ENERGY — 1993

JAN. — JUNE

Pump price fixed to give operators a 'salary'

Stimes (Buss) 3/11/93 SS

By KEVIN DAVIE

THE government has lifted the lid on another of South Africa's fuel secrets, disclosing for the first time that it fixes the pump price to give petrol-station operators the equivalent of a middle-management public-service salary.

"These operators are essentially on a salary," says Lourens van den Berg of Mineral and Energy Affairs. He says the retail margin of 15c a litre paid by motorists at the pump is determined by taking a sample of "50 or 60" of SA's 4 650 service stations. Sites with very small or very large throughputs are excluded in the sample.

The retail margin gives a "salary" of R60 000 a year for an operator who sells 100 000 litres a month, each extra 50 000 litres bringing another R5 000 a year.

Mr van den Berg emphasises that the full amount is not paid to the operator, as in some cases only 10% of the operator's time at the garage is spent on driveway activities. These are the maximum amounts involved.

Roy Close, chairman of the Motor Industries Federation deregulation committee, was aghast that the retail margin was linked to public-service salaries: "That's new to me."

Mr Close is a member of the committee which investigates retail margin increases. He says that, since service-station operators often have an investment in that they own their stations, they should be entitled to both a salary and a return on the investment.

Budgets

Mr van den Berg says an investigation is undertaken to determine the costs of the driveway activities of the station, including all proportionate costs.

The investigators note the salaries of middle-management public-service employees who control budgets roughly equivalent to that of the petrol-station operator to determine the retail margin.

He says government is aware of how many petrol attendants are required and so will trip up attempts by the industry to load costs.

There are few rich station operators, says Mr Close. Most rely on "fair service, fair price" workshops. "Filling stations without allied business cannot survive unless they pump more than 250 000 litres a month."

Mr van den Berg says he has no idea what retail margins are earned in countries such as those in Europe, where market conditions set petrol prices.

Mr Close says the retail margin in Europe is 7% to 8% of the pump price and that this is for self-service: "If you want service you have to pay for it."

He says about 40% of the retail mark-up goes to pay the wages of petrol attendants.

Fuel prices in SA are controlled by the Petroleum Products Act, which says that the minister may determine prices.

The use of public-service salaries to determine the retail margin contrasts with that of other formulas used by government to set profitability levels in the industry.

The wholesale margin of 13,5c a litre is based on an average 15% pretax return on the assets oil companies use in marketing fuel, while Sasol's equalisation fund protection is based on a 10% return.

Mr Close says service-station operators in SA get a 9,2% mark-up. He says operators also run high security risks: "Eight people were killed this year."

The retail margin increased in the two years to July last year by 21% a year, apparently above that of increases granted to the public service. Mr van den Berg says costs such as rentals and wages went up considerably during this period.

Pick 'n Pay's Raymond Ackerman says he could cut the retail margin of 15c to about 7c but is prevented from doing so by law.

Control

Between 20% and 40% of SA's petrol garages are owned by the oil companies, but these companies are prevented from operating them. Operators are mostly MIF members.

Mr Close says that in most cases oil companies control service-station sites, "whether you like it or not through lease, franchise or supply agreements".

Mr van den Berg says an efficient operator who exceeds the national average will do better than those which do not make this average.

He declines to disclose the national average, as this is classified. He says the oil industry knows what this average is.

Engen unveils big plans for small businesses

EDWARD WEST

ENERGY giant Engen has started promoting small businesses as regular suppliers to its depots.

The group's first Energos corporate publication said Engen depots would be asked to source all discretionary purchases from small businesses. Project co-ordinator Tsepo Mohapi had been appointed to forge links with small businesses countrywide, the publication said.

"The changing realities of SA's economy demand that affirmative action should incorporate not only who a company employs, but also the company's relationship with its suppliers and subcontractors," it said.

Small businesses to be approached included suppliers of protective clothing, stationery, foodstuffs, transport services and general maintenance work.

Suppliers would be sourced with the help of organisations such as the Small Business Development Corporation and Wits University's Centre for the Development of Business.

These organisations would help businessmen to acquire skills needed to deal with a large corporation, while in turn Engen contracts could be used to acquire credit to buy materials in advance.

The publication said large corporations traditionally sourced their purchasing requirements from established sources. Over the years these suppliers became entrenched, making it difficult for new suppliers to enter the market.

Fuel levy increases expected this year

SS

BDAY 4/1/93

GRETA STEYN

GOVERNMENT revenue from tax on fuel is the only source of income running above budget, signalling there was room for a substantial increase in the tax this year.

Latest available Central Statistical Services (CSS) figures show revenue from the fuel levy rose by 42,7% in the April to October period to R3,9bn. The increase is significantly higher than the budgeted rise of 27,6%.

Economists said the figures suggested fuel consumption was not particularly sensitive to price increases, and that government could therefore comfortably raise the tax on fuel by a significant margin.

Government could opt for a substantial hike in the fuel levy as part of a strategy to keep the VAT rate as low as possible, as a higher VAT rate appeared to have a greater effect on consumption while public opinion against VAT was also stronger.

In the last Budget, levies on petrol and diesel a litre were increased by 8c and 6c respectively. Economists said higher increases than last year could help government avoid another VAT headache.

A substantial increase in the fuel levy would be in line with the stated policy of raising a greater proportion of revenue through indirect taxes.

Indirect taxes accounted for less than 34% of total revenue in the third quarter of 1992, Reserve Bank figures show, from 42,1% in 1989. Taxes on individuals now accounted for about 44% of total revenue.

The CSS figures showed that the income from VAT was running at almost 10% below the previous year's revenue from GST. Economists said the VAT rate should have been about 13% for government to reach the year's revenue targets.

Revenue from tax on companies and individuals was also running well below Budget — up 5% compared with a budgeted figure of almost 17% for the year as a whole.

All guns blazing at Mossgas plant

By Stephen Cranston

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The Mossgas onshore plant became fully operational last Saturday. STAR 6/1/93.

On December 28 the first regular commercial shipload of eight million litres of premium (93 octane) petrol and 23 million litres of super premium (97 octane) petrol left Mossel Bay for Port Elizabeth.

The first kerosene was produced in the first week in December and will be shipped to Port Elizabeth and East London on January 13.

This shipment will contain 19,5 million litres of super premium petrol, six million litres of diesel and six million litres of kerosene.

Mossgas products will be shipped every 10 to 14 days.

The products will be sold to the existing oil companies who will market them under their own names in the southern and eastern Cape and Border areas.

Mossgas at full steam while Engen watches

(55) AFQ 2/1/93

Business Staff

MOSSGAS will operate at full capacity from next week, although the oil-from-gas project is still not a commercial proposition.

For the moment Engen will not take up its option to maintain its 30 percent equity in the project at an expected cost of R1 billion.

An Engen spokesman confirmed this week the group's position had not changed, despite a bullish statement from Mossgas that the project would save R120 billion in foreign exchange over 30 years.

An industry observer said the figures assumed the rand value of oil products would increase by 10 percent a year.

At current oil prices and an estimated production of 300 000 barrels a day, the project would save about R26 billion in foreign exchange over 30 years — not much considering the R12 billion capital cost of the project.

Moreover, these foreign exchange savings would be swallowed up by estimated running costs and the servicing of commercial loans of R540 million a year.

If all the project costs carried commercial finance charges, interest payments alone would be R1,8 billion, more than double the production value.

Engen chairman Bernard Smith said last year no protection would be needed if the oil price remained at $19 a barrel in 1989 terms, which is equivalent to at least $23 today.

Brent crude oil prices are currently quoted at $18,53 a barrel.

In order to achieve a real return on total capital employed, the oil price would need to be $37, according to Mr Smith, but as high as $50 a barrel according to independent analysts.

Production costs for new wells in Arab countries are often as low as $7 a barrel.

Oil companies will have to be compensated for the loss from their own refineries if they are compelled to take Mossgas products.

The chances are Mossgas will be a public utility managed by Engen, but will continue to be controlled by the Central Energy Fund.

There is a chance the life of the project could be lengthened by further gas field discoveries.

Production from the sixth well is expected to start early this year.

With Mossgas and Sasol, 40 percent of SA's petrol needs are generated internally, providing a cushion against any future disruption of world fuel supplies.

Mossgas expects to make R55 million a year from heavy and light alcohols. It also expects to earn foreign exchange from liquid oxygen, nitrogen and carbon dioxide.

Savings in transport costs are expected to run to R30 million a year.

About 15 percent of production will be consumed in the Southern Cape area and the rest shipped to Port Elizabeth and East London.

Mossgas represented 55 percent of total new fixed investments in 1989/90.

But its record in terms of new jobs has been poor.

At the peak of its activity it created 46 000 jobs, but now employs just 1 100 permanent staff, at a cost of R10million per job.

SA has many a bomb, says CIA

W/Mail. 8/1-14/1/92 (55)

A secret CIA report says that South Africa exploded a nuclear bomb in 1979 — and that it has a stockpile of such weapons. By **EDDIE KOCH**

AMERICA'S Central Intelligence Agency believes South Africa has an advanced nuclear weapons programme and that Pretoria exploded its first nuclear bomb in a test off the Cape coast in 1979, according to a top secret CIA report.

The document says the current chairman of the Atomic Energy Corporation (AEC), Dr Jacobus de Villiers, played a key role in developing South Africa's nuclear arsenal at the Pelindaba research complex near Pretoria.

And the report indicates that South African armaments manufacturers collaborated with Israeli scientists in order to detonate the country's first nuclear warhead on September 22 1979. On that day, a nuclear flash was detected by optical sensors on a US Vela satellite in the South Atlantic close to the Cape Coast.

The African National Congress this week released the classified memorandum after the CIA was forced to make it public in terms of the US Freedom of Information Act. Large parts of the report were blacked out before its release, but it is clear that the CIA blamed South Africa, working with Israeli scientists, for the blast.

The report notes that extraordinary security measures were put into effect at the Simonstown naval base and sections of the navy were put on full alert the week before the explosion.

Three days after the explosion, then prime minister PW Botha told a provincial congress of the National Party that "South Africa's enemies might find out we have military weapons that they do not know about". A month later, Botha addressed a special dinner for senior AEC members and paid tribute to nuclear scientists who had been engaged in covert strategic work.

"He reportedly said that, for security reasons, their names could not be mentioned and that they would never gain the recognition in South Africa or abroad that they deserved," the document says. It points out that De Villiers, who was appointed to the post two months before the explosion, was directly involved in weapons design at Pelindaba before his promotion.

Foreign Minister Pik Botha has consistently refused to confirm or deny that South Africa has a nuclear arsenal. The AEC has refused to comment on whether the corporation has been involved in weapons manufacture or the development of bomb-grade enriched uranium.

Asked to comment, AEC representative Nic Ligthelm said: "As far as I know Dr de Villiers was never involved in a weapons development programme."

The CIA report says the South African government has deliberately cloaked its nuclear programme in ambiguity, suggesting a weapons capability without saying anything that would provide a case for increased international sanctions. "He (Botha) may have been persuaded that undeclared but undenied nuclear weapons would have an important psychological deterrent effect that South Africa could better achieve through testing."

Technical information in the document shows that the 1979 flash involved a small nuclear device with an explosive power of three kilotons.

"In practical terms the testing of a nuclear device at sea would not have needed to involve more than two or three ships or aircraft, including several dozen crewmen and technician," it says. "Equipped with appropriate diagnostic instruments, they could have set up the test within a few hours, detonated the device, obtained required data within minutes after the explosion and dispersed within another few hours."

Information leaked by the CIA to the American television network, NBC News, in 1989 indicates that the small-yield explosive device was probably intended as a warhead on medium and long-range ballistic missiles. A missile successfully launched from the site at De Hoop, some 300km north east of Cape Town, in July 1989 would have enabled Israel to hit targets in any Arab state or southern parts of the former Soviet Union. South Africa could reach Angola, Zimbabwe or Tanzania.

The release of the CIA document follows claims from the ANC that South Africa has stockpiled at least 200kg of highly enriched uranium — enough to make 25 nuclear warheads — at Pelindaba. It said inspectors from the International Atomic Energy Agency last year found equipment used to make "fissile material'.

The ANC quoted a report from the journal Nucleonics Week: "The site, located just south of the Pelindaba uranium enrichment complex, has long been suspected by Western governments as having served as a nuclear weapons development centre." Ligthelm says this claim is devoid of truth.

South Africa signed the Nuclear Non-proliferation Treaty last year, making it possible for international inspectors to visit its nuclear facilities. The treaty, however, does not oblige the government to state if it has nuclear weapons in stock.

Matric joy ... Emmanuel Masemola and Ephraim Kubu, both 17, of Bekkersdal got up at dawn to check on their matric results in the morning papers this week. Both passed (See PAGE 6) Photo: KEVIN CARTER

Fuel price increase likely

GERALD REILLY

PRETORIA — Motorists should brace themselves for another fuel price rise in the months ahead, government sources said last week. BDM 22/3/93

The 16c/l price increase announced in the Budget would by no means be the last this year, they said.

In October last year, when he announced a 7c/l price increase, Mineral and Energy Affairs Minister George Bartlett warned of a big price rise early in the new year — and of smaller and more frequent adjustments thereafter.

Bartlett said avoiding large, widely spaced increases would soften the blow to consumers and the economy. (55)

According to a Mineral and Energy Affairs Department source, the 7c/l in October and the latest price hike would compensate for under-recoveries and the consequent drain on the Equalisation Fund.

This drain on the Equalisation Fund had occurred almost monthly during the past 12 months.

However, if the fund stayed as weak as it was, or got weaker, future under-recoveries would be corrected "timeously with price adjustments".

Now Sasol wants a bite of Ratplan

(55)

S/Times (BUSS) 21/3/93.

THE petrol price — hiked by a whopping 16c a litre this week — will form part of a Competition Board inquiry into the Ratplan, an agreement which controls fuel distribution in SA.

Board chairman Pierre Brooks confirms that the petrol price will form part of the inquiry which was gazetted on Friday.

The existence of the Ratplan — and the way in which it controls the SA fuel market — were first disclosed by Business Times in August last year.

"The investigation will focus on the Ratplan but will obviously take notice of the wider picture where it is in the public interest," says Dr Brooks.

He says the Ratplan inquiry may recommend further investigations into other aspects of SA's regulated fuel market.

Secret Govt fuel pact is disclosed

THE RATPLAN ... exposed by Business Times on August 30 last year

By KEVIN DAVIE

Threat

The investigation will attempt to find whether the plan agreed to by the Department of Mineral and Energy Affairs, the Motor Industries Federation and oil companies is a restrictive practice and, if so, whether the plan serves the public interest.

The Ratplan is also now under threat from the industry itself, as Sasol has asked Minister of Mineral and Energy Affairs George Bartlett to allow Sasol to establish its own network of service stations.

It has until now been restricted to selling about 8% of national sales directly through its blue pumps on the forecourts of stations supplied by the oil companies.

An urgent meeting was convened on Friday in Cape Town between Sasol managing director Paul Kruger and the chief executives of the other oil majors to discuss the issue.

The meeting, which is said to have been lively, is understood to have agreed to "cool it" by not debating the issue in public.

Sasol says in a statement released on Friday that it wishes to create a separate Sasol crude oil refining and marketing entity which will also have to market its pro-rata share of synthetic production.

"This will reduce the production/marketing imbalance currently existing in South Africa."

Dr Brooks says he has taken note of Sasol's intention to change the conditions of the Ratplan by restructuring its retail operations.

Other South African oil companies say this would amount to unfair competition because of the highly-subsidised nature of Sasol's synthetic fuel activities.

The subsidies could be used, for instance, to buy a network of service stations for Sasol. Senior sources estimate the cost of establishing this network for Sasol's synthetic and conventional fuel at more than R1-billion.

The Competition Board inquiry into the Ratplan probe follows several complaints from would-be entrepreneurs who have been prevented from entering this market.

Other complainants include petrol station owners who have had their supplies cut by the oil companies.

Switched

One such owner is Moosa Desai, of Richmond, who has solicited the help of the ANC to persuade Engen to resume supplies of fuel to his garage.

"There have been complaints from people who cannot enter the market and from long-established businesses who have their supplies switched to new and more lucrative outlets," says Dr Brooks.

Pretoria attorney Michael Meyer has been battling since 1988 to develop a site near Ramsgate. Some of the oil majors at first fought his application in terms of zoning requirements, but having won this battle he has still not been able to go ahead and develop the site.

He was recently given a copy of the Ratplan after threatening to take Minister George Bartlett to court.

Mr Meyer says the Ratplan should be Gazetted in terms of the Act. Yet it is not Gazetted but operates as an informal, unsigned agreement between cartel members.

He says it could not be Gazetted, as it would be illegal in terms of the Maintenance and Promotion of Competition Act.

Cartel

Mr Meyer adds that the oil companies will only agree to supply his client with petrol if he agrees to sign the restrictive conditions of a cartel agreement.

Shell and BP, which have joint ownership of the Sapref refinery in Durban, have also begun an investigation into rationalising their fuel distribution networks.

"Bulk and packed petroleum products are distributed through (Shell and BP) depot networks in terms of a joint service agreement," says a Shell spokesman.

"A study is being undertaken to explore the scope for improving efficiencies and customer service through this network.

"The study is expected to take several months to complete. The recommendations of the study would then be considered by the companies."

■ BP has obtained an interim interdict in the Supreme Court in Maritzburg restraining Engen from developing a service station site near Cato Ridge.

BP alleges the development is in disregard to the safety of road users. The case is expected to be defended.

'Oversupply of suppliers'

CT 20/3/93 (55)

Municipal Reporter

THE fragmentation of electricity suppliers is one of the reasons why only 30% of dwellings in South Africa are supplied with electricity.

This emerged yesterday from a report before the United Municipal Executive which noted that there are some 450 separate electricity suppliers — most of them municipalities.

For every household to be supplied, 300 000 additional dwellings a year for the next 20 years would have to be connected, according to the report by the Springs municipality.

If municipalities could not set electricity tariffs at a level where surplusses were generated, property rates would escalate countrywide by 38%.

Transvaal delegates asked the UME congress to protect the interests of local authorities "with regard to the sale of electricity as a source of income".

The congress resolved that electricity supply should remain a local authority function, except where this was impractical.

New levies will squeeze consumers

Star 18/3/93

55 [redacted]

Hard-hit consumers will have to cut tighter notches in their belts to cope with next month's VAT and fuel levy increases, various critics echoed yesterday.

Petrol costs for small vehicles travelling 20 000 km a year will increase by R75 a month, according to Nedfin Bank calculations.

Drivers of luxury cars covering the same distance will pay R200 or more.

Municipal rates wll go up as the increased VAT rate is applicable to municipal services accounts.

Pretoria's ratepayers, for example, will fork out an additional R12 million while the fuel bill for council vehicles will rise by R1,5 million.

Car and home buyers will also be hit. Representatives of both industries said they expected a rush of buyers before the VAT implementation date of April 7, but a slacking-off thereafter.

Star 19/3/93

Pik assures US on nuclear stockpile

By Hugh Roberton
Star Bureau

WASHINGTON — Foreign Affairs Minister Pik Botha gave an assurance yesterday that doubts expressed by senior members of the Clinton administration about South Africa's alleged stockpile of weapons-grade uranium "will be removed within the next two weeks".

He refused to explain how this would be done, but his statement follows increasing concern in the Clinton administration about South Africa's nuclear policy, and its programme for the production of advanced missiles and other weapons of mass destruction.

Yesterday, as Botha met the senior Africa specialist at the National Security Council, Anthony Lake, and prepared for a meeting with Secretary of State Warren Christopher, it became clear that the issue had become one of the most controversial subjects on the agenda. 55

At a breakfast for South African journalists, Botha conceded that the issue had become a problem. He said: "As from the date of our signing of the Nuclear Non-Proliferation Treaty on July 10 1991 we have completely conformed with our commitments under the treaty, and all the agreements and guarantees...

"Whatever doubts or suspicions there might be ... they will be removed within the next two weeks." He would not elaborate.

Earlier this month, CIA director James Woolsey said the administration had grave doubts about the validity of the SA Government's declaration of the quantity of weapons-grade uranium in the country.

Administration sources say these doubts now stand in the way of a possible proposal by Washington to buy all South Africa's weapons-grade uranium and dilute it in the US for re-export as nuclear fuel.

US officials have also expressed concern about a report that inspectors of the International Atomic Energy Agency (IAEA) were not allowed to visit an installation in the Kalahari.

Pik Botha . . . has little hope for Angola.

- In a front-page report yesterday, The Washington Post says the IAEA has confirmed that South Africa has enough enriched uranium to make between 12 and 24 nuclear bombs.

Fuel hike slammed

Sowetan 18/3/93 . 55 244

■ **Petrol and diesel increases will lead to higher taxi fares, warn taxi bodies:**

By Joshua Raboroko and Sapa.

CONSUMERS, already reeling under the escalating cost of living, would be hard hit by the increase in the price of petrol and diesel, business and transport organisations said yesterday.

The National African Federated Transport Organisation, the Southern Africa Black Taxi Association, the Automobile Association, South African Chamber of Business, National African Federated Chamber of Commerce and Industries and Foundation of African Business and Consumer Services expressed concern and outrage at the hikes.

Nafto said its members would be forced to increase taxi fares following the rise in petrol and diesel prices.

Nafto president Mr Peter Rabali condemned the increases, saying it would help the Government to continue with its "corruption and misappropriation" of public funds.

"We will consult with relevant organisations before increasing fares."

Sabta's public affairs manager, Mr Mike Ntlatleng, said it was regrettable that the price of petrol and diesel should be increased at a time when thousands of blacks were unemployed and many others faced retrenchment.

"We are going to be faced with no option but to increase our fares, although we will not do so before we consult with civic and other associations," said Ntlatleng, who also represents Fabcos.

The Automobile Association said that many motorists would be hard hit by the hikes.

Petrol and diesel prices would increase by 15c a litre at the coast and 16c a litre inland on April 2, Minister of Mineral and Energy Affairs Mr George Bartlett announced yesterday.

The price of 93 octane fuel inland will increase from R1,59 a litre to R1,75. The increases will come into effect at midnight on April 2.

Reasons for the increase include a 6c a litre increase in fuel taxes and an increase in the levy for the controversial Multilateral Motor Vehicle Accidents Fund.

The fund has been plunged into controversy by allegations of poor management and wide-spread scams that cost contributors vast amounts. Other factors, Bartlett said, were transportation costs and an under-recovery in the Equalisation Fund.

The increased tax means that motorists will pay 60,9c tax on each litre of petrol, and 53,4c tax on a litre of diesel.

This means that more than a third of the money motorists will pay at petrol pumps will go into the Government's coffers.

Bartlett said the direct effect of the increases on the inflation rate was calculated to be less than 0,37 per cent.

The price of illuminating paraffin will go up by between 7c and 8c a litre.

R1bn oil reserves for 'backlogs'

CT 18/3/93 (182), (54), (55)

Political Staff

MORE than R1 billion had been spent from the sale of strategic oil reserves on education, housing and socio-economic backlogs — almost R600 million less than originally budgeted.

This was disclosed yesterday by the Department of Finance in its Budget Review, which was tabled in Parliament.

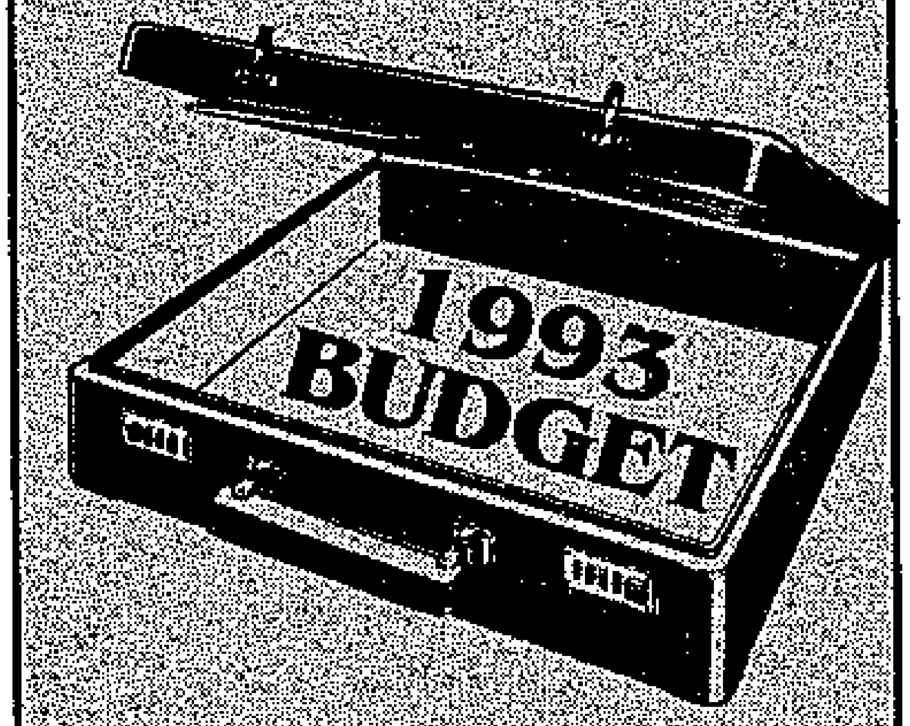
It was originally budgetted that R405,5m would be spent on capital expenditure on education but this had been revised to R255,61m.

Capital spending in the reduction of socio-economic backlogs had amounted to R516,36m — less than the R694,5m budgetted — and the capital spending on housing had totalled R264,16m, down from the R500m budgetted.

Originally, R1 600m was allocated but a total of R1 036,13m was actually spent during the 1992/3 financial year.

The department explained that "in the nature of things capital projects can not always be planned and executed within a single year".

The balance from 1992/3 financial year would be carried over to the 1993/4 financial year to cover the same type of project, the department said.



In brief

Petrol up by 16 cents

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THE fuel levy will be increased by 6c a litre for petrol and diesel from April 2, Finance Minister Mr Derek Keys announced in his Budget speech yesterday. Sowetan 18/3/93

It will mean, for example, a pump price increase in the PWV area of 16c a litre for 93 octane petrol, which would represent a 10 percent increase on the present price there.

Petrol and diesel go up 16c/l while cost of paraffin rises 7c

BDay 18/3/93. (55)

Political Staff

CAPE TOWN — Petrol prices would rise by 16c/l in the PWV area from April 2, Mineral and Energy Affairs Minister George Bartlett announced yesterday.

Diesel prices would rise by the same amount, while illuminating paraffin would be increased by 7c/l.

From April 2 coastal prices of petrol will be R1,45/l for 93 octane.

Bartlett said factors contributing to the increase included the 6c/l hike in fuel tax announced by Finance Minister Derek Keys in his Budget yesterday.

Also having an effect was the 6c/l underrecovery on the landed cost of petrol and 7con diesel, as well as 3c/l going to the Multilateral Motor Vehicle Accidents Fund (MMF) for petrol and 2c/l for diesel.

Bartlett said the increase in fuel tax would increase the contribution of all consumers from 54,9c/l to 60,9c — an increase of 10,9%. On diesel this would increase by 12,6% from 47,4c/l to 53,4c/l.

He said consumers of diesel who currently received a rebate would continue to do so.

The price of illuminating paraffin will also be affected by the rise in VAT.

Turning to the underrecovery, Bartlett said this had, since the last petrol price increase on October 10 last year, been funded from the equalisation fund, leaving it with a "heavy burden".

Subsequent weakening in the rand-dollar exchange rate had increased that burden, making a rise in the fuel price unavoidable.

In February this year the underrecovery was 7,252c/l on 93 octane, on diesel it was 10,789c/l and on illuminating paraffin 12,898c/l.

Bartlett said it should be noted that diesel prices had remained unchanged since March 21 1992 and that an increase of only 7c/l was now being passed on.

The MMF element of the price rise would increase the contribution of petrol consumers from 6c/l to 9c/l and those on diesel from 3,8c/l to 5,8c/l.

The Minister added that the direct effect of the increases on inflation would be less than 0,37%. The indirect effect would be "slightly higher" but could be restricted by anti-inflationary measures announced by Keys.

□ LINDA ENSOR reports that 1c/l of the fuel levy on petrol and diesel would be channelled directly to Regional Services Councils (RSCs) as from July 1 this year, a system which was expected to generate R140m a year for RSCs, according to Keys.

The funds raised in this manner would supplement the R666m RSCs would receive in the 1993/'94 fiscal year for bus commuter transport.

Keys said the present subsidies on commuter transport services were insufficient for RSCs to finance them from their existing revenue sources.

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The ad

Building industrial councils 'in crisis'

BIDAY 18/3/93.

ERICA JANKOWITZ

BUILDING industrial councils in the Transvaal appear to be in crisis, with employers in Johannesburg and Pretoria advocating the phasing out of these structures.

A Building Industry Federation of SA spokesman said there was talk of establishing a single national industrial council, or at least a confederation of the 10 industrial councils countrywide, so as to streamline their functions and the wage bargaining process.

Should the Transvaal Building Industrial Council collapse — which is possible after the Witwatersrand Master Builders' Association, representing 803 employers, apparently voted on Tuesday to withdraw — minimum wages set down in the agreement would no longer apply to the 40 000 workers who are employed in this sector.

An industry source said the decision was largely based on the generally poor economic circumstances of the industry.

Building stamp contributions paid by employers to cover pensions, sick pay, holiday fund and related benefits, added about 15% to 35% to the wage bill — a cost which employers found increasingly difficult to justify.

This move followed the expiry at the end of February of the council agreement covering general workers, who constituted 59% of the workforce. Neither Cosatu's Construction and Allied Workers' Union nor the employers signed the wage agreement and no wage increase was implemented.

A union spokesman said discussions within the union on the lack of an annual wage adjustment were going on and a decision on some form of action would be taken by the end of the week.

As the 1993 agreement covering general workers had not been gazetted, this category of worker was now protected only by the Basic Conditions of Employment Act. Effectively, this meant employers were not obliged to contribute to industrial council funds — sick, pension, training, holiday, and so on — or to pay the minimum wage of R5 an hour set down in the last agreement.

The Building Industrial Council general secretary Wynand Stafelberg said workers employed before the expiry of the agreement could not unilaterally have their conditions of employment changed and so would not be affected.

However, the same could not be said for newly employed general workers.

The Master Builders' Association said it would issue statement today.

Sasol plan 'amounts to unfair competition'

BIDAY 18/3/93.

(55)

EDWARD WEST

OIL refiners have come out strongly against Sasol's intention to establish its own service stations, accusing the synthetic fuel producer of unfair competition.

According to a report in Beeld newspaper yesterday, Sasol planned to introduce its own service stations and to retail crude oil-based petrol from its Natref refinery.

Sasol's Blue Pump retail points at service stations would be scrapped and existing service stations would be bought to sell Sasol fuel. A new corporate identity would be introduced.

All conventional refineries, including Natref, would be forced by legislation to buy synthetic petrol from Sasol and Mossgas at a government-imposed price, the report said.

Shell Oil division MD Ian Williams said he failed to see how Sasol could want to compete on an equal basis with the conventional oil refiners when it was being subsidised for its synthetic fuel production. The plan would also mean further unwelcome industry regulation, he added.

Engen marketing director John Robert said in terms of the balance of payment situation it would be foolish not to use Sasol's synthic fuel production, but it would be equally "crazy" to expect Sasol to compete on an equal basis with oil refiners while it was being subsidised.

However, Sasol said no cross-subsidisation would be possible between tariff protection received on synthetic fuel production and Natref's production destined for the planned service stations.

Sasol wished to uncouple its synthetic production from Natref by forming a separate Sasol crude oil refining and marketing entity. The separate reporting of Natref's accounts was also a possibility.

Sasol received no protection from operations at Natref. The tariff protection framework — which Sasol said was not a subsidy — was based on a floor price of $23 a barrel.

Sasol received R537,5m in tariff protection in the 1991/92 financial year — more than double the R222,5m received the previous year because of higher international oil prices in the 1991/92 financial year.

Sasol said it did not know yet how many service stations it intended acquiring.

Probe of oil deal expected

PETER DELMAR

THE Competition Board is expected to announce a probe into the controversial retail rationalisation plan (Ratplan) tomorrow.

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Critics of the plan — an informal agreement between government and the oil companies which has restricted new entrants to the industry — believe such an investigation is long overdue.

The 30-year-old plan has many opponents, including the AA and Pick 'n Pay chairman Raymond Ackerman, who believe it encourages unfair competition by preventing companies from distributing cut-price petrol.

BDM 18/3/93

Supporters, however, claim that the plan lends stability to the market and that despite its restrictive nature petrol prices have decreased in real terms in recent years.

The plan is due to run until 1995, by which time the eight siteholders will be allowed to establish 200 new filling stations and to relocate almost the same number.

Mineral and Energy Affairs Minister George Bartlett promised earlier this month to remove much of the secrecy which has surrounded SA's petroleum industry since the imposition of sanctions.

It is believed that the Competition Board decided to act after receiving a number of formal complaints against the plan. An informed source said the investigation was expected to be published in tomorrow's Government Gazette.

A board spokesman yesterday declined to confirm that the announcement of a probe was imminent.

Sasol had protection tariff of R500m

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THE total values of the protection tariff paid to Sasol during the 1990/91 and 1991/92 financial years were R222,5 million and R537,5 million, the Minister of Mineral and Energy Affairs, Mr George Bartlett, said yesterday. CT

Replying to a question by Mr Roger Hulley (DP Constantia), he said the average tariff protection enjoyed by Sasol during the 1992 calendar year amounted to 3,1 cents a litre spread over all liquid fuel products.

Mr Bartlett also said the total final cost of the Mossgas project was R10,7 billion, but he would not make a further statement on this until the auditor-general's report into the viability of Mossgas was made available.

Mr Hulley said the Petroleum Products Amendment Bill would tighten government control on the sector, hence the DP's opposition to the bill.

Deregulation would increase competition to the benefit of the consumer at the pump, Mr Hulley said.

Iata calls for jet fuel price cut

S Times (Buss) 14/3/93

Business Times Reporter

INTERNATIONAL Air Transport Association (Iata) officials met Mineral and Energy Minister George Bartlett recently to persuade him to drop jet fuel prices in SA, according to Petroleum Intelligence Weekly.

Jet fuel prices in SA are at least 25% higher than European prices. Iata hopes the government will drop prices in an effort to promote air traffic and tourism, says the report.

Jet fuel consumption increased 15% to 22 000 barrels a day in the first few months of 1993, after growth of 11% last year.

"One major factor propelling jet fuel use at Jan Smuts Airport is the shortage of jet kerosene supplies and even higher prices in many other African countries, which force an increasing number of airlines to maximise their uplift from SA," says the report.

It adds that some airline officials expect a megaboom in tourism next year.

"Increased democratisation of the political system has resulted in a near doubling in the number of airlines servicing routes to SA over the last two years, from 20 in early 1991 to some 40 at present."

New airlines to stop in SA include Brazil's Varig, Dubai's Gulf Air, Egypt Air, West African Air Afrique, and carriers from Malaysia, Namibia and Madagascar.

Russia's Aeroflot, German Condor, Affretair and carriers from Pakistan and Chad are expected to commence service to SA in the near future.

"The economic downturn of the last two years, coupled with an extremely severe drought, has led to a 62% decline in non-scheduled air movements, which last year accounted for about 65% of total air traffic, and now comprise only about 35%."

Agreement reached on Cahora Bassa

CT 13/3/93

HARARE. — Agreement has been reached on long-awaited plans for Zimbabwe to draw power from Mozambique's giant Cahora Bassa hydroelectric scheme, and work on the 340km link is expected to begin by the end of the year.

Notices in the Harare Press yesterday called for tenders for the construction of transmission lines from Songo, site of the 2000 MW dam on the Zambezi River, to Dema, south-west of Harare, as well as for substations to transform the power for transmission and the feeding of up to 500 MW into Zimbabwe's national grid.

The tender notice marks the first step towards work on the project, expected to cost about $150m.

It follows years of negotiation between Zimbabwe, Mozambique and Portugal, the Electricity Supply Commission (Eskom) of South Africa, Zimbabwe Electricity Supply Authority (Zesa) and Electricidade de Mocambique (EDM) and Hidroelectrica de Cahora Bassa, the company which owns the power station, predominantly owned by the government in Lisbon.

Observers see the development as the first major fruit of peace in Mozambique following the signing in October last year of the ceasefire between President Joaquim Chissano's government and rebel leader Afonso Dhlakama's Renamo movement after 17 years of civil war. — Sapa

REPUBLIC OF SOUTH AFRICA

GOVERNMENT GAZETTE

STAATSKOERANT

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VOL. 333

CAPE TOWN, 12 MARCH 1993
KAAPSTAD, 12 MAART 1993

No. 14637

STATE PRESIDENT'S OFFICE

No. 380. 12 March 1993

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

No. 20 of 1993: Liquid Fuel and Oil Act Repeal Act, 1993.

KANTOOR VAN DIE STAATSPRESIDENT

No. 380. 12 Maart 1993

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

No. 20 van 1993: Wet tot Herroeping van die Wet op Vloeibare Brandstof en Olie, 1993.

Budget likely to include petrol price increase

EDWARD WEST

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THE continuing underrecovery on petrol and diesel in February has fuelled expectations of price increases of between 10c/l and 15c/l to be announced in the Budget next week. BIDAY 12/3/93.

The Mineral and Energy Affairs Department said yesterday motorists had paid 7,25c/l too little for petrol in February due to the deteriorating rand/dollar exchange rate and an increase in the landed cost.

Since July the underrecovery, which is charged to the Equalisation Fund, has ranged from 15,17c/l to 4,8c/l on petrol and diesel. The 7c/l price increase in October reduced the underrecovery in that month to 8,17c/l from 15,17c/l.

The deteriorating exchange rate from an average R2,75/dollar in July to R3,12/dollar in February resulted in government having to pay an extra 6c/l since July, an Energy Affairs spokesman said.

February's landed cost of petrol increased to 51,99c/l from 50,67c/l in January, while the landed cost of diesel increased to 56,84c/l from 55,9c/l. The underrecovery on diesel was 10,79c/l in February.

Econometrix economist Tony Twine believed a fuel price increase ranging between 10c/l and 15c/l would be announced in the Budget. Government had already indicated that a 7c/l price increase was imminent.

There was no indication yet how much fuel prices would increase above the 7c/l to accommodate higher income requirements by the Finance Department — especially in the light of revenue losses anticipated with the recent VAT zero rating on certain basic foodstuffs, said Twine.

Sacob transport spokesman Peggy Drotsky said an increase of at least 7c/l l was likely.

Petrol to cost extra 15c a litre

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ARG 12/3/93

BRUCE CAMERON, Business Staff

THE price of petrol is expected to be increased by 15c a litre on Wednesday to boost State coffers and make up losses on bulk fuel imports.

The government has already given notice that it will announce new fuel prices on budget day next Wednesday.

It is understood an attempt is to be made to keep the increase in line with an expected average inflation rate of 10 percent for the year.

The increase will mean an extra R7,50 for a 50-litre tank of fuel.

The greater part of the increase is expected to go towards compensating for the under-recovery on the price of fuel.

With the rand falling against the dollar, the landed cost in February was 7,25c a litre more than the price motorists pay at the pumps for 93-octane petrol.

The under-recovery on diesel was 10,78c a litre.

The under-recovery has been consistent in recent months and peaked last year at more than 15c a litre.

The government is also desperate for additional revenue and has decided to milk fuel further.

Taxes and levies on a litre of petrol are already more than 60c, more than 40 percent of the cost.

Because of the continued secrecy over fuel, it is not known how much the government will rely on the equalisation fund to make up the under-recovery. At the moment 7c a litre of the cost goes to the fund.

The Department of Mineral and Energy Affairs said yesterday the fall in the rand against the US dollar was putting pressure on local fuel prices.

A weak rand made imports of fuel, paid for in US dollars, more expensive.

(SS)

Mossgas scheme to cost R10,7-bn

CAPE TOWN — The latest estimate of the final total cost of the Mossgas project was R10,7 billion, Minister of Mineral and Energy Affairs George Bartlett said yesterday in reply to a question from Roger Hulley (DP Constantia). STAR 11/3/93

Nukes: Clean bill of health

(55) CT 11/3/93

From SIMON BARBER

WASHINGTON. — Following US and Russian claims that South Africa may not have given a full accounting of its nuclear programme, the Atomic Energy Corporation has circulated parts of the confidential report made by the International Atomic Energy Agency to its board of governors late last year.

The excerpts give South Africa a clean bill of health, but indicate that IAEA inspectors had "information" leading them to suspect that work on nuclear weapons had been done at Pelindaba and an SADF site at Vastrap in the Kalahari desert.

At Vastrap, which is now used as an Air Force test range, the inspectors examined a 20m by 20m corrugated iron and concrete building and a "large concrete ramp". Environmental samples were taken.

The team "found no evidence that the location has been or is being used for the testing of nuclear explosive devices".

At Pelindaba, home of the Safari-I research reactor, the team was interested in a location referred to as Building 5000, in the south-western corner of the site.

The AEC said the building had been used as a "general purpose critical facility" by its disbanded "reactor development group", and had been abandoned in the early '80s.

The condition of the building supported this. "Except for the storage of a small quantity of radioactive waste and redundant equipment", the structure "appeared to have been out of use for many years".

There is no reference to the claim in a published Russian Foreign Intelligence Service report that inspectors were barred from examining mine shafts at an unnamed Kalahari site, which the FIS said may have been used in nuclear weapons testing as late as 1988.

However, the IAEA report notes that "with the co-operation of the South African authorities the team was able to visit all the locations it asked to see".

The inspectors found "no evidence" that the list of facilities and "locations outside facilities" that South Africa was obliged to furnish after signing the Nuclear Non-Porliferation Treaty in 1991 was "incomplete".

"Moreover, the secretariat is not in possession of any other information suggesting the existence of any uncleared facilities or nuclear materal."

Inspections are continuing on a monthly basis in accordance with the safeguards agreement South Africa has signed with the IAEA. About 100 have been undertaken to date.

'SA ran a Saddam-style front company network'

WASHINGTON. — To further its nuclear and missiles programmes, South Africa created a network of front companies similar to that created by Iraq's President Saddam Hussein, according to Russia's Foreign Intelligence Service.

The charge is contained in a survey of international proliferation threats released by the FIS chief Mr Yevgeny Primakov.

"The South Africans created a network of secret trade organisations for purchasing 'dual use' technologies, material and equipment abroad. The most typical of these is Gamma System Associates," it says.

"The goals, tasks and work methods of these organisations are quite similar to those of similar organisations in Iraq, Pakistan, Iran and a number of other countries."

In addition to charging that Pretoria has yet to come completely clean about its nuclear programmes, the FIS alleges that South Africa is continuing to work on an intermediate range ballistic missile, though the effort appears to have slowed.

"The basis of missile construction in the RSA was created in close co-operation with Israel, particularly Israel Aircraft Industries."

The report notes that activities at the Overberg test range appear to be in "decline" and that scientists and technicians are being laid off.

Public sector's pension/provident funds: investment

*7. Mr B B GOODALL asked the Minister of Finance:

(1) What percentage of the funds available for investment in the public sector's pension and provident funds is being handled by the private sector;

(2) whether there has been any change in the position regarding the investment guidelines for such funds since his reply to Question No 3 on 25 March 1992? B335E

The MINISTER OF FINANCE:

(1) 8,12%.

(2) No.

Mossgas project: cost

*8. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs: SS

(1) (a) What is the latest estimate for the final total cost of the Mossgas project and (b) in respect of what date is this estimate furnished;

(2) whether he will make a statement on the matter? B336E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) (a) Total Project Cost—R10,7 billion Peak Funding—R11,1 billion, which excludes interest of approximately R950 million on foreign loans, payable by CEF.

(b) January 1993

(2) No, a statement will only be made once the report of the Auditor-General on the economic viability of Mossgas has become available.

Sasol: tariff protection

*9. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs: SS

(a) What, expressed in cents per litre, is the current rate of tariff protection extended to Sasol and (b) what was the total value of the protection tariff to Sasol during the 1990–91 and 1991–92 financial years, respectively? B337E

The MINISTER OF MINERAL AND ENERGY AFFAIRS: SS

Due to the restrictions imposed by the Petroleum Products Act, 1977, it is not possible to provide detailed information through which Sasol's production can be calculated. However, to assist the hon member, I can reveal that the only products in respect of which Sasol enjoys protection are:

— petrol

— illuminating paraffin

— alcohol

— diesel, and

— liquid petroleum gas.

In reply to the hon member's question, I submit the following:

(a) The average tariff protection enjoyed by Sasol during the 1992 calendar year amounted to 3,1 c/ℓ spread over all liquid fuel products sold in the RSA.

(b) R222,5 million and R537,5 million respectively for the 1990–91 and 1991–92 financial years.

Bank robberies

*10. Mr A J LEON asked the Minister of Law and Order:

(a) How many bank robberies occurred in the Republic of South Africa in 1992 and (b) what was the total value of the money and valuables stolen in such robberies? B341E

The MINISTER OF LAW AND ORDER:

(a) 241

(b) R12 687 031,02.

Hoedspruit area: automation of farm lines

*11. Mr P G SOAL asked the Minister of Posts and Telecommunications:

Whether, with reference to the reply to Question No 5 on 18 March 1992, it is still the intention to complete the automation of the farm lines in the Hoedspruit area during the second half of 1993; if not, (a) why not and (b) when is the project expected to be completed? B343E

The MINISTER OF POSTS AND TELECOMMUNICATIONS:

No.

(a) and (b) The project has been expedited and is now expected to be completed during the first half of 1993.

Will amended by Supreme Court: bequest to children

*12. Adv J J S PRINSLOO asked the Minister of Justice:†

(1) Whether two judges of the Cape of Good Hope Division of the Supreme Court, whose names have been furnished to the Minister's Department for the purpose of his reply, ordered in a recent judgment that a provision in a will be amended so as not to limit the bequest contained therein to White children only; if so, what are the relevant details;

(2) whether he intends taking any steps in this regard; if not, why not; if so, what steps;

(3) whether he will make a statement on the matter? B320E

The MINISTER OF JUSTICE:

(1) Yes. The following information was obtained from the judgment in the application of *The Trustee of The Marsh Memorial Homes—Re: The late William Marsh Will Trust*, which judgment was delivered on 5 February 1993.

The late William Marsh *inter alia* made provision in his will for the establishment of a trust, which had to be applied to "founding and maintaining a home for destitute white children, upon the same principles as those of Dr Stephenson's Home in London.".

The Court pointed out that over the passing years, through socio-economic changes, the number of white children eligible for entrance to the Marsh Memorial Homes had apparently decreased. There were, however, a number of children of different pigmentation in destitute circumstances, for whom the Marsh Memorial Homes would provide a sanctuary, but could not do so because of the provisions of the will. In view of the needs of destitute coloured and black children, the trustee of the Trust applied to the Court in terms of the Trust Property Control Act, 1988 (Act 57 of 1988), *inter alia*, for the alteration of the will by deleting the word "white" in the relevant paragraph.

The court held that in order to succeed with the application the applicant (trustee) had to satisfy the Court that—

(a) . . . the late William Marsh neither contemplated nor foresaw that a time would come when his charitable act in providing for a home for destitute children would be frustrated by a dearth of persons eligible to benefit therefrom as a result of a qualification imposed by him when he signed his will . . .

(b) the provision in question is in conflict with public interest.

The Court granted the application on the statutory ground relied on and held that the particular provision in the will has brought about consequences which the late William Marsh neither contemplated nor foresaw and that—

. . . it was clearly his intention to model the institution he had in mind on one in London to which he referred as "Dr Stephenson's Home". This institution is now known as the National Children's Home; it admits (and apparently always admitted) children of all races. It is today not possible for the Marsh Memorial Homes to function fully and properly upon the same principles as those of the National Children's Home, which it was the intention which the late William Marsh had in mind when signing his will. He certainly never foresaw that his expressed desire to provide here what Dr Stephenson had established in London would, a century later, be frustrated and become incapable of fulfilment because of a limitation on eligibility based on restriction which did not inhibit the good doctor who gave his name to a home in London for destitute children. It was to the care of destitute children that Dr Stephenson devoted his Home; it was

cont →

Mossgas losses add to NEI woes

CT 11/3/93

Business Editor

ALTHOUGH some of its divisions were profitable, Northern Engineering Industries (NEI) Africa was badly hit by the recession, the cost of restructuring and losses on Mossgas contracts in the year to December 31.

It ended the year with a R52m loss which included writing off R33m on closing down unprofitable operations, and the dividend has been passed.

Turnover fell by 27% to R582m compared with R797m the previous year. Operating income was R34,2m compared with R36,24m.

Group borrowings have been reduced by 37% to R110m from R174m at the end of 1991. Net financing costs were R26,6m (R29,1m).

Income before abnormal charges was slightly higher at R7,6m (R7,3m). But there was an attributable loss of R18,1m following abnormal charges of R30,5m which, the directors say, relate "to amounts written off claims and losses on long-term contracts completed or substantially completed in the previous year."

They say "significant progress has been made in clearing claims both for and against the group. Currently two claims in favour of the group require finalisation."

The directors say the fall in turnover was due to "lower activity levels as major contracts came to an end and the elimination of non-profitable trading brought about by the downsizing of divisions."

They explain that in the second half of the year "the group embarked on an aggressive exercise of refocusing activities, restructuring and downsizing. Certain businesses and franchises were discontinued.

"The cost of this exercise amounted to R33,6m."

They say the current year will be one of consolidation "in what is expected to be a difficult economic climate".

But, they continue, "the group is in a healthier position than a year ago."

MD Lawrence Hyslop says that Ical and Probuilt are being trimmed down further.

"Propower, where accounting problems led to a write-down of R52,5m in NEI's net assets during 1990-91, has achieved a remarkable turnaround under new management and is in profit."

Boiler manufacturer John Thompson Africa, CHI Control, Power Engineers and A G-Walker all produced "good profits and solid returns", says Hyslop.

Meissner Power Systems and Kilber Automotive Products "achieved modest profits".

also as far as Black local authorities are concerned.

I further stated that an inclusive package approach will be followed and that I do not intend to deal with the matter of representation of areas of jurisdiction of management and Local Affairs Committees in City Councils in isolation, but as part of a comprehensive process. The package that I envisage will include the present black local authority areas.

Medical aid schemes: false claims

*18. Mr M J ELLIS asked the Minister of National Health:†

(1) Whether, with reference to certain information that has been furnished to the Minister's Department for the purpose of her reply, her Department has investigated a claim that approximately R2,5 billion or 25 per cent of payments made by medical aid schemes are in respect of fraudulent or false claims; if not, why not; if so,

(2) whether any substantiation has been received of such payments; if so, what are the relevant details;

(3) whether she will consider recommending the appointment of a commission of inquiry and/or appointing a departmental committee of inquiry to investigate the payments allegedly made in respect of such fraudulent or false claims; if not, why not; if so, what steps is it envisaged will be taken in this regard? B329E

The MINISTER OF NATIONAL HEALTH:

(1) No, there is no substantiation or scientific grounds on which the estimated figure is based;

(2) no;

(3) no, since medical schemes apply controlling measures and take action against such parties. This action includes:

— the termination of such members' membership of the scheme and the collection of amounts due; and

— litigation and/or reporting unethical behaviour by suppliers of services to statutory bodies.

Cost of medicine: forum

*19. Mr M J ELLIS asked the Minister of National Health:†

(1) Whether a forum entitled "Curtailing the Cost of Medicine" was held on or about 28 February 1992; if so, what are the names of the members of the working group appointed to investigate the recommendations of the forum;

(2) whether this working group has completed the investigation; if not, why not; if so,

(3) whether she will release the recommendations referred to above; if not, why not; if so, in what manner;

(4) whether this working group consulted with interested parties in the private sector; if not, why not; if so, with whom;

(5) whether she will make a statement on the matter? B330E

The MINISTER OF NATIONAL HEALTH:

(1) Yes, a working group has not yet been constituted. Some of the proposals were referred to the statutory councils—the South African Medical and Dental Council, the Medicines Control Council and the Pharmacy Council. Even before the forum they were attending to these proposals. They have already implemented some of these proposals. The amendments to the Medical Schemes Act also make it possible to implement some of these proposals. The only proposal which cannot be implemented at present is generic replacement. A working group will be constituted should it become clear that the implementation of the other proposals do not have a meaningful influence on the cost of medicines.

(2), (3) and (4) fall away;

(5) No.

Armscor: LM4s/LM5s sold to Transkei

*20. Mr L FUCHS asked the Minister of Defence:

(1) Whether Armscor or any of its affiliates have sold and/or are selling LM4s and LM5s to (a) the Government of and/or (b) any private institutions in Transkei;

(2) whether he will make a statement on the matter? B333E

The MINISTER OF DEFENCE:

(1) and (2) The disclosure of details regarding the sale of armaments by Armscor is prohibited by Sec 11 A of the Act on Armaments, Development and Production, Act No 57 of 1968, as amended, unless so authorised by the Minister.

I am, however, prepared to make a once-only exception to the rule and announce that some 5 years ago, in July 1988, a single consignment of 15 LM5s was sold to the Transkei Development Corporation. In passing it should also be mentioned that since 1 April 1992, Armscor no longer has any affiliates which produce armaments and Armscor itself is in no way directly involved with the manufacture of armaments anymore.

Hijacking of motor vehicles: Johannesburg

*21. Mr D H M GIBSON asked the Minister of Law and Order:

SS

(1) Whether there has been an increase in hijackings of motor vehicles in the north-eastern suburbs of Johannesburg during the past year; if so, to what extent;

(2) whether any steps are contemplated in this regard; if not, why not; if so, what steps? B334E

The MINISTER OF LAW AND ORDER:

(1) No.

(2) The steps which have already been taken and which are being taken on a continuous basis are:

— Increased police patrols;

— Quicker reaction to cases which are reported; and

— A special unit has been established in order to deal with the hijacking of vehicles.

*22. Mr J A Jordaan—National Health.† [Question standing over.]

Ballito: electricity supply

*23. Mr J A JORDAAN asked the Minister of Mineral and Energy Affairs:† SS

(1) Whether any communities in the vicinity of the municipal area of Ballito have made direct or indirect representations the Electricity Control Board for the supply of electricity to them to be taken over by an institution other than that municipality; if so, what are the relevant details; SS

(2) whether he will make a statement on the matter? B339E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) Yes, the relevant details are as follows:

(a) The Borough of Ballito supplies electricity to extra-municipal consumers in the vicinity of its municipal area under the authority of a licence which was issued by the Electricity Control Board (ECB) on 1 April 1987.

(b) From the outset the Borough of Ballito experienced problems with the poor electricity supply network which had been taken over from a previous operator and which had to be upgraded at a considerable cost. This expenditure had to be recovered in the form of increased tariffs to the consumers.

(c) The Durban City Council applied in a letter dated 10 December 1992 for the transfer of the right of supply in Ballito's extra-municipal supply area to that council. The ECB considered this application together with the Borough of Ballito's objection on 12 February 1993 and has called for the Durban City Council's explanation of how it intends supplying the consumers in the Borough of Ballito's extra-municipal supply area, ie whether it intends using Ballito's existing facilities such as its substation and/or transformers or whether it intends obtaining a direct supply from Eskom. The said council was also requested to inform the ECB of whether there would be separation costs and if so, what this would amount to. Ballito was also requested by the ECB to furnish its comments on these matters.

P70 →P

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(d) The ECB will consider the comments of Durban and Ballito on 17 March 1993. In terms of Section 13 (5) of the Electricity Act, 1987 the ECB may, at its discretion, hear the objections in public at a time and place of which at least 14 days notice shall be given to the applicant, the transferor or transferee, as the case may be, and every objector.

(e) The ECB will decide on 17 March 1993 on the next step to be taken in the search for a solution, to ensure that a correct decision is taken which will be in the interest of the efficient supply of electricity, the consumers of electricity and in the public interest, in terms of the provisions of the Electricity Act.

(2) No.

Broadcasting licences: moratorium

*24. Mr R J LORIMER asked the Minister of Home Affairs:

(1) Whether a moratorium has been placed on the granting of new broadcasting licences and the upgrading of broadcasting facilities; if so, what are the relevant details;

(2) whether any services of the South African Broadcasting Corporation have been extended and/or upgraded while this moratorium has been in force; if not, why not; if so, what services;

(3) whether any extension and/or upgrading of services is being envisaged; if not, why not; if so, what is being envisaged;

(4) whether any permission for new licences or the extension and/or upgrading of facilities has been granted to other radio stations during the moratorium period; if so, what are the relevant details? B340E

The MINISTER OF HOME AFFAIRS:

(1) The Task Group on Broadcasting in South and Southern Africa recommended that no further broadcasting licences or extensions on existing licences be granted until the recommendations of the Task Group's Report have been evaluated and implemented, but no final decision has been made to implement a moratorium.

In accordance with policy and the spirit of the task group's recommendations, no further new licences or extension of any existing licence has been issued to the SABC, since the publication of the above-mentioned report.

With regard to the upgrading of broadcasting facilities no moratorium has been recommended by the task group or been implemented.

(2) Bearing in mind the afore-mentioned approach to honouring a moratorium, no services of the SABC, which would have required supplementary licensing, have been extended. However, various services have been upgraded and/or replaced in the course of the SABC's normal programme of rendering an improved service to listeners.

(3) The extension, upgrading and improvement of the SABC's services are constantly under review in terms of the corporation's aim to adjust and improve services to listeners.

(4) Apart from a landline link between Radio Bop's studios at Sandton and their transmitter in GaRankuwa and a few very limited and temporary licences which have, *inter alia*, been granted to Radio Tuks, Voice of Wits, Showtime Music Radio and others, no permanent licences or extension and/or upgrading of facilities have been granted to other radio stations.

Police cells: detainees

*25. Mr A J LEON asked the Minister of Law and Order:

(a) How many persons under the age of 18 years were being detained in police cells as at 31 January 1993 and (b) how many of these persons (i) had been charged and (ii) remained to be charged as at that date? B342E

The MINISTER OF LAW AND ORDER:

(a) 722

(b) (i) 611 were charged with a crime at police stations.

(ii) 75 were not yet charged with a crime at police stations as they were only still suspects.

Note:

36 were released on the same day because investigations revealed that they could not be charged.

Department of Forestry: newsletters in English only

*26. Mr A GERBER asked the Minister of Water Affairs and Forestry:†

(1) Whether his Department has distributed a notice entitled: "Rationalization of forestry technology—newsletters" in which it is stated that newsletters will in future be issued in English only; if so, (a) how is this justified and (b) what are the further particulars;

(2) whether his Department will consider issuing these newsletters either in both official languages or in Afrikaans and English alternately; if not, why not; if so, what are the relevant details;

(3) whether he will make a statement on the matter? B347E

The MINISTER OF WATER AFFAIRS AND FORESTRY:

(1) Yes.

(a) To save costs by means of rationalizing publications, especially where 75 percent of the readership is English speaking and to allow for changing needs and to achieve new goals.

(b) The Forestry Technology Newsletter is an internal publication to keep the Forestry Extension Officers of the Forestry Branch of the Department of Water Affairs and Forestry up to date with technological developments in commercial forestry and also contains handy information and hints regarding forestry matters. The Newsletter was initially launched as a service between the researchers and the Extension Officers, but in the course of time this publication was also supplied free of charge to private timber growers.

(2) Yes, for the time being the publication concerned will still be available in both official languages.

(3) Yes. There are mainly two aspects which gave rise to this particular decision and on which I would like to elaborate to provide perspective on the decision. Firstly, with the view to the commercialization of the forestry and woodprocessing activities of the State with effect from 1 April 1993 it was necessary to consider the mission of the Chief Directorate: Forestry Development of the Forestry Branch of the Department as this Chief Directorate will not be commercialized and will remain under central Government control, and secondly, it was necessary to look critically at all the facets of the future expenditure of this Chief Directorate due to the fact that only limited funds are available.

The Directorate: Forestry Extension and Conservation of the Chief Directorate: Forestry Development, which is responsible for the distribution of publications such as the one under discussion, will in future focus on the development of agroforestry and not commercial forestry activities. The reason for this change in accent is firstly to be found in the fact that certain parts of South Africa are degrading to such an extent as the result of over-utilization of vegetation that this has become a menace for the country as a whole and secondly, in the commercialization of the commercial forestry activities of the State.

I have already referred to the question of limited funds and, it having been decided that the Chief Directorate: Forestry Development will rationalize its publications so as to effect savings on direct and indirect expenditure, I can announce today that it is the intention to cease the publication of the Forestry Technology Newsletter with effect from 1 June 1993. This does not mean, however, that the transfer of information will be impeded by such a step. The Extension Leaflet which was distributed separately in the past, will still be published in

PTO

Star 9/3/93

Sun power for squatters

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LIGHT ON HORIZON
People who live in squatter communities may soon become regular consumers of electricity, thanks to the power of the sun. **ZINGISA MKHUMA** reports.

WHEN next you drive past a squatter camp at night, don't be surprised to see rows of brightly lit tin structures instead of the more familiar dark shadows.

For millions of squatters who have been in the dark because of a lack of electricity, there is light on the horizon.

A new solar electricity system will bring a spark of light to the lives of squatters and make it possible for them to discard time-consuming methods of generating power and electricity, for a cheaper and more natural form of light and power supply, says Issy Dinat, director of a non-profit-making community based company that installs the system.

He says solar electricity could replace costly diesel, paraffin, candles and other methods of power supply used by an estimated 7 million squatters.

The system is being used in Bekkersdal on the West Rand and in a few other squatter communities to generate electricity for households and spaza shops.

Solar lighting will make rural schools more accessible for adult evening literacy classes and social functions. The lighting system will not only make it possible for squatters to light up their humble homes, it will also brighten the streets at night. Dinat says this will improve the quality of life, and also improve security.

Many households use car batteries for their television sets, and the batteries often have to be taken into the city to be recharged at a cost. Solar panels, Dinat says, can do the recharging on site.

Solar electricity can also be used to generate power for water pumps used to extract and purify drinking water for people and animals, and to supply water for irrigation schemes in rural areas, he says.

And in remote clinics, where the lack of electricity makes it impossible for effective immunisations to be carried out, the system can be used to cool refrigerators where vaccine drugs can be stored.

The system consists of a solar panel with a maintenance-free battery, fitted on roof-tops for maximum exposure to the sun.

Initial financial outlay for the system is heavy, but Dinat believes it is more than offset by future savings, and convenience.

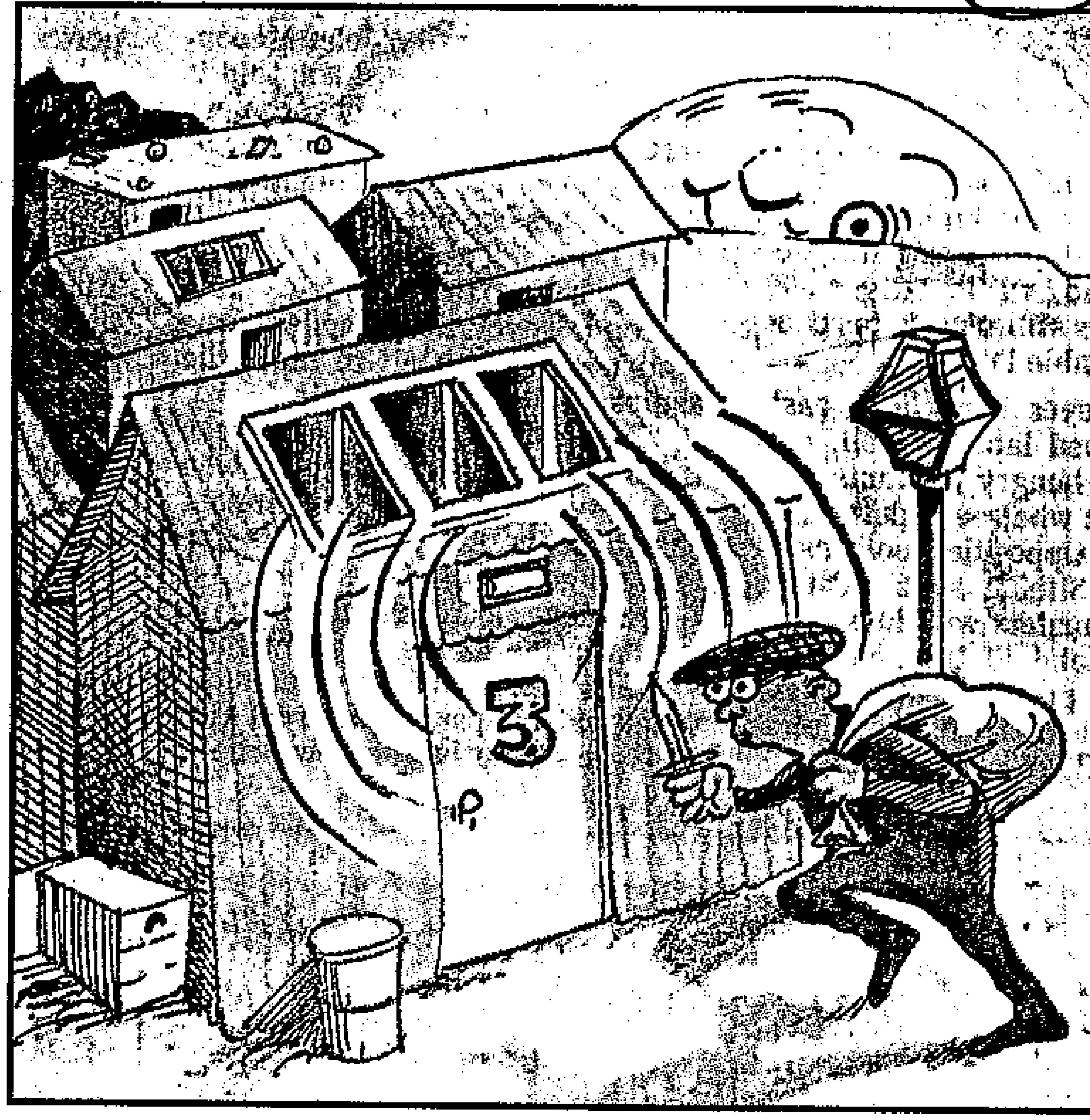
"We arrange subsidies through banks and other financial institutions to enable the communities to pay a nominal rental and installation fee of R29 a month for the first year. The amount would increase by 10 percent during the first year to cover maintenance costs. The system is guaranteed for up to 10 years," Dinat says.

The panel can be used with appliances other than lighting, including a security alarm system which is ideal for squatter camps that have, in the past, been targets for violent attacks.

"The attackers had in the past used the cover of darkness to spring on the unsuspecting communities. It is for these reasons that use of the security system was being discussed with the National Peace Secretariat.

"A light system can also be installed that lights up automatically when somebody walks in the yard at night, to ward off intruders."

●For more information contact the Solar Electric Resource Centre at (011) 413-1537.



Mobile lamp for security

CONSUMERS can now enjoy security flood-lighting anywhere in their yard without hiring an electrician to move the lamp around, thanks to a new product on the market that converts sunlight into electricity.

The lamp, which is attached to a solar panel, can be positioned on a wall, under an eave or on a pole and will light up automatically at night when anyone approaches.

The light has a fluorescent bulb with a five-year lifespan, and rechargeable battery. It is available through a local mail order company, and costs R499,95.

Star 8/3/93

Govt 'fears uranium falling into ANC hands'

By Alan Robinson
Star Bureau

LONDON — South Africa has asked the United States to buy its entire stock of bomb-grade uranium — to prevent nuclear weapons falling into the hands of the ANC, it was claimed yesterday.

(55)

South Africa has consistently denied having a stockpile of weapons-grade uranium.

The Mail on Sunday yesterday reported that US officials were surprised at how worried Pretoria was. It quoted a Pentagon spokesman as saying: "There is considerable apprehension in Pretoria over what an ANC government might do with the nuclear stockpile."

The newspaper said Washington was also astonished at the amount of enriched uranium in South Africa — about 360 kg, enough to make an arsenal of 80 nuclear bombs.

Under the purchase plan proposed by the SA Government, the Americans would buy the enriched uranium, reduce it to a lower-grade, safe uranium fuel, then sell it back to South Africa for use in nuclear reactors.

In an interview with Saturday Star, South Africa's Atomic Energy Corporation chief executive officer, Dr Waldo Stumpf, denied the stockpile was secret or that South Africa was talking to the US about it.

The ANC said yesterday the US report confirmed allegations it had repeatedly made about South Africa's nuclear capability, which had been consistently denied by Pretoria, writes Political Reporter Kaizer Nyatsumba.

"There are just too many allegations coming in for South Africans and the world not to know what is happening," said ANC spokesman Carl Niehaus.

He said a government of national unity would have to conduct "a very serious and in-depth investigation" into local nuclear programmes.

Lighting up our lives

By JENNIFER GRIFFIN

About two years ago, Eskom set up negotiations with local authorities about the right of supply. As correspondent JENNIFER GRIFFIN reports, it was at this point Eskom began their nationwide "Electricity for All" PR campaign.

C Press 7/3/93

A MINI-VAN kicks up a cloud of red dust as it bounces along the uneven dirt road that winds its way through Orange Farm.

Johan du Plessis travels this route several times a week to survey Eskom's massive electrification project, which has provided power to more than 70 000 self-built homes in the past two years.

New billboards line the road and advertise the many uses of electricity in Orange Farm, which Eskom predicts will accommodate more than 250 000 homes in the next two years.

For years the government neglected township residents and did not provide them with basic services like electricity. But with the dawning of a "new SA", Eskom is moving into townships to meet the needs of the people.

In 1990, with the disintegration of apartheid, Eskom began negotiating with local authorities about the right of supply. It then began a massive public relations campaign for its nationwide electrification scheme with the motto: "Electricity for All."

"As a state-protected monopoly, Eskom has had guaranteed investment over the years," said Frank Vorhies, an American economist who runs Eco Plus, an independent environment and economic consultancy in Johannesburg.

"They now need to create demand so they've begun a huge public relations campaign.

"It's a new ploy on the part of Eskom to gather subsidies from the government," he added.

"It's much better since we had electricity," said Gloria Khumalo, 32, whose tin shack now has a bright light hanging above its front door. "We had to use candles before."

Electrification has the potential to create demand for locally manufactured electric goods that don't exist on a large scale. Increased consumer demand could help the country's economic recession.

"How do you start a business with a paraffin lamp," asked William Cobbett, the ANC's representative on the National Electrification Forum, a body which includes Eskom.

The metering system Eskom has installed in newly electrified homes is simple. Each family buys a certain amount of electricity at the beginning of the month. "It puts the customer in control of the consumption," said Du Plessis.

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It also puts Eskom in control of its customer. Since 1984 when Soweto's residents resorted to non-payment boycotts to protest against apartheid and the township's substandard services, businesses and banks have been nervous about investing in these areas. Eskom has reduced the risk of non-payment by having its customers pay for electricity before they use it.

