident others would follow.

Mr Botha said the mood overseas has changed, but South Africans should not expect any immediate benefits. Negotiations on the country's future could be long and difficult and will undoubtedly be interrupted by temporary hiccups.

ENGEN/TREK FM 2/3/90 (55)

New energy giant

Gencor's energy division, Engen, comes to the market with massive capital projects on its hands. But it also has large funding capability and does not expect any difficulty bringing these to fruition. Nor does management believe that funding needs will have any adverse effects on shareholders.

The large and proven cash-generating capacity of the two major operating businesses — Mobil and Trek — borrowings, and, later, equity issues are among funding methods available.

Already, Engen has taken shape as a new giant on the JSE, with turnover for the year to end-August forecast at about R5,3bn and attributable income of R200m. That is simply on present operations and takes no account of the planned expansions, nor the potential impact of a commercially viable Mossgas, which remains the most uncertain and controversial element.

Gencor is to list its major energy interests — other than coal producer Trans-Natal — by injecting these into Trek. Activities will include: the Genref (formerly Mobil) oil refinery; fuel distribution, through 1 000 Mobil, 130 Sonap and 385 Trek service stations; Gencor's interests in Mossgas; and a participation in Soekor's oil exploration programme.

An imminent expansion is planned for the Genref refinery. Engen chairman Bernard Smith says present thinking is that there will be an initial, R500m-R600m "debottlenecking" programme to increase production by 50%. There could then be a further expansion that would cost about R600m and raise capacity to double the present level.

The pace of expansion will depend on current studies and on markets. Now Smith expects the expansion would follow the debottlenecking, though an option would be to do both in parallel. There is a shortage of refining capacity in the country which would justify at least some expansion. However, the group is also targeting exports, particularly to African countries.

"Since we took Mobil over, it has been exporting fuels and chemical feedstocks to African countries it had never exported to before," says Smith "There may be opportunities that would result in the expansion coming sooner rather than later."

Management reckons the Genref expansion would be more cost effective than any other refinery expansion. That is largely because the capacity is already in place at Genref, where the plant was under-utilised since Sasol's Secunda plants came on stream.

Smith expects that the debottlenecking will probably be over 18-24 months, in which case the cost will be covered by cash flow. Borrowings could be used when needed, as Engen will be listed with shareholders' funds at March 1 1990 of about R950m and net borrowings of only R173m — a debt:equity ratio of only 18%. The cash generation at Mobil and Trek has long been substantial. At August 31 1989, Trek had cash balances of R121m.

Apart from Genref, Engen could face major capital commitments in Mossgas, in which it has a 30% stake and a management contract. The initial equity contribution of R30m has been paid, with about R1bn still outstanding — assuming Engen takes up its rights. Smith points out the question will arise only in late-1992 and the options will then be considered.

"Mossgas provides an upside potential with very little downside risk for us," he says. "It could be producing profits by late 1992. So far we don't have a big investment in it and we could decide not to go ahead." The breakeven in real terms is estimated at \$19-\$20/barrel. Smith believes there is "a lot of upside" in the current price of about \$19/barrel. "At \$25 we'd be making handsome profits because it's quite highly geared." Mossgas, like Sasol, would be a rand hedge and would expect to be eligible for the "tariff protection" for synfuel producers.

Equity issues will remain an option, though management would want to go to the market with a clear use for the funds. When Gencor was considering how best to list its energy interests, the message from stockbrokers and institutions was that there would be no difficulty raising, say, R600m-R700m in equity. Certainly, the group would have ample scope to issue shares: only 6% will be held by minorities, with the rest held by the already cash-flush Gencor (84,4%) and Genbel (9,6%). Clearly, Gencor will want to reduce its stake over time.

Detailed documents will be published in three to four weeks. Meanwhile, the group is forecasting EPS for the 1990 year at 181,9c. The dividend cover will be 2,1 times and management does not see a need for higher retention levels.

Andrew McNulty

SASOL FM 2/3/90

Volumes hit ~~260~~ 183

Production problems at the Secunda plants have clobbered Sasol's results for the six months to December and will remain a constraint in the second half. (55)

Earnings rose 18% but would have been

...gy giant

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SASOL FM 2/3/90

Volumes hit

Production problems at the Secunda plants have clobbered Sasol's results for the six months to December and will remain a constraint in the second half. 55

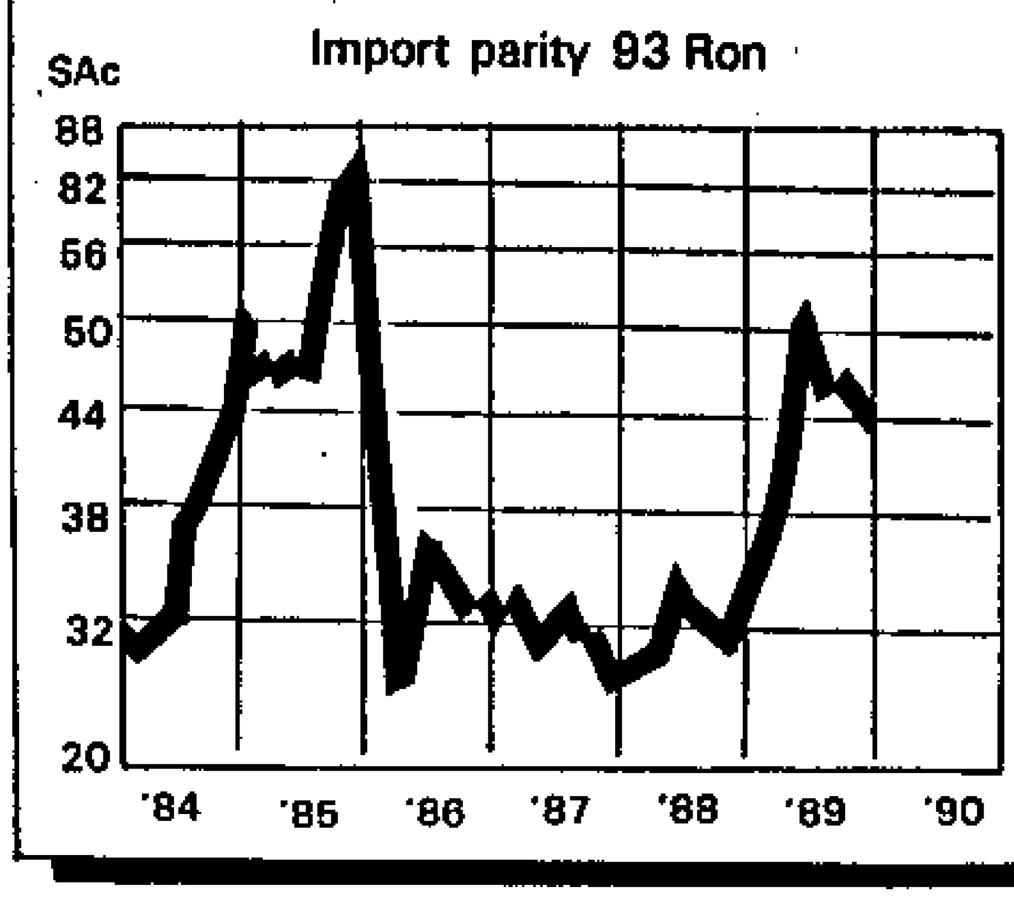
Earnings rose 18% but would have been

FM 2/3/90

much better had volumes not slumped at Sasol 2 and Sasol 3. Brokers' analysts have seen the results as disappointing and the share weakened after the announcement.

Almost all the major variables other than synfuel and chemical production volumes at Secunda had moved in the group's favour. In particular, the average rand fuel oil price for the six months was some 40% higher than the average for the 1989 interim. There was firmer demand for liquid fuels, a better refining margin and a generally higher level of chemical prices.

Better prices



Also, a new tariff protection mechanism has been introduced with effect from July 1 1989. This, now 7,8c/l, is 30% higher than the previous 6c/l The higher tariff was thus a significant help in these profits.

The decline in synfuel production follows last year's fire, which occurred because of corrosion downstream of the Synthol reactors. The regular inspection programme at Sasol 2 has been "intensified," and equipment concerned is being replaced with corrosion resistant material. MD Paul Kruger says output dropped by 10%-15% at Sasol 2 and Sasol 3 and will remain below capacity in the current half. Kruger estimates that the second-half shortfall will be about half that of the first.

The group will not be seeking compensation from anyone. Kruger says output at Secunda has been lifted to some 20% above designed capacity, and he reckons that all the effects of the higher output and the threefold scaling-up of the Synthol reactors from the Sasol 1 size could not have been foreseen.

The new tariff mechanism is based on a crude oil floor price, with the floor price now at $23/barrel. Essentially, Sasol benefits

P.T.O.

FM 2/3/90

(55)

TARIFF BOOST

Six months to	Dec 24 1988	Jun 30 1989	Dec 23 1989
Turnover (Rm)	2 036,7	2 056,9	2 360,0
Operating income (Rm)	526,3	568,0	613,0
Attributable earnings (Rm)	279,2	350,2	330,2
Earnings (c)	49,6	62,1	58,6
Dividends (c)	25,0	27,5	27,5

from a tariff protection as long as the international crude oil price is less than US-$23/barrel. The amount diminishes as the price rises towards $23 but increases as the price drops.

The tariff stops when the posted price exceeds $23. However, an account will be kept of the cumulative differences between ruling crude oil prices and the floor price. After the market price exceeds $28,70, then 25% of the additional income will be used to redeem the accumulated protection; in effect, the marginal tax rate on synthetic fuels will become 62,5% until accumulated protection has been redeemed.

Despite the immediate boost, the system may look less bullish for investors concerned about the medium to long-term growth of synfuel profits. One analyst points out that investors have considered the share worth buying with a view to an eventual recovery in oil prices. But benefits of future price recovery will be partially lost, first when the tariff is eliminated and then when the tax rate jumps.

Meanwhile, the group continues to seek growth from its chemical operations, though international prices are now well off the peak levels of last year; ethylene, for example, has dropped from more than R1 800/t to about R1 650/t. The polypropylene price slipped from the $1 000/t fob peak to $650/t and is now about $720/t-$750/t. This compares with the base price of $800 used in planning the R500m polypropylene plant, which started producing last week. Du Toit says the group will be happy with the plant's profitability at present prices, but a significant financial impact will only come next financial year.

This project accounted for much of the recent pick-up in capital spending, which rose to R464m (R299m), with capex authorised at R1 861m (R725m). A major component in the latter is the new Syferfontein Colliery at Secunda, a strip mining operation expected to cost more than R1bn, to produce some 7 Mt a year. The group last year bought in 4,7 Mt of coal from non-Sasol mines. The new colliery should eliminate this need, while also making coal available for sale to Eskom or to export markets.

Now the import parity cost of 93 octane fuel is roughly 45c, about 10% up on the average 40,7c for the second half of the 1989 year. With synfuel volumes still expected to be at reduced levels, the group will be hard pressed to lift earnings much ahead of inflation this year; some analysts have revised total EPS forecasts down to 130c, which would be 16% up on last year.

Andrew McNulty

Sasol's 'white elephants' duck out of petrol

W/Mail 2/3-8/3/90

If the oil embargo ended, what would happen to Sasol? That's clearly a point that worries Sasol, which is speedily diversifying, reports ANN FRIEDMAN

IF the oil embargo in force against South Africa since the early 1970s were lifted tomorrow, the country would find itself with two enormously expensive white elephants: billions of rands of taxpayers' money has gone to pay for synthetic fuels production by Sasol and Mossgas.

The only consolation might come in several generations' time, if the world were to run out of fossil fuels — then South Africa, with its experience in synfuel technology, would be crowing.

But right now even the government has been signalling that it is not too worried about South Africa's oil supply, although this is a subject shrouded in the secrecy of the Petroleum Products Act.

Late last year the government refused the go-ahead for two further synfuel projects: Gencor's oil-from-torbanite and AECI's methanol-from-coal plans. Minister of Mineral and Energy Affairs Dawie de Villiers admitted recently that if the cabinet were to consider a project like Mossgas now, it would be highly unlikely to approve it, given present changes in the political climate.

But although the government re-evaluated the half-complete Mossgas project in December, it made clear it will go ahead — on the grounds that to cancel would be more expensive than to continue. The project's capital cost is now estimated at R8-billion, well over the original R6,5-billion budget the cabinet approved in 1988 (initial cost estimates had been R5,5-billion in 1987 figures). At least one of those involved in the project has said it could eventually cost R10-billion.

Meanwhile Sasol Ltd, a public company although still with a 30 percent state shareholding, has been diversifying out of synthetic fuels and into producing other chemical products as fast as it can.

It is now deriving only about one third of its operating profit from synfuels, a further third from chemicals, and the last third from its coal, fertiliser and explosives operations and its crude oil refining at Natref.

The Sasol group, which at June last year had assets of R5,3-billion, has grown in response to strategic and commercial considerations at different times. But Sasol's management admits it would not build a Sasol Four now. The original Sasolburg plant goes back to the 1950s — now Sasol One is moving almost completely away from synfuel production. Sasol Two was planned at a time when it was economically viable — in the wake of the 1973 oil price crisis. Sasol Three's *raison d'être* was more explicitly strategic: it was decided on in 1979, mainly in response to the fall of the Shah of Iran; South Africa was at that stage totally dependent on Iran for its oil.

But both looked more viable in the 1970s and early 1980s than they do now. The oil price went right up to $40 a barrel at one stage in 1980 — at present the South African industry is working on around $18. And the fall in the value of the rand has also negatively affected Sasol's commercial viability.

Oil produced synthetically — be it from coal as in Sasol or gas as in Mossgas — is by definition more expensive than the crude oil that comes out of the ground (or the sea) since it requires more processing.

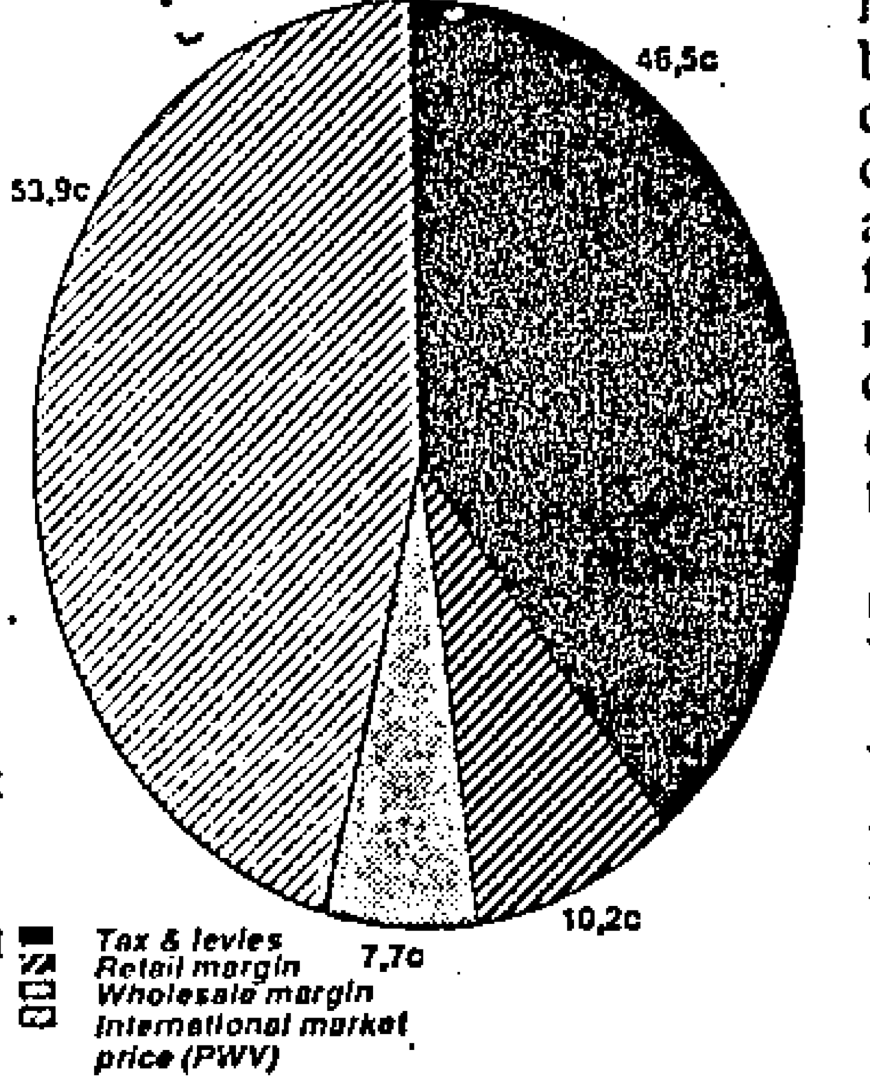
Essentially it has been hefty government protection which has kept Sasol's fuel production viable — and helped to make the company a "blue chip" share.

The protection rate for Sasol fuel is 17,5 percent at present. Oil companies who buy the fuel pay an additional 7,6c per litre over the international market price (which is 53,86c for 93 octane petrol in the PWV area). They then deduct this off the levies and taxes they pay to the government.

Sasol this week gave details of the new framework for tariff protection for synfuels implemented by the government during the second half of last year. The new system gave protection of 7,6c in February where the old would have given 6c.

However the new system only subsidises Sasol when the fuel price is below $23 a barrel — which it is at the moment. Above that "floor price" there is no protection, and above $28,7 per barrel Sasol starts paying in: it must pay 25 percent of any extra income earned above the $28,7, until the accumulated protection it has received has been redeemed.

PWV petrol price: 93 octane



How the pump price is made up — 39 percent goes to the state — but Sasol fuel is subsidised

It will be protection, too, which helps to keep Mossgas going. Even with tariff protection, if oil prices are too low it would still end up costing billions more rands once it starts production.

An oil price of $12 is required if Mossgas is just to make the interest payments on its loans; $15 would be required for it to repay its loans; and $19 would be needed to achieve a break-even point for shareholders.

No one has ever suggested Mossgas is anything but a strategic investment. And it has been a large one: so far R5-billion has been sunk in the project.

The government argues it would have lost even more than the R5-billion if it cancels the project, because there would for example be cancellation fees to the contractors. It also has R1,7-billion in foreign loans for Mossgas, which would have to be repaid. If the project goes ahead it could save R120-billion in foreign exchange over its lifespan, according to government figures.

The government keeps emphasising that there is still, formally, a crude oil boycott of South Africa.

It is now assuming that the R5-billion is already spent — or lost — and justifying the continuation of the project on the basis that it is worth spending the extra R3-billion because the return on this additional investment will be acceptable.

Democratic Party energy spokesman Roger Hulley, however, has called Mossgas "the biggest economic liability left over from PW Botha's era". Former Sasol general manager Jan Hoogendoorn has pointed to the millions of rands it will require every year just to service its debts.

Shareholders in Mossgas were the Central Energy Fund (which was built up via levies paid by petrol consumers) which has 50 percent, Gencor (30 percent) and the Industrial Development Corporation (20 percent).

Mossgas was in the news again this week as Gencor transferred its stake to its giant new energy arm, Engen. Engen brings together Mobil (which Gencor bought when the American company disinvested), Sonap and Trek, giving it 1 500 filling stations; it will also hold the 30 percent share in Mossgas as well as participate in oil exploration activities with Soekor.

Don't expect divested US companies to return

W/Mail 2/3-8/3/90

By HILARY ANDERSSON

SOUTH Africa should attempt to attract new investment from the United States if sanctions are relaxed, since companies which disinvested are unlikely to return.

That's the view of Wayne Mitchell, executive director of the American Chamber of Commerce in South Africa (Amcham), who points out that some of the companies who left did so in an atmosphere of tension with their workforces.

Kodak, which encountered antagonism from affiliates of the Congress of South African Trade Unions on its departure, is a case in point. Other companies, such as Ford, left on favourable terms. But even these, Mitchell believes, may not want to "go through it again".

There is, however, potential for attracting first-time US investors and some are "cautiously optimistic" about recent changes in South Africa, says Mitchell.

But he points out the cautious optimism translates into a "wait and see" policy in the short term. This may mean the loss of potential investment in South Africa to newly opened Eastern European markets. The timing of the lifting of sanctions may therefore be crucial.

Despite increasing competition in the field of high technology from Japan, markets for American goods here generally remain good, according to Mitchell. Demand for American health care products, heavy industrial equipment, mining equipment and vehicles is particularly strong.

The ban on new investment and the double taxation of profits are the key sanctions. If these are lifted, any hesitancy to invest, Mitchell believes, will stem from uncertainty about the outcome of government-African National Congress negotiations.

Of the 337 American companies which were in South Africa in 1983, only 140 remain. The remaining US companies here are "very excited" and "bullish" about recent political developments, says Mitchell. His impression, following a recent unusually well-attended Amcham AGM, is that they feel vindicated for having stayed.

They are hopeful for the future integration of the southern African economy, as South Africa's increasing political credibility removes barriers, and with Mozambique and others liberalising their economies.

Helping to fuel their optimism is the fact that political pressures from state and local-level sanctions and consumer boycotts are finally beginning to ease as South Africa gets its first taste of positive publicity.

This is important for companies such as Johnson and Johnson, for example, who get more business from New York alone than they do from South Africa.

Amcham will go again to Washington this year to lobby against the Dellums Bill and for the relaxation of sanctions. Mitchell is confident the present feeling in Congress is in favour of any relaxation of sanctions that President George Bush might put forward.

Mitchell has been involved in direct talks with both the ANC and the government on behalf of Amcham. He describes the ANC as "pragmatic" and in view of this the redistribution which is inevitable in the future "mixed" economy could occur through taxation, rather than necessarily nationalisation.

R8 000-m Mossgas 'a disaster'

Star 3/3/90 (55)

Reveal all the details, engineer urges

CHRIS MOERDYK

THE controversial R8 000 million Mossgas project is a "disgraceful and deplorable financial disaster".

This is the opinion of a senior lecturer in the department of chemical engineering at the University of the Witwatersrand, Mr M van B Smith — even after he attended a meeting with senior Mossgas personnel this week to "clarify the economic viability of the project".

Mr Smith did concede, however, that it was "outwardly plausible" that continuation was better than stopping the project, as the Minister of Mineral and Energy Affairs and Public Enterprises, Dr Dawie de Villiers said recently.

"It appears that the position of the Energen Group (the energy arm of Gencor formed last week) is that the capital amount already spent, some R5 000 million, should be written off entirely.

Viability suspect

"The capital still to be spent, about R3 500 million in their reckoning, then represents a sum on which the project as a whole — that is the taxpayer — will receive a suitable return on investment.

"They were not willing to discuss their estimate of this rate of return. Therefore it is not possible for the outsider to accept the suggested future viability of the project with full assurance."

In view of Gencor's unwillingness to divulge details of how or in what order reimbursements would take place, it was impossible to ascertain whether the taxpayer would be funding the Gencor shareholding unreasonably.