"With the card system, people aren't able to boycott Eskom if they think the rates are unfair," said Mashupye Matlala, a planner for the Transvaal Rural Action Committee. "People are concerned about losing their bargaining power because of the new metering system."

Eskom hopes to convince more township residents to substitute electricity for the coal and wood they became accustomed to.

Eskom claims electricity pollutes the environment less than coal does. But Vorhies said in 1990, townships used only six percent of the coal burned in SA, while Eskom used 53 percent to run its electrical plants.

"Because Eskom dominates the system you don't necessarily get the most cost-effective output or efficiently-run business," said Vorhies, who proposed looking at alternative sources of energy, including solar panels and hydro-electric power.

The ANC, however, is not concerned about the company's monopoly status. It supports the rapid electrification of SA.

Mossgas about to pick motorists' pockets again

(55)

S | Time (BUSS) 7/3/93.

PETER ELLIOTT

By KEVIN DAVIE

THE motorist — having sunk R10-billion into PW Botha's folly, Mossgas — is soon to start making new payments estimated at hundreds of millions of rands to support Mossgas's profitability.

The government is preparing to fund payments to Mossgas, which came on stream earlier this year, from the equalisation fund, a classified fund with an annual revenue estimated at more than R1-billion.

While Mossgas services working capital and interest payments on commercial loans at $14 a barrel, the equalisation fund will boost Mossgas revenues to $23 a barrel for its estimated production of 30 000 barrels a day.

Mossgas will get the same deal as Sasol, says Minister of Mineral and Energy Affairs, George Bartlett. He says it is not possible "at this stage" to estimate the extent of payments which will be made to Mossgas.

Sasol's $23 a barrel protection earned R597-million for the fuel-from-coal producer last year. Mossgas is understood to produce about 30% of Sasol's 100 000 barrels a day, suggesting that at current oil prices the equalisation fund will boost Mossgas by about R180-million annually.

The equalisation fund also made a "synthetic element" payment of R56-million last year to the oil companies for lost production which has still not made up for Sasol 2 and 3 coming on stream in the early 80s.

Mossgas is already on stream, but government and the oil industry are yet to agree on the amount of the "synthetic element" payments which the oil companies will get for cutting back production to bring the Mossgas product to market.

It is understood that for a period of a year the oil companies did not even respond to a request by Mossgas to meet to discuss the issue.

One source says that the oil industry agreed in the early 80s to market Sasol's product because of the political climate of the time, but now, as all refiners are busy expanding capacity, are relucant to take Mossgas's product on the same terms.

A confidential AECI/oil industry document on Mossgas says the cost of taking the Mossgas product will be 6c a litre to the oil industry. This is estimated at about R100-million a year should government agree to meet this cost in full.

Mr Bartlett says no tariff protection or synthetic levy payments to Mossgas have yet taken place.

He says the $23 floor price protection financed by the equalisation fund is dependent on participation by Engen. Engen is expected to make its decision on whether to purchase 30% of Mossgas' equity for about R1-billion later this year.

Engen CE Rob Angel has said that the likelihood that Mossgas will need substantial tariff protection would make it difficult for Engen to follow its rights.

Budgeted

Should Engen not take up its stake, Mossgas could be run as a public utility and "the matter could be reviewed," says Mr Bartlett.

He said at a Mossgas press conference on December 5 1991 that "no additional levies or petrol price increases will be needed to keep (Mossgas) going".

Mr Bartlett says this is still the case today. The equalisation fund levy budgeted at present for tariff protection and/or synthetic levy payments is adequate to also afford protection to Mossgas and finance possible synthetic levy payments to the oil companies.

Automobile Association managing director Peter Elliott says Mossgas should remain a parastatal to benefit the motorist who paid for Mossgas in the first place.

"It should benefit all the people of SA. There is no need to ensure a level of profitability for private sector participation," says Mr Elliot.

The equalisation fund is a levy of 7c a litre on fuel sold in SA.

Government and Sasol sources deny that the equalisation fund makes payments to Sasol. They agree that the amounts involved are for the account of the motorist, but say Sasol benefits from being exempted from paying into the fund.

Former Auditor-general Peter Wronsley, who reported to Parliament that equalisation fund payments to Sasol amounted to R1,76-billion between 1985 and 1992, says "a rose by any other name would smell as sweet".

COMPANY ROUND-UP

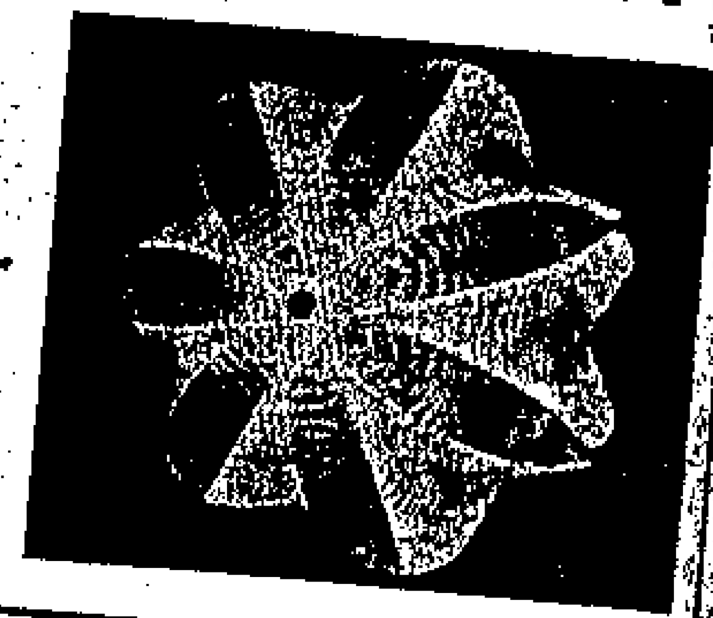
INTERIMS	Turnover (Rm)	% change	Profit before tax (Rm)	% change	Earnings a share (c)	% change	Div a share (c)	% change
Safren	2371,2	+3	310,4	−8	202	−19	65,0	0
Assore	22,8	−30	3,7	−87	132	−79	100,0	−67
Conshu	334,7	+2	19,1	−23	22,7	−25	8,0	−30
Wayne	59,7	−3	1,4	−71	1,2	−76	—	—
Dial-A-Movie	22,9	+186	1,4	+228	14,0	+5	—	—
Tihold	48,8	+26	2,0	+39	8,0	+28	—	—
Autoquip	29,8	+16	1,3	−32	7,0	+17	—	—
Rusfurn	858,1	0	4,3	N/A	7,8	N/A	—	—
M & F	—	—	110,4	+17	165	+16	30,0	+20
Alex Wyt	34,2	+11	1,1	−16	7,5	−20	—	—
Crulife	—	—	—	—	7,8	0	—	—
AVF Group	—	—	4,4	N/A	3,0	N/A	—	—
Av Ins	—	—	4,3	N/A	0,5	N/A	—	—
TPN	N/A	N/A	2,2	+8,5	2,5	−18,6	2,0	+200,0
Cullinan	191,6	−17,5	−2,8	N/A	16,8	N/A	N/A	N/A
Ceramic	100,6	+103,6	6,7	−7,8	35,2	+3,2	7,0	N/C
Anglovaal	4303,9	+6,0	371,2	−7,0	226,0	−6,0	33,0	N/C
PRELIMS								
Fedsure	—	—	—	—	61,8	+21	38,76	+20
Gardlen	—	—	67,6	+29	636,5	+31	187,5	+21
MacPhail	252,4	+6	10,5	−14	48,5	−8	19,0	0
Hyprop	24,0	+1	20,9	−3	68,6	−3	68,6	−3
Macmed	22,7	+43	2,8	+49	5,6	+65	1,75	N/A
Union Min	—	—	−0,5	N/A	−20,3	N/A	—	—
Vektra	484,6	−1,7	7,1	+28,3	49,5	+5,5	16,0	+16,3
● Varex	268,9	+426,4	21,1	+764,6	101,4	+16,7	30,0	+100,0
Toyota	3452,6	−0,4	140,0	−46,8	161,6	−49,0	28,5	−40,0
Curnow	46,8	+6,0	2,2	−1,6	4,9	+6,5	2,0	N/C

● 10 months

Ten kil

SA atom secrets revealed

Star
6/3/93



ANITA ALLEN, Science Writer

DR WALDO Stumpf, chief executive of the Atomic Energy Corporation, has gone on the record about issues surrounding South Africa's nuclear capabilities. In an exclusive interview with the Saturday Star, he talks about:

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- South Africa's "weapons-grade" uranium stockpile.
- Claims that South Africa was involved in a nuclear test in the Indian Ocean in 1979.
- Allegations that South Africa has a nuclear weapons programme.
- Reports that South Africa is not complying with the terms of the Nuclear Non-proliferation Treaty, which was signed in July 1991, by keeping secret stocks of high enriched uranium.
- The Government and the AEC's commitments on weapons of mass destruction.
- The future of atomic energy and the emotional issue of nuclear waste disposal.

● Full report on Page 11

New York bom

Energetic denial: *Persistent reports of a secret nuclear weapons agenda are mischievous, says Atomic Energy Corporation chief*

Star 6/3/93

SA's nuclear reaction

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SOUTH Africa's nuclear capability has recently come under the spotlight in a number of reports from local and overseas sources. In this exclusive interview with Science Writer ANITA ALLEN, Atomic Energy Corporation chief executive officer Dr Waldo Stumpf addresses various issues that have been raised.

Q: THERE are persistent reports that South Africa was involved in a nuclear test on September 22 1979 in the Indian Ocean. Was South Africa involved?

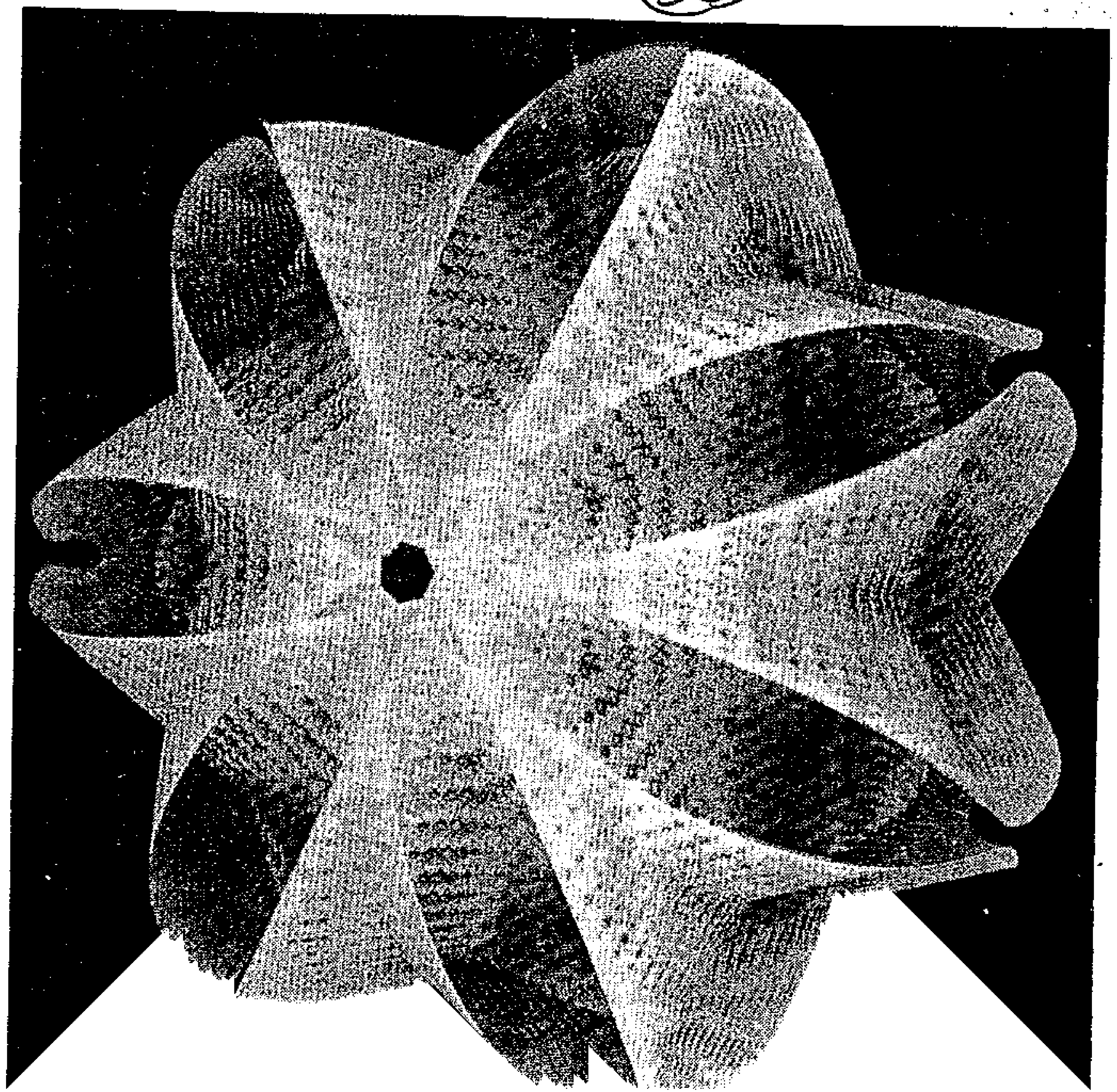
A: If it was a nuclear explosion, South Africa was definitely not involved. But up to now there has been no explanation of the incident. I doubt that it was nuclear because no radioactive fall-out was detected. *

Does South Africa have a secret weapons-grade uranium stockpile?

Certainly not. When a country accedes to the Nuclear Non-Proliferation Treaty (NPT), a negotiated safeguards agreement is a definite requirement. No room for "secret" or undeclared stocks of nuclear material is allowed. Within a mere eight weeks of our accession to the NPT on July 10 1991 South Africa's safeguards agreement was signed by us and the International Atomic Energy Agency (IAEA) on September 16. This is a world record in the history of NPT safeguards for a country with a nuclear programme. On October 30 we submitted the inventory of nuclear materials as required by the agreement.

Do you mean all nuclear material at that time, or all nuclear materials produced at AEC?

In South Africa's case it meant both. In terms of the NPT it is only required of a state party to the treaty to submit an inventory of nuclear material at a certain date. In our case it was September 30 1991. The treaty does not provide for historical explanations prior to the



export. The AEC also keeps all records in compliance with the terms of the IAEA's Safeguards Agreement.

Does South Africa have a nuclear weapons programme? *

No. The NPT prohibits a state party to the treaty to have a nuclear weapons programme.

I cannot overemphasise the importance South Africa attaches to the NPT. If we were to break that, we would call into play the Iraqi situation.

The viability of the AEC in the new South Africa has been questioned. Could you comment?

There has been an over-investment in the AEC. I am the first to endorse this. Our dependence on State funds is too high.

Three years ago we redefined our total strategy, and rather than close down we redirected our efforts to commercially viable products. Three years down that road, we have reduced our dependence on the State by R300 million — R451 million in 1992/93 as compared with R685 million in 1991/92. Of this, about R90 million goes to servicing loans.

We are fully committed to driving our dependence on the State lower. We had hoped that by the turn of the century we would be financially independent. Sales of non-nuclear fuel products have shown a consistent 25 percent annual increase, even in depressed economic times.

It has been suggested that the AEC should simply be closed down ...

One could close the AEC down, but then you must know that all that technology and expertise will be lost forever. Then in the next century, when the nuclear power programme will have to be extended, where will we be?

Are you saying that nuclear power is the way of the future?

nuclear materials produced at AEC?
In South Africa's case it meant both. In terms of the NPT it is only required of a state party to the treaty to submit an inventory of nuclear material at a certain date. In our case it was September 30 1991. The treaty does not provide for historical explanations prior to the specified date. However, in South Africa's case the general conference of the IAEA imposed an additional requirement, namely that the completeness of South Africa's inventory had to be verified. This meant that the production history of our enrichment plants had to be presented to the verification team. Normally, operating records are not kept for more than five years. Our records went back 15 years and we voluntarily submitted them.

Balancing the inventory with the operating records is no small task. You must remember that the AEC's enrichment plants were not designed and operated to satisfy safeguards requirements. In those days, for instance, less attention was paid to the tail-end product — depleted uranium. Over 15 years, imperfect tail analyses could have an influence on the balance exercise, and this was indeed the case.

At all times the production and use of nuclear material are controlled, but there are always small statistical inaccuracies which add up over time as material unaccounted for (MUF), and MUF limits have been set. In our material balance, if MUF is included then figures balance up. This was confirmed on September 21 1992 at the General Conference of the IAEA — document GOV/2609, which you have.

(A copy of this IAEA document is in the possession of the Saturday Star. It contains a detailed analysis of inspections at 77 locations.)

POWER OF THE ATOM: A computer-generated image of the atomic nucleus.
(Copyright: James T Hoffman in The Microverse, Bantam Books, distributed by Trans-SA Book Distributors)

‘If it was a nuclear explosion, SA was definitely not involved’

THE completeness of South Africa's inventory was also confirmed to the General Assembly of the UN on September 21. I quote from the report of Dr Hans Blix, director-general of the IAEA, to that body: "The agency has carried out a large number of inspections of South African facilities, and locations outside declared facilities. It has carried out an extensive audit of historical operating and accounting records and performed a large number of analyse . With the co-operation of the South African authorities, IAEA inspectors have been able to visit all the sites they asked to see — declared or not declared, military or civilian — and they have found no evidence that the inventory is incomplete. Nor is the IAEA in possession of any other information suggesting the existence of any undeclared facilities or nuclear material. Naturally, if relevant information was obtained suggesting the need for access to additional facilities, locations or data, the agency would request such access."

So what you are saying is that your inventory included the stockpile, and that its size is known to the IAEA inspectors?
Yes. Our inventory included every single gram of nuclear material. In fact, when we submitted our inventory in 1991, the unofficial comment was that it was the most comprehensive, professional yet.

Why then are there persistent reports, especially from US sources, of non-compliance with the terms of the treaty?
I really don't know. Clearly from what I have outlined, and based on the official IAEA documents, one must realise that it is mischievous. To prove my point further: Dr Nick von Wielligh, AEC's safeguards manager — one of the foremost specialists in the world — has been nominated to the Standing Advisory Group on Safeguards Implementation, which advises the IAEA on future safeguards. If the IAEA had been suspicious about South Africa, surely it would not have nominated him.

Furthermore, South Africa has publicly declared itself in support of Africa as a nuclear-weapons-free zone.

South Africa has also signed the non-proliferation of chemical and biological weapons treaties, and is in the process of discussions with the Missile Technology Control Regime. To ensure that the necessary legislation is in place to implement these agreements, a new Act will come before Parliament this year on the non-proliferation of weapons of mass destruction.

All of this shows that South Africa is committed to the eradication of these very onerous weapons. We, and by that I mean the Government and the AEC, believe the world has the opportunity to address these problems and it should now do this. The world can be a better place if we eliminate these weapons.

This is why I view recent reports about South Africa's nuclear activities in a very serious light. It's too important. The rumour-mongering suggests we are ignoring the IAEA and all the other groups. I get angry when people try to make us out as an Iraq.

If people have any evidence, let them bring it to the notice of the IAEA and let it be investigated.

What exactly is the weapons-grade uranium stockpile?
First of all, there's no such thing as weapons-grade uranium in the IAEA glossary. We talk about natural uranium — as it occurs in nature containing 0,7 percent of the fissile uranium-235 isotope. Then there's low enriched uranium (LEU) — uranium enriched in the U-235 isotope above 0,7 percent but below 20 percent.

‘The dangers of nuclear waste have been sensationalised — Dr W E Stumpf’

Then there's high enriched uranium (HEU) — uranium enriched in the U-235 isotope above 20 percent.

When the US reneged on its nuclear fuels contract for the SAFARI-1 research reactor in 1977, we set up our own programme. When our pilot plant was decommissioned in 1990 we had enough HEU to supply SAFARI for a number of years.

Some reports suggest we don't know what to do with this HEU — we know exactly what to do with it. Our so-called stockpile has commercial value and it doesn't just sit there. It is included in the inventory, under safeguards, and subject to regular, ongoing inspections.

If we had not included it in the initial inventory, there was no way we could include it at a later stage. Apart from breaking the treaty, which is a serious matter, it would be stupid because the material has high commercial value and use. In any case we have a right to the material: we produced it, it is under safeguards and can be used for peaceful purposes.

‘I get angry when people try to make us out as an Iraq’

You are on record as saying it would not be in anyone's interests to divulge the size of the stockpile. Why?
The organisation responsible for ensuring safeguards, the IAEA, has full knowledge of the material. The IAEA ensures that diversion for non-peaceful purposes does not take place. Furthermore, there is an understanding with the IAEA that information relating to HEU is kept confidential. This applies to all member states, and South Africa is no exception.

A second important aspect is the physical protection of nuclear material. South Africa is a signatory of the International Convention on the Physical Protection of Nuclear Material. Every endeavour should be made that measures prescribed by the convention can be met. These measures are indeed aimed at protecting nuclear material from theft, sabotage and so on. Making known the quantities and whereabouts of HEU would certainly not promote the objectives of the convention.

A recent report suggested that the US was considering purchasing this HEU . . .
The transfer of this material to the US has never been discussed. We have told the US and the UK that we could enter discussions on ensuring that the physical protection of the material is beyond doubt. In other words, we are prepared to talk about safeguards alongside ruling IAEA safeguards. We expect that these talks will take place soon.

Who is responsible for seeing that the NPT is adhered to in South Africa?
The AEC administers this and, as chief executive of the AEC, I will ensure it is responsibly implemented — that is my instruction from Government and I will ensure it happens. The AEC is the national body responsible for the control of nuclear material, including its import and

... and expertise will be lost forever. Then in the next century, when the nuclear power programme will have to be extended, where will we be?

Are you saying that nuclear power is the way of the future?
Yes, but not immediately, because for the moment we have an oversupply of electricity. But our coal reserves suitable for power generation will run out around the middle of the next century. Then there is increasing concern over pollution.

What about nuclear waste — is that not an even more serious form of pollution?
If I asked you what was the most toxic substance, you would probably say something like plutonium, but cobra venom is far more toxic, and no one suggests we get rid of all cobras. Plutonium is not even very radioactive. The dangers of nuclear waste have been sensationalised — there are many more toxic substances, lead for example.

Nuclear waste is an emotional issue mainly because of the life of the unusable radioactive by-products. Although the life-span of some of the products is relatively long, it is indeed finite.

Nuclear waste is also only relevant once the nuclear fuel is reprocessed and the unusable substances are separated. The technology to vitrify nuclear waste and thereby inactivate it has been proved. The fear that it will pollute other substances is therefore not valid.

FURTHERMORE, the management of nuclear waste has received so much research that safe storage under stable conditions has been proved. In addition, the international standards and safety regulations applicable to handling, transport and storage of waste are stringent and rigid. The risks of anything going wrong are so low that the hysteria surrounding the issue is not warranted.

In South Africa, low and intermediate-level nuclear by-products from the nuclear industry have been managed perfectly for close to 10 years. Our programme in this regard has been acclaimed by experts in the field worldwide.

South Africa will not embark on reprocessing spent fuel. It will be too costly. Encapsulated spent fuel in specially designed containers will be stored under licence and safeguards until such time as reprocessing becomes a viable option. This step is not foreseen until the middle of the next century.

** This question was subsequently put to Armscor. Public relations executive Johan Adler answered: "Armscor does not have a nuclear weapons programme." Adler also said Armscor was not involved in any test in the Indian Ocean on September 22 1979, and that the incident remained a mystery.*

(3) whether she will make a statement on the matter? B262E

The MINISTER OF NATIONAL HEALTH:

(1) No;

(2) yes, if it is brought to my attention. Medical schemes, however, report such matters directly to the statutory bodies;

(3) no.

*19. Mr L Fuchs—Justice. [Withdrawn.]

SADF: contact between MI officers and leaders of self-governing territories

*20. Mr J A JORDAAN asked the Minister of Regional and Land Affairs:†

(1) Whether a former senior official of the former Department of Development Aid, whose name has been furnished to the Minister's Department for the purpose of his reply, at any time arranged contact between senior officers of the Military Intelligence Division of the South African Defence Force and any chief ministers of the self-governing territories; if so, what (a) is the name of this official and (b) was the (i) nature and (ii) extent of this contact;

(2) whether this contact took place in the presence of this official at all times; if not, why not; if so, what are the relevant details? B266E

The MINISTER OF REGIONAL AND LAND AFFAIRS:

(1) No.

(a) and (b) fall away.

(2) Question falls away.

SADF: contact between senior MI officer and leaders of self-governing territories

*21. Mr J A JORDAAN asked the Minister of Defence:†

(1) Whether, with reference to his reply to Question No 28 on 17 February 1993, a senior officer of the Military Intelligence Division, whose name has been furnished to the South African Defence Force for the purpose of the Minister's reply, at any time made any direct or indirect contact with any chief ministers of the self-governing territories; if so, what (a) is the name of this senior officer and (b) was the (i) nature ~~and (ii)~~ extent of this contact;

(2) whether other senior ~~officers~~ have carried on this contact; if not, why not; if so, what are the relevant details? B267E

The MINISTER OF DEFENCE:

(1) As I have already indicated, the officer whose name was supplied to me did not have any official interaction with any chief ministers of the self-governing territories while he was a senior officer with the Military Intelligence Division. He, however, served in a subordinate post with the Secretariat of the State Security Council from July 1982 to January 1985. In this capacity he had to brief a wide spectrum of persons of the self-governing territories. Apart from the fact that reference is being made to occurrences which happened almost a decade ago, this officer retired as far back as 30 June 1990.

(2) The hon member is referred to the reply to part (2) of Question No 28 on 17 February 1993.

Oil refinery: pollution

*22. Mr E K MOORCROFT asked the Minister of National Health:

SS

(1) Whether emissions from a certain oil refinery, the name and locality of which have been furnished to the Minister's Department for the purpose of her reply, are monitored by her Department; if not, why not; if so, (a) at what intervals and (b) (i) when were these emissions last monitored and (ii) with what result;

(2) what is the name of the refinery in question? B270E

The MINISTER OF NATIONAL HEALTH:

(1) No, but by the Western Cape Regional Services Council which makes the results available to the Department;

(a) monitoring is carried out continuously and

SS

(b) (i) the last available processed results are for January 1993 and

(ii) the results show that the measured levels of primary pollutants are very low in comparison with accepted health safety standards;

(2) Caltex Oil Refinery at Milnerton.

Black schools: rapid building programme

*23. Miss M SMUTS asked the Minister of Education and Training:

(1) Whether his Department announced a rapid building programme on or about 4 September 1992; if so, what facilities were planned as part of this programme;

(2) whether these facilities will be completed on schedule; if not, why not;

(3) whether the new Thandokulu Secondary School in Khayelitsha will be available in April 1993; if not, (a) why not and (b) when (i) was it due to be and (ii) will it be available? B271E

The MINISTER OF EDUCATION AND TRAINING:

(1) Yes. On 4 September 1992 I made a statement in regard to the acceleration of the building of schools in the greater Cape Town area. I announced that the following new schools would be built with the numbers of class-rooms and the planned dates of occupation as follows:

School	*Number of Classrooms*	*Occupation Date*
Luleka Primary School, Khayelitsha	24	1 January 1993
Nkazimlo Primary School, Khayelitsha	24	1 January 1993
Chuma Primary School, Khayelitsha	24	1 March 1993
Siviyiseni Primary School, Khayelitsha	24	1 March 1993
Encotsheni Primary School, Khayelitsha	24	1 March 1993
Umtha Primary School, Khayelitsha	24	1 March 1993
Ebulumkweni Primary School, Khayelitsha	24	1 January 1994
Thando-Khulu Secondary School, Khayelitsha	42	1 April 1993 (classrooms) 1 July 1993 (laboratories)
Bulumko Secondary School, Khayelitsha	42	1 April 1993 (classrooms) 1 July 1993 (laboratories)
Itlanganiso Secondary School, Khayelitsha	42	1 January 1994
Siyazakha Primary School, Philippi	24	1 January 1993
Umnqophiso Primary School, Lwandle	24	1 January 1994
Mkangeli Primary School, Nyanga	24	1 January 1994

(2) Yes. The construction of all the schools is progressing according to schedule.

(3) Yes, as qualified under (1).

cont →

Cahora Bassa deal by April

CT 3/12/93

JOHANNESBURG. — Eskom was expected to finalise by April the R200m agreement with the World Bank and African Development Bank to restore the Cahora Bassa hydroelectric scheme, ~~sources~~ said yesterday.

65

Radiation scare after road crash

Star 2/3/93

55

Staff Reporters

A radiation scare in Sandton yesterday has led to a renewed call for stricter regulations covering the transport of radioactive material.

The scare was the result of an accident in Morningside's Kelvin Road at about 7.30 am involving a truck carrying a machine powered by a nuclear source.

Several hours later Sandton residents heaved a sigh of relief when news was broadcast that radiation safety experts had declared the area "clean".

A passenger on the D W Construction truck was killed and seven others were injured when the truck overturned.

D W Construction managing director Richard Downing said the name of the employee killed in the crash would be released after his family had been informed. He said the truck was transporting a machine powered by a "small, well-insulated nuclear source" when it overturned.

The machine was not damaged during the accident and tests had shown no signs of nuclear spillage, Downing said.

Earthlife Africa's Johannesburg spokesman, Peter Lukey, said yesterday South Africa needed stricter controls for the transportation of radioactive material.

He said Earthlife Africa was concerned that people transporting the material often had no knowledge of nuclear substances and how to deal with them.

Atomic Energy Corporation spokesman Nic Ligthelm confirmed there had been no leakage and said the scene was declared safe about two hours after the accident.

Downing said more tests would be conducted on the machine to ensure that no spillage had occurred.

Eskom power deal expected

BDAY 2/3/93.

KELVIN BROWN 55

ESKOM was expected to finalise by April the R200m agreement with the World Bank and African Development Bank to restore the Cahora Bassa hydroelectric scheme, sources said yesterday.

Government had to approve the terms of finance and this would be discussed by the permanent joint committee on Cahora Bassa, consisting of representatives from SA, Mozambique and Portugal, when it met in April.

Foreign Affairs southern Africa chief director Gert Grobler said conditions for SA to provide the finance had to be acceptable. Once this was approved and a deal was struck, reconstruction would start.

SA would provide the materials needed to repair the 1 400 pylons destroyed during the civil war. An Italian company would erect the pylons and lines. It was expected to take two years to fully restore the power lines.

Separate negotiations were still taking place to connect Zimbabwe to the scheme, although Eskom was contractually bound to take up all 2 000MW of power generated by Cahora Bassa. An agreement was expected this year.

Meanwhile, JOHN DLUDLU reports the construction of a pipeline in the Usutu catchment area to connect to the dry Komati River system was expected to be completed by the end of March, Eskom fuel and water manager Mike Deats said yesteday.

The Komati catchment area feeds the Hendrina and Duvha power stations.

Govt promises to open up fuel industry secrets

S/DAY 2/3/93. (55)

TIM COHEN

CAPE TOWN — SA's petroleum industry secrets would be made known soon, Mineral and Energy Affairs Minister George Bartlett said yesterday during a parliamentary debate on a Bill that will clamp down on petrol station forecourt promotions.

In response to criticism of the Bill's curtailment of market forces and the secrecy which pervaded the industry, Bartlett said he planned to "open up" details of SA's fuel secrets

Details kept from public scrutiny would be made known, he said, other than who SA's suppliers were and which ships ferried fuel until the UN lifted the fuel embargo.

Bartlett expected that the information could be made known before the end of the month.

Moving the Petroleum Products Amendment Bill, he said forecourt promotions, such as scratch card schemes, set off a cost spiral which government wanted to prevent.

Normal brand awareness campaigns were not undesirable, but forecourt promotions did not create additional demands and were undesirable business practices.

Forecourt promotions might increase sales which could result in higher gross profit.

But such gross profits would result from higher operating costs, he said.

The result was shrinkages in net profit percentages. So, while there were apparently no direct costs to the motorist, there was a definite cost to the service station.

Non-participating service stations would lose clientele, while still being faced with the same overheads and decreasing gross incomes, resulting in lower profits.

Both sections of the industry could then appeal to government to increase the retail mark-up on petrol with the net result being a higher petrol price, he said.

DP MP Geoff Engel said his party did not support the Bill as it expanded the scope of regulatory measures of the Petroleum Products Act.

This was not in the interests of the public.

"The Bill sends out a clear message that regulation and price controls are here to stay and precludes even miniscule and indirect forms of retail discounting."

The department of mineral and energy affairs operated in a more clandestine and secret fashion than any government department other than the defence secret services, he said. The public was justifiable suspicious that the myriad of secret funds had increased the price of petrol.

What was known was that the Central Energy Fund and the Equalisation Fund had a direct bearing on the petorl price.

Soft loans, exceeding R8bn had been made out to Mossgas from the Central Energy and payments of about R450m to Sasol for import protection and a further R56m to refineries had been paid from the Equalisation Fund, he said.

This had to be paid for by the motorist, while the Sasol share price had more than doubled over the last two years, he said.

1991 Population Census, 7 March 1991. Final data after having been adjusted for over- and undercount are furnished. The Port Elizabeth/Uitenhage metropole comprises the magisterial districts of Port Elizabeth and Uitenhage.

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

Self-governing territories: size in hectares

208. Mr P G SOAL asked the Minister of Regional and Land Affairs:

What was the size in hectares of each of the self-governing territories as at 31 December 1992 or the latest specified date for which figures are available? B464E

The MINISTER OF REGIONAL AND LAND AFFAIRS:

QwaQwa	103 428 hectares
Kwandebele	266 539 hectares
Kangwane	364 229 hectares
Gazankulu	743 954 hectares
Lebowa	2 138 644 hectares
KwaZulu	3 167 242 hectares
Total	6 784 036 hectares

The above information differs from the figures provided in reply to Question No 187 of 20 March 1992 as the extent of all categories of former South African Development Trust properties (former quota and non quota land) as well as land in the possession of individuals situated within the area of jurisdiction of self-governing territories, are being verified and computerized.

Nuclear power: accident at Pelindaba

236. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs:

(1) Whether an accident occurred at the nuclear enrichment plant of the Atomic Energy Corporation of South Africa, Limited, at Pelindaba in or about December 1992; if so, (a) when, (b) where and (c) what was the (i) nature and (ii) extent of the accident;

(2) whether this accident was reported to the Council for Nuclear Safety; if not, why not; if so, when;

(3) whether any emergency measures were taken in respect of members of the public in the vicinity; if not, why not; if so, what measures;

(4) whether (a) uranium hexafluoride and/or (b) any other radio-active material was released into the atmosphere; if so, (i) in what quantities and (ii) what was the extent of the area affected by the material released as a result of this accident;

(5) whether he will make a statement on the matter? B539E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) Yes.

(a) 9 December 1992.

(b) At the Feed, Waste and Product Handling Section of the Enrichment Plant.

(c) (i) Release of uranium hexafluoride at natural isotopic concentration to the immediate environment as a result of failure of the nuts used to secure a blind flange.

(ii) It is estimated that between 100 kg and 150 kg uranium was released. Of this quantity, approximately 29 kg is estimated to have escaped throgh the stack to the environment outside the process hall.

(2) Yes, the accident was reported to the Council for Nuclear Safety telephonically and in writing on 9 December 1992.

(3) Internal emergency measures were taken to assess the size and possible consequences of the release. An evaluation during the accident, using an estimated size of release and a dispersion model to the environment indicated that the environment outside the plant as well as the public will not be affected. Measurements were taken in the direction of the expected dispersion and these gave no values above background. No emergency

Cont-D

procedures outside the plant were therefore necessary or taken with respect to members of the public in the vicinity. It was not even necessary to take any special precautionary measures outside the plant on the site.

55

(4) (a) Yes.

(b) No.

(i) 29 kg natural uranium

(ii) As a result of natural dispersion and distribution the dilution was such that no measurable material was found in the environment outside the plant and no area outside the plant was effected by the release.

(5) No.

INTERPELLATIONS UNDER NAME OF MEMBER

Nuke plants for West coast?

(55)

SOUTH 27/2 - 3/3/93

By Justin Pearce

SOUTH Africa's next nuclear power stations will be on the West coast about 500km from Cape Town.

However, they won't be built until well into the next century.

Eskom said last week it intends buying two sites on the coast between Hondeklip Bay and Port Nolloth, with a long-term view to develop nuclear power plants there.

The west coast is considered suitable for nuclear developments because of its sparse population, relative geological stability, and abundant supply of cold sea water to cool reactors.

Eskom strategic engineering consultant Dr Hermann Röhm said Eskom was committed to using the sites in a "responsible manner" with respect to the environment and any future development in the region.

But environmental groups are sceptical about Eskom's claims to being environmentally friendly, given the corporation's ongoing commitment to nuclear power.

"There are still no satisfactory answers to the disposal of nuclear waste," said Ms Thobeka Thamage of the Group for Environmental Monitoring.

"Eskom should rather be investing in solar or wind power."

Thamage said Eskom should be looking bringing electricity to more black communities rather than expensive nuclear technology.

Mr André van Heerden of Eskom said Eskom had a six-year plan to bring electricity to communities that are currently without it.

While the two sites envisaged by Eskom were currently owned by the state and by De Beer's Ltd, Thamage raised the question of dispossessed people with a historical claim to the land.

Van Heerden said Eskom would take into account moral as well as legal claims to any land purchased.

Röhm said Eskom intended to buy the sites now to keep them available. There were, however, no immediate plans to develop them.

Switch-on for city's first meter

(55)

CT 24/2/93

NEW POWER ... Mayor Mr Frank van der Velde and Mrs Heather Green with the new pre-payment meter. -- Picture: STEWART COLMAN

Municipal Reporter

CAPE TOWN installed its first pre-payment electricity meter yesterday in a move welcomed both by the recipient and by a representative of civic organisations.

It will be the first of many thousands of similar meters — possibly even hundreds of thousands. Each meter costs about R830, and the council's electricity undertaking is committed to installing R55 million worth of them over the next three years — initially in the areas that need them most and where arrears are highest.

The meter that the council installed in the home of Mrs Heather Green of Lavender Hill yesterday is charged when the householder punches in a number on what looks like a calculator keyboard.

She or he gets this number from the council electricity department by bringing along some cash and the serial number of the meter in a particular house.

Mayor Mr Frank van der Velde stressed yesterday that the unit price of electricity would be exactly the same for pre-payment meter users as it will be for credit-meter users.

Those in arrears, however, will in terms of an agreement be expected to pay a small portion of arrears each time they come and buy electricity from the council.

Mr Joe Marks, chairman of the Cape Areas Housing Action Committee, said his organisation had monitored the use of similar meters for two months and found that people were delighted with them.

The meter shows on request how many units one has left, and if there are fewer than 50kWh of credit left — which should last three days to a week — the display stays on all the time.

Electrical engineer Mr Fred Daniel said houses like Mrs Green's usually used 400 units a month.

Several more selling points are due to come into operation soon.

Power plan plugs into R2,2bn Eskom fund

BDM 23/2/93 (55)

THEO RAWANA

ESKOM had set aside R2,2bn for its "electricity for all" programme to electrify 160 000 homes every year from now until 1996, Eskom communications manager Bongani Khumalo said yesterday.

Khumalo told a news briefing Eskom was aware of how great the challenge was, with 23-million people still without electricity. He said 93 000 houses had been electrified so far this year, the first year of the programme, and 150 000 the previous year.

He said an offshoot of the campaign would be the business opportunities it afforded industrial entrepreneurs, thereby creating employment.

Among the problems Eskom had experienced in carrying out its task was its inability to manage the supply of electricity in the townships, a right held by local authorities. The obstacle was being overcome as councils showed preparedness to hand over the running of supply.

Payments by Greater Soweto residents, who had previously lumped electricity payments with rent and other services in their boycott, had jumped to 90% from less than 20% since Eskom took over management of supply last April.

"Eskom sees itself as a key player in a changing SA and is aware of its responsibility in facilitating a smooth transition."

This would come with getting to know what people demanded, he said.

The introduction of the prepaid card system of electrification had been well received and he saw it as the most effective way of electrifying informal settlements. The system was also being introduced in formal housing.

● Picture: Page 3

Key Market Movements — Feb 19 to Feb 22

Pre-paid electricity to light up Lavender Hill

55 ARG 23/2/93

CLIVE SAWYER
Municipal Reporter

CAPE TOWN's first electricity pre-payment meter is to be installed in a Lavender Hill house today in keeping with a new city council policy.

Priority will be given to installing energy dispensers — which work only when consumers have paid in advance — in areas where people need help to control and manage energy consumption.

The first phase of converting from a credit system to prepayment meters will cost about R55 million, which will be funded by a loan to be repaid over 15 years from electricity tariffs.

Top of the list for the "budget energy controllers" will be Langa, Guguletu, Valhalla Park, Kalksteenfontein, Bonteheuwel, Heideveld, Manenberg, Sherwood Park, and after that Tafelsig, Kewtown, Silvertown, Bridgetown, Beacon Valley, Hanover Park, Lansdowne, Lavender Hill, Lentegeur, Woodlands, Rocklands, Retreat and Steenberg.

The devices should be installed in all new low-cost, semi-formal and informal housing, whether development is done by the council, provincial administration or private enterprise, the council said.

Conversions at existing housing will be done by the council or private electricians on contract, and credit meters will be kept to monitor progress and check that the new system is not abused.

Mayor Frank van der Velde, who made one of the goals of his term the electrification of greater Cape Town, said the project would not be funded from rates.

"Electricity is no longer a luxury but a means of social upliftment and is an environmental necessity," he said.

Electricity cost consumers less than candles, coal, gas and paraffin.

The environmental impact of using fossil fuels included the depletion of trees around Khayelitsha.

"Some might argue this is a good way to get rid of Port Jackson but there is also the effect of all the smoke," Mr Van der Velde said.

Electricity should be sold at cost, because it was not a service comparable to sewage or cleansing.

"The electricity department should make neither a loss nor a profit," he said.

It was wrong that many smaller municipalities had become suppliers of electricity and used it to supplement their incomes.

In Cape Town, the elecricity debt was higher than R30 million and still growing.

"We have not reduced it in spite of energetic efforts," Mr Van der Velde said.

Credit helped people into a spiral of debt and many in arrears were "can't pays" and not "won't pays".

Installation charges should be built into tariffs, he said.

"Pre-payment meters are not a punishment, they are a means of assisting a person to pay," Mr Van der Velde said.

Checks would be done to prevent people bypassing the meters to avoid payment.

Mrs Joan Kantey said electricity caused a drop in the birth rate because people watched television "instead of finding other ways to entertain themselves".

Shortfall in fuel fund (55)

GERALD REILLY

PRETORIA — Heavy fuel price underrecoveries in the past six months have caused an enormous drain from the fuel equalisation fund, but it is understood it is able to take the strain.

Mineral and Energy Affairs said at the weekend motorists paid 5,929c/*l* too little in January for 93 octane petrol. 8/049

Underrecoveries in August/September varied between 5,739c/*l* in December to 15,173c/*l* in October, 13,151c/*l* in September and 14,505c/*l* in August. 22/2/93

Informed speculation is that the price increase announced in the Budget will be made up of a fuel tax increase, an MMV levy increase and a "modest" hike to compensate for the drain on the equalisation fund.

Rural electricity a lifestyle switch

STAR 22/2/93.

(55)

By Dirk Nel
Northern Transvaal Bureau

PIETERSBURG — Eskom's "power for all" scheme, a long-term plan to provide affordable electricity to rural communities, has changed the lifestyles of thousands of people in the far northern Transvaal, including Lebowa and Gazankulu.

During a tour of villages recently supplied with electricity, residents told The Star that the connection fee of R35, and the consumption cost of between R20 and R40 a month, were within their reach.

"The scheme has changed our lives. We now have a better quality of life, there is greater peace and stability in our community, and even the crime rate has dropped," said a community leader at Bolebedu, near Duiwelskloof.

Many residents have acquired two-plate electric stoves, kettles and television sets, while the availability of lighting has proved to be a bonus for diligent scholars and teachers previously restricted to daylight academic activity.

"The provision of electricity invariably serves to kick-start a local economy. We are expecting retailers to open shops in these communities to meet the growing demand for electrical appliances," Eskom spokesman Dirk Swanevelder said.

The process of supplying electricity begins with a canvassing campaign by Eskom "marketers", who sign up potential new users in rural communities. Then the planners move in to devise efficient ways to erect lines, before contractors do the actual work.

A pay office is established at a strategic spot for the convenience of users, who are given plastic discs which operate like credit cards. Advance payments give users a month's supply of electricity.

But the scheme is not without hitches. Eskom maintenance staff said it was often difficult to repair breakdowns and address customer complaints because of poor roads and the lack of street addresses.

SA is set for nuclear deal with Russia

55

S1 Times (BUSS 7 21/2/93.

By KEVIN DAVIE

SOUTH AFRICA's highly-subsidised Atomic Energy Corporation is discussing a deal with the Russians to enrich uranium for use as nuclear fuel at Koeberg.

Discussions with the Russian nuclear authority are at an exploratory stage but hold the prospect of both cheaper electricity from Koeberg and reducing the government subsidy — R685-million last year — to the AEC.

Nuclear fuel production in SA has been one of apartheid's costliest legacies. Government has spent billions of rands to enable the AEC to earn R140-million annually selling fuel at inflated prices to Eskom for use at Koeberg.

The AEC acknowledges that its uranium enrichment plant at Pelindaba is non-viable, and says changed international politics have created the possibility of sourcing more economical fuel.

An agreement for future co-operation between the AEC and Russia was concluded towards the end of last year. Discussions "are being conducted on an on-going basis", the AEC says.

Under consideration is uranium enrichment, the most expensive and sensitive part of the process, whereby uranium is converted into nuclear fuel.

Industry sources allege that the AEC is negotiating in secret and does not intend passing on savings to Eskom and electricity users. This is refuted by the AEC.

"It has never been the intention to prevent disclosure of the matter under discussion," says AEC's Dr Karel Fouche. "It is accepted practice in the business world not to divulge commercial terms of negotiations and discussions prior to entering into an agreement."

Contract

The Russian parties involved are understood to be state nuclear authority Minaton and Tenex, which markets Russia's nuclear fuel.

A source says AEC sells its fuel to Eskom in terms of a long-term contract at $200 per SWU (separative work unit), while Russia can supply at below the world price of $68 per SWU.

Sourcing the fuel from Russia would save about R80-million a year, the source estimates. The AEC says that its fuel is sold to Eskom at prices substantially below $200 a SWU, but does not disclose the amount.

The AEC last year received a government subsidy of R685-million (R213-million for financing costs and loan redemption) to produce fuel for Koeberg valued at R140-million.

But the AEC stresses that its negotiations with Russia "would not include the possibility of (supplying) all SA's nuclear fuel needs".

Dr Fouche says it has never been claimed that nuclear fuel production at the uranium enrichment plant at Pelindaba would be commercially viable.

"The decision in the late 70s to erect the plant was taken to secure nuclear fuel for Koeberg when procurement was prohibited as a result of sanctions.

"Realising the inherent non-viability of the plant — and being conscious of the changing international political climate — the AEC, in collaboration with Eskom, is continuously exploring possibilities to provide the most economical fuel services," says Dr Fouche.

"Exploratory discussions have been held and are being conducted to achieve this objective. No agreements have been reached and no contracts regarding the purchase of SWUs have been concluded."

A source says Eskom would like to be free to buy its nuclear fuel needs at the cheapest price and not be limited to the AEC contract, which was signed in the sanctions age.

But the AEC claims that "the present negotiations are being conducted with the full knowledge and approval of Eskom's top management".

Informed

Asked to comment, a spokesman says Eskom has no knowledge of discussions between the AEC and the Russians. The spokesman later said that Eskom's Ian McRae is a board member of the AEC and is informed in this capacity but does not feed back information.

"Eskom expects to be fully informed when the deal is signed," the spokesman says.

"Eskom will be party to final negotiations before, and if, any contract with any foreign supplier is entered into," says Dr Fouche. He says this is a prerequisite in terms of the existing AEC/Eskom contract.

"No agreement is to be concluded within the near future," says Dr Fouche.

Dr Johan Kruger, of the Bernard Price Institute, says that SA would be better off if nuclear fuel production was "cut off at the knees". He claims that at present Eskom and the taxpayer are subsidising the AEC "to make it look competitive".

"It would be better if Eskom imported the fuel directly and not through the AEC, and thus cut out an expensive statutory middleman," says Dr Kruger.

Nuke power station plan

55 ARG 20/2/93

JOHN YELD
Environment Reporter

■ Eskom has started negotiations to buy two farms on the West Coast as possible sites for a second nuclear power station, but there has been criticism of the plan, with claims that the international community is moving away from nuclear power.

THE two West Coast areas identified by Eskom as possible sites for new nuclear power stations would be "excellent" for that purpose, but only the government could decide if new facilities should be developed.

This was the opinion of Dr Herman Röhm, Eskom's strategic engineering consultant, who said the energy mix — between electricity generated from fossil fuels like coal, nuclear and hydro power and alternative sources — had to be decided on a national level.

The two sites are the 5 835-hectare, State-owned farm Brazil, about 16 km south of the De Beers mining town of Kleinsee, and the 8 941-hectare De Beers-owned farm Schulpfontein, about 40 km south of Kleinsee.

Although Eskom had started negotiations to buy the two properties, spokesmen emphasised that the electricity giant had not committed itself to expanding its nuclear energy capacity and that no specific plans had been initiated to build a new power nuclear station.

"All we are doing is buying the sites to keep our options open," said communications manager Mr André van Heerden.

Koeberg is the only nuclear power station on the African continent, generating about six percent of South Africa's electricity supply.

Answering a question by Mr Dave Fig, a UCT sociologist and member of the Group for Environmental Monitoring, Mr Van Heerden said the community at Kommagas had made "very mild mention" of their historical claims to the Brazil site.

Mr Dries van Schalkwyk, Eskom's nuclear engineering services manager, said nuclear power was an option for the future — "We've got to accept that."

But, Mr Steve Thorne of UCT's Energy for Development Research Centre, described Eskom's moves to buy the sites as "misplaced" as the international community was moving away from nuclear power.

"I quite admire South Africa's nuclear industry's resolve to go on a last-ditch attempt to try and save the industry," he said.

Mr Van Heerden said Eskom was working "very hard" to try to establish an African electricity grid, based on hydro power from the continent's major rivers and stretching from the Aswan dam in Egypt to South Africa.

The Zaire River alone could supply an estimated 100 000 megawatts — "almost enough to feed the whole of Africa", he pointed out.

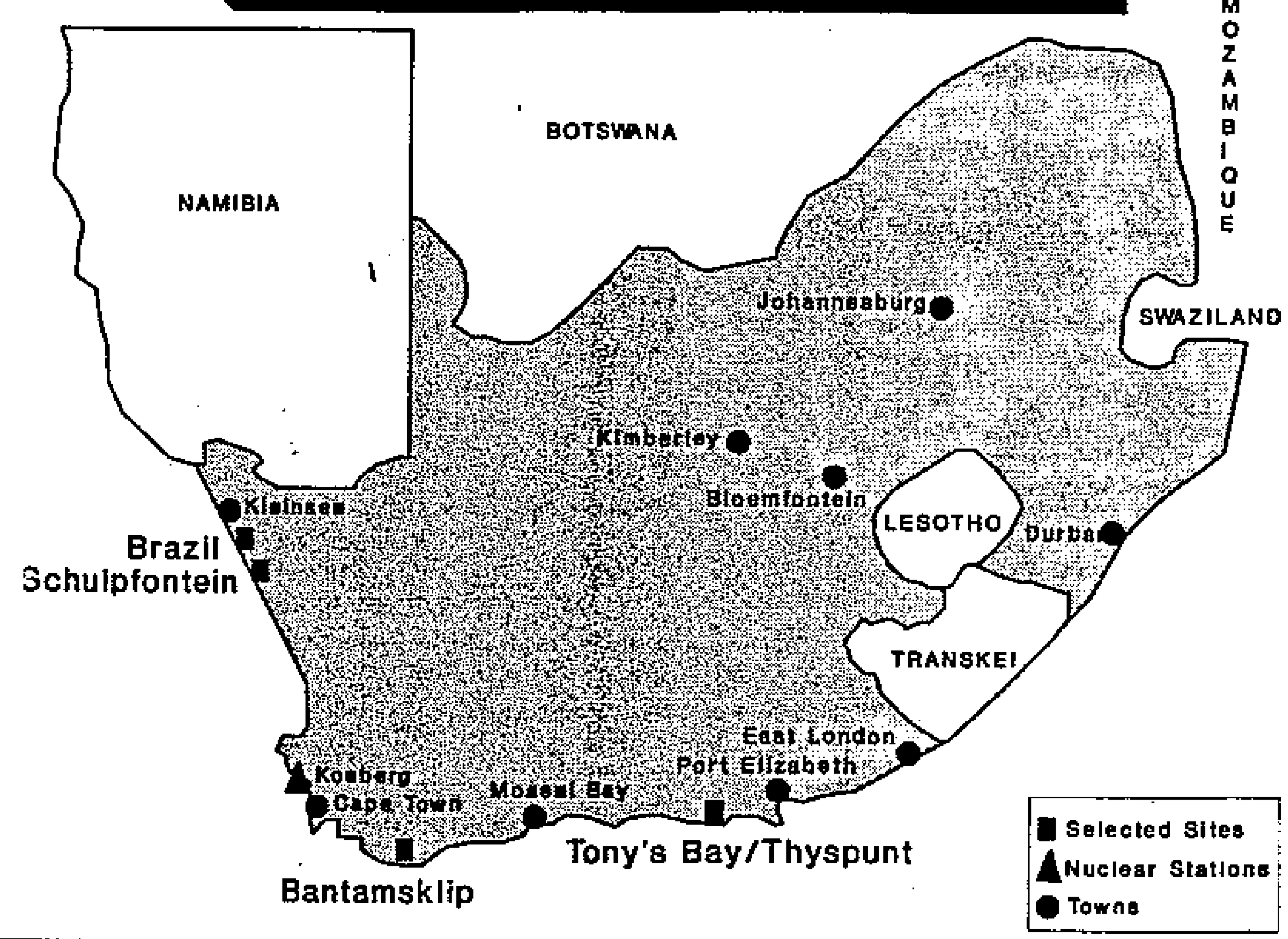
But, relying on electricity generated outside the country's borders would make South Africa vulnerable to "hostile interests" — as was the case with Renamo sabotaging the Cahora Bassa powerlines, said Mr Van Heerden.

Eskom's present policy was to limit externally-generated power to 15 or 16 percent of the national supply, although that could "alter radically".

Mr Van Schalkwyk declined to put a figure to the cost of a new nuclear facility.

"It's extremely difficult. We haven't been looking at cost for the past 10 years," he said.

Geographic Location of Selected Nuclear Sites



Land is ours, say Namaqualanders

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WILLEM STEENKAMP and JOHN YELD
Weekend Argus Reporters

ARG 20/2/93

THE announcement by Eskom that it has identified two possible sites south of Kleinsee on the West Coast for new nuclear power stations has caused an uproar among residents of Komaggas, the small town near the area.

But, historical claims to the land which Eskom has earmarked will be fully investigated.

This assurance was given yesterday by Eskom spokesmen at a media briefing.

Mr Mannetjies Diergaardt, chairman of the Komaggas management committee, said residents had objected strongly at a meeting held on Thursday by Eskom representatives in Komaggas to inform locals of their plans.

"People do not want a nuclear power station on their doorstep. They are concerned about their health and what effect the buiding of these stations will have on the environment," said Mr Diergaardt.

Komaggas, population about 4 000, is about 40km from the sites.

Mr Diergaardt said historically the land from Dreyerspan in the north to Hondeklip Bay in the south had belong to the coloured communities of Namaqualand.

In 1910 the land was confiscated by the government and sold to individual farmers. De Beers later bought the farms for diamond mining.

"But we now want back the land that belonged to our ancestors. We will even go to see President De Klerk to get this land back if necessary. We do not want our land to be used for nuclear power stations," said Mr Diergaardt.

But Eskom communications manager, Mr Andre van Heerden, said at a media briefing about the sites in Cape Town yesterday that the community had made a "very mild mention" of their claims to the site.

He had been unable to find any precedent for the claim which appeared to be based on connections with old mission stations in the area.

"But what became very obvious during (Thursday's public information) meeting (at Kommagas) is that the people definitely feel that they have a moral right to that land," he said.

Eskom would investigate the claim and, if necessary, would refer it to the Advisory Commission on Land Allocation for arbitration.

"If they have a right, that will stand. We won't do anything counter to the moral rights to that land," Mr Van Heerden said.

A spokeman for the Namaqualand Regional Services Council in Springbok said the council had been informed of Eskom's plans but had not made any decision about the use of the land for a nuclear power station.

"If they intend going ahead with such a development Eskom will obviously have to apply to us for the rezoning of the land. We will then advertise the aplication for objections."

But, said the spokesman, at a meeting held by Eskom in Springbok earlier this week where the company had informed locals about their plans, local people had generally supported the development.

NIS denies IFP 'smear' claim

PRETORIA. — The National Intelligence Service (NIS) yesterday emphatically denied it had been involved in an alleged smear campaign against the Inkatha Freedom Party.

IFP leader Chief Mangosutho Buthelezi on Tuesday claimed he had received information that a NIS agent had colluded with two senior Johannesburg journalists last year to cast aspersions on the IFP.

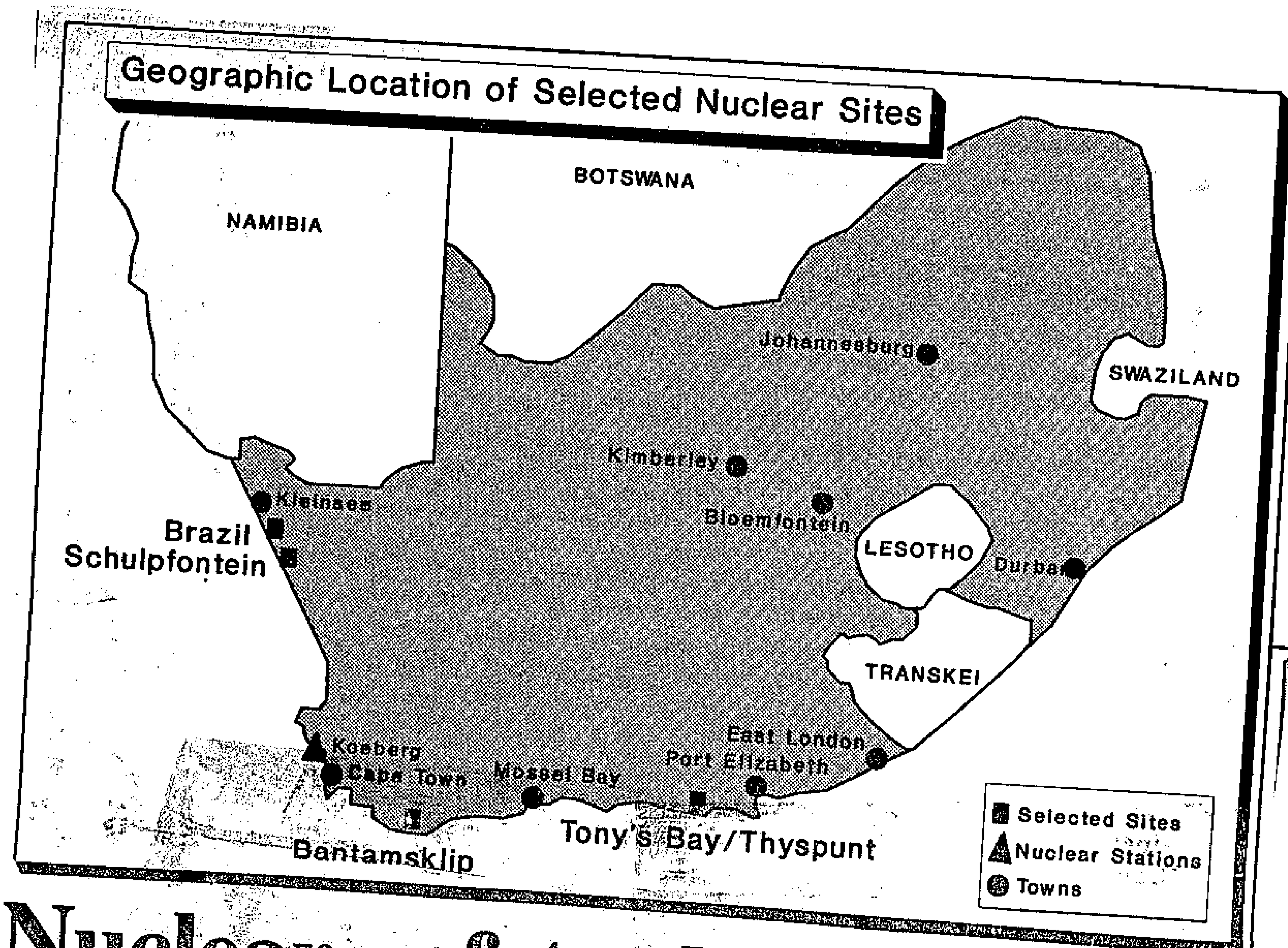
According to Chief Buthelezi, the alleged agent had tried to gather support in the Mozambican intelligence community to link the IFP with arms smuggling through the rebel Renamo movement.

Chief Buthelezi claimed the journalists colluded with the agent to write articles about the alleged gun-running.

(116) (254) ARG 20/2/93

The IFP leader also said the agent's handler was allegedly a Major Hentie Botha, whom he believed was a NIS member. He therefore concluded the service had been involved in a smear campaign against the IFP.

However, NIS, in a statement, denied any involvement in this "unpleasant incident" and said Major Botha was not in their service. — Sapa.



Nuclear safety doubts raised

Staff Reporter

DEMOCRATIC PARTY MP Mr Roger Hulley raised concerns about international safety criteria at a public meeting held by Eskom in the city yesterday to announce two potential sites for future nuclear power stations on the West Coast.

Eskom spokesman Mr André van Heerden said that Eskom had followed international safety criteria for permissible population densities around a nuclear site when it built Koeberg.

Further power stations would definitely not be built this century, he said. The sites were intended for future use.

The farm Brazil is owned by the state and is situated 16km south of Kleinsee. The second farm, Schulpfontein, about 40km south of Kleinsee, is owned by the De Beers group.

Objections to Eskom's purchase of the sites had been raised by those who felt they had a "moral right" to the land and others who were against nuclear developments, according to Mr Dries Visser, chief consultant on the project.

The objections may affect the purchases.

CT 20/2/93

55

'Too little paid for 93 petrol' 55

PRETORIA. — Motorists paid nearly six cents per litre too little for 93 octane petrol in January, says a government source. CT 20/2/93

This was the 10th consecutive month to show an under-recovery.

The Minister of Mineral and Energy Affairs, Mr George Bartlett, has indicated a petrol price increase in the coming budget is unavoidable.

Where our secret oil was hidden

SS

W|Mail 19/2 - 25/2/93

By IAN CLAYTON

THE sites of South Africa's top secret oil stockpiles have been officially revealed for the first time. They are located in Durban, Cape Town and Saldhana Bay, as well as in disused coal mines in the Transvaal.

These secrets have been disclosed for the first time by the head of the Central Energy Fund (CEF), Don Vorster, in evidence to the Parliamentary Joint Committee on Public Accounts.

He told the committee that the SFF Association, which was controlled by CEF, purchased the bulk of commercial oil supplies on behalf of oil companies. Since the 1978/9 oil crisis, when the Shah of Iran was deposed, SFF had stepped in to purchase commercial oil supplies.

Vorster said in his evidence that he was not at liberty to disclose what percentage of the oil stockpiles had been sold off.

However, SFF was not involved in the financing of Mossgas and no money from the sale of oil would go to Mossgas.

Deputy Auditor-General Professor JAJ Loots told the committee that after consultation with the state president, the minister of mineral and energy affairs and the minister of finance that it had been agreed it would not be in the national interest to publish details of oil accounts.

Vorster also said it was CEF's "problem" that in terms of the Petroleum Act, he could not disclose what percentage of the oil stockpile had now been sold off.

CLRG 19/2/93 (55)

Reports of Mossgas jobs inaccurate

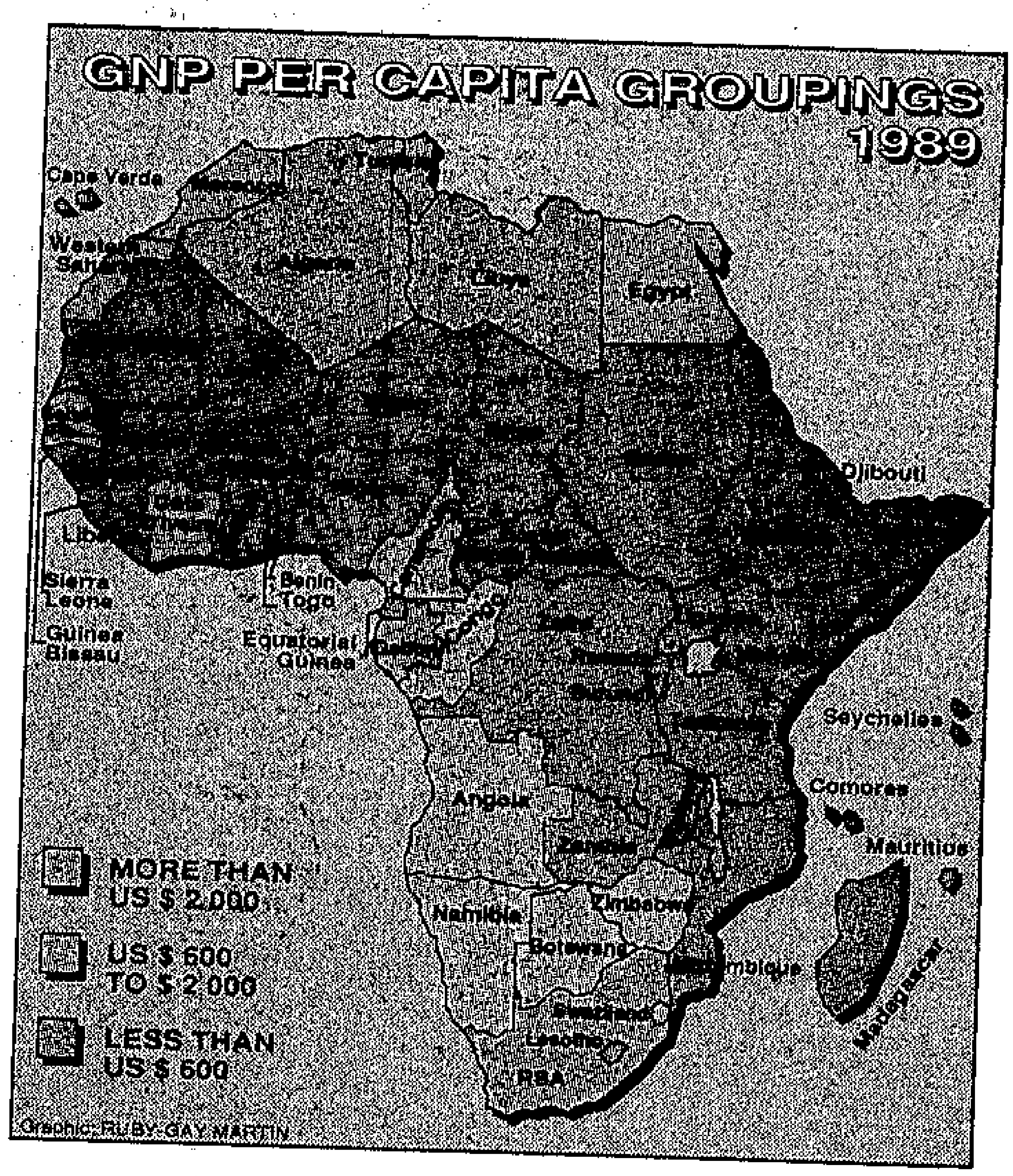
(85)

Staff Reporter

JOB seekers have been warned not to go to Mossel Bay on the basis of rumours that a Phase 2 and ethylene cracker plant is being planned at Mossgas.

Mossgas said such a phase had never been planned.

Parties outside Mossgas are investigating an ethylene cracker project. But it is only a concept at this stage.



Graphic: RUBY-GAY MARTIN

Eskom looks at new plan to light up sub-continent

BDay 19/2/93. (55)

ELECTRICITY is an essential ingredient to meaningful economic growth, as it is only when people have access to reliable, safe and affordable energy that they establish and build manufacturing and exporting enterprises, says Eskom CE Ian McRae.

In line with this reasoning Eskom, together with other African electricity supply companies, has begun working on a plan to link many African countries on a single network of electric power lines.

The basis of the African grid, as explained in a statement from Eskom, is to harness the huge hydroelectric potential which exists on rivers such as the Zambezi and the Zaire. It would provide industries throughout Africa with some of the cheapest electricity in the world giving them a competitive boost in export markets.

At present Eskom has more generating capacity than it needs and is exporting electricity to other countries. In the future, however, as SA's electricity needs increase, the grid will give Eskom access to electric energy without it having to build its own power stations.

Another important factor which underlies the grid concept is the current crippling drought: without sufficient water to drive hydro schemes, several countries are experiencing severe energy shortages. An example is Zimbabwe, whose future options include new hydro schemes or links with Cahora Bassa or Eskom's network.

Carries

A low-capacity link from Eskom at Messina into Zimbabwe's network at Beit Bridge has already been in operation since October 1992. It carries about 40 megawatts, leaving a shortfall in Zimbabwe of about 200 to 300MW.

The statement says that new hydro schemes in Malawi and Angola are well under way, while possibilities are being explored in Namibia, Zimbabwe and Zambia.

In 1991, Eskom sold power to all its neighbours.

Engen now has active oil exploration programme

WHILE Engen is changing its old Mobil stations to the new Engen brand name, it has no plans to alter its Trek and Sonap labels.

Says Engen chairman Bernard Smith: "While the industry is regulated, as it is at the moment, it pays us to keep a number of brands becauseit affects the location of service stations."

At the same time, the company has, as part of its cost-cutting programme, rationalised administration and brought the organisation of the three companies under one umbrella.

Upstream

Smith says Engen's business does not have the balance it would like. It has no upstream production nor does it have any significant downstream activity.

"In the context of moving upstream we have a very active exploration programme. It is small by the standards of the major world fuel companies, but large enough for us. We are participating in exploration in West Africa, and we have a stake in the North Sea, as well as an option on Gencor's interest in those fields."

Engen's investigation of oil production shows it is not necessary to have large-scale involvements in order to be successful.

Says Smith: "You can have a small stake in several operations and be highly successful, without challenging the spending habits of the majors.

"We are finding that in West Africa, particularly, the majors are anxious to have us involved in the programme. It helps them spread the risk. We come in as a minority partner but have the benefits of the majors' expertise.

"There is a lot of money to be made in oil production in selective operations."

Engen would also like to expand downstream into the petro-chemical sector. However, it has a cautious approach and is determined not to invest unless it is able to identify a definite niche opportunity.

Says Smith: "We do not want to become involved in the scramble for chemicals which is causing problems in the industry."

Partnership

He does not discount the possibility of forming a suitable partnership with an existing member of the petro-chemical industry.

While Sasol produces slightly less than half of SA's fuel consumption, there is unlikely to be any expansion of its production capacity in the future.

For this reason all future expansion will take place in the traditional crude oil refineries in SA.

Says Smith: "Growth will occur in refining imported crudes. We see a big opportunity and are expanding our capacity.

"North of our borders, there are very real opportunities for Durban-based refineries to supply refined products further north.

"There are refineries in central Africa but they are too small to be competitive.

"Volumes are small at the moment but the potential is enormous."

Deregulation of the industry could also result in the introduction of self-service stations.

"We are prepared for that. All new stations are equipped to be able to handle a self-service environment." says Smith.

"However, the concern is that if self-service is introduced, large numbers of people would be retrenched and this is not the time to be doing that.

"For this reason I would not see deregulation taking place in the near future."

Smith sees environmental issues gaining increasing significance in the future. He says there is currently an uproar in the US about leaking forecourt tanks.

Says Smith: "The industry is putting a lot of effort into ensuring tanks have not leaked and cleaning up any spillages that might have occurred."

Facing the industry in the future is the introduction of unleaded fuels. However, this should pose little difficulty for the local industry as the technologies and techniques required have long since been developed overseas.

BERNARD SMITH

Enertek has some irons in the experimental fire

The CSIR's energy division, Enertek, is investigating the technical and economic potential of briquetting reconstituted solid fuels and compacts from fine materials.

Its recent work in this field includes the briquetting of minerals and other metallurgical products where higher additional value is possible than in the field of coal.

Optimise

The division has also developed a programme aimed at optimising coal preparation plants to maximise profits. This entails the analysis of coal samples in Enertek's analytical laboratory and then simulating the coal preparation process for that specific type of coal.

The technique is a considerably more cost-effective method of optimising the process than experimenting in an actual plant.

In the field of electricity, Enetek is working on the development of sulphur hexafluoride current transformers for Eskom. The technology will replace oil/paper insulation techniques used in existing transformers which pose a danger of explosion or leakages which could harm the environment.

Enertek is also involved in one of the fastest growth areas of the international fuel arena — developing environmentally friendlier transportation fuels.

Using such fuels cuts out undesirable emissions from exhaust systems. It also leads to lower evaporative emissions associated with the handling of transportation fuels. This is of particular concern when vehicles are being filled with fuel.

Unleaded fuel is an example of the changes taking place in fuel technology, and production is due to start in SA in the near future. The fuel permits the use of catalytic emission control devices which cannot function when lead is present. Another area of Enertek interest is diesel with a low sulphur content.

The development of these fuels necessitates some changes to the manner in which the crude oil is refined. Incorporating oxygen containing components, at the level of several percent, into the fuel is one way of obtaining the octane boosting affect of lead.

Additives

A fuel ether such as methyl tertiary butyl is an example of such additives, and plans are being made to increase world production to satisfy expected demand in the 90s.

Enertek is aslo developing technologies to assist in the manufacture of fuel ethers. Its work is aimed at designing process catalysts on which new refining operations will depend.

Enertek's fluidised-bed facility demonst... ates processes such as combustion an...

New technology is the name of the coal game

THE coal mining industry in SA has changed enormously over the past 20 years — from being a labour-intensive industry, technology has become increasingly important.

Anglo American Coal chairman Dave Rankin points out that in order to remain competitive, mining companies are increasingly moving to the use of capital intensive methods of mining which, in general, result in a higher percentage extraction of the in-situ coal.

Opencast

For example, most opencast mining operations employ large drag-lines. Each drag-line weighs around 3 500 tons and costs aboutR100m.

Underground, continuous mining or longwall mining techniques — or a combination of the two — are used.

The workforce in the industry has become more sophisticated and has en-

However, wage increases are still tending to follow inflation and, with other costs affecting the industry also rising, margins have been squeezed as coal prices on the world market do not accommodate the higher production costs.

Rankin says SA inflation is a concern to the whole industry as, in general, cost increases in SA are higher than those experienced by SA's other international competitors.

To an extent, the negative effects are counterbalanced by the higher rand price earned on coal exports due to the weakening of the rand/dollar exchange rate in recent times.

Rankin says higher production costs and a low coal price place considerable barriers in the way of new entrants into the industry.

Given the obstacles to expanding capacity in the coal industry, he has some doubts as to whether a new coal terminal proposed for

is difficult to visualise such investment against the background of current coal prices."

Amcoal is also concerned about the impact of an additional 10-12-million tons of coal on the world market.

He says it could have a significant effect on the world price.

Doubled

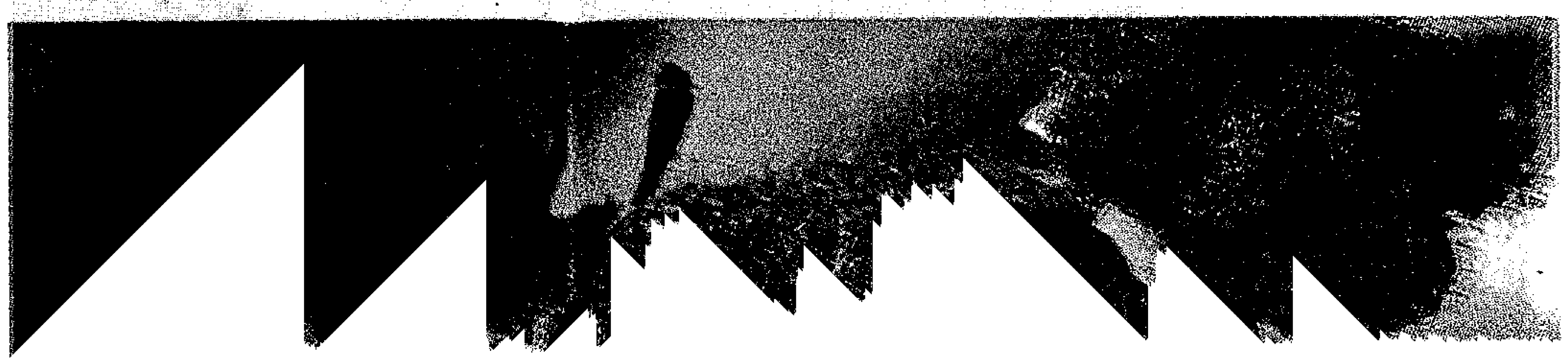
There is some evidence to support this concern. For example, Australia doubled the tonnage of its steam coal exports over a five-year period. However, its total dollar earnings for the period remained the same.

Says Rankin: "It is going to be a matter of fine judgment by all exporters and potential exporters as to when, and the rate at which, SA should increase its exports."

Such a decision will have to be taken against a background of events in the industry around the world.

'I can see clearly now' Sung by J. Nash. 1978

Gone are the dark clouds
that had me blind
It's gonna be a bright,
bright sunshiny day.



joyed substantial wage increases in recent years. However, as in all SA industries, workers have been faced with high levels of unemployment and a need to control wage demands.

Richards Bay will go ahead.

"If people have the money and the confidence to invest in a new terminal it will probably be constructed. However, at this stage it while a higher coal price would make local producers more inclined to expand production or open new mines, overseas producers would be similarly attracted.

BP gets linked to the power of the sun

A FLICK of a switch, power and light at a person's fingertips — so easy to use and even easier to take for granted.

However, there are places so remote that connection to the main electricity network is not cost justified.

One answer is to harness the power of the sun. Solar energy systems are slowly gaining ground in SA. International oil company BP is one of the leaders in this alternative energy field through BP Solar South Africa, which was established in 1986 originally as a pilot project designed to assess the market and applications in the region.

Force

The company will be linking up with Grinaker Systems Technologies this year and plans to become the major force in SA's solar power industry.

The main target for the company's interest are the remote regions.

BP Solar first launched its solar lighting/television package called Telelite in 1987. The system has proved popular and is employed in a variety of applications, from rural or township dwellings without electricity to caravans, game lodges, and forest stations.

Successful

Several farmsteads in the Cape's Victoria West area operate entirely off solar equipment, powering fridges, televisions, microwaves and drilling machines.

Another successful application has been the SOS telephones on SA's freeways.

Cutting cost of electricity a major goal

THE cost of electricity has a direct bearing on a country's standard of living and the ability of its industries to compete in world markets.

The main costs facing a power supplier are fuel, operating costs including salaries, and servicing debt. In Eskom's case the three are almost equal.

Eskom's fuel costs are low by international standards because it has maintained a policy of siting its base-load stations on top of the coal fields that supply them. It addition, the coal market is depressed and this has further served to contain costs.

Eskom's borrowings have traditionally been high because of the capital-intensive nature of the business, the need to import large and expensive plant, and foreign restrictions on imports of plant and capital. A modern power station, at about R8bn, is a massive capital investment so it is hardly surprising that Eskom's debt totals about R27bn.

Eskom cut its costs the most by controlling its operating costs, the major portion of which is salaries and wages.

Since 1986 the company has been pursuing an intensive campaign of cost cutting which has seen annual cost increases drop to an arithmetical total of about 14% below inflation.

The company has made a public commitment to achieve an arithmetical 20% total drop in the real price of electricity between 1991 and 1996. The company has also reduced its staff from 66 000 to 40 000 over the past six years.

Eskom is constantly reviewing every facet of production in an effort to attain greater levels of efficiency.

Research is being conducted into generating and transmission methods, and developing "appropriate" technology for bringing power to Third World dwellings at a reasonable cost without sacrificing safety or efficiency.

The measures also include stricter cost controls, zero-based budgeting, restructuring the organisation, constant efforts to resolve problems such as service-fee boycotts, and it is researching more efficient methods of revenue collection.

Eskom estimates its expenditure over the next five years will total R2,4bn and it will take decades to recover these costs through electricity bills.

Increase

Eskom's electrification programme will increase the number of household users but the additional volumes supplied are not expected to have any significant effect on costs. Households are low-volume electricity consumers and only 14% of Eskom's production goes to domestic users.

The company says even if every home is provided with electricity, this will only consume another 2 000 to 3 000 megaWatts. Eskom has surplus capacity of about 10 000 to 12 000mW, so additional domestic users will not greatly improve its asset usage.

Despite efforts to resolve difficulties over service fee boycotts, bad debt remains a serious problem — in 1992 it totalled R380m or 1,3% of revenue. However, its negotiation efforts are bearing fruit in places such as Vosloorus and Katlehong, where Eskom has taken over the management and running of the system. Where this has occurred, the improved service has encouraged many users to pay and bad debt has diminished.

whole page.

(55)

Local coal consumption should not be overlooked

THE emphasis on exports in SA often results in local coal consumption being overlooked, yet it forms an important part of the industry's market.

The SA coal industry is dominated by Sasol's production for its own use of around 40-million tons a year. Coal exports accounted for around 50-million tons in 1992, and production for Eskom through its "captive collieries" added around 69-million tons.

Impressive though these figures are, Tavistock Collieries' senior marketing manager, Richard Wadley, says that, apart from Sasol and Eskom, the local market consumes an estimated 25-million tons annually — though this may be closer to 20-million tons during the current recession.

Largest

Says Wadley: "Iscor is the largest single consumer. During the year ending June 1992, Iscor used 5,1-million tons, 3,5-million tons from its own mines. It imported 600 000 tons.

"The rest of the metallurgical sector used around 1,6-million tons in 1992, including coal converted to coke and charcoal — despite sharply reduced production at most ferro-alloy plants.

"The five municipal power stations in Johannesburg and Pretoria are also substantial consumers, using between 2-million and 2,5-million tons, depending on demand and Eskom prices."

Wadley says although the cement industry operated at only 68% of installed capacity, coal consumption by the cement, lime, brick and tile sectors was around 1,6-million tons.

"Minerals Bureau figures place coal consumption by the chemical industry at 1,4-million tons each year, and "other' industries consume 2,2-million tons.

"Most of the 6,6-million tons sold to merchants and for household use was also sold to industrial consumers.

Industrial

"Therefore, it is fairly safe to place industrial consumption at around 9-million tons, with a further 1-million tons being used by the mining, agricultural, water and gas industries."

He says household coal consumption, influenced by increased suburban electrification, has declined over the past few years. Sales in 1992 were further reduced by a mild winter and the decline in disposable income in the communities concerned. As a result, sales are estimated to have been less than 1,5-million tons.

"Transport is increasingly significant in the delivered cost of coal.

"For example, in the western Cape — where consumption is around 600 000 tons annually — transport costs, mainly via rail, accounts for between 70% and 80% of delivered costs."

THE developing sector of SA's population does not have access to the national power grid.

Instead, a variety of fuels are being employed, with coal and paraffin playing the largest role in the urban environment.

As much as a third of the population, mainly in the rural areas, is dependent on firewood as their main energy resource. Traditionally, firewood has been regarded as a free resource, harvested from the natural vegetation.

However, high population densities have led to an over-exploitation of wood and overgrazing progressively results in shortages, severe environmental damage and hardship.

Estimates suggest that at the present rate, SA will be completely denuded of natural woody vegetation within the next 30 to 40 years.

Address

The Mineral and Energy Affairs Department's energy branch has been involved for some time in various efforts to address the problem.

It has been engaged in the management and financing of an extensive research, development and demonstration programme. At present, the programme is focused on assessing the nature and magnitude of the problem in order to effect sound decision making.

It sees the introduction of "social forestry" in rural subsistence farming activities as being an important element of energy provision.

The energy branch has developed what it calls its Biomass initiative, and Cabinet has approved the planning phase, which has five elements:

- ☐ Biomass assessment and woodfuel surveys aimed at quantifying the present situation.

Demonstrate

- ☐ Woodfuel production — demonstration sites representative of all the climatic regions and probable approaches are to be established to demonstrate and select successful ventures.
- ☐ The provision of critical infrastructure such as training extension staff, establishing nurseries and water supply are to be investigated.
- ☐ Woodfuel consumption management will focus on the management of the demand side of woodfuel by, for example, using fuel-efficient stoves and related biogas technologies.
- ☐ Creating awareness, education and dissemination.

The programme is expected to run over two years.

It's not all rosy as world growth 'flattens out'

AS with most SA industries, coal has suffered from the effects of the depressed local and international economies.

Anglo American Coal (Amcoal) chairman Dave Rankin says: "We are dependent on factors such as Eskom's power sales and the SA steel industry's demand.

"Last year, for the first time in decades, Eskom sold fewer units than the previous year.

"On the world market there is a surplus of coal and, as with many other commodities, the surplus has led to a lower price.

"There are a number of factors which have led to the surplus. World growth has flattened out and there has been an increase in the production of steam coal."

There are two markets for coal in the world, metallurgical and steam coal. Metallurgical coal is mainly supplied by Australia, the US, Poland and Canada — SA is not a big player in this market.

The bulk of SA coal exports are of steam coal and around 70% is used for the generation of electrical power.

The lifting of sanctions has been of benefit to the industry. However, while SA's presence in the market was reduced, other producers started exporting.

There have been other shifts in the market during this period. For example, one of SA's major customers was France — which used imported coal for power generation — but nuclear-power generation is now a major force and reduces its dependence on coal. In the past, France imported more than 20-million tons. Today its imports are around 7-million tons.

Plans to close mines in the UK have been slowed and there is greater use being made of gas to generate electricity.

SA is well-endowed with reserves of steam coal. The main deposits are found in the Witbank/Highveld area, in the Waterberg region and in the north-western Transvaal. The Waterberg is relatively badly situated and the bulk of SA's exports are sourced from the Witbank area.

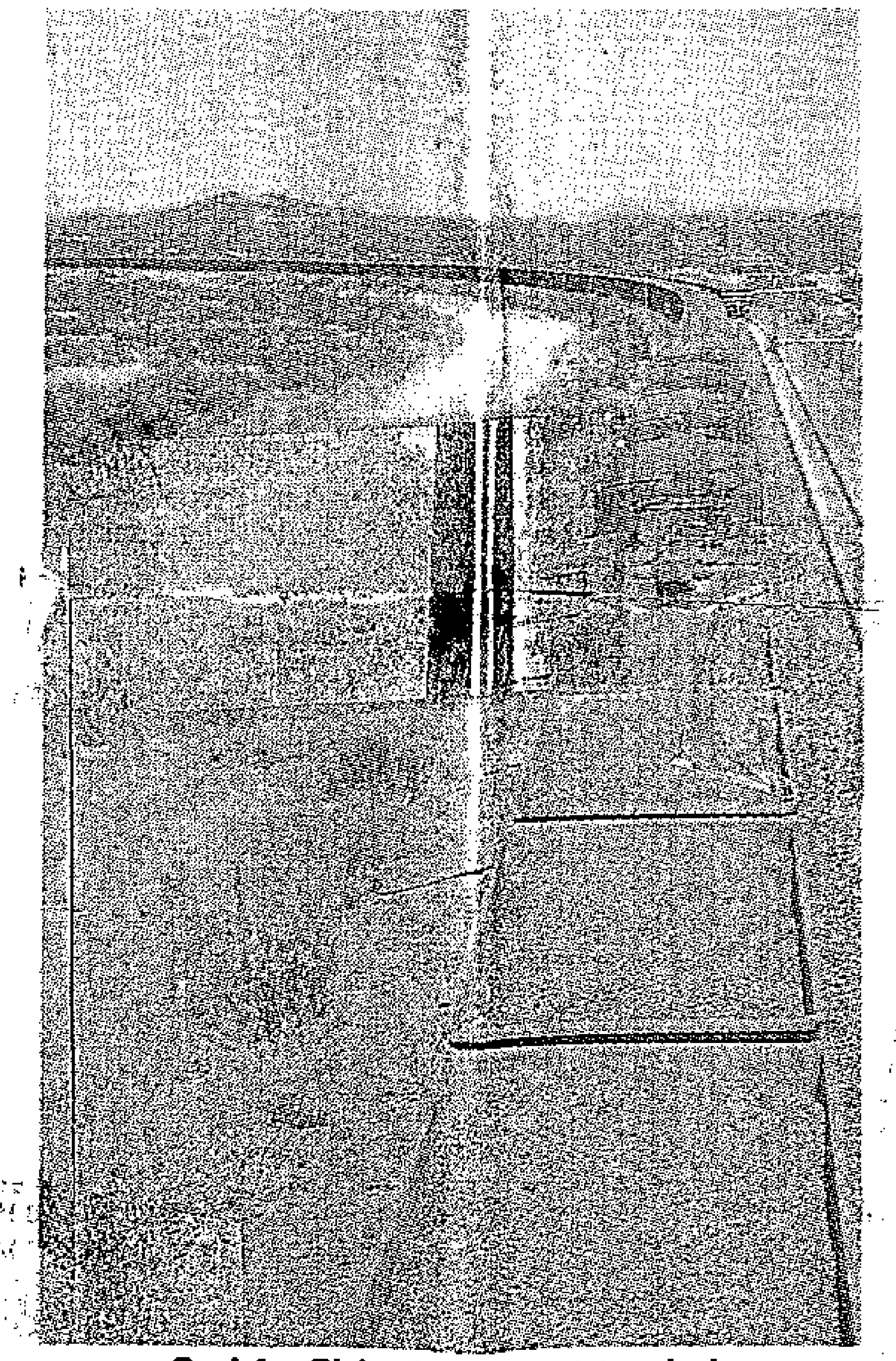
Exports form an important part of the industry's earnings. The Richards Bay Coal terminal has recently been upgraded to a capacity of 54,5-million tons a year.

Rankin says there is no doubt that the industry will use this extra capacity. Last year, the industry exported 48,6-million tons — 7% higher than the previous year, against a world industry growth of around 2%.

Rankin says this reflects the industry's successful efforts to recapture markets lost during the period when sanctions were applied. However, SA's percentage of the world market is still lower than pre-sanctions.

On the local front prospects are not rosy in the immediate future. Rankin notes that Eskom's projected growth figures have been revised downwards.

Says Rankin: "One of the reasons why SA electricity is amongst the cheapest in the world is that Eskom sites its power stations on existing coalfields, thus minimising transport costs. The coal is also relatively easy to mine."



Coal for Richards Bay export terminal.

System brings cheap power to remote areas

PROVIDING electricity to small, remote communities is a difficult and expensive business. However, Eskom has developed an approach that could make it more affordable.

The Micro-Hydro system is designed for use on small but steadily flowing rivers such as are found in KwaZulu and Transkei.

Micro-Hydro consists of a robust water-driven impeller and generator together with a low-cost power distribution system. It is designed to meet the needs of groups of dwellings so far from Eskom's power lines that connecting them to the national grid would be uneconomic. Rural lines cost about R25 000 a kilometre and many small communities could not hope to pay off the cost of a normal connection.

Technology Research and Investigations manager John Blackbeard says the strength of the system is its ruggedness.

"Once installed, it can be operated with minimal maintenance for years. In the unlikely event of a breakdown, it can be repaired by almost any electrical or mechanical technician. The initial cost is less than the expense of building power lines and the charges for electricity should be only marginally higher than mains power.

"The small extra cost is a minimal disadvantage when compared with the benefits of electricity to such communities.

Promotes

"Electric light promotes reading and studying, leading to superior education and literacy. Access to radio and television enlarges the community's frame of reference, enhancing their contact with national and international affairs.

"Refrigeration enables people to keep food for longer and clinics to keep medicines fresh.

"Electric stoves relieve people of the necessity of gathering wood for burning and, thus, reduce deforestation pressures on the countryside.

"The hours which would otherwise be spent gathering wood and fetching water are saved for productive use, reducing poverty and promoting self-sufficiency.

"In addition, the reduction in the number of fires improves the quality of the air in the dwelling and leads to improved health.

"Electricity also allows people to become economically active in ways other than subsistence farming. Particularly in times of adverse weather conditions, when crops fail and starvation is a real possibility, people can use power tools in small manufacturing operations. Women can make clothes as a source of income to supplement or replace farm earnings," says Blackbeard.

Aspect

The low-cost method of distribution is another interesting aspect of the system. Eskom makes use of its "appropriate" technology — low-cost overhead conductors supported by wooden poles, connected to simple budget energy controllers and ready boards in the homes.

Blackbeard says the technology has proved ideal for SA with its inexpensive yet safe construction and virtually no administrative cost.

He believes the new system is destined to play an important role in the development of numerous rural communities in SA.

Petit gives machine parts a new lease on life

A NEW process developed in SA is exciting interest from the international scientific and industrial community.

The process, called Petit, measures the amount of life left in machine parts — such as pipes and boilers — which are exposed to high temperatures and pressures.

Petit makes use of the fact that metals diffuse into one another at high temperatures, and the diffusion can be measured by means of an electron microscope.

The process was developed by physicists based at Eskom's Technology and Research Institute near Johannesburg. More than four years of effort have gone into development so far and project leader Joe Strydom says results are promising.

"The process involves planting miniature, bimetal 'couples' at strategic points in high temperature plants such as boilers and steam pipes. These 'couples' are retrieved later and subjected to specially programmed microscopic examination.

"The results of this scrutiny provides technicians with a detailed "history" of the component and enables them to make remarkably accurate forecasts as to the amount of time left before it fails."

The discovery has great significance for high-temperature plants around the world. Machines which are routinely replaced, at enormous cost, after a certain number of operating hours can now be tested to see whether such replacement is really necessary.

In many cases the replacement can be delayed and extra operating life gained. On the other hand the process will also mean that premature failures can be avoided.

Under licence from the developers, the process is already being used by organisations in Canada, Denmark, Japan and Britain.

Huge electrification programme under way

EXTENDING electrification in SA has been given a high priority by Eskom.

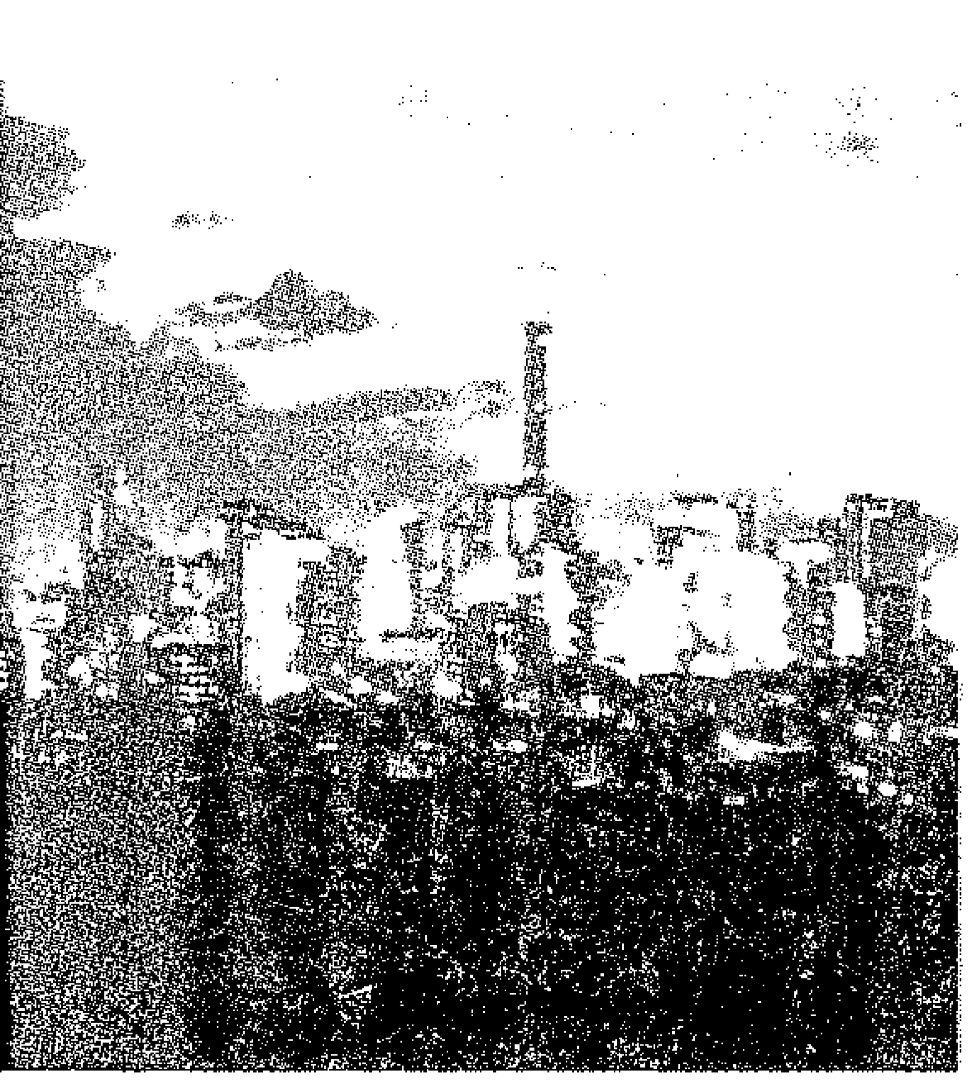
There are about 3-million homes without access to electricity. It has targeted 940 000 of these for electrification, at a cost of R2,2bn, as they fall into areas in which it has the legal right to supply electricity.

The programme, which began in 1991, is expected to last eight years. Eskom provided electricity to 28 800 homes in 1991 and about 130 000 in 1992.

The cost of the 1992 project was R420m, but Eskom says much of the expenditure went into electricity supply infrastructure and will reduce the cost of other nearby connections.

The programme's benefits go beyond the provision of power. Eskom has adopted a policy that the local community should reap as many benefits from electrification as possible and contractors are encouraged to hire people from the local communities.

Eskom's projects are scattered throughout the country. Other members of the electricity supply industry such as municipalities, local authorities, TBVC states and joint venture companies in other countries have engaged in similar programmes.



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...as no plans to offer a ...acility to the public. ...s the company would ...ere was a need. However, the cards currently issued by the banks cater for the public.

Engen has plans to open stations in other African countries.

Says Smith: "We are currently involved in talks with a view to such expansion. The scale of those countries is much smaller than SA, but we would see the scale of our operations in other African countries forming about 25% of Engen's present size."

Putting fuel costs into a proper perspective

B/DAY 15/2/93 (55)

FEW motorists watching the rands pour out of their wallets and into their car fuel tanks are aware of how the price of fuel is determined.

The petrol price is linked directly to the price of petrol in US dollars on the international markets for petroleum products. As a result, the local price is influenced by international supply and demand as well as by the rand/dollar exchange rate.

There are four main elements involved in the landed cost of fuel in SA — average product postings; freight cost: other factors such as insurance and wharfage costs.

The product postings are determined by taking an average of the FOB petrol prices posted by four international export refineries. The value of these postings reflect the purchase price for petroleum products should SA be required to import significant volumes. Since the postings are based on international prices, they are not subject to manipulation by anyone in this country.

Around 8% of the landed cost comes from shipping charges to SA, and standard international tariffs from the "Worldscale" publications are used as a base.

The other elements such as Ocean Leakage and Landing comprise a further 2% of the FOB price.

The average landed cost at SA ports is used as a base for determining the Inland Price of petrol. To this are added the following costs:

☐ Inland transport — the most economical cost of moving the product from the coast to its destination and is currently based on pipeline costs, but also accommodates road and rail, depending on the dominant method of transport to a given area;

☐ The service differential is used to compensate the industry for the cost of storing, handling and delivering products. Currently, this is 3,3c a litre;

☐ The maximum wholesale or industry margin is specified, which means the industry can give discounts but cannot charge over the controlled margin;

☐ There are a number of taxes and levies on petroleum products. The fuel tax paid to the fiscus amounts to 54,9c a litre, the equalisation fund takes 7c a litre, the Multilateral Motor Vehicle Accident Fund claims 6c a litre, the Road Safety levy takes 0,2c a litre, and customs and excise duty accounts for another 4c a litre.

The fuel price is calculated daily, but to adjust the price each day would be a major inconvenience to both retailer and consumer. For this reason a mechanism called the "Slate" was created. It is designed to absorb minor variations and avoid unnecessary short-term price adjustments.

Any overcharge (over-recovery) or undercharge (under-recovery) is credited or debited against the "Slate". These charges accumulate to create a positive or negative balance.

The cumulative "Slate" balance is adjusted by effecting or delaying a price change, or by a payment from the equalisation fund.

For example, in December 1992 the landed cost of 93 octane petrol was 50,481c a litre. A pump price of 159c a litre meant a loss or under-recovery to the oil industry of 5,739c a litre, despite an increase on December 10.

This under-recovery, multiplied by the actual volumes sold during the period after the price increase, is debited against the "Slate".

Looking to change the blue pump agreement

(55)

THE single blue Sasol pump found at most service stations could become a thing of the past.

The arrangement in terms of which Sasol has a single fuel pump in many stations dates back to the 1950s. Sasol Oil MD Danie de Villiers says the agreement was conceived in an environment where most of the petrol stations were privately owned and oil company involvement was limited.

Says De Villiers: "The stations were marketing all the brands from the same forecourts — they were multi-brand stations. Later the oil companies were allowed to own or have contracts with the stations and single brand stations became the norm.

"Almost half of the stations today are owned by the oil companies and the bulk of petrol sales passes through these stations.

Difficult

B/DAY 15/2/93

"It has become very difficult to market on someone else's forecourt. There is the will to make the system work at a senior level in the oil companies, but this breaks down further down the ladder. The time has come to review the situation and renegotiate."

The amount of Sasol fuel marketed through the blue pumps is about 8% of Sasol's production. The bulk is sold directly to the oil companies.

De Villiers does not see the supply agreement governing the bulk of Sasol's fuel to the oil companies falling away. However, he does see a time when Sasol sets up its own-fuel stations. Sasol believes it must retain a product profile of its own, rather than marketing its production through the oil companies.

However, single brand Sasol stations will be subject to negotiation as Sasol is prevented by existing agreements from starting its own stations.

Strict control ... costs to a min...

EVERY aspect of SA's petroleum industry is subject to strict government regulation. However, the Department of Mineral and Energy Affairs (MEA) says this control is to the benefit of the industry, consumers and the country as a whole.

The MEA points out that the oil industry's vertical integration is the result of a long chain of highly capital intensive installations — from prospecting to the distribution of the end product. No oil company is prepared to make investment decisions without sufficient market security and a stable profit margin.

Although there are many private entrepreneurs involved at retail outlets, the oil industry controls most of these by means of single brand marketing contracts.

The MEA says the present structure ensures opportunities for the small businessman, job opportunities and the availability of fuel at reasonable prices throughout the country and adjoining states.

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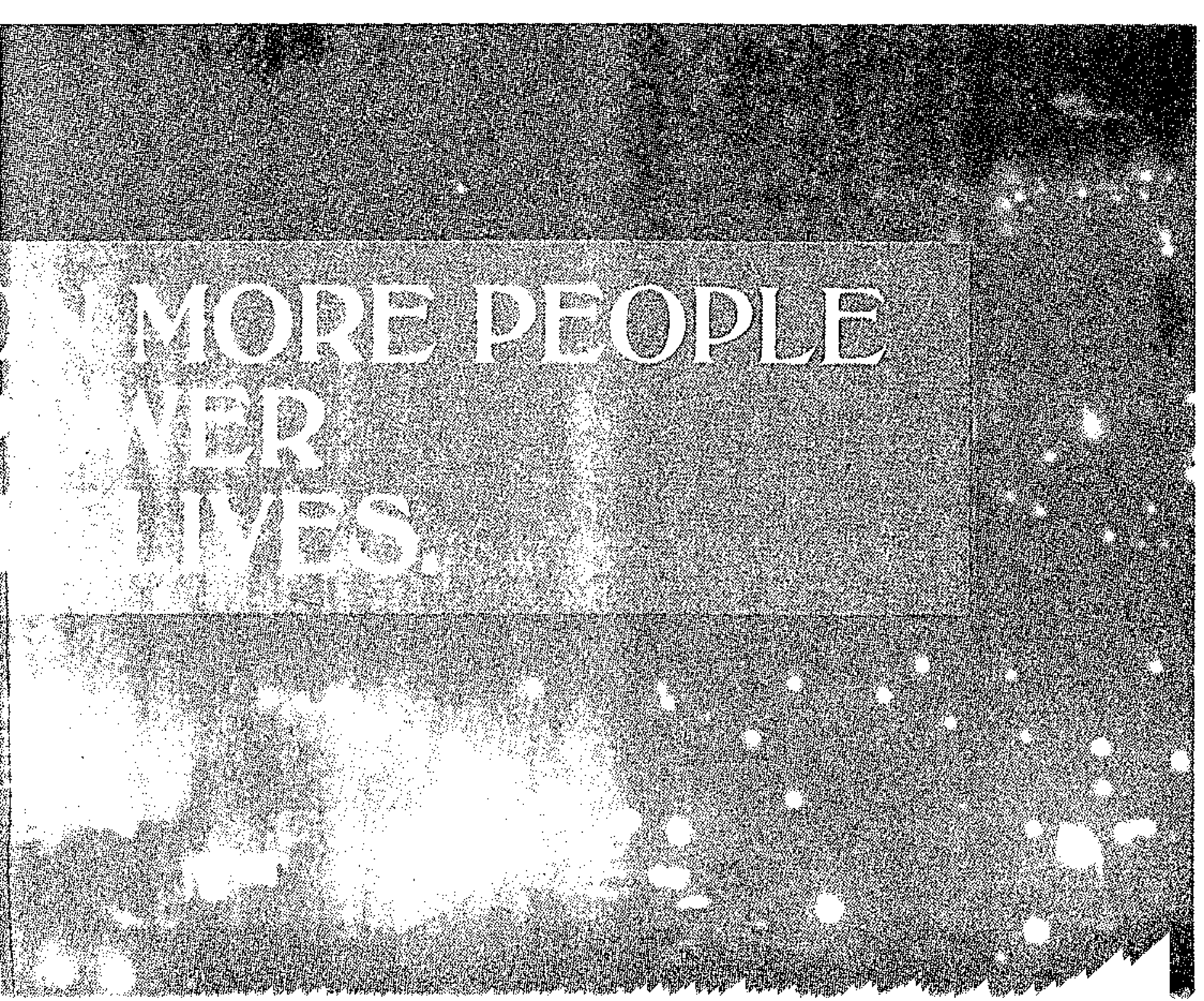

Coal products still play a major role

(215) B/DAY 15/2/93.

THE current coal surplus on the world market has kept prices low, but long-term future prospects look better.

Anglo American Coal's (Amcoal) Dave Rankin says SA coal exports should continue to grow at a moderate rate.

Rankin sees Europe and the Far East as the main growth areas. The Far East is expected to expand its coal-based power generation as reducing European coal-mining operations increase demand for coal imports.

Environmental issues are expected to impact on the coal industry, along with all other hydro-carbon fuels.

However, Rankin says, the main growth areas in terms of coal consumption show signs of maintaining their reliance on coal-based power generation.

Annual consumption in China is now in excess of 1-billion tons of coal. China was seen as a possible net coal exporter, but its own internal consumption is such that it is no longer a potential exporter of note. The possibility even exists that China might import coal in the long-term.

Spot prices of coal are around US$24 a ton of coal FOB Richards Bay, though the local industry believes US$30 is the level required to offer a reasonable return.

TRADITIONALLY, the fuel industry grows at twice the rate of the rest of the economy. However, with the lack of growth in the economy, fuel has been in the doldrums.

Engen chairman Bernard Smith believes this will change, with an inevitable, slow increase in the price of crude oil.

Says Smith: "The Middle East has a lot of capital spending to do if it is to supply the volumes of oil needed to meet growing oil consumption. They must have sensible oil prices to make these investments.

"However, we do not expect major increases. Instead, prices should show a slight real growth.

"Industry experts are predicting a price of $21 a barrel for 1993.

"Opec has to get back together. Some of its members are hurting badly," says Smith.

However, he says there is concern about Iraq rejoining the world's producers, which has depressed the price.

In theory, a significant fall in the oil price would result in a reduction in the fuel price.

However, Smith says: "In practice the factor which influences us most on a daily basis is the refining margin. This depends on the availability of fuel in certain areas and the availability of refining capacity.

"At the time of the Gulf War, refining margins went through the roof. All of the light crude which was coming out of the Middle East stopped. There were few refineries capable of refining the heavier oils that were available.

"In effect, refinery capacity was cut."

B/DAY 15/2/93.

No fireworks, but oil p... expected to rise in lon...

Forced

In the sanctions environment, SA was forced to seek oil supplies in under-the-counter-trades. While the situation has not changed officially, it has in reality.

Smith says: "Initially we paid a very high premium. However, in recent years the price difference has been insig...

Diesel ... significant ... but is not ... of falling ... commerce...

Smith sa... tion of d... was used b... political c... to a slump...

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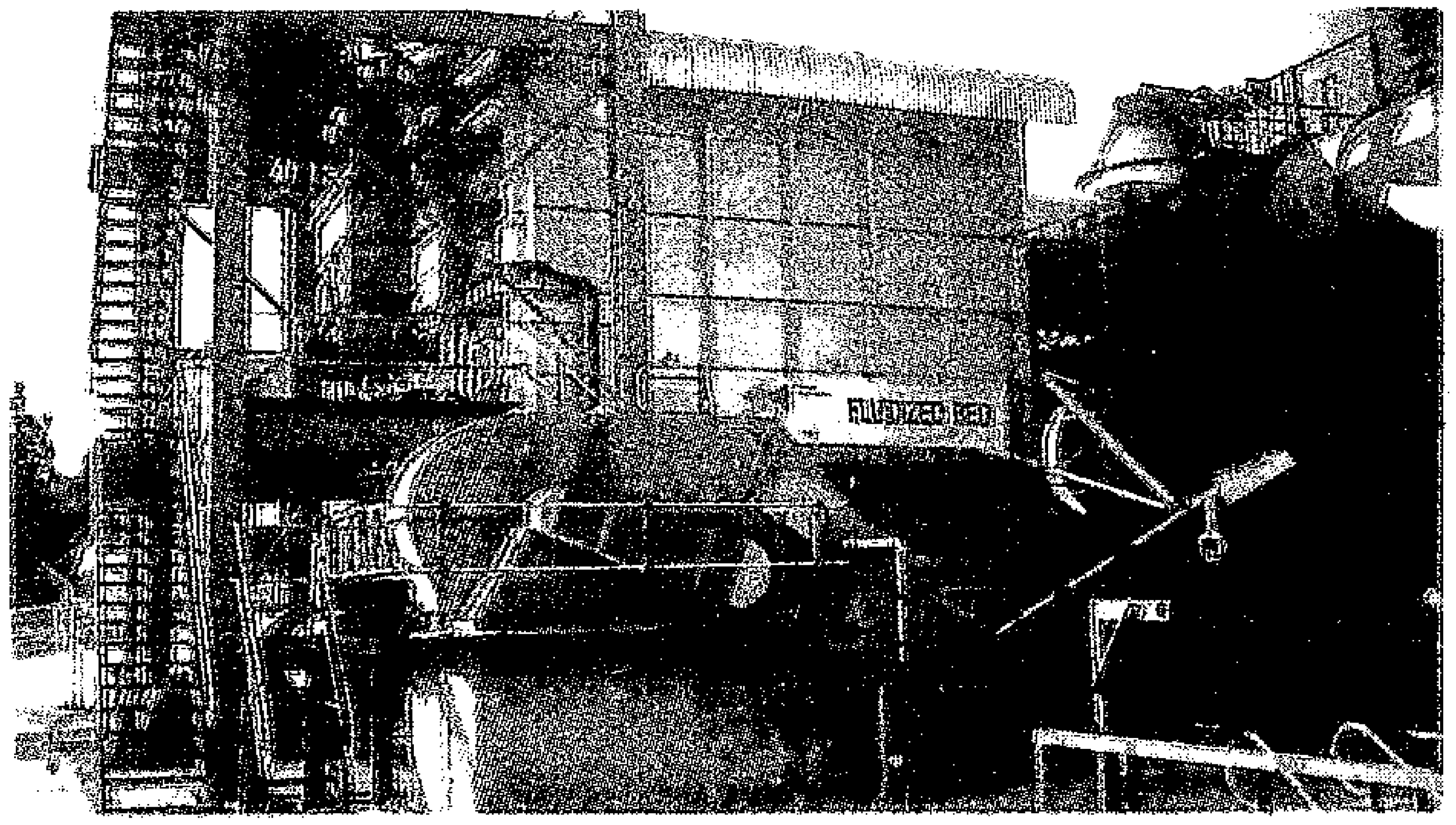
(55)

ßusiness Day
SURVEY

ven the current crude oil prices it akes no sense for Sasol to build other plant. So while the company ntinues to make synthetic fuel, it is nverting an increasing amount of its nthetic streams into higher value emicals. **ANDREW GILLINGHAM** ports.

ERTEK, the CSIR's ision of energy techno-y, is deeply involved in ustry-orientated re-rch and provides pro-ts, processes and ser-es mainly in the fields of l, electric power and micals from feedstocks. The coal side of the ration is the largest. rdly surprising when the ential benefits of such earch are considered. n estimated 200-million s of discards and coal s are heaped near al-



Slagment's fluidised-bed hot-gas generator in Vanderbijlpark is an example of the industrialisation of the CSIR's fluidised-bed technology.

Enertek deeply involved in research

most 100 collieries in the Transvaal and Natal. The dumps are growing at a rate of 20 to 30-million tons a year and represent about 17% of 213-million tons of coal mined in SA annually.

These dumps represent a vast amount of untapped energy and cover large areas of potentially productive land.

Enertek's Process Park in Pretoria West carries out extensive research and development in the fields of fluidised-bed combustion, fluidised-bed gas generation, fluidised-bed dryers, agglomeration, and fine-coal beneficiation.

The division has been involved in waste incineration since 1982, when the CSIR was awarded a contract by the Mineral and Energy Affairs Department to demonstrate the suitability of fluidised-bed combustion for using duff coal. Since then the National Fluidised-bed Combustor at Process Park has been used successfully for combusting duff, discards and coal slurries. Organic sludges, wood waste, and even discarded personal computer boards have been incinerated.

Enertek designed and constructed an FBC hot-gas generator for an industrial client and the system has been running successfully for the past three years. In 1989 the plant won Enertek one of the SA Institute of Mechanical Engineers' four awards for its expertise in the plant's design, installation and commission.

Enertek has successfully applied its FB technology for a client wishing to incinerate aqueous waste containing up to 80% water.

Sasol diversifies to a potent chemical mix

WHILE Sasol is perhaps better known for its production of synthetic fuel from coal, a large portion of its business is in the petro-chemical industry

For some years the company has been moving its emphasis away from synthetic fuels into, particularly, chemicals. It is converting an increasing amount of its synthetic fuel production stream into higher-value chemicals.

Sasol Oil MD Danie de Villiers says this does not mean the company sees a point at which it will not be involved in the synthetic fuel industry.

"We have invested billions in various projects to convert our synthetic streams into higher-value chemicals, and this has made some dent in our synthetic fuel production," says De Villers.

"However, I cannot see a situation in which we would not make any synthetic fuel, it will always be an important part of our business.

"What the change in emphasis means is that we do not intend to increase our synthetic fuel production. It does not make sense at the moment to build another Sasol plant, given current crude prices, as the investment is too high to be economically viable.

"The capital has already been spent on the current plants and the majority of the loans repaid. As a result, costs are limited to operating expenses.

"In time the contribution made by the chemical side of our business towards company profits will increase. Chemicals currently account for around 30% of our profits. Over the next few years this will probably increase to around 50%."

Current crude prices reflect the justification for Sasol's shift in emphasis.

De Villiers points out that there is a lot of crude available in the world and, in addition, the Western nations have adopted a number of fuel conservation measures. Although these economies have growth, the energy component has levelled off and future demand for crude is expected to remain flat.

Growth

However, substantial growth is expected from nations such as Thailand, Korea and other fast-growing countries in the Pacific Rim. As a result, world consumption is expected to grow by between 1% and 2%, and there is enough crude available to satisfy this demand.

Says De Villiers: "There is no expectation of the crude price going sky-high. An increase is expected but, in real terms, this will be gradual.

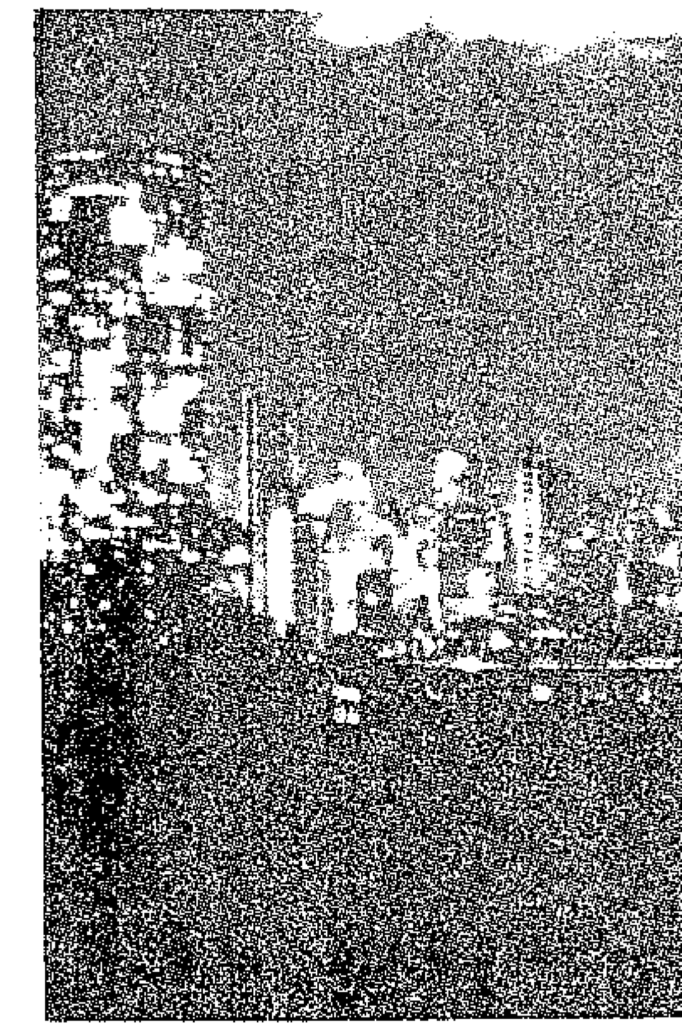
"The main influence on crude prices is likely to be political. It is not inconceivable that there will be upheavals in the Middle East, where most of the crude comes from, and prices could skyrocket.

"Even so, this would probable be for only a short period."

Against this scenario De Villiers does not see a further Sasol synthetic fuel plant based on coal becoming viable before the end of the century.

In the synthetic fuel process, a gas is extracted from coal and liquids are produced from the gas. It is this section of the process — which reduces the gas to liquids —where the bulk of Sasol's technology lies.

De Villiers says: "There is considerable interest in these developments from countries considering making liquids from natural gas.



Electricity ... li

Diesel credit c

DIESEL credit cards supplied by the major SA oil companies are becoming an increasingly important factor in the industry.

The cards are aimed solely at companies with transport fleets, and not the public.

Engen chairman Bernard Smith says: "From our point of view it is going very well. We are ahead of the game and people are coming to us for that reason.

tra usi bil co mo str sin Sm do

Tanker industry 'a disaster'

LONDON — Aging, poorly run ships, ill-trained crews and poor navigation are giving the tanker industry a bad name.

While worldwide tanker losses dipped slightly in 1992 from 1991 levels, 1993 is off to a terrible start: tanker-related oil spills in the Shetland Islands, Indonesia and Estonia, along with one in Spain in December, have prompted inquiries and calls for stiffer regulations. Three of the accidents were believed to have been caused by navigation errors.

Of the world's tankers 20% are considered unsafe, yet they continue to operate in global sea lanes that are largely unpoliced. Cut-throat market conditions, shoddy operators and scant international regulations add to the strain on a system that moves 2-billion tons of oil and petroleum products annually.

With the exception of the US, where punishing liability laws imposed after the 1989 Exxon Valdez disaster seem to have shocked shippers into tougher safety standards, the world's tanker lanes are growing more perilous.

Many of the seafaring states with the worst safety records over the past five years — Panama, South Korea, Malta, Cyprus and the island nation of St Vincent among them — are the very flag states whose total fleets, tankers included, are expanding.

The proliferation of these "flags of convenience" — ships registered in Third World countries by owners seeking to avoid the higher taxes and more stringent regulations of most Western maritime powers — implies "a continued deterioration" of worldwide shipping accident rates, says the London Underwriters' Institute, a marine-insurance consortium.

Furthermore, the quality of international seamanship has slipped markedly in the past decade, in part because there is no global oversight of the accreditation of the world's seafarers. "Considering the very sophisticated navigational aids now available the number of tanker collisions points to poor crew standards and lack of training," an institute report says.

The nominal traffic cop of the seas, the UN International Maritime Organisation, has spent decades promulgating tanker standards and safety regulations now endorsed by 99% of the world's seafaring nations. Yet it concedes it has no real power to punish member states that chronically flout the law.

The US, despite perceptions left over from the disastrous Exxon Valdez spill, is viewed as the bright spot in an otherwise gloomy global picture, and it could prove to be the model for other accident-weary nations. In 1990, dissatisfied with the UN body's progress in raising the liability limits for tankers involved in oil spills, the US pushed ahead with the Oil Pollution Act.

The Act raises the liability for supertanker owners to about $100m from about $14m under IMO regulation. The US has not had a major spill in the past two years.

The 12-nation EC is considering strict new safety rules, including a requirement for double-hull tankers in line with the US timetable and provisions that could put certain areas, important to fishing, wildlife and tourism, off limits to tankers.

The EC is also considering creating a tanker registry to keep tabs on the quality of ships using EC waters while weighing an outright ban on ships older than 15 years.

At least 20% of the world's tankers are what one London maritime consultant calls "floating garbage-ships simply not fit to be plying the trade". While BP flunked 30% of the ships it inspected last year, other major oil companies fret that the number could be even higher. Elf Aquitaine, the French oil concern, says two thirds of the tankers it put through its own rigorous risk analysis in 1992 flunked the test.

Owners are reluctant to scrap unworthy ships. The underwriters' institute says it refused to insure 85% of 133 ships it inspected in 1992 after finding serious structural problems. Yet few of those vessels underwent repairs, and only three were sent to the scrap yard.

The glut of aging and substandard tankers is continuing to depress charter rates. This in turn deprives the industry of the necessary return on capital to rebuild the aging fleet. The underwriters' institute estimates that 54% of the world's 3 200 tankers were more than 15 years old in 1991; those same tankers accounted for 76% of all tanker losses that year.

The current spot ..arter rate for a 280 000-deadweight ton tanker is about $20 000 a day. Yet analysts estimate that rates of $50 000 to $60 000 a day are needed to justify spending the $100m it costs to build a new tanker.

Most of the world's busiest tanker passages are unguarded by tug escorts that could rescue a tanker in trouble. The causes: squabbling among countries, industry resistance and the vagaries of international maritime law.

As experience in the crowded strait of Malacca, between Indonesia and Malaysia has shown, this often leads to disaster. Critics say other spots — the English Channel, the Strait of Gibraltar and the Bosporus Strait in Turkey — are disasters waiting to happen. — AP-DJ.

Wool farmers squeezed

WELLINGTON — Tumbling wool prices have caused New Zealand's wool board to take the unusual step of telling farmers to keep their fibre back from the auction rooms.

"Wool prices at auction do not reflect what overseas buyers are prepared to pay," board CE Grant Sinclair said on Friday.

"The board is, for the time being, telling farmers to keep as much wool on the sheeps' back, or in the wool shed, as they can."

The board is the key marketing agency for farmers.

Prices fell 5% at Thursday's wool auctions to a new seasonal low. More than a third of the offering failed to reach reserve prices.

And Australia is suffering an even steeper fall in prices.

Council of Wool Exporters executive manager Bill Carter said the problem was compounded by the quantity of wool being reoffered, which at earlier sales failed to meet reserves. — Sapa-AFP.

Ukraine privatisation begins

Own Correspondent

LONDON — The Ukraine is to push ahead with the privatisation of several of its largest enterprises in a bid to attract more Western capital to the country.

The first sale expected in the next few months will be of a transport company Ukrrechflot, which operates cargo and passenger vessels on the rivers Dnieper and Danube and in the Black Sea.

Ukrrechflot consists of up to 20 different businesses which are being split up.

Negotiations about speeding up the Ukraine's reform programme are to take place during the visit of President Leonid Kravchuk to London, which began last week.

The European Bank for Reconstruction and Development said it had identified 10 enterprises for a privatisation shortlist. All will need Western capital to develop.

They include: a former manufacturer of aircraft carriers which is being converted into a shipyard for double-hulled tankers which meet new environmental standards for transporting oil; an enterprise which used to make electric meters for military use and now has two production lines working to produce coffee grinders and food processors and the Antonov aircraft works on the outskirts of Kiev which is talking to Western clients about co-operating on civilian aircraft manufacture.

Ukraine was the site of many of the Soviet Union's largest military installations. It still boasts the communists' biggest rocket factory, although there are no plans to sell that asset. — Daily Telegraph.

Swaziland to develop new investment code

BIDAM 15/2/93.

MBABANE — Swaziland is developing a new investment code to help attract investors, Commerce and Industry Minister Barnabas Mhlongo said last week.

The idea was to bring into one format regulations ranging from labour laws to tax incentives, he said in an interview.

"It is the creation of a one-stop investment office to simplify the process," Mhlongo said.

Experts from the UN Industrial Development Organisation have submitted an initial report on industrial and investment policy, which the Swazi ministry is studying before drafting the code.

Mhlongo said the ministry had created new schemes to encourage growth in the small business sector in a country heavily dependent on agriculture. He said the citrus, forestry and sugar industries had been hit hard by the 1992 drought, which was extending into this year.

"These industries are labour intensive and have had to retrench," he said.

Finance ministry officials said GDP was projected to fall 2% in 1992 from 2,5% growth in 1991 and 9,8% growth in 1990.

They said the key agricultural sector's contribution to GDP had tumbled to 16% from 20% last year as a result of the drought.

Some Swazis feared SA's re-emergence on the world scene after the apartheid years could have an adverse economic effect on Swaziland, which had benefited from companies seeking to invest in the region without political problems.

However, Mhlongo said he believed that in the medium to long term "the demise of apartheid is going to have a very positive effect in Swaziland".

"We believe that if there is political stability in SA, trade in the region will not be disrupted, bearing in mind that SA is our biggest trading partner," he said.

Swaziland gets about 80% of its imports from SA, including goods moving through the republic, and exports 70% of its products to SA with 40%-50% of the exports remaining there.

Mhlongo was enthusiastic about regional co-operation, saying it was "urgent" that SA joined regional groupings like the 10-nation Southern African Development Community as soon as a democratic government was in place. — Reuter.

Cash available to fund expansion

BDay 18/2/93

MBABANE — Swaziland's Central Bank governor James Nxumalo says the country has adequate cash to fund economic expansion he hopes will take off late this year or early in 1994.

"There is much more liquidity than the banking sector can absorb through lending to the private sector. We have more than 100-million emalangeni ready for lending to the private sector, which is more than adequate for quite a while," he said in an interview this week.

"I think we'll go through a rough time in 1993, but in the longer term I'm optimistic. I hope there will be an (economic) upturn, possibly towards the end of this year or early next year."

He said there was some concern over the projected 1992/93 budget deficit of about 100-million emalangeni after four years of surplus. However, gross reserves were "quite healthy" at around 1-billion emalangeni at the end of December — equivalent to about six months' imports.

Acting Finance Minister Solomon Dlamini said the government was budgeting for a deficit for the 1993/94 fiscal year starting April 1 due in part to recession and drought.

But he expected to keep the deficit within bounds through strict controls on government spending. The deficit was being financed out of government reserves.

Nxumala said the broad-based money supply M3 had grown 19,7% in the year ended last December compared with 13,4% in 1991.

Nxumela said the Swazi currency was closely tied to the SA rand within the common monetary area. — Reuter.

SASFIN ASSET SECURITISATION LIMITED

(Registration number 91/02706/06)

Notice to holders of unsecured compulsorily redeemable asset-backed floating rate debentures due 2011

Interest rate

Notice is hereby given that the interest rate payable on the debentures for the period 15 February 1993 to 14 May 1993 shall be 14,45% per annum. The rate is determined by reference to the published prime overdraft rate of First National Bank of Southern Africa Limited, less 1,8%.

Interest, amounting to R352,34247 per debenture, will be paid on 15 May 1993 to debenture holders registered as such on 30 April 1993. Cheques dated 15 May 1993 will be posted on 7 May 1993. The register of debenture holders will be closed from 1 May 1993 to 14 May 1993, both dates inclusive.

Debentures in issue

The nominal value of the debentures in issue at 15 February 1993 is R60 000 000.

Johannesburg
15 February 1993

Registered address
2nd Floor, Marshall Place
66 Marshall Street
Johannesburg 2001
P O Box 61574
Marshalltown 2107

Transfer secretaries
Discount House Merchant Bank Limited
1st Floor, Marshall Place
66 Marshall Street, Johannesburg 2001
P O Box 61574
Marshalltown 2107

Merchant Bank

Discount House Merchant Bank Limited
(Registration number 83/06636/06)
(Registered Deposit-taking Institution)

JONSSONS

R9m from oil sale will go to housing

Political Staff (55)

THE government has decided to set aside another R9m from the sale of strategic oil stockpiles to finance housing and related infrastucture. 6 | DAY

These funds will be accessible to government bodies and development institutions such as the Development Bank of Southern Africa, the SA Housing Trust and the Independent Development Trust.

Provision for these amounts has been made in Additional Estimates for the Department of Finance for the 1992/3 financial year. 15/2/93.

The estimates, which were tabled in Parliament on Friday, set aside R4m for the development of the so-called Far East Bank area in Alexandra township, north of Johannesburg.

A further R5m has been allocated for the provision of mass infrastructure to low-income groups.

Oil stockpiles: Sites disclosed

CT 13/2/93

(55)

By BARRY STREEK
Political Staff

THE sites of South Africa's oil stockpiles were officially disclosed yesterday for the first time.

Mr D R Vorster, chairman of the Central Energy Fund (CEF), said there were stockpile facilities in Durban, Cape Town and Saldanha Bay, as well as in disused coal mines in the Transvaal.

He said in evidence to the Joint Committee on Public Accounts that the SFF Association, which was controlled by CEF, purchased the bulk of commercial oil supplies on behalf of oil companies.

Since the 1978/9 oil crisis, when the Shah of Iran was desposed, the SFF had stepped in to purchase commercial oil supplies.

In the evidence, which was released yesterday, Mr Vorster said he was not at liberty to disclose what percentage of the oil stockpiles had been sold off.

It was, he said, "CEF's problem" that the percentage of the oil stockpile sold off could not be disclosed in terms of the Petroleum Act.

'Supplies bought since 1978 Iran crisis'

However, SFF was not involved in the financing of Mossgas and no money from the sale of oil would go to Mossgas.

Deputy auditor-general Professor J A J Loots told the committee that after consultation with the State President, the Minister of Mineral and Energy Affairs and the Minister of Finance, it had been agreed that it would not be in the national interest to publish details of the oil accounts.

Meanwhile, the government has decided to set aside another R9 million from the sale of strategic oil stockpiles to finance housing and related infrastructure.

These funds will be accessible to government bodies and development institutions such as the Development Bank of Southern Africa, the SA Housing Trust and the Independent Development Trust.

Provision for these amounts has been made in Additional Estimates for the Department of Finance for the 1992/3 financial year.

The estimates, which were tabled in Parliament yesterday, set aside R4m for the development of the so-called Far East Bank residential area in Alexandra in Johannesburg.

A further amount of R5m has been allocated for the provision of mass infrastructure to low-income groups.

Petrol levy hike to be 'at least 12%'

(55)

GERALD REILLY

PRETORIA — The under-recovery adjustment of about 7c/l announced last week is likely to form only a part of the expected petrol price hike. BDAY 8/2/93

The petrol levy, currently making up more than a third of the retail petrol price, is likely to be raised by at least 12% to more than 60c/l in the March Budget.

At the weekend, the AA called on government to drop the veil of secrecy surrounding the petrol industry, as well as the control and protection it enjoyed.

Other sources said the fuel levy hike with the 7c/l increase announced by Mineral and Energy Affairs Minister George Bartlett last week could mean an increase of between 12c/l and 18c/l.

The AA said revenue from the fuel levy in the seven months April-November 1991 amounted to R3,235bn. In the same period in 1992, it increased by 38,69% to R4,486bn.

The estimate for April-November this year is R6,634bn.

In April 1991 the levy was 36,9c/l. In August that year it was raised by 10c to 46,9c/l, and in March last year it was raised again by 8c/l to the current figure of 54,9c/l.

The AA said the landed costs, the wholesale and retail margins, as well as transport costs paid by inland motorists needed to be addressed urgently.

Deregulation in other countries had benefited consumers, the AA said.

Last week, AA spokesman Robin Scholtz said he envisaged the petrol price increase being between 15c/l and 25c/l.

Petrol controls 'obsolete'

JOHANNESBURG. — The Automobile Association yesterday again called for a "complete review" of the petrol price structure and for the "veil of secrecy" surrounding the fuel industry to be lifted. (55)

Reacting in a statement to an expected petrol price increase of seven cents a litre in March, it said under-recovery was partly the result of "the distortion within the pricing system".

"Elements which need to be urgently addressed are the in-bond landed costs, wholesale and retail margins as well as transport costs paid by inland motorists," the AA said.

"The industry is strictly controlled and the time has come for market forces to be allowed to determine the future course of the industry."

It said the present system was tantamount to saying the free market principle was not in the best interests of the consumer. CT 6/2/93

"Control over the industry may have been justified in the distant past but recent events in South Africa and throughout the world have rendered this system obsolete." — Sapa

Star 5/2/93

Petrol price up, and expected to rocket

(55)

Staff Reporters

The price of petrol is to go up by 7c a litre next month, Mineral and Energy Affairs Minister George Bartlett announced in Parliament yesterday.

Bartlett said the increase — "by not more than 7c per litre" — was necessary to compensate for under-recoveries on the fuel price.

Consumer bodies and economists, however, suspect the 7c increase is an underestimate in real terms, and are predicting an increase of about 25c a litre when the Budget is announced in March.

Economist Tony Twine of Econometrix said the Government had hinted in its announcement of a 7c-a-litre increase in October that it would soon "come back for the rest" of the under-recovered money, said to be 15c. He expected the Department of Customs and Excise to load even more tax on to the petrol price.

The Government's announcement is expected on March 17, when Finance Minister Derek Keys delivers his Budget in Parliament.

Bartlett said yesterday that although in the past the Government had relied heavily on the Equalisation Fund to make up for under-recoveries on the fuel price, things would be done differently in the future.

Twine felt the 7c, or 5 percent, increase in the petrol price would not have a profound effect on the economy.

Housewives' League spokesman Lyn Morris said yesterday she was not convinced that the petrol price would go up by only 7c a litre, and felt further taxes would be added.

Automobile Association general manager Robin Scholtz said the price increase and a rumoured further increase indicated that taxes would constitute a very high percentage of the petrol price in future.

Petrol likely to rise by 7c/l, says Minister

TIM COHEN

CAPE TOWN — A petrol price increase of about 7c/l — the present rate of underrecovery — was likely to be announced in this year's Budget speech, Mineral and Energy Affairs Minister George Bartlett said yesterday. (55)

He told a media briefing the increase was unavoidable because the continuing underrecovery, compounded by currency fluctuations, put pressure on the Equalisation Fund. B(DAY 5/2/93.

It was difficult to predict the exact increase, but it would probably not be as high as the full underrecovery rate.

Bartlett said South Africans paid a lower pump price for petrol than many European countries, because of the effective management of the oil procurement system. He wanted the public to become accustomed to the petrol price rising or falling two or three times a year, in line with fluctuating international prices.

Sales of SA strategic oil reserves were continuing, mainly on the local market. Government intended to keep the amount of oil stockpiled secret until the UN oil embargo was lifted, although at least one foreign country was openly selling to SA.

● See Page 5

Compulsory notification of the presence of Cape bees

4. All users of land and all owners of colonies of honeybees in the area north of the line shall report the presence of any Cape bees to the executive officer as soon as possible after such honeybees have been spotted.

Destruction of certain bees

5. (1) All honeybee colonies north of the line infested by Cape bees shall be destroyed immediately.

(2) All honeybee colonies which since September 1990 have been relocated in an area north of the line, shall be destroyed immediately.

Exemption from control measures

6. (1) The owner of a honeybee colony referred to in control measure 5 (2) may apply to the executive officer or authorized person for exemption of the provisions thereof.

(2) Such application—

(a) shall be made in writing within two months after publication of these control measures and be addressed to:

The Chairman
South African Professional Bee-Farmers Co-operative Limited
P.O. Box 72917
LYNNWOOD RIDGE
0040;

(b) shall be accompanied by—

(i) an affidavit declaring that no colony in his possession has been exposed to a possible infestation of the Cape bee since September 1990; and

(ii) proof that all honeybee colonies in his possession have been split according to the technique recommended by the Plant Protection Research Institute and have thereafter been certified to be free from an infestation of the Cape bee.

Authorisation to execute control measures

7. The South African Professional Bee-Farmers Co-operative Limited is hereby authorized to carry out control measure 5 under section 2 (4) (a), read with sections 8 (1) (b) and 9 of the Act.

Verpligte aanmelding van voorkoms van Kaapse-bye

4. Alle grondgebruikers en alle eienaars van kolonies heuningbye in die gebied noord van die lyn moet die voorkoms van enige Kaapse-bye, so spoedig moontlik nadat sodanige heuningbye opgemerk is, by die uitvoerende beampte aanmeld.

Vernietiging van sekere bye

5. (1) Alle kolonies heuningbye ten noorde van die lyn waarin Kaapse-bye voorkom, moet onverwyld vernietig word.

(2) Alle kolonies heuningbye wat sedert September 1990 van standplaas verander het in 'n gebied noord van die lyn, moet onverwyld vernietig word.

Vrystelling van beheermaatreëls

6. (1) Die eienaar van 'n kolonie heuningbye in beheermaatreël 5 (2) bedoel, kan by die uitvoerende beampte of sy gevolmagtigde aansoek doen om vrystelling van die bepalings daarvan.

(2) So 'n aansoek—

(a) moet skriftelik binne twee maande na publikasie van hierdie beheermaatreëls gedoen en gerig word aan:

Die Voorsitter
Suid-Afrikaanse Professionele Byeboere Koöperasie Beperk
Posbus 72917
LYNNWOODRIF
0040;

(b) moet vergesel gaan van—

(i) 'n beëdigde verklaring dat geen kolonie heuningbye in sy besit aan besmetting of moontlike besmetting deur die Kaapse-by sedert September 1990 blootgestel is nie; en

(ii) 'n bewys dat 'n verdeling van alle byekolonies in sy besit volgens die tegniek soos deur die Navorsingsinstituut vir Plantbeskerming aanbeveel, gedoen is en daarna as vry van Kaapse-bybesmetting gesertifiseer is.

Magtiging om beheermaatreëls uit te voer

7. Die Suid-Afrikaanse Professionele Byeboere Koöperasie Beperk word hiermee kragtens artikel 2 (4) (a), saamgelees met artikels 8 (1) (b) en 9 van die Wet, gemagtig om beheermaatreël 5 uit te voer.

CENTRAL STATISTICAL SERVICE

No. R. 154 (55) **5 February 1993**

STATISTICS ACT, 1976
(ACT No. 66 OF 1976)

REGULATIONS RELATING TO STATISTICS IN CONNECTION WITH ELECTRICITY, GAS AND STEAM, 1992

The Minister of Home Affairs has, under section 17 of the Statistics Act, 1976 (Act No. 66 of 1976), read with Government Notice No. R. 139 of 4 February 1977, made the regulations in the Schedule.

SENTRALE STATISTIEKDIENS

No. R. 154 **5 Februarie 1993**

WET OP STATISTIEKE, 1976
(WET No. 66 VAN 1976)

REGULASIES BETREFFENDE STATISTIEKE IN VERBAND MET ELEKTRISITEIT, GAS EN STOOM, 1992

Die Minister van Binnelandse Sake het kragtens artikel 17 van die Wet op Statistieke, 1976 (Wet No. 66 van 1976), gelees met goewermentskennisgewing No. R. 139 van 4 Februarie 1977, die regulasies in die Bylae uitgevaardig.