"I cannot accept that the general public can rely on the financial acumen of the officials of the Industrial Development Corporation and the Central Energy Fund to have negotiated a watertight formula whereby the taxpayer and the Gencor shareholders both get a reasonable return. What is 'reasonable?' And aren't these the same negotiators that got us into the overall Mossgas financial mess?"

Mr Smith said the only way the agreement could be accepted as "clean and fair" was by making full details subject to public scrutiny.

"Meanwhile the outsider is left with the nasty suspicion that the taxpayer could end up funding the Gencor shareholder."

He said if R5 000 million was to be written off as Mossgas had suggested, then it was "instructive" to calculate what a commercial loan bearing 18 percent interest over a 30-year project life would represent when allocated to the Mossgas fuel production.

"My calculation suggests that this sum is 62,5 c for every litre of fuel produced by Mossgas — effectively funded by the taxpayer because of this squandered capital sum."

Mossgas, he said, had suggested that the saving in foreign exchange over the 30-year life of the project would be R120 000 million — in the inflated money of the day.

"My own calculation puts the saving in current rand value at R14 000 milliom — not significantly larger than the capital cost of the project itself. Spend a rand to save a rand in foreign exchange!"

Mr Smith added that he understood that a large chemical company was, even now, proposing to the authorities to build an alternative chemical complex at Mossel Bay at its own expense — without IDC or CEF funding and provided only that gas be supplied from offshore at marginal cost.

He concluded: "In the interests of highlighting the importance of accountablity to the public is it not in the interests of all that full financial details, including contractual particulars, now be made public?

"Is it also not worthwhile to recount the full history of how the original disastrous decisons came to be made by politicians, Soekor, the IDC or others? And don't give us a strategic excuse — it won't hold water because of the small production rates of the plant."

'Scrap it and save'

Three weeks ago, a local energy consultant, former Sasol senior general manager, Mr Jan Hoogendoorn, claimed that the project was equivalent to "shooting a midge with a cannon" and that if the project were scrapped immediately savings amounting to billions of rands could be made.

Mr Hoogendoorn also claimed that Mossgas was not of strategic importance to the country.

And despite a subsequent government announcement that the project would go ahead — because it had gone too far ahead to be scrapped — the Minister of Energy Affairs has admitted that it was "highly unlikely" that Government would have launched a Massgas project today.

Sasol sits pretty on firm demand

S/Times 4/3/90 (55)

By David Carte

SYNTHETIC fuel plants are unlikely to be built in SA soon, but that does not mean Sasol does not have a great future.

Sasol managing director Paul Kruger says: "One cannot justify investment in synfuel plants at present oil prices. They are uneconomic. In addition, the strategic need for such plants has been reduced by the new political climate.

Protection

"Internationally, we are no longer untouchables. But in spite of the improved strategic position, Sasol foresees good growth."

Mr Kruger says that only one third of Sasol's operating profit of R613-million in the half-year to December came from synfuel. A third came from chemicals (ethylene, waxes, phenols, ammonia) and the rest from coal, gas, fertiliser, explosives and refining of crude.

He sees good growth in all areas, including synfuel since protection of 17,5% (7,8c a litre) was granted in February.

Inflation makes a genius out of anyone with a completed capital-intensive plant. That is Sasol's happy position. Not only that, but its plants are operating at 120% capacity.

Identical

Another growth source could be acquisition of the outstanding 50% of Sasol 3. Sasol 3 contributed a dividend of R25-million to synfuel operating profits of R200-million in the past six months.

Sasol 1 hardly produces synfuel. So, by deduction, Sasol 2 made most of the balance of the R175-million synfuel profit. Sasol 3 is an identical plant, capable of similar profitability, provided it is not debt encumbered.

"The outstanding 50% of Sasol is the quickest, easiest privatisation the State could undertake. It could be done at the stroke of a pen. There would be no management hiccup or any other problem."

How would it be priced?

"Just as Sasol 2 and the first half of Sasol 3 were — by negotiation, with reference to future profitability."

Would Sasol expect to pay the amount off, or would the State get an immediate payment in cash?

"We would pay cash, even if it meant increasing debt or raising funds in the markets."

At the end of December, Sasol had long-term debt of R401-million and short-term loans of R14,8-million, which paled against equity of R3,7-billion.

Another reason for Mr Kruger's optimism is that he believes there will be another world oil shortage.

Shortage

"I believe oil prices are in a slow uptrend. I expect the price to reach $23 a barrel in the next three years — it's nearly $20 now. A big unknown is what will happen in Russia and Eastern Europe. If production there should suffer, prices could move up sharply."

Mr Kruger says the latest results were depressed not only by a stronger rand, but by the need to be extra careful in ensuring no recurrence of the two fires that devastated the plants last year.

"Ironically, the fires affected profitability this year and not when they happened. Last year we were fully compensated for loss of income. This year we had to shut down plants for inspection and be careful about pushing throughput."

Mobil

Mr Kruger says acquisition could be a source of growth in the future. He has no regrets at having missed Mobil, which went to Gencor.

"We knew it was for sale, but were not interested because we are already big refiners. I think it fits better into Engen. Trek had marketing and distribution arms, but no refinery. Now Engen is a well-balanced company. Still, if another oil company ever left, we would be interested."

Sasol is stepping up coal production at New Syferfontein. That will obviate buying in 5-million tons of coal a year, resulting in signficant saving.

The company opened its polypropylene plant 10 days ago. Mr Kruger says polypropylene is more profitable these days than synfuel. Phenol exports to Europe are proving lucrative.

Sasol claims several breakthroughs in explosives technology. It thinks explosives will give good growth. It is doubtful about fertiliser profitability.

If Sasol is to make money out of technology, it will not be in the synfuel area, he says, but in pollution control.

Reasonable

The interim result in a nutshell: Turnover up by 16% to R2,4-billion, operating income by 16% to R613,1-million, tax rate 48% (1989: 46,7%) and taxed attributable profit 18% ahead at R330,2-million. Earnings a share were 58,6c (49,6c) and interim dividend 27,5c (25c).

The directors forecast improved earnings in the second half, suggesting a minimum for the year of 120c. At 1 250c, the share is 10,4 times prospective earnings, in line with the market average. The share seems reasonable considering its attractions as an institutional rand and oil hedge.

Genref lifts refining capacity

8/3/90 (55)

By Jabulani Sikhakhane

Genref will upgrade oil refining capacity at its Durban plant by 75 percent over the next five years to meet increased demands of the Gencor energy division, Engen.

Genref is a 100 percent-held subsidiary of Engen. The cost of upgrading has been estimated at R1,5 billion.

Engen MD and CE Rob Angel said in Durban yesterday demand for oil refining had increased faster than expected, particularly in the Far East.

At the same time, supply, since the early 1980s, had been tight, forcing refining margins up sharply, he said.

Although he could not give figures, Mr Angel said margins had gone up by several dollars per barrel since 1987.

The first phase of the project, which will cost R600 to R800 million, will lift capacity 50 percent and is scheduled for completion by mid-1992.

The increased capacity will meet the needs of Trek, currently being supplied by Shell.

In the second phase, capacity will be raised 25 percent at a cost of R700 million. This is scheduled for completion by the mid-1990s.

Mr Angel said political developments in SA could pave the way for more business opportunities in Southern African countries.

Refining capacity within South Africa was becoming tight and other local refiners were looking at upgrading, he said.

But Genref would have a cushion in that it had tremendous financial capacity.

He said chances of new grassroots refining coming onstream before the year 2000 were slim.

Mr Angel said the outlook for oil refining was good, with growth rates higher, particularly in Singapore, Taiwan and other Far East countries.

He said growth in SA had been eight to 10 percent each year.

Conservative forecasts were that it would grow by five percent per year.

Sales of electricity doubled in a year

(55)

EDWARD WEST

ELECTRICITY sold outside SA more than doubled from January 1989 to January 1990, Central Statistical Service statistics showed. But an Eskom spokesman said there were no significant trends in 1989 regarding electricity sales outside SA. BDay 8/3/90

CSS said 178 gigawatt hours (gwh) were sold outside SA during January 1989 while 384gwh were sold outside SA during January 1990.

Figures released by Eskom yesterday showed 1989 sales to Botswana were 57,8gwh, Zimbabwe bought 14,6gwh, Mozambique 307,1gwh, Swaziland 274gwh, Lesotho 181,9gwh and Namibia 556,6gwh.

The Eskom spokesman said electricity sales to Namibia increased 40% in 1989, compared with 1988, because Namibia was not receiving current from its plant in Ruacana.

Mozambique bought 33gwh less in 1989 compared with 1988, which could have been as a result of cut power lines due to sabotage, the spokesman said.

Lesotho and Swaziland showed normal annual electricity growth of around 4%, he said.

Splitting up ELB activities pays dividends

BRENT MELVILLE

E L BATEMAN (ELB) has posted strong half-year results to December, its order books are healthy and its engineering division is poised to benefit from the Mossgas project.

Divorcing its equipment supply activities from its engineering and contracting activities, into Bateman Industrial Holdings (BIH) and Batepro respectively, has paid dividends.

Net income attributable to ordinary shareholders improved by 32,9% to R6,9m (R5,2m), translating into earnings of 254c (198c) a share. A dividend, 26,7% up to 57c (45c), was declared covered 4,5 (4,4) times.

Margins jumped to 3,1% (1,4%), allowing an operating income up 49% to R9,7m (R6,5m) on reduced turnover of R314,4m (R453,8m). Directors say that the reduction in turnover is due to the phasing of large projects, and add that the current workload is "satisfactory" and prospects are promising.

Directors say the results support the belief that the restructuring has served to motivate the group's management teams, particularly in Batepro and BIH.

Suggested

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BIH executive chairman Peter Brereton said that the division had had an "outstanding" half-year, and was optimistic about the future. "Bateman Mining Equipment especially is beginning to show the benefits of earlier rationalisation and more focused management and results have exceeded expectations," he said.

B/DAY 9/3/90.

Batepro executive chairman John Herselman said his division had enjoyed an encouraging half-year with the award of a major role in De Beer's Venetia diamond-mega project. He said the division's broader technology base and higher level of export activity had contributed to profitability.

With last year's annual review indicating that the group expected to show real growth and directors forecasting earnings in line with the half-way stage, at 38,3%, earnings of about 680c a share to end June are suggested.

ELB is currently at 3300c, putting it on a historical p:e of 6,3 and a dividend yield of 5,2%, compared to sector averages of 6,6 and 5,4% respectively. The forecast would put ELB on a p:e of 4,8.

Threat to Mossgas training

S Times 18/3/90

55

By Ian Smith

AN ambitious training programme to provide thousands of skilled workers for the Mossel Bay oil-from-gas venture and other big contracts is in danger of collapse — because of a shortage of cash.

Mossgas has so far provided the up-front funding for the SA Fabrication and Construction Training Trust Fund (SAFCTF).

But its contribution, which is already about to overrun the company's original budget of R37,5-million, will dry up at the end of May.

"Approaches to the Government through the Manpower and Finance Departments have not been successful," says SAFCTF and Constructional Engineering Association (CEA) executive director Rene Schmetz.

The fund was set up two years ago as a joint venture between the CEA and the SA Federation of Civil Engineering Contractors, initially to provide basic skills for the Mossgas project.

Since then more than 6 700 people have been trained for mechanical, electrical, instrumentation and civil engineering jobs.

"The main aim was to make South Africa more self-reliant in vital skills and to cut drastically the need to import expensive foreign labour for major projects."

Originally it was hoped that the Department of Manpower would match the Mossgas cash contribution to give a total budget for the scheme of R75-million. But this fell victim to the Government's spending cuts.

At the same time big employers who were expected to contribute to the fund through a levy by-passed the scheme.

"Some major companies seem to prefer to import foreign labour, which is a short-term solution and almost always leads to an escalation of project costs."

Mossgas is contributing another R11,5m, taking its total funding to R42,5-million, to keep the scheme operating until the end of May.

Mr Schmetz is trying to raise money to ensure the training of another 1 200 people by the end of the year.

He says that if the money is not found there will be another influx of 850 expatriates to complete the Mossel Bay contracts.

Some employers believe that trainees taken on after May will not be ready to work on the project.

"But we believe there will

Koeberg: state mistake?

South 15/3-21/3/90 55

WHY should people in Manenberg, Mitchells Plain, Guguletu or Johannesburg bother about the Koeberg nuclear power plant when there are so many other daily problems to worry about?

Since the nuclear power station near Cape Town went into operation in July 1985. there are two major causes for concern — the potential for an accident and the production of nuclear waste.

Low level waste includes paper, disposable gloves, overalls and shoes which are used by workers at the station. High-level waste contains radioactive iodine, strontium 90 and plutonium, which are extremely dangerous. Radioactive iodine concentrates in the thyroid gland and causes cancer. Strontium 90 is absorbed into bone marrow and can leukemia.

Nowhere in the world has the nuclear industry solved the problem of disposing highly radioactive nuclear waste produced by reactors. Normal waste takes 10 000 years to lose its radioactivity. Iodine 129 and plutonium take millions of years to lose their radiation.

South Africa disposes its waste at Vaalputs in the North Western Cape and Radiation Hill, about 50km from Johannesburg.

"Before Koeberg was built, large quantities of electricity had to be sent to the Cape from Transvaal.

The number of people living within a 25 km radius is very low by overseas' standards. Even the larger number living within 35 km is acceptable."

Koeberg Alert an environmental awareness group, rejects these arguments because it believes that a nuclear power station is unnecessary.

The cost of electricity generated by the Koeberg plant has been estimated at 5,6 cents a kilowatt-hour. The cost of electricity from power stations in the Transvaal is 4,3 cents a kilowatt-hour.

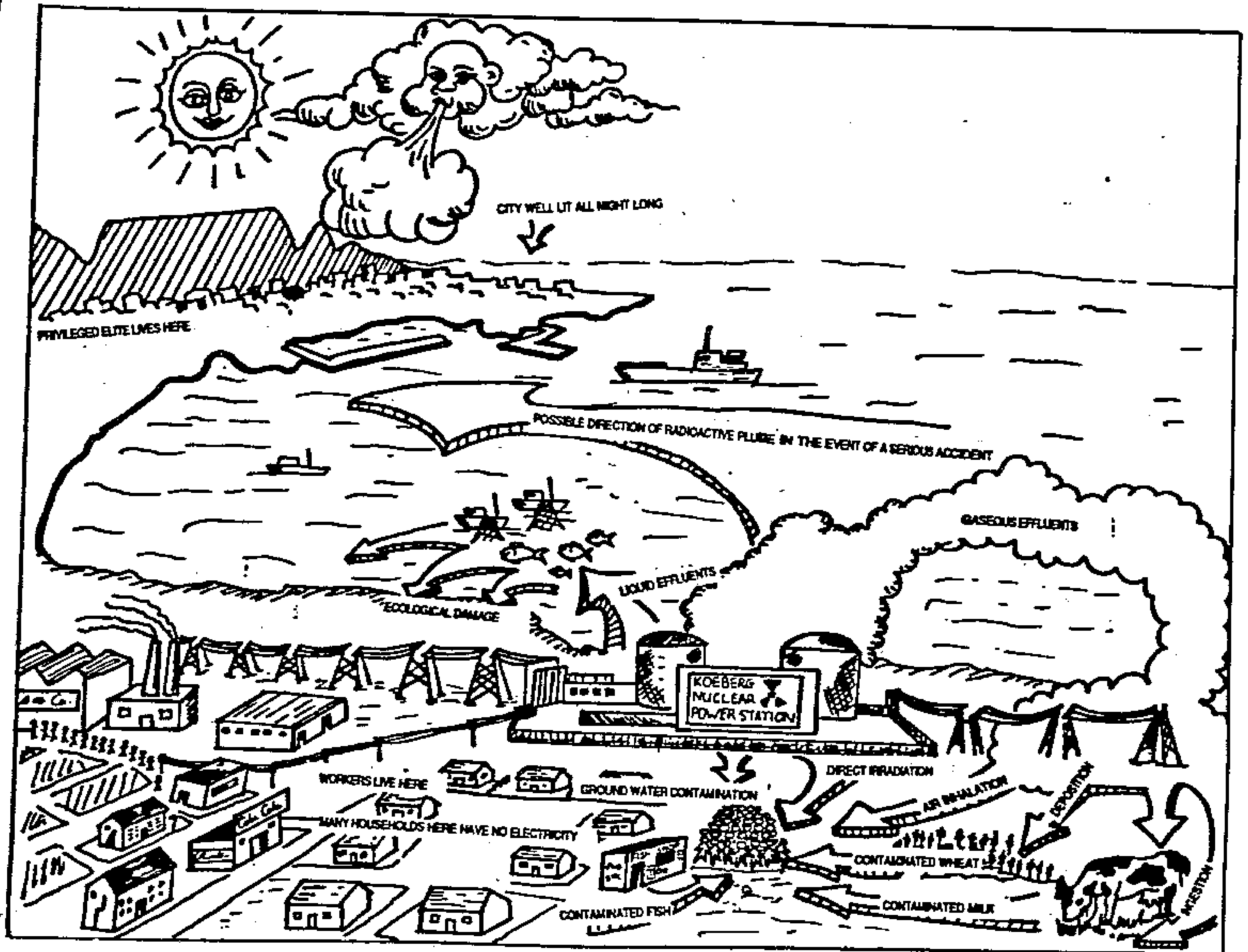
Mike Kantey, a spokesperson for Koeberg Alert, says: "In a country where the overwhelming majority relies on wood, dung and paraffin for their energy needs, nuclear power is like using a forest fire to light a candle."

Dr Reg Coogan, Cape Town's Medical Officer of Health, points out that a major release of radioactive matter could be carried towards Cape Town by the north west wind within a couple of hours.. All those out of doors would require decontamination and special clothing.

The International Atomic Energy Agency (IAEA) recommended that nuclear power stations should be sited at least 80km from large cities. Atlantis is on Koeberg's doorstep, and Koeberg is 40km from Cape Town!

Accidents could happen in two areas; viz waste being transported and at Koeberg itself. Since Koeberg became operational, the world has seen a major nuclear accident at the Chernobyl nuclear power station near Kiev in Russia.

The accident which occurred in April 1986 exposed 250 000 people to radiation. Thirty-one were killed. The village near Chernobyl in which 45 000 people lived was evacuated, bulldozed and buried.



About 10 000 women in Europe had to have abortions in the aftermath of Chernobyl.

South Africa has had only one known power station accident.

On March 10 1989, a fire broke out at the Pelindaba/Valindaba nuclear power plant.

In January this year, a fire broke out on one of the trucks transporting nuclear waste to Vaalputs.

According to Professor John Goffman, Professor of Medical Physics at the University of California, there are no safe levels of radiation.

Cancer and genetic mutations may occur over time from even minor exposures.

Koeberg concerns everyone living in South Africa but it has been seen as the issue of a few "educated whites"

All of us are responsible for ensuring a radioactive-free environment for our future. Even though we are silenced by restrictive laws and most do not have the basic right to vote, we all have the power to protest and question the wastage of our taxes on Koeberg.

More oil borehole success for Soekor

ARGUS 26/3/90

By JOHN YELD, Staff Reporter

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SOEKOR has drilled three more oil boreholes which are potentially commercially viable and several others which have shown "good signs" of oil and gas.

This was announced yesterday by the Minister of Mineral and Energy Affairs, Dr Dawie de Villiers, while opening the Cape Technikon's new survival centre at the General Botha Naval Academy at Granger Bay.

Dr De Villiers said his predecessor, Mr Danie Steyn, had announced in September that Soekor had conducted intensive production tests on drilling sites E-AGI and E-ARI.

About 120 000 barrels of oil had been produced, "extremely valuable" data had been collected and the tests could be regarded as a technological breakthrough for South African circumstances, Dr De Villiers said.

He was pleased to announce that since those tests, Soekor had enjoyed various further successes.

"Twelve boreholes have been completed, three of which are classified as potentially commercial oil strikes, while good signs of oil and gas were found in three other boreholes," he said.

PRIVATE SECTOR

Through Gencor and its new energy company Engen, the private sector was involved in the prospecting programme and possible future exploitation of oil and gas in the Bredasdorp basin.

"Although relatively small, six possibly economically productive oil fields have been found. These fields are situated south of the FA/EM gas fields in the Bredasdorp basin.

"The extent of these reserves is being quantified by way of several studies which includes follow-up drilling work, three-dimensional seismographical recordings and prolonged borehole tests . . .

"The exploration strategy of Soekor and its partners is aimed at discovering further oil resources, with the goal of the economic production of oil by 1992," Dr De Villiers said.

● **Oil platform survival techniques — page 5.**

SA finds 'good signs' of oil

Star 20/3/90 (55)

Own Correspondent

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NBS earmarks R50-m for Mossgas housing

Star 21/3/90 (55)

The Natal Building Society is earmarking R50 million to finance an employee housing scheme at Mossgas, the offshore oil venture.

The money will fund between 800 and 1 000 new and existing homes in Mossel Bay and surrounding areas.

Mr Brian Short, NBS public affairs general manager, says: "A facility has been structured, whereby we will approve loans to employees and it is envisaged the entire project will be completed in six to eight months."

Mossgas general manager, operations, Mr John Theo, says: "This is an important step for the project as it reinforces our long-term commitment to the exploration process.

"It is essential that our staff have a sense of permance — and owning one's home provides this."

ESKOM'S LOAN

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Further information has come to light about Eskom's ice-breaking venture back into the German capital market (*Economy* March 16).

According to a recent report in the London *Financial Times*, DM100m has been raised, for three years, at par and a coupon of 10,125%. The German Libor rate for three-month money is 8,3%.

The issue refinances part of an earlier Eskom issue which matures in April. It is believed this is the first financing operation by Eskom in Germany since 1985.

FINANCIAL MAIL MARCH 23 1990

Govt studies role in fuel industry

ZILLA EFRAT

GOVERNMENT is to take a hard look at its role in the fuel industry, and says it will do this in consultation with all interested parties. b\Day 28|3|90 (55

A statement from the Mineral and Energy Affairs and Public Enterprises Department says consultation is essential to determine to what extent government's involvement in the industry is justifiable, in the national interest, and reconcilable with government policy.

As a first step, Deputy Mineral and Energy Affairs Minister Piet Welgemoed yesterday invited service station owners to scrutinise all forms of government involvement in the industry, and to identify and evaluate aspects inhibiting its growth.

At the SA Motor Traders' Association convention at Sun City, Welgemoed called on them to submit recommendations.

He said no significant change would be made to any control or regulatory measure before comments had been received from all interested parties and they had been consulted on any possible decision.

The departmental statement says Mineral and Energy Affairs Minister Dawie de Villiers has already given an assurance that no reduction of government's involvement in the industry will occur before all relevant factors have been considered.

The statement says: "Government is committed to the free market system and there is a degree of uncertainty in the minds of people about government's pursuance of free market principles and how they could possibly be affected." This uncertainty, it says, should be removed.

De Villiers is expected to hold meetings to discuss aspects of government's involvement in the fuel industry and the advantages and disadvantages of deregulation.