SCHEDULE

Definitions

(SS)

1. In these regulations, unless the context otherwise indicates—

"**undertaking**" means—

(a) any undertaking concerned with the generation or transmission and distribution of electricity, including electrical power installations which as subsidiary divisions of undertakings produce electricity for regular use by such undertaking; and

(b) any undertaking concerned with the production of gas and steam for distribution and sale by way of a system of mains;

"**person in charge of an undertaking**" means—

(a) the person who owned the undertaking during the year referred to in regulation 2 (2); or

(b) the person to whom the supervision of or control over the administration, direction or management of such undertaking was entrusted during the said year; or

(c) if during the said year an undertaking was—

(i) an insolvent or deceased estate, the trustee, executor or administrator concerned, as case may be;

(ii) a company under judicial management, the judicial manager concerned; or

(iii) a company, association not for gain, close corporation or co-operative in liquidation, the liquidator concerned.

Application of regulations

2. (1) These regulations shall apply in respect of the collection of statistics in connection with undertakings, including the collection of particulars and information relating to the installed capacity of the undertaking to generate electricity, its fuel consumed, the electricity generated, purchased and distributed by the undertaking, the utilisation and sale of its total quantity of electricity available for consumption and the gas and steam produced, purchased and sold by the undertaking.

(2) The statistics shall be collected in respect of the year 1 January 1992 to 31 December 1992.

Furnishing of statistics

3. (1) Any person in charge of an undertaking shall on or before 31 March 1993, or on or before such later date as may be determined by the Head of the Central Statistical Service, furnish the said Head with the statistics prescribed in the Questionnaire in connection with the Census of Electricity, Gas and Steam, 1992.

(2) The said Questionnaire can be obtained from the Head of the Central Statistical Service, Private Bag X44, Pretoria, 0001.

Offences and penalties

4. Any person in charge of an undertaking who, without reasonable clause, fails to comply with any provision of regulation 3 (1) shall be guilty of an offence and liable on conviction to a fine not exceeding R1 000 or, in the case of a continuing failure to comply with such provision, to a fine not exceeding R50 for every day during which such failure continues.

86355—**B**

BYLAE

Woordomskrywing

1. In hierdie regulasies, tensy uit die samehang anders blyk, beteken—

"**onderneming**"—

(a) enige onderneming wat gemoeid is met die opwekking of transmissie en verspreiding van elektrisiteit, met inbegrip van elektriese-kraginstallasies wat as ondergeskikte afdelings van ondernemings elektrisiteit produseer vir gereelde gebruik deur sodanige onderneming; en

(b) enige onderneming wat gemoeid is met die produksie van gas en stoom vir verspreiding en verkoop deur middel van 'n hoofleidingstelsel;

"**persoon in beheer van 'n onderneming**"—

(a) die persoon wat gedurende die jaar bedoel in regulasie 2 (2) die eienaar van die onderneming was; of

(b) die persoon aan wie die toesig of beheer oor die administrasie, leiding of bestuur van sodanige onderneming gedurende bedoelde jaar toevertrou is; of

(c) indien 'n onderneming gedurende bedoelde jaar—

(i) 'n insolvente of bestorwe boedel was, die betrokke kurator, eksekuteur of administrateur, na gelang van die geval;

(ii) 'n maatskappy onder geregtelike bestuur was, die betrokke geregtelike bestuurder; of

(iii) 'n maatskappy, vereniging sonder winsoogmerk, beslote korporasie of koöperasie in likwidasie was, die betrokke likwidateur.

Toepassing van regulasies

2. (1) Hierdie regulasies is van toepassing ten opsigte van die versameling van statistieke in verband met ondernemings, met inbegrip van die versameling van besonderhede en inligting betreffende die geïnstalleerde kapasiteit van die onderneming om elektrisiteit op te wek, sy brandstof verbruik, die elektrisiteit opgewek, aangekoop en versprei deur die onderneming, die aanwending en verkope van sy totale hoeveelheid elektrisiteit beskikbaar vir verbruik en die gas en stoom vervaardig, aangekoop en verkoop deur die onderneming.

(2) Die statistieke moet versamel word ten opsigte van die jaar 1 Januarie 1992 tot 31 Desember 1992.

Verstrekking van statistieke

3. (1) 'n Persoon in beheer van 'n onderneming moet voor of op 31 Maart 1993, of voor of op sodanige later datum as wat deur die Hoof van die Sentrale Statistiekdiens bepaal mag word, die statistieke voorgeskryf in die Vraelys in verband met die Sensus van Elektrisiteit, Gas en Stoom, 1992, aan genoemde Hoof verstrek.

(2) Bedoelde Vraelys is by die Hoof van die Sentrale Statistiekdiens, Private Sak X44, Pretoria, 0001, verkrygbaar.

Misdrywe en strawwe

4. 'n Persoon in beheer van 'n onderneming wat, sonder redelike oorsaak, versuim om aan 'n bepaling van regulasie 3 (1) te voldoen, is aan 'n misdryf skuldig en by skuldigbevinding strafbaar met 'n boete van hoogstens R1 000 of, in die geval van 'n voortdurende versuim om aan sodanige bepaling te voldoen, met 'n boete van hoogstens R50 vir elke dag waarop sodanige versuim voortduur.

Withdrawal of regulations (55)

5. The regulations published under Government Notice No. R. 65 of 19 January 1990 are hereby withdrawn.

Herroeping van regulasies

5. Die regulasies afgekondig by Goewermentskennisgewing No. R. 65 van 19 Januarie 1990 word hierby herroep.

DEPARTMENT OF FINANCE

No. R. 137 **5 February 1993**

CUSTOMS AND EXCISE ACT, 1964

AMENDMENT OF SCHEDULE No. 1 (No. 1/1/551)

Under section 48 of the Customs and Excise Act, 1964, Part 1 of Schedule No. 1 to the said Act is hereby amended to the extent set out in the Schedule hereto.

J. A. VAN WYK,
Deputy Minister of Finance.

DEPARTEMENT VAN FINANSIES

No. R. 137 **5 Februarie 1993**

DOEANE- EN AKSYNSWET, 1964

WYSIGING VAN BYLAE No. 1 (No. 1/1/551)

Kragtens artikel 48 van die Doeane- en Aksynswet, 1964, word Deel 1 van Bylae No. 1 by genoemde Wet hiermee gewysig in die mate in die Bylae hiervan aangetoon.

J. A. VAN WYK,
Adjunkminister van Finansies.

SCHEDULE

Heading	Subheading	C. D.	Article Description	Statistical Unit	Rate of Duty	Annotations
08.12			By the substitution for heading No. 08.12 of the following:			
"08.12			**Fruit and nuts, provisionally preserved (for example, by sulphur dioxide gas, in brine, in sulphur water or in other preservative solutions), but unsuitable in that state for immediate consumption.**			
	0812.10	0	Cherries	kg	5%	
	0812.20	4	Strawberries	kg	5%	
	0812.90	6	Other	kg	5%"	

Note.—The effect of this amendment is that the subdivisions of subheadings Nos. 0812.10, 0812.20 and 0812.90 are deleted and the rates of duty under these subheadings are equalised at 5%.

BYLAE

Pos	Subpos	T. S.	Artikelbeskrywing	Statistiese Eenheid	Skaal van Reg	Annotasies
08.12			Deur pos No. 08.12 deur die volgende te vervang:			
"08.12			**Vrugte en neute, wat voorlopig gepreserveer is (byvoorbeeld, deur swaweldioksiedgas, in pekel, in swawelwater of in ander preserveeroplossings), maar ongeskik in daardie toestand vir onmiddellike verbruik.**			
	0812.10	0	Kersies	kg	5%	
	0812.20	4	Aarbeie	kg	5%	
	0812.90	6	Ander	kg	5%"	

Opmerking.—Die uitwerking van hierdie wysiging is dat die onderverdelings van subposte Nos. 0812.10, 0812.20 en 0812.90 geskrap word en word die skale van reg by dié subposte teen 5% gelyk gestel.

No. R. 138 **5 February 1993**

CUSTOMS AND EXCISE ACT, 1964

AMENDMENT OF SCHEDULE No. 1 (No. 1/1/552)

Under section 48 of the Customs and Excise Act, 1964, Part 1 of Schedule 1 to the said Act is hereby amended to the extent set out in the Schedule hereto.

J. A. VAN WYK,
Deputy Minister of Finance.

No. R. 138 **5 Februarie 1993**

DOEANE- EN AKSYNSWET, 1964

WYSIGING VAN BYLAE No. 1 (No. 1/1/552)

Kragtens artikel 48 van die Doeane- en Aksynswet, 1964, word Deel 1 van Bylae 1 by genoemde Wet hiermee gewysig in die mate in die Bylae hiervan aangetoon.

J. A. VAN WYK,
Adjunkminister van Finansies.

Petrol cost may rise by 7 cents

CT 5/3/93

ANOTHER petrol price rise is in store for South Africans on March 17.

A price increase of up to seven cents a litre — the present rate of under-recovery on the fuel price — is likely to be announced in this year's budget speech, the Minister of Mineral and Energy Affairs, Mr George Bartlett, said yesterday.

He said a further increase was needed to balance the equalisation fund — and there could be another one to raise additional taxes.

Addressing a media briefing, he said the government also planned more frequent fuel price increases in future as international prices fluctuated.

Mr Bartlett said at present 3,5 cents of the price of a litre of petrol was put into the fund, but the under-recovery was running at seven cents a litre.

This was putting pressure on the fund and a price hike was unavoidable. However, he did not believe it would be as high as seven cents.

"It is difficult to predict the exact increase, but I don't believe it will be as high as the full under-recovery at present. The most opportune time will be when the budget is presented." — Political Staff, Sapa

Petrol up soon, minister warns

ARGT 4/2/93 (55) (183)

Political Staff

THE petrol price would go up when the Budget was tabled on March 17, Minister of Mineral and Energy Affairs Mr George Bartlett announced today.

There would be an increase to balance the books of the Equalisation Fund — but there could be a second rise for tax reasons.

At present 3,5c in the price of a litre of petrol went into the Equalisation Fund, but under-recoverey was still running at 7c a litre.

But he did not think the price rise would be as high as the 7c a litre under-recovery.

The government wanted people to get accustomed to the petrol price rising or falling two or three times a year, Mr Bartlett said.

Star 2/2/92

25c petrol increase is likely — AA

55

Consumer Reporter

Motorists could pay up to 25c more for a litre of petrol after the Budget, according to AA spokesman Robin Scholtz.

Addressing the National Consumer Union in Pretoria, he said AA research found it likely the Government would increase revenue through fuel tax or a combination of fuel tax and VAT.

He envisaged a rise of between 15c and 25c a litre. October's rise of 7c took the price to R1,59 a litre.

Scholtz said fuel here was comparatively expensive. Last year, 7,4 litres could be bought for one hour's earnings compared to 14,9 litres in Germany and 29,6 litres in the US.

Fuel price rise of 25c possible, says AA

(55) (188) ARG 3/2/93

The Argus Correspondent

JOHANNESBURG. — Motorists could pay up to 25c a litre more for petrol after the March Budget, says Automobile Association spokesman Robin Scholtz.

Mr Scholtz was speaking at the SA National Consumer Union's meeting in Pretoria. He quoted from an AA research document showing that the most obvious area where taxes could be increased was through a fuel tax or a combination of fuel tax and VAT.

He said it would be easier politically for the government to rely on petrol taxes for revenue than on VAT.

Mr Scholtz envisaged an increase of between 15c and 25c a litre in the March Budget.

Last October's increase of 7c per litre brought the upcountry petrol price to R1,59 a litre.

Mr Scholtz said that transport and delivery costs should be reduced, as nearly all fuel needs of the PWV were provided by Sasol. Petronet's profits on the pipeline from the coast to the PWV area amounted to R400 million.

Motorists on the Reef were contributing to these profits, he said.

The SA National Consumer Union has reiterated its call for a review of tax on petrol and urged the government to reinstate the Road Fund to ensure maintenance of an efficient road network.

Witchdoctor killed

JOHANNESBURG. — The partially submerged body of a 49-year-old witchdoctor, Mr John Mnguni, was found in a spruit on a farm near Hendrina. His bottom lip had been cut off and there were knife wounds on both arms. — The Argus Correspondent.

sence.

Safair wins Flitestar deal from SAA

STEPHANE BOTHMA

FLITESTAR has moved its multimillion-rand ramp handling contract from SAA to Safair — at a saving of about 40%.

Flitestar will annually pay almost R7m less on baggage and freight handling after entering into the R18m-a-year contract with Safair. The contract takes effect today.

Safair was the first SA company after SAA to offer ramp handling services to large aircraft, and it was a step into a new market for the freight carrier, Safair engineering and maintenance GM Chris Bester said at the weekend.

The airline had invested R20m in new ramp handling equipment at all major SA airports, a spokesman said.

"The company will be exposed to modern equipment which broadens our experience and expands our service portfolio. We are confident that our clients in this new area will be more than satisfied," Bester said.

Safair's move was in line with the general deregulation of the aviation industry, he said.

Bester said the new service had the potential of developing and generating substantial additonal turnover for Safair.

Safair, a wholly-owned subsidiary of Safmarine, has two major divisions — passenger and freight, and engineering and maintenance.

Through these divisions the carrier specialises in charger passenger operations, scheduled and non-scheduled freight operations, cargo handling, aircraft maintenance and engineering, aircraft leasing, training and aviation management services.

BDAY 1/12/93

Compatibility of Sasol unleaded fuel probed

BDAY 1/12/93. EDWARD WEST

A PROBE was under way to establish the compatibility of Sasol unleaded fuel with catalytic converters, Energy Institute director Dick Dutkiewicz said on Friday.

The results of the investigation would be known in about a month, he added. Fears were recently expressed in industry circles that the chemical component in Sasol fuel would be unsuitable for catalytic converters.

In western Europe, nearly all new gasoline engine cars made in the region from the fourth quarter of 1992 would be fitted with autocatalysts, as would many diesel-engine cars, a Johnson Matthey report said.

Government had recently announced the introduction of unleaded fuel in 1995, usually a precursor to the fitting of catalytic converters in cars in developed countries.

However, Dutkiewicz said initial indications were that the effects of SA's synthetic unleaded fuel on catalytic converters would be marginal with the likelihood of a small improvement in performance over crude oil-based fuels because of the alcohol content in Sasol fuels.

Synthetic unleaded fuel was expected to have no effect on the ceramic component of the converter, unlike leaded fuels. The exhaust gases from leaded fuels plated the ceramic and rendered the converter inoperative, he said.

A Sasol spokesman said its petrol contained an oxygenate and was low in aromatics which made it superior to any crude oil-derived fuel in terms of exhaust emissions for SA vehicles not fitted with catalytic converters.

Petrol: With us you are No 2

ST Times (Buss) 31/1/93

Minister George Bartlett said this week he had no intention of changing the petrol pricing system, the in-bond landed cost. But what is the IBLC and what does it do? Comment by **KEVIN DAVIE.** (SS)

FORGET about asking government or the oil industry how they work out the IBLC. Many have asked and still have no idea.

Rather visit the Rand Supreme Court. Page 2637 of a fat bundle of documents, Asphalt Technologies versus Tosas, contains a memorandum of agreement which details how the IBLC is calculated.

This agreement, like others made by SA's oil cartel, is unsigned to protect the multinationals from anti-trust legislation in other parts of the world.

But in SA they are safe because the Petroleum Products Act overrides the Maintenance and Promotion of Competition Act.

Eight pages of formulas, provisions and definitions are needed to calculate the IBLC. The prices of four refineries, BP Singapore, Shell Pula Bukom, Mobil Jurong and Caltex Bahrain are used. And here the controversy starts.

These four refineries do not necessarily produce the keenest prices. We are not allowed to know the sources of SA's fuel, but after fires at Sasol 2 and 3 in the late 1980s the Amsterdam-based Shipping Research Bureau, which has tracked about 50% of all shipments to SA, noted numerous shipments from Rotterdam.

The point is that the oil companies are allowed to buy at the cheapest prices. Consumers pay Singapore, Pula Bukom, Jurong and Bahrain prices regardless.

There is also disquiet over the fact that prices are used from refineries owned by SA operators Shell, BP, Caltex and Mobil (now Engen).

The Automobile Association addressed the possibility of these companies rigging prices in its recent report on fuel regulation, but concluded that the SA market was too small to make this worthwhile.

The IBLC uses prices from the four refineries as published in an oil journal, Platt's Oilgram. Industry insiders question this, saying the published prices are posted or asking prices rather than actual selling prices.

Platt's prices on the 15th day or soonest business day thereafter are used for the IBLC for that month.

SA has one maize price for the year while maize prices fluctuate daily. It has 12 IBLCs a year while fuel prices change on a continuous basis. Does this give the consumer the best deal?

Now more controversy. Shipping rates are calculated using published data in London and for moving refined product in relatively small vessels from Singapore and Bahrain to Durban.

Most of SA's oil imports come at considerably less cost as crude in supertankers. The crude also comes directly to Durban from the Middle East. It does not go via Singapore.

The IBLC adds 0,2% to the fuel and freight price as marine and war risks insurance. Wharfage, which the AA estimates as much as $0,26 for every barrel, is also added.

Wharfage is expensive as tankers take up space in harbours which could be used for other ships. But tankers do not offload in SA harbours. They mostly link up off the Bluff of Durban to the single buoy mooring, incurring relatively much lower costs.

The trend in the EC, Japan and New Zealand has been to deregulate to allow cheaper prices and better utilisation of resources.

Mr Bartlett bases his defence of the IBLC on the notion that SA's fuel prices are competitive with those of Europe. Data from the International Energy Agency shows a 33c a litre difference between pre-tax prices in France compared with those of Sweden for premium fuel for the third quarter last year.

The regulated SA market falls within this range. Unleashing competitive forces through deregulation would push prices to the lower end of the range or even possibly lower than those of France.

This would reduce prices across the board, improve SA's international competitiveness and help put the economy back on track.

Regulation may have been justified during the sanctions age but is now simply a clumsy mechanism for transferring wealth from fuel users to oil companies.

Regional fuel levy possible

CT 28/1/93

55

By PETER DENNEHY

A REGIONAL levy on fuel prices may be introduced later this year to enable Regional Services Councils to pay commuter subsidies.

This prospect was raised during an RSC debate yesterday on whether or not the council should accept the central government's proposed handover of responsibility for bus services.

Mr Louwtjie Rothman, deputy chairman of the RSC, told delegates who were wondering what additional source of revenue the government would make available to the RSC that "the idea was a levy on fuel prices".

Finance Minister Mr Derek Keys' assistant, Ms Lesley Lambert, said yesterday that if this was a matter to be dealt with in the budget, Mr Keys' attitude would be that it was inappropriate to disclose any information about it at this stage.

RSC chairman Mr Piet Loubser said: "These subsidies are for people who can't afford their own transport, and who, as a result of former policies, live far away from where they work."

He suggested an amendment that instead of the RSC "accepting" the entrustment it would merely "consider" it in the light of various conditions.

Among the conditions was that the state should not reduce its subsidy in the meanwhile in real terms, and that later an acceptable new additional source of revenue must be identified and made available to the RSC, which would administer and collect the funds.

The new source may not be increases in existing RSC levies.

Mr Loubser's suggested amendment was passed.

All four Cape Town City Council representatives on the RSC — Mr Clive Keegan, Mr Richard Friedlander, Mr Louis Kreiner and Mrs Eulalie Stott — spoke against entrustment of bus services to the RSC at this stage.

Mr Keegan said there was no reason why there should not be a unilateral withdrawal of subsidies by the state.

Cape Town's representatives were the only ones who abstained from voting.

Paarl tough on own RSC

Municipal Reporter

PAARL municipality had no mercy on the Western Cape RSC, of which it is a member, when the RSC was a day late in paying its own September bill to Paarl for water and electricity services rendered.

The municipality demanded the full 10% surcharge on the R11 264 bill, according to a report before the RSC yesterday. In effect, then, the late payment penalty was R1 126. The RSC's cheque had gone in a day late owing to a reorganisation when the administration of its Paarl and head offices merged.

Instead of paying up immediately, the RSC requested a waiver. Paarl rejected this, "as the waiving of the fine would set a precedent".

Expansions for unleaded fuel cost R2bn

BDAY 25/1/93. (55)

EDWARD WEST

OIL companies have used refinery expansions worth nearly R2bn as the springboard for the production of unleaded fuel.

A Mineral and Energy Affairs Department spokesman said on Friday motor and oil companies would invest approximately R500m to introduce unleaded fuel in 1995.

The various refineries in SA would each apply their own technology for the production of unleaded fuel.

Caltex MD Jock McKenzie said a R120m-R140m isomerisation plant to produce unleaded fuel at its Milnerton refinery was in the design stage. He believed the go-ahead for its construction would be given in the third quarter of 1993 with construction due for completion by June 1995.

Caltex had launched a R240m expansion in 1991 to increase efficiency and yields which would probably be completed by March or April this year, he added.

Shell SA MD John Kilroe said the R450m joint expansion by Shell and BP at their Sapref refinery in Durban would be completed in September this year. It would increase output by 30% and go part of the way toward producing unleaded fuel.

Engen technical manager Dave Wright said the R670m expansion at its Genref refinery in Durban — completed at the end of last year — was already able to produce 50% of its output in the form of unleaded fuel. He could not pinpoint how much of the R670m was spent solely on unleaded fuel facilities.

Sasol spokesman Jan Krynauw said at the weekend the group was spending R370m on expansion at Natref — due to be completed by August this year — to "debottleneck" the refinery's production capacity, and construct new process units to improve "white product" yield.

The investment would allow for the processing of heavier, high sulphur crude oils and the production of components for unleaded fuels.

"About 10% of the R370m will be used to increase capacity for the production of high octane aromatic components to replace lead," he said.

Unleaded fuel 'is unnecessary'

BI Day 22/1/93 (55)

EDWARD WEST and GAVIN DU VENAGE

THE introduction of unleaded fuel in 1995, as announced by government this week, was yesterday criticised as unnecessary and expensive by consumer lobbyists and some spokesman in the motor industry.

The Automobile Association and the Consumer Council both said the decision was unjustified in the current economic circumstances and Health Department air pollution control director Martin Lloyd said the move had little to with the needs of the environment.

Lloyd said photochemical air pollution levels in SA's urban areas — commonly caused by vehicle emissions — were far below international standards.

The AA and the Consumer Council conceded there was a long-term need for unleaded fuel and it had inherent ecological benefits, but they said its introduction was too expensive and the cost would have to be borne by motorists.

Consumer Council spokesman Paul Roos said it would cost "billions" to set up the manufacturing infrastructure for unleaded fuel. "There are more pressing economic and social concerns that have to be met now," he said.

AA vehicle technology manager Johan van Vreden said although unleaded fuel would have to be introduced in the long run, the target date of 1994/95 was too soon. Although SA had to keep up with international trends, local traffic densities were not nearly as severe as in European countries.

Van Vreden said "expensive modifications" would have to be made to engines. "While new car engines can run on unleaded fuel, it must be born in mind that the average age of the SA car is over 10 years."

A National Association of Automobile Manufacturers of SA (Naamsa) spokesman said about a fifth of SA's 5-million vehicles would not be compatible with unleaded fuel.

Toyota SA chairman Bert Wessels said the introduction of unleaded fuel would give motorists access to the latest engine technology, leading to significant savings in fuel consumption.

Columbus Stainless Steel MD Keith Luyt said the introduction of unleaded fuel would increase domestic demand for stainless steel, used in catalytic convertors, by 2,5% a year.

"We expect stainless steel demand to increase to the tune of R7m a year," Luyt said.

"In addition, the value added to local raw materials, such as platinum, rhodium and stainless steel (all major components of a catalytic convertor) will create a R35m-a-year local industry."

Sasol Oil's Johan Botha said the introduction of unleaded fuel was "a step in the right direction" environmentally, although it would add to refiners' costs. SA did not have major exhaust environmental problems yet because of the low number of vehicles per square kilometre, he said.

Probe into financial institution controls

LINDA ENSOR

CAPE TOWN — A committee of inquiry under Judge D A Melamet is investigating the feasibility of adopting a holistic approach to regulating financial institutions and services.

About 50 financial and other institutions have been asked to submit written comment on the proposal by end-January so that a report can be submitted to Finance Minister Derek Keys by not later than March 31.

The report would also contain draft legislation, committee secretary Hermann Krull said yesterday.

He said the committee had also been mandated to propose enabling legislation to tighten up the regulation of grey areas within the financial services sector, particularly regarding the activities of financial intermediaries or advisers.

The inquiry's terms of reference included an investigation into the regulatory activities of the Takeover Panel and Registrar of Companies.

New fuel: 'SA can't afford it'

CT 22/1/93

PRETORIA. — The Consumer Council said yesterday that South Africa could not at present afford the high production cost of lead-free petrol.

Reacting to the announcement that lead-free petrol was to become available from the end of 1995, the council said the current recession and unemployment warranted more attention than the acquisition of the latest technology.

Mr Johan van Vreden, head of the Automobile Association's vehicle division, said yesterday that unleaded petrol should be gradually introduced in South Africa to keep in line with the developed world.

The proposed introduction of unleaded petrol in 1994/5 was too soon in view of other economic problems faced by South Africa. — Sapa

Less to unleaded fuel than meets the eye

'Green' fuel has been in the news this week. Is it as welcome a development as it seems? Motoring Editor STEVE KEALY reports.

STAR 22/1/93 (55)

THE announcement of unleaded fuel price advantages will be widely welcomed by motorists, although some may wonder about the fuss.

The Department of Energy Affairs said this week that environmentally friendly fuels will be made cheaper to encourage the public to use them.

Late last year, petrol industry spokesmen warned the R500 million investment required to produce "green" fuel would make the new petrol about 10c a litre more expensive than existing leaded brews.

However, the Department also stated that octane-boosting alcohol would be added to overcome power losses common in lead-free fuel.

South African motorists well remember the widespread damage done to fuel systems when alcohol was first introduced into local petrol.

The motor industry eventually managed to protect all the relevant parts in new cars, but for months and even years afterwards motorists were plagued with fuel-related breakdowns.

Lead is added to fuel as a cheap method of increasing the octane rating and has a beneficial lubricating side-effect, particularly of valve seats.

As a result, many engines currently five years old may not be suitable for lead-free — or will need one tankful in three to be the leaded type.

In less sophisticated engines, even the latest ones, a minor adjustment to the ignition timing of vehicles may be needed to extract maximum benefit from even octane-boosted lead-free petrol.

However, it has been estimated that all the cars in the Transvaal produce less air pollution in a year than the domestic fires of Soweto do on a single chilly winter's evening.

This makes the urgency of introducing lead-free fuel pale into insignificance beside the need for full electrification of the townships.

In fact, much of the pressure to introduce unleaded petrol comes from the car-manufacturers themselves, most particularly the Japanese factories.

The cost of developing fuel-efficient engines is enormous and since most countries have long offered the green alternative, most designers have followed the unleaded route.

As a result, "dirty" engine development has all but stopped and the newer designs have long since surpassed their once more-powerful counterparts.

For example, Honda's latest Ballade, introduced about a year ago, does not include the high-tech engines it was designed to have, but offers an older design which is widely regarded as the spoil-point of an otherwise excellent car.

Honda's latest designs, such as the motor fitted to their NSX sportscar, will apparently not run on leaded fuel at all — the complex fuel and engine management systems will go into terminal decline if offered our primitive jungle juice.

By comparison, the German cars can generally accept either kind of petrol with equanimity and many industry followers believe this is because the Japanese factories are unwilling to invest time and money in researching and developing engines for a small fragment of the market.

Yet for cars to be as "green" as can be, their exhaust systems need to be fitted with an expensive catalytic converter, which uses a platinum-coated "grid" to clean up exhaust emissions in a complex chemical process.

However, the expensive converters don't work until they're good and hot, so they are inefficient on short hops unless an exhaust "heater" is fitted, meaning still more expense.

Furthermore, they don't last forever, will cost immeasurably more than a quick visit to the local cut-and-weld exhaust shop and will be rendered utterly useless by just a brief exposure to leaded fuel.

Many Australian motorists have discovered another unpleasant side-effect to owning vehicles fitted with catalytic converters, widely called "cats" — they tend to set fire to dry grass when fields or even verges are used as impromptu parking lots, since the "cats" radiate intense heat for some time after the engine is switched off.

Finally, no other country in Africa currently offers unleaded fuel, so that if South African car factories are to continue supplying other African nations, they will need access to the engines which Japan, at least, is keen to kill. □

Unleaded petrol for your green machine

STAR 21/1/93.

By Brendan Templeton 55

Local petrol will go green in 1995 when lead-free petrol will be introduced, according to the Department of Mineral and Energy Affairs.

And even better news is that it will be cheaper than its leaded counterpart to encourage motorists to buy the environmentally friendly fuel.

The department made the announcement in a statement yesterday, saying the unleaded petrol might be boosted with alcohol to raise its octane rating.

Lead in petrol has long been identified as causing irreparable damage to brain development in juveniles, high blood pressure in adults and harm to foetuses.

Earthlife Africa spokesman George Ellison said motorists would also be able to fit catalytic converters to their exhausts. These would change carbon monoxide emission into non-poisonous carbon dioxide.

The department said most local vehicles could use unleaded petrol, although slight engine adjustments might be necessary in some cases.

The current octane structure would also have to be changed. At the coast, 93 octane petrol would be phased out and be replaced by 95 octane unleaded petrol while 97 octane petrol would still be available.

Inland, 87 octane petrol would be phased out and be replaced by 91 unleaded, while 93 octane leaded would remain available.

An information campaign shortly before the introduction of unleaded petrol would ensure that all motorists knew how the new fuel would affect them.

"The introduction of unleaded petrol will help South Africa keep abreast of international automotive engineering standards and will provide a foundation for future vehicle emission control which will allow South Africa to follow the worldwide trend towards more environmentally friendly vehicles," the department said.

Unleaded petrol for SA in 1995

APG 3/11/93

PRETORIA. — Unleaded petrol will be available in South Africa towards the end of 1995, the Department of Mineral and Energy Affairs has announced.

It will be obtainable from all service stations after a brief introductory period.

The department said the introduction of unleaded petrol would be accompanied by a new octane structure.

At the coast 93 octane would be phased out and replaced by 95 octane unleaded petrol but 97 octane leaded petrol would remain available. Inland, 87 octane would be phased out and replaced by 91 octane unleaded petrol and 93 octane leaded petrol would remain.

"Unleaded petrol may contain alcohol or alcohol derivatives to achieve the required octane rating," the department said.

It was expected that unleaded petrol would be cheaper than leaded to encourage its acceptance.

"A large proportion of motor vehicles in use in South Africa can operate on unleaded petrol, although in some cases slight engine adjustments may be necessary." — Sapa.

Date set for unleaded petrol

55

DUMA GQUBULE

UNLEADED petrol would be available at all the country's service stations towards the end of 1995, the Mineral and Energy Affairs Department said yesterday.

It said unleaded petrol would be priced lower than leaded petrol to encourage its use. An indication of price could not be given at this stage.

The introduction of unleaded petrol would help SA to keep abreast of international automotive engineering standards and provide a foundation for future vehicle emission control. The country would then be in line with the worldwide trend towards more environmentally friendly vehicles.

A large proportion of vehicles currently in use in SA could operate on unleaded petrol, although slight engine adjustments would be necessary in some cases.

Detailed information regarding the use of unleaded petrol would be available to motorists through a major information campaign to be launched before its introduction, the department said.

Sasol Oil's Johan Botha said the move was "a step in the right direction" environmentally, although it would cost refiners more to provide the petrol. SA did not have major exhaust environmental problems yet because of the low number of vehicles per square kilometre.

Vehicle manufacturers would benefit by not incurring costs adapting engines for the use of leaded petrol. Most imported engines were now designed for unleaded petrol.

Objectors slam proposed 10-storey Rosebank hotel

LLOYD COUTTS

A PROPOSAL for a five-star hotel adjoining the Rosebank Mall, which has the backing of the Johannesburg City Council, was severely criticised at a town planning tribunal hearing yesterday.

The tribunal is considering a council application to have the site of the proposed hotel — a narrow strip of land on the northern boundary of the mall — rezoned to allow development by the mall owners.

About 1 000 objections to the proposal, mainly on the grounds that the high-rise hotel would not be in keeping with the general character of Rosebank, have already been lodged.

The Rosebank Mall company is to buy the site from the council if its application for rezoning and development is approved. It intends erecting a 10-storey, 160-bedroom hotel in Johnson Avenue.

In its submission, the Rosebank Action Group argued that the development would set a precedent for uncontrolled high-rise development in the suburb.

Action group spokesman Laurie Starfield said the council's support for the proposal meant it had been left to Rosebank residents to fight the real developers and owners of the mall, City Centre Property Fund, which he described as "a large consortium of property developers".

The owners of the neighbouring Cradock Heights building contended that the development could destroy the character of Rosebank, and replace it with another Braamfontein or Hillbrow.

Anglo American Property Services and the Transvaal Institute of Architects also opposed the development.

Town planner John Rosmarin, for the council, said there was general consensus on the need for a hotel in Rosebank, but that the issue had been clouded by the controversy surrounding JHI House, which was erected in violation of restrictions on buildings in the suburb.

Rosmarin said there were 14 undeveloped sites in Rosebank which had rights for 10-storey buildings.

S/Dat 14/1/93

Power cuts in Jo'burg

ADRIAN HADLAND

LARGE sections of Johannesburg's CBD experienced repeated power cuts yesterday afternoon, with some offices reporting significant disruptions to computer and electronic systems.

S/Dat 14/1/93

The cuts were caused by a faulty cable installed after an explosion at the Fordsburg electricity substation last September, a Johannesburg City Council spokesman said.

(SS 80)

He said the problem was fixed yesterday afternoon.

Swiss to probe Pilatus sale

IAN HOBBS

LONDON — The Swiss government, under pressure from the ANC and the UN, confirmed yesterday it would order an investigation into the R520m deal to sell 60 Pilatus PC-7 trainer aircraft to the SA Air Force.

A foreign ministry spokesman in Berne said the issue would be considered by the Federal Council, or cabinet, "in the very near future".

The spokesman said the deal between the SAAF and Pilatus Aircraft, of Staus in the west of Switzerland, had not required prior government approval under Swiss law but that international issues concerning the "intended sale" were being reconsidered.

He said it was impossible at this stage to say whether the Federal Council intended to stop the deal and whether it had the legal and political clout to do so.

A spokesman for Pilatus said the issue was "extremely sensitive" and no statement would thus be made.

A SHIFT OF A FUNCTION IN THE EXPENDITURE SECTOR

Suppose that either the consumption function or the investment function shifts upward, so that at any given rate of interest expenditure is higher than before. We have seen that this implies a shift to the right of the aggregate expenditure function, as illustrated in Figure 28, from e_1e_1 to e_2e_2, where the shift equals the product of the multiplier times the shift in the consumption or investment function.

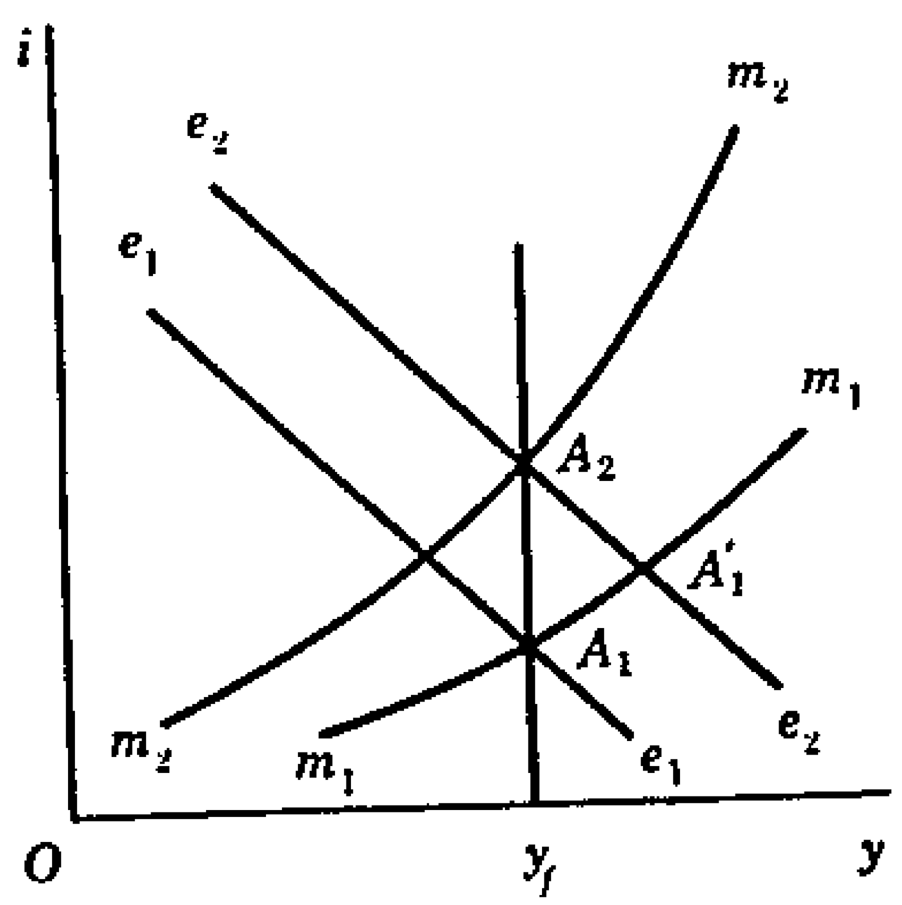


Figure 28

The result of this shift is that the new expenditure sector curve intersects the monetary sector curve at A'_1 instead of A_1, at a greater than full-employment level of real income; thus the price level is below its equilibrium level. As noted in the preceding section, the price level will rise, shifting the monetary sector curve from m_1 to m_2, so that it intersects the expenditure sector curve at the full-employment level of real income, at A_2.

Now the interest rate and the price level are higher than before. If the upward expenditure shift was in investment, consumption is the same as before, as real income is unchanged (and we have assumed that consumption depends only on income, not on the interest rate). Therefore, since saving equals investment both before and after the shift and since saving is unchanged, investment is unchanged; the rise in the rate of interest chokes investment back to its old level, fully offsetting the upward shift in the investment function. If the upward expenditure shift were in consumption, consumption will be higher by the full amount of the shift measured at full-employment income; investment will be reduced by this amount because of the rise in the rate of interest. Because of the rise in the rate of interest and the rise in the price level, equilibrium real cash balances will be less than before. Real wages and employment are unaffected.

Where is equilibrium?

?

A CHANGE IN MONETARY POLICY

Suppose the monetary authority shifts to a tighter monetary policy, that is, shifts $h(i)$ to the left. We have seen that this implies a shift to the left of the monetary sector curve, so that it intersects the expenditure sector curve at an income below the full-employment level. As in the preceding section this means that the price level is above the equilibrium level. The price level will tend to fall, shifting the monetary sector curve back to its intersection with full-employment real income. The supply curve of real cash balances intersects, at the same point as before, the demand curve for real cash balances at full-employment real income.

The result is that real cash balances, real income, the interest rate, and all other variables except the price level will be the same in new equilibrium as in the old one. The price level will fall by the proportion by which the money supply was reduced (in nominal terms) at the equilibrium rate of interest.

A SHIFT IN THE LIQUIDITY PREFERENCE FUNCTION

Suppose that the public reduces the real cash balances it desires to hold, other things equal, either by a change in tastes or by improvements in the means of making payments. We have seen that this implies a shift to the right of the monetary sector curve. Thus the price level is below its new equilibrium level. The price level will rise, shifting the supply curve of real cash balances to the left and shifting the monetary sector curve back to its old intersection with the expenditure sector curve. ?

The shifts in the monetary sector are illustrated in Figure 29. Only the demand curve for real cash balances at full-employment real income is

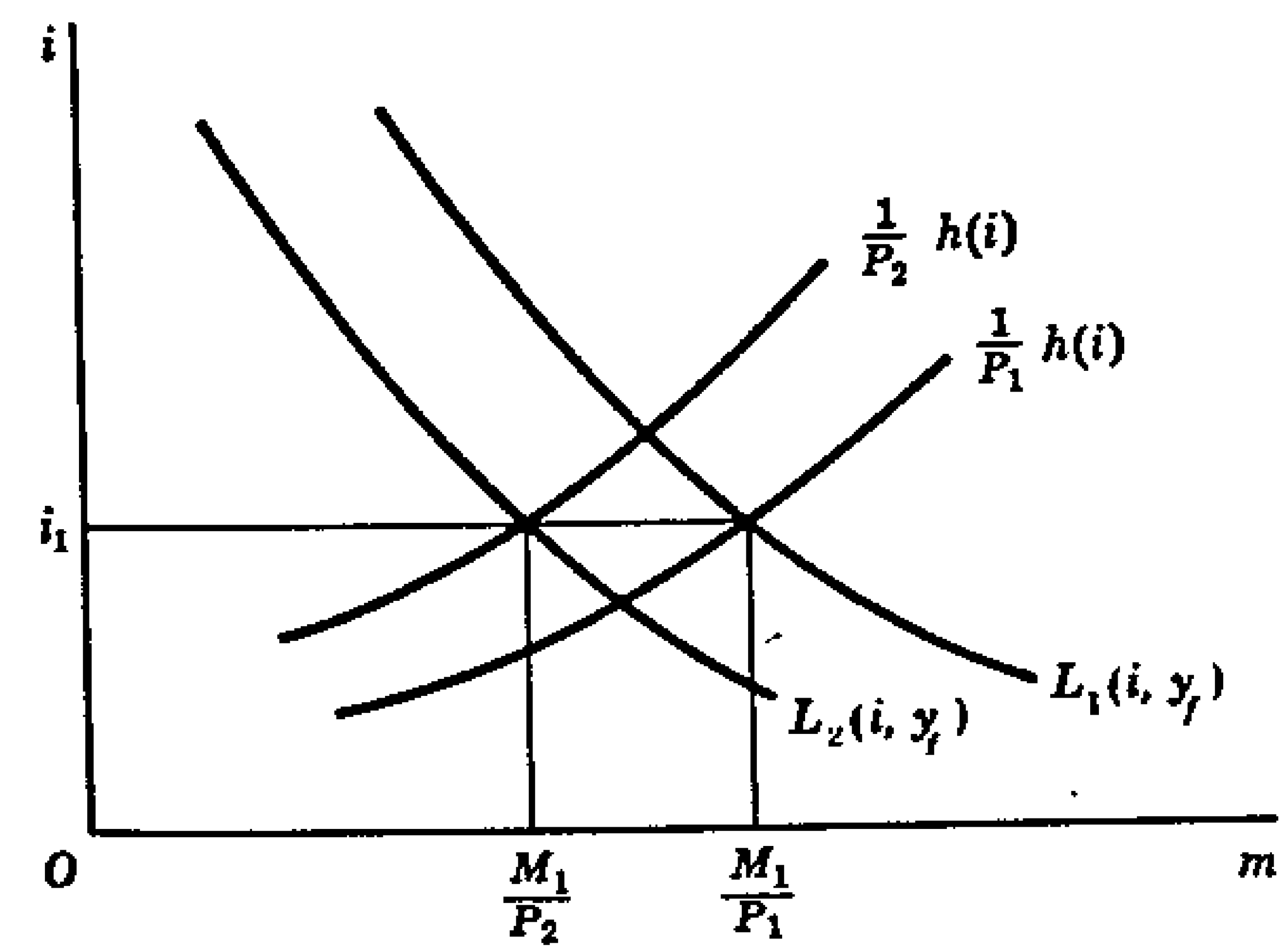


Figure 29

New Sasol plant will boost exports

B/Day 11/1/93 (55)

EDWARD WEST

THE construction of Sasol's R370m alpha olefins plant should boost the group's annual exports, currently about R600m, by about 50% after it comes on stream in February 1994.

MD of Sasol's newly established Alpha Olefins division, Harry Hyatt, said the plant, which would have a capacity of 100 000 tons a year in its first phase, would export 90% of its production valued at between R200m and R300m.

The remainder would be consumed locally.

Sasol had 450 000 tons a year available, but initially a capacity of only 100 000 tons a year would be used at the plants' two purificaction and separation units to produce the C5 and C6 alpha olefins, pentene and hexene.

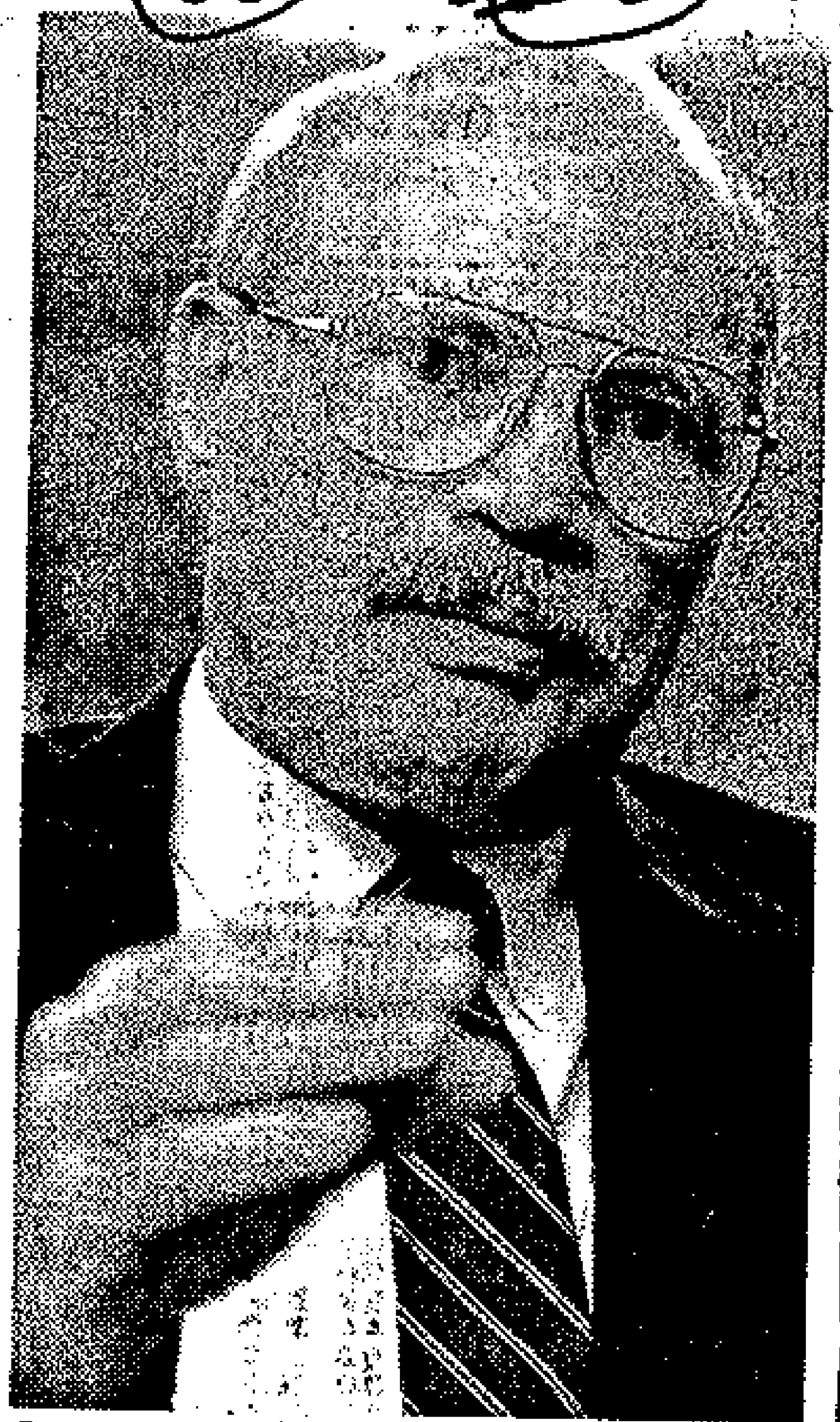
These are used in the production of polyethylene plastics, and for a plasticiser to make PVC products more flexible.

Hyatt said C6 olefins were freely available worldwide at between $1 000 and $1 500 dollars a ton, while the C5 olefins were so costly to make that prices were more than $3000 a ton. Only Sasol could produce olefins cost effectively for the polyethylene market.

The marketing thrust of its C6 alpha olefins would be aimed at the Pacific Rim countries, where there were a number of new polyethyelene plants and more plants were being constructed.

Sasol would be the closest supplier to these markets.

C5 olefins would be distributed worldwide, but Sasol would have to



● HYATT ... marketing Sasol products to the world. Picture: ROBERT BOTHA

convince polyethylene producers that C5 olefins would enhance the quality of their plastics products.

C5 olefins had not been used before because of cost considerations, said Hyatt.

A major marketing advantage was that Sasol could produce olefins cheaper than most other international producers as they were a natural product of the synfuels process.

Also the commissioning of the plant was timed to coincide with an expected improvement in the world's major economies, Hyatt said.

Signs point to big fuel price increase soon

GERALD REILLY 55

THE National Energy Council's fuel equalisation fund emptied at an unprecedented rate last year and the drain is continuing, say council sources. B170M

The motor industry expects that a big petrol and diesel price increase, which Mineral and Energy Affairs Minister George Bartlett warned of late last year, could be imposed from February.

When he announced the 7c a litre increase in 93 octane petrol in October last year, Bartlett said the fund could continue to finance the huge under-recoveries for a while, but a major price adjustment would be unavoidable early in the new year. 11/1/93

Big under-recoveries were run up from March, the biggest being in June when it was 9,459c/l.

In July the under-recovery was 14,650c/l, in August 14,650c/l, in September 13,151c/l, in October 15,173c/l and in November 9,905c/l.

Bartlett estimated the direct inflationary effect of the 7c/l increase would be 0,184c/l and the indirect effect 0,32c/l.

It is also expected that government will raise the tax on petrol in the Budget as a revenue booster for the new financial year.

There could also be a VAT increase. This, with a likely tax hike and the provision for replenishing the equalisation fund, could mean a total increase of more than 15c/l.

Sasol rejects AA claims on subsidies and protection

ST Times (BUSS) 10/1/93 (55)

By KEVIN DAVIE

SASOL does not receive any subsidies from government, the petrochemical giant says in response to an AA report which finds it benefits from several subsidies.

The AA report into the SA oil industry, released late last year, refers to the "diseconomies of Sasol", saying it is dependent on heavy State subsidies for its profitability.

The report also says that Sasol benefits from a railage subsidy which artificially boosts inland prices, that its subsidies are carried by the economy and that the SA oil industry is a cartel chaired by government.

The AA report follows the release of an IMF report which says that the cosseted and concentrated SA industry should be deregulated.

The report calls for the deregulation of SA's oil industry. It says the diseconomies of Sasol should be addressed independently and that where subsidies are involved they should be clearly defined as such as a cost of a strategic industry.

The AA says Sasol would be unlikely to agree to be treated as if it were a crude oil refinery (in a deregulated market) as it will in all probability encounter problems with its profitability.

The report also says that oil companies are prohibited by law from moving their own products for distances further than 300km.

Sasol says in a statement to Business Times that this limitation does not give Sasol a monopoly "but provides some protection to Transnet against road hauliers".

"With the growth of the market more and more products are supplied to inland markets from the coastal refineries. By and large these products are supplied by pipeline or rail tank cars which is much cheaper than road transport.

"Sasol has a commercial agreement with the oil companies whereby Sasol supplies petroleum products in the inland markets surrounding its factories."

But Sasol does say "we believe certain forms of deregulation could be feasible".

It says the present regulatory mechanisms render prices to the consumer both pre- and post-tax which compare favourably with international prices.

Sasol says it does not receive any subsidies from government, but "enjoys, like most other local industries, tariff protection on its liquid fuels produced from indigenous feedstocks".

The average value of this protection was 11,4% higher than the comparable price received by local refineries since 1979, says Sasol.

"The cost of Sasol's moderate protection is carried by the economy in the same way as all other industries that enjoy protection."

The AA says: "Selling prices in any area should be based on the real cost of delivering fuels and exclude Sasol subsidies and Transnet financing through their pipeline."

Sasol replies: "As far as we know Transnet is well aware that it competes with alternative means of transport and that its tariffs have to be set at realistic levels to remain competitive."

It lists several benefits which it brings to the economy, including R4-billion in new wealth created during its last financial year. It employs nearly 30 000 people (2,1% of the formal economy) and is responsible for 130 000 job opportunities if indirect employment is considered.

Sasol saved R4-billion last year in foreign exchange and consumes about 25% of the country's coal production.

Approved capital projects exceed R3,5-billion, with a further R2-billion under consideration.

Capacity and cost don't figure in Mossgas fanfare

55

ARG 8/1/93

STEWART ALCOCK
Staff Reporter

MOSSGAS refuses to disclose how much fuel it will supply to the domestic market and at what cost in spite of the fanfare of coming into full production this week.

Petrol suppliers were equally cagey and one producer, Caltex, said it had no plans to use Mossgas fuel.

Engen, which has a 30 percent equity in the fuel-from-gas project, as well as BP and Shell, declined to say how much Mossgas fuel they would use, referring inquiries to Mossgas.

A Mossgas spokesman said legislation made it illegal for the company to release figures, although the situation might change with new legislation this year.

Earlier estimates were that, with Sasol, 40 percent of South Africa's fuel was now generated internally.

Engen chairman Mr Bernard Smith said last year that the price of Mossgas fuel would be viable if international oil prices remained at $19 a barrel in 1989 terms — which translated to $23 today.

Unless international prices continued to improve on 1989 levels, domestic oil companies buying Mossgass products would be losing.

This week the price of world benchmark crude oil, North Sea Brent Blend, is on a downward trend, under $18 a barrel.

The Mossgas spokesman said motorists would be unable to tell whether they were buying the South African product, as suppliers planned to market it under their own brand-names.

Cape Town would not be affected, as the fuel would be distributed in the Southern Cape, Eastern Cape and Border regions only.

It seemed unlikely that all oil companies operating in South Africa would be buying Mossgas fuels.

But the spokesman assured users that this was not because of quality; all grades of Mossgas fuel met national specifications, and those for diesel were exceeded.

The Mossgas project would provide petrol, diesel, kerosene, liquid oxygen, liquid nitrogen, carbon dioxide and light and heavy alcohols to the South African market for the next 30 years, and possibly longer if there were further gas-field discoveries.

There was also a liquid natural gas (LNG) facility available that could provide an additional gas supply, similar to that used in Britain, should the need arise, said the spokesman.

Eskom to put R2bn into power for all

CT 23/2/93 55

Own Correspondent

JOHANNESBURG. — Eskom had set aside R2,2 billion for its "electricity-for-all" programme which sought to electrify 160 000 homes every year until 1996, Eskom communication manager Mr Bongani Khumalo said yesterday.

At a press conference here, Mr Khumalo said Eskom was aware of how great the challenge was, with 23 million people still without electricity in South Africa.

"We have electrified 93 000 houses this year — the first year of the programme," Mr Khumalo said.

An important offshoot of the campaign would be the business opportunities it afforded industrial entrepreneurs, making employment possible for thousands of South Africans, he said.

He said among the problems Eskom experienced was its inability to manage the supply of electricity in the townships, a right held by local authorities which almost always ran into financial trouble.

Unions get major say in Electricity Council

PETER DELMAR

RESHUFFLING the Electricity Council, which controls Eskom, has given trade unions and township residents a major say in the parastatal.

Public Enterprises Minister Dawie de Villiers, appointing the council for a two-year term, has replaced almost half its 19 members.

The nine new members are Numsa national organiser Bernie Fanaroff; NUM national organiser Gwedi Mantashe; National Black Consumer Union president Ellen Khuzwayo; Dan Mofokeng of the SA National Civic Association; Gengold's Gary Maude, representing the Chamber of Mines; C Pretorius, representing the Eskom Employees' Association; C van Veijeren of the SA Agricultural Union; N Majija of the SA Housewives' League and S Immelman of United Municipal Management, representing large electricity suppliers other than Eskom. (55)

Eskom chairman John Maree has been reappointed, while SABC board chairman Christo Viljoen is among those to lose their positions. Eskom CE Ian McRae will retire from the council when he leaves his position next March.

Maree said the new council would ensure continuity and that "we continue to run this business as a business".

The recommendations of the multiparty national electricity forum are expected to affect the future form and membership of the Electricity Council.

BDay 25/5/93

Pay scheme a boon 2/1 NUM

DIRK HARTFORD

MINERS had received between 1,5% and 17% increases on basic wages after six months of the profit-sharing scheme on certain gold mines falling under the Chamber of Mines.

At Anglo American's Elandsrand, mineworkers gained about R850 (or 17%) after six months — the equivalent of a month's pay for the lowest earners, according to the NUM.

The NUM, which yesterday briefed the media on the details of the scheme, said it was pleased with the results.

On the vast majority of mines the scheme had given workers better returns then the 1% extra basic wage increase paid by Gold Fields of SA and Anglovaal in lieu of participating in the scheme.

On the downside, the NUM said there were vast disparities on payouts between the various mines.

Three marginal mines (Gengold's Bracken, Stilfontein and Marievale) were among the five top payers, while "good solid mines with long lives" — like Anglo's Vaal Reefs — paid very little. The mine paid 2,8%.

The mining houses participating in the scheme are Anglo, Gengold and Randgold, each with its own particular formula for implementing the scheme.

NUM assistant general secretary Marcel Golding said the union would continue with the scheme until the industry was in a position to pay a basic living wage.

The scheme was unique in that it supplemented the basic wage and was paid out of the surplus, after capex, generated on each mine. The results after six months demonstrated that the mines could afford to pay better wages and NUM would be pushing

To Page 2

BDay 19/12/93

NUM

BDay 19/12/93.

2/1

From Page 1

for inflation-related increases this year.

This year the union would demand that Gold Fields and Anglovaal participated in the scheme. And it wanted to negotiate improvements to the scheme to eliminate the "trigger levels" so every mine contributed from its first rand in profits. The union also wanted to eliminate the ceiling above which profits stopped being shared.

Golding said the key issue was for both NUM and mine managements to put more resources and time into training shaft stewards to be able to monitor the scheme effectively.

Eskom selects Cape N-sites

(55)

Arg 19/2/93

JOHN YELD
Environment Reporter

ESKOM today identified two potential sites for new nuclear power stations on the West Coast, but is not committing itself to a future nuclear policy.

Spokesman Mr Andre van Heerden said Eskom would definitely not build a second nuclear power station this century, "and probably not for the first decade of the next".

"We are not committed to anything. All we are doing is buying sites to keep the options open," he said.

The sites are at Brazil, about 16km south of Kleinsee, and Schulpfontein, about 40km south of Kleinsee.

The sites are owned by the State and the De Beers Group and negotiations to buy them had started, Mr Van Heerden said.

The indentification of the sites was the culmination of a 10-year nuclear siting programme.

Various independent external consultants had been involved, including the University of Cape Town's environmental evaluation unit and the Atomic Engergy Corporation's geology and earth science departments.

"Once a decision has been made on the type and design of the station to be used, Eskom will apply to the Council for Nuclear Safety for permission to build and operate such a station," Mr Van Heerden said.

"At that stage the public will again have the opportunity to submit comment to the council in accordance with the provisions of the Nuclear Energy Act."

Eskom has had a series of meetings at Springbok, Vredendal and Kommagas to announce its findings.

News

Star 13/2/93

Majuba power station 'not going under'

55

ANITA ALLEN
Science Writer

DISCUSSIONS on the future of Majuba power station are continuing and Eskom and its contractors are confident that solutions will be found to put the R10 billion project back on track.

Brian Statham, Eskom's energy management chief, said a report in an Afrikaans newspaper this week that Majuba was about to become "a white elephant to rival Mossgas", was an inappropriate comparison.

"The implication is that we are going to overrun costs and may lose the second half of the project. But we are optimistic that solutions can be found that will solve the present problem of delivering coal at the original cost structure."

Furthermore, Statham said, there was no question of the project being halted as was suggested in the report. What had happened was that construction of three of a planned six generating units had been postponed until September. This was done when unforeseen technical problems arose in mining the coal at the colliery serving the power station.

Of the remaining three units, two had been completed and would be commissioned in 1996 and 1997 according to plan. The other was under construction and would be commissioned in 1998. The two biggest contractors affected by the delay were GEC and Steinmüller. GEC was continuing its delivery of equipment for all six units, which was being stored, but Steinmüller had halted construction at the site.

Statham dismissed suggestions in the report of any of the parties taking legal ac tion. "We are looking for technical and economic solutions. The relationship between Eskom and its contractors is very good. We are reviewing the contracts and obligations."

Colin Ferreira, group MD for Steinmüller agreed. "I endorse Mr Statham's comments and confirm litigation is not being considerd. The relationship is excellent."

Statham also scotched any suggestion of negligence on anyone's part in the original exploration of the coalfield supplying Majuba. He said the mining company, Barlow-Rand affiliate Randcoal, conducted the explorations in the terms of the tender document using technology available at the time.

"The original drilling pattern in 1981 showed one major geological disturbance, where the coal seam had been lifted by 70 m in one area," he explained. "Sinking the mine shafts began in 1988-89, and when the horizontal development started, they came across vertical dolorite dykes, which would not have shown up in the original samples.

"They found more and more of these dykes, which made mining very difficult — for one thing it is much harder than coal. This made the long-wall mining method, a highly productive technique, unsuitable, and it was apparent that coal costs were going to escalate."

At that stage it was considered prudent to postpone the project, to see if it could be made viable in the long term. Statham said the review process involved looking for alternative coal deposits nearby and Eskom was "optimistic" that they would be found. If these were of higher calorific value this would offset transport costs.

"The review process is on target and there are no hiccups," he said.

Asked to comment, Alan Cook, chief executive at Randcoal, endorsed Statham's and Ferreira's comments and added: "Randcoal is also seeking a technological solution to the mining problem."

Eskom's report and recommendations on the project would be presented in October to the Electricity Council, which holds overall legal authority for Eskom policy and is appointed by the Government from nominations by consumer bodies and industry.

Eskom faces foreign debt payment crisis

SS CT 15/1/93

From GRETA STEYN

JOHANNESBURG. — Eskom, facing a foreign debt bill of R2,5bn for the year, will be unable to roll over a substantial portion of the debt.

Assistant treasury manager Johan van den Berg said yesterday that R600m in maturing bonds and notes would probably not be refinanced "for the first time in years".

He said Eskom was prepared to pay a maximum interest premium of 150 points above the German "Bund" rate, but this premium had widened to 300 points on political violence and looked set to remain at that level for the time being.

Treasury manager Willem Kok said if the situation improved, Eskom would try to secure rollovers. If this was not possible, the utility might be unable to repay its debt inside the net by the end of the year. Eskom was budgeting to repay 25% of the affected debt by the end of 1993, or R300m.

However, Van den Berg added that repayments of standstill debt might be affected by the political situation. An interim government and access to IMF funds could provide some relief.

The foreign exchange reserves would be affected by Eskom's inability to roll over bearer bonds and notes.

However, Eskom's decision to sell its dollar deposits with the Reserve Bank would not affect the reserves, Kok said. About R700m in dollars would slowly be sold into the market.

Eskom's budget assumptions assumed an inflation rate of 11,5% on average for 1993 — revised downwards from 12,8%. The inflation forecast assumed a three percentage point rise in VAT and a 10% increase in the fuel price. Further assumptions were that Bank rate would be cut in March, after the Budget.

Bond trade

● Meanwhile, the utility said it traded more than R150bn in its own bonds during 1992, with foreigners holding about 52% of the stock.

Kok said Eskom expected its trade to top R200bn this year.

Eskom buys and sells its own bonds to increase their marketability, which lowers its borrowing costs.

JSE figures show that some R1,750bn in Eskom bonds mature in 1993, which Kok said would be repaid rather than rolled over. The lion's share is the R1,250bn owing on the Eskom 166 bond.

Van den Berg said it was becoming increasingly difficult to borrow at the long end of the market as investors wanted to lend for shorter terms.

The average maturity of SA bonds had now fallen to 12,5 years.

Van den Berg said bond issuers preferred to borrow for long periods to reduce the number of issues they had to make.

He hoped the trend would reverse as the political situation improved.

Kok said foreigners held 52% of Eskom stocks.

Local firms held 7%, the personal sector 12%, pension funds 14%, assurers 10% and financial institutions 2%. The Public Investment Commissioners held 3%.

He predicted an average yield of 14,50% for the Eskom 168 long bond for 1993.

A dealer expressed concern at the widening differential between government's R150 bond, the key Eskom 168.

The R150 was yesterday at 14,475% from a previous close of 14,580% while the E168 was at 14,580% from 14,640%. A narrower differential means cheaper borrowing costs for Eskom.

An Eskom spokesman said the utility had no plans to buy stock to narrow the differential. Funding needs were light and it would allow the market to set the rate. The dealer said the utility had been a consistent player in the market and would always be a prime issuer in SA.

"SA is lucky to have Eskom as an issuer in the market," the dealer said.

"They are leaders in risk management."

More nuclear plants possible

(5) (189)

CT 19/2/93

By GLYNNIS UNDERHILL

TWO more nuclear power stations may be built near Kleinsee on the West Coast at the turn of the century.

Top Eskom officials yesterday met representatives from the tourism industry, municipalities and regional services councils in Springbok, Vredendal and Komaggas to inform them of two sites they may wish to buy.

The sites are believed to be on farms along the coast near the diamond mining town of Kleinsee.

Kleinsee is about 80km from Springbok, which relies heavily on tourism and copper mining for its trade.

Springbok assistant town clerk Mr Jaco Victor described the meeting as "amicable".

"We are happy they are playing open cards with us."

Eskom will hold a news conference in the city this morning to announce the results of an investigation into "suitable sites" for more nuclear power stations.

● Building on the country's first nuclear power station — Koeberg — started more than 16 years ago.

Rumours last year that workers at the plant had been subjected to detectable levels of radiation were denied.

NUM moves to energise townships

BDAY 20/4/93.

ERICA JANKOWITZ

A NUM intiative to develop a new energy policy for SA, with emphasis on the generation and distribution of electricity, has been announced.

(55)

NUM national organiser Gwede Mantashe said the racially biased distribution of electricity was unacceptable. At present 98% of white and Indian households had access to electrical power, compared with only 15% of black households.

At a time when Eskom was mothballing operations due to "overcapacity", about 3-million households — or 25-million people — were not linked to the national electricity grid, he said.

Part of the problem was that three government ministries dealt with electricity distribution: public enterprises, local government and mineral and energy affairs. Further fragmentation occurred within the independent states so no national policy to widen access existed, Mantashe said.

The NUM would run workshops in May to develop the principles and process to be incorporated into its energy policy. This would focus on five areas of interest: generation, restructuring the industry, alternative sources of energy, linking up with the SADC grid, and workers' involvement in decision-making structures.

Environmental issues would be studied, as would rationalisation of electricity generation, transmission and generation. Concerns over job losses in such a process would be a priority for the union.

NUM welcomes chamber acting as members' agent

BDAY 26/5/93

(211)

ERICA JANKOWITZ

THE NUM and Chamber of Mines resumed wage negotiations yesterday with the chamber tabling offers from the 10 mines which had opted to negotiate separate deals with the union because of their "special circumstances".

These offers ranged from a wage freeze, through negligible increases with the union's commitment to negotiations on how to fund additional costs, to an 8% wage increase at Anglovaal's Alpha Anthracite mine.

NUM assistant general secretary Marcel Golding said this was an important breakthrough as the chamber had agreed to act as the collective bargaining agent for all its members.

Golding said the chamber's proposal that the union consider Sunday work was "inappropriate" at this forum as it was being discussed at the mining summit.

On Monday the chamber offered a 4% increase for participating gold and coal mines against NUM demands of between 20% and 25% on gold and about 40% on coal mines. NUM set a minimum wage target of R900 and R1 000 for surface and underground workers respectively.

The chamber agreed to form a working group on health and safety and to consider adult basic education proposals and the NUM's social plan for downscaling of the industry. It also agreed to consider NUM's proposal to change the recognition agreement to allow it to represent all categories of workers.

On the issue of service increments, the chamber agreed to some limited concessions, but all other proposals were "rejected out of hand", Golding said.

These were improved leave allowances, equalising provident and pension fund employer contributions, provision of permanent health insurance and assurance premiums to be paid by the mines.

Chamber spokesman Adrian du Plessis said steady progress had been recorded at yesterday's meeting. He said the chamber was looking forward to similar progress being made today.

'Fuel deregulation will kill us' — service stations

SOWETAN 22/5 — 26/5/93

PROPOSALS for the deregulation of fuel could lead to over 50 000 petrol attendants across the country being unemployed. (55)

Black service station owners, who represent about 25 percent of the dealer network in South Africa, fear that a clumsy deregulation of fuel will put them out of business.

Businesspeople are "pushing for deregulation" so that they can sell petrol from chain store outlets, said Mr Paul Ash of Sussens Mann, a public relations company acting on behalf of the garage owners.

"Under current legislation hypermarkets cannot sell fuel, so if it is deregulated, they can cut prices by, say, 10c a litre," Ash said.

"Fuel companies and service station owners feel they would not be able to compete."

Guguletu fuel dealer Mrs Nomahlubi Vokwana-Ndungane said deregulation will kill black dealers.

"Overseas experience shows the hypermarkets immediately enter by cutting fuel prices to the bone. I don't believe my service station in Guguletu has a chance of surviving if hypermarkets start selling petrol in Nyanga," Ndungane said.

She said that in the current regulated environment her profit margin is fixed at 15,1c a litre.

"Knowing what my margin is enables me to plan my business long-term. This includes employing attendants to provide the customer service.

"In a deregulated environment, I will be at the mercy of fuel prices and consequently, a fluctuating profit margin. One of the first sacrifices I would have to make would be to retrench the attendants," Ndungane said.

Ash said while the hypermarkets will be able to make up for revenue lost by lower fuel prices by inflating food prices, the law has hindered attempts by black businesses to diversify.

"That places them at a distinct disadvantage if they have to compete with the hypers," he said.

Fuel companies are also adamant that the current regulatory mechanism has delivered high quality products at internationally competative prices.

"It has also enabled the growth and sustainability of small business and employment creation programmes," Ash said.

EDWINA BOOYSEN

FM 21/5/93 .

PETROL DEREGULATION

On the front burner

(55)

Government is expected to make its position on petrol deregulation public when Mineral & Energy Affairs Minister George Bartlett presents his departmental budget vote in parliament next Friday. He is expected to reveal some oil-industry details that have been kept secret and propose amendments to the petrol regulations.

This means that the 30-year-old unofficial agreement between government, major oil companies and the Motor Industries Federation, known as the Rationalisation Plan — or Ratplan — will have to be addressed.

The Ratplan eliminates any outside competition by regulating the number of petrol stations allowed to each petrol company. It carries the force of law, yet remains unsigned to circumvent US anti-trust legislation (some local oil companies also operate in the US).

In effect, it has protected the major oil companies from new entrants such as the retail chain stores. The Ratplan is now under investigation by the Competition Board.

Though he has no hard evidence, Pick 'n Pay chairman Raymond Ackerman, who for some time has opposed the Ratplan and been lobbying for the right to cut petrol prices, says he is convinced that government will deregulate. "All the signs are here. With an interim government the remaining oil sanctions will be lifted. Also, deregulation is in line with (Minister of Trade & Industry and Finance) Derek Keys's thinking." He points out that garages have been installing large billboards at a heavy cost that will probaby be used to advertise price cuts.

But many of these same companies have prepared for deregulation elsewhere and ended up wasting their money. In the US state of New Jersey, a dozen years ago the major companies built hundreds of new petrol stations expecting the state to allow self-service sales. But New Jersey remains one of the last states that outlaws self-service and the new, rather unsuitable stations are beginning to age.

The oil companies are happy with the status quo — reduced competition means bigger profits for most. Opponents of deregulation say local fuel prices are among the lowest in the world and that hypermarkets selling petrol would have an unfair advantage because they would be able to cut prices to below cost through cross-subsidisation. The most serious objection is that deregulation would usher in self-service stations, resulting in huge employee cuts. About 50 000 employees could lose their jobs.

But proponents say the industry can be deregulated greatly without allowing self-service. Even if self-service is allowed, the

(44) cont →

BUSINESS & TECHNOLOGY

FM 21/5/93 . (55)

money saved on lower petrol prices would filter through the economy and create other jobs. Ackerman believes that he could cut fuel prices by up to 10%.

Before he makes any decisions, Bartlett will have to wait for the imminent completion of the Department of Mineral & Energy Affairs' report on deregulation. Industry officials believe that the report will recommend the abolition of most of the secret provisions surrounding the fuel industry and the maintenance of some form of regulation.

Department Director-General Piet Hugo says: "Deregulation is a calculated risk. It could create a lot of unemployment. These and other issues must be raised with the relevant groups." ■

Sasol argues to keep its level of tariff protection

BDAY 21/5/93.

LINDA ENSOR

CAPE TOWN — The level of tariff protection enjoyed by Sasol's synthetic fuel products was much lower than in other industries and should be retained in the interests of the SA economy, Sasol has indicated.

While oil companies favoured abolition of Sasol's protection as a way of strengthening their own position, a Sasol information document emphasised the importance of the industry for the economy justified a moderate level of protection.

Sasol argued that the protection afforded the synthetic fuel industry was relatively moderate, having averaged only 12,5% since 1979.

This compared favourably with the levels of protection, which on average exceeded 25%, enjoyed by other local manufacturing industries. More than 80% of SA manufacturing industries enjoyed tariff protection, Sasol said.

When the framework for protection for the synthetic fuel industry was introduced in July 1989 it provided for a 10% pre-tax return on assets. The $23 a barrel floor price had not been adjusted since, and the original level of profitability had therefore been eroded. The current level of protection provided only a marginal return on assets.

Although the value of protection for the synthetic fuel industry for 1992 amounted to about R600m, a Sasol spokesman said it had to be seen in the context of an industry with an annual value of production exceeding R3,5bn.

He said contrary to popular misconceptions, government did not pay any subsidies to the synthetic fuel industry. The Equalisation Fund Levy was raised on imported petroleum products as well as on products manufactured from imported crude oil. This levy enabled Sasol to achieve higher nett prices on its synthetic fuel.

Government's investment of R4,9bn in Sasol I, II, and III had been repaid many times as it was paid more than R13,9bn in cash and shares when Sasol was privatised.

Sasol argued that its modest protection had to be weighed up against the fact that the synthetic fuel industry created wealth of more than R4,5bn a year and employed more than 28 000 people. Sasol's direct contribution to GDP amounted to 1,5%. Furthermore, the synthetic fuel industry saved R5bn a year in forex, representing 9% of SA's merchandise imports.

In a letter sent to its service station dealers Sasol stated that the pressures being exerted on government would inevitably mean that deregulation of the oil industry would occur in some form.

The letter emphasised, however, that it should take place in a phased and controlled manner in order to prevent disruption and urged formation of a working group representing all stakeholders to formulate a deregulation strategy.

Small profit, no dividend at Spanjaard

JONO WATERS

SPECIALISED lubricants and chemical manufacturer Spanjaard turned in a small profit for the year ended February 28 1993, but passed its dividend. BDAY 21/5/93

Spanjaard, formerly Molyslip, reported a slight drop in turnover to R14,7m compared with R14,9m during the year to February 1992. Operating profit was lower at R538 000 (R1,11m) and financial costs rose marginally to R450 000 (R409 000).

Pre-tax profit fell to R88 000 (R702 000) and the company was not liable for tax. As a result, earnings dropped to 1,5c (12,4c) a share.

The profit of R88 000 (R360 000) was retained.

Chairman Robert Spanjaard said the results were worse than expected.

Trading up to the interim stage had been good but conditions in the usually better second half of the year were poor.

Participation in foreign exhibitions would have a positive effect on the company's results in the current year.

New Electricity Council announced

CT 20/5/93

IT WAS important that Eskom's main stakeholders and customers should be represented on the Electricity Council to help it's central role in building a strong economy, the Minister of Public Enterprises, Dr Dawie de Villiers, said yesterday.

In a statement announcing the new 18-member Council, Dr De Villiers said since its establishment in 1985, it had played a significant role in transforming Eskom into a successful business organisation and an efficient supplier of electricity.

The names could be announced now after the organisations prescribed in the legislation, as well as trade unions and the Electrification Forum had been consulted.

The new Council, with effect from May 24, includes Gerard Croeser, Director-General of the Department of Finance, and Dr Ian McRae, former CE and chairman of the Management Board of Eskom.

The other members, under the chairmanship of Dr John Maree, are A B Dickman, Dr B L Fanaroff, S Immelman, Dr E Khuzwayo, Prof I J Lambrechts, B J Lessing, J A Loubser, N Majija, G Mantashe, G Maude, M D Mofokeng, D B Mostert, A S Nkonyeni, C J Pretorius, C G van Veijeren and Dr G P N Venter. — Sapa

SWITCHED ON . . . Mrs Florence Gqwoyiyana and her son Vuyana, 15, are overjoyed to be the first household in the Philippi East squatter camp to receive electricity from Eskom's new power supply to the camp. Picture: HAROLD KING

CT 20/5/93 (55)

Turn on to new lifestyle

Staff Reporter

THE lifestyles of five squatter households in Philippi East have been transformed by having their shacks connected to Eskom's R1 million electrical power grid, which is intended to service all 750 squatter sites in the camp.

Ten other residents have already paid Eskom the R35 fee to have their homes fitted with a pre-payment meter and a ready board with a light, three power points and earth leakage switch.

Curious residents flocked to a "switching on" ceremony in the camp yesterday and watched enviously as those who have already acquired electricity won hot-plates, kettles and irons in an Eskom lucky draw.

Eight other Peninsula townships and squatter camps have been electrified since the start of Eskom's campaign, which aims to bring electricity to 95% of Cape Town households by 1996.

On July 1 Eskom will begin to extend its electrification network over Khayelitsha, with connections for about 5 000 households ready by the end of the year, Eskom's distribution manager Mr Ronnie Kingwill said yesterday.

He said the project would become economically viable if electricity in the townships spawned small business development.

Mr Jeffrey Nongwe, chairman of the Western Cape United Squatters' Association, enthusiastically welcomed the electrification of Philippi East yesterday and asked residents not to harm any of Eskom's infrastructure in the camp.

Industry uses more energy

6/0 19/5/93. (SS)

MATTHEW CURTIN

THE iron and steel industry's consumption of electricity and coal may double in the next 20 years in line with rapid export-driven growth in the sector, says the Mineral and Energy Affairs Department.

In a recently published report on projected energy use in the metal industries, the department forecast that "steel production in SA will more than double in the next 25 years, increasing dramatically as a voracious user of the country's power resources".

A department spokesman said yesterday the metals sector currently accounted for half of Eskom's industrial sales, and for more than a third of SA's coal usage.

The study was conducted by Mintek's techno-economics department, a spokesman of which said that electricity usage by iron, steel, ferro-alloy and aluminium producers was expected to grow at 3,9% a year through the '90s, with coal usage growing at a rate of 3,1% a year.

He said Mintek's "optimistic" forecast of rapidly increasing SA metals output was based on expectations of domestic economic recovery and burgeoning exports.

The development of the Columbus stainless-steel expansion project and the new Alusaf smelter were the first indications of SA's move towards sharply higher metals exports.

While steel demand was in long-term decline in developed countries, developing areas such as Southeast Asia and, in particular, Latin America had emerged as important markets. There, economic growth was outpacing increases in domestic iron and steel-making capacity, leading to increasing reliance on imports.

He said SA metals output remained energy-intensive by world standards. SA coal reserves were of low quality, high in ash, mostly unsuitable as coking coal, and with low thermal capacity. In addition, SA had fallen behind in iron and steel making technology, although new plasma furnaces at many plants, continuous casting being introduced by Iscor, and state-of-the-art technology set to be introduced at Columbus and Alusaf would improve the sector's efficiency.

The spokesman said primary steel, ferrochrome, ferromanganese, titanium slag and primary aluminium production accounted for 90% of the sector's energy consumption.

Picture: BRENTON GEACH, The Argus.

SWITCHED ON: Philippi East resident Mzwandile Ngalo flicks the switch for all to see that they have got power.

Lights on for the squatter residents of Philippi East

Staff Reporter 55 Arg 19/5/93

POWER for the people has arrived in Philippi East squatter settlement, where Eskom has switched on the lights for its first customer in the community.

At a short ceremony today, squatter leader Jeffrey Nongwe appealed to residents to help look after the installations and "stop burning down people's houses".

In his capacity as chairman of the Western Cape United Squatters Association, Mr Nongwe said one small child with a petrol bomb could cause people to lose their supply of electricity.

"Many years ago, when we first came to live in Crossroads, we would not have thought things like these would happen," he said.

An Eskom spokesman said the service included a prepayment meter, a ready board with a light, three power points and an earth leakage unit.

The meter is activated by a prepaid token card available from a shop near the settlement. When this is inserted in the meter the electricity is switched on and stays on until the number of units bought with the token runs out.

A similar system would be used in Khayelitsha, the spokesman said.

"A study done by Eskom in Philippi showed it would be a viable project in the long-term and discussions were held with the Western Cape United Squatters Association," the spokesman said.

"This is in line with Eskom's policy of planning in co-operation with a local community."

"The Cape Provincial Administration funded the high-mast lighting and the high-voltage network to the settlement and Eskom installed the low-voltage network at a cost of R1 million."

Eskom has a caravan information office at the settlement where Xhosa-speaking advisers are available to explain how to use electrical appliances safely and efficiently.

Eskom unveils funding plan

CT 18/5/93 (55)

R DELMAR

R500m drive for township electrification

JOHANNESBURG. — Eskom and the Life Offices' Association (LOA) yesterday unveiled a R500m commitment to a new electrification funding instrument. The move could unlock billions in life investments for further development projects.

The new funding instrument, Electrification Participation Notes (EPNs), consists of two parts. The first is a 6% fixed-coupon Eskom bond on which interest is payable twice a year. This is linked to a warrant for a variable element based on 30% of turnover generated by Eskom's electrification drive.

Eskom guarantees a return of not less than 11,98%, or 80% of the E168 value on May 13, on EPNs. The upside potential of the notes is not capped. Final payment is set for May 2008.

The EPN will be listed within three months, after which it will be available to non-resident investors subject to exchange control approval. Eskom will not make a market in EPNs, but their listing will provide a degree of tradeability.

UAL Merchant Bank GM Leon Kirkinis told a news conference at Eskom's Megawatt Park headquarters an announcement on placing the balance of the first R750m tranche of EPNs would be made within days. UAL, which structured the new instrument, is believed to be negotiating with a number of pension funds on the outstanding R250m.

Eskom's programme to electrify a million households by 1998 is expected to cost R3,1bn. EPNs will be issued over the next few years as the need for finance arises.

LOA committee member Dorian Wharton-Hood said the EPN had been approved by all the LOA's member companies.

"Every life assurer has come to the party," Wharton-Hood said, while declining to specify who had invested and how much.

He said the LOA had anticipated pressure on its members to invest in "socially responsible" developments and had discussed the electrification bonds with various parties, including the ANC, PAC, Inkatha and government. He described the EPN as a "unique" investment instrument, offering a balance between a low initial yield and the need to guarantee policyholders a reasonable return.

LOA chairman Neal Chapman said: "Clearly, the more than R200bn belonging to the millions of our policyholders and pension fund members has been seen by many as a major resource to be tapped but, at the same time, our industry needed to find a way of responding which did not put the nation's savings at risk or at a disadvantage.

Star 18/5/93

Eskom's shining light

55

Eskom's new chief executive, Allen Morgan, foresees greater public involvement in determining the utility's future direction. SVEN LÜNSCHE reports.

ALLEN Morgan, who has risen from virtual obscurity to the post of chief executive of Eskom, takes the helm at a time when the utility giant faces some of the most formidable tasks of its 70-year history.

The challenge? To provide about 20 million South Africans with a basic privilege — electricity.

Morgan (45) is not intimidated by the challenge and is certainly well suited for it, having overseen the nationwide electrification programme since 1991 as general manager of marketing and electrification, a position he will hold until Dr Ian McRae retires as chief executive in March.

Yet he will have to work within two crucial parameters. Firstly, Eskom is halfway through a five-year programme to cut electricity costs in line with its philosophy of becoming the cheapest supplier of energy in the world. That puts a constraint on the amounts it can spend on electrification.

Second, and more importantly, Eskom has dramatically democratised its power structures over the past few weeks.

Extra-parliamentary political parties, non-government organisations and trade unions are set to receive significant representation both on the Electricity Council, the 15-person governing body of the utility giant, and the recently founded National Electricity Forum.

It has been widely speculated that Minister of Public Enterprises Dr Dawie de Villiers will nominate up to seven members, representing trade unions and community organisations, to the council later this month.

Having been handed a larger say in the running of Eskom, it is inevitable that these organisations will push their agenda, namely speeding up the electrification of underdeveloped areas.

Morgan makes it clear that much of the future direction of Eskom will be set in the Forum, a body strongly promoted by Eskom and comprised of various political, community and economic groupings.

"We will not move unilaterally without consensus in the Forum. The days when we had a private agenda are over. I strongly believe that the Forum is the body to co-ordinate the electrification of South Africa, by looking at the optimum rate of construction for cost-effective energy supply," Morgan says.

He subscribes to the view that the electrification programme will play a crucial role in leading to sustained economic development for the country as a whole.

The relationship in the Forum is not as one-sided as it may first seem. Bearing recent rate boycotts and attacks on Eskom workers in mind, Eskom needs the Forum to overcome the obstacles that prevent its expansion into townships.

Stressing that he is not a "political animal", Morgan is adamant that Eskom has to show benefits first and foremost to its customers and clients, be they companies or individual households.

At the forefront of negotiations with community organisations and black local authorities during the turbulent days of boycotts and non-payments, Morgan is only too aware of the difficult task ahead.

However, since joining Eskom in 1971, armed with a degree in electrical engineering from Stellenbosch University, he has developed a pragmatic but tough approach to his job that has stood him in good stead.

As a result, Eskom's electrification programme is currently proceeding at lightning pace, with 2 000 homes being wired up every day.

This year alone 160 000 should receive electricity and by 1997 he hopes that all one million households within Eskom's supply licence will be linked to the national grid.


Morgan . . . facing formidable challenges.

This is not fast enough for the ANC, which argues that Eskom's recent strong financial results — it reported net income of R1,5 billion in 1992 — could have been trimmed to speed up electrification.

Morgan points out, however, that the enormous programme carries a price tag of some R10 billion, which would have to be financed by loans and cash generated by Eskom's other operations.

"Without running a tight ship financially we will not be able to fund the tasks ahead of us," he says.

Eskom recently received a considerable boost when life assurers agreed to back its electrification programme with a R3 billion loan — the first tranche of R750 million was raised on the capital market this month.

All the hype surrounding the electrification programme does not mean other issues — the Southern African Electricity Grid, for example, — will not feature on his agenda.

"We will maintain the contacts to establish and pursue the realisation of an electricity grid for the sub-region," he says, adding immediately, though, that a commitment from the politicians to closer economic co-operation is required if the plan is to proceed much further.

Other issues, however, are clearly not a priority.

The privatisation of Eskom — raised frequently by the private sector — is not on the agenda, given the success of Eskom as a commercial operation and the strong opposition with which such a move would be met by the ANC and trade unions.

Nuclear energy "will also not receive a higher profile", he comments, arguing that the Southern African Electricity Grid would provide sufficient power if required towards the end of the century. □

Financial institutions take 'socially responsible' route

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ARG 18/5/93

☐ Eskom, LOA to fund electrification of black townships

BRUCE CAMERON
Business Staff

FINANCIAL institutions have taken a first step to ward off the threat of a new government reintroducing measures to force life assurance companies, pension funds and banks to invest in socially responsible development projects.

The step came with confirmation by Eskom and the Life Offices Association (LOA) of the first tranche of R500 million of a possible R3,1 billion to fund the electrification of black townships.

The Eskom scheme, with guaranteed returns and security on investments for the life assurance industry, has met the demands of South Africa's life assurers.

LOA chairman Neal Chapman said the R200 billion belonging to policy-holders and pension-fund members was seen by many as a major resource to be tapped but at the same time "our industry needed to find a way of responding which did not put the nation's savings at risk or at a disadvantage".

The threat of the reintroduction of prescribed investments to fund development projects — particularly in housing, health and education — has remained, with ANC economics department chief Trevor Manuel repeating yesterday that retirement funds should use part of their investment to help develop the economy and get rid of imbalances.

It was either that or face the prospect of having prescribed asset requirements reinstated, Mr Manuel told the annual conference of the Institute of Retirement Funds at the Wild Coast.

In Cape Town last week, Mr Manuel warned banks to "restructure or be restructured" to enable them to play a part in development rather than remaining "bankers for the conglomerates".

Mr Manuel was partly backed at the conference by JSE president Roy Andersen, who called for the possible reintroduction of prescribed investments as part of a package to redress economic imbalances.

The Argus Correspondent reports that in a wide-ranging address on the challenges facing the JSE, Mr Andersen said the temptation to grasp at short-term solutions to stimulate the economy would be great.

"What South Africa requires is free-market policies with sustained long-term benefits and not premature and false kick-starts," he said.

Investment boosts electricity for all plan

Staff Reporter Star 18/5/93

Affordable electricity for all South Africans was given a major boost yesterday when the Life Offices Association (LOA) committed R500 million into an Eskom investment scheme.

Eskom has estimated that its ambitious plan to electrify a million households by 1998 will cost about R3,1 billion.

To raise the funds, Eskom has floated Electrification Participation Notes which allow institutions to invest in its growth.

These are being released in instalments over the next five years, Eskom media liaison officer Peter Adams said.

The first R750 million tranche would be made available "within days", but the LOA has already committed itself to R500 million of that.

UAL Merchant Bank general manager Leon Kirkinis said his company was negotiating with several pension funds on the outstanding R250 million.

LOA committee member Dorian Wharton-Hood would not specify which LOA member companies had invested heavily in the project.

"Every life assurer has come to the party," was all he would say.

(55)

The EPN was a unique investment instrument which offered a low initial yield but guaranteed policyholders a reasonable return, Wharton-Hood added.

Power grid deal forges closer ties

BIDAY 17/5/93

55 (???) ???

MICHAEL HARTNACK

HARARE — The Zimbabwean and SA flags were flown side by side for the first time in Harare on Friday at the public signing of an agreement to link Zimbabwe and SA in a subcontinental electricity grid.

"It means light, it means life, it means work," Public Enterprises Minister Dawie de Villiers told Zimbabwean Transport Minister Denis Norman and Botswana Energy Minister Archie Mogwe.

De Villiers, Norman and Mogwe signed a memorandum of agreement to establish a 410km electricity grid network from Matimba power station near Ellisras in the northern Transvaal, through Botswana, to Insukamini outside Bulawayo.

Norman said that barring technical hitches, when the R315m project was complete in 1995 it should mark the end of Zimbabwe's electricity crisis which had caused massive production losses in commerce and industry.

Eskom CE Ian McRae described yesterday's ceremony as "the fulfilment of a personal vision" and the first step in building a sub-continental grid linking Cape Town with Kinshasa, enabling eventual power imports to SA from new co-operation projects north of the Limpopo.

Mogwe heralded the signing as indicative of SA's eventual accession to the Southern African Development Community, while Norman and De Villiers believed it presaged warmer ties between Pretoria and Harare.

Asked about possible diplomatic ties, De Villiers said: "I think it is mandatory that the states of southern Africa move closer together."

Norman agreed, but said full diplomatic relations would have to wait until SA had a new constitution.

Last April Norman broke President Robert Mugabe's ban on ministerial contact with SA when he met his opposite number Piet Welgemoed on co-operation on maize imports.

SA will bear the R30m cost of constructing the link through Botswana as far as the Zimbabwean border.

Zimbabwe and SA are negotiating the next stage of the regional grid with Mozambique. And Zimbabwe and Zambia plan to build a third giant hydroelectric dam on the Zambezi at Batoka Gorge, 70km downstream of Victoria Falls, by 2003.

CITY/NATIONAL

South Cape nuke site sold for R7 million

APR 17/6/93

□ Buyers agree to abide by conservation safeguards

JOHN YELD
Environment Reporter

THE Atomic Energy Corporation's Gouriqua property on the southern Cape coast, which includes about 2 0000ha of pristine fynbos, has been sold to private buyers for R7 million.

The corporation called for tenders for the property at Ystervarkpunt last year, saying it was worth about R8 million, after scrapping plans for a nuclear test facility.

Several conservation groups called for the proposed sale to be halted and for the property to be handed to back to the state so that it could be managed for conservation purposes.

But, the AEC rejected their demands and called a R500 000 bid by the SA Nature Foundation "ridiculously low".

It announced last week that a private company, Rein's Nature Reserve, was to be established by the buyers.

"Rein's Nature Reserve complies with the requirements regarding future development of the site and also submitted the highest tender," said AEC.

A spokesman said: "The tender was accepted after the AEC and Cape Nature Conservation were satisfied that the future development of the site or any changes in land usage would be undertaken only with the approval of (Cape) Nature Conservation.

"Registration of an appropriate servitude in the title-deed of the property will be a pre-requisite in terms of the contract."

The Botanical Society's flora conservation committee, which had expressed deep concern about the proposed sale, said it welcomed the conservation aspects of the contract and called on the AEC to ensure that the future landowners abided by them.

"We would be interested to learn of any development and nature conservation plans the new owners may have," said Mr Barry Heydendrych, the society's acting conservation officer.

The area was of great conservation and ecological value, he added.

"We hope adequate protection will be given to areas representative of all plant community types and that these areas will be large enough to permit natural ecosystem functioning."

Dr Johan Neethling, chief director of Cape Nature Conservation, expressed satisfaction with the inclusion of the servitude.

He pointed out that the property was zoned agricultural and that any development proposal would require a rezoning application and a full environmental impact assessment.

Power for Zimbabwe

S[outh] Times (Buss)

THE governments of South Africa, Zimbabwe and Botswana have signed an agreement allowing Eskom and the Zimbabwe Electricity Supply Authority (Zesa) to build connecting power lines through Botswana. 16/5/93

It provides for the construction, operation and maintenance of a line between Matimba power station in the Transvaal and Insukamini near Bulawayo. The 410km line will cost R380-million and should be operational by the end of 1995.

(55)

R500m to bring electricity for all

S/Times (Buss) 16/5/93

By KEVIN DAVIE

ESKOM and the life assurers have struck a 'R500-million groundbreaking deal to part finance Eskom's R3-billion "electricty-for-all" drive.

The project — the assurers have agreed to a first tranche of R500-million — is the first by the Investment Development Unit of the Life Offices Association.

The IDU was set up to facilitate the flow of funds under the control of the life and pensions industry to socio-economic development.

The IDU has been investigating mechanisms to do this. A life-assurance source says Eskom involvement was the key to the scheme and the first tranche of R500-million.

The life business is expected to earn a market-related return on the 15-year bonds which Eskom will issue. The bonds are structured so that yields are low in the early years but improve with time.

"There is no capital risk, although there is a risk on the yield," says a source.

Eskom intends to bring electricity to at least a million people a year.

It is better placed than most to enter the high-risk area of socio-economic upliftment because the pre-paid meters it installs ensure that it gets paid.

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Attempts to provide housing and other social services for blacks have, in contrast, largely been frustrated by rent, mortgage and service boycotts, high costs and poor quality and inefficient systems for collecting payment.

Two go

STELLENBOSCH-based Gilbey liquor group chief executive Peter Fleck and human resources director Anton Erasmus resigned at the same time this week to follow other interests.

Parent company International Distillers & Vintners president of the Africa region Howard Smith, says successors have not been appointed.

Breaking up (not so) hard to do

S/Times (Buss) 16/5/93

SOME Sanlam-controlled companies were unbundled this week while another was bundled in a set of moves which have changed corporate SA forever. Comment by **KEVIN DAVIE**

SA BUSINESS is characterised by an over-concentration of control in a few white hands while few blacks are shareholders.

There will be enormous pressure in a democratic South Africa for artificial barriers — such as pyramid controlling structures — to market entry to be dismantled and for have and have-not disparities to be dealt with as rapidly as possible.

Two deals — announced by companies in the Sanlam stable this week — have these objectives.

First Gencor said that its pyramid structure would disappear as soon as Finance Minister Derek Keys's unbundling legislation had been passed. Two companies would go, leaving five stand-alones in Genmin (to be renamed Gencor), Engen, Malbak, Sappi and Genbel.

The intention is to free control of these companies and unlock value for shareholders through improved share liquidity, management independence and competitiveness.

In the SA context this has come to be known as unbundling. A company increases its exposure to market forces by stripping away holding companies which may help thwart takeovers.

Only days later Metropolitan Life, also part of the Sanlam stable, said that a new company, Methold, would be set up with a 40% stake in Metropolitan.

A special voting arrangement will ensure that control passes from Sanlam's industrial holding arm, Sankorp, to Methold.

Metropolitan has assets of R4,8-billion. Methold will have mostly black directors and blacks will make up 10% of the shareholders with a five-year option to increase this to 30%. Metropolitan has good growth potential as a savings and investment vehicle for blacks.

So desirable ends have been achieved in one case through unbundling and in another through bundling. This suggests that the ends — improved competitiveness and wider ownership of the economy — are more important than the means.

Competition Board chairman Pierre Brooks takes a simple view on the unbundling issue. He says in the past there have been incentives to conglomeration. This needs to be changed so that the incentives favour de-conglomeration and the improved competitiveness which this will bring.

Much of corporate SA is at present impervious to takeovers because pyramidal control makes takeovers an unlikely possibility.

But attempts at big-stick solutions, such as enforced break-ups, could replace an unhappy situation with an even unhappier one. As Gencor and Metropolitan have shown this week, win-win solutions are possible without using big sticks.

ment and technical expertise.

SA Breweries says no single group has outright control of its shares and points to the threefold premium of the share price to net asset value.

"There is no value to unlock by unbundling SAB," says group financial director Selwyn MacFarlane. "We are a focused consumer group. Unbundling applies to conglomerates with interests which do not fit together, such as Gencor."

Rene de Wet, managing director of Pick 'n Pay, says unbundling would result in the Ackerman family's losing control.

"From a shareholder point of view there is a lot of value attached to the Ackerman control of the group."

Business leaders praise Gencor's decision to demerge its non-mining interests. Although Sankorp will retain effective control, the move is seen as an important step for shareholder democracy.

put unbundling on the corporate agenda when he was Gencor chairman, says: "Gencor has an outstanding record as an entrepreneur. I welcome the announcement of plans to unbundle in the belief that it will result in five entrepreneurs."

Brian Kantor, professor of economics at the University of Cape Towns, says that although control of Gencor's operating subsidiaries will remain with Sanlam, shareholders will have a stronger influence on affairs.

"Now the operating companies will be controlled directly through Sanlam rather than through the intermediary of Gencor management which may not necessarily be a good thing.

"We need to persuade the ANC that tight control by shareholders is a good thing. They appear to have picked up the US view of anti-trust behaviour which is outdated and in-

AEC sells nuke site for R7m

(55)

CT 14/5/93

Staff Reporter

The Atomic Energy Corporation (AEC) has sold a prime Southern Cape coastal property to an overseas developer for R7 million.

The 2 455ha piece of land, between the Gouritz River and Mossel Bay, was originally earmarked for a second nuclear reactor to supplement that at Pelindaba.

The programme was halted when it was found it would be too expensive.

The foundations of the reactor, five houses, an administration block, water and services were installed after the land was bought in 1984.

AEC said yesterday the Gouriqua property had been sold to a company that would be called Rein's Nature Reserve.

"Rein's Nature Reserve complies with the requirements for development of the site and also submitted the highest tender," the AEC said in a statement.

Details of the overseas buyer were not available, nor of what development would take place.

"The tender was accepted after AEC and Cape Nature Conservation were satisfied that the future development of the site would be undertaken only with the approval of Nature Conservation," the AEC said.

Dr Johan Neethling, chief director of Cape Nature Conservation, confirmed this last night.

Conservationists were angered when the land was first put up for sale in December. They believed it should have been given free of charge to Cape Nature Conservation as taxpayers' money had been used to buy it in 1984.

Dr Neethling said he believed the taxpayers' money had been recovered by the sale of the land. The public had got "the best of both worlds" since the interests of nature conservation were also being served.

The conservation department had been interested in the land but the price had been pushed way beyond its means because of the infrastructure on the land, Dr Neethling said.

He said the area was "unique" as it was a good example of coastal fynbos.

The AEC had left the area in "good condition" and had removed all alien vegetation, but the area had been "spoilt" to a degree by the buildings.

Any development would first have to be passed by the Administrator, Dr Neethling said.

BUSINESS Heavy going

Shell SA is also feeling the pinch

Sowetan 14/5/93

■ But satisfactory results were achieved:

TRADING conditions during 1992 proved to be very difficult, Shell South Africa said in its 1992 business report released this week.

"The South African economy continued to decline, the drought prevailed in farming areas and the international prices of coal and other minerals declined," Shell said.

The effects of these detrimental factors were felt within their minerals division where the coal and metals sector provided disappointing results.

"The oil division fared better in these conditions and although it proved difficult to meet agreed targets, the results were satisfactory in the light of prevailing circumstances. The volume sales and margins of the chemical division were under considerable pressure with resultant performance against targets below expectations," Shell said.

Turnover for the company increased by 4,5 percent over the previous year. Oil division showed an 11 percent increase which was offset by declines in other business areas and by the sale of certain non-traditional businesses, during the previous financial year.

OI 55

Reduce cost of production

Shell said real cost containment continued to be a strongly focused business objective. The increase in operating costs over the previous year at five percent was well below the inflation rate and reflected the considerable emphasis being placed on bottom line profitability and increasing the return on capital employed.

Capital expenditure increased by 58 percent over 1991 and was focused mainly on the oil division with, in particular, the upgrade of the Sapref refinery which was scheduled for completion this year, together with the Ultra City network development which was continuing.

In the coal sector of the minerals division capital expenditure centred on the new Rietspruit underground project which would enhance coal quality and reduce cost of production.

"Total average working capital levels have declined since the previous year following the reduction in the cash balances previously held reflecting the high capital expenditure level and lower tax provisions," Shell said.

Shell is a private company wholly owned within the Royal Dutch Shell Group of companies and does not publish an annual report with financial statistics. —*Sapa.*

SA's nuclear bomb records to be probed

Star 14/5/93

By Hugh Roberton
Star Bureau

WASHINGTON — International experts are to analyse the ink and paper used in the operating records of South Africa's nuclear bomb programme to establish whether or not they are authentic, or were tampered with after Pretoria decided to sign the Nuclear Non-Proliferation Treaty, the Washington Post reported yesterday.

The report says the analysis is to be done because of suspicions that South Africa produced more weapons-grade enriched uranium than it revealed to the International Atomic Energy Agency.

Also, material may have been exported or could be in the hands of the South African security establishment.

The report quotes US officials as saying they had received word "that a lot of stuff was altered or filled in".

But the newspaper's report also quotes the executive director of the SA Atomic Energy Corporation, Waldo Stumpf, insisting that "we have given operating records going back 15 years, very good records".

Doubts raised over SA nuclear records

CT 14/5/93

From SIMON BARBER

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WASHINGTON. — Members of the US intelligence community think that Pretoria might have falsified the records it gave to the International Atomic Energy Agency last year.

The records comprise a detailed log of the fissionable highly-enriched uranium (HEU) produced at Valindaba between the mid-70s and early 1990 for use in South Africa's now-dismantled A-bombs.

According to the Washington Post, the CIA was tipped off last year that many of the documents had been "altered or filled in" before they were given to the IAEA so they would be consistent with Pretoria's claim that it had produced about 400kg of HEU.

The IAEA reportedly intends to test the ink and paper used to assess the documents' age.

Some US intelligence experts are asserting that Valindaba had the capacity to produce up to three times the amount of HEU South Africa has admitted stockpiling.

Atomic Energy Commission chief Mr Waldo Stumpf told the Post: "We have given the IAEA very good records. I wish the CIA would come up with some findings or proper information so we can look into it."

Secrecy on fuels to go

Political Staff (55)

THE government plans to lift the veil of secrecy surrounding the liquid fuel industry but it is unlikely that the petrol price would be deregulated, government sources said last night.

Deregulation, however, will be discussed in the Mineral and Energy Affairs Department budget vote today, the sources said.

There were strong indications that the Minister of Mineral and Energy Affairs, Mr George Bartlett, would open the government's books on the formula to determine petrol prices, the location of oil pipelines and the functioning and financing of the Mossgas oil-from-gas project.

However, he would not be making the extent of SA's oil stockpile known, the sources said.

BUSINESS DAY, Friday, May 14 1993 3

Sentrachem and Sasol discuss export drive

B|DAY 14|5|93

ANDY DUFFY

PETROCHEMICALS group Sasol and chemicals company Sentrachem are discussing a joint export drive into the sub-Saharan market.

Board-level talks cover Sasol supplying by-product raw materials from its synthetic fuel operations for Sentrachem to process, and further joint ventures to manufacture and distribute value-added chemicals.

Although discussions remain preliminary, Sentrachem operating companies have begun evaluating possible technical and marketing links with Sasol.

A recent R48m joint venture by Sentrachem subsidiary Karbochem and Sasol has added new momentum to the talks, under way now for at least a year.

Both companies are seeking to cut their dependence on the static SA market. Sub-Saharan countries have been identified as a key market.

Karbochem finance director Mike Gillatt said: "Sasol are saying: 'Here we are producing so many tons a year of this stuff, what do you think you can do with it?' We've got processes or technologies that are better able to handle raw materials," he said.

Sasol confirmed talks were under way, but refused to comment further.

The discussions are in line with Sentrachem's comments last week that exports and further ties with Sasol were integral to its expansion. Sentrachem draws around 13% of sales from exports and is planning to boost this.

'Tricky trading year' for Shell

THE opening up of SA markets to global competition at a time when the economy remained in deep recession and the international petrochemicals market was in over-supply resulted in an extremely difficult trading year, Shell (SA) said in its Business Report released in Johannesburg yesterday.

"The customer service strategy initiated during 1991 resulted in a considerably improved service to Shell Chemicals customers and this was a significant factor in maintaining volumes for the year. 55 (64)

But substantial effort in developing trade in other parts of Southern Africa helped to offset the decline in local demand. CT 13/5/93

The oil division reported that the business climate remained dull. Shell's inland fuels market increased by 1%, mainly in the retail service station market.

Engen confirms pullout

Star 31/5/93

Engen confirmed on Friday it would not be exercising its 30 percent option in Mossgas and that it was withdrawing from the management of the project.

"Engen has regularly maintained that it would not invest in Mossgas unless such a course of action was commercially viable.

"We now believe that it would not be sensible to do this as the rewards would not match the investment necessary to maintain Engen's interest in the project," chairman Bernard Smith said.

Smith said the level of funding required to maintain its 30 percent stake was in excess of R1 billion, based on the capital cost of the project.

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Responsibility

His reaction followed Mineral and Energy Affairs Minister George Barlett's statement to Parliament on Friday that Engen had withdrawn from the project and would not exercise its option to acquire 30 arrangements.

The Central Energy Fund (CEF) would now supply all funds for Mossgas and assume responsibility for R2,4 billion in foreign loans obtained to fund imported plant, equipment and services not available locally, Bartlett said.

Smith confirmed that Engen was withdrawing from the management of the project which it had been managing since 1989.

"We believe we should withdraw as manager because this role distracts from Engen's management focus on its core business.

PW ordered Kalahari nuclear test

From SIMON BARBER

WASHINGTON. — Former president Mr P W Botha ordered preparations for a nuclear test in the Kalahari in 1987 fearing Cuban and Warsaw Pact forces in Angola could not be beaten without the South African Defence Force taking unacceptable losses.

Soviet air defences had been installed in southern Angola which eliminated Pretoria's air superiority before the end of the Angolan war.

The information, disclosed by Armscor, the Atomic Energy Commission and other government officials to the Washington Post and Nuclear Fuels, a respected industry newsletter, includes that:

- The AEC had a lot of unwitting help from the US in the '60s and early '70s on developing a "peaceful nuclear explosive" for mining.
- When the weapons were dismantled in 1990, the uranium was removed a piece at a time and transported in the boot of a Toyota sedan to Pelindaba.
- During the dismantling, two workers were fired and kept under close surveillance after they threatened to abscond with components.

The bombs were built using old Hiroshima-style technology to minimise the need for outside assistance.

Armscor director Mr Tielman de Waal, who was ordered to start the programme in 1974 by then-prime minister Mr John Vorster, said the devices were technically easier to engineer than Armscor's latest howitzers.

55 CT 13/5/93

been retired on accelerated pension has at no stage changed. These teachers have themselves always been responsible for their medical cover after termination of service. These arrangements appear to be in line with general practice in the private sector. In the light of the sensitivity which has developed concerning this matter, and also because I am very sensitive about it myself, I decided to submit the matter to Cabinet for its consideration. I further decided that all educators who had accepted early retirement since 1 August 1992, owing to rationalization, should receive an amount not exceeding the State's contribution to the medical scheme to which they belonged on the last day of service for a period not exceeding 6 months after retirement.

(2) No, because according to my information no change in respecct of the payment of membership fees to Medihelp had taken place in the case of people who were retired on accelerated pension.

(3) No. Educators who have accepted early retirement are already receiving the assistance referred to in paragraph (1).

(4) No.

Mr R M BURROWS: Mr Chairman, arising from the reply of the hon the Minister, could he inform us whether teachers, particularly those falling under the Administration: House of Representatives who are being offered early retirement at this stage, are being informed about the financial position in regard to their medical scheme?

The MINISTER: Mr Chairman, I am not responsible for the management of the education department of the House of Representatives, so unfortunately I am not in a position to answer the hon member's question.

New questions:

Press freedom

*1. Mr P G SOAL asked the Minister of Mineral and Energy Affairs: SS

Whether, with reference to the reply by the then Minister of Home Affairs to Question No 7 on 18 March 1992 regarding legislation allegedly detracting from the free flow of information and restricting the Press from reporting, any steps have been taken or are being contemplated in respect of the repeal of the Petroleum Products Act, 1977 (Act No 120 of 1977); if not, why not; if so, (a) what steps and (b) when? SS B734E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

A comprehensive investigation into Government's involvement in the petroleum fuel industry is in the process of being finalised at present. One of the aspects which is being addressed in the investigation, is to what extent the need for secrecy regarding specific petroleum matters has reduced under the present circumstances. The repeal of the Petroleum Products Act, 1977 (Act No 120 of 1977) is, however, not envisaged, but only certain regulations promulgated in terms of the Act. It is the intention to consider the amendment of those Regulations which prohibit the publication of information in respect of petroleum products as soon as possible.

Mr R R HULLEY: Mr Chairman, arising from the reply of the hon the Minister, could he tell us whether the question of the deregulation of the petrol price is part of the inquiry he has just referred to?

The MINISTER: Mr Chairman, the reply to that question is "yes". The whole matter of the regulation of the petroleum industry has been looked into and the report will cover that as well.

Capital punishment

*2. Mr J H MOMBERG asked the Minister of Justice:†

(1) Whether he will consider recommending that all persons sentenced to death be reprieved before Parliament takes a decision on the question of capital punishment; if not, why not; if so, what are the relevant details;

(2) whether he will make a statement on the matter? B737E

†The MINISTER OF JUSTICE:

(1) and (2) All persons sentenced to death are from time to time considered for reprieve.

On 29 January 1993 during his Opening Address the State President indicated that the Government was reconsidering its position on the carrying out of the death penalty and that Parliament would be consulted in the process of reconsideration.

On 24 March 1993 the State President therefore indicated further that the Government has decided to approach Parliament on an appropriate occasion, on the basis of a motion, to give all hon members the opportunity to indicate their viewpoints regarding the carrying out of the death penalty in a vote at the end of the debate.

The State President will proceed with the consideration of possible reprieves.

†Mr J H MOMBERG: Mr Chairman, arising out of the hon the Minister's reply, the question was specifically aimed at the situation of persons who have been condemned to death. In the light of the almost inhuman situation existing at present, namely that some persons have been in death row for almost seven years, does the hon the Minister not feel that these persons can be reprieved before the debate on the death penalty begins?

†The MINISTER: Mr Chairman, I have already indicated that at a certain stage the State President considers the granting of a reprieve in the case of all persons who have been condemned to death. We must remember that this institution of the death penalty was amended hardly two years ago to make an appeal to the Appeal Court possible in all cases. It is therefore an automatic appeal. When cases are turned down by the Appeal Court, the question of reprieve remains. In this context we are therefore referring to those cases already considered by the State President, but in which a reprieve was not granted. As far as those persons are concerned, the carrying out of the death sentence has therefore been suspended temporarily. It is the intention, in the light of the hon the State President's motivation on these two occasions to which I have referred, to ask Parliament for its view on the continuation of the carrying out of the death sentence.

Mr J H MOMBERG: Mr Chairman, further arising out of the hon the Minister's reply, does he not feel that he himself, purely on humanitarian grounds, can make such a recommendation?

†The MINISTER: In the normal course of events a reprieve is granted by the hon the State President on the recommendation of the Minister of Justice. Those cases have already been disposed of. We are talking here about a limited number of cases in which a reprieve was not granted. If I understand him correctly, the hon member is now asking whether we shall again look at that category of persons. I do not want to be cynical now, but there is a very strong feeling outside that these people did not ask twice whether their victims should get another chance or not. That is the attitude outside. We must look at this matter in a very objective and clinical way, and that has already been done. We shall not carry out the sentence before we have asked Parliament to state its attitude. I intend putting this question to Parliament within a few weeks.

Mr P G SOAL: Mr Chairman, further arising out of the hon the Minister's answer, does that mean that the hon the Minister did not tell us of the limited number of which it applied? Will he give us that figure and will he then confirm that, if it is decided at some subsequent date to reintroduce the death penalty, those people will be hanged?

The MINISTER: Mr Chairman, the law of the land is that. . . .

Mr P G SOAL: No, I know the law of the land.

The MINISTER: Mr Chairman, it is not that I think the hon member does not know the law.

Mr P G SOAL: But do you know it?

The MINISTER: Perhaps he can just check after I have finished. [Interjections.]

The law of the land is that a person, even if not reprieved, may still approach the State President up to the very last moment. We have so many instances of people approaching the courts at the very last moment with applications to suspend an execution. In some cases such applications have been successful and in others not. Therefore these people may still, under a

cont-d

SA gets in on nuke waste handling act

PRETORIA. — South Africa will host a training course early next year on the safe handling of radioactive waste after its first participation in the technical working group meeting of the African Regional Co-operative Agreement for Research, Development and Training related to Nuclear Science and Technology (Afra). 55 ARG 10 5 92

The Atomic Energy Corporation of South Africa (AEC) said in a statement that the availability of an advanced level of waste management in the country, as well as the infrastructure around the Vaalputs waste repository, presented an excellent base for the course.

South Africa also will host two other courses — a training one in nuclear instrumemtation early next year and one on research reactor technologies in April and May 1994.

AEC said the entry into Afra was a first for South Africa. It served as a meeting ground where communal projects could be discussed and also provided the opportunity for a sharing of resources.

"The aim is to extend the technological base more widely through Africa to the benefit of all its member countries and peoples. In this, South Africa can play a leading role and already has been recognised by the rest of Africa as a leader in the nuclear field."

South Africa will host the 1995 Afra technical working group meeting and will serve as chairman of Afra for that year. — Sapa.

THE WEEK AHEAD by Simon Willson

Crude oil's stain could stay on PPI

BDay 10/5/93

FOR the first time in almost a year oil has surfaced as a major factor swaying import prices, and the oil price may extend its influence to cover the producer price figures for March due at the end of this week.

Headline producer inflation surged to a five-month high of 8,3% in the year to February from 7,4% in January, propelled mainly by a jump in the import price component of the producer price index (PPI). After falling 0,4% in January import prices leapt 1,3% in February, and a round-up of the usual suspects brought in the weaker rand and higher oil prices.

However, the rand has an alibi in the form of a real effective depreciation in January of only 0,1% from December. Pinning the rap on the oil price, however, looks an open and shut case by comparison. The evidence may be circumstantial, but it is compelling nevertheless.

The main chart shows the correlation in the past three years between the price of North Sea Brent blend, the oil market's most traded crude, and the annual percentage change in the import PPI, which has a 19,5% weighting in the overall PPI basket. This match-up has to be made irrespective of whatever secretive tapping of domestic oil stockpiles may be taking place.

There is a satisfying connection between the end-1990 takeoff in Brent as war loomed in the Gulf, and the near-simultaneous bounce in imported inflation to nearly 20%. This was followed by a mirror-image drop in import price growth as the Gulf effect dropped out of PPI a year later.

In the second half of 1992 the oil market tightened again when Saudi Arabia surprisingly held back an expected demand for higher production quotas, and accepted an extension of output limits agreed among oil producers the previous February. This boosted Brent to a 1992 high of $21,40 a barrel in mid-June last year, and set up the oil price movement that is now affecting the PPI.

Overproduction and cheating on quotas by oil producers, combined with slowing growth in the G-7 countries excluding the US, served to undermine oil prices in the second half of 1992. From its June high, Brent dived to a low of $16,60 seven months later, dragging the imports PPI lower. It is Brent's current recovery from its January lows below $17 that seems to be prodding import prices higher again.

As the chart inset shows, Brent rose $2,08 (or 12,5%) in the last nine trading days of January — just in time to hit a PPI survey in early February. The bad news is that Brent did it again a month later, jumping $1,93 (or 11%) in the 12 days to March 4 — just in time for the March PPI survey. As the inset indicates, Brent has calmed down and should not feature so prominently in PPI for much longer.

The twice-yearly Opec meetings have been the main movers of the oil price. An effective cut in Opec output at the February meeting boosted prices in the same month; Opec meets again in June.

A repeat in the March PPI of the oil effect that propped up the February outturn should be mitigated by a relatively high base for the March 1993 year-on-year percentage change. The PPI rose 1,2% between February and March 1992 — the year's second-highest monthly increase.

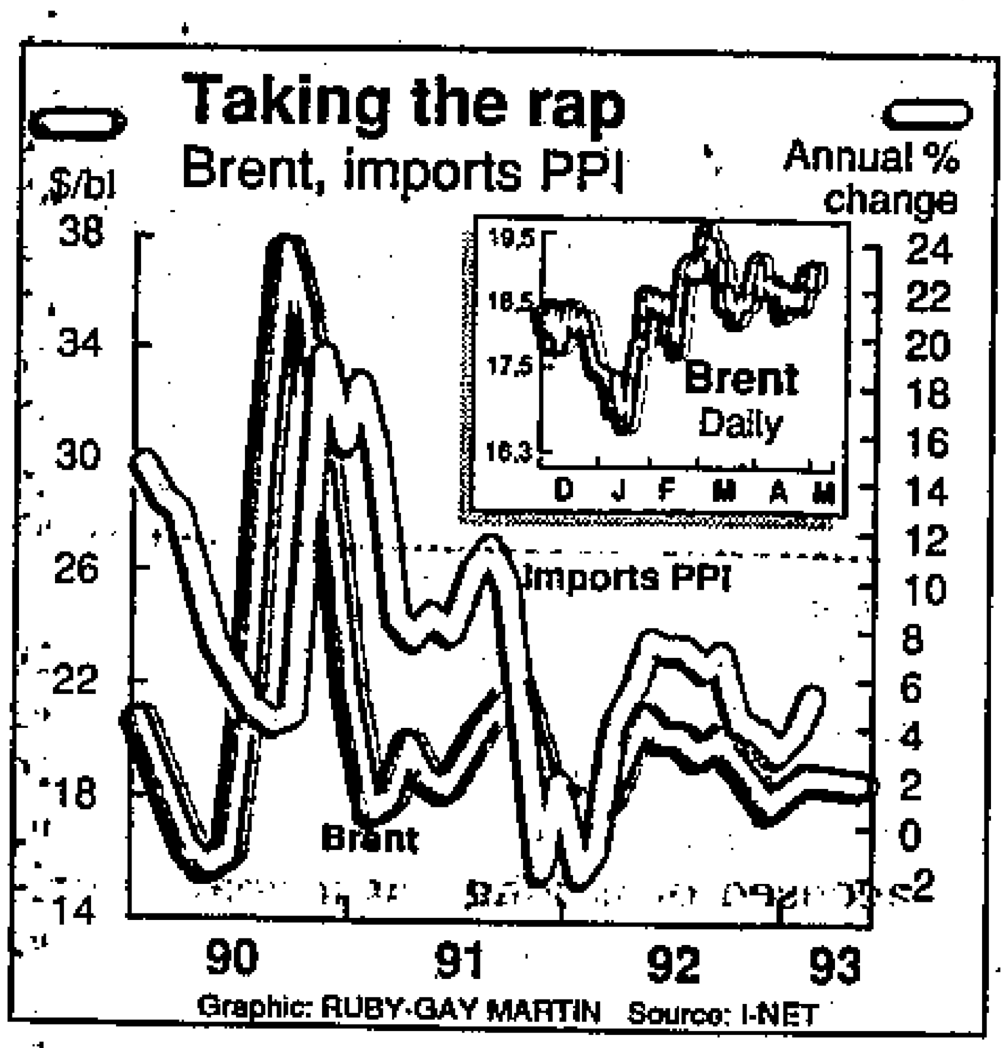
Internationally, data due for release this week may determine whether the stalled US economic recovery is largely the result of freak winter weather in the first quarter or a sign of deeper structural problems. Key US indicators this week cover the activity of both industry and consumers.

On Thursday US retail sales for April are published. The 1% fall recorded in March sales was the biggest drop in 26 months, but was attributed to the US eastern seaboard's worst winter storms this century keeping shoppers off the streets. For this theory to hold good, there will need to be an appreciable uptick in April sales arising from both last month's purchases and those postponed from March.

US industrial production data for April follow on Friday. Output failed to rise for the first time in five months when it stayed flat in March, and the weather was again partly blamed. The lengthening in April's average manufacturing workweek released with the US employment figures on Friday is a good portent for the month's factory output, as it suggests overtime was required to fill orders. US industry ran at 80,1% capacity in February — the first time it had topped 80% since 1990/91 — but the rate fell back to 79,9% in March. The US recovery will not really be rolling until there is less than 20% idle capacity.

Inflationary inputs to the British economy from the fall in sterling since last September may be shown to have peaked in the April UK producer price figures due today. Sterling had a good April, rallying to break up through the DM2,50 level near the month-end from its record late-February low of DM2,3120.

Headline UK producer inflation in the year to March was unchanged at February's 3,7%, but hid a surge in March's annual imported inflation to a five-year high of 8,3%. In view of sterling's subsequent ascent, the March high may yet prove to have been the peak.



Taking the rap
Brent, imports PPI

Graphic: RUBY-GAY MARTIN Source: I-NET

S/Times [Buss] 9/5/93

Boost for oil services

SOUTH AFRICA'S fledgling offshore oil services industry has taken a leap with the formation of a venture between Pentow Marine and French-based Feronia International Shipping (Fish). (65)

Pentow is owned by Murray & Roberts and Safmarine. Fish is a member of the CNN shipping line.

Cost of nuclear bomb still generating heat

S/Times (Buss) 9/5/93

WEEKS after President FW de Klerk blew the lid off SA's nuclear bomb programme, questions are still being asked about the costs involved.

By **CIARAN RYAN**

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BILLIONS of rands of public money were spent on a nuclear enrichment programme to build six bombs and produce fuel for Koeberg when the uranium was readily available abroad at lower price than in SA.

This has led to suggestions that the Atomic Energy Corporation (AEC) was little more than a front for nuclear bomb production.

A row has been raging since President de Klerk blew the lid off SA's most secret military project.

Scientists query the real cost of developing the bombs, said by President de Klerk to be less than R800-million over 10 years.

SA produced its first nuclear bomb in 1980. Five were made between 1980 and 1989. In 1990, the order was given to dismantle the bombs and the pilot uranium enrichment plant which was used to prepare them for final assembly.

Some opinions put the cost of the bomb at 10 times the figure given by President de Klerk.

This is denied by AEC public relations manager Nic Ligthelm, who says: "This would be more than the entire subsidy paid to AEC in any one year."

Friedel Sellschop, of the Schonland Nuclear Research Institute, asks whether the R800-million includes cross-subsidisation in AEC.

Pilot

"I think this figure is on the low side. Have costs been properly allocated for sharing AEC's infrastructure and technical personnel, or does it cover just the capital cost of building the plant?"

"The costs were as announced," says Mr Ligthelm.

He says AEC's contribution to the bomb programme over 10 years was R682-million, 83% of which was the cost of a pilot plant. This figure covers all operating costs, including enriching uranium to weapons grade.

Armscor's share of the bomb development costs added R150-million to R170-million to the bill.

The AEC says the annual cost of the bomb programme was less than R80-million, between 10% and 15% of annual subsidies. It was less than 4% of the cost of developing an alternative military deterrent, such as a fighter aircraft.

There is a suspicion, however, that the true cost of making the bombs is buried in annual subsidies paid to AEC's semi-commercial operations. Between 1985 and 1993, AEC subsidies totalled R4,7-billion, roughly R600-million a year. A further R500-million in capital market loans is still outstanding. No figures were available before 1985 because AEC did not exist in its present form.

Sales over the same period, including projections for 1993, exceed R900-million.

AEC head Waldo Stumpf says the group will never be entirely self-funding, but sales are growing because of commercialisation.

Enriching uranium is a costly exercise.

A pilot enrichment plant was built at AEC in the 1970s to prove the technology under working conditions. A full-blown plant, still in use, was built later.

Once the uranium had been enriched, the bombs were assembled at Armscor.

Mr Ligthelm says the bombs were made entirely in SA, although it has been said that Israel provided technical co-operation.

"It is conceivable that SA could produce the bombs without help," says Professor Sellschop.

"It is a simple matter of engineering and SA has some excellent engineers."

The two major users of enriched uranium in SA are Eskom's Koeberg power station and AEC's Safari 1 reactor.

Koeberg was commissioned in 1983 at a cost of R4-billion. Nuclear fuel is thought to have been supplied from the outset by France — French company Framatome built Koeberg.

Question

It is believed these supplies have continued until now.

The first consignment of AEC nuclear fuel was delivered in 1989, nine years after the first bomb was made.

A question which remains unanswered is why AEC embarked on the hugely expensive route of building a uranium enrichment plant when the fuel was available elsewhere — in spite of sanctions — at a fraction of SA production costs.

"There were fears that the supply of nuclear fuel to SA could be cut off at any time," says Mr Ligthelm.

OPENED FOR THE FIRST TIME: THE SECRET ACCIDENT RECORD OF SOUTH AFRICA'S NUCLEAR PLANT

RADIOAKTIEF

RADIOACTIVE

'Pelindaba poison leak destroyed my health'

ST Times 9/5/93

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By CHARMAIN NAIDOO

THE Atomic Energy Corporation opened its files to the Sunday Times this week to disclose the Pelindaba/Valindaba plant's accident record over the past two decades.

This follows claims by a former chief project engineer at the Uranium Enrichment Corporation that he has suffered serious health problems for the past 19 years after being contaminated by a toxic substance.

Mr Chris van Lamp, 55, made the claims in response to a letter published in the Sunday Times three weeks ago in which AEC public relations chief Nic Ligthelm said the corporation had never hidden any accidents behind the now-defunct Secrecy Act.

Mr van Lamp claims he was the victim of an accident at Valindaba in 1974, and said he knew of at least one fatal accident at the plant.

According to the AEC's records released this week there have been seven deaths in the past 10 years from what are classed as industrial accidents:

- A technician died three days after opening the wrong piece of pipe and covering himself with lethal toxic hydrofluoride. Human error was blamed.
- Four employees died after being severely burnt when acetone they were using for cleaning

Dr ANTHONY JACKSON ... 'There is no way that Chris could have been and a growing education crisis which threatened to take the country back to the dark days of the school riots of 1976.

Mr de Klerk said the government had foreseen that, as progress was made with talks, extremists would try to place the process under pressure and even destroy it.

"What we are experiencing is the last desperate attempt of the left and the right to disrupt the good progress which is being made with negotiations," he said.

If South Africa conceded to extremist demands, it would be dragged back into the past. International isolation would return, sanctions and economic collapse would follow, violence would increase and a bloody Bosnian-style civil war would ensue.

"The only reasonable prospect available to South Africa ... is to proceed swiftly to the conclusion of the present negotiations and the installation of a government of national unity," said Mr de Klerk.

Negotiators representing 26 parties made considerable progress at the World Trade Centre talks on Friday by agreeing that an election date would be set by June 3.

The negotiating council adopted a declaration of intent which binds the parties to ensure that sufficient progress is made in the next four weeks to allow the setting of a date for an election, to take place before May next year.

The parties also agreed to appoint technical committees, consisting mainly of lawyers, to resolve outstanding differences on matters such as the fundamental principles of a new constitution, how the country will be ruled in the run-up to elections and the repeal of remaining discriminatory legislation.

Power

Trying to counter the growing perception that the government has lost control of the country, Mr de Klerk said it was a serious mistake to view its responsible attitude as a lack of will and its restraint as weakness.

"Extremists on the left or the right should not underestimate the government's power and its resources. Nor should they doubt its determination to use these," he said.

Strict action would be taken against people trying to disrupt education or occupy schools.

Thousands of servicemen had been called up and deployed around the country. Further reinforcements would, if necessary, be called up.

In dealing with right-wing

□ To Page 2

GOIN(

'Nuclear accident cost me my health'

S/Times 9/5/93

(55)

□ From Page 1

attached to it on the floor.

"After a while a column of white smoke started to issue from the flange of the spherical cold trap lying on the floor. I asked Dr Jackson, the most senior chemical engineer present, what the white cloud might be. His answer: It's UF6.

"I know UF6 to be a poisonous gas. There were 20 people in the area at the time and, since there were no gas masks or protective equipment, I told Dr Jackson we'd better get the cold trap out of the building immediately. He agreed.

"I picked up the trap and carried it downstairs and into the open.

"While carrying it I became conscious of a sensation similar to that of entering a stuffy, airless room. Once outside I noticed that the UF6 had burnt a hole through the plastic cap.

"At first I could not get fresh air into my lungs, but moving away from the cold trap I gradually regained my breath by breathing deeply."

Dr Jackson confirms parts of the account.

"I was standing next to Chris and gave him a direct instruction to leave the cold trap where it was, smoking slightly, on the floor. I knew that the amount was so negligible that there was no danger.

"The wisp of white smoke was tiny. But Chris ignored my directive and took the cold trap into the open air. I followed him downstairs and once we got outside we stood watching as the last wisps of smoke disappeared. Neither Chris nor I was in any danger of contamination."

Mr van Lamp claims he suffered kidney and liver damage, impairment to his nervous system, prolonged insomnia, impotence and general anxiety as a result of the incident.

Dr Jackson says the effect of getting a whiff of the hydrofluoride formed when UF6 reacts with moisture in the air was similar to getting a whiff of strong ammonia.

"Your whole breathing system closes up for a few seconds. It is extremely unlikely, virtually impossible, to inhale the uranium products under the circumstances of a small release of UF6 gas."

Mr van Lamp said: "I lost 15kg in six weeks, turned funny colours — yellow, pink and white. I was a very healthy 35-year-old when this happened. I had the accident, then I was very sick. My family has suffered greatly through this with me."

Danc

BLOODTHIRSTY
mini-riot in the Ea
of Adelaide this we
a R3 000 Brahma
chered it in a mac

The beast bello
its entrails hanging
danced around it
with knives and h

The bull was eve
by a local vet as po
after being stoned

Mossgas needs another R368-m

The Mossgas project's capital costs had totalled R10,634 billion to March 31 and would need an estimated R368 million more, Minister of Mineral and Energy Affairs George Bartlett said yesterday.

In a written reply to a question from Geoff Engel (DP Bezuidenhout) he said this excluded finance charges on commercial loans which amounted to R959 million up to that date.

Mossgas production of petrol and diesel at full capacity would constitute 13,5 percent of local consumption. This was a 1992 figure, he said.

Mossgas cost R11,6bn by March — Bartlett

55 CT 7/5/93

Political Staff

MOSSGAS had cost R11,6 billion by the end of March and required a further R368 million for capital costs, the Minister of Mineral and Energy Affairs, Mr George Bartlett, said yesterday.

Capital cost, excluding finance costs, amounted to R10,634bn at March 31 this year, when finance charges on commercial loans amounted to R959m, he said in reply to a question, tabled in Parliament by Mr Geoff Engel (DP, Bezuidenhout).

Mr Bartlett added: "Further capital costs, as forecast in February 1993, will, after 31 March 1993, amount to R368m." Mossgas production of petrol and diesel at full capacity would constitute 13,5% of local consumption, according to 1992 figures.

hensive ever built — consists of 20 separate isothermic containers and includes a

munity are to accompany the shipment in mid-June.

Midrand to prevent dump

BDAY 7/5/93

MARIANNE MERTEN

MIDRAND Town Council will take "whatever legal steps" necessary to prevent Wastetech establishing its Class 1 toxic waste dump at Chloorkop.

Midrand management committee member Alan Dawson said in a statement this week the council opposed the dump because of negative experiences with Wastetech's Clayville dump. It maintained the dump was illegal by Water Affairs Department standards because it would be sited within 400m of residential properties.

Dawson said the council had not been consulted about the site's establishment. This infringed on its "culture of consultation" with residents.

"We had never seen an environmental impact study, the geo-hydrological report or the water quality monitoring plan," he said.

Although the proposed dump would not fall within Midrand Town Council boundaries, Dawson said the council would be responsible for funding maintenance of the access routes such as the Allandale Chloorkop Road.

The annual impact of about 100 Wastetech heavy duty trucks on the road could be compared to a 10-year period of normal traffic flow, he said.

Wastetech MD Ken Bromfield said yesterday the company had no reason for concern at the moment, but would monitor the developments.

The company was satisfied it had taken all steps necessary — including wide-ranging consultations with local communities — to establish the site, he said.

The nearest residential areas are Rabie Ridge (1km), Chloorkop (1,5km) and Tembisa (3km).

☐ Sapa reports that SA will host a training course early next year on the safe handling of radioactive waste.

This follows SA's first participation in the deliberations of the technical working group meeting of the African Regional Co-operative Agreement for Research, Development and Training related to Nuclear Science and Technology (Afra).

The Atomic Energy Corporation said yesterday the availability of an advanced level of waste management, and the infrastructure around the Vaalputs waste repository, presented an excellent base for the course.

SA will also host a training course in nuclear instrumemtation early next year, and a course on research reactor technologies in April and May, 1994.

AEC said the entry into Afra represented a first for SA. It served as a meeting ground where communal projects could be discussed and provided the opportunity for a sharing of resources.

"The aim is to extend the technological base more widely through Africa to the benfit of all its member countries and peoples.

"In this, SA can play a leading role and has already been recognised by the rest of Africa as a leader in the nuclear field."

SA will host the 1995 Afra technical working group meeting and will serve as chairman of Afra for that year.

Charles Schulz

BUSINESS

Govt swamped by mine reports

BDAY 6/5/93 (55)

JONO WATERS

THE Mineral and Energy Affairs Department had been inundated with environmental plans submitted by mines, the department's rehabilitation director Alex Clark said yesterday.

A figure for the cost of rehabilitation to the mines — expected to run into several billion rand — was not available as the department was still formulating a funding plan.

The flood of environmental management programme reports since the end of last year followed the introduction of stricter environmental legislation.

These would take longer than expected to process, Clark said.

But an industry source said government had "bitten off more than it could chew" as the volume of reports to be processed was colossal.

The Minerals Act of 1991 made provision for mining companies to restore the environment to the satisfaction of the regional director.

The Act required that mines submit reportsto the regional director by either the end of 1992 or by the end of this year, or risk closure.

Clark said they were working at "full steam" to try process the reports as quickly as possible. The processing would take "a while to complete".

If mines' reports were not approved by the required date, the regional director could grant a temporary permit to allow mines to continue operations.

Clark said some regional directors were processing two to three reports a day. He could not say how many reports had been submitted.

"The reason there is such a short time in which to submit these environmental management programme reports is because the legislators wanted the industry to bridge the gap between the new Minerals Act of 1991 and the old Mining Rights Act of 1976 as quickly as possible."

ing out of the hon the Minister's reply, is she happy to have a circular sent out to teachers in which the deputy director-general is noncommittal and uncertain in respect of the agreement reached between his Department and Sadtu and in which he says "to the best of my knowledge?"

The MINISTER: Mr Chairman, I cannot answer for that.

The CHAIRMAN OF THE HOUSE: Order! I am only going to allow one more supplementary question. Since this is a matter of such great importance, I want to make a suggestion. I am sure the hon the Minister is prepared to make time to see hon members in her office in order to debate this matter in such a manner that a solution can be arrived at. Order! I am going to accept the hon member Mr P Naidoo's question.

Mr P NAIDOO: Mr Chairman, further arising out of the hon the Minister's reply, what measures, if any, have been taken by the Department to fill the void created by those teachers involved in the chalk-down?

The MINISTER: Mr Chairman, none at the moment. [Interjections.]

The CHAIRMAN OF THE HOUSE: Order! I wish to conclude this matter now. I appeal to hon members for their co-operation. I always try to run the affairs of this House as democratically as possible, but there are certain constraints. My appeal to hon members is that, in view of the graveness of this matter, hon members make arrangements with the hon the Minister to discuss the matter with her.

The MINISTER: Mr Chairman, I am prepared to meet anyone who wants to come and offer their advice.

The CHAIRMAN OF THE HOUSE: Order! The hon the Minister has extended an open invitation, and I am sure she will even treat hon members to a cup of tea. Hon members must please make use of her offer.

Mr N SINGH: Mr Chairman, from this side of the House I would like to thank you for your indulgence.

The CHAIRMAN OF THE HOUSE: Order! It was a pleasure. I am at the service of the House.

For written reply:

Own affairs:

Luncheon for staff members

37. Mr A RAJBANSI asked the Chairman of the Ministers' Council:

(1) Whether he or any other member of the Ministers' Council arranged a luncheon for staff members of a Department in the Administration: House of Delegates on or about 24 March 1993; if so, (a) what was the purpose of the luncheon, (b) who (i) arranged and (ii) paid for it, (c) how many persons (i) were invited to and (ii) attended the luncheon and (d) what Department was involved;

(2) whether any taxpayers' money was used to pay for this luncheon; if so, (a) why and (b) in accordance with what regulations;

(3) whether any persons who did not intend attending the luncheon were required to furnish reasons for their non-attendance orally or in writing; if so, why? D189E

The CHAIRMAN OF THE MINISTERS' COUNCIL:

(1) Yes

(a) To bid farewell to the retiring Chief Director: Finance

(b) (i) Ministers' Council

(ii) Entertainment Vote of the Chairman—Ministers' Council Total cost R563,65

(c) (i) 52 persons

(ii) 49 persons

(d) Chief Directorate: Finance, Heads and Officials of other Departments and Parliamentary staff which was associated with the retiring of the Chief Director.

(2) Yes

(a) To bid farewell to the retiring Chief Director: Finance

(b) In terms of the entertainment allowance on the budget the Chairman of the Ministers' Council and appropriated by Parliament.

(3) No. However, for catering purposes persons invited were requested to indicate whether they would attend.

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

Self-governing states: remuneration packages

34. Mr P G SOAL asked the Minister of Regional and Land Affairs:

Whether any cabinet members of each of the six self-governing states received any (a) Christmas bonuses, (b) other bonuses, (c) extra remuneration, (d) travelling allowances and (e) housing allowances during the period 1 January 1991 up to and including 31 December 1992; if so, (i) which members received payments, and (ii) what amounts were paid (aa) in total, and (bb) to each member involved, in respect of each of the above categories? B70E

The MINISTER OF REGIONAL AND LAND AFFAIRS:

Information regarding bonuses, allowances, policy, and procedures with regard to vehicles and the use and selling thereof are not readily available. From what I could establish motor vehicles for official use in the self-governing territories were purchased by means of government contracts, tender and under the motor vehicle financing scheme. In most of the self-governing territories motor vehicles were sold on public auction or by tender to the public after an approved amount of kilometres and on recommendation of a board of survey.

Guidelines for the adjustment to the remuneration package of political office bearers is forwarded to the Self-governing Territories each year. To the best of my knowledge they adjust their packages according to these guidelines.

As you are interested in data of self-governing territories, which, according to Act No 21 of 1971, have autonomy over those aspects you now touch on, and as this information is considered confidential, I suggest that you approach the Chief Ministers, with whom you hopefully have a relationship of trust, to personally supply the information to you. I trust that your need will be satisfied in this way.

Self-governing territories: motor vehicles for cabinet members

41. Mr P G SOAL asked the Minister of Regional and Land Affairs:

(1) (a) What policy is followed by each of the six self-governing territories in regard to the purchase of motor vehicles for the (i) official and (ii) personal use of cabinet members and (b) how many vehicles were purchased for the said cabinet members of each territory during the period 1 January 1991 up to and including 31 December 1992;

(2) what procedure is followed by each such territory in regard to the disposal of such vehicles when replaced;

(3) whether any such vehicles were sold during the above period; if so, (a) to whom, (b) at what price and (c) what was the book value of each such vehicle? B71E

The MINISTER OF REGIONAL AND LAND AFFAIRS:

(See reply to Question No 34 above.)