Star 28/3/90 (55)

Govt probes fuel industry

By Sven Lünsche

The government is re-examining its role in the fuel industry in order to bring it in line with its "pursuance of free market principles", the Deputy Minister of Mineral and Energy Affairs, Dr Piet Welgemoed, said yesterday.

Addressing a convention of the SA Motor Traders Association — a constituent of the Motor Industry Federation (MIF) — at Sun City, Dr Welgemoed said all interested parties would be consulted before any decision is taken.

"Consultation is essential in order to ascertain to what extent government involvement in the fuel industry is justifiable in the national interest, and to what extent it is reconcilable with government policy."

As a first step Dr Welgemoed invited the MIF and other interested parties in the service station industry "to scrutinise all forms of government involvement in the industry, with a view to identifying and evaluating all aspects that inhibit growth in their industry, and to submit recommendations".

He assured the delegates that no reduction of government's involvement would occur before all relevant factors had been considered thoroughly.

Eskom fighting to keep costs down

CAPE TIMES 30/3/90 (55)

Own Correspondent

JOHANNESBURG. — Eskom electricty consumers benfited by R430m through Eskom keeping its price increases below the inflation rate during 1989 — in spite of higher finance and resource costs, Eskom chairman John Maree said yesterday.

Of this amount, R262m was financed from a 2,7% productivity increase, which was monitored by the National Productivity Institute, while the R168m balance, was drawn from net income, Maree said.

However, he warned in the Eskom annual report, which was released yesterday, that the giant producer could not continue absorbing production price increases, which were out of its control, without damaging the organisation's financial position.

The electricty price increase of 10% during 1989 was 5% lower than the inflation rate, while the 14% price increase for 1990 was also below the inflation rate.

In 1989, costs for Eskom's primary production components, fuel and water, increased 17,2%. Interest and finance costs in a year which saw interest rates rise continually due to stricter monetary control, increased 16,7%.

Maree said in the annual report, he expected tight monetary control over the economy to be maintained during 1990 and possibly even longer.

However, with slower economic growth and tighter control over government spending, demand for long term finance would be less and access to capital markets easier.

In spite of the cooling economy, Eskom's sales climbed 3,7% to 134 347 giggawatts an hour (gwh). The rate of growth was lower than last year's 5,7% growth rate for electricty sales.

Eskom MD Ian McRae said in the annual report sales to the the mining sector — representing 26% of Eskom's sales — dropped from a 4,5% growth rate in 1988 to a 0,9% growth rate in 1990.

Sales to industry and commerce, accounting for 27% of Eskom's sales, dropped 2,1% compared with a positive increase of 3,7% in 1988. McRae said these drops were partly attributed to the slowing of the economy during 1989.

Some industries transferred their electricity needs to municipalities when networks were sold while other large clients experienced production problems and thus used less electricity, he said.

However, these sales drops were offset by 10,1% (8,8%) increase in sales to municipalities and neighbouring countries. These sectors contributed 40% of Eskom's total sales.

Eskom's production capacity, about 4 000 megawatts, would peak next year and based on 4% expected annual average sales growth, it expected to wipe out overcapacity by the year 2000, McRae said.

B\Day 30|3|90

Soon-to-be-listed Engen's outlook is bullish, says CE

55

ENGEN is expecting its growth to come from increased refining margins, improved efficiencies, rationalisation, aggressive investment, additional added value products and exports.

The energy giant, which comes onto the JSE at the end of April via the Trek Beleggings listing comprises Mobil, Sonap, Trek, the Genref refinery, its 30% stake in Mossgas and participation rights in Soekor.

Engen CE Rob Angel says the outlook for refinery margins, which have been rising steadily over the past three years, is bullish.

Consumption of fuel products is showing real growth, but capacity is tightening on a global scale.

The forecasts are for world consumption to rise between 4% and 6% a year and output by 2% to 3% a year. Refining margins are expected to rise by between 1% and 5% annually.

SA fuel consumption has been showing a steady growth, while capacity has been tightening.

Angel says no further synfuels projects are foreseen beyond Mossgas. And the investments of other oil campanies are believed to be limited because they are controlled by foreign multinationals.

This will lead to a further tightening of capacity and a modest but real rise in the crude oil price is expected over the next few years, he says.

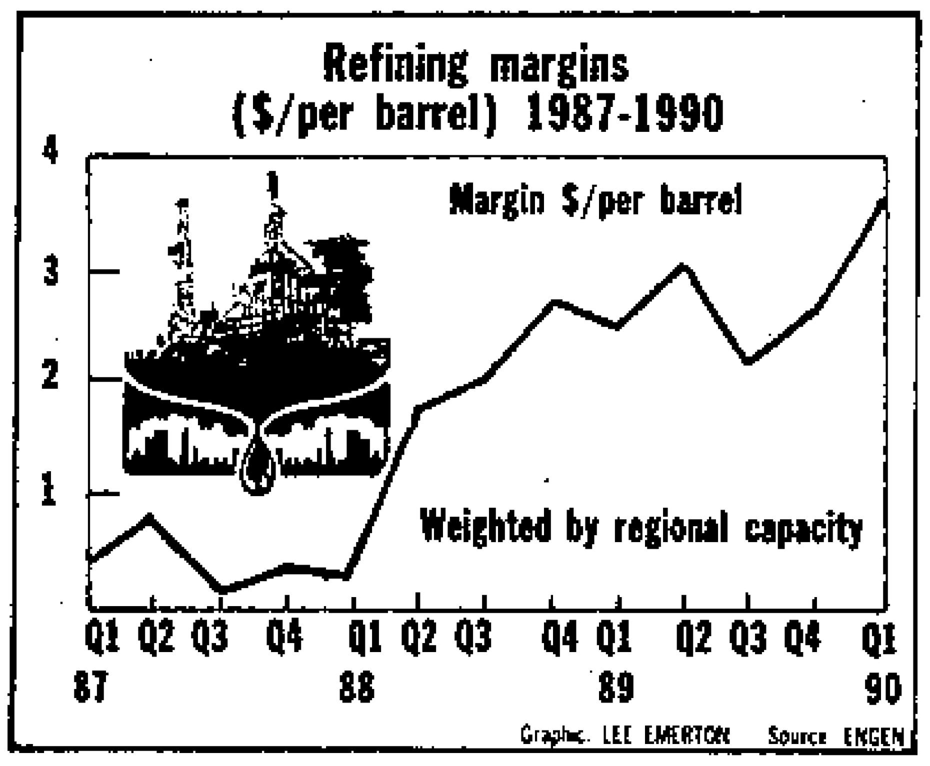
A large proportion of Engen's earnings come from its refining operations. And the energy giant has planned a

ZILLA EFRAT

huge expansion of its Durban-based Genref refinery, acquired from Mobil.

The first phase, expected to cost between R600m and R800m, will enable it to take on Trek's refining in 1992. The second, aimed at refining for further demand and possible exports, is expected to cost between R500m and R700m by 1995.

Genref's capability will be upgraded



to increase the yield per barrel of petrol and diesel by 5%. The investment also includes facilities for unleaded gas production, ahead of growing concern over environmental issues.

The first phase of the Genref expansion project will be funded through cash flow and borrowings. However, a rights issue will be required to fund the second phase by late 1992, as well as the R1bn required if Engen does decide to take up its options in Mossgas.

In addition, Engen will spend R110m improving the capacity of its Durban lubricating oil blend plant to meet expected growth in demand. It also intends to produce added value chemical products from its refining processes for niche market applications.

Rationalisation of the storage, distribution and administration facilities of Mobil, Sonap and Trek could save Engen R20m a year, says Angel.

Other rationalisation opportunities

Another acquisition seems highly likely as Angel says it would offer further rationalisation benefits.

He says Mobil's growth over the past few years was restricted as high dividend demands made by its former US parent starved it of investment.

Mobil — about 70% of its new investment is in service stations in the black market — is expected to be boosted by increased black spending power.

Angel says the prospects of the exploration project Soekor, in which Engen has participation rights, are encouraging and Engen intends to continue with this investment.

Engen is expecting attributable earnings of R200m in the year to August 1990 on a turnover of R5,3bn.

Angel says earnings are forecast to be 182c a share in the current year, up 21% to 220c in 1991 and 18% higher at 260c a share in 1992.

Gencor's 84,4% stake in Engen is expected to boost Gencor's earnings by 14%, or 16c a share, in the current year, and its net asset value by 8%. Engen now accounts for 12% of Gencor's net assets, up from 5,9% last year.

Consumers 'spared R430m'

BDay 30/3/90 (55)

EDWARD WEST

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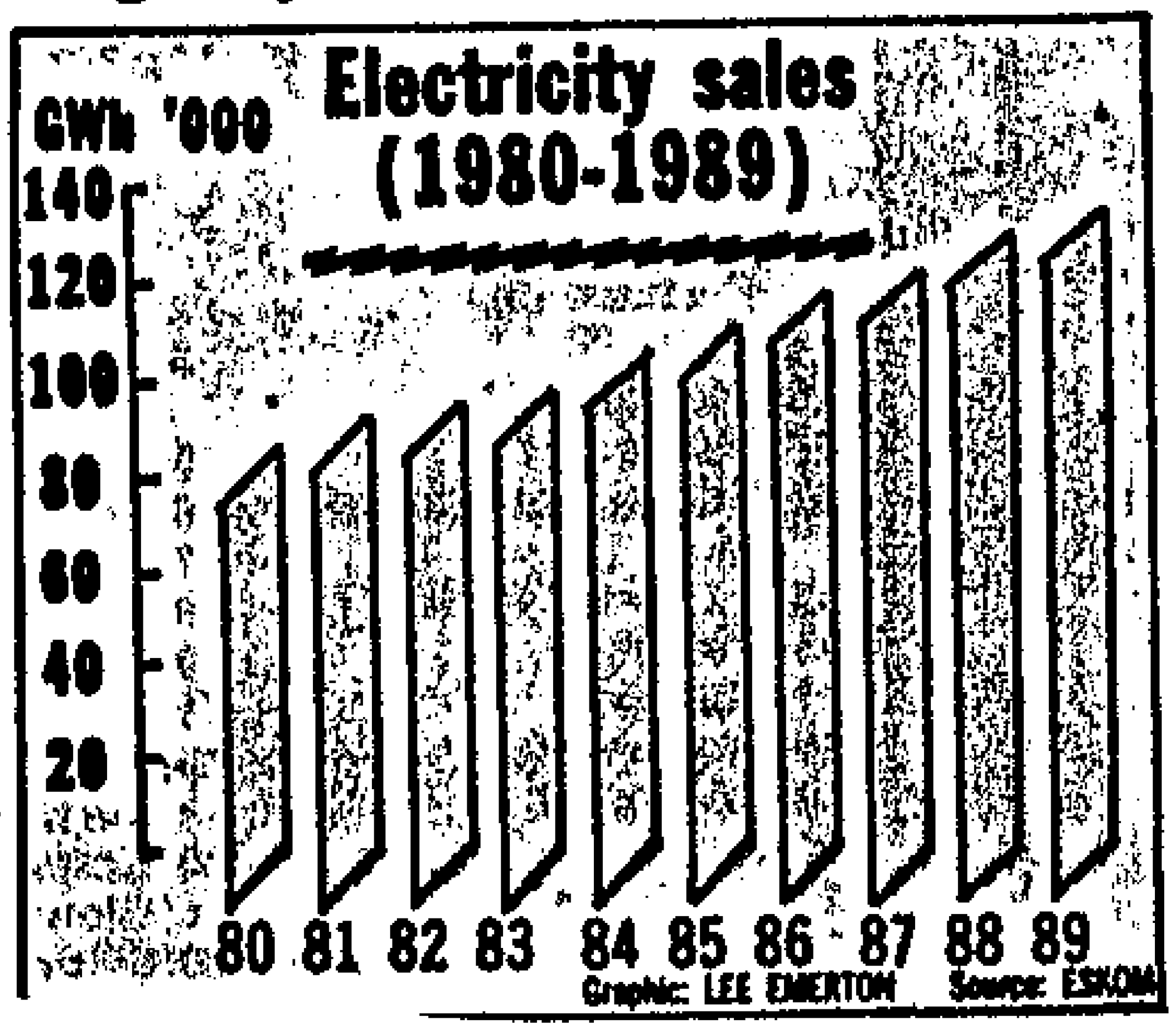

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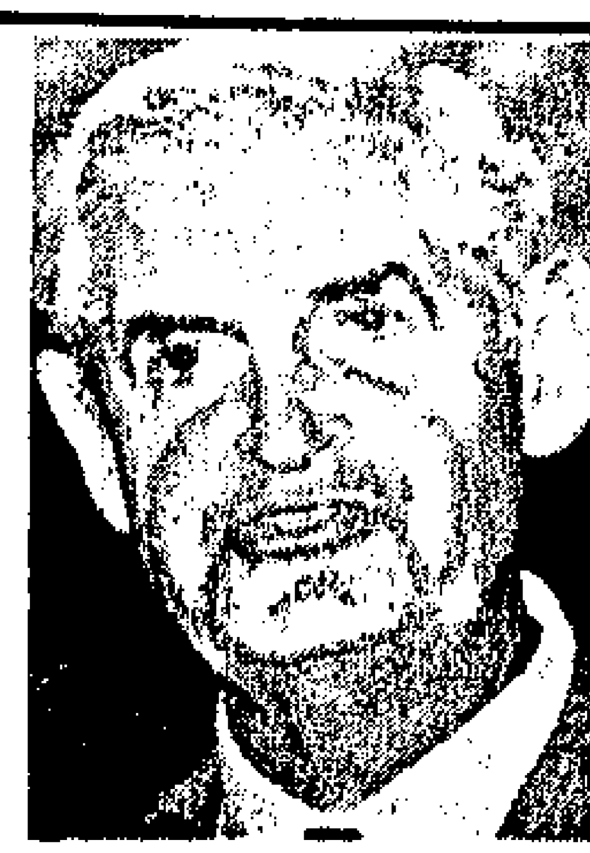
☐ To Page 2

● DAVIS

● McCRAE



● MAREE

Pictures: ROBBIE BOTHA

Consumers

BDay 30/3/90 (55)

☐ From Page 1

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Some industries transferred their electricity needs to municipalities when networks were sold while other large clients experienced production problems and therefore used less electricity, he said.

These sales drops were offset by a 10,1% (8,8%) increase in sales to municipalities and neighbouring countries. These contributed 40% of Eskom's total sales.

● See Page 3

55

Star 30/3/90

'25-30 years for Mossgas'

The life expectancy of the Mossgas project was at least 25 years, based on present proven reserves of the FA/EM fields, **Minister of Mineral and Energy Affairs and of Public Enterprises Dr Dawie de Villiers** said in the House of Representatives yesterday.

In a written reply to a question from Mr L J Sampson (LP Diaz) he said all indications were, however, that sufficient additional reserves were available in surrounding areas to make a life expectancy in excess of 30 years possible.

No provision had as yet been made for the establishment of industries in Mossel Bay.

No decision had been made to proceed with the Gencor torbanite and the AECI coal-based process, neither for the manufacture of synfuels nor for the manufacture of petrochemicals, the Minister said.

At present no industries related to the Mossgas project were being planned for the implementation.

"It is probable that should such industries be economically viable in the future, they will be established by private enterprise." — Sapa.

Star 30/3/90 (55)

The Star
Finance

Eskom to set increases nearer to inflation rate

By Sven Lünsche

Eskom will aim to keep future annual electricity tariff increases closer to the ruling inflation rate, the utility giant's chairman Dr John Maree warned yesterday.

Presenting the group's 1989 annual report, Dr Maree said Eskom intended to improve its balance sheet and income statement ratios through greater cost effectiveness and price increases, which will be nearer the inflation rate than previously.

During the past three years, increases in the price of electricity were kept to between two and five percent below the expected rate of inflation.

"Many suppliers have not managed their own costs to offset inflationary pressures — the cost of coal, for example, rose by 21 percent last year — and Eskom had to absorb these increases in input costs.

"We obviously cannot do so indefinitely and if a major adjustment in excess of inflation is to be avoided, future price increases will have to nearer the inflation rate," Dr Maree said.

During 1989 electricity sales produced revenue of R9,27 billion, compared with R8,16 billion in 1988.

Operating costs rose from R4,86 billion to R5,64 billion, while net interest and finance charges were R2,899 billion (1988: R2,485 billion). This left net income at R728 million, R88 million lower than the 1988 surplus of R816 million.

It is the interest and finance charges which give Eskom most headaches. Total finance charges for the year rose by 26 percent and although Eskom has reduced the extent of its borrowings in recent years it remains vulnerable to rises in interest rates.

According to General Manager Finance, Mick Davies, operating income covers finance charges 1,25 times with a debt-equity ratio of 2,81.

"Most international utility groups operate at a debt-equity ratio of between 1 and 1,5 and we are working to achieve this level over the next few years," Mr Davies said.

"Eskom's interest rate exposure will subsequently have to be reduced by increasing its reserves through improved levels of internally generated funds."

As a result Eskom's funding requirements for 1990 have been reduced to R3,139 billion from last year's R3,271 billion. The majority of this amount, R2,3 billion, will be raised on the capital market.

And for the first time in years the group has also budgeted for foreign loans totalling R283 million, including the recent D-mark 100 million debt refinancing loan. A further R244 million will be available through the utilisation of extended credit facilities.

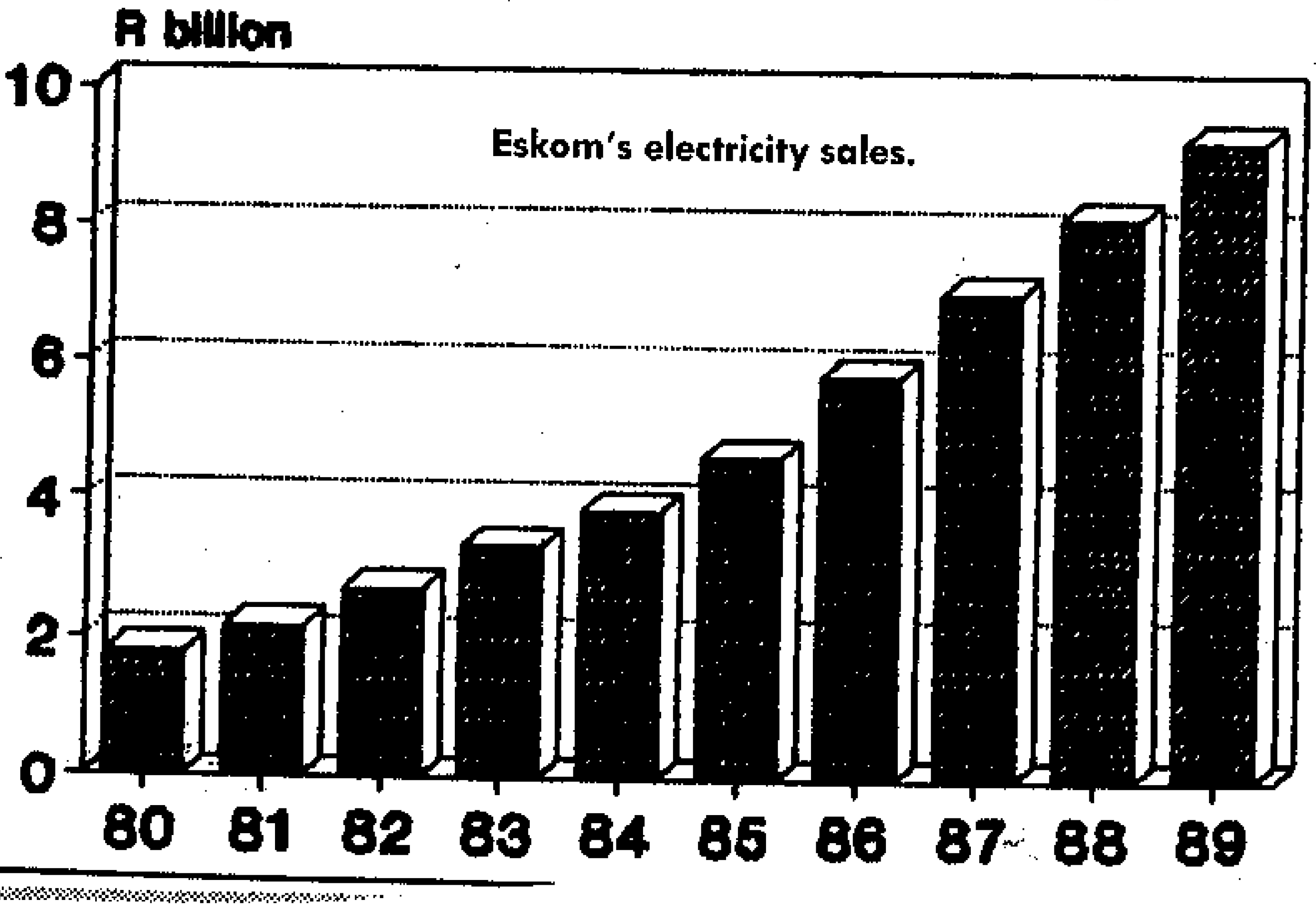
Although Eskom did not budget for foreign funding in 1989, an amount of R250 million was obtained from foreign sources.

"This was mainly due to Eskom being succesful in negotiating the conversion of foreign loans affected by the second interim agreement to longer term loans outside the standstill net," Mr Davies said.

Of the R1,6 billion in debt repayments this year, Eskom will attempt to re-finance at least half of them through new foreign loan facilities.

"Most of these will be private placings in Switzerland and Germany, but there are positive signs that we can enter the public markets in Europe if conditions improve further.

"We will have to tap the overseas market in a big way towards the end of the decade as new projects come on stream and it is helpful if we constantly maintain our link with overseas institutions," Mr Davies said.



Huge power plan for Vereeniging

21/9/90

Vereeniging Bureau

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The Vereeniging Town Council has announced details of a multimillion rand masterplan which will ensure an adequate supply of electricity to the town over the next 10 years.

The project is expected eventually to provide sufficient electricity for Vereeniging for the following 50 years.

According to management committee chairman Dr Mario Milani, the first phase of the project entails the upgrading of the Rand Water Board sub-station which will, in turn, be completed in two phases at a total cost of R4,2 million.

Provision for the first phase — which is to cost R2,1 million — has already been made in the council's capital budget for the 1990/91 financial year. This is to be followed by the upgrading of the Duncanville sub-station at an estimated cost of R5,6 million in the 1991/92 book year.

Close on R18 million will be spent on upgrading the Vereeniging sub-station in the 1995/96 financial year.

R110-m for upgrading

Star 4/4/90

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Finance Staff

A R110 million programme to upgrade and expand capacity at its Island View lubricating oil blending plant in Durban has been announced by the newly-formed energy giant Engen.

This is in addition to plans announced in March for a R1,2 billion upgrade at the Genref refinery in Durban.

Engen is part of the Gencor stable formed by combining its energy interests in Mossgas, Soekor and Trek with Mobil after the oil company's US parent disinvsted from South Africa.