Mossgas: costs/production figures

307. Mr G C ENGEL asked the Minister of Mineral and Energy Affairs: 55

With reference to the Mossgas project, what (a) is the total capital cost, including interest subsidies, to date, (b) are the anticipated further capital costs in respect of this project, (c) are the production figures in respect of fuel and other related products expressed as percentages of total fuel consumption and (d) in respect of each of the latest specified five years for which figures are available, was the total amount (i) saved in foreign exchange, at ruling prices, and (ii) forfeited in fuel levies and taxes which are levied on imported fuel but not on Mossgas fuel? B688E

Contd

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(a) Capital cost, excluding finance costs, amounted to R10 634 million at 31 March 1993. Finance charges on commercial loans amounted to R959 million up to 31 March 1993.

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(b) Further capital costs, as forecast in February 1993, will after 31 March 1993 amount to R368 million.

(c) Mossgas production of petrol and diesel at full capacity will constitute 13,5% of local consumption (1992 figure).

(d) The commissioning of Mossgas started in October 1992 and was completed in January 1993.

(i) Production valued at IBLC prices amounted to approximately R200 million for the year ending 31 March 1993. Annual production at full capacity valued at IBLC prices will amount to approximately R930 million.

(ii) Imported fuel is subject to the same levies and taxes as locally produced fuel. There was therefore no forfeiture of fuel levies and taxes.

HOUSE OF DELEGATES

QUESTIONS

†Indicates translated version.

For written reply:

Own Affairs:

Corporal punishment at schools: policy

21. Mr P NAIDOO asked the Minister of Education and Culture:

(1) What is the policy of her Department in respect of the administration of corporal punishment at schools under its control;

(2) whether she or her Department intends changing this policy; if not, why not; if so, (a) in what manner and (b) when? D119E

The MINISTER OF EDUCATION AND CULTURE:

(1) Corporal punishment shall not be applied as a disciplinary measure at any school.

(2) No.

(a) and (b) Fall away.

Grants/subsidies to societies for cultural reasons

29. Mr M RAJAB asked the Minister of Education and Culture:

(1) Whether any (a) grants and/or (b) subsidies were made available to any societies for cultural reasons by her Department in the 1991-92 financial year; if not, why not; if so, (i) to which societies and (ii) (aa) on what conditions, and (bb) what was the amount involved, in each case;

(2) whether she will make a statement on the matter? D146E

The MINISTER OF EDUCATION AND CULTURE:

(1) (a) and (b) Yes

(i) Natal Tamil Vedic Society;
Andra Maha Sabha of South Africa;
Islamic School Council

(ii) (aa) In accordance with the conditions and stipulations laid down for organisations seeking grants-in-aid. Refer to Annexure A.

(bb) R21 500
R21 808
R 9 445

(2) These grants-in-aid are necessary to maintain the functioning of the community-based organisations devoted to the promotion of culture. With the shifting of the promotion of culture from the Department to community-based organisations, consideration is being given to budgeting more funds and to allocate these to a larger number of organisations.

Teacher-training: bursaries

31. Mr M RAJAB asked the Minister of Education and Culture:

(a) How many students registered at (i) teacher-training colleges and (ii) universities under her control receive bursaries from her Department, (b) what are the amounts of these bursaries in each case and (c) in respect of what date is this information furnished? D154E

The MINISTER OF EDUCATION AND CULTURE:

(a) (i)

	1st Yr	*2nd Yr*	*3rd Yr*	*4th Yr*	*Total*
Springfield College of Education	56	180	156	134	526
Transvaal College of Education	60	106	80	63	309
(ii) University of Durban-Westville	—	11	23	22	56
Grand Total	116	297	259	219	891

Cont-P

Star 3/5/93

Airport tax may lead to improved facilities

By John Miller

Airlines and travel agents have welcomed the commercialisation of State-run airports and with it the expected increases in airport taxes.

Minister of Transport Dr Piet Welgemoed last week announced that passengers would in future be paying up to R20 per domestic departure and R40 on international departures — double the existing taxes.

Cathy McWhirter, Rennies Travel marketing general manager, said she hoped that the higher passenger and airport taxes would ultimately be of benefit to both.

"If they are going to put up taxes they need to justify it by improving facilities," she said. Even though upgrading was taking place at certain airports, there was still a long way to go.

SA Airways media manager Leon Els said he approved of any increases as long as they were used for improvements to the airports.

British Airways chief Malcolm Freeman said he too supported any taxes as long as the money collected was to everyone's benefit.

Lufthansa's Karin Lambson cautioned that air traffic fees were, for most airlines, the second major operating cost and naturally influenced airfare calculations.

Star 3/5/93

Electrification conference set

A bid by the National Electrification Forum (Nelf) to take "electric power to the people" will be launched at a major international conference.

Nelf interim management committee chairman Johan Kruger said the meeting would be held at the Eskom conference and exhibition centre in Midrand on May 14.

Kruger said the urgency for rapid progress was evident in the fact that while South Africa generated almost 60 percent of the electricity produced in Africa, less than 20 percent of the disadvantaged people in the country had access to to it.

More than 200 delegates, representing a variety of stakeholders and international observers, will attend the conference. — Staff Reporter.

MOONRISE

oday 3.28 pm

DWIDE

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aris	12	15
erth	14	21
ome	11	20
ydney	11	22
aipei	20	31
el Aviv	14	22
okyo	8	11

DNAL

	Min	Max
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Nelspruit	12	26
Upington	6	23
Port Elizabeth	13	22
Maritzburg	10	26

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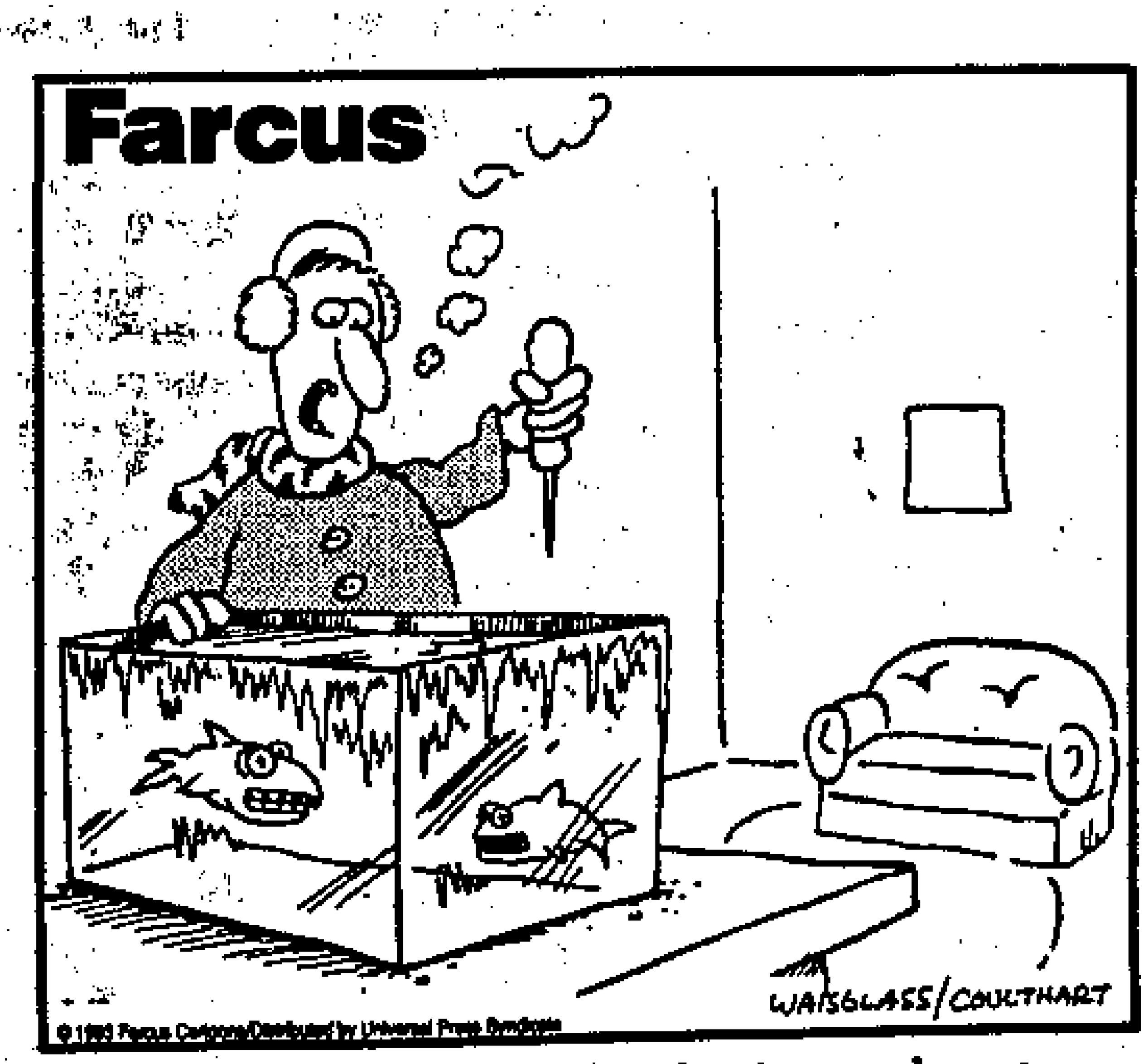


'Quick! Somebody turn down the air conditioner.'

DEATH AND FUNERAL NOTICES

(TOO LATE FOR CLASSIFIED)
ALL FAMILY ANNOUNCEMENTS APPEAR ON THE FRONT PAGE OF THE CLASSIFIED SECTION

EDWARD CHERLES FULTON — Died tragically on Thursday, April 29. The service will be held at Our Lady of Lorrato, 3 Kweper Street, cnr Miller Street, Kempton Park, at 2 pm tomorrow.

SA 'lied about nuclear project'

Star 1/5/93

(55)

GARNER THOMSON, Foreign News Service

LONDON — More embarrassing questions and revelations are likely soon about South Africa's nuclear weapons development, a British political weekly suggests.

And, says the report, "what seems certain is that various Government Ministers lied about the programme".

Africa Analysis claims that even the recently officially quoted R800 million is "a far cry from the truth".

Some of the costs of South Africa's nuclear programme were borne by Israel and Taiwan, the report suggests, and the journal accepts as "probably true" that South Africa provided uranium oxide to Israel in exchange for the rare radioactive isotope of hydrogen necessary for triggering a device.

It alleges that the test at the underground site in the Kalahari — designed with the aid of Israeli specialists — almost resulted in tragedy when two senior observers in a helicopter ventured too close. They were "badly rocked", Africa Analysis claims.

Additional triggers

The other test, 2 400 km south of Cape Town, was apparently undertaken by the Taiwan Navy and may have involved a sophisticated cannon-launched device.

The report refers to South Africa's recent admission that it had constructed and dismantled six nuclear bombs, but adds: "There has, however, been no mention of any additional nuclear triggers."

The magazine suggests that more tests might have been carried out at Israel's Dimon testing site in the Negev. "Alternatively, additional nuclear triggers could have been handed on to Israel or Taiwan."

Talks to bring 'power' to the people

(55) ARGT 30/4/93

The Argus Correspondent

JOHANNESBURG. — A major international conference next month will launch a bid by the National Electrification Forum (NELF) bid to take "electric power to the people".

NELF Interim Management Committee (IMC) chairman Johan Kruger said the the meeting would be held at the Eskom Conference and Exhibition Centre, Midrand, on May 14.

Mr Kruger said the urgent need for rapid progress was evident in the fact that while South Africa generated nearly 60 percent of the electricity produced in Africa, less than 20 percent of the disadvantaged in the country had access to electricity.

It is expected that more than 200 delegates representing a variety of stakeholders and international observers in electricity supply will attend the conference.

The IMC was appointed by major stakeholders at a conference held in September last year.

Mr Kruger said that at least one western embassy had already requested observer status and requests were expected from other countries — such as the United States, Britain, Germany and Japan.

Electrification forum launch

PETER DELMAR

THE National Electrification Forum, made up of representatives of all major political parties, civic associations, Eskom and government, would be launched next month, the Development Bank ~~of~~ Southern Africa said yesterday. (55) (123)

The forum is expected to ~~make~~ concrete proposals on a multibillion-rand electrification drive and rationalising the power supply industry within a year. (229)

Development Bank spokesman Johan Kruger said a conference on May 14 would formally launch the forum, after eight months of negotiations.

The forum would be instrumental in accelerating affordable and sustainable electrification, Kruger said. "This must be done in conjunction with national and regional economic developmental policies and programmes. The electrification will be a stimulus for development, economic reconstruction and job creation."

Kruger said the work leading up to next month's launch had been done by a multiparty interim management committee. The committee, which Kruger chaired, had representatives of the ANC, the Mineral and Energy Affairs Department, Eskom, the NUM, Numsa, the SA National Civic Organisation, the United Municipal Executive and the Association of Municipal Electrical Undertakings. Political organisations not represented on the committee would be invited to attend the launch.

Kruger said it was significant that government was a fully fledged participant. A Mineral and Energy Affairs spokesman said it was envisaged that within a year of becoming operational, the forum would be in a position to make recommendations to the government of the day on electrification strategies.

Numsa spokesman Bernie Fanaroff said there was a general feeling that proposals from the forum should be legislated.

Eskom planners have estimated that up to 4-million households could be electrified within five years at a cost of about R10bn. Spokesmen for the management committee confirmed there were indications of potential financial support from foreign development agencies.

● Picture: Page 3

BD 29/4/93

"Evidence through intermediaries

170A. (1) Whenever criminal proceedings are pending before any court and it appears to such court that it would expose any witness under the age of eighteen years to undue mental stress or suffering if he testifies at such proceedings, the court may, subject to subsection (4), appoint a competent person as an intermediary in order to enable such witness to give his evidence through that intermediary.

(2) (a) No examination, cross-examination or re-examination of any witness in respect of whom a court has appointed an intermediary under subsection (1), except examination by the court, shall take place in any manner other than through that intermediary.

(b) The said intermediary may, unless the court directs otherwise, convey the general purport of any question to the relevant witness.

(3) If a court appoints an intermediary under subsection (1), the court may direct that the relevant witness shall give his evidence at any place—

(a) which is informally arranged to set that witness at ease;

(b) which is so situated that any person whose presence may upset that witness, is outside the sight and hearing of that witness; and

(c) which enables the court and any person whose presence is necessary at the relevant proceedings to see and hear, either directly or through the medium of any electronic or other devices, that intermediary as well as that witness during his testimony.".

(4) Statement

It is with pleasure that I announce that the actions regarding the implementation of sections 1 to 3 of the Criminal Procedure Amendment Act, 1991, which have the object of protecting child witnesses, by *inter alia* providing that a child under the age of 18 years who testifies be assisted by an intermediary and may give evidence elsewhere than in an open court, have now progressed to such an extent that the sections can be put into operation on 30 July 1993.

Actions regarding the purchase and installation of expensive and sophisticated equipment (which includes television sets and cameras, microphones, earphones, speakers, amplifiers and sound-dividers) had to be completed before section 1 to 3 could be put into operation. Such equipment, all of which is not readily commercially available and had to be custom made according to specifications, has been purchased after being properly tested and approved by the South African Bureau of Standards. The equipment will be installed in 10 supreme courts and in 59 magistrates' courts across the country. (A list of these names is attached to the reply.) Installation of the equipment will commence in the near future and it is anticipated that installation will be completed during July 1993.

The determination of categories or classes of persons who are competent to be appointed as intermediaries will also be effected on 30 July 1993 by notice in the *Government Gazette*.

COURTS WHERE EQUIPMENT WILL BE INSTALLED

Supreme Courts

Bloemfontein	Durban
Grahamstown	East London
Johannesburg	Cape Town
Kimberley	Pietermaritzburg
Port Elizabeth	Pretoria

Chief Magistrates' Courts

Cape Town	Only at Regional Court
Port Elizabeth	Only at Regional Court
Wynberg	Only at Regional Court
Bloemfontein	Only at Magistrates' Court
Verulam	Only at Regional Court
Pretoria	Only at Regional Court
Durban	Only at Regional Court
Johannesburg	Only at Regional Court
Randburg	Only at Regional Court
Kempton Park	Only at Regional Court
Germiston	Only at Regional Court
Pietermaritzburg	Only at Regional Court
Pretoria North	Only at Magistrates' Court
Kimberley	Only at Regional Court

Decentralized offices of Regional Courts

Welkom	Potchefstroom
Bethlehem	Krugersdorp
Kroonstad	Klerksdorp
Harrismith (Klipskool)	Boksburg
Virginia	Vryburg
Sasolburg	Upington
Scottburgh	East London
Ladysmith	Wynberg
Port Shepstone	Paarl
Eshowe	Worcester
Empangeni	George
Vryheid	Oudtshoorn
Newcastle	Bellville
Germiston	Queenstown
Randburg	Middelburg (C)
Roodepoort	Beaufort-Wes
Vanderbijlpark	Middelburg (Tvl)
Randfontein	Witbank
Springs	Ermelo
Nigel	Pietersburg
Kempton Park	Nelspruit
Benoni	Rustenburg

Johannesburg: rapid rail transit system

*4. Mr P G SOAL asked the Minister of Transport:

(1) Whether, with reference to his reply to Question No 5 on 19 February 1992, any research has been undertaken regarding the financial aspects of a rapid rail transit system for Johannesburg; if not, why not; if so, (a) by whom, (b) what was the (i) nature and (ii) extent of this research and (c) what were the findings;

(2) whether the data pertaining to this research is available to the public; if not, why not; if so, in what manner? B646E

The MINISTER OF TRANSPORT:

(1) Yes.

(a) By the South African Roads Board in collaboration with interested bodies such as the Department of Finance, the Transvaal Provincial Administration, the relevant regional services councils, the Johannesburg City Council, JOMET, ORMET, private business organisations as well as public and private transport organisations. Full details of the organisations and people consulted appear in volume 1 of the study report.

(b) (i) A full feasibility study into a mass transit system for Johannesburg. This included, among other things, a further six transportation alternatives of which several variations were tested. Four modes of transport, namely transport by train, bus, taxi and also private transportation were included.

(ii) A comprehensive study covering all relevant modes of transport and also consideration of financial, economic, environmental, operational, institutional and legislative implications of various transport strategies. The study started during February 1989 and came to an end towards June 1991.

(c) The complete findings are contained in the study report and cannot readily be summarised.

(2) Yes, the report comprising 9 volumes is available from the Department of Transport or from the Central Witwatersrand Regional Services Council, which is responsible for the implementation of the findings as it deems fit.

Sasol fuel

*5. Mr G C ENGEL asked the Minister of Mineral and Energy Affairs: 55

(1) What percentage of the fuel sold in the Transvaal over the latest specified 12-month period for which information is available was petrol blended by Sasol;

(2) whether any additional pipeline costs are incurred in respect of the transportation of petrol to be sold in the Transvaal; if so, (a) what did these costs amount to per litre as at the latest specified date for which information is available and (b) how were these costs made up;

Cont'd

(3) whether he will make a statement on the matter? 260 B689E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) During 1992, 75% of all petrol sold in the Transvaal was manufactured by Sasol's synthetic plants. If Sasol's production through the Natref crude oil refinery (in which it has a 63,64% shareholding) is added, the volume of petrol manufactured by Sasol as a percentage of sales in the Transvaal increases to 90%. A portion of Sasol's fuel production from crude oil is also sold in the Free State, Northern Cape and Northern Natal.

(2) Sasol and Total, the latter having the balance of shareholding in the Natref refinery, who supply almost 100% of the fuel sold wholesale in the Transvaal, are responsible for the cost of distributing these fuel products by pipeline and other modes of transport from their plants in Secunda and Sasolburg to the various depots which constitute the total market.

(a) Detail regarding specific cost elements is company confidential information.

(b) Falls away.

(3) No.

Medicine: parallel importation

*6. Mr M J ELLIS asked the Minister for National Health and Welfare:

(1) Whether, with reference to a press conference held by her on or about 11 March 1993, she intends proceeding with allowing the parallel importation of medicine; if not, why not; if so, (a) for what reasons and (b) what does the parallel importation of medicine involve;

(2) whether the same registration requirements will apply to parallel imported medicine as are applicable to locally manufactured medicine; if not, why not;

(3) whether steps will be taken to combat the importation of counterfeit medicine; if not, why not; if so, what steps;

(4) whether the economic and legal implications of parallel imported medicine have been assessed or will be assessed before parallel importation is allowed; if not, why not; if so, what are the relevant particulars? B690E

†The MINISTER FOR NATIONAL HEALTH AND WELFARE:

(1) Yes,

(a) parallel importation is already possible as the Medicines and Related Substances Act, 1965 (Act 101 of 1965) does not prohibit this and

(b) a parallel imported medicine involves the registration of that medicine, which is the same medicine as that already registered by the original applicant for use in South Africa, by a different applicant. The parallel imported medicine should also originate from the same manufacturing facility as the previously registered medicine, or from manufacturing facilities belonging to, or falling under the control of the parent company;

(2) no, because parallel imported medicines are the same medicines as those which are known in South Africa; the data of which are already on file with the Registrar of Medicines. Regulation 15, which sets out the format of an application for registration, will have to be amended accordingly;

(3) no, no specific steps are necessary as the medicine registration process lends itself to the combating of the importation of counterfeit medicines;

(4) no, the legal implications have not been assessed as these are the responsibility of the applicant in each case. The economic implications are under discussion at the moment.

Air pollution

*7. Mr M J ELLIS asked the Minister for National Health and Welfare:

(1) Whether air pollution reached unacceptable levels (a) at any city centres and (b) in any regions in the Republic in 1992; if so, at which city centres and in which regions;

(2) whether any steps were taken in this regard; if not, why not; if so, what steps in each case? B691E

The DEPUTY MINISTER FOR NATIONAL HEALTH AND WELFARE:

(1) (a) and (b) Yes,

Cape Town, Vaal Triangle region, Edenvale, Kempton Park and Modderfontein region, as well as unelectrified urban areas;

(2) yes,

Cape Town:

The nitrogen oxide levels were exceeded a number of times. Monitoring of the pollutant concentrations and research into the occurrence thereof are being carried out. The pollutant mainly originates from motor vehicles. Control thereof by means of catalytic conversion will be considered when lead-free fuel becomes available.

Vaal Triangle region:

High levels of particulate pollution are experienced during the winter months. Research is carried out to identify the main sources. Improved control of industrial sources is being continued but smoke from domestic coal combustion can only be reduced by the use of alternative forms of energy such as electricity.

Edenvale, Kempton Park and Modderfontein region:

An excess of particulate pollution was experienced a number of times. Investigation into the sources causing the high levels is being carried out. Industries in the area are, however, still engaged in reducing their emissions.

Unelectrified urban areas:

No control can be exercised before alternative forms of energy such as electricity are in general use. Investigation into alternative fuels which will be less polluting are also being carried out.

Goldstone Commission: reports

*8. Mr L FUCHS asked the Minister of Justice:

(a) How many reports of the Commission of Inquiry regarding the Prevention of Public Violence and Intimidation (Goldstone Commission) have been submitted to the State President to date and (b) what is the title of each of these reports? B692E

The MINISTER OF CORRECTIONAL SERVICES (for the Minister of Justice):

(Reply partially laid upon the Table with leave of House):

(a) Nineteen (19).

(b)
1. First Interim Report.
2. Interim Report on the Violence at Mooi River.
3. Report of the Second Committee appointed to inquire into the Violence at the President Steyn Gold Mine in Welkom.
4. Second Interim Report.
5. Report to the Commission of Inquiry regarding the Prevention of Public Violence and Intimidation from the Committee established to inquire into the involvement of 32 Battalion at Phola Park.
6. First Interim Report to the Commission by the Committee investigating Public Violence and Intimidation in the Taxi Industry.
7. Interim Report of the Committee appointed to inquire into Train Violence.
8. Second Interim Report to the Commission of Inquiry regarding the Prevention of Public Violence and Intimidation from the Committee established to inquire into the Taxi Industry.
9. Interim Report on the Violence in Hostels.
10. Report on the Bisho Incident.
11. Report on the Planning or Instigation of Acts of Violence by members of the South African Police in the Vaal Area.
12. Report on the Inquiry conducted by the Committee of Inquiry into the Violence at Tokoza.

Cont

Eskom helps Chinese power authorities

(55)

PETER DELMAR

ESKOM was co-operating with Hong Kong and Chinese power authorities in the field of nuclear energy, the utility announced yesterday.

Eskom said CE Ian McRae signed a co-operation agreement on Monday with its counterpart in Hong Kong, the China Light and Power Co.

The protocol covers the exchange of expertise, information and technology.

McRae said the agreement underpinned an earlier one between Eskom and the Hong Kong Nuclear Power Investment Company and the Guangdong Nuclear Power Joint Venture Company.

Under this agreement, Eskom was helping China Light and the Chinese with the commissioning and operation of their nuclear power station at Dava Bay.

McRae said four Eskom employees had worked at Dava Bay for nine months and several Chinese staff were being trained at Koeberg. Nuclear fuel would soon be loaded into the first reactor at Dava Bay.

Visiting Dava Bay, McRae said co-operation with Eskom had become so firmly entrenched that it could be extended to the operation and maintenance phases.

In recent years Eskom, and McRae in particular, have negotiated co-operation agreements with countries throughout Africa, in Europe and elsewhere.

Last week McRae was elected president of the World Association of Nuclear Operators at a conference in Tokyo.

BDAY 28/4/93.

Star 26/4/93

Sasol MD defends state support

55

By Derek Tommey

The MD of Sasol, Paul Kruger, has defended Sasol against charges of protectionism.

He said at a UPE function over the weekend that Sasol's synfuel division was commercially successful, with a protection level of only 11 percent.

This made it one of the least protected industries not only in SA, where protection averaged 30 percent, but also in the world.

The petrochemical industries of the US and Europe enjoyed 12,5 percent protection.

Kruger said manufacturing accounted for 25 percent of SA's GDP, and it was this sector that would have to provide an engine of growth. He added that reliance on manufacturing meant it would have to grow by 12 percent a year if the economy was to grow by at least three percent.

State fuel effort to cost R1,3bn

CAPE TOWN — Mossgas, Sasol and the Atomic Energy Corporation will cost the taxpayer at least R1,3bn this year, says the Department of Mineral and Energy Affairs.

In reply to a parliamentary question by DP MP Geoff Engel, the department said that during the 1992/'93 financial year the three institutions had cost the state about R1,5bn.

B/Day 26/4/93.

Estimated cost to the state of Mossgas during the 1993/94 financial year would be R212m for interest on commercial loans.

The "synthetic element" was still being negotiated.

Should the derived crude oil price

TIM COHEN

be the same during the 1993/'94 financial year as last year, Sasol would get "tariff protection" of about R642m — the same amount it received during the 1992/'93 year.

(55)

The amount to be paid for the "synthetic element" had not yet been determined, the department said. Last year this had amounted to R100m.

The Atomic Energy Corporation would receive R303,5m for operating activities and R165,6m for loan redemption and interest during the current year.

This compared with R359,5m and R92,5m paid respectively during the 1992/93 year.

REPUBLIC OF SOUTH AFRICA

GOVERNMENT GAZETTE

STAATSKOERANT

55

VAN DIE REPUBLIEK VAN SUID-AFRIKA

Registered at the Post Office as a Newspaper *As 'n Nuusblad by die Poskantoor Geregistreer*

VOL. 334 CAPE TOWN, 16 APRIL 1993
KAAPSTAD, 16 APRIL 1993 No. 14706

STATE PRESIDENT'S OFFICE

No. 566. 16 April 1993

It is hereby notified that the State President has assented to the following Act which is hereby published for general information:—

No. 46 of 1993: Petroleum Products Amendment Act, 1993.

KANTOOR VAN DIE STAATSPRESIDENT

No. 566. 16 April 1993

Hierby word bekend gemaak dat die Staatspresident sy goedkeuring geheg het aan die onderstaande Wet wat hierby ter algemene inligting gepubliseer word:—

No. 46 van 1993: Wysigingswet op Petroleumprodukte, 1993.

GENERAL EXPLANATORY NOTE:

[ ] Words in bold type in square brackets indicate omissions from existing enactments.

______ Words underlined with a solid line indicate insertions in existing enactments.

ACT

To amend the Petroleum Products Act, 1977, so as to extend the power of the Minister to make regulations; and to provide for matters connected therewith.

(Afrikaans text signed by the State President.)
(Assented to 25 March 1993.)

55

BE IT ENACTED by the State President and the Parliament of the Republic of South Africa, as follows:—

Amendment of section 2 of Act 120 of 1977, as amended by section 1 of Act 72 of 1979, section 2 of Act 61 of 1985 and section 2 of Act 68 of 1991

1. Section 2 of the Petroleum Products Act, 1977, is hereby amended—

(a) by the substitution for paragraph *(d)* of subsection (1) of the following paragraph:

"*(d)* regulate in such manner as he may deem fit, or prohibit, any business practice, method of trading, agreement, arrangement, <u>scheme</u> or understanding which, in the opinion of the Minister, is calculated—

<u>(i)</u> to influence, or which may have the effect of influencing, directly or indirectly, the purchase or selling price of petroleum **[fuel]** <u>products</u> at any outlet; <u>or</u>

<u>(ii) to cause, or which may have the effect of causing, directly or indirectly, an increase in the price referred to in paragraph *(c)*</u>;"; and

(b) by the substitution for paragraph *(e)* of subsection (1) of the following paragraph:

"*(e)* regulate in such manner as he may deem fit the supply of any petroleum **[fuel]** <u>product</u> to any business or undertaking conducted at any outlet, including the imposition of conditions relating to the price at which such product may be sold to such business or undertaking or at such outlet, or prohibit such supply.".

Short title

2. This Act shall be called the Petroleum Products Amendment Act, 1993.

ALGEMENE VERDUIDELIKENDE NOTA:

[ ] Woorde in vet druk tussen vierkantige hake dui skrappings uit bestaande verordenings aan.

______ Woorde met 'n volstreep daaronder, dui invoegings in bestaande verordenings aan.

WET

Tot wysiging van die Wet op Petroleumprodukte, 1977, ten einde die Minister se bevoegdheid om regulasies te maak, uit te brei; en om voorsiening te maak vir aangeleenthede wat daarmee in verband staan.

(Afrikaanse teks deur die Staatspresident geteken.)
(Goedgekeur op 25 Maart 1993.)

DAAR WORD BEPAAL deur die Staatspresident en die Parlement van die Republiek van Suid-Afrika, soos volg:—

Wysiging van artikel 2 van Wet 120 van 1977, soos gewysig deur artikel 1 van Wet 72 van 1979, artikel 2 van Wet 61 van 1985 en artikel 2 van Wet 68 van 1991

1. Artikel 2 van die Wet op Petroleumprodukte, 1977, word hierby gewysig—

(a) deur paragraaf *(d)* van subartikel (1) deur die volgende paragraaf te vervang:

"*(d)* enige besigheidspraktyk, handelsmetode, ooreenkoms, reëling, <u>skema</u> of verstandhouding wat, na die oordeel van die Minister, bereken is of die uitwerking kan hê om regstreeks of onregstreeks—

<u>(i)</u> die koop- of verkoopprys van **[petroleumbrandstof]** <u>petroleumprodukte</u> by 'n verspreidingspunt te beïnvloed; <u>of</u>

<u>(ii) aanleiding te gee tot 'n verhoging in die prys in paragraaf *(c)* bedoel,</u>

op die wyse wat hy goedvind, reël, of dit verbied;"; en

(b) deur paragraaf *(e)* van subartikel (1) deur die volgende paragraaf te vervang:

"*(e)* die verskaffing van enige **[petroleumbrandstof]** <u>petroleumproduk</u> aan 'n besigheid of onderneming wat by 'n verspreidingspunt gedryf word, reël op die wyse wat hy goedvind, met inbegrip van die oplegging van voorwaardes betreffende die prys waarteen sodanige produk aan daardie besigheid of onderneming of by daardie verspreidingspunt verkoop mag word, of sodanige verskaffing verbied.".

Kort titel

2. Hierdie Wet heet die Wysigingswet op Petroleumprodukte, 1993.

Sitimes (Buss. Times)

Krypton at full steam

25/4/93

SASOL's krypton-xenon plant, commissioned last November, is producing to capacity. The end-of-job cost of the project was R31-million — R6,5-million less than the approved amount, ~~says~~ Sasol.

(55)

The facility is ~~part~~ of Sasol's R3,6-billion capex programme, scheduled to run at least until the end of 1994.

S/Times (Buss)
25/4/93

(55)

World post for McRae

IAN McRAE has been elected president of the World Association of Nuclear Operators (Wano) until April 1995.

Eskom has been a Wano member since the building of Koeberg — South Africa's only nuclear power plant. Almost all electricity suppliers operating nuclear plants are members of the organisation.

Eskom says Mr McRae's election "is seen as recognition of the way Koeberg is operated at the highest of safety standards worldwide" and of his contribution to nuclear-power generation and electricity matters.

R25-m job for Cape companies

S/Times Cimetes 25/4/93

A R25-million contract to supply prepayment electricity dispensers to Eskom has been awarded to three Cape-based companies.

They are AEG Energy Control, the original designer and manufacturer of the dispenser, Conlog and Altech companies.

Synthetic fuel costs over R1,5 b

ARCT 34 14/93

Synthetic fuel projects had cost the State more than R1,5 billion in the 1992/93 financial year, Minister of Mineral and Energy Affairs Mr George Bartlett said yesterday.

In a written reply to a question from Mr Geoff Engel (DP Bezuidenhout), he said interest on commercial loans for Mossgas had cost the State R330 million.

Sasol's tariff protection had cost R642 million, and the synthetic element amounted to R92,506 million.

The State paid R359,452 million for the Atomic Energy Corporation's operating activities and redemption of loans and interest came to R92,506 million.

It was estimated that the interest on commercial loans for the Mossgas project would come to R212 million in the 1993 financial year. The synthetic element was still being negotiated.

The operating activities of the AEC were expected to be R303,460 million and redemption of loans and interest R165,636 million.— Sapa

ESKOM (55)

Appointing an heir

After six months of public speculation about who will succeed Ian McRae as CE of Eskom, it was announced this week that the high-profile job will go to Allen Morgan. The 22-year veteran is seen as a seasoned negotiator who can lead Eskom through the period of political transition.

In a closed-door session on April 1, the Electricity Council, which controls Eskom, chose Morgan (45) to succeed McRae, who will retire in March after 46 years at Eskom, including eight as CE. The results of the vote were not announced until Tuesday.

In an internal memo, McRae says he is "delighted to hand over the reins to such a worthy successor." John Maree, the council's chairman, adds that Morgan "enjoys a high level of respect and credibility among Eskom's customers as well as other stakeholders." Morgan was unavailable for comment.

Morgan, an electrical engineering graduate of the University of Stellenbosch who joined the utility in 1971, took over as executive director of sales and customer service last year. Before that he was executive director of marketing and electrification. It was his handling of that sensitive portfolio, which included responsibility for planning, negotiating and managing electrification projects, that made him the frontrunner. One member of the council says "the strength of his negotiating ability" scored a lot of points.

Last year, Eskom was invited to take over distribution from nine black local authorities and is negotiating to take over 11 more this year. Under Eskom management, payments for electricity in Alexandra have gone from practically nil to 90% and the utility cancelled Soweto's arrears in exchange for taking ownership of the township's R204m electricity network.

Morgan's personality, says the council member, was seen as a plus compared with

over

the other two main contenders for the job: finance director Mick Davis (35) and generation director Johan van den Bergh (46).

Morgan's support was not unanimous. The council reportedly voted for him with a bare 8-7 margin (not all 18 members were present) in an executive session this month.

The council member says some members held it against Morgan that he had been appointed only last year to the 10-member management board, which oversees Eskom's day-to-day operations. Davis and Van den Bergh were appointed in 1988. (55)

The council's three-year term expires at the end of next month and Maree said recently that Public Enterprises Minister Dawie de Villiers is expected to announce replacements to the all-male, mostly white council by the end of this month. Automatic memberships are reserved for several government departments while other seats are given to academics and Eskom's main customers. FM 23/4/93

Now, however, it appears that the current council's term will be extended, possibly until next year, because of delays in deciding which new members to include. Council members say the Minister wants to appoint representatives of the civic organisations, trade unions and small businesses but that process is "easier said than done." The council is also considering a move that would expand its membership to 25. ■

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

Mossgas/Sasol/Atomic Energy Corporation: cost of fuel projects

55

289. Mr G C ENGEL asked the Minister of Mineral and Energy Affairs:

(a) What, with reference to syntehtic fuel projects, was the total direct and indirect cost to the State, including the cost of subsidized loans, in respect of (i) Mossgas, (ii) Sasol (all phases) and (iii) the Atomic Energy Corporation for the 1992–93 financial year and (b) what is it estimated will the corresponding costs be for the 1993–94 financial year? B675E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(a) (i) Mossgas

Interest on commercial loans: R330 million (CEF (Pty) Ltd)
Tariff protection: Nil
Synthetic element: Nil

(ii) Sasol

Tariff protection: R642 million (Equalisation Fund)
Synthetic element: R100 million (Equalisation Fund)

(iii) Atomic Energy Corporation

Operating activities: R359,452 million
Redemption of loans and interest: R92,506 million

(b) (i) Mossgas

Interest on commercial loans: R212 million (Equalisation Fund)
Synthetic element: Matter still being negotiated.

(ii) Sasol

Tariff protection: Should the derived crude oil price be the same during the 1993–94 financial year as during the preceding financial year, the tariff protection will be approximately the same as for the 1992–93 financial year.
Synthetic element: The amount to be paid has not yet been determined.

(iii) Atomic Energy Corporation

Operating activities: R303,460 million
Redemption of loans and interest: R165,636 million.

Mossgas project: Shares/shareholders

296. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs: 55

(1) Whether any (a) State-owned or (b) private sector organizations have an option to become a shareholder in any company connected with the ownership and operation of the Mossgas project; if so, (i) what is the specific nature of such options, (ii) which organizations hold or held such options, (iii) what, in each case, is the percentage of the (aa) ordinary and/or (bb) preference shareholding applicable to such options, (iv) what, in each case, is the price payable for shares in terms of such options and (v) on what date does each of these options expire;

(2) whether any such options (a) had lapsed and/or (b) had been formally declined as at the latest specified date for which information is available; if so, what are the relevant particulars;

(3) what is the latest audited rand value of each share which is at present the subject of any option still outstanding in terms of paragraph (1) above;

(4) whether he will make a statement on the matter? B682E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

55

(1) (a) No.

(b) Yes.

(i) Engen Ltd has the right to subscribe to a 30% shareholding in Mosshold (Pty) Ltd. The price to be paid when exercising such right will be 30% of shareholders funds which in total will be used to fund 40% of peak funding of the project. The peak funding requirement of the project will be based on the consolidated balance sheet of Mossgas six months after commencement of commercial production.

(ii) Falls away—see (i) above.

(iii) (aa) Falls away—see (i) above.

(bb) None.

(iv) R1 447 million.

(v) 30 September 1993.

(2) (a) None.

(b) None.

(3) An audited valuation of the Mossgas shares is not available.

(4) No.

Eskom set to tackle rural electrification

B/DAY 23/4/93. (55)

PETER DELMAR

SA's electricity industry plans to bring power to 20-million people in rural areas at a cost of more than R10bn.

Eskom electrification GM Jan de Beer said yesterday the utility's planners believed their ambitious project to electrify SA's rural areas could be achieved within four to five years.

Almost 1-million people, or 150 000 urban households, would also be connected this year. An accelerated electrification programme could create tens of thousands of jobs.

De Beer said Eskom would not be able to electrify all the approximately 4-million households needing power. It had supply rights to about half of these. The co-operation of other electricity supply industry players would have to be secured. Rural electrification would be a priority of the multiparty electrification forum, which would be launched formally next month.

"If the money is available, it really is not a major problem," he said, adding that electrification would have to compete for foreign funding with housing, education and other national priorities. Suggestions that rural electrification could cost R10bn might prove to be optimistic.

Electrification could attract soft loans from abroad. While SA's GDP-per-capita levels could preclude it from World Bank funding, the bank was an enthusiastic supporter of the electrification drive.

Part of the proceeds of the R3bn Electrification Bond, to be launched within weeks, could be used for rural electrification.

Eskom calculated that electrification cost about R3 000 a household. However, this figure rose substantially when taking power to remote areas.

One option being investigated was "three-amp limited supply", which would power rural lights, television and radio, while paraffin and wood remained the energy sources used for cooking.

Although photovoltaic systems had a high start-up cost, in the longer term they were an inexpensive way to supply power for platteland schools and clinics, which could also receive power through electromagnetic induction from transmission lines.

Eskom was already providing farmers with separate remote area power supplies (RAPS). Negotiations being pursued with a number of development agencies could free R20m to R30m for RAPS soon.

SA trainees excel in German course

(55) ARG 21/4/93

BOB TILLEY
The Argus Foreign Service

NUREMBERG. — Ten employees of Eskom have completed the first part of a three-year training programme in Bavaria.

The South Africans were awarded certificates recognising them as "Gesellen" (Bachelors) of their trade. The Chamber of Trade of the Bavarian region of Mittelfranken (Mid-Franconia) — which organised the training programme — said they had passed the examination with "above average marks".

They now go on to complete the three-year course by studying for the "Meister" (Master) certificate, which qualifies them to set up independently in their trade or to train apprentices themselves.

The programme is the first of its kind held in Germany, and the Mittelfranken Chamber of Trade said it planned to follow it up with others..

The programme grew out of a fact-finding visit to South Africa in 1990 by a group of German journalists. In October 1991 a contract was signed by Eskom and the Mittelfranken Chamber of Trade, and in January 1992 the first 10 South African trainees left for Nuremberg with their families.

They were assigned to German metal-working and electrical firms that already had a good record in training. German language courses and a full schedule of leisure form part of the programme.

Engen to import crude directly

(55)

EDWARD WEST (185)

ENGEN would import crude oil directly from oil-producing countries in future, logistics GM Pete Bartlett said yesterday.

The move to operate outside the state procurement agency, SFF Association, set up to source crude for SA's oil refiners during the sanctions era from 1981, would prepare the group to operate in a deregulated environment.

Bartlett said that the relaxation on crude oil procurement structures was made possible by a steady evolution of political perceptions of SA over the past 18 months. BIDAY 21/4/93.

The re-establishment of links by members of Arab League countries with SA's fuel industry, was an example of this change in attitudes, he said.

Although small quantities of crude had been purchased outside leviable crude oil supplies for re-export purposes for a number of years, oil companies had begun sourcing from outside the SFF since 1992, said Bartlett.

He declined to disclose the quantity involved, but the volume of crude oil sourced from the SFF was falling monthly.

Engen had eliminated a level of costs as a result, but the irony was that savings could not be passed on to the consumer because of price control by government.

Although sourcing outside the SFF would prepare Engen for deregulation, the decision was political.

A number of issues would have to be addressed first, such as reconciliation of deregulation with SA's protected synfuels producers, Sasol and Mossgas, Bartlett said.

Star 19/4/93

A ray of sunshine for a happy future

(55)

ONE man's crusade to promote solar energy as the way of the future is getting encouraging noises, but little else by way of support, from authorities in government and industry around the country.

Siegfried "Vic" Berger has spent the last two years promoting a dream of exploiting some of the energy available from the sun.

Solar radiation striking the Earth's surface in any year is about 15 000 times the world's current energy supply. If only a small proportion of this "wasted power" could be harnessed it would undoubtedly solve the world's energy problems.

The major attraction of solar energy is that it is entirely pollution-free. Despite this, solar energy schemes, especially in South Africa, have been extremely small-scale and largely experimental.

Berger says his scheme, which he calls SHOWER (Solar Hydrogen 0xygen Water Electric Resource), would stop the drift to the cities because rural communities could become self-sufficient in food, become economically viable through exporting their products and could even be transformed into tourist attractions.

Such communities would live in harmony with nature — immune from drought, famine, inflation, unemployment and stock market crashes — says Berger.

Imagine a valley in an arid or semi-arid, unproductive rural landscape. Mirrors on the southern slope would concentrate sunlight into a hole on the northern slope and on to a black heat-conducting body (stone, ceramic, metal or other suitable material) within a boiler.

The black material would absorb the heat from the sun and raise the temperature of the water in the boiler, creating steam to turn a turbine-generator and produce electricity like any conventional power station.

Hydrogen burners in the boiler would augment solar radiation when necessary. The hydrogen would be obtained through electrolysis.

The conventional cooling tower system is replaced by a water purification system, in which excess steam is bubbled through fresh or sea water. This would create a health hydro, with Turkish baths, saunas or hot mud pools.

The steam rising from the hydro is then blown through hydroponic tunnels, where it condenses into pure water for the planted crops, or is collected for household use or the irrigation of open land.

Berger imagines the use of sea water — even in areas located far inland.

"If we can run an oil pipeline from Durban to Johannesburg, there is no reason why we can't run a water pipeline to anywhere in the country," he says.

The salt residue could be fed into a dam, where it could be extracted for commercial use.

A big plus with SHOWER is that, in addition to electricity, the system produces fresh water.

In a conventional power station, the waste steam is discarded, but with SHOWER this steam is utilised. The ratio of electricity to water is infinitely variable.

The system could also be used solely to desalinate sea water, which Berger points out would solve all the water problems in the Cape Town area.

Berger says SHOWER involves no new technology. Solar 1 in the US — designed in the '70s, commissioned in 1982 and subsequently mothballed in 1988 — was the initial proving ground for all the technology that would be used in SHOWER.

Current projects under construction include SSPS and Cesa 1 in Spain, Themis in France and Phoebus in Jordan.

SHOWER would be an ideal solution towards ensuring a continuing supply of electricity.

Eskom supplies 94 percent of the electricity needs of the country, generated from coal-burning power stations and one nuclear-powered station and a few small hydro-electric schemes.

However, its share of the energy market is only about 30 percent. The rest is generated by burning natural gas, oils such as paraffin, and wood.

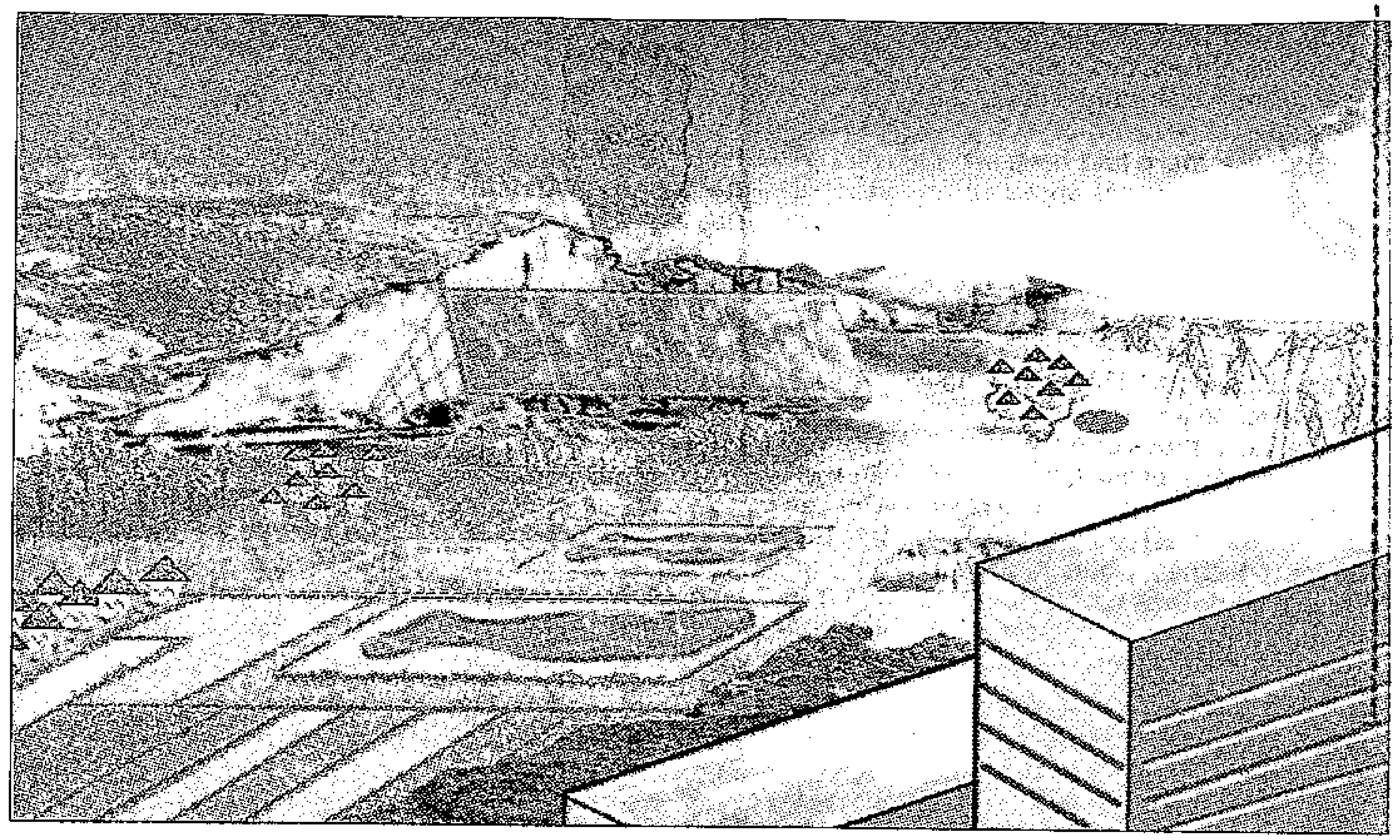
Eskom's declared goal is electrical power for every South African, via more coal-powered stations, additional nuclear installations and very ambitious hydro-electric schemes outside South Africa's borders.

The large amounts of capital Eskom has already invested in infrastructure discourages capital expenditure for alternative energy sources, argues Berger. "Projects currently under way will dominate for many years to come.

"With our technological resources, abundant sunlight and with so much development still required, South Africa should show the way and become a world leader in developing solar energy.

"This business-as-usual approach perpetuates the creation of urban deserts and draws people into environmentally and culturally unfriendly areas, like the Vaal Triangle," says Berger.

"The SHOWER alternative allows an even spread of the population and would enable arid unproductive areas to flower. We've got to take people back into the country and to do that, we must provide electricity and water where it is needed most. SHOWER can do that."



Star 19/4/93

Mirrors are cheaper than coal

(55)

THE major objection to solar power is usually cost, says Vic Berger, an argument which he dismisses as "an exercise in bookkeeping".

In 1991 Eskom published the cost of coal-generated power as R13,35 per megawatt-hour, not including the cost of transmission.

At a 12 percent rate of inflation, this would escalate to R58,25 in 2004.

Mirrors replace coal in the costing of Berger's scheme. The price of mirrors to generate one megawatt hour of electricity would be R27,14 for the first 10 years, and nil thereafter. That means no operating costs in 2004.

In addition, coal would have produced 26 kg of pollutants per kilowatt hour generated during the decade.

Another possible objection to SHOWER is the area which would have to be dedicated to mirrors.

However, only 64 sq km (8 x8 km) of mirrors would generate the equivalent of the electrical output of the Salt River, Acacia, Port Rex, Paratus and Koeberg power stations, plus 260 million litres of desalinated sea water daily. And the mirrors would take up much less space than the combined total area which these power stations occupy at present.

Six new projects in Sasol expansion drive

Blom 19/4/93 (55)

SIX new projects worth over R1,5bn were being planned by Sasol, Engineering News reports.

These projects are in addition to eight projects totalling R5bn disclosed last year which are to be started over the next five years.

The company said the ambitious expansion projects disclosed last year would be financed from internal resources.

There were no plans to resort to borrowings or another rights issue to fund the projects.

The new projects were expected to help Sasol achieve real earnings growth from 1993/94 onwards. Sasol hoped to at least maintain earnings during the current year.

Sasol MD Paul Kruger told Engineering News the new projects excluded the Pande gas field development project in Mozambique and the oil exploration project off the Namibian coast, which were unveiled last year.

He said nine projects were currently awaiting approval.

These included the Mozambican and Namibian projects and a joint venture project with an overseas company to produce explosive accessories systems.

Among the new projects are a R300m methanol ETBE/MTBE plant, a R350m biphenol A operation to produce epoxy resins and a R600m investment in coal mining for the export market.

The projects also include a R120m isomirisation unit for crude oil refinery for production of unleaded fuel, a R70m acetic acid and acetates project and additional spinning lines for the acrylic fibres plant.

Kruger said the first phase of the explosives accessories systems project — a joint venture between Sasol's mining explosives division, SMX, and international company Ensign-Bickford — would require an investment of R10m. — Sapa.

AEC in nuclear secrets wrangle

S/Times (Buss. Times)

18/4/93

(55)

By CIARAN RYAN

A ROW has broken out over proposed amendments to the Nuclear Energy Act which grants the Atomic ~~Energy~~ Corporation sweeping powers and secrecy.

Industry sources say the AEC, which is being partly commercialised, is given unfair advantages over competitors.

One source says AEC drafted the amendments in the hope that it would pass quietly into law. This is refuted by AEC chief executive Waldo Stumpf. "This is only a draft and we are inviting comment," he says.

The amendments retain some of the secrecy provisions of the existing Act, which were used by AEC executives to hide the corporation's involvement in the production of nuclear bombs. The new Act outlaws nuclear bomb production.

"This is a bossy piece of paper," says Johan Kruger, an energy specialist at the Bernard Price Institute at Wits. "The AEC wants to retain all the power and remain in control. The Council for Nuclear Safety should be carrying out many of the functions allocated to the AEC. Who's going to police the AEC?"

The Act would give the AEC powers of search and seizure, giving rise to fears that this could be used against competitors.

The Minister of Mineral and Energy Affairs cannot rule on many aspects of nuclear energy without consulting the AEC. If enacted, some of the AEC's activities would not be subject to review by any court of law.

The independent Council for Nuclear Safety (CNS), to which AEC reports, is charged with regulating the industry. Yet AEC — not the CNS — is empowered to carry out search and seizure operations and to enforce international nuclear agreements signed by SA.

Dr Stumpf says the proposed Act is closely modelled on similar overseas acts, where secrecy clauses are designed to prevent leakages of sensitive information.

He says for reasons of practicality, AEC officials will continue to liaise with the IAEA. "We have been dealing with them all along, but in theory anyone could do it."

AEC embarked on a commercialisation drive in 1990 to reduce its dependence on State subsidies, but it will remain exempt from the provisions of the Companies Act.

AEC, supported by government by about R470-million this year, is exempted from income tax should it make a profit. Dr Stumpf says he is willing to consider reviewing the amendment so that AEC falls within the ambit of the Companies Act.

AEC has a monopoly over the production of nuclear energy in SA. The proposed law gives AEC sweeping powers over anyone involved in nuclear research.

Dr Stumpf says this is necessary because SA is a signatory of the Nuclear Non-Proliferation Treaty and Safeguards Agreement (NPT), which is aimed at forestalling non-peaceful use of nuclear materials.

Competitors will be required to allow the AEC and the International Atomic Energy Agency (IAEA) to inspect their premises and seize materials.

In terms of the existing 1982 Act, and now the proposed amendment, competitors will be required to submit to AEC details of patents where these relate to nuclear energy.

The AEC has the power, through the Registrar of Patents, to block the patent indefinitely while keeping secret its contents.

Frikkie and that raid on Mancer

By JEREMY WOODS

A SENIOR Inland Revenue official is to be disciplined following the tax raid blunder by officials on the home of sports promoter Peter Mancer.

An internal Inland Revenue investigation into the raid — which included Frikkie Badenhorst, son of Absa chief executive Piet Badenhorst — finds that "an unfortunate chain of events led to an error of judgment by a senior officer in the branch of special investigations".

"There are certain procedural aspects of the Mancer investigation which were not satisfactory, and the necessary disciplinary action will be taken," Inland Revenue says in a statement released this week.

No action will be taken against Frikkie Badenhorst.

Nuclear industry denies Koeberg meltdown risk

JOHN YELD (SS)
Environment Reporter

THE nuclear industry has rejected a Greenpeace report claiming that half the nuclear power plants in Western industrialised countries have an increased risk of meltdown. ARG 16/4/93

The report follows the discovery of a cracking phenomenon in certain reactors.

The industry denied Greenpeace claims that it had underestimated or ignored the problem of small cracks which had been discovered in some pressurised water reactor units (PWRs), and said the problem posed no threat to the present safe operation of the units.

Koeberg — South Africa's only nuclear power station — is a PWR and was built by the French company Framatome, named by Greenpeace as one of the manufacturers which experienced the cracking problem, known technically as vessel head penetration cracking, or VHPC.

Eskom has done a theoretical safety test for VHPC at Koeberg and says South Africa's licensing authority, the Council for Nuclear Safety, is satisfied with the results.

A Press release by the Nuclear News Network of the European Nuclear Society says microcracks have been found in 13 reactors of the French electricity utility, Electricité de France, after the first discovery at its Bugey-3 reactor in August 1981.

"Electricité de France then launched a special national remedial action programme covering all its 900 and 1 300 megawatt PWRs. The action was approved by the French nuclear safety authority, DSIN," said the Press release.

"The fissures, believed to be caused by stress corrosion, were found in a few of the about 60 control-rod guide-tube sleeves fitted to the vessel heads of each of the reactors."

As an added safety measure, the French utility had fitted some cracked sleeves with a system to detect possible leaks and PWR operators in other countries were taking similar steps, said the release.

ESKOM

FM 16/4/93.

(55)

They've got the power

If Eskom is so good, why does it need protection?

It is universally accepted today that most families in a modern state should have access to an affordable source of domestic energy. For that to be possible, technical and economic efficiency are of paramount importance.

In SA the cheapest and most widely available source of energy is electricity provided by the government-sanctioned monopoly, Eskom. It has shown itself to be a technically efficient utility with a substantial generating capacity. Yet there are millions of homes — almost exclusively black ones — that do not have access to electricity, let alone at affordable prices.

The reason must be that Eskom is economically inefficient. Blame for that, in turn, can substantially be laid at the door of government, which controls Eskom and during the apartheid years found it politically convenient to provide cheap electricity to its supporters at the expense of everyone else.

What amounted to subsidised power kept the mine owners and industrialists compliant. As soon as electricity prices began to move up — and reflect market realities — Eskom's surplus generating capacity became evident. A prolonged recession has aggravated that situation but was not the cause.

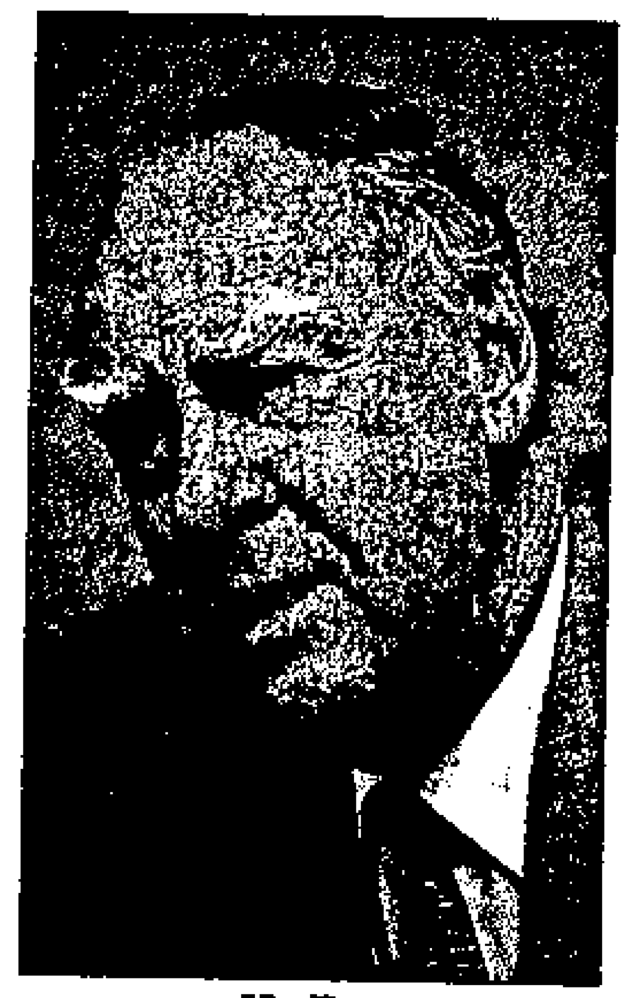
In recent years market and political realities have hit Eskom like a bucket of cold water on one of its high-tension wires. During the Seventies, for instance, electricity price increases were held by government below the cost of Eskom's main input, coal.

During the Eighties, commercialisation came to Eskom in the form of a new chairman John Maree, an ambitious private-sector industrialist, and an Eskom career engineer, Ian McRae, who as chief executive brought technical excellence and a profound understanding of the political economy of electrification in the sub-continent.

Both have a common goal: providing affordable electricity to a rapidly increasing number of households. The backlog is enormous. But substantial progress has been made, especially through technical innovation and better administration.

The tenure of both is coming to an end. During their period in office, the tension between them was discernible. But it was a dynamic one. Maree is a supreme egotist with close links to government and especially Armscor. McRae, despite an engineering background, has a political instinct that has won the confidence of emerging black politicians who would clearly like him to have Maree's job, at least for an interim period.

McRae has given no public indication that he wishes to succeed Maree. At 63, he is young enough. But whether he should become electricity supremo should be given close consideration, especially in view of his opposition to privatisation.



McRae

The need to electrify substantial numbers of homes in a large country was one of the seminal tasks in the US in 1935 of President Franklin Roosevelt who mandated a campaign to "electrify America." In the depths of the depression then, only 11% of rural areas were electrified. Five years later, that figure had trebled. By 1950, the figure had jumped to 77% and 10 years later it was more than 96%. In contrast, only 35% of SA is electrified and that percentage has been stagnant for years.

The US did not form one giant monopoly to string lines to every backwoodsman. Instead, Congress allowed local community residents to form co-operatives — some with fewer than 100 members — to set up their own utilities. And the US then was only half as densely populated as SA is now.

Though it is not a reason to prevent private companies entering the electricity generating market, they may find little commercial reason to do so in some rural areas.

Of course, it would not be easy to start up electricity co-operatives in many of our rural areas, for reasons of poverty. And not all American success stories were dependent solely on private initiative — the Tennessee Valley Authority was a successful semi-State electricity supplier.

Eskom is the fourth-biggest electricity provider in the world, measured by sales and capacity. It provides 95% of SA's electricity and half of Africa's. SA's other 5% comes from bodies such as the Johannesburg municipal power plant — but the municipality cannot substantially increase its capacity without Eskom's approval.

Though Eskom is proud of its "electricity for all" campaign, it made just 145 522 domestic connections last year. The goal is 160 000 homes a year for the next five years, which is woefully inadequate. In a report last August, the Department of Mineral & Energy Affairs estimated that to wipe out a backlog of 4,2m dwellings over the next 20 years, and allowing for population growth, the electrification rate would need to be 350 000 homes a year.

The irony is Eskom's surplus generating capacity — and a real price of power that has been declining since the corrective price increases of the late Seventies. As a result, Eskom was subject to widespread criticism (sometimes unjustly in view of government's interference). Since then, however, its public image has improved: blacks in various townships have been only too happy to have Eskom take over distribution because of the incompetence of various black local authorities spawned by the apartheid system.

Widespread access to electricity by itself does not promise a healthier economy. It might be an insufficient condition, but experience suggests that it is a necessary one. The world's poorest countries are invariably the unelectrified ones. A study at the University of Cape Town shows that the level of global domestic electrification is 60% and the figure for the developing world 40%. Thus, SA, at 35%, is under the Third World average.

"We have been successful in providing electricity for the developed sector of the community," McRae says, "but we have not done so well in the developing part."

It stands to reason that the regulations that protect Eskom's monopoly also bring a structural rigidity that has prevented it from doing as much as it could in this area. It is the cause of its economic inefficiency despite its technical achievements.

Until the Eighties, Eskom's primary goal was to electrify white areas; indeed, apartheid theory assumed that after 1978 the flow of blacks to the cities from the homelands would reverse. So Soweto's millions of inhabitants got their first connections only in the early Eighties.

Eskom monopolised the generation of power and its transmission along high-voltage lines from the power stations. What it didn't monopolise was power distribution. More than 400 local bodies distribute electricity.

A high number of distributors is not a problem in itself but has peculiar drawbacks in SA. The trouble is that white local authorities have used the process for their own gains. According to the Energy Affairs Department, income to white local authorities from electricity sales in 1989 was R4,7bn, or 39% of total local authority income, by far the largest input. "The surplus on electricity distribution is used to subsidise rates and taxes," the department states.

Yet "most black local authorities have always supplied electricity below cost and subsidised electricity from other income," it

P.T.O.

concludes.

Eskom is being invited by a growing number of black councils to take over domestic distribution: nine were taken over last year and it is negotiating to take over 11 more. The result has been increased payments in areas that were notorious for not paying their electricity bills to corrupt, inefficient local governments. McRae says payments in Alexandra have gone in one year from "virtually zero" to 90% and Eskom cancelled Soweto's debts in exchange for taking ownership of the township's R204m electricity network.

An added complication is that many of those who have been denied access to affordable electricity have conceived the flawed notion that such access is a basic human necessity that should be subsidised. "Electricity is a right, not a privilege," says Moses Mayekiso, president of the SA National Civics Organisation. Mayekiso's claim might be far-fetched and financially impossible but it indicates just how politicised electricity — and, by extension, Eskom — has become.

The obvious way to correct Eskom's economic inefficiency is to allow competition to allocate energy resources by government removing Eskom's monopoly powers and deregulating. Not surprisingly, the mere suggestion of that is enough to unite Maree, McRae and the ANC in a welter of obfuscation. They make strange bedfellows but they have their reasons.

"There ain't anybody out there to get in on the action," says McRae, who has worked for the utility for 47 years. "They don't see a beautiful return; the risks frighten them off. Competition is a limited concept in electricity supply. I don't think you will get a better option (than Eskom). I know that sounds arrogant."

That was the kind of objection put up by SA Airways before the skies were opened to competition. What must be kept in mind is that Eskom not only monopolises electricity generation but also information. There are no competitors from whose activities a possible new entrant can derive information on other ways in which electricity supply can be organised and managed and whose costs could be used to draw comparisons.

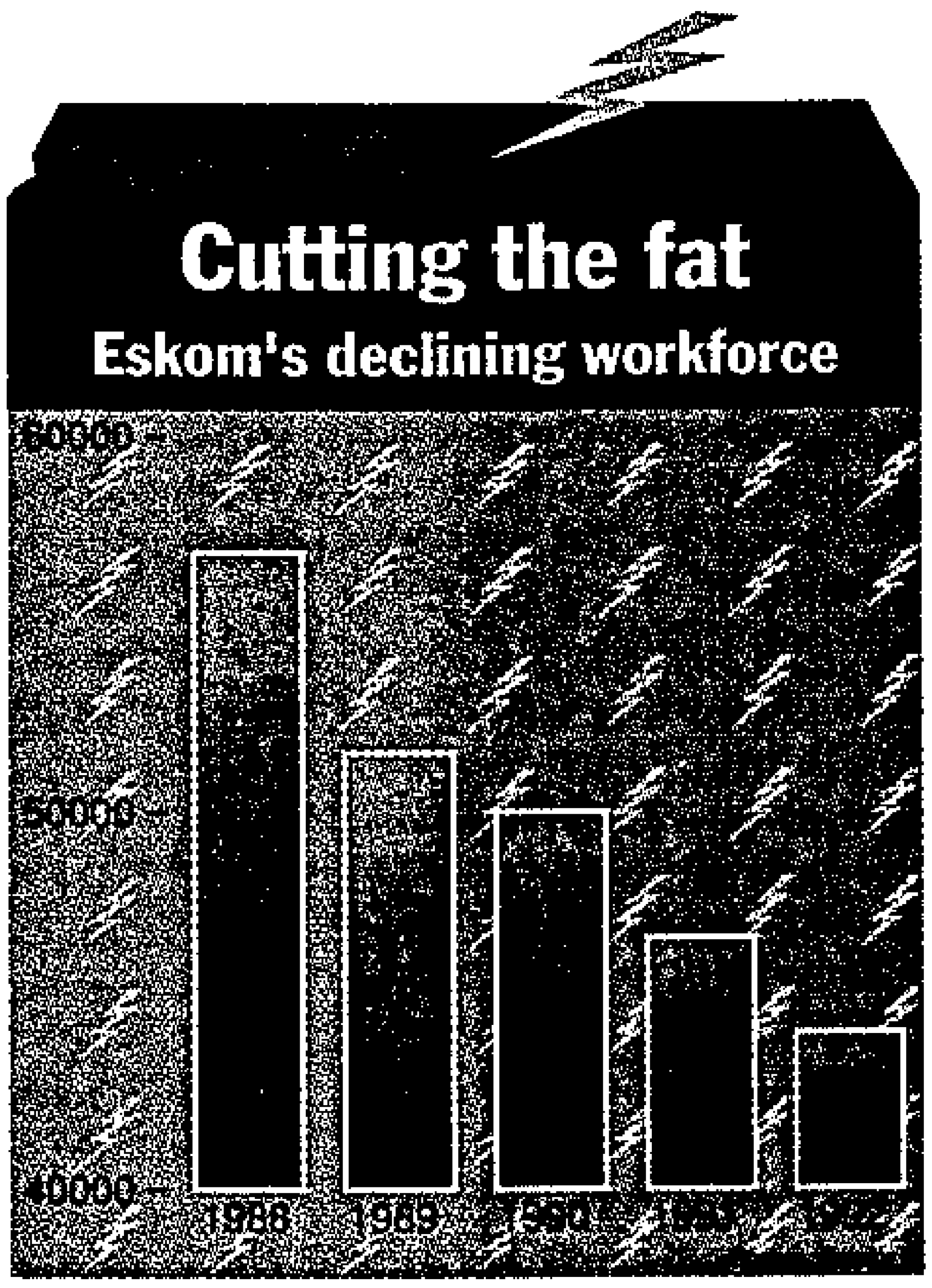
A seductive option for increasing the percentage of electrified homes is to privatise Eskom so that unelectrified homes would become opportunities for greater shareholder profits. The UK nationalised its nearly 600 generators, suppliers and distributors in 1947. In 1990 it created four generating concerns, then privatised the 12 regional companies, and is phasing in new regulations that allow for competition at all levels.

In the UK, electricity was and is an alternative to gas and coal. To switch from one to the other, for almost every household in Britain, was a matter of taking your money elsewhere. That option is more limited here.

In 1989, Eskom was asked by government to study privatisation. The following year Maree said: "Government has decided that it does not at this time regard Eskom as a suitable candidate for privatisation in the near future."

Actually, the ANC's threatening noises killed nearly all government's privatisation plans. Says Maree: "Our customers say 'Why do they want to privatise? We're very happy with Eskom.' "

Responses like that are unfortunate because they are smug and offer a defence of Eskom for the wrong reasons. Privatisation has been delayed or cancelled for political, not economic, reasons.



One obfuscation offered in this respect is Eskom's supposed hybrid status. Eskom officials get apoplectic at the suggestion that it is State-owned or a monopoly, though it was created by an Act of parliament as the sole generator and transmitter of domestic electricity and has no private shareholders. A Minister approves the appointment of top management and has the final say over rate increases. Unlike commercialised entities such as Telkom, Eskom pays no taxes.

The Department of Energy Affairs calls Eskom an "un-owned" statutory corporation, whatever that may be. The department also concludes that Eskom's vested interests are some of the main obstacles in the way of deregulating. These include:

- □ Direct control over some end-user customers (such as mines) that provide 56% of Eskom's income might be lost;
- □ Control over a large number of staff (44 000 employees) and considerable high-value assets (with R42,5bn, it is the second-largest nonfinancial institution after Anglo American) will be lost; and
- □ Resistance to change.

"With its broad statutory monopoly powers, Eskom could be called a Stalinist dream," says economist Frank Vorhies. "It controls entry and exit in the electricity generation and transmission industries. As sole legal supplier to most electricity distributors, it wields enormous power over customers."


Maree

Maree argues that Eskom controls the industry not because of regulations that prohibit competition, but because it does a good job. "Eskom doesn't have exclusive rights," he says. "We supply 95% of the electricity because we do it effectively. There's nothing to prevent another power plant from starting up." Of course, any would-be competitor would have to get licensing approval from the electricity control board.

The most important question remains unanswered. If Eskom is a "natural monopoly," why must there be legislation to protect it? Tiny Switzerland, for instance, has 300 independent electricity companies, including 100 that produce power.

To be sure, Eskom has made strides since it was restructured in 1985. It has cut its work force by a third. It is rightfully proud of having electrified vast stretches of Orange Farm, a squatter settlement south of Johannesburg, by installing inexpensive pre-paid metering systems. It is also finally experimenting with time-of-use tariffs for industrial users. But, despite the advances, it's still not tested by the threat of competitors, the real mark of a business operation.

If history is any lesson, Eskom could again become an instrument for social engineering rather than an efficient utility. Certainly, that will be at a cost if Eskom officials feel the heat from civic organisations to soak electrified whites to provide power quickly to black areas.

With Maree (68) and McRae (63) facing retirement, it's time for change, within Eskom and in the way government views electrification. Privatisation could prove difficult during the current political hiatus. It does present technical problems but these must be measured against economic benefits.

Technically, privatisation is possible. It is a fact of life in Britain and the US. And in Europe, private utilities are buying surplus generating capacity and selling it into eastern Europe. Complexity is not an argument for inefficiency.

Those who believe in the power of bureaucracy will argue that Eskom is the best instrument to force the pace of reticulation into the humblest home. But the cost would be enormous and the success of that sort of initiative in socialist societies is not overwhelming.

Since Eskom was removed from government's disastrous social engineering initiative and has allowed market forces to prevail in the conduct of its affairs, it has been better able to meet the aspirations of a growing number of households for affordable energy. That process should be encouraged. It is a direction that leads inexorably towards privatisation. ■

Eskom secures R3bn in funding

CT 14/4/93 (55)

By PETER DELMAR

JOHANNESBURG. — Eskom announced yesterday it had secured its R3bn funding requirements for the year.

Finance and services executive director Mick Davis said R1,6bn had been raised on the local capital market and R750m would come from maturing investments. He confirmed that R500m would be obtained through electrification bonds to be issued next month.

Eskom also held options worth R750m which could be used to reduce its money market liabilities.

A further R150m would be obtained from drawdowns in respect of export credit facilities.

Davis said Eskom had succeeded in obtaining its funding "at very favourable rates, enabling the corporation to save considerable amounts in interest and finance charges".

SA 'equipped to sustain development'

BDAY 15/4/93

MARIANNE MERTEN

SA WAS in a better position than most other developing countries to promote sustainable development because of its strong technological, scientific and managerial ~~capacity~~, a study said.

A recently published report — Findings of the Rio UN Conference on Environment and Development: Implications for SA — said SA business and industry were well placed to initiate clean technology policies and more efficient production processes.

The ANC and government had committed themselves to sustainable development and all major parties had "advocated a reorientation of energy strategy towards clean and renewable energy resources".

The report said SA was characterised by "northern consumption patterns" and "southern poverty".

Only a third of South Africans had access to electricity, yet the country produced one of the highest per capita emissions of greenhouse gases and waste in the world.

Poverty, population growth and overconsumption problems would only be solved if they were regarded as interrelated.

Long-term efforts to eradicate poverty would depend on "low cost initiatives which promoted self-reliance".

No more secrets, but fuel deregulation unlikely

BIDM 11/5/93 (55)

LINDA ENSOR

SA's status as a developing country with huge scope for increasing the amount of fuel it consumes is likely to require the maintenance of some form of regulation of the industry.

This is a key concept underpinning the Mineral and Energy Affairs report on deregulation.

Another recommendation expected from the report — due to be submitted to Mineral and Energy Affairs Minister George Bartlett within the next few months — is abolition of most of the secrecy provisions surrounding SA's fuel industry. Fuel industries of most of the mature, industrialised countries of the West are largely deregulated. This is not the case in Singapore, Korea, Hong Kong and Japan where some form of regulation is enforced.

Absence of strong government involvement in the context of growth carries the danger of unbridled competition and pricing monopolies which would be disastrous for motorists, says Mineral and Energy Affairs director-general Piet Hugo. SA's base fuel price is lower than that of most European countries. If levies and taxes are included, it is one of the lowest in the world.

There are 3,7-million passenger cars in SA, with an estimated 4,5-million likely by the year 2000. National Association of Automobile Manufacturers of SA figures show there is an average of 12,4 people to one passenger car in SA. In the US the average is 1,8, Western Europe 2,7, Eastern Europe 14 and Africa 73,5. The figures show the potential for growth of the SA fuel industry.

Hugo said government wanted to move into a new era of total transparency about fuel industry operations. Imminent lifting of the oil embargo and easing of the country's international relations had facilitated this process.

"Secrecy creates suspicion and we want to break with this once and for all," Hugo said. Only the names of the countries of origin of imported oil, shipping details and the country's strategic reserves would have to be kept secret. SA would only have to retain secrecy provisions until the lifting of the oil embargo by the UN and Arab oil-producing countries. Then the industry would operate in open market conditions.

Industry experts do not foresee any major deregulation of the oil industry in the short term, if for no other reason than the restrictions placed on the investigation by Bartlett. Guiding principles laid down were that deregulation should not result in an increase of fuel prices and unemployment; small businesses should not become unprofitable; and synfuel production should continue.

Another constraint on early deregulation is that the tail end of the agreement between government and Sasol — reached when government sold its 50% stake in the petro-chemical giant — only lapses in 1996 when the final instalment on the Central Energy Fund's R2,3bn loan to Sasol 3 is paid off. Sasol has been given warranties for tariff protection and is paid compensation when the oil price is lower than $23 per barrel.

In the 1990/'91 financial year the value of Sasol's tariff protection on synthetic fuels amounted to R222,5m and for the 1991/'92 year to R537,5m.

Between 1985 and 1992 Sasol received a total of R1,76bn in tariff protection from the state. The most important regulating mechanisms governing the fuel industry are:

- The in bond landed cost (IBLC) is used to ensure import parity pricing and is the price paid to oil refiners for their refined product and to Sasol for its synfuel. Underrecoveries or overrecoveries, which occur through the use of IBLC, are settled by way of the equalisation fund;
- Oil refiners are obliged to purchase a substantial portion of Sasol's volumes which include all its synfuel production and its share of the Natref production. No refining margin is made on this product which represents about 40% of inland demand.

Last year about R100m was paid to oil companies as compensation for limiting their output in order to distribute Sasol products;

- Sasol's synfuel production takes place behind a barrier of protection in terms of which the state guarantees a minimum floor price of $23 per barrel. Tariff protection is paid if this price is not achieved;
- Imports of refined products are prohibited unless there is a shortfall in local production and no independent imports are allowed;
- The wholesale and retail margins are fixed by the state with a targetted pretax return on assets employed of 15% in the case of wholesale. Industry experts say the returns on wholesaling and retailing assets are not much higher than 10% at present;
- Oil companies are granted an inland transport allowance to cover the cost of fuel piped inland. The two inland refiners, Natref and Sasol, also receive this allowance even though their product is manufactured inland and no transport costs are incurred;
- Limits of about 8% have been placed on Sasol's market share of the national retail market;
- The number of service stations controlled by each oil company is regulated by the so-called rat plan (Service Station Rationalisation Plan). The plan also restricts entry by newcomers and outlaws the sale of petrol at lower than government-approved prices.

The costs involved in perpetuating this complicated system of controls are massive, but those in support of the status quo argue that costs have to be weighed against the substantial savings in foreign exchange which accrue from domestic fuel production. SA needs its synfuel volumes from a foreign exchange point of view, they say.

However, recognising the importance of Sasol's output does not require the maintenance of tariff protection and it is likely that this will be removed after 1996.

A separate question is the status of Sasol as a private company reaping benefits for shareholders from its privileged, protected position. A strong case could be made for its reconversion into a public utility especially as some believe it would not be able to compete in a free, open market without protection. Yet abolition of tariff protection is vital, some executives in the oil industry say, to level the playing fields between all the fuel producers.

Those in favour of regulation also point to overseas experience where competition arising from deregulatio[n] resulted in a radical drop in the numbe[r] of outlets and of employees as servic[e] stations move towards self servic[e]. They cite the fact that 50 000 employee[s] in SA could lose their jobs and mar[ny] small businesses could be forced out [of] business.

Arguments in favour of continue[d] regulation do not wash with Pick 'n P[ay] chairman Raymond Ackerman who b[e]lieves that fuel prices could be cut [by] about 10% in a free market.

A competitive environment wou[ld] also reduce the excessive margins gua[r]anteed the oil companies and aboli[sh] subsidisation of Sasol and Natref.

Ackerman's critics point out that h[y]permarkets selling petrol would be ab[le] to cut prices and make up losses on ot[h]er lines of merchandise. This would r[e]sult in service station closures in t[he] vicinity as they would not be able [to] compete.

In the end, the veil of secrecy whi[ch] surrounds fuel industry operatio[ns] makes a rational assessment of the pr[os] and cons impossible and adds fuel to t[he] flames of distrust. Government needs [to] play open cards and let the public kn[ow] what they are paying for and why.

Unleaded petrol bill to hit R4bn

STimes (Bus. Times) 11/4/93

(55)

By MICHAEL WANG

BEGINNING in two years, filling stations will gradually convert their pumps to unleaded petrol — the standard of the industrialised world. This will set the stage for the phasing out of standard leaded petrol within 10 to 15 years.

The new petrol will require billions of rands from motorists, oil companies, the Government and motor manufacturers.

Unlike many other countries, SA's move to unleaded petrol is not so much based on environmental reasons, but on technical and economic grounds. It is designed to facilitate the export of SA-made vehicles and allow manufacturers here to keep pace with Japanese and European innovations.

To retain the "leaded" engine, as the world moves to its cleaner-burning rival, is akin to clinging to "the propeller engine in the age of the jet", says Econometrix economist Tony Twine.

The longer SA maintains leaded petrol, the greater the cost of retooling for the advanced unleaded engines for the domestic motor market.

The cost will be passed to the motorist, says Naamsa assistant director Costa Pieredes.

Gamble

Motor executives also warn that SA's export of vehicles would be undermined by sticking with leaded petrol. BMW has dangled the carrot that, with improvements in productivity, SA could supply all the company's right-hand-drive vehicles.

Mr Twine says: "The question comes down to whether the motor industry can deliver the goods as far as exports go. If we fail, than all those costs (of switching to unleaded fuel) will have been a waste."

How big a gamble is SA taking by switching to unleaded fuel?

Nobody knows. But discussions with affected parties and number-crunching suggest a price of more than R4-billion.

The biggest outlay will be made by the motorist, who will pay more for petrol.

Government officials concede that to induce motorists to switch to unleaded fuel, it will have to be retailed cheaper than leaded. The figure bandied about is 10c, which would be added to the leaded petrol price.

On top that could be a charge of 7c

ERROL RICHARDSON

a litre — the premium it costs to refine unleaded fuel, say oil industry officials.

In effect, that would be a 17c subsidy for every litre of petrol burnt in SA. It is not clear how it would be recouped. But based on estimates that more than 12-billion litres of petrol and diesel were used by motorists last year, that converts into a total conversion charge of about R2-billion.

Oil industry executives are making capital expenditure provisions of about R1,5-billion to meet the costs of upgrading refining processes, building new storage capacity and importing more crude oil to meet unleaded petrol's refining demands.

The Government is confident that the 10c price differential would allow unleaded fuel to take a 25% market share after the first year of introduction.

This seems excessively optimistic.

With an average age of almost 12 years, most of SA's 5-million vehicles will have to undergo some form of engine modification — at an unknown cost — to use the new petrol.

"I don't think people will modify their engines," says Errol Richardson, of the Motor Industry Federation.

Motor-makers are trying to determine which engines will be able to switch over without modification. It is believed that all vehicles built after 1989 will not have to undergo engine modification, but may be forced to fill up with leaded fuel on every fourth tank.

From 1995, only unleaded-style engines will be made in SA.

Will this multibillion-rand investment in unleaded technology bring the promised export harvest?

Some critics believe that this idea is based on false assumptions. With the world already well served by Japanese, European and North motor American maufacturers, SA's only realistic market is Africa.

Africa, with the exception of tiny Cameroon, uses leaded fuel.

Mr Twine believes there will be only short-term gains in exporting lead-fuel cars to the developing world.

"The market would eventually be influenced by the technological advances in North America, Europe and Japan," he says.

Those advances would not be available to motorists if SA retained leaded petrol. The domestic motor industry would be left with old engine technologies, some of which date back to the 1960s. To develop SA engines would be prohibitively expensive.

Motor industry executives say that going unleaded would help catalytic converter manufacturers. This would represent increased local content and allow manufacturers to source high-tech products from abroad.

Dust

Studies in South Africa suggest that air pollution from petrol is not as acute as in Japan and North America.

According to a discussion document from the Automobile Association, prolonged monitoring of air pollution levels in SA's major cities show that automotive emission gases and particles are well below internationally recommended safety levels.

In some cases, pollution from motor vehicles is less than 25% of internationally accepted standards.

The Department of National Health lists lead in petrol and motor vehicle emissions as No 7 and No 9 respectively in order of worst polluters. The top three are residential areas without electricty, dust from mine dumps and the pulp and paper-industry.

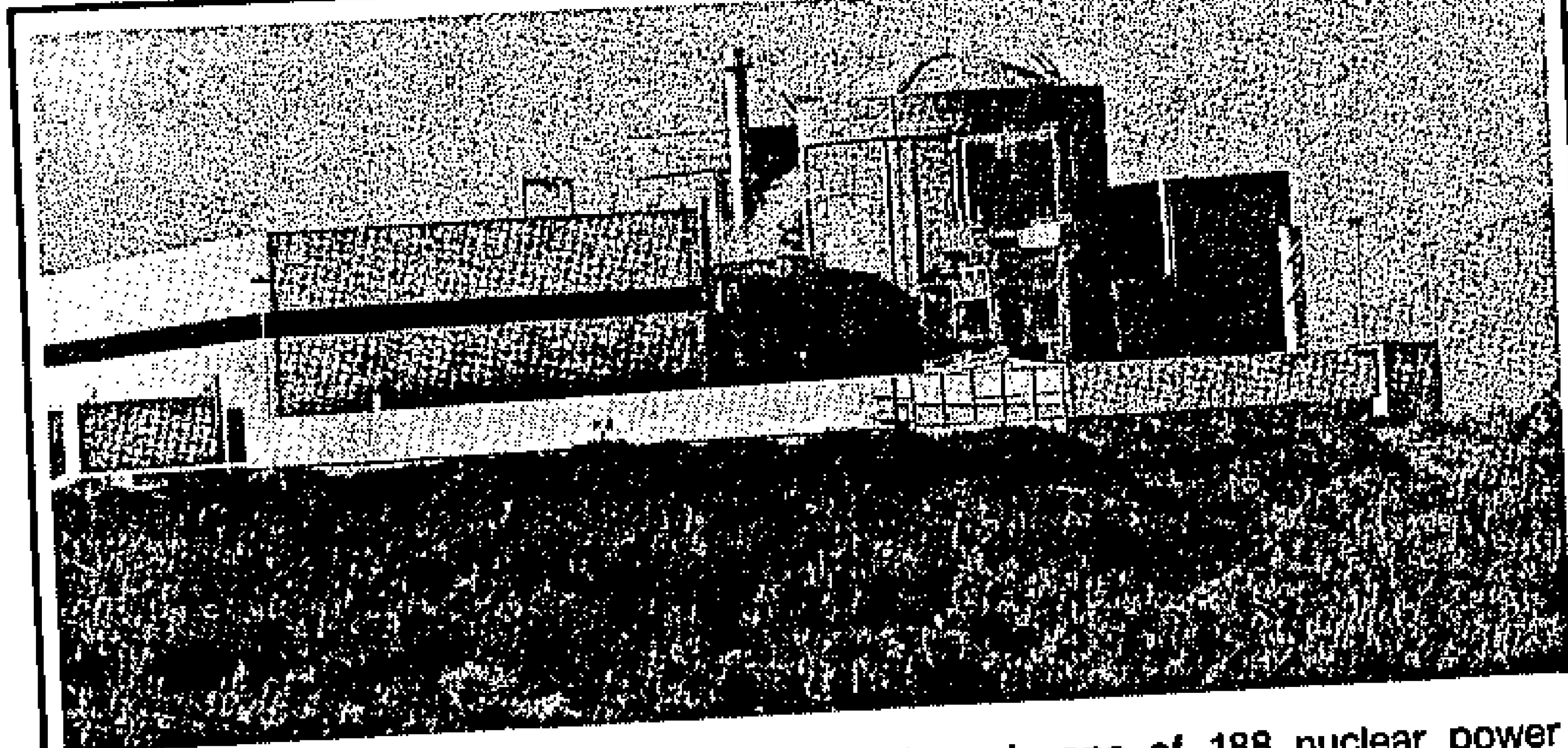
A President's Council study on carbon dioxide reports that 75% of gas emissions come from power stations, motor vehicles contributing 18% of SA's total of 322-million tons a year.

SA's contribution to the greenhouse effect is estimated to be only 2% of the global total.

No evidence can be found to support the call for the introduction of unleaded fuel on environmental grounds.

"Levels of pollution in SA are so low it is not considered a factor," says Robert Scott, head of energy at the Department of Mineral and Energy Affairs.

■ Michael Wang is editor of The Motorist.



☐ **PRESSURISED WATER REACTORS:** Koeberg is one of 188 nuclear power plants which operate with PWRs, according to the Greenpeace report.

Koeberg: How safe can it be?

ARG 10/4/93 (55)

■ "Shut Koeberg before there's a meltdown!" say environmentalists. "Nonsense — there's no problem at all," responds Eskom. The long-simmering row over the possible dangers of nuclear power has flamed anew with the publication of a Greenpeace report alleging a major problem in many nuclear power stations.

JOHN YELD
Environment Reporter

ENVIRONMENTAL protesters this week demanded the immediate closure of Koeberg nuclear power station and the scrapping of South Africa's nuclear energy industry.

Their demand follows the publication of a Greenpeace International report which claims more than half of the Western world's nuclear reactors now have a higher potential risk of catastrophic meltdown because of a recently discovered cracking problem.

The protesters — members of Earthlife Africa Cape Town who picketed the entrance to Koeberg — were also responding to confirmation in parliament of an accident last year at the Pelindaba nuclear enrichment plant outside Pretoria.

Answering a question by Democratic Party MP Mr Roger Hulley, Energy and Mineral Affairs Minister Mr George Bartlett acknowledged that an accident last December had released about 29kg of radioactive uranium into the atmosphere.

Eskom, the owner-manager of Koeberg, responded to Earthlife by saying it was aware of the cracking problem — known technically as Vessel Head Penetration Cracking, or VHPC — and that a theoretical safety test had been performed to check South Africa's only nuclear power station.

"The results of this analysis were referred to South Africa's licensing authority, the Council for Nuclear Safety, who were satisfied with the results and had no reasons for concern regarding VHPC," said Eskom spokesman Mr Donne Murray.

The cracking phenomenon was discovered on the French electricity utility, EDF's Bugey-3 nuclear power station on August 5 1991 when this 900-megawatt unit had been stopped for its 10th-year inspection and refuelling.

According to the Greenpeace report, compiled by nuclear engineering experts in Germany and France, other pressurised water reactors (PWRs) are experiencing similar cracks in their primary containment systems.

These cracks could lead to a malfunction of the control rods, the most central component of a reactor's safety system.

This would sharply increase the risk of a meltdown of the reactor and leave no effective safety mechanism to combat it, Greenpeace said.

The cracking had already affected 13 reactors in France and had also appeared in Swedish, Swiss and Belgian reactors.

Although EDF had described the phenomenon as the most serious problem it had faced in its nuclear programme, the discovery had sparked virtually no action by nuclear authorities outside France, Greenpeace claimed.

It said there were 188 pressurised water reactors operating world-wide — including Koeberg.

Reactors at highest risk of developing the cracks appeared to be those built with a particular alloy present in the pressure vessel.

The French company Framatome — which built Koeberg — was named as one of the companies using this alloy.

"The meltdown potential of Western reactors has risen alarmingly," Greenpeace nuclear campaign co-ordinator Mr John Willis said.

Mr Murray said Eskom had been informed of the cracking problem soon after it had been discovered.

"In the light of the French experience, Eskom conducted a theoretical safety analysis. However, a physical test similar to the one performed at Bugey was not required."

Mr Murray said Eskom and the Council for Nuclear Safety were continuing long-term investigations and evaluations.

"There is regular contact between Eskom, Framatome Owners Group — of which Eskom is a member — EDF, the World Association of Nuclear Operators, and other owners' groups regarding this topic. As is normal practice in the nuclear industry, this topic will receive continuing inspection and evaluation."

In a strong statement, Earthlife Africa accused the government and South Africa's nuclear industry of having "committed a crime against Africa and the African people in the development and construction of weapons of mass destruction".

The South African nuclear industry has a history of releases of radioactive material, it alleged.

"It is unacceptable that these are regarded as 'normal operating experience' which only become public knowledge when discovered and exposed ...

"This supports our belief that the production process is inherently dangerous and therefore unacceptable."

The nuclear industry has squandered large amounts of public money without consultation, Earthlife charged.

It also suggested Koeberg could also have structural damage.

"The nuclear industry is dangerous, uneconomical, and produces waste which cannot be safely handled.

"Furthermore, the industry protects itself behind a veil of secrecy and duplicity.

"We demand that South Africa bring its nuclear industry in line with the call by the Organisation for African Unity for a nuclear-free Africa.

"We demand independent verification of the present status of the industry and its dismantling."

Petrol price rise biggest so far

(55) ~~(?)~~ South 10/4-14/4/93.

By Waghied Misbach

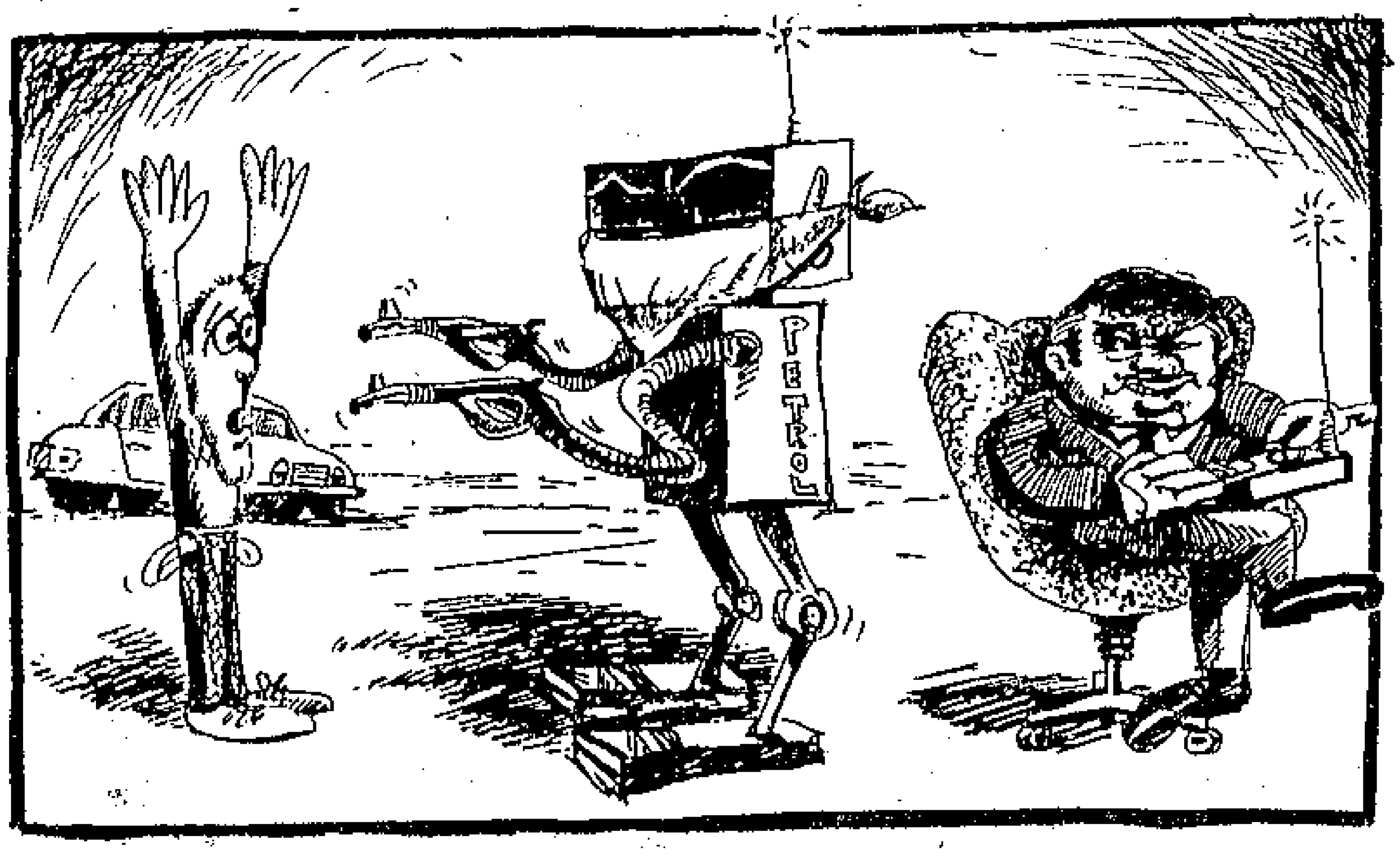
WHILE the increase in VAT attracted much attention, the biggest hike in the petrol price since 1979 — 16 cents a litre — came into effect quietly on April 2.

The increase affects every consumer and business. It was the heaviest since the last major oil crisis when the Shah of Iran was overthrown in 1979.

However, this increase is not about an oil crisis, but is aimed at increasing government revenue.

In effect, consumers will be paying the government an extra six cents a litre, which amounts to revenue of R740m in a year.

Consumers will further subsidise the controversial Multilateral Motor Vehicle Accident Fund, with an extra three cents a litre for petrol and 2 cents a litre for diesel.

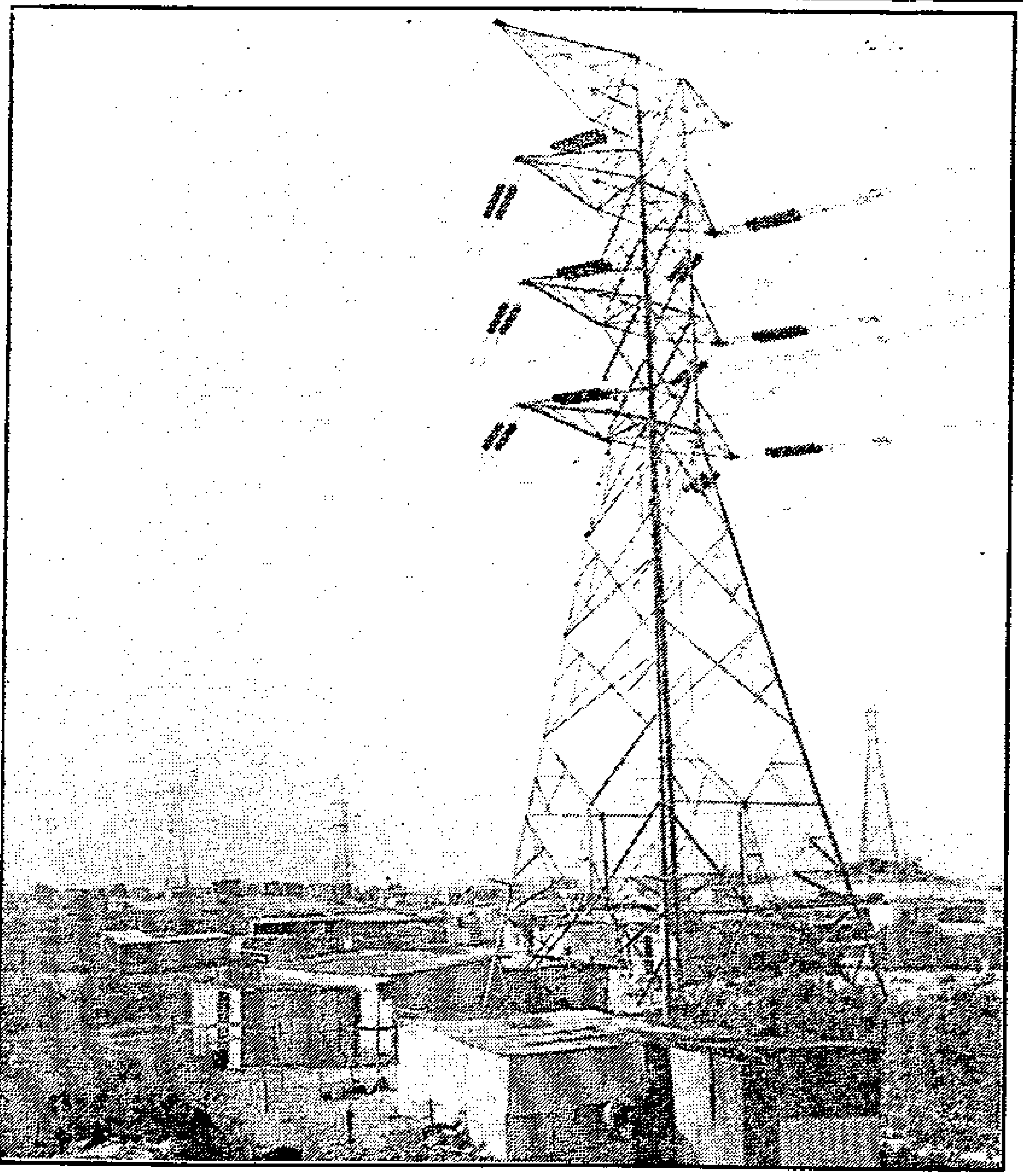


Switch on the lights for a better South Africa

South 10/4 - 14/4/93

By Quentin Wilson

(55)



AND THERE WAS LIGHT: Electrification is one of the biggest developmental challenges in South Africa

ONE OF the largest developmental priorities to be faced by a restructured regional and local dispensation is a massive electrification drive.

Speaking at a conference on local government last week, Mr Allan Morgan, Eskom's chief executive officer, outlined the role electricity could play in boosting the economy, health and education in South Africa.

Morgan argued that electricity should be supplied to the 20 million South Africans who do not have access and said this would benefit the country as a whole.

Quoting from a study by Professor Gert de Wet of the University of Pretoria, Morgan estimated that if one million homes were to be electrified over five years, approximately 270 000 jobs would be created.

Looking at other ways in which electricity would help the economy, Morgan said it was "a key requirement" in the development of South Africa's industrial and manufacturing base.

Furthermore, the availability of cheap reliable electricity would encourage the growth of the small business sector and attract foreign investment.

An increased supply of electricity would also be essential for providing better health care facilities.

Said Morgan: "It is inconceivable to believe that adequate health services can be provided by the hundreds, if not thousands, of unelectrified clinics in South Africa.

"Apart from the basic need for sterilisation and refrigeration, the availability of electricity is essential for the application of modern medical technology.

"According to a study published by the Medical Research Council, children living in non-electrified areas have a 170 percent higher risk of developing chest illnesses than children living in electrified areas.

"The study also concludes that the small difference between partially electrified and non-electrified households supports the belief that partial electrification is not the solution within an urban environment."

Referring to education, he said electricity would make a significant difference.

"Not only can children study by bright light at school and at home, but audio visual equipment, TV programmes and other education technology can be used to enhance the quality of education," he said.

In these and other areas of development, Morgan stressed that any plans to extend access to electricity must be integrated with a national development programme — electrification itself would not be enough to meet all of the developmental needs of South Africa, he said.

Star 8/4/93

Gencor shuns Mossgas stake

55

Mossgas, the multibillion-rand fuel-from-the-sea project, has claimed a modest profit from its first three months of actual operation. But the Gencor business empire still intends to signal thumbs down to a chance to buy a major stake in the venture. MICHAEL CHESTER reports.

THE INDUSTRIAL giant, Gencor, has alerted the Government that it intends to spurn the chance to buy a R1,3 billion stake in the Mossgas fuel operation.

Outsiders see the rebuff as final confirmation that Mossgas will never be rid of the stigma of a gross investment error — an expensive monument to the extravagant blunders of an apartheid regime.

Even as first shipments at last start going out to oil company customers — earning the venture its first income — Mossgas still shows no promise of ever justifying the R10,7 billion Government spending spree on construction of the vast complex.

A maiden profit of R24 million in the first three months of actual operation at least put paid to arguments that the whole project should be mothballed to avert what looked to many critics like a perpetual burden on taxpayers.

But it still fails to impress steel-eyed analysts whose acid test is the outlook for a reasonable profit margin from such huge expenditure.

"We still have until September to make a final decision about buying a stake," says Bernard Smith, chairman of Engen, which was created by Gencor to run its growing portfolio of investments in energy producer companies and which took over management of Mossgas from the original Gencor team.

"But it looks virtually certain we shall say 'No thanks'."

It means Engen, from the inner sanctum of the operation, still cannot see even a longer term chance of a sound return on investment in real commercial terms.

The verdict has snuffed out the embers of hopes among Government mandarins that Mossgas would in the end confound the chorus of criticism that grew as capital expenditure bills soared to double the original estimates of around R5,5 billion — first to R9 billion and then to almost R11 billion.

Critics abounded among taxpayers in general — and in particular among motorists whose petrol bills were loaded with special levies imposed by the Central Energy Fund to raise the fortune needed to finance the project.

Yet to be properly answered are repeated accusations of extravagance and skulduggery as construction costs soared. The answers are due to start flowing when the Auditor-General completes a full investigation in the next few weeks.

With both offshore and onshore construction work finished, first fuel deliveries have now begun.

Precise production figures are kept under wraps by the Petroleum Product Act, but experts estimate daily output will gradually climb to about 30 000 barrels — 4,8 million litres.

Analysts were back at their calculators last week when Mossgas announced the results of its first three months of operations. They showed an operating profit of R24 million in the quarter — true, not the loss that had been widely forecast, but nowhere near what investors would call a reasonable return on a R10 700 million investment. The error of several analysts, according to Bernard Smith, was simply to multiply the R24 million — into an annual total of about R100 million, then projected as the profit level well into the future.

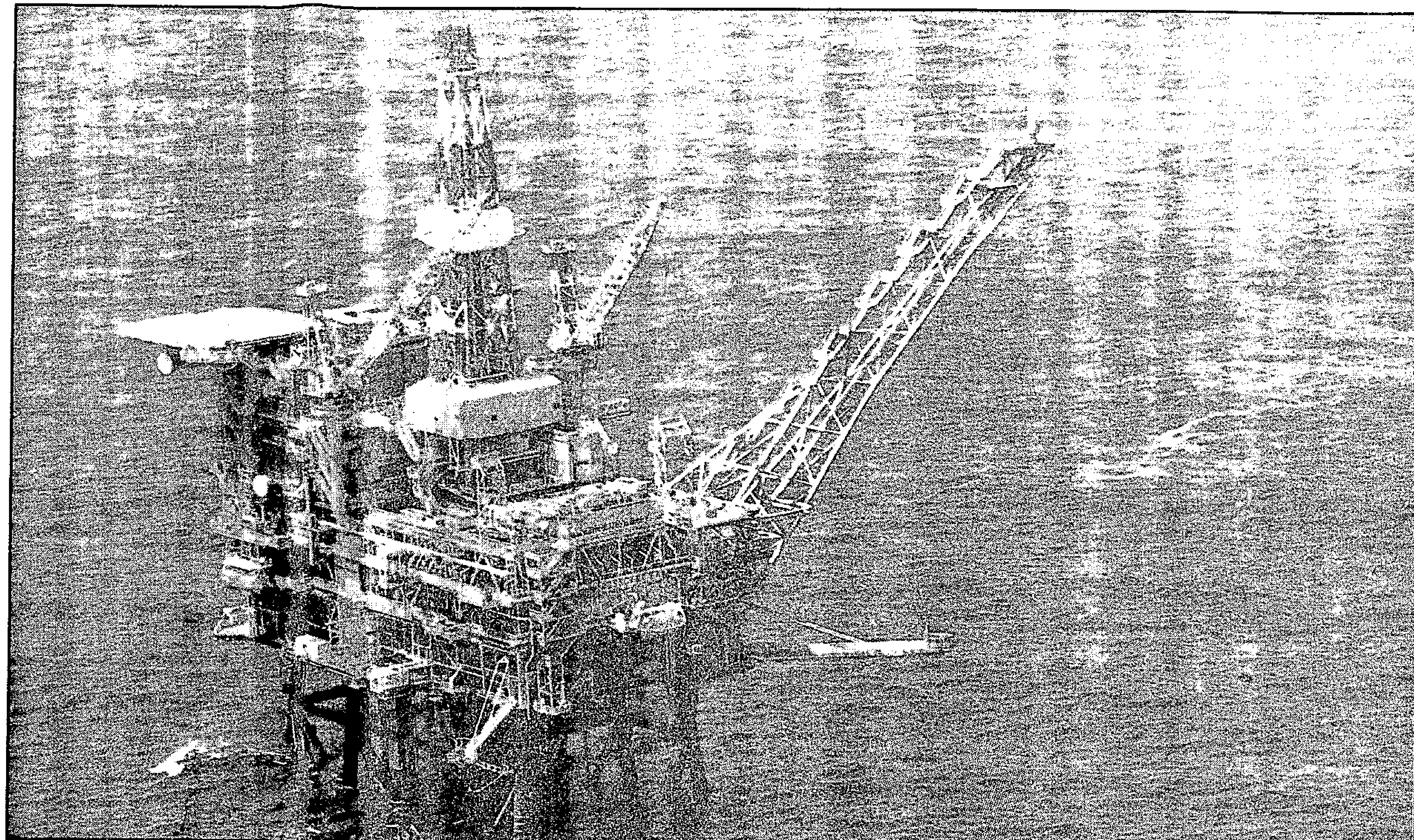
"That's ridiculous," he says. "First of all, even we ourselves at Engen had been braced for initial losses. So any sort of profit in the initial three months of operations must be regarded as an achievement, considering all the circumstances.

"Moreover, it needs to be underlined, it was a profit that was achieved without any Government subsidies whatsoever. Profit should also benefit once the planned second off-shore drilling platform begins operations."

The news of a profit of any size — and without subsidies at that — will astonish many critics who had worked out that Mossgas would at least require the help of a formula equal to the support that the Government ploughed into the launch of the Sasol fuel-from-gas operation in its panic to start home-grown synthetic fuel production. It has long been assumed that Mossgas, too, would remain a drain on State funds — needing subsidies that allowed price levels to be artificially lifted to the equivalent of at least $23a barrel.

The cost of such subsidies to the Central Energy Fund — and ultimately the motorist from whom the CEF draws its cash in petrol levies — would have run into millions of rands a year.

"Instead," says Smith, "there should be no further burden on the taxpayer. Mossgas is now running at a modest profit with a positive cash flow that should improve now that normal commissioning problems have been overcome."



A question of profitability . . . even a maiden profit of R24 million in three months of actual operation has failed to convince analysts that Mossgas can ever justify the money spent on its construction.

Engen has good reason to be pleased with its management performance. But what happens now to the option to become a permanent shareholder — an option that Engen bought for R30 [illegible] when it took the management helm in 1988?

The option gave it the right to buy a R1,3 billion equity stake, once judgment could be based on actual results that were on the table for performance in the first six months after the start of full production.

The deadline for a [illegible] will be reached in September. Smith, who is able to judge the outlook better than anyone as chief executive of the operation, makes it plain that Engen intends to shake its head and turn down the offer at the crunch.

There's much to consider — not least up-dated forecasts that the life-span of Mossgas, as matters stand, looks likely to shrink from an originally estimated 30 years to nearer to 16 years. That, Smith explains, is because reserves in the gas field that Soekor discovered off Mossel Bay are not as big as first reckoned, and because Mossgas finds reserves will be depleted at a far faster rate than first estimated.

Next, Engen has to assess the likely steepness of any profit curve to warrant such a massive price tag on the equity stake on offer.

"As of this moment," says Smith, "Engen's decision will be not to invest." □

Eskom overcapacity may delay Namibian gas fields

BDay 8/4/93.

SS

MATTHEW CURTIN

ESKOM'S huge power generating overcapacity may postpone the commercial development of gas fields off the Namibian coast for many years.

An exploration licence for the gas fields was awarded to subsidiaries of Shell SA and Engen by the Namibian government this week.

Namibia Mines and Energy Minister Toivo ya Toivo announced the four-year offshore concession would go to Shell Exploration and Production Namibia as operator and 75% shareholder in the project. Engen (Kudu), a subsidiary of the Gencor fuels group, would have a 25% stake.

Shell Namibia spokesman Phil Riddle said, if the gas field stocks were large enough to make the field viable, the next step would be to find a market.

He said the government and Shell had commissioned studies into potential usage of the gas field.

"There are several possibilities, but the most likely is the supply of gas to SA for generating electricity."

Shell Namibia had had "quite significant" talks with Eskom, but he said gas could be a difficult commodity to market.

Eskom spokesman Peter Adams would not comment on the talks.

But an industry source said the utility's excess capacity would offset potential benefits of using gas to generate electricity for at least 10 years.

In the long term, costs of piping or shipping gas to SA were such that the best way to exploit gas reserves would be to build an multibillion rand gas-fuelled power station on the Namibian coast and transmit the electricity to SA, he said.

Namibia is a net importer of electricity, but for much of the year meets its power demands from the Ruacana hydroelectric scheme on the Angolan border.

The gas exploration licence, the fifth in Namibia's first licensing round, will be signed next month and will cover 4 073km² of sea bed, 170km west of Oranjemund.

Previous licences for oil exploration have been awarded to Ranger Oil, Hardy Oil and Gas UK, to Sasol and to a Chevron/Engen consortium.

Eskom pays off R600m in loans

SS 7/4/93

By TIM MARSLAND

JOHANNESBURG. — Eskom repaid R600m in foreign loans in the past few weeks, prompting the Reserve Bank to draw on foreign credit lines to shore up its reserves, economists said on Monday.

Eskom finance manager Theuns Kotze confirmed two foreign loans of DM100m and DM200m had been repaid — together worth about R600m.

The repayments were included in Eskom's financing plans for the 1993/94 year, he said.

Eskom budgeted to repay R2bn in foreign loans in the current year.

He said Eskom had not raised additional foreign finance to roll over the loans.

Nedcor Bank chief economist Edward Osborn said the repayments were an important factor preventing a cut in bank rate.

The repayments were pressuring the capital account which Reserve Bank governor Chris Stals had highlighted as a key factor preventing such a cut.

"It seems the Reserve Bank's drew on foreign credit lines in February to prepare the ground for Eskom repaying its loans," he said.

The repayment would put further pressure on the bank's foreign exchange reserves.

This would in turn pressure short-term interest rates on the money market.

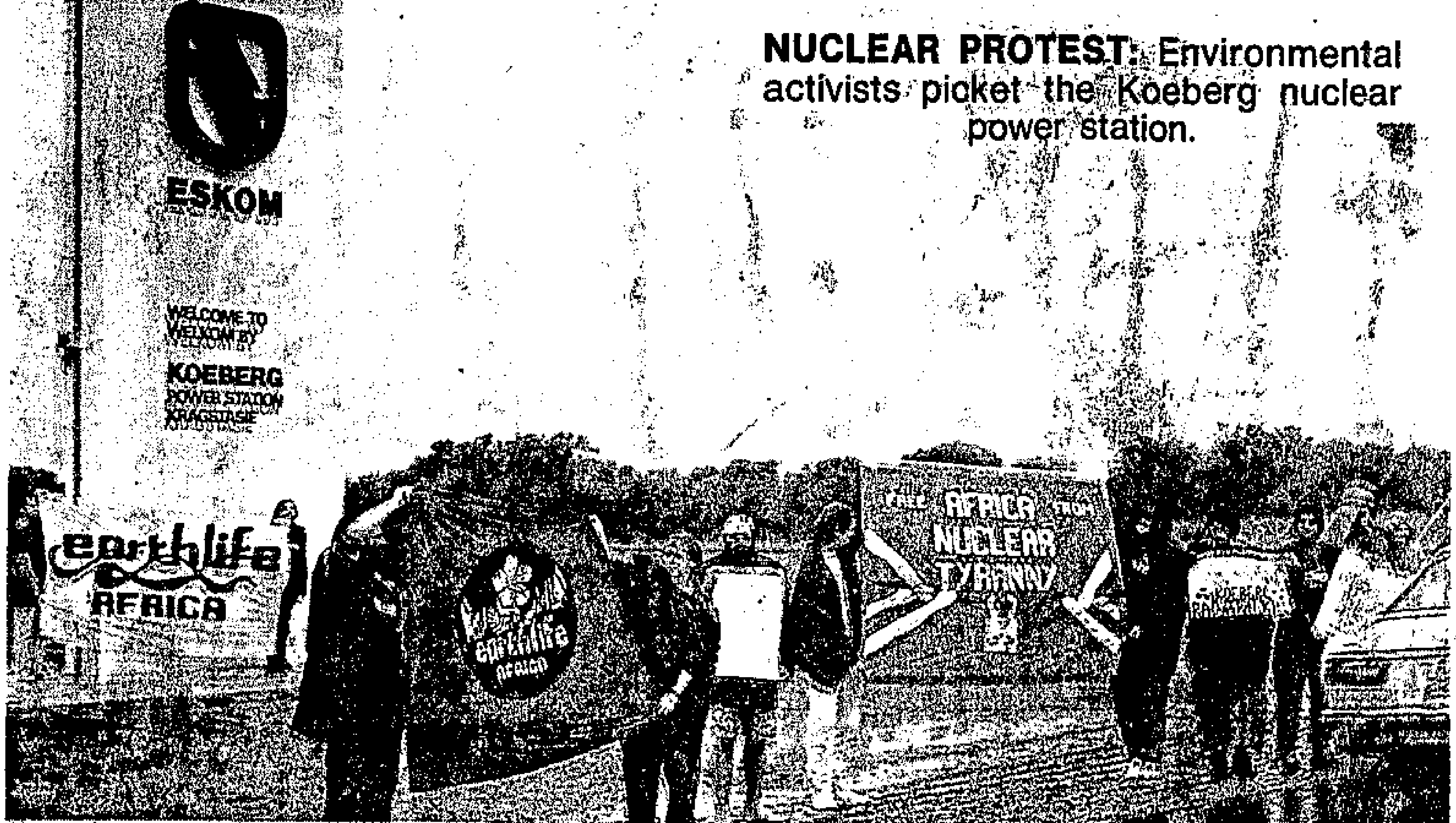
Monday's money market shortage — which reflects banks' overnight borrowings from the central bank — rose to R4.638bn. High shortages reflect a lack of liquidity in the money market which in turn pressures interest rates.

Government debt

A bank spokesman warned that the shortage would increase over the next few weeks to about R5bn because of the outflows on the capital account.

There had also been an interest payment in March on foreign debt caught in the net. The bank also sold government debt which had contributed to the shortage, he said.

The shortage would stabilise in the middle of June when government spending flowed into the market and RSA stock worth about R2bn matured, he said.



NUCLEAR PROTEST: Environmental activists picket the Koeberg nuclear power station.

Picture: HANNES THIART, The Argus.

Koeberg demo over 'increased meltdown risk'

JOHN YELD
Environment Reporter ARG 7/4/93

ENVIRONMENTAL protesters have picketed Koeberg nuclear power station to highlight a Greenpeace report claiming more than half the Western world's nuclear reactors face an increased risk of meltdown because of unexpected cracking.

The protesters — members of Earthlife Africa's Cape Town branch who picketed outside the gates of Koeberg this week — were also calling for South Africa to respect an Organisation of African Unity decision to keep the continent nuclear-free.

Eskom has confirmed that it is aware of the problem — known technically as VHPC (vessel head penetration cracking) — and says the matter has received "considerable attention".

But South Africa's licensing authority, the Council for Nuclear Safety, "has no short-term concern regarding this phenomenon", Koeberg spokesman Mr Donne Murray said.

He also confirmed that Koeberg's unit 2 had been shut since January, but said this was for "a normal routine maintenance shutdown and refuelling".

"The unit will return to service, connecting with the national grid, on May 6, with the unit reaching 100 percent power by mid-May."

Soon after President De Klerk's recent announcement that South Africa had scrapped its nuclear weapons arsenal, Earthlife said deceit around the question of weapons could not be separated from "deceit and secrecy" which characterised the nuclear industry world-wide — "and South Africa's Atomic Energy Corporation in particular.

"Information from France reveals that reactors similar to Koeberg are suddenly and unexpectedly developing cracks in the vessel heads, which could result in a major breach of the container and a meltdown."

Eskom pays R600m in foreign loans

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CT 7/4/93

JOHANNESBURG. — Eskom repaid R600m in foreign loans in the past few weeks putting pressure on the Reserve Bank's foreign exchange reserves.

Nedcor Bank chief economist Mr Edward Osborn said the repayments were an important factor in preventing a cut in bank rate.

The repayments were pressuring the capital account which Reserve Bank governor Dr Chris Stals had highlighted as a key factor preventing such a cut.

● Eskom pays off R600m in loans — Page 10

Activists protest over Koeberg's safety

(55)

ABOUT 40 members of Earthlife Africa held a protest outside the Koeberg Power station yesterday to highlight secrecy in the country's nuclear industry.

Dr Greg Knill, spokesman for Earthlife Africa's Cape Town branch, said they were concerned about the possibility that Koeberg had not checked whether cracking had occurred in its nuclear power reactors.

He said Earthlife Africa was also concerned about the phenomenon of vessel head penetration cracking (VHPC). This is the degradation and cracking of the huge pressurised vessel that holds the burning nuclear core.

Under certain circumstances a major breach of the container could occur without warning, exposing the nuclear fuel and causing a meltdown, Dr Knill said.

Despite the potential for a major nuclear disaster and no one's being able to explain the origin of the cracking, nuclear authorities had played down the risk, he claimed. CT 6/4/93

Koeberg spokesman Mr Don Murray said: "The Council for Nuclear Safety has conducted a safety analysis on the reactors at Koeberg and has said there is no cause for alarm."

Return on Mossgas 'just R1,6bn'

SS

ANDY DUFFY

FUEL-from-gas operation Mossgas is likely to produce a total operating return on its R10,5bn cost of just R1,6bn.

Figures for the first quarter of this year released yesterday indicate the Mossel Bay plant made a pre-interest profit of R24,4m as production exceeded forecasts. A spokesman said Mossgas should make an annual operating profit of about R100m.

But a Mossgas spokesman warned production in the first quarter suggested gas reserves would last only 16 years, cutting the scheme's lifetime forecast by nearly 30% and its total return to R1,6bn.

The lifetime and operating return could be extended because Mossgas was evaluating additional gas fields. However, CE and MD Bernard Smith said this could not be confirmed "until we've drilled them".

There were insufficient gas reserves to support downstream petrochemical projects, such as the R6bn gas cracker mooted by Sentrachem, AECI and Engen.

The first quarter performance confirmed Mossgas's earlier claims that its 30 000 barrel a day operation would be cash positive before finance charges. The plant, which began commercial production in January, achieved an average production over the period of 91% of capacity, well above initial start-up forecasts but in line with normal annual capacity.

The figures do not include the effective state subsidy the project has received, where the government tops up Mossgas's revenue to the equivalent of $23 a barrel.

Mineral and Energy Affairs has said it will afford such protection to Mossgas, but the company says this has not been finalised. The protection will be removed if Engen, which has a 30% stake in the scheme, decides not to follow its rights.

Smith, also chairman of fuels group Engen, said Engen was unlikely to take up its rights. Under the agreement, Engen would have to provide 12% of the equity for the scheme in exchange for the 30% stake.

Star 5/4/93

Nuclear spill 'no threat to public'

A spill of about 29 kg of radioactive uranium at the Pelindaba nuclear enrichment plant outside Pretoria posed "no threat whatsoever" to the public, say nuclear experts. (55)

Atomic Energy Corporation spokesman Nick Ligthelm said the spill was mainly confined to the inside of the building, but a small quantity of the gas was released into the atmosphere.

Ligthelm's opinion was echoed by Professor Harold Annegarn of the Schonland Research Centre at the University of the Witwatersrand. (56)

SA puts its case on nuke arms

Star 5/4/93

55

By Robin Drew
Star Africa Service

HARARE — South Africa has taken a great step forward in putting its case as an advanced nuclear nation willing to work for peaceful purposes in Africa at a three-day workshop in Harare to discuss ways of making Africa a zone free of nuclear weapons.

The workshop was attended by delegates from 23 African states, and other observers.

South African delegates, including chief executive officer of the Atomic Energy Corporation of South Africa Dr Waldo Stumpf, believe they went a long way to building confidence among international participants at the meeting.

Jeremy Shearar Deputy-director general, Multilateral in Pretoria's Department of Foreign Affairs, said: "Once we had the opportunity to put very clearly what had happened in South Africa there was a noticeable relaxation in tension and a willingness to move forward."

Stumpf saw the workshop as the start of the process of South Africa becoming part of the technological arena in Africa. He had elaborated on the statement last month by President de Klerk who revealed that South Africa had become the first country with a nuclear capability to disarm.

Stumpf said technical information about the devices was not made available because that would not be in the interests of non-proliferation.

Circumscribing Bartlett

S Times 4/4/93 (Buss)

Petrol, the fuel of the economy, went up by 10% this week. But a cheap solution could be at hand. Comment by **KEVIN DAVIE**

ONE man decides the petrol price for SA. The Petroleum Products Act gives this power to the Minister of Mineral and Energy Affairs, George Bartlett.

The Act says simply that the Minister shall prescribe the price at which any petroleum product may be sold.

Bartlett uses a complex array or prices, calculations and formulaes to arrive at the pump price he charges the South African motorist.

He also keeps a weather eye on industry calculations of how the South African price, exclusive of taxes and levies, compares with those in Europe.

These comparisons have until recently shown that South African pre-tax prices track the European average.

Bartlett and the industry take some satisfaction from this, although it is acknowledged that in recent times our average price has begun to move above that of Europe's. And this was before this week's price hike.

Unleashed

Why deregulate, the reasoning goes, if we track the European average?

But in business, like sport, you don't succeed by being average. SA's athletes won't do well at the Olympics if they aim for the mid-range. They will only win if they aim to win.

It's the same for business. For our economy to be competitive, as government's normative economic model stresses, the forces of competition have to be unleashed.

But price-fixing Bartlett, who is likeable but hopelessly socialist in his economics, says deregulation will push up prices in the rural areas. It probably will, but it is common cause in the industry that it will push prices down in urban areas.

And, again according to government's NEM, 80% of SA's economy is in the urban areas. Rural SA has held Urban SA hostage for far too long.

One of the reasons Bartlett has put up his prices is a 3c a litre increase, from 6c to 9c, to help the corruption-plagued insurance fund, the MMF (he was, coincidentally, in the firing line in Parliament this week for his handling of the MMF while Minister of Transport).

A survey by the oil industry finds that SA's inland price is fourth-highest of 14 countries surveyed over the past five years, while the coastal price is second-lowest.

The survey blames Transnet's pipeline charges for this, saying this pricing acts as a subsidy for Sasol because only a small amount of fuel is transported up-country.

This transport charge has now been hiked from 10,2c a litre to 10,9c a litre, an increase which Petronet defends as it is only 6,8%, "well below CPI".

Bartlett's central defence against deregulation is that competition will put many of SA's 50 000 petrol jockeys out of work as service stations change to self-service.

Job losses are not to be taken lightly in current circumstances, but if taxpayers are to subsidise petrol jockeys this should be by vote of Parliament, not hidden in over-priced petrol.

Taxpayers are unlikely to want to subsidise petrol jockeys. We have not subsidised retrenched gold miners or any other workers blighted by the recession, so why petrol jockeys?

Liberal

55

Rather assist them with small business loans to buy redundant petrol bowsers and a storage tank to set up one-man outlets in areas not adequately served by our restaurant-grade service stations.

Bartlett is liberal in some respects. He told reporters earlier this year that he did not mind Zulus carrying cultural accoutrements and that he had no problem with Jews being circumcised ("not that I ever was," he revealed).

But don't truck with his petrol price.

Here's a deal for the taxpayer which is cheap at the price. Put Bartlett on pension and bring in a modern thinker to set the petrol price free.

SA subsidising fuel exports to shield Mossgass

S/Times 4/4/93 (BUSS) (55)

By KEVIN DAVIE

GOVERNMENT is secretly subsidising fuel exports to make way for fuel produced by the R12-billion synthetic fuel plant, Mossgas.

The fuel-from-gas plant, intended to help make SA self-sufficient, has come on stream as local refineries are being upgraded and de-mothballed.

The result is that SA has an over-supply of fuel — 25% of Mossgas's 30 000 barrels-a-day production is not needed by the domestic economy.

South African oil companies, which are committed to marketing the Mossgas product in relation to their market share, are exporting fuel to be able to accommodate Mossgas production.

A deal — not disclosed until now — struck with government compensates the oil companies for the cost of exporting the displaced fuel to African markets.

Inequitable

"Certain products have to be exported to minimise the impact of Mossgas production," says a BP spokesman.

"This disadvantage is offset by paying a lower price to Mossgas for about 25% of the products at present bought.

"Importantly," adds the BP spokesman, "the landed price paid at destination is comparable to the equivalent South African price."

Automobile Association managing director Peter Elliott says it is inequitable that the hard-pressed South African motorist should be called upon to subsidise the fuel usage of other African countries.

"This reinforces the AA's opinion that the diseconomies existing within the fuel supply chain need to be urgently addressed," says Mr Elliott.

"Exports should not be undertaken at a cost premium to domestic users.

"Deregulation of the industry should take place so that any benefits derived from economies of scale can be passed on to domestic consumers."

The Democratic Party's Roger Hulley commented: "This is a further revelation of the extent to which Mossgas is a white elephant, especially in the changing circumstances.

"I will take the matter further by tabling questions in Parliament."

The BP spokesman says the Mossgas product is supplied to the local market in the coastal region between East London and Mossel Bay.

The spokesman says that the present arrangement with Mossgas is temporary and runs until April 25 this year.

"Discussions with government are under way to resolve longer-term arrangements for dealing with Mossgas production."

The oil companies are refusing to conclude a long-term deal with Mossgas pending Engen's decision, which must be confirmed by September, to take up its 30% stake in Mossgas.

They argue that lifting the Mossgas product will benefit a subsidised competitor (Engen) should Mossgas be privatised.

Charter

Engen chairman and Mossgas managing director, Bernard Smith, gave notice this week that Engen is unlikely to take up the stake, saying that the degree of tariff support government would need to provide was "indefensible".

■ Platt's Oilgram News reports that BP has chartered a tanker to ship 50 000 tons of refined petroleum from its Durban refinery to Singapore. A BP spokesman says: "This is a one-off lifting. BP has no plans at present to export products on a regular basis."

Soekor strikes best new oil field

~~188~~ 55

CT 3/4/93

By DAN SIMON

SOEKOR has announced its most successful oil strike to date — a field near Arniston that is capable of producing 10 000 barrels of oil a day.

The state exploration company and Engen recently announced that the oil field in the Bredasdorp basin could be in full production by 1995 if feasibility studies found it to be economically viable.

Soekor and Engen believe that with the latest technology oil from the field could be produced economically by a floating production facility.

A Soekor official said yesterday that the well, about 154km south of Bredasdorp, had been "discovered" on January 25.

Although the find was promising, scientists were appraising the field to determine the amount of oil it held and its production lifespan, the official said.

"It is the best find we have had in terms of flowrate."

If production went ahead, Soekor and Engen would be able to tap the resource cheaply through a semi-submersible converted oil rig, the official said.

If the project was viable, an environmental impact study would be done.

The oil would be pumped into a tanker that would conduct a shuttle service to a shore-based refinery.

The official added that if the project was found to be viable, an environmental impact study would be done.

UK university extends a hand

South 3/4-7/4/93.

(54)

By Diane Coetzer

SOUTH Africans may soon benefit from the growing and successful experience of a British university, said former UK MP and fellow of De Montford University, Mr Christopher Brocklebank-Fowler, during a recent visit to this country.

"The purpose of my visit is to ascertain if and how a university like ours can assist this country in providing quality and relevant tertiary education to as many South Africans as possible," the management, marketing and public affairs consultant explained.

"I intend to meet with a range of people, including the heads of all the universities and people like John Samuels of the ANC's education department, to discuss needs and requirements."

According to Brocklebank-Fowler, the university's progressive and flexible approach to higher education means it has a great deal to offer a country like South Africa.

For example, unlike traditional universities like Oxford and Cambridge, De Montford — which caters for 18 000 students — does not consist of a cluster of buildings in a single town.

The university has three major campuses — in Leicester (whose Polytechnic forms the historical base of the institution), Scraptoft and a purpose-built building in Milton Keynes.

A feature of the De Montford approach is the emphasis on combining academic excellence with a strong commitment to meeting market needs.

In this respect, De Montford is a combination of technikon and university.

"All our courses have a relationship to the real world," Brocklebank-Fowler explained.

"The emphasis is on applied academics. A person doing a Physics degree may also take a course in management, or someone taking a medical degree may take courses in public administration."

The university has the highest rate of graduate employment of any university in the UK.

However, it is not only in learning from the style of the university that South Africa may benefit.

De Montford is keen to offer direct, practical assistance to established universities here with an eye to linking up with some of them.

"We realise there is a need for the rapid expansion of education in this country.

"This is especially so if the country is going to have enough highly-skilled people to do the jobs.

"Among the things that can be looked at immediately are joint ventures, consulting, student and teacher exchanges and joint projects and supplement skills you may not have."

Cuba

De Montford is already setting up a business school in Cuba which involves training nationals who will take over the running of the school.

The university verifies the exams, thereby enabling students of another country to gain a De Montford degree.

This kind of working together is already in operation in Europe.

The university has linked up in Europe with the KL Kennis Transfer in the Netherlands, under contract to the Dutch Government and the European Community.

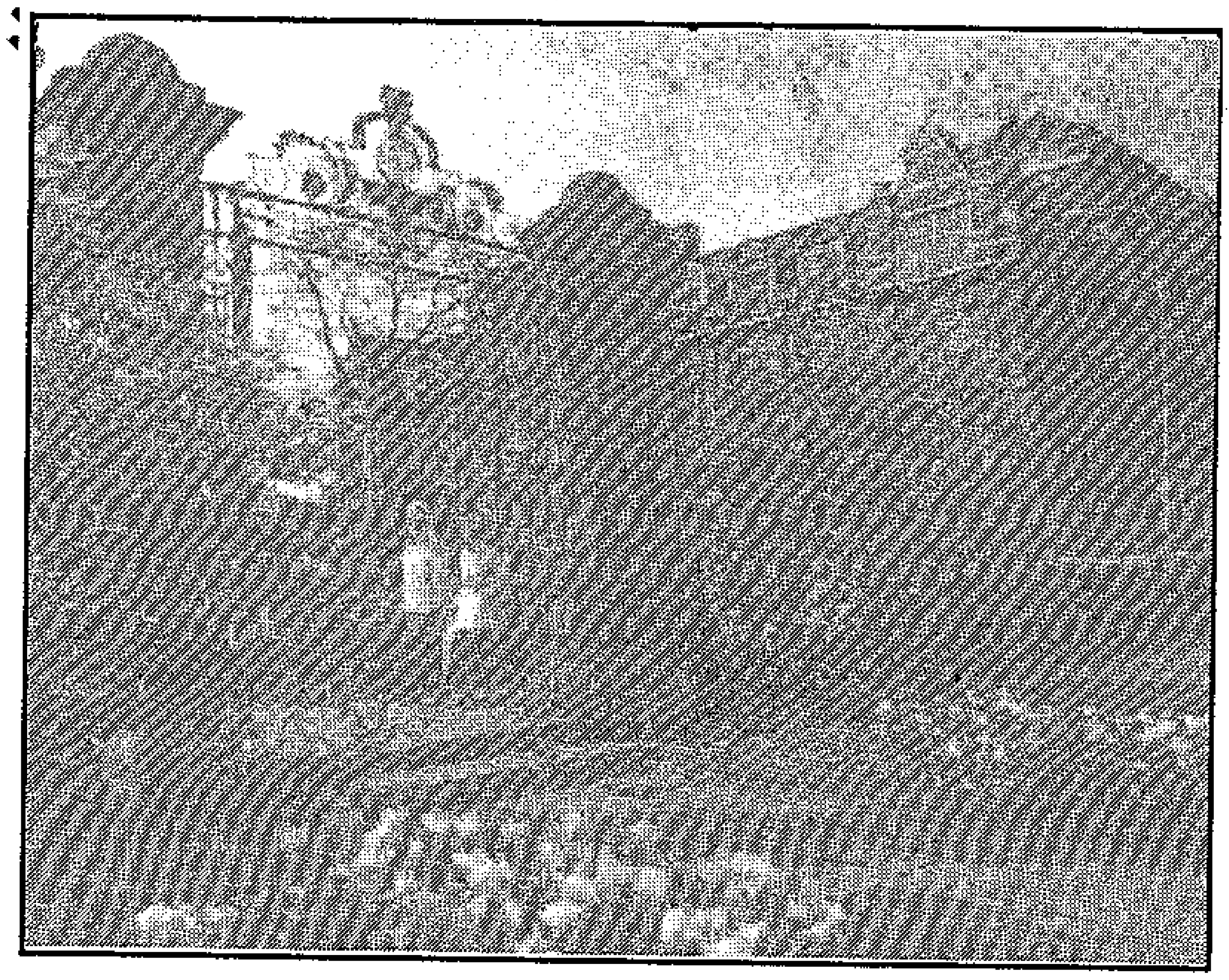
This collaboration aims to demonstrate the application of management techniques and skills to satisfy the needs of college directors in Czechoslovakia operating in the new political and economic environment in that country.

The university's unit for Local Democracy, supported by the British Government's "Know-how" fund for Eastern Europe, provides training for newly-elected members of Poland's new democracy.

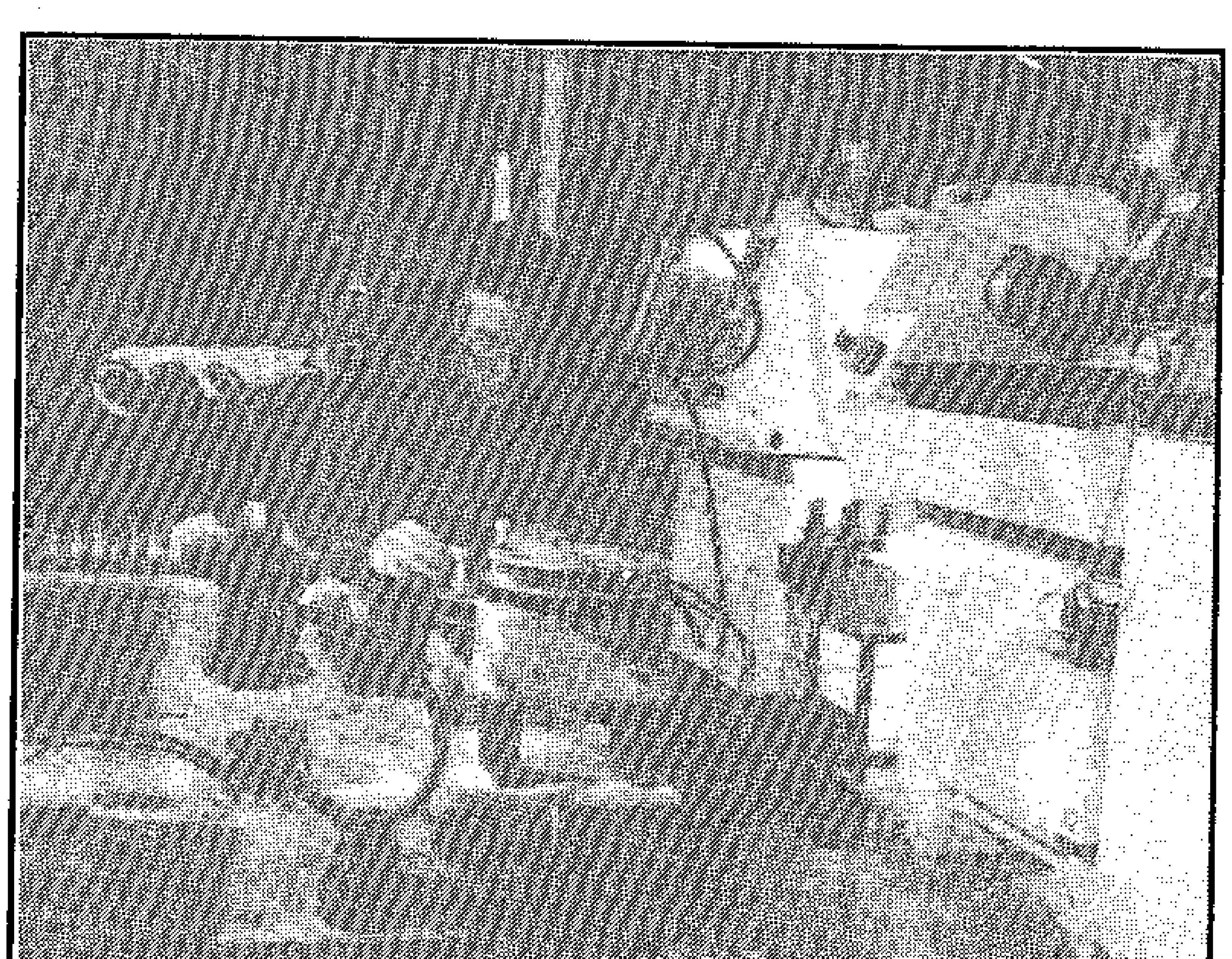
According to Brocklebank-Fowler, this close collaboration between learning institutes of different countries bodes well for the future.