Mossgas workers to resume duties today

Star 4/4/90 Own Correspondent 55

CAPE TOWN — The strike by more than 4 500 Mossgas workers employed by various construction companies has ended, but negotiations on worker demands would continue, a Mossgas spokesman said yesterday.

She said representatives of contractors and worker representatives reached an agreement after two days of negotiations. The strikers will resume duties today.

"Negotiations on the demands of the workers will, however, continue in an effort to reach an amicable and mutually acceptable solution to the dispute.

"The situation on site is and has been calm and under control throughout," she said in a statement.

The spokesman said the strike started on Monday last week when workers demanded that they be transported home over the Easter weekend.

However, before the issue could be addressed other workers joined the strikers in solidarity and added a pay demand to the grievances.

On Monday worker representatives and employers held negotiations, which were stalled.

Eskom's dream of a pan-African power grid

WMail 5/4-11/4/90

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Eskom's vision of the future involves a power grid extending across the sub-continent, ideally based on hydro-electric schemes in countries as far north as Zaire. HILARY JOFFE reports

ESKOM'S vision of "Electricity for All" in South Africa is now well-known. It wants to meet the challenge of supplying electricity to the 23-million South Africans (65 percent of the population) who are without it and is beginning to make some progress, according to its annual report, released last week.

Eskom's vision for Southern Africa is less well-known — in part because it is a rather long-term one.

The utility sees itself becoming involved in a power grid which extends as far afield as Angola and Zaire. While in the short- to medium-term Eskom would be a seller, in the longer term it would be interested in buying hydro-electric power from countries to the north of South Africa.

Zaire, for example, could supply the whole region with hydro-electric power, which is cheaper and less polluting than the coal-fired power stations which make up most of Eskom's output.

Coal is any event due to start running out sometime in the next century — and if hydro-electric power is not available from nearby countries, the eventual solution for South Africa may have to be more nuclear power.

In the shorter term, Eskom wants to strengthen co-operation with neighbouring countries. And, it seems, its sister electricity utility companies in Southern Africa support this aim.

At a recent meeting in Swaziland, attended by chief executive Ian McRae, electricity officials of the Southern African Development Co-ordination Conference (SADCC) discussed the possibility of a co-operative structure which included Eskom. Whether their governments will support this is still to be seen.

Eskom merely comments in its annual report: "The economic sense of a regional network is slowly overcoming political constraints and over the past year visits between utilities in the subcontinent have been more frequent."

A more immediate project is the restoration of the power supply from Mozambique's Cahora Bassa, seen by Eskom as "the first step towards establishing a regional electricity grid".

The power station itself is fully operational — the problem is the power lines and the 1 400 pylons which need to be rebuilt. These are now being repaired and, according to the report, 1 355 megawatts from Cahora Bassa should be available to Eskom towards the end of 1992. A Permanent Joint Committee, chaired by McRae and made up of representatives of the South African, Portuguese and Mozambican governments has made recommendations on the repair project which the three governments have accepted.

Ian McRae

During the 1980s Eskom sales to neighbouring countries increased significantly. Botswana bought 57,8 gigawatt hours (GWh) of electricity in 1989, more than five times the 1981 figure, while Lesotho bought 181,9 GWh, 82 percent up on the 1980 figure, Mozambique bought 307,1 GWh compared with 24,9 GWh in 1980. Other customers are Swaziland, Namibia and Zimbabwe. Increased demand from these countries no doubt helped the utility use some of its spare capacity, which stands at 4 363 MW.

Electricity supplied to neighbouring countries, to the "independent homelands" and to municipalities makes up 40 percent of Eskom's sales and were the fastest growing category of sales in 1989.

Back home in the townships, Eskom is involved in 48 electrification projects in various stages of progress from negotiation to customer connections. "These represent a major step towards the target of one million homes involving some 10-million people which Eskom plans to electrify over the next five years," according to the annual report. "This can be achieved if the required capital is raised."

● Eskom's electricity sales rose by 3,7 percent in value terms last year. Revenue was up 13,6 percent to R9,2-billion but net income was down 11 percent to R728-million.

According to chairman John Maree, the real price of electricity has declined by more than two percent per year since 1986 while in 1989 operating costs rose by 12 percent and finance charges by 26 percent. Maree suggested higher price increases would be necessary. Staff numbers dropped from 56 726 in 1988 to 51 554 last year. An Eskom spokesman says this was natural attrition: there were no retrenchments.

Improve existing services, says doctor

6/4/90 By Shirley Woodgate

No further money is available to employ more nurses and it is necessary to make optimum use of available manpower, says Dr J H O Pretorius, a spokesman for the Chief Directorate of Health Care Services in the Department of National Health.

Speaking at Baragwanath Hospital yesterday at the launch of a sponsored book: "Learn About Pregnancy, Labour and Early Baby Care" by Val Thomas and Jenny Prangley, he said his department was looking at new ways of making available manpower more effective.

Dr James McIntyre, consultant in obstetrics at Baragwanath, said that although black infant mortality rates were falling in South Africa, the latest figures of 75 per 1 000 indicated that the situation remained unacceptable in view of the World Health Organisation target of less than 50 per 1 000 births.

A disparity existed between whites and blacks, with the rate for whites down to about nine per 1 000 and blacks registering about 61.

Highlighting the problem in rural areas, he said infant child mortality was as high as 190 compared with Soweto's 25 per 1 000 births.

Since 80 percent (or 40 000) of the infant deaths were attributed in 1986 to pre-natal, respiratory or intestinal infections, investigation should be directed in that direction.

The ultimate answer lay not in building more hospitals, but in improved primary health care services and health education, Dr McIntyre said.

Thokoza, Eskom probe supply problems

6/4/90 By Montshiwa Moroke (55)

Members of the Thokoza Civic Association (TCA) yesterday met officials of Eskom's southern Transvaal region regarding problems related to electricity in the East Rand township.

At the end of the meeting, both parties resolved to form a joint investigation committee, whose task would be to identify the problems and look at ways in which they could be solved.

The meeting was chaired by the regional manager of Eskom, Mr D L van Wyk, while the 18-man Thokoza delegation was led by Mr Sam Ntuli, president of the TCA.

The issues discussed at the meeting included the inaccuracy of meters, inaccuracy of bills, maintenance of the supply network, the possibility of a direct supply from Eskom and the question of a masterplan.

Problems experienced by residents in the township over the electricity issue led to a rent boycott, now three months old. Complaints of high electricity accounts and faulty meter readings have been a source of discontent.

Another complaint by residents is that some of the old sections of the township have not yet been electrified.

At present, electricity to the township is supplied by the Alberton municipality, which is the nearest town, while Alberton gets its power directly from Eskom.

In a statement afterwards the two parties said the joint working committee would be looking at ways in which the problems could be "resolved with the co-operation of other parties involved".

The other parties in this case apparently refer to the Alberton municipality and the administrator of Thokoza, following the resignation of the majority of councillors in the township this year.

ENGEN · F|M 6/4/90 (55)

Something completely different

■ The dynamics of the new group are balanced across the energy spectrum

In most markets, energy shares remain out of fashion. The oil price languishes below US-$20/barrel, Opec is no longer the force of a decade ago and industrial nations have learnt to consume energy sparingly.

Those, at least, are some of the perceptions that persuaded many portfolio managers to overlook oil shares during much of the Eighties. But more bullish signs are indicating better times for some players. A beneficiary would be Engen, the energy giant to be listed when Gencor moves its energy division into Trek on April 30.

Investors will watch the listing with interest: Engen will be a fully integrated energy group, with interests ranging from crude oil production and refining to a large retail distribution network. It will offer a solid investment alternative to Sasol.

Initially, Gencor and Genbel will hold most of the equity, leaving only a small slice for minorities (**see chart**). But the mining house will want to reduce its stake over time and the route may be through one or more major rights issues almost certain to be held over the next few years. Meanwhile the market will need to get accustomed to assessing an entirely new animal on the JSE. The dominant profit sources and the factors determining future growth have not played the same role for any other listed companies.

Sasol, which is bound to be compared with Engen, has three primary sources of profits: synfuels are said to provide around 30%, though the percentage was much higher in the mid-Eighties; the remainder comes about equally from chemicals and refining. It derives refining income from the Natref refinery, owned jointly with Total.

Engen has six major operations. The marketing division holds 100% of Mobil, 100% of Trek and 85% of Sonap; the production arm has 100% of the Genref (formerly Mobil) refinery and 30% of Mossgas; and the exploration arm has participation agreements with Soekor. However, as much as 70% of

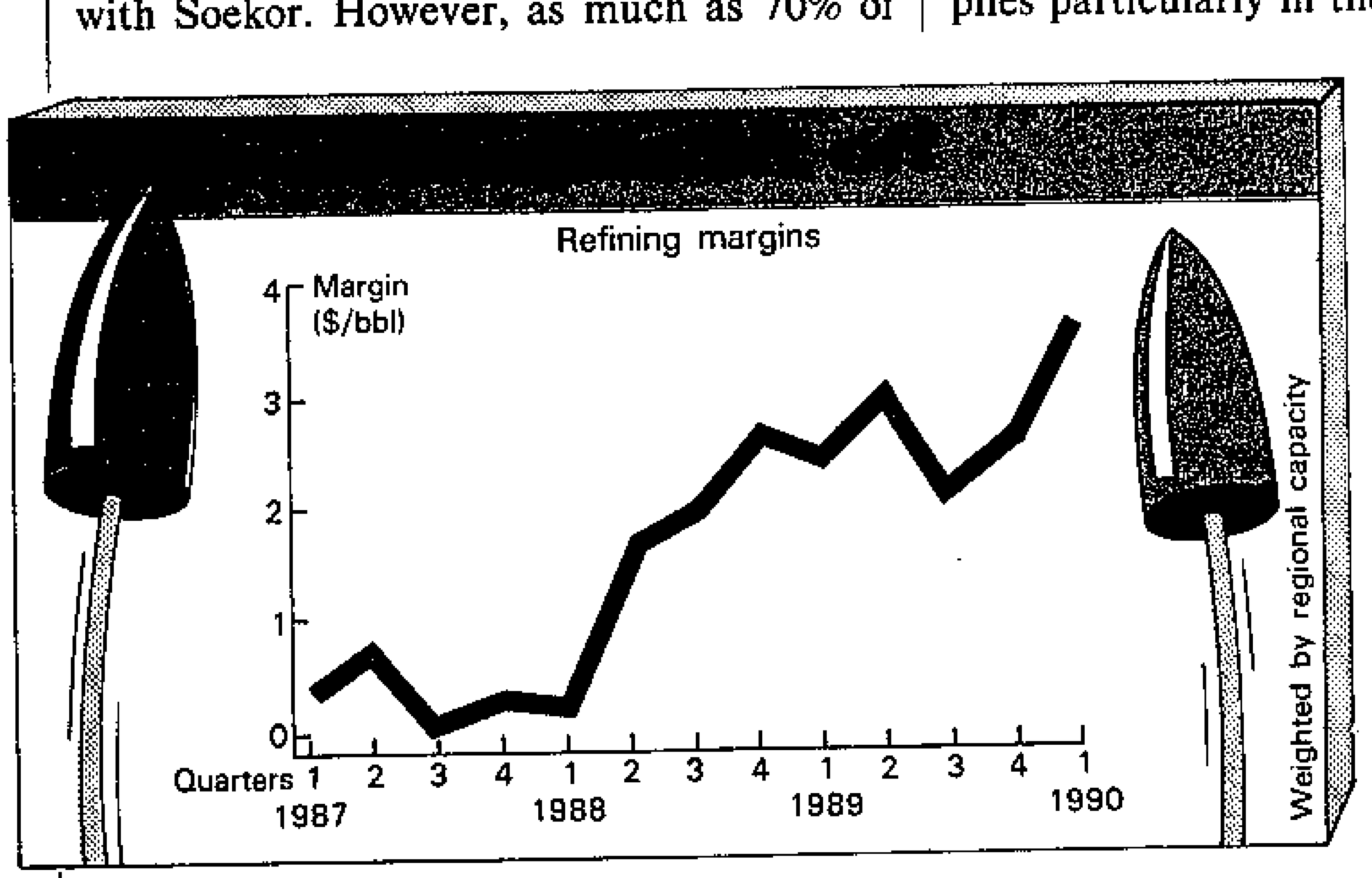
MD Angel . . . growth soon consumes capacity

Engon's profits are from Genref. The refinery is embarking on a R600m-R800m expansion with a second phase costing R500m-R700m likely to start in 1992, so the refining profit is likely to become even more important — unless other projects go ahead.

The expansion is being justified on several counts. Firstly, profitability of refining has been boosted by a steeply rising refining margin (**see graph**). The margin is essentially the difference between the price of crude oil, the refiners' raw material, and prices of the fuels they produce.

Local refiners are linked to the international refining margin, which has risen from about US45c/barrel in January 1988 to about $3,50/barrel, driven largely by a worsening shortage of refining capacity. Engen financial director John Roberts notes that capacity has "fallen materially" since the early Eighties. Some plants have closed, while tightening environmental restrictions have reduced effective yields at major refineries.

"Capacity is getting very tight but margins are not yet good enough to justify new greenfields investment," he says. "That applies particularly in the US, where the bulk of the capacity is."



Energy consumption in industrial nations has been lifted by about eight years of economic growth. Though SA's fuels production, capacity and consumption figures may not be published, the country's refining capacity is known to be near the ceiling and one or more expansions will be needed.

Despite SA's poor economic performance over the past decade, urbanisation and rising black ownership of motor vehicles has resulted in relatively high rates of growth in petrol consumption. In the late Eighties volumes were rising by as much as 8%-10% annually; though the pace moderates in recession years, demographics suggest the trend will continue.

The better refining margin has boosted Genref's profits, cash flow and funding capability, and promises more stable earnings. Mobil's profit history from 1985 to 1989 was erratic, with turmoil in the oil market during the mid-Eighties depressing operating income from R322m in 1985 to a R35m loss in 1986. Thanks to the widening margin and consumption growth, income recovered from R141m in 1988 to R315m in 1989.

Management is projecting the margin will increase by one to five percentage points annually over the next five years. Cash flow is expected to remain vigorous enough to enable internal funding of the first expansion phase. However, growth is seen primarily in volumes rather than the margin.

The group looks well placed to take advantage of SA's burgeoning consumption of fuels. Other local refiners all have one or more foreign shareholders, which generally are not keen to invest in SA. The only other refiner thought to be considering expansion is Natref.

Genref is apparently not the biggest of the refiners, so a 50% or even 100% increase in capacity need not have an unduly large impact on industry output. Trek will shift its refining arrangements to Genref once the present agreements with the Shell-BP refinery expire in 1992, and it is expected the resulting slack will be absorbed rapidly. Government is not contemplating further synfuel plants now, so crude oil refiners will have to expand. MD Rob Angel has no fears of surplus capacity. "SA's growth rates chew up refining capacity quickly," he says.

On a recent visit to the plant, management noted that there had been a series of investment programmes since Genref was established in 1954. Certain of these, particularly the 1974 expansion, had installed equipment that would enable a relatively inexpensive upgrading. "We think the cost effectiveness of funds spent on the Genref refinery will be better than on investments in any other refinery," says Engen chairman Bernard Smith.

Genref's capex programme includes upgrading to improve efficiency, investment in environmental controls ahead of introduction of unleaded petrol, and a broader range of higher-value products.

Mossgas, the other major element in Engen's production division, at present represents a management contract and a 30%

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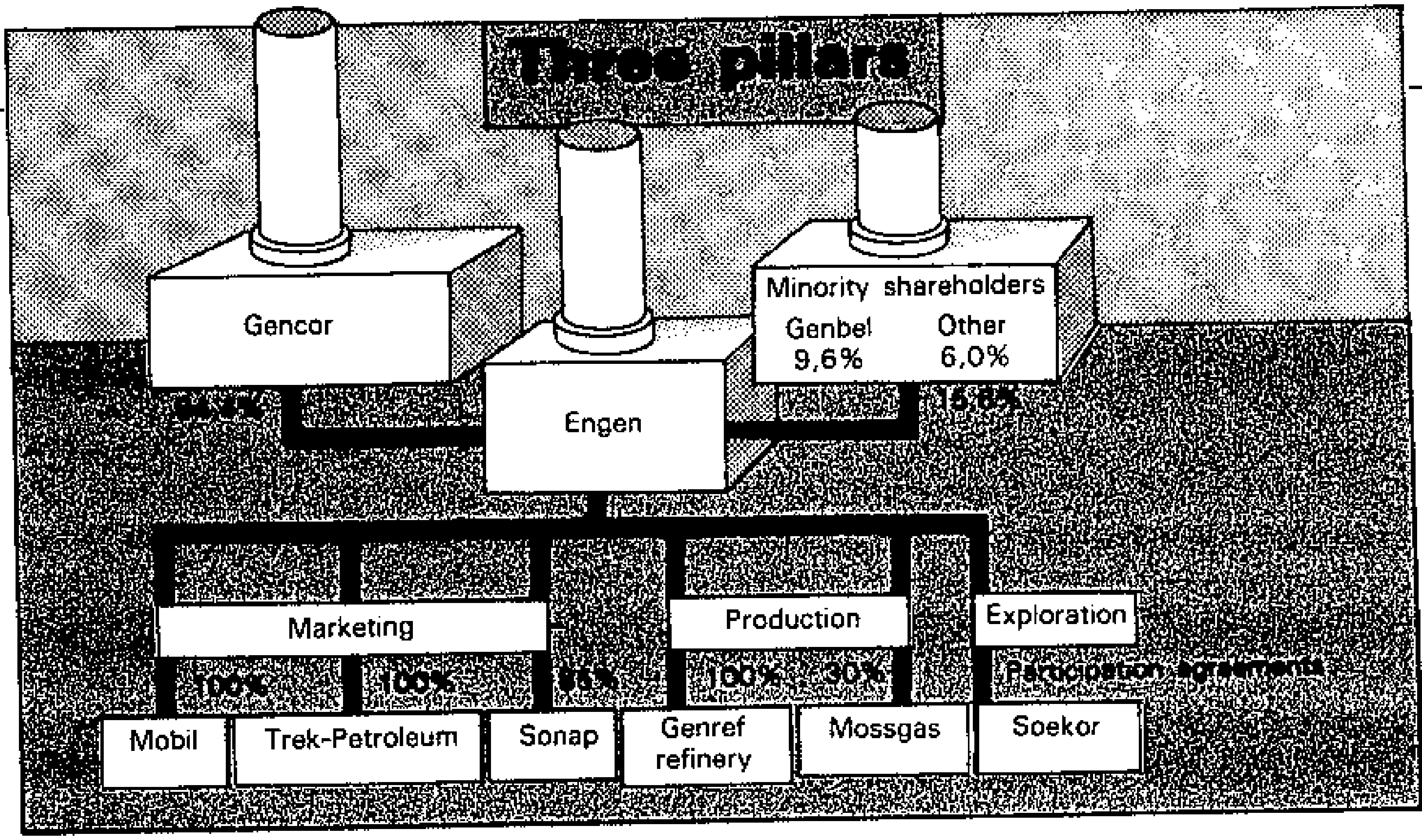

equity participation acquired for R30m, with the option to become the major shareholder — for about R1bn — if the project is deemed commercially viable.

Spending is well advanced: R5,8bn has been committed, the onshore work is 51,2% complete and the offshore work 75,2%. Whether the group takes up its equity option in Mossgas will depend essentially on oil prices. Management believes Mossgas shareholders will earn a real return at a crude oil price of \$23 a barrel, compared with the current North Sea Brent price of around \$18.

Management is bullish on oil but the crude market is notoriously difficult to forecast. However, analyst Manny Pohl, of Davis Borkum Hare, believes the market has undergone a major change: world oil consumption has risen annually since 1985 and, he says, current consumption is expected to exceed the 1979 all-time high of 64,5m BPD.

Opec members, with an estimated 54% share of world oil exports, are said to be facing production limitations; output is shrinking in China and the US; exports from the Soviet Union appear to be declining and developments in eastern Europe could boost demand. "Longer-term fundamentals are extremely positive for a sustained improvement in the oil price," says Pohl. "Should events in eastern Europe become chaotic, we expect the oil market to be more volatile and a third oil shock is possible."

As Angel says, Mossgas adds spice to Engen's prospects. Should the project indeed turn commercially viable, that would provide Engen with a major new source of profits by the mid-Nineties. More nebulous is the value of the Soekor participation rights, but the prospecting results have included "potentially commercial" oil and gas flow rates.

Meanwhile, Engen, like Gencor, has declared its mission is to achieve real growth. This, says Angel, is to be done by "accelerating the existing businesses, by aggressive investment and by acquiring new businesses."

Last week, Angel announced a R110m expansion of the marketing division's lube oil blend plant, to be completed by December 1991 and with capacity for market share growth to 2000. This is intended to improve competitiveness in terms of quality and delivery time. The group may invest in chemical production but Angel says there are no plans for major diversification into chemicals. Entry into niche markets, possibly in joint ventures, is a more likely route.

Engen's pro forma income statement for the year to end-August 1990 shows attributable income of R200m, with operating profit of R306m and turnover of R5,3bn. The tax rate is expected to remain at or below the 21% rate for the next three to four years. Depreciation runs at R60m a year, underscoring the strong cash flow. Mobil is currently taking over the Trek distribution business; Angel estimates Engen will save R20m a year as a result.

Engen is forecast to increase Gencor's net worth by 111c a share or 8%, and lift its EPS by 16c or 14%. Genbel's net worth would be increased by 252c or 3%, and its EPS by 21c or 7%. Angel is projecting Engen EPS will rise by 20% from the 1990 level of 182c to 220c in 1991 and by 18% to 260c in 1992. Management is assuming profits will come from average market volume growth of 4%-6% a year; additional refinery throughput growth of 2%-3% a year; improvement in the refining margin; and efficiencies, new products and exports.

Overall, it appears that in SA the profit scales have tipped in favour of refiners rather than synfuel plants. Increased dependence on refining may result in volatile profits should crude oil prices fluctuate sharply, with likely lags in the margin adjustment. But Engen should retain considerable financial flexibility and has potential to produce steady long-term growth, spurred by rapid urbanisation in SA.

Andrew McNulty

Increase in petrol price expected in May

GERALD REILLY

PRETORIA — A petrol price increase of about three cents a litre is expected to be imposed from May 1, according to motor industry sources. Citizen 10/4/90

The Cabinet had agreed to postpone the increase, originally expected from April 1, because of Easter school holidays and April's long weekend, the sources said.

The main reasons for the new increase are higher road and rail transport charges, which came into effect from January 1, and the increase of 1,5c a litre in retail margins from December 1 to a total of 10,2c a litre. These hikes have been carried by the Central Energy Fund.

A National Energy Council spokesman yesterday declined to comment, except to say there would be no increase during April. He said that during December last year oil companies over-recovered to the extent of 0,892c a litre. However, in January this shifted to an under-recovery of 0,221c a litre. Under-recovery increased in February by 1,579c a litre. The March figure was expected to be higher.

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Trek looks at new Engen giant

BRENT MELVILLE

BDay 11/4/90

DIRECTORS in Trek Beleggings have outlined the likely financial impact the formation of energy giant Engen will have on the group.

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The report forecasts a boost to net asset value by 12,7% to 857,3c from 760,7c a share for the 1990 financial year. Based on 110-million shares in issue — compared to the 20,3-million prior to the transactions — earnings are expected to be 5,4% lower at 181,9c (192,9c) a share.

This translates into pro forma attributable profits for the 12 months ending August of R200m. The final dividend for the year is forecast at 55c a share.

Gearing has been limited to a maximum of 50%, interest cover to a minimum of five times, and dividend cover to a minimum of two times.

Engen CE Rob Angel says that the future earnings potential of the enlarged group — consisting of Mobil, Sonap, Trek, the Genref refinery, its 30% stake in Mossgas and participation rights in Soekor (adding to an annual turnover in the region of R5,3bn) — should be greatly enhanced by the merging of the companies.

Directors note that the group is well-placed to participate in the fast expanding SA liquid fuels and lubricants market and in other opportunities.

In addition the 30% participation in Mossgas poses limited risk, with Engen exposed to a maximum loss of R30m. As a hedge against the negative impact of sharply rising oil prices on margins, directors say the group is planning to involve itself in exploration and activities to acquire control of crude oil.

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Tedelex feels the economic pinch

Star 12/4/90

Finance Staff

A combination of higher interest costs and austere trading conditions induced by the Government resulted in electrical appliance manufacturer and distributor Tedelex reporting a drop of 35 percent in attributable profits in the six months to end-February.

And while the recent relaxation of hire purchase conditions might be considered good for business, it coincides with a general slow-down in trading conditions.

Tedelex turnover declined 3,6 percent from R203,1 million to R195,8 million but the pressure on margins is evident in the sharp drop of 44 percent in the decline in net income to R9,315 million (1988: R15,88 million).

After taking into account the loss of income attributable to outside shareholders in subsidiaries the attributable earnings amounted to R10,003 million, a decline of 35 percent.

This is equivalent to 16,39 cents a share (25,33c) and the interim dividend has been cut from 7c to 5c a share.

Tedelex expects trading conditions to remain depressed for most of the year with results for the second six months likely to be virtually unchanged.

PWV petrol underpriced

BDay 17/4/90 55

ZILLA EFRAT

PWV motorists underpaid for their petrol in March after higher international market prices and a deterioration in the exchange rate increased landed costs, says the National Energy Council.

According to a statement released by the council at the weekend, motorists have been underpaying for their 93-octane petrol since the beginning of the year. They underpaid 3,904c/*l* in March, 1,579c/*l* in February and 0,221c/*l* in January.

However, a council spokesman said yesterday an increase in the petrol price was not expected for at least the next three to four weeks.

The situation would be reviewed once the April figures were known.

Deficits were also recorded in March in the prices of 97- and 87-octane.

However, a lower international market price for diesel cushioned the slight weakening in the rand/dollar exchange rate leading to a lower landed price for diesel.

As a result, motorists underpaid 1,342c/*l* for diesel in March compared with 2,124c/*l* in February and 4,570c/*l* in January.

Management at Total SA restructured

Business Day Reporter

TOTAL SA has announced a restructuring of its top management, which, according to MD Jean-Claude Goffinet, will gear it towards changing patterns in the market place requiring a redefinition of jobs and responsibilities.

These changes include the privatisation of sections of Transnet, as well as the rapid development of mini-bus taxis. In addition the structure of the oil industry is also undergoing changes, Goffinet says — as evidenced bythe formation of new energy company Engen. (55)

Changes in the community as a result of government's stated reform objectives will also have an impact on the business sector, Goffinet says.

He adds government's intention to lower the lead content of petrol still further from the current 0,4gm/l and developments in the motor industry will also affect the activities of oil companies. BDay 19/4/90

"The new, leaner management structure of Total will ensure that it is well placed to take the fullest advantage of the opportunities to be presented in the market place."

Among the appointments are Gerhard Esterhuizen GM: marketing, who takes over from Allen Rose-Innes, who becomes GM of the supply and production department, responsible for refining and coal activities.

A new distribution division and a lubricants division has been created.

SA achieves nuclear fuel breakthrough

Cpt Times 25/4/90

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Staff Reporter

SOUTH AFRICA has scored a major breakthrough by manufacturing its own nuclear fuel.

This was announced jointly yesterday by the Atomic Energy Corporation (AEC) and Eskom, which disclosed that the locally manufactured nuclear fuel was used to load one of Koeberg's two reactors.

The fuel was manufactured at the AEC's plant at Valindaba, west of Pretoria.

Describing the development as "a tremendous breakthrough", the joint statement said the technology required was "very advanced".

It incorporated not only the enrichment of the fuel but the manufacture of the elements, "built to extremely close tolerances using highly specialised alloys".

AEC spokesman Dr Waldo Stumpf said last night that this major advance in the nuclear field meant that South Africa was now independent of overseas supplies of nuclear fuel and that Koeberg could run independently.

Furthermore, "a very large amount of foreign exchange will be saved annually".

"An amount of about R50 million to R100 million — depending on the size of the order — will be saved per reactor a year," Dr Stumpf said from his Pretoria home.

The fuel delivered to Koeberg now contained about 25 tons of uranium, which was equivalent to two-and-a-half-million tons of coal; 25 tons of uranium is enough fuel for one reactor for a year.

Dr Stumpf said the Council for Nuclear Safety had to license the fuel "so exactly the same quality standards were achieved as overseas fuel".

The next step was to "optimise our fuel supply to plants which supply us with fuel, to introduce more cost effectiveness into plants and to keep on supplying Koeberg with fuel as and when required.

"We are certainly also looking at other forms of technology for making fuel that will be more cost effective."

He said more nuclear plants would be built but the decision lay with Eskom.

"We just supply the fuel. They run the plants."

Fuel 'breakthrough' at Koeberg

Star 25/4/90

Own Correspondent 55

South Africa took a further step into the nuclear age when the Koeberg nuclear power station was refuelled recently using nuclear fuel manufactured in the country for the first time.

Calling the step "a tremendous breakthrough", Eskom announced yesterday that Unit Two of the power station was refuelled exclusively with fuel manufactured at the Atomic Energy Corporation (AEC) plant in Valindaba, west of Pretoria.

The high-tech venture included the enrichment of the uranium and the manufacture of the 157 elements used in the reactor.

During the previous refuelling, four elements manufactured in South Africa were used, the Eskom statement said.

Better control of power supply urged

B/Day 25/4/90

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LINDA ENSOR

ESKOM CE and chairman Ian McRae yesterday called for the establishment of larger metropolitan and regional structures to control the supply of electricity.

McCrae said the fact that local authorities were responsible for providing electricity (Eskom is only a bulk supplier) acted as a constraint on its efficient supply.

There were about 400 white local authorities, about 300 black, coloured and Indian local authorities and about 300 potential bodies.

However, local authorities which derived revenue from the provision of electricity had a vested interest in retaining control of the service.

He said larger areas were necessary so that dormitory townships could get the benefit of industrialised areas and so that supply could be more efficient.

Two-thirds of SA's population (about 22-million people) did not have domestic electricity and this posed a severe constraint to development of the informal sector and the creation of wealth, McCrae said.

In a speech delivered at a conference on the repositioning of SA in a globally competitive market — organised by the newly established Strategic Management Society of Southern Africa — he said providing electricity for all was an Eskom vision.

In Taiwan, 99,93% of the population have access to electricity.

While SA's developed industrial sector had been well provided for, the lack of skills and infrastructure had acted against electrical supply to the developing sector.

The provision of electricity in Soweto was so badly managed that people had difficulty paying — non-payment was not a political issue, McRae believed.

People received astronomical bills for electricity not used and supply quality was poor. Something had to be done.

McRae said that Eskom had the facilities to install pre-paid meters which would allow people to manage themselves by paying their electricity bill up front.

Another problem in electricity supply to those with no access was that 50% of the 22-million who did not have electricity lived in rural areas.

Extended power grid mooted

LINDA ENSOR

ESKOM is involved in close discussions with Zimbabwe, Malawi and Botswana on the extension of a R13bn power grid in southern Africa, and is also linked to talks in this regard between Namibia and Angola, according to Eskom CE and chairman Ian McRae.

The construction of a power plant in Zaire was also a possibility mentioned by McRae yesterday at a conference held to mark the inauguration of the Strategic Management Society of Southern Africa. The topic of the conference was the repositioning of SA in a globally competitive market.

McRae said the cost at present values of developing the infrastructure for electricity in SA and southern Africa would total about R13bn.

The attitudes of African countries towards co-operation with SA had changed dramatically, McRae said. The changes in Eastern Europe and political developments in SA had created a more positive attitude.

SA was important to the electrical development of southern Africa because it would have a demand for energy in the year 2000 of about 30 000 megawatts (now 22 000, compared with the demand of 2 500 megawatts in the second-largest southern African country after SA).

McRae said Eskom could, over the next decade, make electricity available to 2,5-million houses (about 20-million people) in SA at a cost of R5bn, although a problem was the backlog in the provision of housing.

Discussions were being held with Botswana for the establishment of a 2 000 megawatt power station with strong links to African countries in the north. McRae said the cost of such a plant, including dams, would be about R5bn.

Repairing the damage to Cahora Bassa would cost about $190m. McRae predicted Cahora Bassa — which has the potential to generate 2 000 megawatts — would be working within about two years.

Close discussions were being held to extend links from Cahora Bassa to Zimbabwe, the outlook of which looked positive. The possibility of a 400-cable link between Zimbabwe and SA also looked optimistic.

McRae said Malawi was ready to take part in the Cahora Bassa scheme. Namibia and Angola were also involved in discussions about sharing power, with a connection to SA.

Finally, a possible 1 000 megawatt plant in Zaire would cost about R2bn to R3bn.

SA already provided all of Lesotho's energy, 80% of Swaziland's, about 70% of Mozambique's, about 30% of Botswana's, and had a buy/sell arrangement with Namibia. The infrastructure for a southern African power grid was therefore well advanced, McRae said.

● See Page 8

Rig workers recognised

Star 25/4/90

Labour Reporter (55) A

Cosatu's Chemical Workers Industrial Union ~~has~~ won a two-year battle for recognition at oil exploration rigs operating off South Africa's coast after a threatened strike, the union announced yesterday.

Sopelog, a company under contract to Soekor, had argued that as the rigs were outside South African territorial waters, workers were not covered by the Labour Relations Act. Its stance was upheld by the Industrial Court and the Labour Appeal Court.

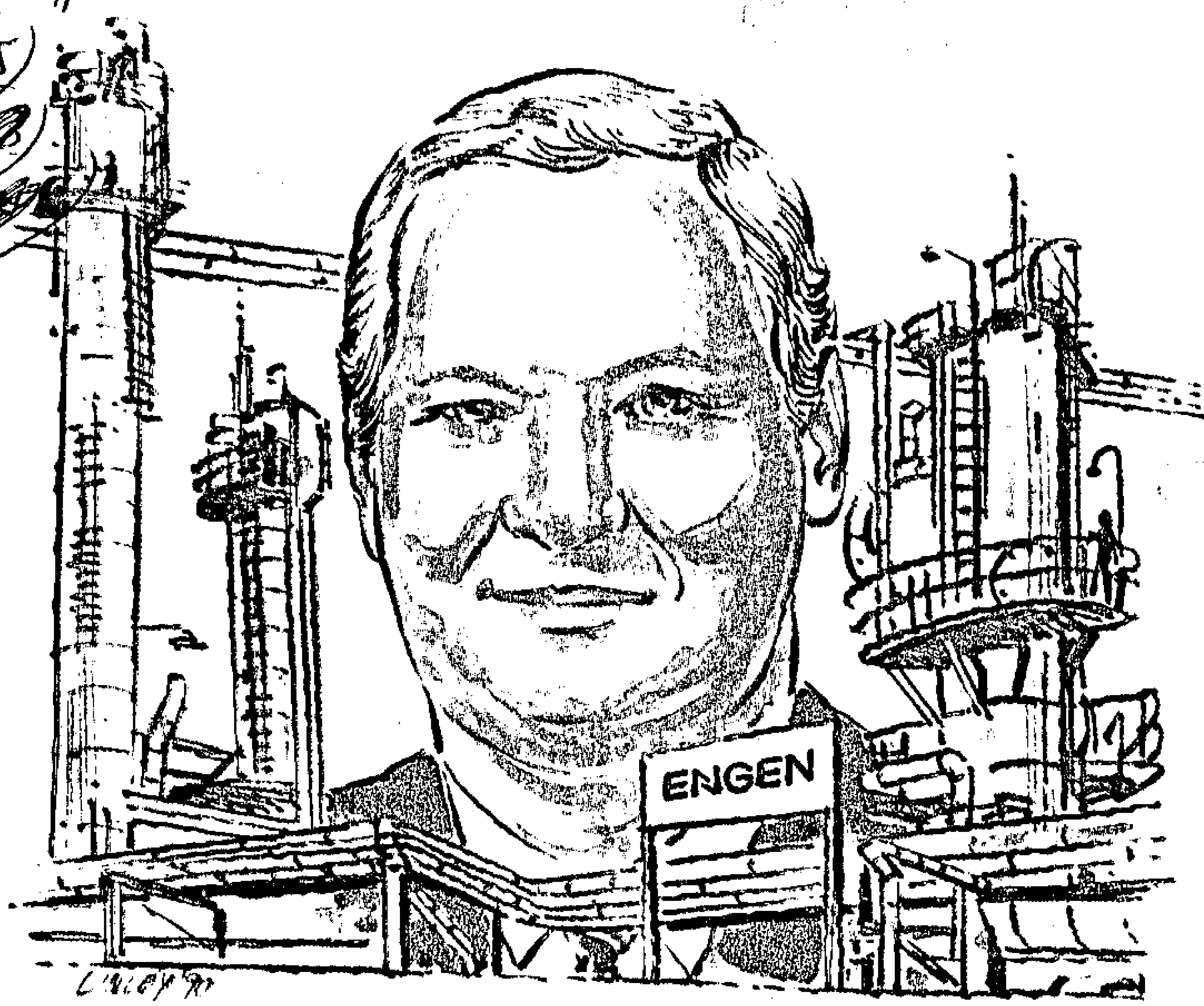
The union said an agreement, covering about 150 workers, provided for bargaining on wages, health and safety, dismissals and layoffs and job security.

BUSINESS PERSONALITY OF THE WEEK

Fuelling energy growth

28/4/90

By TOM HOOD
Business Editor



Rob Angel ... planning for the future.

ONLY one question was asked by Rob Angel when he was offered the chief executive job at Gencor's new energy company, Engen.

"I asked if the the headquarters would be in Cape Town," he joked. "I didn't ask about salary or conditions."

Assured he would stay in Mobil Court on the Foreshore and not move to the Golden City, he accepted.

For Cape Town is "one of the great cities of the world — and I have lived in a lot of big cities," says the much-travelled Australian.

After four years here as chief executive of Mobil, he equates the city to his native Adelaide, which to many Australians is the greatest place on earth.

Maybe he is also influenced by a wife who comes from the Northern Cape.

Living in the Cape forces him to spent a lot of time in the air. But with computers and modern communications, an office could be almost anywhere, he reckons. Some work he does from home with a laptop computer.

Though a qualified chemical engineer and embroiled in the oil industry all his working life, he has operated in the areas of planning and general management in several countries.

He sees his new role as in the area of project planning for the future rather than a hands-on engineer.

"We have been given a wonderful core group plus the excitement of Mossgas and synfuels. It will be my role to build on that base. I won't be able to sit back and simply say 'great' and expect things to happen.

"Our mission is one of real growth which is consistent with Gencor's. Our vision is to be the most successful integrated energy company in South Africa," he says.

"We want to take the group more into exports and finding new sources of oil and gas. We see ourselves going beyond South Africa to other areas of Africa." Chemicals form a small part of Engen and he sees possibilities of expansion. "We would like to be bigger in chemicals. We produce a fair amount but we can expect to be more active in the chemical business down the track.

(See page 3).

Fuelling growth

28/4/90

(From page 1).

"We are not going to tangle with established chemical companies but perhaps find a niche."

International attitudes towards South Africa are changing, he believes — in fact those changes were part of his decision to stay in South Africa.

"We see Africa as our oyster. The infrastructure here will enable Engen to spring from South Africa into other parts of sub-Sahara Africa.

"The sophistication of South Africa's infrastructure is far more advanced than in some of our neighbours."

He sees the group's social responsibility programme as a major investment for the future. Mobil alone spent more than R10 million a year, one of the highest budgets in the country, and is heavily geared towards the future.

"Mobil was one of the first companies to house black executives in white areas — we had 10 living in white areas at one time."

He sees the bringing together of Gencor's energy interests as well timed — just as the government is examining deregulation in the oil industry.

There has been speculation that the government will examine areas such as the processing of crude, exports, synfuel production, service station quotas, retail price maintenance and profit levels.

In spite of the existing regulations, the industry is tremendously competitive and very efficient, he said. For example, movements occurred in market share but they were not dramatic. A successful advertising campaign could move market share.

Engen had an advantage over all its foreign competitors in not having to remit dividends to overseas shareholders and instead could put money back in the business.

"We feel we can make really big strategic investments right now," he says. Two recent ones are the R1,2 billion upgrading of the Genref refinery in Durban and an immediate injection of R110 million in the lube oil blend plant in Durban.

Mossgas, in which Gencor has a 30 percent stake, would need a second platform early next century. Tests had also shown promising offshore gas near Bredasdorp.

Engen, which is due to make its debut on the Johannesburg Stock Exchange on May 21, indicated this week that it is clearly delivering on some of its promises by contributing R91 million to Gencor's profits.

Powertech tops R1-bn turnover

Star 30/4/90

55

Powertech, the power electrical subsidiary of the Altron group, experienced a turnover in excess of R1 billion for the financial year ended February 28 this year, the company said in its final results released at the weekend.

The company's attributable earnings rose 30 percent to R37,1 million translated at 27,8 cents a share. A dividend of 8,4 cents has been declared.

Tax charges increased from 31,5 percent to 38,3 percent resulting in an after tax income of R62,6 million compared with R42 million the previous year.

Powertech's executive chairman, Mr Peter Watt said he attributed the company's performance to "sound management, healthy order books, tight cost controls and effective cash management". — Sapa.

55

Engen poised to power into Africa

By Tom Hood

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Strong base

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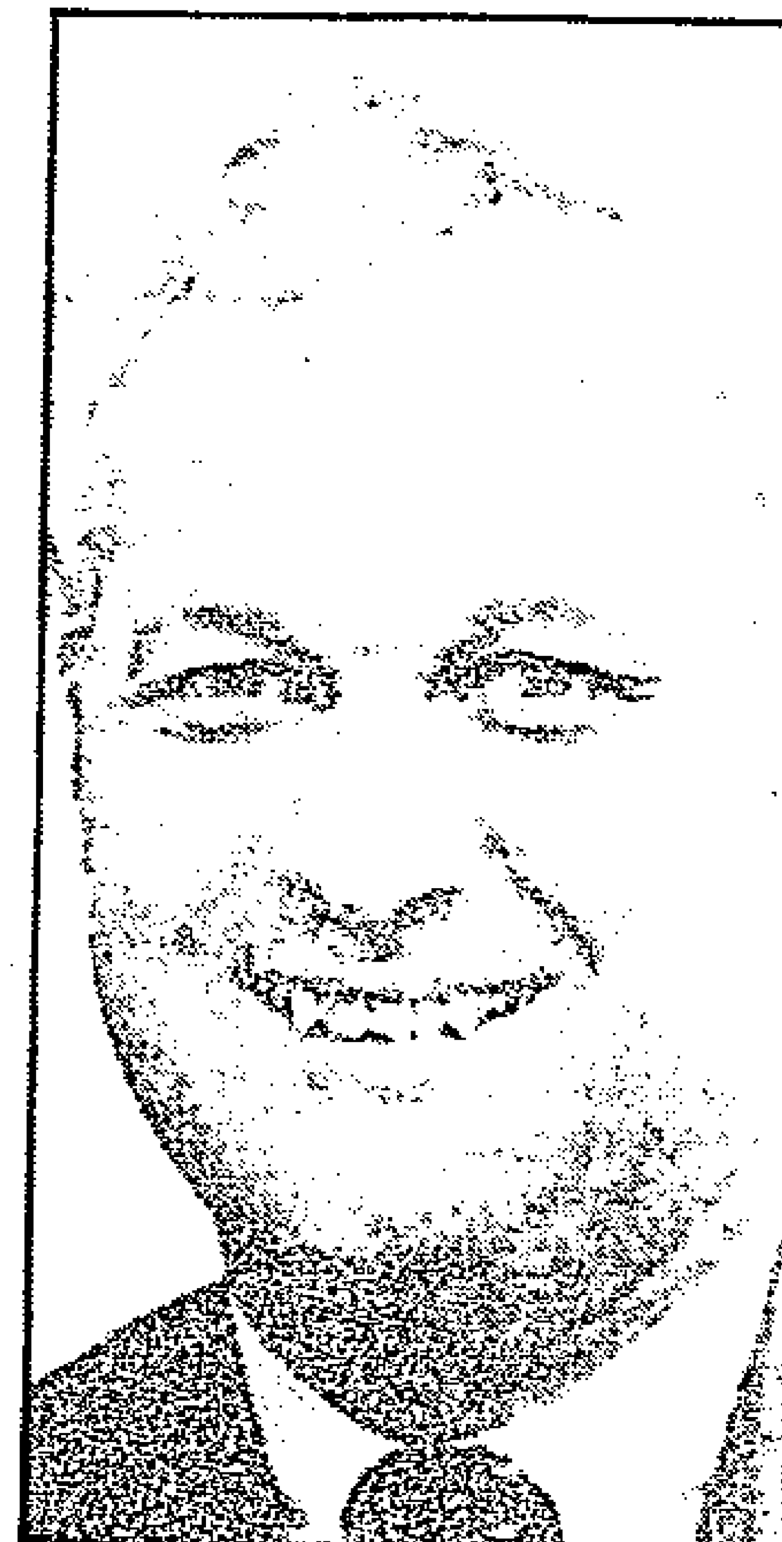


Mr Rob Angel, Engen's new CE, sees his major role as project planning for the future.

55

Namibia is seeking to reduce its oil dependence on South Africa

The Star's Africa News Service

WINDHOEK — Namibia is seeking to reduce its dependence on South Africa as an oil energy source but will not cut links entirely, Deputy Minister of Mines and Energy Mr Helmut Angula said yesterday.

He welcomed offers from Angola, Iran and Libya to sell energy sources to Namibia and said there was already an agreement in principle with Angola, the details of which still had to be ironed out.

Shell Namibia has built a storage tank at Luderitz to receive "useful but not significant" amounts of refined fuel.

Shell general manager Mr Mike Hill said Luderitz was limited by being a shallow harbour with little of the infrastructure that exists in Walvis Bay.

The Iranian offer, made recently by its chargé d'affaires in Windhoek, Mr A Latifi, is for the export of crude oil to Namibia as part of an aid package with the indication that Iran could investigate assisting Namibia in the building of an oil refinery, an installation Namibia does not have.

Angola, according to its ambassador to Namiba, Mr Alberto Bento Ribeiro, could supply refined petrol.

Asked to comment hypothetically on the Angolan option, Mr Hill said it would be up to Angola to provide petrol which suited Namibia's needs. Presently, the Angolan refinery in Luanda produces 90 octane petrol while Namibia runs on 93 octane.

Expressing the need to break the dependence on South Africa, Mr Angula said South African oil was acquired through "unorthodox methods" given the oil embargo on trade with that country and Namibia "does not want to be part of that".

BUSINESS

W/M 4/5 - 10/5/90

As world oil prices plunge, SA keeps on searching

The plunge in world oil prices has not caused South Africa to ease up on its decades-old efforts to discover local sources. REG RUMNEY reports

THE continuing weakness of world crude oil prices puts a question mark over the need for South Africa's efforts to replace oil imports.

The benchmark North Sea Brent crude oil price was hovering around $16,60 midweek, compared to levels of over $20 recorded at the beginning of the year.

So steep has been the fall that the Organisation of Petroleum Exporting Countries (Opec) called a meeting of its ministerial monitoring committee to discuss sliding oil prices.

Added to the weak oil price must be the effect of an improved political perception of South Africa holding out the hope that the oil embargo may be lifted.

Attempts to lessen dependence on imported oil have not been abandoned.

Minister of Mineral and Energy Affairs Dawie de Villiers went on record recently as saying that state-financed Soekor's oil exploration programme had the goal of economic oil production by 1992 and that judging by the pace of its discoveries so far the goal would be attained.

He noted that of 12 boreholes off the coast completed so far, three had been identified as possessing potentially commercially viable oil reserves, and good signs of oil and gas had been found in three others.

But the date set by De Villiers as a goal seems by no means certain.

Central Energy Fund chairman Danie Vorster says: "One cannot at this stage quantify how many further finds would be necessary, as this would depend on the reserves and flow rates encountered in the individual reservoirs and is subject to financial criteria such as the method of production used."

Oil exploration is a high-risk venture, stresses Vorster. He says that based on the current Soekor budget the cost to the state of the oil exploration programme is R195-million a year. He believes the cost is justified.

"In terms of our knowledge today, we believe that the potential for finding additional viable oil reserves is such that the cost of the current exploration programme is warranted. Should this no longer be the case, the present oil exploration programme of Soekor will have to be re-assessed."

Soekor has been searching for oil since it was formed in 1965.

Low world oil prices also raise questions about the viability of South Africa's synthetic fuel (synfuel) projects.

Among the synfuel projects, the Mossel Bay fuel-from-gas project, has attracted most criticism lately. But the ethanol-from-sugar project and the viability of Sasol's synfuel projects are also called into question by continuing low oil prices. Other synfuel projects, such as Gencor's oil from torbanite project, have already been put aside.

The latest oil exploration is in the area of the gas fields off Mossel Bay, where Mossgas operates.

Mossgas MD Bernard Smith finds the signs hopeful for the gas project, but believes it is still premature to comment on the significance of the recent discoveries to Mossgas.

Smith adds: "We are naturally interested in any additional economical gas sources to improve Mossgas' economy." And he says the discoveries referred to by the minister could contain much more condensate and petroleum, in which event the area may be more prospective commercially than the EM field, which is now planned to follow the FA field. Both the EM and FA fields are now in Mossgas' lease area.

Mossgas commercial manager Jonathon Stones says that using the Dubai oil price, generally $1,50 lower than Brent crude, the lowest breakeven point would be $12 a barrel. At $19 a barrel Mossgas reaches a breakeven point for shareholders. If Mossgas were entirely commercially funded, with no state-backed soft loans, the Dubai oil price would have to be $25 to $26 a barrel.

Stones believes the most recent slump in oil prices is a temporary aberration, and that in the long-term Opec will be able to raise prices.

Stones says that the return on the capital balance to be invested in Mossgas is acceptable in economic terms. The amount already put in by the state of around R6-billion is regarded as sunk cost. Overall the Mossgas project is slated to cost R7,8-billion in 1989 money.

Stones also makes the point that too much has been made by the government of the strategic — in the political sense — of the synfuel and other energy projects. He maintains it is prudent from a purely economic point of view to have local sources of fuel.

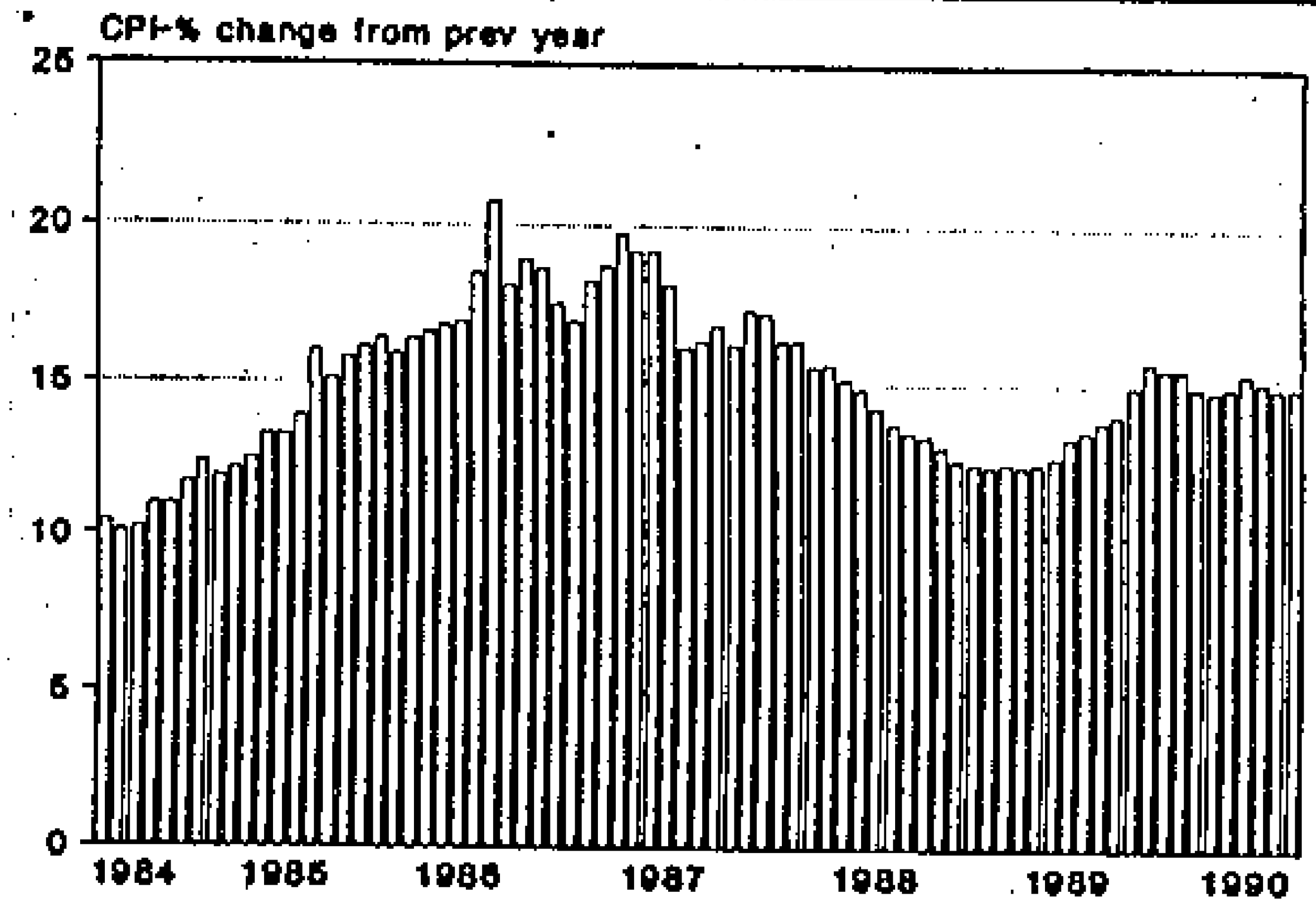
Vorster agrees. "The importation of crude oil for the production of transport fuels, which is a strategic necessity in the economic system of South Africa, places a heavy burden on the foreign exchange requirements of the country. Apart from strategic considerations, one of the major benefits of synfuel projects such as Sasol and Mossgas is the savings in foreign exchange which are achieved."

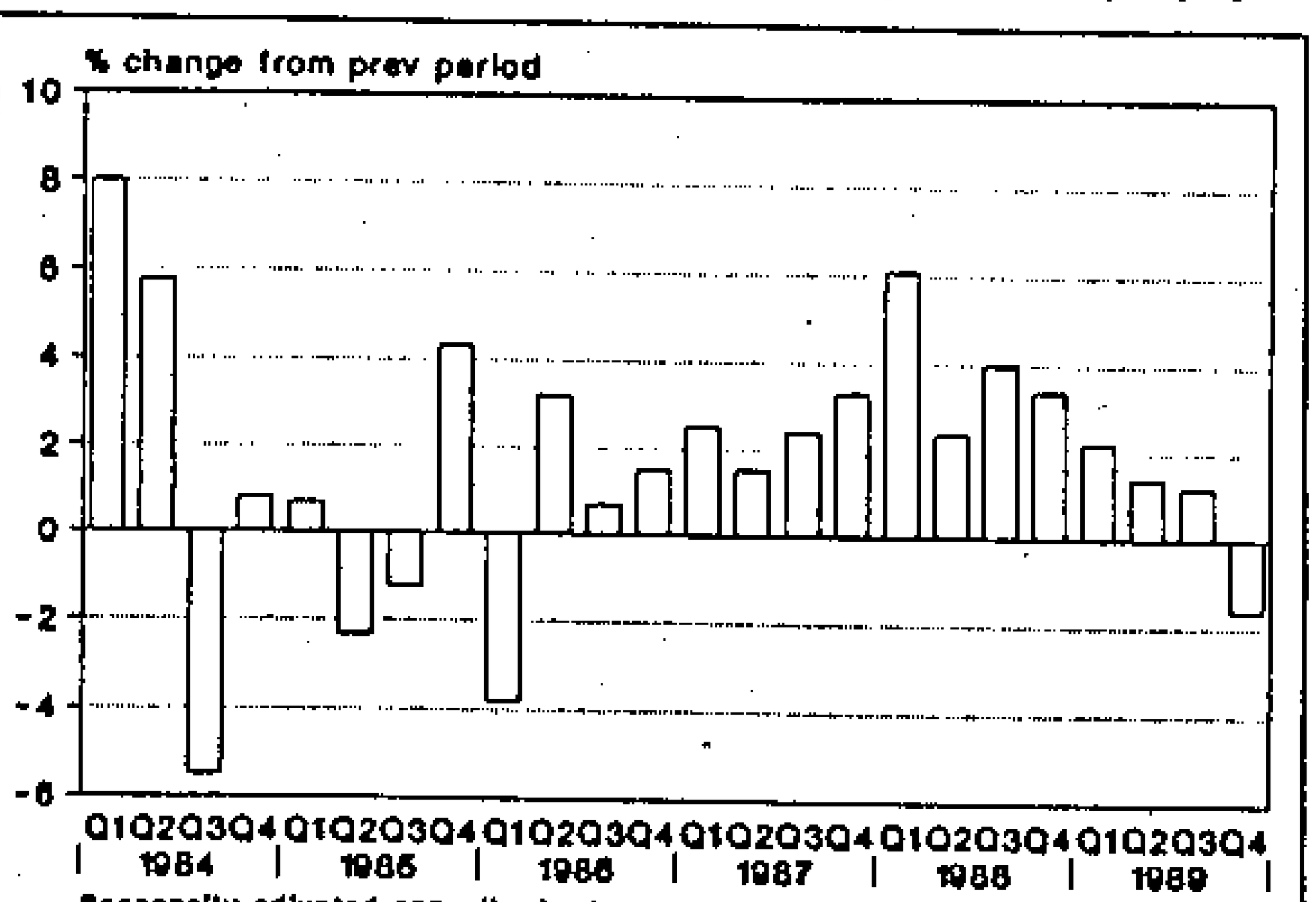
Viable oil finds would contribute to self-sufficiency and cut forex outflows. They wouldn't replace the savings achieved by synfuel projects.

A bonanza implicit in any lasting political reassessment of South Africa would be the release of the vast secret stockpiles of oil. These are said to be around three years' worth of consumption. Demand, equally secret, is reckoned to be 100 million barrels. With Brent crude at, say, $18 a barrel, South Africa's reserves may be worth around $5,4-billion.

However, growth in demand for fuel will certainly mop up some of that surplus oil. Sasol MD Paul Kruger has stated that, on an optimistic scenario, the petrol market will grow by 6 percent a year. Growth in the diesel market he thinks could be 5 percent a year.

Sasol definitely isn't considering constructing another synfuel plant — not surprising, given present trends — but Kruger does point out that the Sasol synfuel plants were built when oil prices were high and capital costs were low in US$ terms. So it cannot be compared to Mossgas, though Sasol's fuel plants' viability does rely on import protection. This was once set at 6c a litre, and now is worked out according to a formula which allows for declining protection up to $23 a barrel.





The graphs indicate that consumer price inflation has eased (left) while real GDP (right) has slowed

W/Mail 4/5 - 10/5/90

Battle against inflation will keep interest rates high

Weekly Mail Reporter

BUSINESSES and individuals with high levels of credit should prepare to tighten their belts. Interest rates are likely to stay high for some time, concludes the Standard Bank in its latest *Review*.

This is a consequence of the switch in emphasis of economic policy from boosting the surplus on the current account of the balance of payments to combating inflation.

The main priorities in 1988 and last year were the short-term needs of slowing the real economy and boosting the current account surplus.

The government can change tack in the direction of economic policy, towards longer term objectives, because of an improvement in the current account surplus, to the point where gold and foreign exchange reserves rose in the first three months of this year, reversing the downward trend which began at the end of 1987.

The slowing of the economy in response to the progressive tightening of monetary conditions since the beginning of 1988 has reversed the growth of domestic demand and imports have fallen.

"Moreover," the *Review* continues, "more favourable political perceptions of South Africa abroad have resulted in improved access to foreign capital markets and it now seems probable that foreign debt repayments in 1990 will be met without undue difficulty."

Monetary policy is now directed at combating inflation and, to this end, reducing the high rates of growth in money supply and credit extension of recent years.

The emphasis of fiscal policy has also changed. "Thus, although the the 1990/91 Budget will attempt to maintain a pattern of government spending and income that is compatible with short-term economic stabilisation, new emphasis has been given towards attaining longer-term structural and socio-economic priorities.

"The shifts in policy will have important economic consequences. They will impact on both the level and direction of government spending, and interest rates will remain higher for longer than was previously anticipated because significant declines in inflation are unlikely in the short-term."

The good news is that the dampening effect on domestic demand of higher interest rates will continue to boost the current account surplus, the *Review* says. This is fortunate because the continuing weak gold price and weaker international commodity prices are likely to cut into export earnings this year. Also, big foreign debt repayments are due beyond 1990 and, despite recent increases, gold and foreign exchange reserves are still too low.

"Thus," the *Review* cautions, "while the prime policy objectives for the remainder of 1990 will be the reduction of inflation and the achievement of socio-economic goals, the authorities will be forced to steer a narrow line between reducing inflation and avoiding economic recession."

Toxic problems plague bid to export nuclear fuel

W Mail 4/5 - 10/5/90 (55

South Africa is ready to export nuclear fuel, but the vexing question is what it is going to do with deadly waste. One of these is plutonium, of which we have enough to destroy the earth 200 times over. Environmentalists argue SA should be looking more at alternative sources, reports EDDIE KOCH

PLANS by the South African government to sell enriched uranium on the international market for nuclear fuel have run into flak before they even get off the ground.

This week Waldo Stumpf, chief executive of the state-run Atomic Energy Corporation (AEC), announced the organisation was investigating the possibility of exporting nuclear fuel from its Valindaba processing plant near Pretoria.

The news followed an AEC report last week that it was now capable of supplying fuel rods for reactors at the Koeberg nuclear power station in Cape Town. Until now South Africa has relied on imported uranium fuel to power the plant.

Energy specialist Marc Gandar, who works with the Society Against Nuclear Energy (Sane) in Pietermaritzburg, said the announcement indicates the government has committed itself to a full-blown nuclear programme and the enviromental hazards that go with it.

South Africa has only one nuclear power station but the state-owned Electricity Supply Commission (Eskom) is looking at several sites around the country with another plant in mind.

The country's small but growing green movement is generally opposed to the development of nuclear technology as a means of dealing with South Africa's energy needs.

Max Sisulu, head of the African National Congress' economics desk, says a future South Africa will abide by an Organisation of African Unity (OAU) resolution to keep the continent nuclear free.

Most green groups support this objective and urge the government to devote its resources to the development of alternative sources of fuel rather than the expansion of its nuclear programme. The only other countries on the continent with a civilian and nuclear arms capacity are Nigeria and Israel.

Mike Kantey, a representative for Koeberg Alert, points out that Pretoria allocates just one rand to the development of alternative fuel source for every R1 000 that it spends on nuclear research.

Koeberg Alert and Sane believe solar energy and wind-generated sources of electricity can provide viable and more environment-friendly alternatives to the coal-fired power stations that have turned parts of South Africa into some of the most polluted zones on earth.

But the question that most vexes the greens is that Eskom and the AEC have not yet devised a method to dispose of South Africa's high-level nuclear waste.

"The Koeberg plant, like all thermal reactors in the world, generates high level waste that includes some of the most toxic substances known to man," says Henk Coetzee, of Earth Life Africa's Johannesburg branch.

Nuclear waste from Koeberg includes strontium 90 and radioactive iodine, which are potent carcinogens, as well as at least 200kg of plutonium a year.

"Plutonium is used in the manufacture of modern nuclear warheads and is so toxic that five kilogrammes is enough to kill every man, woman and child on earth. In addition it has a half-life of 25 000 years. It takes this long for half of the supply to decay," says Coetzee.

"South Africa probably has more than 1 000kg of plutonium — an element named after the god of the underworld — sitting in a tank of water at the Koeberg plant and no idea of how it to dispose of it.

"Instead of spending vast amounts on developing the capacity to enrich uranium and exporting it the government should be doing research into the methods to dispose of Koeberg's, and Valindaba's, high-level waste."

Eskom acknowledges that it has not yet decided on a method for disposing of the nuclear waste being kept at Koeberg but says it still has five years to make up its mind.

In terms of an agreement with the French manufacturers of Koeberg, Framatome, South Africa must send all the waste to France for reprocessing and accept the unused toxic material for storage here by 1995.

Stumpf this week noted that the costs of producing nuclear fuel in South Africa and that existing technology would have to be replaced to make the process more cost effective.

He acknowledged that the international markets for uranium fuel were oversupplied but said prospects for export would increase in the second half of the 1990s when nuclear power generation was expected to increase.

And Eskom's chief executive, Ian Macrae, acknowledges that for the production of enriched fuel to be profitable the country's nuclear power programme has to be expanded.

Coetsee says that, in order to export nuclear fuel on a profitable basis, South Africa will have to expand its enrichment plant at Valindaba and increase the number of nuclear power stations in the country. "All this means the creation of more plutonium and other high-level wastes."

Most other nuclear countries plan to store their high-level waste in deep underground caverns dug out of granite of other impermeable rock. This method has received international criticism.

In 1988 Sir Brian Flowers, head of the British Commission on Environment pollution, reported: "We must assume that these wastes will remain dangerous and will need to be isolated from the biosphere for hundreds of thousands of years. In considering arrangements for dealing safely with such wastes, man is faced with time scales that transcend his experience."

Coetsee says these problems are exacerbated by the volatile political context in which South Africa's nuclear programme is being developed.

"Eskom is operating on blind faith that one day the technology will exist to deal with nuclear fuel safely. What they are in effect doing is leaving a legacy for future generations to confront."

The expansion of Valindaba's capacity will allow Pretoria to mend the weak link in its nuclear programme, says Gandar. It no longer relies on imported fuel and this has important military and strategic implications.

"South Africa must have enrichment technology in order for it to maintain the appearance that it has the capacity to produce nuclear weapons," he said.

The government has consistently used this "appearance" to gain leverage and bargaining power when it comes to dealing with foreign powers and to resist external pressures for reforming apartheid.

FM 4/5/90 (55)

POWERTECH (55)

Taking up slack

Stable conditions in the cable industry, combined with management improvements, account for Power Technologies' better results last year. Executive chairman Peter Watt is confident earnings growth will beat inflation. FM 4/5/90

Turnover rose 36% in the year to February and topped R1bn for the first time. The operating margin was 19% better at 8,6% and earnings were 30% higher despite a higher tax rate. Aberdare, in which Powertech has 55%, has been the mainstay of growth. In its year to December, Aberdare reported almost 85% higher earnings.

The resilience of the cable industry has been further confirmed by good results recently from African Cables, controlled by Cullinan, and by Voltex, controlled by Elcentre and Berzack. The other significant cablemakers are Siemens and Usko.

Cables have come a long way since the vicious price war of 1985. Not only has that ended but various joint ventures have made life for the five major makers decidedly cosy. Aberdare, for instance, makes cable accessories with Illman, which is part of Voltex. The five have established a joint export company whose profits are shared equally. It has begun exporting and hopes for sales of at least R100m in 1991. Though that is small against total industry turnover, it will help to take up slack capacity.

For Aberdare, this spare capacity means little capex is needed and cash flow can be used to reduce gearing while further acquisitions, for instance in cable accessories, are sought. Powertech's gearing fell to 7% (21%).

Though there is little growth in traditional cable markets like mining, Eskom, Transnet and the post office, electrification of townships is continuing and Mossgas is helping to buoy sales.

A revival of mass housing developments, possibly next year, would help.

The outlook for other contributors to Powertech's income — manufacture of lighting, power equipment and batteries — is less bright but cables should carry the day.

Shares in Voltex, listed last year, are tightly held and the company's trading record is too short for any trend to be discerned. Shares in African Cables are rarely traded and have not risen appreciably since early-1989; Aberdare has risen steadily from 1 100c in January 1989 to 1 700c. Both African Cables and Aberdare are on dividend yields around 8%.

Powertech has risen little since early 1989, though it added 23c on its results to 190c, where yields are 4,4%.

Teigue Payne

CABLE MAINSTAY

Year to	Feb 28 '89	Feb 28 '90
Turnover (Rm)	854	1 157
Pre-tax profit (Rm)	61,3	101,3
Attributable (Rm)	28,6	37,1
Earnings (c)	21,4	27,8
Dividends (c)	6,5	8,4

Engen boss sees rise in oil price

ST Times 6/5/90 (SS)

By Dirk Tiemann

WORLD oil prices could rise soon, justifying strategic investments like Mossgas, says Engen chairman Bernard Smith.

Mr Smith says Opec members are pumping at capacity, but the Soviet Union, the largest single producer, is reducing output.

He says that BP SA chairman Ian Sims projects a price rise to $25 a barrel by 1995 in today's money, up from a present North Sea Brent quote of about $16,50. If there is fast economic growth in Eastern Europe, the price of oil will rise.

Shelved

Mr Smith says South Africa needs a level of self-sufficiency in fuel supplies to cope with future increases in the oil price.

Should Opec, which has 85% of the world's oil reserves, increase or even sustain output beyond 23-million barrels a day, SA would benefit from a fall in price.

The synfuel industry could receive increased Government support to maintain profitability.

"No new synfuel projects will be undertaken as the concern with strategic issues prevailing under the Botha Government has fallen away."

The AECI and Gencor's Torbanite synfuel projects were shelved for this reason.

Mr Smith says: "The Government believes that local petroleum will be forthcoming, therefore reducing the requirement for synfuels. The availability of natural gas and oil and locally sourced petrol will play an important role and that is why it is important that Engen should succeed."

Synfuel production as carried out by Mossgas and Sasol is not economic without incentives. A study by Chevron Oil showed that it would require an oil price of $93 a barrel to enter the synfuel industry. Mossgas is economic at a much lower price.

"Mossgas is 60% complete and with more than R6,5-billion committed, it should be the last great synfuel scheme. All gas reserves in the mining lease will be allocated to Mossgas."

Mr Smith, who is also managing director of Mossgas in which Engen has a 30% stake, says: "At $12 a barrel, the project will repay the interest on debt incurred, at $16 the commercial debt will be repaid, at $20 the shareholders will get a zero return equal to the inflation rate. At $26 a barrel, there will be a zero real rate of return for the motorist.

"Apart from strategic benefits, Mossgas offers many other advantages including the training of skilled manpower, regional development and savings in foreign exchange — estimated at R120-billion over the life of the project in today's money."

'Siege decision' cost public billions

Mossgass project 'economic folly'

Cape Times 9/5/90

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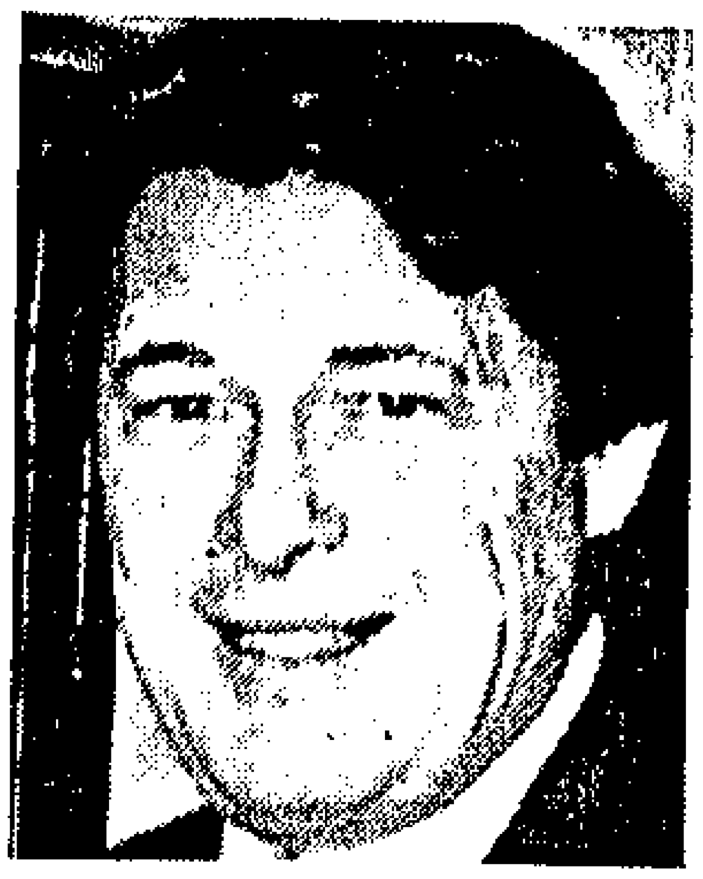


Roger Hulley

Political Staff and Sapa

THE MOSSGAS project was one of the "worst economic decisions left over from the previous government's mismanagement of the economy", Democratic Party Spokesman on Mineral and Energy Affairs, Mr Roger Hulley said yesterday.

Speaking during the debate on the Mineral and Energy Affairs vote, Mr Hulley said the government had committed over R8 billion — almost double the first estimate — to achieve "limited synfuel production" by a "hugely expensive and complicated method".

It was he added, many times the cost of an ordinary crude oil refinery of equivalent capacity.

The Mossgas project had been an ill-conceived non-viable, "siege decision".

He said no government in a normal society enjoying normal internationl relations, would dream of investing in such an un-economic project.

"It represents another huge cost of apartheid".

In reality the taxpayer had had the money spent on his behalf, with no material interest or profit return in prospect. No normal business would make such an investment, he added.

His point was proved by the fact that the oil industry had declined to take up significant shares in the project.

It was, he said, "painful" to think how much else could have been achieved with this amount of money.

Mr Hulley also challenged the Minister of Mineral and Energy Affairs, Dr Dawie de Villiers, to make public the findings of a commission appointed to investigate the petrol price.

The report contained findings of such public importance that he, having come into possession of a copy, felt compelled to make them public.

One of the findings, made before yet another 13 cent increase was introduced in the space of four months, was that the petrol price in South Africa had risen faster since 1973 than in overseas countries, relative to other prices.

Another was that a 10% increase in the price of petrol could result in a 30% rise in inflation in the following three years.

Petrol prices gave a shove to the wage spiral and kept it going, the commission had found.

(55)

Focus on liquid fuels industry

LESLEY LAMBERT

CAPE TOWN — The Mineral and Energy Affairs Department has ordered investigations into electricity provision to rural and remote areas and the deregulation of the liquid fuels industry and coal exports.

Speaking in the parliamentary debate on his department's vote yesterday, Mineral and Energy Affairs Minister Dawie de Villiers said he had commissioned the National Energy Council to reconsider the deregulation of the liquid fuels industry.

The investigation would be done in close co-operation with interested parties.

It had also become necessary to determine whether government should remain involved in the coal export programme.

The investigation would take into account the availability of coal for the country's future needs.

"The National Energy Council and government departments would be the key players in such an investigation."

Deputy Energy and Mineral Affairs Minister Piet Welgemoed said the Electricity Council had been commissioned to consider the possibility of setting up large-scale electricity demonstration areas in rural and remote areas.

He said the investigation was prompted by the need to increase the population's access to electricity, given that 23-million South Africans — two-thirds of the population, excluding the homelands — did not have access to Eskom's electricity grid.

The investigation would be jointly funded by the private sector and the local authorities in conjunction with Eskom.

The Mossgas project came under renewed pressure from the DP in the House yesterday. Energy spokesman Roger Hulley said the project was uneconomic on the basis of servicing the interest on the basic capital investment. He said it had been estimated that there would be a cost premium on every litre of petrol sold after Mossgas came on stream. The project would have to receive about $40 a barrel on estimated production to service interest on its capital, at commercial rates.

De Villiers said a study into Mossgas by the Pretoria University had been completed and would soon be made public.

Govt to review fuel control

Star 9/5/90 Political Staff 55

The Government is to look into the possibility of deregulating the fuel industry, **Dr Dawie de Villiers, the Minister of Mineral and Energy Affairs**, announced in Parliament yesterday.

Speaking during the appropriation vote for the department, Dr de Villiers said circumstances had changed to such an extent that the Government's control of the fuel industry should be reviewed.

"I have requested the National Energy Council (NEC) to again consider the possibility of deregulating the fuel industry," Dr de Villiers said.

This was a comprehensive issue with a broad spectrum of important implications.

The NEC investigation would relate to procurement of oil supplies, cross-subsidisation, monopolistic activity and competition. The oil and service station industries would be consulted, he said.

Minister says Mossgas must be continued

Star 9/5/90

(55)

A study by senior officials of important undertakings in the private sector had unanimously recommended that the Mossgas project continue, **Energy Affairs Minister Dawie de Villiers** said in Parliament yesterday.

Replying to the debate on his vote, he said the study he had commissioned said this did not necessarily mean the initiation of the project had been a good decision.

"But to stop it now will be highly detrimental to the State."

Dr de Villiers said the yield of the project and its cost should be seen against the 30-year lifetime of the project.

If the current oil price increased by 2 percent a year in real terms, the total investment would give a yield equal to the long-term interest on the cost of the project, with the State getting back the full investment plus the commercial rate of interest. — Sapa.

Eskom sell-off is not on the cards

Star 11/5/90

55

The Government did not consider Eskom a suitable candidate for privatisation in the near future, the **Minister of Privatisation and Public Enterprises, Dr Dawie de Villiers,** said in Parliament yesterday.

Because of its importance to industry and mining, a hasty decision on privatisation could have negative effects on the economy, he said.

It had already been announced that Eskom's tax liability was being investigated.

While the Government accepted in principle that an enterprise such as Eskom should pay tax, further investigations were under way on specific financial aspects.

Eskom was an example of how the Government would ascertain the impact of privatisation in the national interest before making a final decision. — Sapa.

Parliament

Bumper power cost for SA homes

CAPE TIMES 11/5/90 (53)

Staff Reporter

THE electrification of the 20 million South African homes which did not have access to electricity would cost about R6 billion, an Eskom spokesman said during a President's Council hearing yesterday.

Giving evidence for the council's investigation into a policy for a national environment management system requested by President F W de Klerk at the start of the parliamentary session, a spokesman for Eskom Management Services, Mr Johan van den Bergh, confirmed the figure.

He said the provision of electricity to these people — about two-thirds of the country's population, excluding homelands — could alleviate the social, economic and environmental problems engendered by the use of other energy sources such as coal and timber.

Mineral and Energy Affairs Minister Dr Dawie de Villiers said during his department's budget debate in Parliament that Eskom could electrify one million homes in an intensive five-year programme.

His deputy minister, Mr Piet Welgemoed, announced earlier this week that an investigation had been commissioned to consider the setting up of large-scale electricity demonstration areas in rural and remote areas.

Dr De Villiers said Eskom had sufficient capacity to generate and distribute more electricity and that this could be done without major capital investments in additional infrastructure. He said the objective was to reach as many people as possible using as little capital expenditure as possible.

New technology could reduce the cost of establishing new electricity services in some cases and Eskom had launched a number of pilot projects to test the system, he said.

In his submission to the President's Council, Mr Van den Bergh said Eskom had 26 nuclear, fossil-fuel and hydro power stations, including some of the largest in the world.

The public utility was a world leader in the use of low-grade coal which had, at most, a 40% ash content, he said.

Electricity Council board reconstituted

Staff Reporter

THE board of the Electricity Council — Eskom's controlling body — has been reconstituted, with new members representing the black business association the National African Federated Chamber of Commerce and Industry (Nafcoc) and the Steel and Engineering Industries Federation of SA (Seifsa).

The new members are Nafcoc executive director Mr Mofafi Lekota and Seifsa representative Mr D B Mostert.

No light on Soweto's horizon as Eskom's bid fails

W/Mail 11/5-17/5/90 (55)

Weekly Mail Reporter

ESKOM'S bid to take over electricity distribution rights in Soweto appears to have failed.

The mediator, Development Bank chairman Simon Brand, is still struggling to find a solution that will satisfy the Transvaal Provincial Administration (TPA), the Soweto city council, Eskom and the Soweto People's Delegation.

"It is a matter of discussing, testing and reformulating ideas until all parties agree on something. It is a very slow process," Brand said.

Last year Eskom proposed to launch a private, non-political company, Econolec, to take over distribution. A similar scheme is underway in kwaNobuhle, outside Uitenhage, where Kwanolec has been formed. Eskom holds half the shares and private investors the rest.

The council refuses to cede its distribution rights. Its chief PRO, Johan van der Westhuizen, said the council was reluctant to lose the revenue gained from electricity tariffs and the parties do not agree on the value of existing assets.

However, he confirmed Eskom's view that the council lacks the skills and finances needed to maintain and expand the present system.

The Soweto Civic Association is also opposed to Eskom's idea. Publicity secretary Pat Lephunya said: "We will never accept the privatisation of essential services. The rent boycott stays until Soweto and Johannesburg become one city."

The city council is estimated to owe the TPA more than R464-million. Much of the debt is for electricity bills residents have refused to pay since 1984. There is widespread dissatisfaction with the council's handling of electricity distribution.

Eskom chief executive Ian McCrae said in a recent report: "The provision of electricity in Soweto is so badly managed that people have difficulty in paying — non-payment is not a political issue. People receive astronomical bills for electricity not used and supply quality is poor. Something has to be done."

When electricity was introduced to Soweto in 1983 little effort was made to give residents control over their power consumption. Circuit breakers and meters were put in mini-substations to serve several houses. This method of calculating charges is suspect since each home's consumption is not measured individually. Many substations have been vandalised by householders to bypass the meters, knowing cheaters can not be traced.

The supply is unreliable: besides many technical interruptions, power has been cut in the past by the council in mid-winter to punish residents for the rent boycott.

Electrical engineering consultant Gordon Sibiya challenges Eskom's altruism in wanting to take distribution rights: "McCrae has this business plan to create one huge monopoly all over Southern Africa — if he says he is doing that to help black empowerment, he is lying. How many black chairmen does Eskom have? The same number as Econolec — none.

"Anybody could implement Eskom's cash-in-advance metering system. The city council can solve its technical problems by sub-contracting competent companies — the same way every other city council does."

Eskom recently closed its Econolec office in Soweto. Chief PRO Laetitia van Staden said: "No progress was being made. We felt further involvement would be a waste of money."

R6bn needed to electrify all SA homes

LESLEY LAMBERT

CAPE TOWN — The electrification of the 20-million SA homes which did not have access to electricity would cost about R6bn, an Eskom spokesman said during a President's Council hearing yesterday.

Giving evidence for the council's investigation into a policy for a national environment management system, as requested by President F W de Klerk at the start of the parliamentary session, Eskom management services GM Johan van den Bergh confirmed the figure.

He said the provision of electricity to these people — about two-thirds of the country's population, excluding the homelands — could alleviate the social, economic and environmental problems caused by the use of other energy sources such as coal and timber.

Mineral and Energy Affairs Minister Dawie de Villiers said during his department's budget debate in Parliament that Eskom could electrify one-million homes in an intensive five-year programme.

De Villiers said Eskom had sufficient capacity to generate and distribute more electricity and this could be done without major capital investments in additional infrastructure. He said the objective was to reach as many people as possible using the least possible capital expenditure.

In his submission to the President's Council, Van den Bergh said Eskom had 26 nuclear, fossil-fuelled and hydro power stations. Some were the largest of their kind in the world.

The public utility was a world leader in the use of low-grade coal which had, at most, a 40% ash content. Its power stations produced 16,5-million tons of ash, released about one-million tons of sulphur dioxide and 400 000 tons of nitrous oxides and consumed about 259 000 megalitres of water annually, he said. (55)

De Villiers also announced yesterday that the board of the Electricity Council — Eskom's controlling body — had been reconstituted.

The new members are Nafcoc executive director Mofafi Lekota and Seifsa representative D B Mostert.

Other private sector members whose term of office will be renewed when it expires on May 23 include Anglo American economist Aubrey Dickman, representing the SA Chamber of Business, and Chamber of Mines representative Albert Allen Sealey.

Sasol probes 20 new projects worth R3-bn

Stel 11/5/90 55

Own Correspondent

CAPE TOWN — Sasol is currently evaluating 20 new projects which would require a total investment of about R3 billion, managing director Paul Kruger said here yesterday.

Addressing a forum of the SA Association for International Affairs in Cape Town, Mr Kruger said Sasol was currently investigating 20 "greenfield" operations.

These would require a total investment of more than R3 billion, which at ruling prices, would yield a turnover of R1,8 billion a year.

Mr Kruger said that while most of the 20 projects were only at a very early stage of investigation some are already at a decision-making level.

He did, however, not put a timetable on the expansion phase.

The contribution from these projects to the national economy would come from import replacement and exports that would save and earn about R1,5 billion in foreign exchange a year.

In addition to this, the recently commissioned R500 million polypropylene project would also earn R250 million in foreign exchange in the next year.

At present the direct savings and forex earnings of Sasol amounted to about R3,3 billion.

On the future role of the synthetic fuel industry, Mr Kruger said it was indispensable to a new South Africa.

He said the question was justifiably being asked in the light of a changing South Africa whether South Africa still needed a synthetic fuel industry.

"The answer to this question is that the current synthetic fuel industry is not only desirable, but it has an ongoing and an increasingly important role to play - it is indispensible to a new South Africa," he said.

Speaking on "The South African synthetic fuel industry and the world oil supply situation", he said it was quite evident that Sasol projects were based on sound economic criteria.

Global refining capacity was under severe pressure and this already had an increasingly important role in the price of liquid fuels.

Current oil production capacity exceeded demand and was being curtailed by a very fragile Opec cartel.

"The price of oil is becoming less and less dependent on the solidarity of Opec and steadily rising world demand for oil approaching th capacity of both oil production and refining."

The oil price had always been the dominant determining factor of product price and increases would benefit the South African indigenous industry.

While Sasol's synthetic fuel operations still required modest temporary protection against cheap imported oil, it was a sound business undertaking that provided a treasure chest for many other mature and fledgling business divisions.

Mr Kruger pointed out that about 50 percent of Sasol's earnings was derived from synthetic fuels, with the balance deriving from coal, crude oil refining, marketing of fuel, petrochemicals, fertilisers and explosives.

Petrol price set to rise

S/Times 13/5/90

55

By Don Robertson

A WEAKENING rand and a rising crude-oil price make dearer petrol inevitable.

But the National Energy Council (NEC) insists that there will be no increase this month.

Price rises have an immediate effect on the inflation rate of as much as 1%.

The Government-operated equalisation fund, which is used to keep the petrol price as a low as possible, is rapidly running out of funds.

The fund had a surplus of R259-million at the beginning of the year — the money comes from a levy of 7c a litre on petrol and diesel sales.

Expensive

Last year, the equalisation fund spent a record R483-million to prevent the fuel price from rising.

The international oil price dropped to \$17 a barrel two weeks ago, but recovered to \$19 after an agreement by the Organisation of Petroleum Exporting Countries (Opec) to cut production by a million barrels a day.

Aggravating the problem is the decline in the rand in the past two months. It fell against the dollar by about 4% in this period, making oil imports more expensive.

The result is that petrol and diesel are being sold below cost.

In April the underrecovery was 4,8c/*l* for petrol on the Reef and 0,3c/*l* for diesel fuel. These figures are subject to final audit.

There was an underrecovery of 0,221c/*l* in January, 1,579c/*l* in February and 3,904c/*l* in March.

Also draining the equalisation fund is the additional 1,5c retail margin given to garage owners in December. Retailers now get 10,2c a litre compared with 8,7c previously.

The additional cost of transporting fuel by road and rail to out-of-the-way areas is also straining the fund. A price increase in these areas was to have been introduced in December, but was postponed.

Pieter Jacobs, manager of energy administration at the Department of Mineral and Energy Affairs, says the position is monitored daily, but fuel prices are not expected to rise in the next few weeks.

The Star Monday May 14 1990 7

Residents determined to fight application

By Shirley Woodgate

Residents of Emmarentia in Johannesburg are prepared for a bitter fight to block an application to site a major regional garage on the corner of Barry Hertzog Drive and Victory Road.

Local councillor Professor Harold Rudolph said the original application by Trek Petroleum was unanimously rejected by the council's planning tribunal last year after strong opposition from the council, the Greenside and Emmarentia Residents' associations, individual residents in Crocodile Road and two councillors.

Professor Rudolph said the next round of the battle would take place on May 29 when the Townships Board considers an appeal by Trek.

The developer had originally made no secret of the fact that the application was motivated by the profit factor since the Shell outlet only 100 m to the north of the proposed garage is their 6th biggest seller of petrol in the Transvaal, he said.

"It is doubtful whether traffic has increased to the extent that yet another petrol outlet and workshop is required in addition to the eight already situated within a 3 km radius," Professor Rudolph said.

Trek Petroleum was not available for comment.

Eskom must strengthen its balance sheet — Maree

Star 14/5/90

(55)

Tight control of operating costs and improved productivity has enabled Eskom to keep the price rises for electricity substantially below the inflation rate. "In fact", says Eskom chairman John Maree, "the real price of electricity has declined at a rate of two percent a year since 1986."

Writing in the organisation's annual report, Dr Maree said 1989 saw lower growth in the demand for electricity.This was due to slower economic growth and a decline in certain international commodity markets, which affected parts of the mining sector. However, this was partly offset by a growth of more than 10 percent in bulk supplies to municipalities.

Mr Maree said that in spite of inhibiting factors, by keeping a tight control on operating costs and by improving productivity, the surplus of R728 million — although R88 million lower than the previous year — was in line with budget.

This required efficient financial management. "Because Eskom is a large borrower, and finance charges are such a large component of total costs, we have to ensure that we borrow as efficiently and as cheaply as possible.

"Eskom will have to strengthen its balance sheet by reducing borrowing and increasing its reserves. We have, since 1986 resisted, in the national interest, the option to increase electricity prices in line with rising inflation. Instead, we have focused on cost control and improved productivity. However, Eskom is unable to consistently absorb rising costs outside its control without impairing the financial health of the organisation."

Reserves

"The main message from 1989 is that Eskom will have to strengthen its balance sheet by reducing borrowings and increasing its reserves."

During the year Eskom achieved an improvement in productivity of 2,7 per cent, Dr Maree said. In measuring productivity the organisation was working closely with the National Productivity Institute.

One of the most serious constraints in increasing productivity and the development of the economy was the chronic shortage of skills, a situation aggravated by the mismatch between the output of the academically orientated education system and the technical and practical skills required by the market place.

"In 1988 this mismatch resulted in about 80 000 matriculants being unemployed, while economic growth is hampered by a shortage of skilled people. This is an issue that has to be addressed as a matter of national priority."

Dr Maree said Eskom was sensitive to the environment, and was committed to finding the optimum balance between suppling electricity at an economic price, and limiting its impact on the environment.

With regard to privatisation, he said a study had been undertaken and a report submitted to the Minister of Mineral and Energy Affairs on the likely financial consequences if Eskom were to become a taxable entity.— Sapa.

55

Eskom able to meet greater electricity demand

NEIL YORKE SMITH

DEMAND for electricity is expected to grow at an average annual rate of 4% during the 1990's, Eskom chairman John Maree said in his annual review.

It was difficult to anticipate how the economy would perform and consequently what the demand for Eskom products would be, he added.

However, Eskom would be well placed to meet greater demand if growth rates were higher, he said.

"We foresee that Eskom's present excess capacity will not be absorbed until the year 2 000, and only then will new plant be needed.

"Because of the long lead times, the decision on such new plant will have to be taken within the next few years," Maree said.

Coal would continue to dominate the plant mix, "but as we move into the next century, nuclear power and natural gas — should this be discovered in sufficient quantities — will start to play a bigger role".

Cash management remained a focal point, said Maree.

"During the past five years Eskom has drastically curtailed its capital expansion programme and its concomitant need for investment funds."

However, it had not compromised its long-term commitment to SA's electricity needs.

Maree stressed Eskom needed to strengthen its balance sheet by reducing borrowings and increasing reserves.

Since 1986 Eskom had resisted the option to increase electricity prices in line with rising inflation, he said.

"Instead, we have focused on cost control and improved productivity."

However, Eskom would be unable to simply absorb rising costs which were beyond its control, Maree warned.

To do so would reduce profitability as well as impede Eskom's ability to attract new funds at acceptable cost.

This had become even more important as Eskom had been negatively affected by the abolition of prescribed investments.

"We now compete on equal terms with other institutions for funds, and in future lenders will look much more critically at Eskom's balance sheet and income statement ratios."

Last year saw reduced growth in demand for electricity, Maree said.

He attributed this to slower economic growth, which affected industrial electricity demand, and a decline in certain international commodity markets which influenced part of the mining sector.

PWV profits on petrol

55

ZILLA EFRAT

PWV motorists once again underpaid for their petrol in April as landed costs increased because of higher international market prices and a deterioration in the exchange rate.

PWV motorists have underpaid for their petrol since the beginning of the year.

According to the National Energy Council (NEC), April's under-recovery for 93 Octane petrol was 4,593c/*l*, compared to 3,904c/*l* in March, 1,579c/*l* in February and 0,221c/*l* in January.

Deficits were also recorded in the prices of 97 and 87 Octane petrol.

A NEC spokesman yesterday said it was impossible to say with certainty when, and if, the fuel price would rise.

The under-recovery for diesel was 1,342c/*l* in March and fell to 0,259c/*l* in April.

Trek makes way for Engen on JSE

810 am 21.5.90 (55)

BARRY SERGEANT

GENCOR energy arm Engen Limited replaces Trek Beleggings on the JSE "chemicals and oils" board today, boosting the counter's market capitalisation from R589m to a notional R3,2bn.

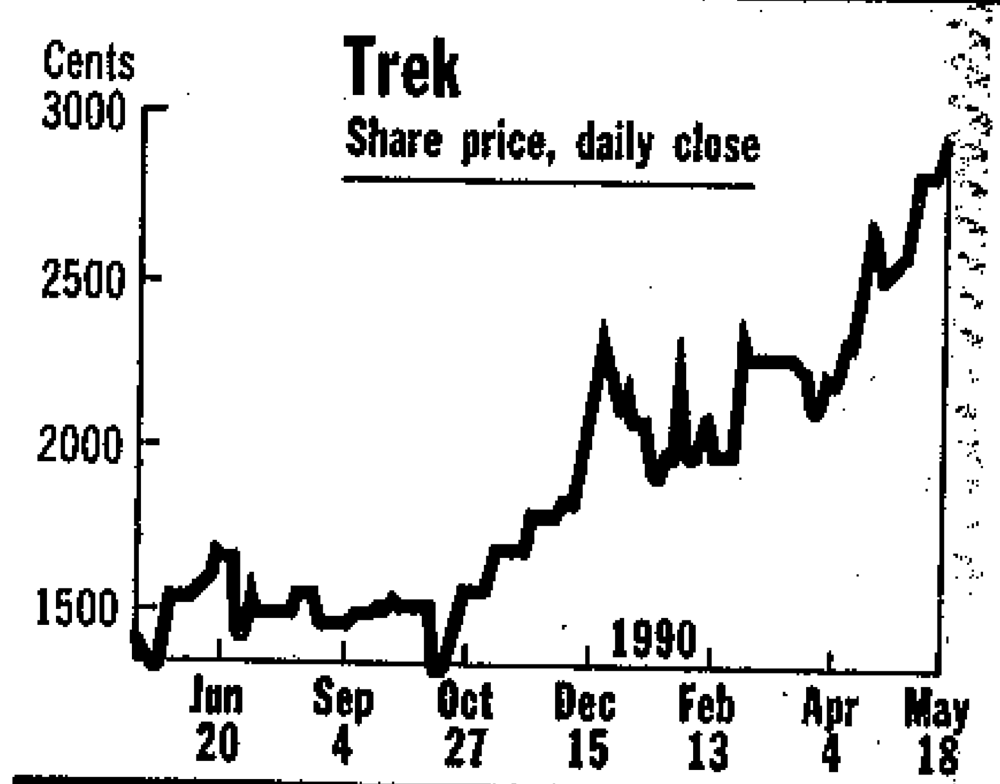
The Trek share price has risen 46,3% since the February announcement of Gencor's decision to list its energy interests by way of Engen. The price to earnings ratio has improved from 11 to its current 13,9 times.

Engen CEO Rob Angel says: "The share price movement is a clear indication the market has accepted Engen as an exciting investment opportunity.

"The market is aware the Engen group historically has achieved consistent growth in earnings and profits. In addition, new activities and the expansion of existing product lines and markets indicate exciting possibilities for future growth."

According to the transmuted listing statement published today, deregulation and greater urbanisation within SA will ensure market growth for liquid fuels exceeds the average growth rate of the economy, which will have a positive impact on Engen's future prospects.

"In addition, Engen expects significant synergistic benefits to flow out of the rationalisation of technology, production facilities and financial resources, and the integration of refining and distribution activities," says Angel.



Graphic: FIONA KRISCH Source: JSE

Engen comes to the market as SA's first wholly owned integrated energy group, with exploration in oil and gas via participation agreements with Soekor; production via the Genref refinery and a 30% investment in Mossgas and; three independent and competing marketing companies in Mobil, Trek-Petroleum and Sonap.

A stockbroker argued Engen provided "super" profit potential.

"It has healthy expansion potential, its refining margins are good and appear set to rise, and material rationalisation benefits seem assured."

Of the 110-million Engen shares which will be listed today, Gencor holds 84,4% and Genbel, Gencor's investment arm, 9,6%. The remaining 6% is held by minor-

☐ To Page 2

Engen

810 am 21.5.90 (55)

☐ From Page 1

ity shareholders.

Gencor finance director Tom de Beer is on record as saying Gencor, which raised R1,5bn last year, does not at this time need the cash a public offer for Engen would have generated.

"Our ultimate aim, however, is to reduce Gencor's investment in Engen over time and to widen the public's participation," he says.

Engen has made earnings estimates of 182c a share for the year to August 31 1990. Turnover is estimated on a pro forma basis at R5bn, and profits after tax at R200m.

At a general meeting of Trek Beleggings on Friday, shareholders unanimously approved resolutions to create Engen. As a result, the company's name will change from Trek Beleggings Beperk to Engen Limited from today.

'Forget housing in Koeberg vicinity'

GH 7/1/1
23/5/90

1223

55

Political Staff

IT would not be possible to establish another Crossroads in the vicinity of Koeberg nuclear power station, the Minister of Planning and Provincial Affairs, Mr Hernus Kriel, said yesterday.

Replying to debate on his budget vote, he referred to a proposal by Mr WP Doman (NP Vasco) that black housing be established in the "Koeberg radius".

"This is a thing we must just forget about," said Mr Kriel.

As was the case with atomic power stations throughout the world, certain conditions were attached to the granting of Koeberg's licence to operate as a nuclear facility.

"If we have to alter it, it would cost millions to upgrade Koeberg's safety standards," he said. — Sapa

More city power cuts likely

Cape Times 23/5/90

55

Staff Reporter

ESKOM has apologised to customers in the Eersterivier area for the inconvenience caused due to "power failures over the past few days", but has said "there may still be further problems".

An Eskom spokesman said the winter weather had caused overloading problems, resulting in the electrical circuits tripping.

He said "protection settings had been set higher to alleviate the problems temporarily", and new equipment was also being installed to cope with peak winter use "on a permanent bais".

Meanwhile Mr Benjamin de Vries of Klenvlei, Eersterivier, has complained that power had been cut "at the most inconvenient times" over the past two weeks.

He said the work on the electricity network should have been done months ago.

Cape Times, Wednesday, May 23, 1990 7

Parts of the city to escape rise in price of electricity

Municipal Reporter

SOME parts of Cape Town which fall within the Regional Services Council (RSC) area will escape a rise in electricity bills this year.

In these areas — such as Blue Downs, Blouberg-strand, Melkbosstrand, part of Melton Rose and part of Belhar — the RSC is the bulk supplier of electricity on an agency basis and no electricity tariff increases will be required yet, unless Eskom increased its charges.

The last time electricity tariffs increased in these areas was at the beginning of the year.

The areas which will have to pay the Cape Town City Council's 14% rise from October 1 are those which receive their electricity through the council. Suburbs in this category included Grassy Park, Constantia, Hout Bay, Kommetjie, Ocean View, Scarborough, Zeekoevlei, Wetton and Ottery East.

Rates increasese

Some RSC areas, such as Scottsdene, Ruyterwacht, part of Melton Rose and part of Belhar, fall directly under Eskom and tariffs there will go up whenever Eskom raises them. The last rise — of 14% — was in January.

- Residents in the RSC area of jurisdiction would have their property rates increased later this year, even though the RSC itself did not levy rates, treasurer Mr Arthur Kleynhans said yesterday.

He explained that whatever rates were paid by people living in RSC areas were levied by "own affairs ministers in the various Houses of Parliament".

The various ministers had not yet fixed the rates for this year but were obliged to do so before the end of June, Mr Kleynhans added.

Eskom 'needs $3bn' to light all homes in SA

B/Day 23/5/90 (SS). 23/5/90

EDWARD WEST

BASED on a conventional connection cost of $1 000 per household of 6-8 people, Eskom would need an investment of $3bn to connect the 20-million people without electricity in SA.

This was said by MAN Technologie AG's Bernd Schroeder, who delivered a paper on decentralised power generation systems at the Eskom Power Technology conference yesterday.

People in KwaZulu who used other fuel sources — mostly wood — wasted 150-million unproductive man hours a year fetching the fuel. This figure extrapolated to SA would mean a potential of at least 1,2-billion man hours a year available for productivity and thus for the GNP, he said.

Eskom's total of productive hours a year was about 96-million man hours.

Schroeder said approximately 200 000 household connections needed to be installed in SA a year at an annual cost of $200m for the next 15 years.

To this investment a distribution cost had to be added which, at Eskom's present costs, was $7 500 a kilometre. More cost effective distribution techniques could reduce this cost to $1 500.

Regardless of actual cost, the low consumption rate of 5-20 kilowatts an hour a day in rural areas put the economic limit for grid extension at somewhere below the low figure of 3-8km.

With SA's size, Schroeder saw no chance for Eskom to fulfil its principle of "electricity for all" with conventional grid extensions unless a new technology of cost-free electricity reticulation was found.

He concluded the most viable solution for low-load rural electricity consumers was autonomous hybrid power generating systems incorporating, as far as possible, renewable energy sources.

He proposed the decentralised generating facilities to be installed in remote areas be designed to operate automatically, to survive with a minimum of maintenance and should also become a standard Eskom product like a household connection or substation.

SYNFUELS (55) FM 25/5/90

Looking at a plastic future

The winds of change are beginning to blow more strongly against SA's costly, coal-based synfuels programmes. But, ironically, just when the eventual lifting of the oil embargo is becoming a talking point in the liquid fuels industry, major new coal-based petrochemical initiatives are still being considered.

The debate may rage between coal and oil as the future feedstock for fuel and chemicals, but a fundamental shift in focus is taking place in the multibillion rand liquid fuels industry — away from synfuels and towards beneficiation for the petrochemical industry.

The stage is thus being set for a battle between synfuel giants Sasol and Mossgas, SA's large chemical companies, the big oil groups and new entrants such as government's Industrial Development Corp, for the major slice of the profitable local petrochemical industry.

Past strategic and political considerations — including the oil embargo — led government to protect and subsidise Sasol and to reach the point where it can no longer extricate itself from Mossgas. Sasol's current direct subsidy amounts to about 8c/*l*. Mossgas is also costing the taxpayer millions. This has distorted the development of a lucrative local petrochemical industry — until now.

Government recently announced that it is to investigate the possible deregulation of the liquid fuels industry — including the procurement of oil, cross-subsidisation, monopolistic practices, competition and other issues. Its decision not to commission any additional synfuel plants underlines the change in official thinking.

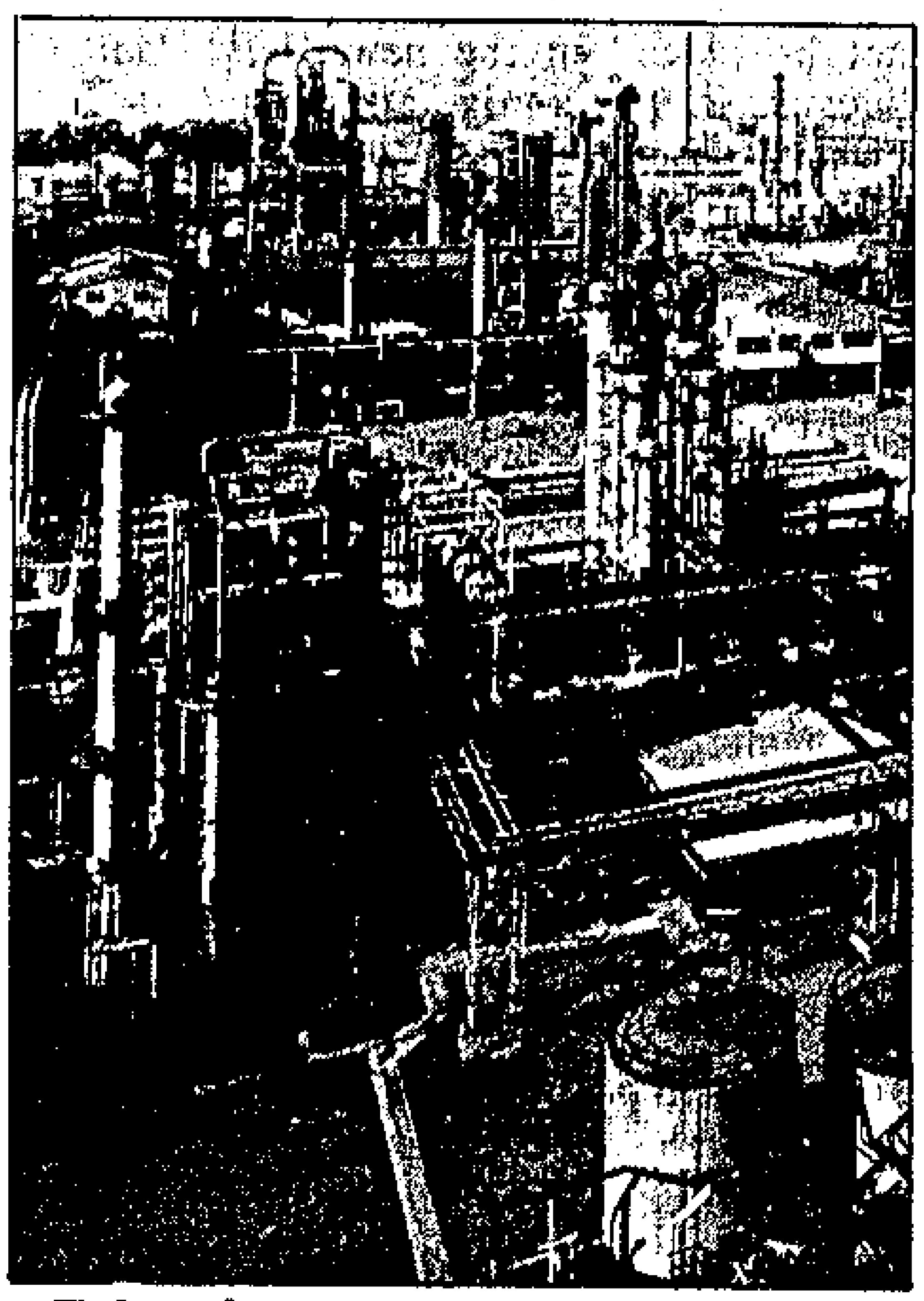
Meanwhile, a possible settlement with the ANC and an end to the oil embargo has led to a re-examination of investment in the liquid fuel and petrochemical industries.

Sentrachem and AECI are said to be looking at building a R4bn-R5bn naphtha cracker, capable of producing about 335 000 t of ethylene annually. At this stage it is believed to be only a vague possibility; the project is so vast that an "SA Inc" approach may have to be adopted should it reach the stage of serious consideration.

Foreign capital could be another requirement for the successful completion of a local naphtha cracker. But, by producing the seven chemical building blocks for downstream beneficiation into plastics and related products, the cracker could form the basis of a major expansion of the local petrochemical industry.

Another consequence of government's shift from synfuel operations is Engen's plan to investigate a R1,5bn doubling of the capacity of its Durban Genref refinery. A decision should be reached by the end of the year, says technical director Theo van der Pas. He adds Engen also is looking at the feasibility of downstream beneficiation into plastics.

Meanwhile, as the private sector reconsiders its options and looks at new, oil-deriva-



Take the 'syn' out of synfuels, the signs indicate

tive projects, the IDC is investigating the possibility of launching a massive R3bn-R5bn coal-based petrochemical plant on the Waterberg coalfields near Ellisras. The plant would use an estimated 2 Mt coal a year.

"The high volatility of the Waterberg coal could make it acceptable for an economic petrochemical plant, providing annual output of 300 000 t-400 000 t of benzine, toluene and xylene — essential building blocks for the manufacture of plastics such as styrene and solvents such as ammonia," says IDC GM Ted Droste.

But, he admits, it's early days and the first studies won't be completed until early next year. "It could take at least three to four years before we reach a final decision."

Droste reckons SA should use raw materials such as its rich coal resources as feedstock for petrochemical production — depending on the acquisition or development of the right technologies, as well as the economic viability of the projects "without government subsidisation."

Droste has doubts about a naphtha cracker. He says it might be difficult to find an overseas market for the ethylene and propylene produced by a cracker.

"And viability would depend on world oil prices."

He points out that a benefit of the corporation's coal-based plant is that its products would be in easily marketed liquid form, while the cracker's ethylene and propylene would be in gas form and would need further refining.

Meanwhile, coal-based Sasol is looking at 20 projects with a total value of more than R3bn. They could provide a turnover of R1,8bn at current values. This does not include its recently commissioned R500m polypropylene plant.

Mossgas is still sticking to synfuel as its basic commodity, though GM operations John Theo admits petrochemical beneficiation is being looked into.

Sasol MD Paul Kruger remains bullish on the future of the existing Sasol synfuel plants, maintaining that oil prices should reach US$23 a barrel by the mid-Nineties. At that price level, Sasol would be profitable without State support. Sasol is SA's major petrochemical producer and sales of its ethylene, propylene, phenols, ketones, alcohols, waxes and now polypropylene, in the local and export markets, exceed R1bn a year.

But it is the State-subsidised synfuel giant's very size and built-in advantage in the local market that is now forcing Sentrachem and AECI to look at alternative feedstock sources.

If government goes ahead with its deregulatory moves, a more even playing field for these groups, relative to the synfuel giants and the oil majors, will be created, giving the industry a substantial boost.

Arnold van Huyssteen

BUSINESS CHARTER FM 25/5/90

Stating the obvious

The SA Chamber of Business's "charter of economic, social and business rights," published last week, is unfortunately entirely predictable. It reiterates support for democracy and a free enterprise economy — and is most notable for its omissions.

For a start, there is no indication where the chamber will stand on the delicate (for it) issue of free trade vs protectionism — a dilemma for it from the moment a merger of Assocom and the Federated Chamber of Industries (FCI) was mooted.

Even when the charter tackles non-business issues, there are some unresolved questions. On the language issue, the charter says: "A person belonging to an ethnic, reli-

Delta issues cautionary

8ra 25/5/90

By Ann Crotty (5-5)

Delta Electrical has issued a cautionary announcement stating that discussions are currently in progress which could affect the share price.

No details were available yesterday but some market sources speculated that the discussions might relate to the reported bid by Valard to acquire control of Landlock.

Delta has a significant stake in Valard and may be using its comfortable gearing position to take a larger stake in order to help Valard fund the acquisition of Landlock.

Eskom to play role of good neighbour

ST 31/5/90

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By Derek Tommey

In a major political and economic development, Eskom is to help in the rehabilitation of the Maputo power station.

The World Bank, which has turned its back on South Africa for several decades, has given the involvement its blessing and is putting up R2,6 million to cover the cost.

Piet Faling, deputy general manager (generation) at Eskom, sees the move a major breakthrough for the sub-continent.

Eskom chief executive Ian McRae has always hoped that Southern African power-generating authorities would one day co-operate in the provision of electricity for all parts of the sub-contintent.

The assistance to Maputo, some Eskom officials believe, could be the first step in achieving this aim.

Mr Faling says the arrangement could open the way to other co-operation agreements.

He says there is even the prospect of one being reached shortly with a state to the north of South Africa.

He says the Maputo electrical authority, Electricidade de Mocambique (EDM), had discussed with Eskom in 1986 the possibility of getting technical assistance.

Owing to political and financial difficulties the talks broke down.

Various staff

Recently the EDM, supported by the World Bank, invited Eskom and other power authorities overseas to tender for the supply of various staff to improve efficiency at the Maputo power station.

Eskom won the tender, but has now proposed a more effective plan, which the World Bank has allowed EDM to negotiate with Eskom.

The original proposal was a typical First World answer to a Third World problem, says Mr Faling.

It called for the placement of an operating manager, a maintenance manager and a maintenance specialist in the Maputo power station for a period of three years.

At the end of this time they would pull out, leaving the Mozambicans to carry on themselves.

Eskom's proposal is to put a team in Maputo for a year, while training EDM staff at Wilge power station, which has the equivalent technology to that found in Maputo.

EDM personnel will thus gain experience in maintaining in full operation a power station similar to their own and learn current operating techniques.

Eskom is able to start with this type of training at short notice because much of its operator and maintenance training lecture material is available in Portuguese.

The material was originally prepared for a project in the Cape Verde Islands.

Mr Faling says the Maputo station should have a generating capability of 60mW from its coal-fired plant and a 65 mW emergency gas-turbine capacity.

It has been operating below optimum efficiency since 1975.

Maputo draws electricity from South Africa. But the line is frequently sabotaged, causing power shortages.

The result is that Maputo is experiencing serious problems with its power supply.

Rotational brownouts have become commonplace, severely hampering economic development and causing hardship to individuals.

Signs of progress

Eskom officials say there are some signs of progress in restoring the supply of power to South Africa from the Cahora Bassa hydro-electric scheme in Central Mozambique.

The equipment has been reasonably well-maintained, they say.

However, it is estimated that it would cost R210 million to restore the power line and its 1 400 pylons.

But Cahora Bassa could earn up to R800 million a year if it could reach full operation again.