"Working together at these kinds of levels will mean a greater chance for peace and for management of the environment if we know more about each other and each other's problems.

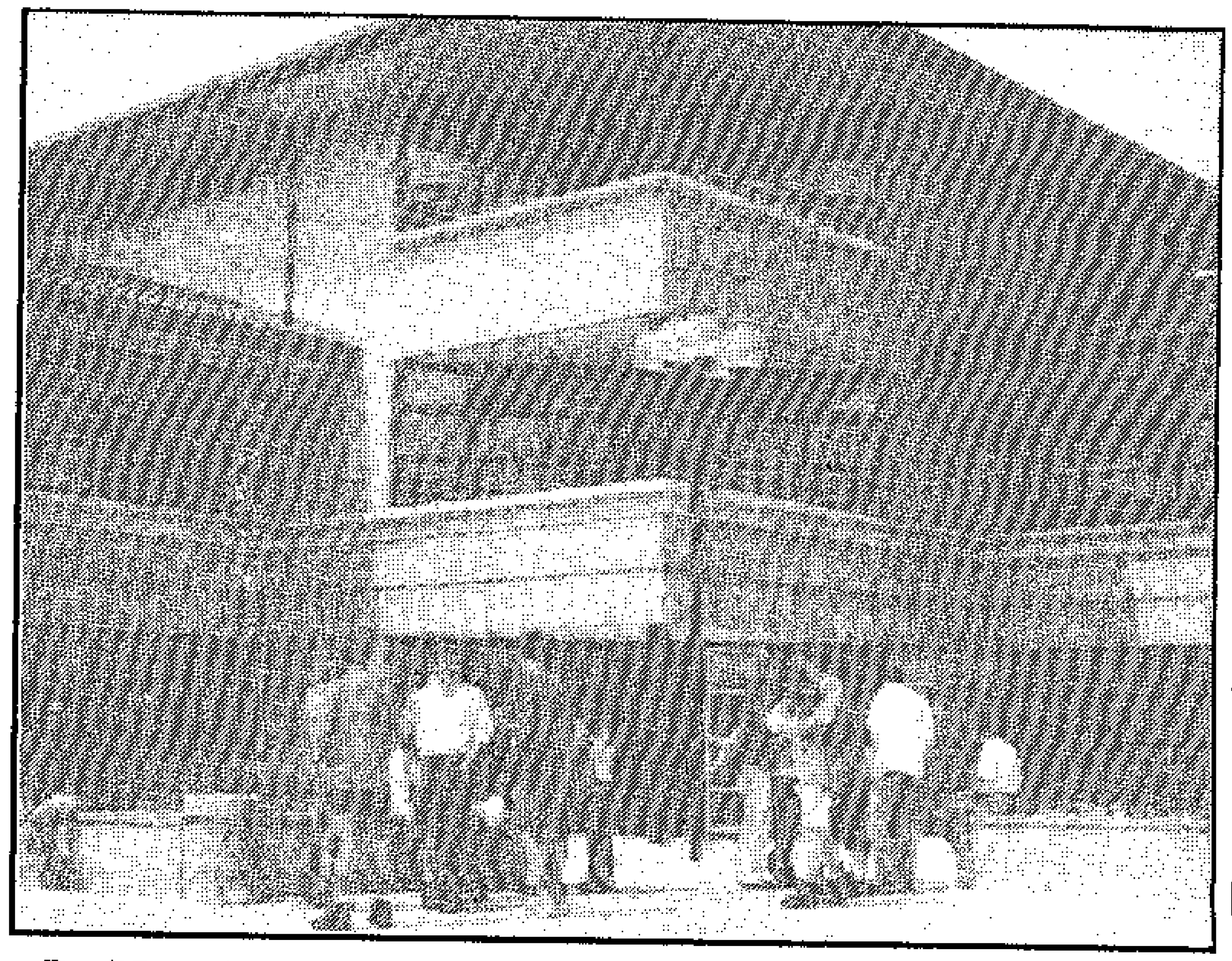
"Everyone benefits from the pooling of ideas," he said.



De Montford's Leicester campus, the Hawthorn Building



Advanced manufacturing is one of the market-orientated courses offered by De Montford



De Montford's Milton Keynes campus building

A university coming to a town near you

DE MONTFORD University is a forerunner in the system of franchising arrangements with educational institutes in smaller towns, whereby linked colleges teach first year course curricula in selected subjects that parallel those taught on the university campuses.

All students then enter common University Examinations, controlled to the same high quality standards.

"This is something which will be of interest to this country," Brocklebank-Fowler said.

"Franchising arrangements means that students living away from main centres of education will be able to take a university course that is not by correspondence, that still entails going to lectures, without the expense involved in relocating.

"This means that students will be close to their home towns and will have a stronger chance of using their newly-acquired skills in their home environments."

Phoenix Arts is managed jointly by De Montford and the Leicester City Council

Durban's project to tackle power failures

MATTHEW CURTIN

55

THE Durban Corporation electricity department, the joint supplier of electricity to industry in Durban with Eskom, is building a new R15m substation in Isipingo to improve erratic electricity supplies which have cost local industry millions of rands in lost production.

Power failures and power dips have blighted industry in the area for some time. Engen's Genref oil refinery lost 20% of its output between October and February this year — only months after finishing a R670m plant upgrade and expansion — because of supply problems.

Genref's poor performance dented Engen's exports of fuel, chemicals and lubricants to southern and central Africa — exports account for more than 10% of its R3,6bn turnover. The fuels group imported product to meet demand. It is understood Mondi Paper's mill and the Shell/BP oil refinery have also been affected.

Eskom communications manager Bongani Khumalo said yesterday Eskom and the Durban Corporation regarded the problems faced by customers in a serious light.

BDAY 2/4/93.

He said reinsulating problem lines to meet "adverse environmental conditions" was "already in hand" and would be finished this year.

Genref MD Errol Martin said yesterday even irregular electricity supply could seriously damage equipment and lead to shutdowns for repairs, while the costs of the refinery providing its own power were prohibitive.

He said the problem had its roots in the refinery having to draw its power from electricity generated in the Transvaal and transmitted over hundreds of kilometres of cables to Durban. Dirt on lines damaged insulation.

"A programme to clear sugar cane from beneath affected high voltage lines is under serious and urgent investigation," Khumalo added.

The Guardian Weekly
April 2 to 7, 1993

Pretoria's nuclear bombshell

55

Guardian W in W/Mail

SOUTH AFRICA has surprised the world by revealing that in 1990 it dismantled the six nuclear bombs it had built in the 1970s with the help of foreign [German, American, Israeli, and French] assistance. The announcement has come three years before the Nuclear Non-Proliferation Treaty signed in June 1968 by some 50 countries comes up for review in 1995. The discussions on whether or not to give the treaty a fresh lease of life already promises to be difficult. 2/4-7/4/93.

It's a "gift" to non-proliferation. We knew the country's capacities and nobody had any doubt that South Africa was, like Israel, among those countries which didn't really need to test weapons to convince the world of their place in the hierarchy of nuclear powers. All the same, this is the first time that a nuclear power has decided to part with its armoury of deterrent weapons apparently without attempting to negotiate any advantages in return.

The move is unique, to say the least. The United States and Russia (despite its current problems with Ukraine, Kazakhstan, and Belarus on this point) are committed to a concerted and phased nuclear disarmament. France and

EDITORIAL

Britain are separately following the same course, but have unilaterally become resigned to a very gradual disarmament because of the state of their public finances. As for China, it is playing things very close to its chest in this area. It may be noted, however, that it appears to have suspended its nuclear tests, after the United States, Britain, Russia, and France interrupted theirs at least until the summer.

South Africa has gone a step further by announcing that it became denuclearised back in 1990 and is now ready to sell its nuclear stockpile to the United States. It is up to International Atomic Energy Agency (IAEA) officials to visit South Africa and check Pretoria's claims.

What happened in Iraq, a country which signed the non-proliferation treaty yet came very close to developing a nuclear capacity of its own before the Gulf war broke out, and this in spite of IAEA assurances to the contrary, commands us to be circumspect. On the face of it there is nothing to warrant doubting South African President F.W. de Klerk's word. But it would be just as well to verify it on the grounds that South Africa's identified nuclear sites have really been put out of commission.

The daunting threat of nuclear and missile proliferation in fact requires that every possible precaution be taken. South Africa has set the lead in its own way. But how many other states, which have succeeded in testing their expertise even just once, like India, or are nuclear "illegals", are still continuing to defy the world and get away with it. Some 15 countries are probably in this category — ranging from Israel, Pakistan, some Latin American and Middle Eastern countries to North Korea — which have all got around the nuclear non-proliferation treaty.

(March 26)

BUSINESS

Eskom's name goes up in lights

WMail 2/4-7/4/93. 55

Eskom's profit surge in the teeth of the recession was based on a growing number of consumers and tight fiscal disciple. By **MICHAEL WANG**

IT WAS a buoyant John Maree who addressed reporters this week with Eskom's results for the year to December. At a news briefing at the utility's plush corporate headquarters in Sandton, Eskom's chairman reported that net income soared 49 percent although sales of electricity fell 0,4 percent — the first decline in nearly 50 years.

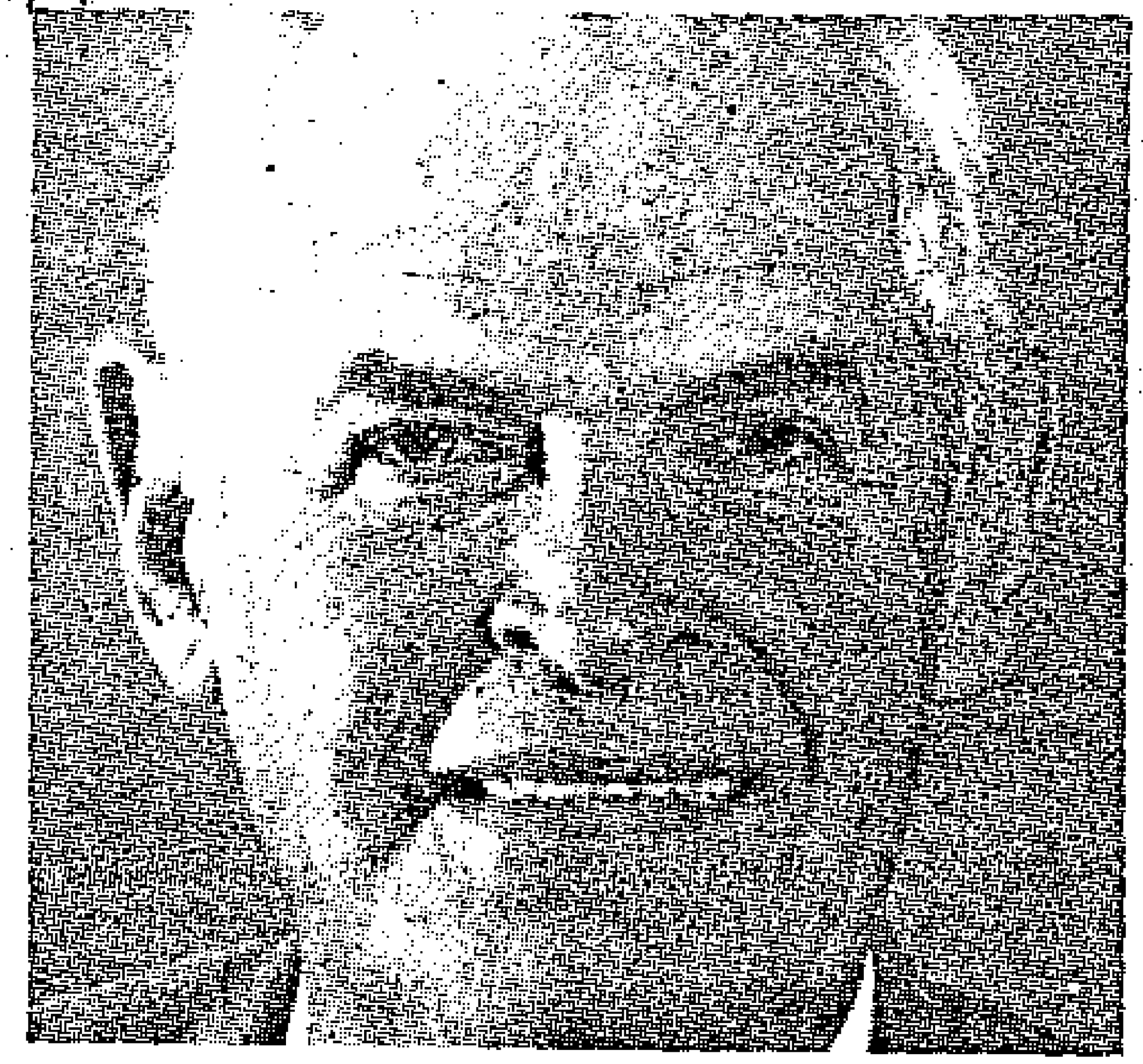
The improvement in the profit picture — from R1-billion to R1,5-billion — mainly came from a one-time R200-million windfall from a bad debts provision arising from arrears in Soweto, as well as significant reductions in interest and finance charges.

Maree said this constituted a "solid performance" in the face of difficult social, political and economic conditions.

Finance and services executive director Mick Davis reported that Eskom's customer base nearly doubled to 540 000 owing to new connection hook-ups and the securing of new distribution agreements with several townships. He added that Eskom was presently negotiating to take over energy distribution from 11 black municipalities.

Davis said Eskom spent R440-million — roughly 12 percent of capital expenditure last year — in installing new connections to 145 000 dwellings. According to company estimates that translates into roughly one million more South Africans benefiting from electricity, still a far cry from the more than 20 million citizens who currently have no regular access to the energy.

Electrification general manager Jan de Beer noted that the campaign was being further assisted by offering dwellers cash rebates of up to R400 and billing discounts if they sign up with Eskom.



John Maree ... Seeking evolutionary change

Ian McRae ... In search of an heir

However, Maree stressed that the purpose of the incentives was not for the power supplier to become the dominant retailer of electricity, but simply to allow more disadvantaged South Africans access to power.

"And when people have electricity," said the silver-haired chairman, "the economy can lift off."

De Beer estimated current arrears at R400-million and growing at more than R15-million a month. Last year, the utility wrote off almost R300-million in bad debts.

Eskom retained its postion as the world's second-cheapest supplier of industrial electricity behind New Zealand. Maree said he would not stop there, and accordingly was holding energy price increases to eight percent for 1993. This is in line with a campaign to cut the real price of electricity by 20 percent over five years from 1992.

Maree blamed the decline in electricity consumption on the poor economy and low commodity prices. Industry consumption fell four percent, mining almost two percent and heavy consumer Transnet by more than three percent. Eskom has forecast sales growth of two percent for 1993.

It is also anxious to cut its growing excess capacity and is moving aggressively to find new customers. Last year, Eskom inked an innovative deal with Alusaf, whereby the Richards Bay aluminium smelter agreed to buy 800mw of unused power — roughly the amount used to light up Pretoria.

The deal was solidified when Eskom agreed to supply an unprecedented R300-million loan to Alusaf to help to finance its huge smelting expansion.

Eskom has also made more inroads with neighbouring African states. It has reached provisional agreement with Zimbabwe to supply 400 kilovolts of power through a line connected to Bulawayo.

Chief executive Ian McRae noted that the cessation of hostilities in Mozambique meant plans to rehabilitate the energy-rich hydro-electric Cahorra Bassa project were once again under way.

Maree gave some insight into the sticky problem of management representation. Operations policy at Eskom is overseen by the 19-member Electricity Council, whose appointments are up for renewal.

Trade union and township organisations have made it clear that the council — largely comprised of industry executives and academics, all appointed by the government — needs to be radically shaken up.

"Its composition is not fully representative," admitted Maree, adding that he expected an announcement on its new make-up later this month.

"It is not something we fear," he said. "The changes will not be revolutionary, but evolutionary."

As far as succession was concerned at the executive level, Maree would only say that an heir to McRae would only be made public "in a couple of months". Company insiders suggest that high-flying Davis is a front-runner.

"Davis is the personal favourite of Maree," said a middle management watcher of the succession stakes. "But, he may be too young."

Davis, age 35 and a member of Eskom's Management Board, declined to speculate on his chances.

Asked about Maree's own retirement plans, the 68-year-old chairman said he felt it would not be prudent to leave his post at a time when the chief executive's position was up for grabs.

"I think it is important that we have an overlap in welcoming in a new chief executive," said Maree.

Taximen face fuel hike dilemma

55

■ **Sabta and Nafto seek Government intervention over costs**

Sowetan 2/4/93

THE taxi industry is in a dilemma over fare increases after the petrol price went up last night.

The two taxi organisations found themselves caught in the middle yesterday while trying to formulate a position prior to a 16 cents a litre petrol hike that came into effect at midnight.

The Southern Africa Black Taxi Association resolved yesterday to leave the decision to its affiliates.

In the meantime, the organisation will continue to negotiate with the Government for relief.

The National African Federated Transport Organisation said it would not immediately increase fares. Instead, the organisation is seeking a meeting with the Government to discuss the petrol price issue.

waited for all the pieces to fall into place, it would be left behind."

Marina Bidoli

ESKOM FM 2/4/93 55

Power up for grabs

There's high tension at Megawatt Park as Eskom's senior executives wait to find out how the Electricity Council, which controls the government-owned utility, and the management board, which oversees its day-to-day running, will be reconstituted in the coming months.

The three-year term of the 18-member council, which is appointed by government, expires this month. It now consists of representatives of Eskom's biggest customers — Transnet, agriculture, mining and other in-

* contin

FM 2/4/93.

dustries — and expert appointees. Critics argue that the all-male, overwhelmingly white council should also include representatives of local civic organisations, Eskom's labour unions and the municipalities that distribute the electricity.

John Maree, who has chaired the council since its formation in 1985, says Public Enterprises Minister Dawie de Villiers can be expected to announce changes to the council this month that will go into effect when the new term begins at the end of May.

"It's not fully representative," Maree says. "There is going to be, undoubtedly, some shift in the council that will broaden representation. Some old faces won't be there."

Nevertheless, he says he doesn't expect a major change in focus from supplying electricity as cheaply as possible and electrifying homes. Eskom spent R442m last year connecting 145 522 dwellings. Still, at least two-thirds of the country remains unelectrified.

Says Maree: "All indications are that there will be a shift in emphasis, but I don't believe there will be major shifts. I think we are respected by our customers and they are happy with the way we do business, and they should be, they are on the council with us."

Maree doesn't seem to believe his job is in jeopardy. "I will be 70 in about 18 months. Then one will have to see whether one wants to go on."

He adds that he doesn't think it's usual business practice for the chairman and CE to move on at the same time. CE Ian McRae (63), who joined Eskom in 1947 and was due to retire last month, was given a one-year extension by the council in November. Maree says the decision on who will succeed McRae will be made in the next few months (*Business & Technology* November 13).

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Maree left no doubt that McRae's successor will be promoted from within: "I believe the talent is on the management board." The frontrunners for the job of overseeing 44 000 employees and R40bn in assets appear to be executive directors Mick Davis (35), the head of finance and services; Johan van den Bergh (46), generation; and Jac Messerschmidt (48), marketing.

Van den Bergh, who was formerly head of management services, joined Eskom in 1970. Messerschmidt, who joined in 1967, was formerly GM in McRae's office.

But it is Davis, an accountant who joined Eskom in 1986, who certainly has the highest profile. When Eskom released its annual results at a press conference this week, it was Davis who was given the task of explaining the numbers.

Under Davis, the treasury saw net interest and finance charges drop by 8% and the debt:equity ratio improve from 2,49:1 to a still dismal 2,21:1. But Eskom's economic predictions have been far too optimistic, some would say downright bad.

Electricity sales for 1992 were budgeted for 3,3% growth, but the reality was a decrease of 0,39% — R573m below budget on turnover of R12,6bn. Sales were down 4% to industry, 3,2% to Transnet and 1,7% to the mines. Sales were up slightly to towns and up 8,8% to rural buyers. Davis called the figures a trauma situation.

Eskom faces another trauma this year unless the economy and world prices for minerals make a sharp turnaround soon. In setting this year's price hike at 9% last October, the assumption was made that the economy will grow 2% and sales will grow 3,5%. The way things are going, it looks as though Eskom will be forced into another round of *mea culpa* this time next year. ■

Honeymoon over for fuel producer Engen

~~183~~ 55 CT 1/4/93

From MATTHEW CURTIN

JOHANNESBURG. — Engen's rights issue honeymoon, heightened by windfall profits won during the 1990/1991 Gulf conflict, is over — the Gencor group's fuels producer barely achieved real earnings growth in the half-year to February 28 as earnings rose 10%.

Earnings a share rose to 147c from 134c and the group declared a 55c interim dividend, up from 50c in 1992.

Revenue showed a modest increase at R3,56bn (R3,23bn). However, the group's success at the operating level — operating profit jumped 42% to R270m (R190m) — was counteracted by a sharp drop in net financing income, down at R12m from R67m.

That reflected Engen's shift into debt, with cash resources of R430m reported in February last year being replaced by net borrowings of R218m. Engen's debt stood at 8% of total equity, and is likely to increase to 15% by year-end.

Capital spending stood at R212m and the group's cashflow felt the impact of its refinery expansion programme, cash for which it raised in its 1991 rights issue.

Construction for the second phase of the expansion of its Durban oil refinery, Genref, has started, and the R2,5bn project is set for completion in early 1995. Phase one was finished in mid-92, coming under its R670m budget.

Pre-tax profit rose to R283m (R257m) and taxation rose to R55m (R50m). Engen's effective tax rate was static at 19,5%, implying the group will gain little relief from the lower company tax rate announced in the Budget, while bearing the brunt of the 15% levy on distributable profit.

Attributable earnings rose 10,7% to R228m (R206m) and included a R25m transfer from Engen's inventory reserve.

MD Rob Angel said yesterday the group was still set on maintaining its recent record of consistent earnings growth, but the first half of the current year proved "difficult".

Overall sales were flat, but prices improved, lifted by a 4c increase in the wholesale marketing margin.

Petrol volumes were knocked, however, by township unrest — leading to the closure of 15 sites — and the transition from the Mobil to Engen brand name.

Engen scoops Oman gas field stake

ENGEN has secured a 10% stake in a Middle East gas field.

MD Rob Angel told a news conference yesterday that the group's interest in the venture was a small, but significant move for Engen — "the key to finding our way into the Middle Eastern oil business". The liquid petroleum gas field would be operated by the US's International Petrol Corporation in Oman and would come on stream at the year-end.

Engen, which has stated its intention of securing half its crude oil supply from its own operations by the year 2000, already has interests in the North Sea. It has a 2,2% stake in £660m Alba field, which is operated by US oil company Chevron and is set to start pumping 70 000 barrels of oil a day in the fourth quarter this year. The Alba field is underlaid by a large reserve of natural gas, the Brittania field, in which Engen also has a stake.

Angel said Engen and Soekor had identified a commercial oil find in the Bredasdorp Basin — a development well was producing 10 000 barrels of oil a day — and the small field would start commercial operations in early 1995.

Star 1/4/93
(55)

International team will inspect SA atom plants

VIENNA — The International Atomic Energy Agency (IAEA) will soon send a team to South Africa to verify that the authorities have destroyed all atom bomb-making installations, IAEA director-general Hans Blix said yesterday.

Blix indicated that the inspection mission would leave in the near future.

"South Africa is the first country having developed a military nuclear programme to voluntarily renounce it," he added. "Pretoria has also proposed that the IAEA visit all sites the agency considers necessary to inspect."

On March 24, President de Klerk revealed that South Africa had built six atom bombs before he came to power in 1989 and that these had been destroyed in 1990.

South Africa signed the nuclear Non-Proliferation Treaty a year later. — Sapa-AFP.

New Cape oilfield looks like a winner

(56) AHG 1/4/93

TOM HOOD, Business Editor

PROSPECTS of a new oilfield off the Cape south coast were disclosed today by Engen's chief executive, Mr Rob Angel, in the company's interim report.

Engen has partnership agreements in certain exploration acreage with Soekor in the Bredasdorp Basin, he said.

A successful appraisal well was drilled in the E-BT prospect in which Engen has a 20 percent interest.

The well flowed at a rate of 9 580 barrels of high-quality crude oil and Engen and Soekor were busy with a feasibility study to produce this well.

Earlier this year Engen acquired a 10 percent stake in Bukha gas-condensate field in Oman. Mr Angel said this was a significant step because it put Engen into the Middle East, the site of 70percent of the world's oil reserves.

In the North Sea, development of the Alba oilfield in which Engen has a 2,2 percent stake made "solid progress." Alba is expected to yield 70 000 barrels a day by early 1994.

However, the Cape-based oil giant showed it felt the pinch of the recession in the half-year to end-February, with interim earnings failing to achieve real growth.

Net profit rose 10percent to R228 and the interim dividend has been increased 10 percent to 55c (50c).

"Real growth of 13 to 15 percent was not achieved but in the light of the circumstances surrounding industrial groups, the 10 percent increase is a rewarding result,"said Mr Angel.

Operating profit jumped 42 percent to R270 million, reflecting a severe cost-containment exercise, a moderately higher crude throughput and a higher industry wholesale margin.

It also reflected the full effect of the July 1992 increase of 4c a litre in the wholesale margin.

Turnover rose 10 percent to R3,6 billion on static sales volumes.

Exports, up two percent, comprisd about one-tenth of turnover.

Mr Angel said growth of three to four percent in marketing sales had been expected, but did not materialise.

He attributed static sales volumes to the poor state of the economy and a slight loss in market share caused by the change of name from Mobil to Engen.

Social unrest also impacted on volumes, with 15 service stations forced to close.

Genref refinery failed to make its expected contribution to earnings growth. The Durban refinery operated below capacity for half of the interim period because of teething problems associated with the start-up of the Phase 1 expansion.

The group had net borrowings of R218 million at the end of February, reflecting a rise in working capital requirements and investment opportunities made.

Mossgas diesel fuel 'affected some engines'

55 / 16 ARGT 1/4/93

Staff Reporter

MOSSGAS has confirmed that its diesel fuel manufactured from natural gas has caused problems in some diesel engines.

However, Mossgas diesel was made strictly according to South African Bureau of Standards and industry specifications and problems were being investigated, a spokesman said.

Mossgas manufactures a variety of products from gas, including two octanes of petrol, diesel and kerosene.

Farmers, especially in the Mossel Bay area, had complained that seals in the fuel pumps of their tractors and bakkies started to leak after using pure Mossgas diesel for a time, said Mossgas spokesman Mr Harry Hill.

"Problems started in mid-February when Mossgas diesel was sold unmixed with other makes," he said.

"It seems the fuel pumps of certain makes of diesel vehicles have seals which start to leak when Mossgas diesel is used. These makes are John Deere agricultural vehicles and some Toyota diesel bakkies."

But it seemed that when the seals were replaced, the problem disappeared.

"We are investigating all complaints and doing tests to see what happened.

"Mossgas has its own fleet of test vehicles and we certainly did not come across such problems. Mossgas diesel is actually a very clean product with a very low sulphur content, making it environmentally friendly compared to other products," Mr Hill said.

● Mossgas-manufactured alcohol has been exported to Brazil, where several makes of cars run on an alcohol/petrol mix. The first consignment left Mossel Bay on Saturday.

"The consignment consisted of denatured anhydrous motor fuel alcohol which is a by-product of Mossgas's synthetic oil from offshore gas process," Mr Hill said.

A contract for the export of Mossgas alcohols to Brazil had been concluded with the US company Itec Refining and Marketing.

Engen acceleration slows in 'difficult' half-year

B/DAY 1/4/93 (55)

MATTHEW CURTIN

ENGEN'S rights issue honeymoon, heightened by windfall profits won during the 1990/1991 Gulf conflict, is over. The Gencor group fuels producer barely achieved real earnings growth in the half-year to February 28 as earnings rose 10%.

Earnings a share rose to 147c from 134c and the group declared a 55c interim dividend, up from 50c in 1992.

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That reflected Engen's shift into debt, with cash resources of R430m reported in February last year being replaced by net borrowings of R218m. Engen's debt stood at 8% of total equity and is likely to increase to 15% by year-end.

Capital spending stood at R212m in the period and the group's cashflow felt the impact of its refinery expansion programme, for which it raised cash in its 1991 rights issue.

Construction for the second phase of the expansion of its Genref Durban oil refinery has started. The R2,5bn project is set for completion early in 1995. Phase one was finished in mid-'92, coming under its R670m budget.

Pre-tax profit rose to R283m (R257m) and taxation rose to R55m (R50m). Engen's effective tax rate was static at 19,5%, implying the group will gain little relief from the lower company tax rate announced in the Budget, while bearing the brunt of the 15% levy on distributable profit. Attributable earnings rose 10,7% to R228m (R206m) and included a R25m transfer from Engen's inventory reserve.

MD Rob Angel said yesterday the group was set to maintain its record of consistent earnings growth, but the first half of the current year proved "difficult". Results were "satisfactory" in the circumstances.

Overall sales — Engen refines and distributes a wide range of oil products, from petrol to lubricants and chemicals — were flat, but prices improved. Petrol prices were lifted by a 4c increase in the wholesale marketing margin.

Petrol volumes were knocked by township unrest — leading to the closure of 15 sites — and the transition from the Mobil to Engen brand name. The performance of new Engen petrol stations was good, but offset by a slide in custom at remaining Mobil sites. Angel said the brand name switch was accelerating — three sites were being given new livery every day — a move which would cut the cost of the programme by R20m to R120m.

Genref's performance was "disappointing" because of continued disruptions to the plant's power supply, causing a 20% loss in output and lower recoveries. Angel said Eskom was addressing "unacceptable" transmission problems. The lowered refining capacity hampered Engen's ability to meet export orders in Africa which grew 2%, accounting for more than 10% of turnover.

Engen had made good progress in securing sources of crude oil at a lower cost to and outside of the Central Energy Fund, until 1992 solely responsible for SA oil procurement.

Angel said he was fairly optimistic for the rest of the year.The highlight would be benefits the group would gain from Genref running at full capacity. Refining margins seemed to have "bottomed out", but the increase tax on petrol would curb any increase in SA fuel consumption.

Cheap power waits to be switched on

BDay 1/4/93. (55)

PETER DELMAR

WHEN Eskom announces that its annual electricity sales are down for the first time in 50 years, the economy is clearly in trouble. The utility's 1992 financial report, released this week, shows that power consumption dipped 0,4% from 1991 levels, the first year on year decline since 1943.

Sales would have been even lower were it not for growing domestic and rural demand. Industrial, mining and transport consumption all declined as the wheels of industry slowly ground down.

Generally, overall electricity sales enjoy a 1,5%-2% lead over GDP growth (or shrinkage) and the small reduction in output serves to confirm that local industry is simply going nowhere.

Several years ago the Megawatt Park planners drew up blueprints to build huge new power stations to meet an expected annual growth in demand of 7% or more. Today Eskom sits with almost 40% in unutilised capacity. Installed capacity is almost 37 000MW. Last year peak demand was up by less than 1% to just over 22 600MW.

Projected increase in demand for the current year is 2%, but as finance and services executive director Mick Davis acknowledges, even that meagre forecast could prove to be optimistic.

The utility's scope for expansion remains inextricably tied to economic growth. This year Eskom will connect 158 000 households, more than the 140 000 linked up last year and five times the number electrified two years ago.

But, at best, the five-year electrification drive can soak up only 15% of excess capacity. Like any other statistic, electrification figures can be deceiving.

In 1992 Eskom increased its customer base from 278 000 to 542 000, the result of electrification and taking over supply from embattled black local authorities. Domestic users represent 70% of Eskom's customers, but consume only 1% of its total output.

Even the expansion of large power consumers, such as Alusaf, will account for only a small portion of Eskom's mothballed generators. Despite being one of the biggest single electricity consumers, Alusaf in its enlarged form will consume only about 800MW.

Similarly, the envisaged southern African electricity grid, which Eskom CE Ian McRae said this week had moved beyond "being on the verge of reality", will do little to get all of SA's power plants up and running, such is the comparative insignificance of our northern neighbours' economies.

New pricing options have added R155m to Eskom's income and last year time-of-use customers accounted for 1 000MW.

The poor consumption trend recorded in 1992 enabled Eskom to undertake programmes to improve productivity and maintenance which would not have been possible in times of full capacity demand.

A steadily shrinking labour force has been maintained with small but sustained improvements in productivity, and the debt to equity ratio fell in 1992 from 2,49 to 1, to 2,21 to 1, reflecting Eskom's reduced dependance on borrowings and a shrinking interest bill.

Despite falling revenue, Eskom achieved a real price reduction of 4,9%, keeping it on course to meet its undertaking to reduce actual electricity prices 20% by 1996.

Eskom has traditionally made much of the importance of readily available, cheap power to economic takeoff, as was the case with the "economic tigers" of southeast Asia.

While labour costs soar in reverse proportion to productivity levels, SA has one comparative competitive advantage over almost every other industrialised nation — cheap and abundant electricity.

Eskom produces power at a third of the cost of Italian electricity, less than half the price of US power and only marginally more expensive than the cost of New Zealand's hydroelectric driven energy.

It is time that local industry got switched on to this fact.

□ McRAE

REVIEW

Eskom's client base expands

B|DAY 31/3/93.

THEO RAWANA

ESKOM's takeover of management of electricity from some Transvaal black councils had increased its client base from 29 000 last March to more than 200 000 this year, Johannesburg distribution manager John Bradbury said yesterday.

The utility was, however, still owed about R170m by the councils which had ceded their electricity supply rights to it and by those with which it was still conducting acquisition discussions.

In councils such as Soweto, where R208m was outstanding, Eskom had acquired all the municipality's electricity assets and the debt was written off.

In areas such as Vosloorus and the Vaal Triangle townships, the utility was leasing the distribution network. In these areas, electricity debts had been put aside, not written off.

The matter of arrears would have to be dealt with at a later stage, Bradbury said.

● Comment: Page 12

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Eskom boosts income despite declining sales

CT 30/3/93 55

From PETER DELMAR

JOHANNESBURG. — Eskom boosted net income by 48% in 1992, despite electricity consumption declining for the first time since the Second World War.

Releasing the utility's results for the year to December, chairman John Maree said yesterday Eskom had recorded a solid performance in the face of electricity sales dropping 0,4%, against a targeted growth of 3,3%. Net income before abnormal items was up 18% to R1,6bn.

Finance and services director Mick Davis told a news briefing in Sandton that the large jump in net income resulted from the reversal of a R200m bad debts provision arising from arrears in Soweto. Reduced interest and finance charges also added to the increase.

Turnover rose 8% to R12,6bn, following a 9% tariff increase but, because of reduced sales, was R573m below budget. The increase in operating costs was restricted to 13%. Davis said this would have been about 9% without Eskom's expanded electrification programme and the assumption of supply in nine black local authorities.

The drought had had a severe impact, forcing the transfer of hydro-electric generation to more expensive coal-powered stations.

Net interest and foreign exchange costs dropped 8% to R2,9bn.

Eskom last year spent R442m taking power to 145 000 households — or one million people. This was five times the figure for 1991. It planned to electrify 158 000 houses this year.

The debt to equity ratio declined from 2,49:1 to 2,21:1 and would approach 1:1 by the decade's end, Davis said.

Net interest-bearing debt was little changed at R27,6bn, of which R9,2bn was foreign debt. Investments totalled R6,4bn — up almost R2bn on 1991. Funding requirements for 1993 were set at R3bn, compared with R2,1bn in 1992.

Maree said the slump in electricity sales was related largely to the poor economy and low commodity prices. Industry consumption fell 4%, mining 1,7% and Transnet 3,2%.

Eskom CE Ian McRae said sales growth of 2% was expected this year.

Maree said Public Enterprises Minister Dawie de Villiers was expected to make an announcement next month on the restructuring of Eskom's governing body, the Electricity Council. Talks were being held on broadening representation.

Sapa reports that McRae said southern Africa was beginning to implement a regional power grid. Power supply systems were being linked to enable the export and import of electricity between countries.

The Messina/Beit Bridge 132kV line was completed last year, providing electricity to Zimbabwe and a 400kV line from Matimba to Bulawayo was being planned. Servitude had been obtained for a 132kV line with Botswana, and Eskom was providing technical assistance to Mozambique's Maputo power station and was seeking funding for the rehabilitation of the Cahora Bassa project.

Technical studies were under way for a 400kV transmission line to Swaziland and Eskom was taking part in an interconnector study between Zaire and Zambia.

Engen may not take up its Mossgas rights

(55) CT 30/3/93

JOHANNESBURG. — Engen has warned that it will not follow its 30% rights in Mossgas because the scheme depends on government protection for its commercial survival.

Chairman Bernard Smith, who is also Mossgas CE and MD, said it would not make commercial sense for Engen to invest in the scheme.

The Mossel Bay site, which produced petrol and diesel from gas, would be cash-positive before finance charges on a price of \$14-\$19 a barrel. But it would never make a decent return on the R10,5bn cash poured into it.

Mineral and Energy Affairs has undertaken to top up revenues per barrel to \$23 — the same level of tariff protection given to Sasol's synthetic fuel operations.

"We wouldn't want to invest in a scheme where protection could be removed at the stroke of a pen," said Smith.

Engen bought the 30% rights to Mossgas in 1987 for R30m, but had warned late last year that the scheme might not meet Engen's stipulated 8% return on investment.

Smith said this was partly due to construction costs nearly doubling from the original R5,5bn estimated in 1987. The \$14-\$19 price per barrel range suggested Mossgas's yearly operating costs would be at least R520m, before interest payments.

He dismissed reports that Mossgas's costs would outstrip its revenues.

Engen would make a final decision in September. Meanwhile, its continued management of the scheme was being discussed with the Central Energy Fund.

Star 30/3/93

First shipment of Mossgas alcohol

By Stephen Cranston

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The first consignment of alcohol from Mossgas has left Mossel Bay for Brazil aboard the bulk liquid tanker MT Batumi.

The consignment consists of denatured anhydrous motor fuel alcohol, which is a by-product of Mossgas's oil-from-gas process.

The MT Batumi loaded with alcohol from the conventional buoy mooring previously used for the import of fuel products to Mossel Bay.

The mooring, which had to be modified to handle alcohols, had been in disuse since a new single-point mooring was installed to ship Mossgas petrol, diesel and kerosene to Port Elizabeth and East London.

Mossgas ships alcohol export

(55) (423)

JOHANNESBURG. — Mossgas' first export consignment of alcohol left Mossel Bay for Brazil on the bulk liquid tanker Batumi on Saturday, Mossgas said.

CT 29/3/93

The denatured anhydrous motor fuel alcohol, a byproduct of Mossgas' synthetic oil from the offshore gas process, was used as a blending compound in motor fuel, Mossgas spokesman Harry Hill said.

The export of the alcohol followed the conclusion of a contract between Mossgas and the US company, Itec Refining and Marketing, for all of the alcohol produced by Mossgas.

The contract prohibited disclosure of volume, price or value of the consigment, Hill said.

However, he said Mossgas produced alcohol, worth between R50m and R60m annually.

Production of alcohols at Mossgas commenced in November 1992.

Addressing a news conference in Johannesburg on Friday, from left, ANC spokesman Carl Niehaus, World Campaign Against Military and Nuclear Collaboration with SA director Abdul Minty and ANC science and technology co-ordinator Roger Jardine, discuss SA's nuclear weapons programme.
Picture: BRIAN HENDLER

US decision on SA arms 'racist'

55 KATHRYN STRACHAN 2807

BIDAM 29/3/93.

THE US lobbied SA to end its nuclear weapons programme only once it had become clear the armaments would soon be handed over to a black government, World Campaign Against Military and Nuclear Collaboration with SA director Abdul Minty said at the weekend.

Saying SA had produced 20 nuclear devices by 1981, Norway-based Minty claimed President F W de Klerk's disclosures were incomplete, and demanded full disclosure of SA's nuclear and missile programme. His organisation had extensive material on the SA programme and would disclose it if government did not.

ANC science and technology co-ordinator Roger Jardine said SA had probably spent R7bn on nuclear devices, not the R700m to R800m acknowledged by De Klerk.

Minty's organisation had "concrete evidence" that SA had 300kg of enriched weapons-grade uranium, enough to make about 70 nuclear weapons. It believed the US government had made a secret deal with SA to buy the weapons-grade uranium.

□ According to a report in the London Sunday Times yesterday, SA made a secret \$2bn deal with China in the late '80s to acquire long-range missile technology.

Sasol pumping up its own importance

S/Times (BUSS) 28/3/93.

Trenches are being dug for a looming fuel price war — the mother of all price wars. Comment by **KEVIN DAVIE**

SASOL, says a leading oil industry executive, is the greatest wealth redistribution mechanism in the country. "It takes money from all fuel users and redistributes it to its shareholders."

Sasol, of course, does not like comments like this, and to prove its contribution to the economy commissioned a study by government's Central Economic Advisory Services.

"This is the body which produced the Normative Economic Model, a plan to improve SA's competitiveness through deregulation and lowering protective tariffs on a phased basis.

The CEAS found that Sasol's direct and indirect contribution includes:

- Contributing 3% to GDP;
- Creating 160 000 job opportunities, 2% of all formal sector employment:
- Creating wealth of R8,4-billion;
- Increasing state income by R1,8-billion, nearly 2% of state revenues;
- Paying salaries of R3,8-billion; and
- Contributing R20-billion to the value of production in the economy.

But, says a document on fuel deregulation by the oil industry, Sasol could not compete in a free-for-all and would have to get special protection.

Urgency

This is an extraordinary situation. Does one of SA's JSE-listed giants, with net profits in excess of R1-billion and producing awesome economic benefits, need special protection from government?

If it cannot stand on its own feet, should it not be converted into a public utility so that it can still deliver the economic benefits listed above but without boosting fuel prices?

These questions have taken on new urgency as the first signs have emerged that the oil cartel is about to break up as SA leaves the sanctions age.

At the heart of the cartel is a "commercial" agreement between Sasol and the oil companies, whereby Sasol has limited its retail activities to about 8% of the national market through blue pump sales on the forecourts of service stations owned or supplied by the other oil majors.

The oil companies in return market Sasol's synthetic fuel from Secunda (100 000 barrels a day) and from its 64%-owned refinery, Natref (75 000 barrels a day).

Conventional refiners Shell, BP, Mobil (now Engen) and Caltex have curtailed their own refining activities but have been paid R1-billion from government's equalisation fund since 1985 to make up this loss.

Now Sasol has asked government to be allowed to sell its Natref product at its own service stations while insisting that synthetic fuel be marketed by all oil companies on a pro-rata share basis.

A proposed similar arrangement between the oil companies and Mossgas has led these companies to refuse to market Mossgas product should Engen take up its 30% stake in the fuel-from-gas plant.

The oil companies say they cannot compete against a competitor which is subsidised by government. It amounts to government using the tax revenue of one company to support a competitor intent on destroying the first company in the marketplace.

This may have been the stuff of apartheid, but is hardly the way to run a democratic market economy.

Sasol gets hot under the collar if it is suggested that the benefit it gets from the equalisation fund (R600-million last year) is a subsidy. It insists this is "tariff protection".

It says the protection it enjoys has averaged 11,4% since 1979, much lower than the 30,2% average protection enjoyed by South African manufacturing industry as stated by Finance Minister Derek Keys in the summary report of the NEM.

"Does one of SA's JSE-listed giants, with net profits in excess of R1-billion and producing awesome economic benefits, need special protection from government?"

S/Times (BUSS) 28/3/93.

But while Sasol's support has some of the characteristics of tariff protection, Sasol does not operate in a competitive environment. Its "commercial agreement" and cartel membership ensures that its product is bought by the oil companies at government-administered prices.

This protects Sasol on both price and volume. Add something else and it can only be a subsidy ("Sasol cannot have a belt and braces," says a leading economist.)

Monopoly

At more than one-third of pre-tax profits of R1,5-billion last year, the subsidy is pretty lucrative for Sasol.

The oil companies add that Sasol gets a further subsidy — worth hundreds of millions annually — from Petronet's charge of 10,9c a litre for moving petrol up-country, a claim which Sasol says is nonsense.

Petronet last disclosed these figures in 1989/90, showing profits of R325-million from revenue of R421-million.

This monopoly pricing policy acts as a barrier to entering the inland fuel market, artificially boosting both Sasol's and Petronet's profitability by several hundreds of millions of rands annually.

There are, of course, other South African companies which are highly protected, but few have the deal which Sasol has carved out for itself when total onslaught was the overriding policy consideration.

Sasol and government have popularised the notion that Sasol, which is protected below $23 a barrel by government, "sacrifices" some of its revenue when oil prices rise above $28 a barrel.

But the "sacrifice", reportedly R16-million to date, looks minute in relation to payments from the equalisation fund of R1,76-billion since 1985.

Engen's Rob Angel has said that Engen is unlikely to take up its stake in Mossgas because of the level of government support needed to make the investment worthwhile.

Attractive

Mossgas reportedly has a positive cash flow at $14 a barrel. As a utility it benefits the economy through job creation, technology transfer, foreign exchange earnings (R120-billion over its lifespan, according to one estimate) and potential downstream investments.

But, if privatised, it will need to raise fuel prices to ensure it is sufficiently attractive for private investors.

Sasol undoubtedly makes a major contribution to the economy, but thrives in a highly-regulated and controlled environment which artificially boosts fuel prices, raising all prices and making SA less competitive as a nation.

If Sasol is to remain a private sector company it must then compete as one. Its shareholders must shoulder the risks of their investment, not the taxpayer.

But, senior oil and petrochemcial executives argue, if Sasol is to remain dependent on government support and largesse for its profitability, then it should be converted into a utility.

Sasol is clearly intent on creating its own lifeline to motorists by developing its own service stations. A compromise appears unlikely, as the oil companies are not prepared to compete head-on with a subsidised competitor.

The break-up of the cartel is likely, with a price war on the way.

Pick 'n Pay chairman Raymond Ackerman has taken legal advice and says he cannot discount fuel at present.

But Pick 'n Pay is prepared to lead a fuel price war. "We are ready for the mother of all price wars," says Mr Ackerman.

It's fruits of the vine for Europe

S/Times (BUSS) 28/3/93

By DON ROBERTSON

UNIFRUCO, the R1-billion a year fruit exporter, is to enter the European wine market in a big way. In response to requests from a number of large European supermarkets which Unifruco supplies with fruit, a tentative entry into the wine market was made last year and the response was encouraging.

This year the company expects to export a full range of wines — mainly under its own brand name, Oak Village — to the United Kingdom, Ireland, Holland, Germany and Denmark.

A new company, Vinfruco, has been formed in which Unifruco, plus 11 other partners, have an interest. These include four co-operatives, a number of well-known estates and about 250 grape growers in the Stellenbosch area. Wines from some of these estates and co-ops will also be offered to the local market.

Unifruco managing director Louis Kriel says supermarkets, such as Tesco in the UK, asked Unifruco to offer a range of wines for the European market. These will be sold through supermarkets using Unifruco's existing infrastructure.

Mr Kriel says the wines are in the upper price range and will sell for about £4 a bottle. This compares with the average price of wines in Europe of about £3,60 a bottle last year. Because of the recession, the average price has since fallen to about £2,55.

Unifruco's venture into Europe is not aimed at taking on KWV, which enjoys considerable acceptance with its own wine range, insists Mr Kriel.

"They are able to offer wines at far cheaper prices than we do. I don't know how they do it. Our export effort has the full blessing of KWV, as they realise it enhances the reputation of South African wines in these markets."

NUKE

Lies and cover-ups over SA's secret bomb deals with Israel

CIPress 28/8/93

BOMBSHELL

CITY PRESS can today reveal that SA and Israel assisted one another in the development of nuclear warheads in the late 1970s when John Vorster was still in power. 55

There were at least four highly secretive deals between the two countries connected with the development of nuclear weapons.

By DES BLOW, Investigations Editor

Yet on June 28 1991, Foreign Minister Pik Botha stated that SA had never tested nuclear weapons nor had it ever co-operated with any other country in making them.

The sale of "yellow cake" (uranium oxide), a by-product of SA's gold mines which could be enriched for nuclear energy, was strictly controlled internationally and Israel was unable to obtain the many tons needed to produce nuclear weapons.

SA, on the other hand, was unable to obtain trutium, a radioactive isotope of hydrogen, necessary to explode a nuclear device and which was only obtainable from the United States and Russia.

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A deal was struck between John Vorster and the Israeli Prime Minister's Council for Scientific Liaison which was involved in the clandestine purchasing for Israel of nuclear materials. However, SA's Minister of Mines at the time, Piet Koornhof, was against the deal.

Vorster replaced Koornhof as Minister of Mines with Fanie Botha, who was in favour of the arrangement.

Fifty tons was shipped to Israel and in return Israel supplied SA with 30 grams of trutium – enough to make 12 atom bombs.

The code name used for trutium was "*Teeblare*" (tea leaves).

It was delivered to SA in small quantities over a year between 1977 and 1978.

Vorster and Gen "Lang" Hendrik van den Bergh, former head of the Bureau for State Security (Boss), worked on the "need-to-know" principle, only informing people like Fanie Botha and Dr Ampie le Roux who was the then chairman of the Uranium Enrichment Corporation (Ucor).

In a third secretive deal, SA sent a further 50 tons of "yellow cake" to Israel.

The fourth secret deal was for SA to store 500 tons of "yellow cake" in Israel, but this was later released for Israel's own use.

When Vorster was compelled to resign in 1978 after the information scandal, some of the deals had not yet been completed and were done so under the new State President PW Botha.

However, until State President FW de Klerk's admission this week that SA had manufactured six nuclear bombs, the government – from state presidents down – had always denied that SA had the bomb.

It is only now, after the six bombs have been dismantled and it seems inevitable that the Nationalist government will be out of power shortly, that De Klerk has "come clean" and admitted that SA had nuclear bombs for years.

In 1977, during the height of the nuclear weapon connivance between SA and Israel, Prime Minister

■ To Page 2

SA-Israel bombshell

C/Press 28/3/93 (55)

■ From Page 1

John Vorster assured President Jimmy Carter of the US in a personal message that SA did not have, nor did it intend to develop, nuclear explosive devices for any purpose.

The last denial came only three weeks ago on March 6, when the head of the state-owned Atomic Energy Corporation, Dr Waldo Strumpf, said SA had provided the International Atomic Energy Agency (IAEA) with an inventory of "every single gram of nuclear material" it possessed and that SA had only developed its nuclear programme to produce electricity and had nothing to hide.

This is the same Dr Strumpf who explained on TV on Thursday night that SA had dismantled six nuclear bombs.

In June 1978 Dr Ampie Roux, who was in on the secret of the bomb from the start, echoed Vorster's denial, and in April 1979, State President PW Botha who followed Vorster into office, said although SA had the know-how to manufacture the bomb, it planned rather to use nuclear energy for peaceful purposes.

During the next few years the denials continued, although, according to President De Klerk's statement this week, SA only started dismantling the bombs in 1990.

The 30 grams of trutium supplied to SA by Israel was enough to manufacture explosive devices for 12 atomic bombs, but De Klerk claims there were only plans for seven and that only six were manufactured.

In 1979, after SA had been in possession of the trutium for more than a year there was a "double flash" over the south Atlantic – which overseas scientists suspected was a nuclear explosion – and accusations were levelled that SA had exploded an experimental nuclear device: the government denied emphatically they were responsible and once again denied that the country had any nuclear weapons.

There were also accusations that it was a joint Israeli-South African experiment, but this too was denied.

This week Dr Strumpf repeated that SA had never ever tested any of the bombs manufactured in SA, yet he said he saw no reason why the six bombs would not have worked.

In October 1991 SA signed the Nuclear Non-Proliferation Treaty with the IAEA, which has already since carried out 115 inspections in SA – and found nothing.

Nuclear price bombshell

ST Times (Buss) 28/3/93

By CIARAN RYAN

SCIENTISTS have disputed the R700-million to R800-million cost of developing a nuclear bomb given by President de Klerk this week.

One estimate puts the cost of developing the bomb at 10 times this figure.

Friedel Sellschop, a noted nuclear scientist and former head of the Schonland Nuclear Research Facility at the University of the Witwatersrand, says the given figure appears low: "I wouldn't have been surprised if the figure was much higher."

Johan Kruger, an energy specialist at the Bernard Price Institute, says a figure of R800-million a year for the development of a nuclear bomb is more plausible.

Professor Sellschop says production of weapons grade material requires enriching uranium to more than 90%, compared with 4% enrichment for nuclear fuel.

"This is a very expensive process," he says.

But Atomic Energy Corporation head Waldo Stumpf insists that the project cost no more than R70-million to R80-million a year over a 10-year period.

"This is less than about 0,5% of the annual defence budget and it enabled Armscor to avoid development of a fighter aircraft which would have cost around R22-billion."

President de Klerk disclosed that SA had developed six nuclear fission devices since 1974. These have since been dismantled, along with the plant where they were manufactured.

Dr Stumpf says the highly enriched uranium used in the bombs has a resale value of between R15-million and R20-million. World prices are depressed because of a glut of highly enriched uranium coming onto the market from Russia.

55

Mothballed

"The material is worth five to six times this amount if we use it as fuel in our Safari nuclear reactor for the manufacture of medical isotopes."

Dr Stumpf confirmed that AEC had the technical capability of downgrading the highly enriched uranium for commercial use.

AEC operates a semi-commercial uranium enrichment plant to supply Eskom's Koeberg power station with about 100 000 separative work units (SWUs) a year at a cost of $200 per SWU. Russia could supply the same material at $68 per SWU.

Eskom has scaled down its generating capacity at Koeberg, which now accounts for less than 5% of its total electricity output.

In view of Eskom's surplus generating capacity it was speculated that Koeberg could be mothballed, allowing the government to close down AEC's enrichment plant, resulting in savings of hundreds of millions of rands a year. The AEC enrichment plant has a production capacity of 250 000 SWUs and currently exports enriched uranium.

AEC supplies one of Koeberg's two reactors; the second is supplied by a third country after being treated in France.

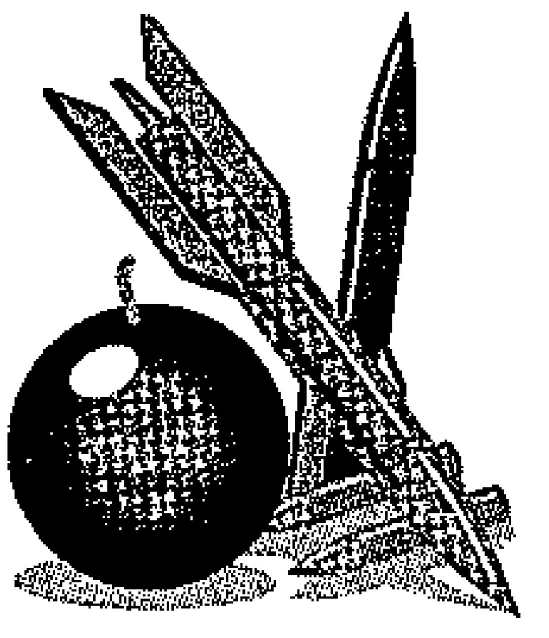
Sales of nuclear fuel to Eskom will be worth about R103-million this year. AEC will receive R469-million from government this year. It has been funded by taxpayers to the tune of R3,6-billion since 1987 to produce sales of just over R600-million, most of this to Eskom.

Dr Stumpf says AEC plans to increase self-funding from the current 30% to 75% by the year 2 000. Ten companies have been established and several world patents have been registered.

NUCLEAR WEAPONS FM 26/3/93

Making the world safe

There is money to be made from SA's nuclear weapons capacity



Inspectors from the International Atomic Energy Agency (IAEA) have found that SA has enough weapons-grade uranium to make between 12 and 24 nuclear bombs. That's according to a front-page report in *The Washington Post.*

The report appears to throw some light at last on the decades-long debate over the purpose and extent of SA's massive nuclear developments at Pelindaba and Valindaba. However, SA's Atomic Energy Corp (AEC) chairman Wynand de Villiers points out that the IAEA has made no announcement substantiating the report.

In terms of the Nuclear Non-Proliferation Treaty, which SA signed in September 1991, Pretoria had to disclose to the IAEA its holdings of uranium in the category of "highly enriched uranium" — that is, with a 20% or higher proportion of the fissile isotope U235.

Nobody has refuted *The Washington Post* report. If it is correct — and the response from Washington and the Pentagon suggests that it is — then the content of U235 in SA's stockpile is around 90%. Technically, the uranium could be used to make effective nuclear weapons.

Of course, SA would not be allowed to do this under the Nuclear Proliferation Treaty (NPF) and there is no suggestion that it wants to. The point is that the Americans are concerned about the scale and degree of enrichment of the stockpile, especially in view of possible future political developments in SA.

The quantity involved remains secret, but the Pentagon and the US State Department have, between them, let it be known that it is roughly 360 kg — enough, according to some claims, to make about 80 bombs. This number is not easy to reconcile with *The Washington Post* estimate, but there are many possible technical reasons for the difference.

Until now, SA has made only one admission: in 1981 it said it had enriched a quantity of uranium from a natural content of U235 (0,7%) to 45%.

An article which will appear soon in *The Bulletin of Atomic Scientists* concludes that SA has produced 200 kg-525 kg of weapons-grade uranium, based on calculations of the capacity of the Valindaba enrichment plant. A recent report in a UK newspaper, *The Mail on Sunday,* quoted the Pentagon as claiming Pretoria had more than 360 kg.

The weight of these and other reports is too great to reject. And an ambitious nuclear weapons programme is plausible in the context of the National Party's past political intransigence and "total onslaught" mindset.

The major effort — in terms of scale of operations, energy input and cost — in developing nuclear weapons lies in producing weapons-grade U235 or plutonium. The remaining steps — machining the nuclear explosive to the correct shape, devising the electronically triggered detonating charge — merely need sophisticated skills.

It seems improbable that SA, having gone to all the trouble of producing weapons-grade uranium, would not at least have put itself into the position of being able to make the bomb at relatively short notice — the strategic option loosely called "the bomb in the basement."

The *Bulletin* article offers further detail, including one not necessarily accurate allegation. The article quotes *Nucleonic Week* for October 1992 as saying a building at Pelindaba had performed nuclear-weapons related activities. Reportedly, says the *Bulletin,* rusted equipment was found that had been used to shape spherical cores of fissile material to make bombs — an allegation which De Villiers rejects, pointing out that the IAEA has never said this.

In the mid-Seventies, the Soviets alleged that SA had prepared a nuclear test site in the Kalahari desert. Intense pressure was then brought to bear on SA by the US and the Soviet Union and any preparations for a test (never acknowledged in the least by SA) were evidently not carried out.

Gaddafi ... *might find SA uranium useful*

In September 1979, the US nuclear detection satellite Vela, picked up over the South Atlantic, during a brief break in cloud cover, the characteristic double flash of a nuclear explosion. Leading US investigative journalist Seymour Hersh says in his book about Israel's nuclear programme, *The Samson Option,* this was the third of three test explosions of Israeli nuclear weapons in a test programme conducted with SA assistance.

Hersh says the potential political embarrassment for the US in admitting Israel had the bomb led to a decision to blur the technical conclusions and to say the Vela signal was inconclusive. He goes further, reporting allegations from one Israeli source that Israel supplied tactical nuclear weapons technology to SA in the late Seventies as part of the general collaboration between the two countries.

Such claims must be treated with great caution in the absence of corroboration. If Israel supplied nuclear weapons to SA, it is highly probable that they were subsequently returned. The IAEA — upon SA's accession to the NPT in 1991 — required an initial report of nuclear material (submitted on October 30 1991) and a subsequent verification of declared inventory (started in mid-November 1991).

The *FM* understands that SA has taken the unprecedented step of opening its production logs at Valindaba to the IAEA. SA is now described by a reliable source as being "squeaky clean" in its disclosures of bomb-ready material — which would, of course, include fissile material already fabricated into bombs. If SA did make its own bombs, they could have been disposed of to Israel.

Did it ever make strategic sense for SA to establish a nuclear warfare capability? True, there was a time when tactical (that is, low-yield battlefield) nuclear weapons might have been used with some semblance of military logic against a hypothetical Cuban invading force. But that action might have led to the Soviets retaliating in kind.

Once the Cubans had departed, and especially after the Soviet collapse, political sense dictated that SA would have no possible rational use for nuclear weapons — and that remains the state of play now.

But this does not imply that SA should simply donate its stock of weapons-grade uranium to the greatest nuclear power in the world, the US.

The stockpile of highly enriched uranium, says De Villiers, has considerable commercial value as it stands, for use in research reactors. It would still have value if it were

FM 26/3/93

TERRORISM

Supping with the Devil

Some crimes are so awful that condemnation of them cannot be qualified in any way by a civilised society. We have had a few such crimes recently: the gunning down of children on their way to school in Natal; the ambush of a car on the Vereeniging road; the night attack on a bar in Fort Beaufort; and the shooting of a five-year-old girl at Nigel.

Children died in two of the shootings. To all the families whose lives have been ruined, the expressions of outrage from politicians must sound hollow and futile. But such expressions are important; they reveal to us where our leaders stand. And all too often these leaders cannot resist qualifying their condemnation with a political point from their own agendas. In doing so, they unconsciously reveal the special and seductive barbarism of moral relativism.

The SA Communist Party, for instance, condemns the Vereeniging attack — but then goes on to call for the resignation of Law & Order Minister Hernus Kriel and talks of government passing "a Budget giving R3,7bn of taxpayers' money to the SADF secret special defence account. The Apla question pales in significance against this huge secret fund for De Klerk's own private army." The implication is clear: government is also responsible.

The Wit Wolwe rightwing group denies responsibility for the shooting of a five-year-old black girl at Nigel, apparently in revenge for the Vereeniging shooting — yet admits that one of its members "lost his self-control" and allegedly shot the girl. While the Wit Wolwe had not "issued instructions" for the Nigel shooting, the group "has full understanding for the frustrations and anger of its members." In other words, he needn't feel too badly about it.

On Tuesday, PAC secretary-general Benny Alexander had the cheek to make an appeal to all political leaders "to remain calm and meticulous in working to find lasting solutions to the violence in the country." He said he was "aware of the implication" that Apla, the acknowledged armed wing of the PAC, was involved in the killings on the Reef and in the eastern Cape — but he did not confirm or deny Apla involvement. Then came the inevitable moral evasion: Alexander accused other parties and government of being implicated in the violence — as if this somehow justified the murder of children.

The effect of these cleverly qualified condemnations is to excuse barbarism and, therefore, to encourage it.

Whether or not Apla is responsible for some of the attacks, the PAC is trying to ride several horses at once. There is an instinctive sympathy with the emotional call by a Conservative Party MP for the arrest of the PAC leaders on the grounds of conniving in murder — and for the return of the death penalty.

The PAC should certainly be excluded from all negotiations, as the Democratic Party's Bob Rogers has demanded. There is no point in dealing with patently unreasonable people. The PAC has shown itself to be devious, nasty and untrustworthy, riding on the wave of slaughter for its own political ends. Will it ever stick to any agreements?

More to the point, surely it is now time for the ANC to break off relations with the PAC, to renounce the Patriotic Front and to demand that the PAC condemn the murders which Apla may or may not have committed. If the ANC cannot find the courage to do this, it must stand accused of the same vicious blend of feebleness and cynicism which makes the PAC so repulsive to South Africans. ■

THE BUDGET REVISITED

FM 26/3/93

Transforming desire into reality

There should be no doubt that last week's Budget contained a strong supplyside growth orientation, despite the inevitable — though temporary — reduction in demand that will flow from consumers having to pay a higher Vat and income tax payers contending with more fiscal drag.

If the burden of having to finance the Exchequer had been lighter on the consumer and heavier on companies, inflation would have been fanned, the return to economic growth delayed and its sustainability jeopardised. The outcome would have been prolonged hardship and unemployment.

The reasoning behind the reduction in company tax and new tax on dividends declared has its roots in the philosophy of the classical French economist J B Say. Simply put, he justified the use of machines to Luddites by demonstrating that the consequent increases in productivity led to faster economic growth which, in turn, brought greater prosperity and created more jobs than would have been preserved if the machines had been destroyed. Thus, supply creates demand.

If this economy is to return to sustainable economic growth, new investment is vital. Not only has investment sagged in four years of recession, but we are now eroding our existing productive resources. We're eating our seed corn.

Whether the Budget alone is sufficiently stimulative of investment must also be questioned. Interest rates, an important determinant of savings and investment, are high in relation to inflation. The problem is that the need to repay foreign debt requires a trade surplus which, in turn, needs the support of real rates of interest.

That constraint would be much less important if, in the event of a trade deficit, SA had recourse to temporary IMF balance of payments support, which has been denied us by the Americans at the urging of the ANC and the clergy.

The efficacy of the Budget's investment incentives is, therefore, as much in the hands of the ANC and Archbishop Tutu as it is in government's own ability to turn official spending restraints from wishful thinking into reality. ■

laboriously and expensively diluted to a grade of 3% U235 — which would make it suitable as fuel for nuclear power reactors. He says this procedure is within the AEC's technical capabilities.

On the other hand, the stockpile's commercial value could be astonishingly great if sold to a mad dictator such as Libya's Muammar Gaddafi — especially if it is in bomb-ready form.

A future SA government's financial need combined with megalomania and oil billions from Libya, or some other ambitious nation such as Iraq or Iran, might conceivably be enough to swing a deal, even without taking account of political gratitude for past favours. The value to the US in eliminating a grave risk of nuclear proliferation is considerable.

Roger Jardine, of the ANC's department of economic planning, said in January this year that he considers the local blending down of the weapons-grade material to power reactor levels as one of several possible options. Clearly, the US disapproves of this stance.

The same report last week in *The Washington Post* quotes Jardine as saying the ANC opposes unilateral action by the present government which would enable it to cover its tracks about its past nuclear programme. Yet he also declared the ANC is committed to full disclosure, to the letter and spirit of the NPT and to the proposition that the continent of Africa should be free of nuclear weapons.

Next government

Whatever noble intentions the ANC might have, it should not forget that extended tenure of office in Africa is the exception rather than the rule. If SA's next government, whatever its composition, fails to deliver the goods to the restless urban masses, either wild radicals or a military dictator could follow.

Whether it is fair to the ANC to suggest it might sell weapons-grade uranium to Gaddafi, we do not want to run the slightest risk of handing the capacity to make nuclear weapons to a future leader who might be reckless.

Fortunately, this argument is likely to remain hypothetical, as the stage seems set for a nuclear deal between SA and the US — presumably with the full blessing of the IAEA.

Foreign Minister Pik Botha, on his recent visit to Washington, said the uranium problem should be solved in two weeks' time. This period corresponds with a possible visit to Washington by De Villiers and the AEC CE Waldo Stumpff.

It seems that a deal was struck in principle between Botha and the US Secretary of State Warren Christopher — with SA's top technical men following to attend to detailed arrangements. It is reasonable to speculate on what SA might have asked for in return for losing its nuclear weapons capability. Perhaps SA held out for a large cash payment in dollars plus renewed access to the IMF.

A cash deal would make good economic sense now and at least enable the enormously expensive facilities at Valindaba to earn some money and preserve their peaceful technical capabilities — which could be of great value for Eskom as it moves to nuclear power. It could also make nuclear fuel for export if and when the market revives.

The risk that the enrichment capacity might subsequently be diverted to make more weapons-grade uranium is minimal, as the IAEA inspectors are already making frequent spot checks on Valindaba's activities. Any attempt to exclude them, or to repudiate the NPT, would surely induce a ferocious, rapid response from the major nuclear powers. ■

FW threatens to take action against Transkei

BIDAM 26/3/93

TIM COHEN

CAPE TOWN — The war of words between government and the Transkei administration escalated yesterday, with government poised to take action against the homeland.

Transkei military leader Gen Bantu Holomisa said yesterday President F W de Klerk had ordered the elimination of Apla members in Transkei.

In a strongly worded diplomatic note to the SA government, Holomisa rejected the finding of the Goldstone commission, which implicated the administration in Apla activities.

De Klerk yesterday reacted furiously to Holomisa's allegations, saying the Transkei leader's response was "unsatisfactory and inadequate". He said the administration's reaction included allegations that were "completely untrue".

De Klerk said "firm action" would be taken if the Transkei administration failed to take adequate steps following the commission's report.

Government was preparing a detailed answer to Holomisa's note and would release it soon after informing the Transkei administration, a spokesman said.

LLOYD COUTTS reports that Holomisa's formal note rejected the findings of the Goldstone commission and issued a veiled warning against a possible raid.

He said Transkei's intelligence service was aware of an operation to murder Apla operatives, and that the mobilisation of the Citizen Force was aimed at achieving this purpose. Security forces had met yesterday and finalised "ways and means of eliminating innocent people".

"The grandstanding and political posturing which accompanied the release of the so-called findings of the Goldstone commission into Apla, and the singling out and painting of Transkei as a villain is totally unacceptable to the government and people of Transkei.

"I would like to alert you (De Klerk) to the fact that our intelligence is aware of the order personally given by you to the effect that certain persons deemed to be Apla members resident in Transkei be wiped out as a matter of extreme urgency," Holomisa said.

He further warned: "You have threatened to take action against Transkei. Please ensure you have taken precautionary measures so that the consequences of your actions do not boomerang in your face."

FW harvests world praise

BIDAM 26/3/93

WASHINGTON — President F W de Klerk appears to have scored an important public relations victory in the US and Australia with his dramatic disclosures about SA's now-discarded nuclear weapons.

The White House, the state department and Senator John Glenn — a leader of the US Senate's nuclear watchdog group — all welcomed the announcement.

SA ambassador Harry Schwarz said yesterday reaction from the Clinton administration had been extremely positive.

Our Political Staff reports from Cape Town that Australian Foreign Minister Gareth Evans said the new-found willingness to provide full information on SA's nuclear activities was "a welcome step".

However, Sapa-AFP reports from Tokyo the Japanese government said yesterday Japan was disturbed that SA had made nuclear weapons, even though they were destroyed.

● Comment: Page 8

No investment 'unless SA markets itself'

BIDAM 26/3/93

FOREIGN investors and financiers did not consider SA an obvious market and vigorous top-level contact was necessary to change, SA Foundation director-general Kurt von Schirnding warned yesterday.

Addressing the foundation's annual meeting in Johannesburg, he said hopes raised by fundamental political reform in 1990 had all too often been dashed.

Negotiations had broken down, the violence continued, the economy stagnated and unguarded political rhetoric with predictably damaging consequences for overseas perceptions had been all too evident.

This, coupled with the major Western powers' own domestic malaises, had raised the possibility of SA being marginalised.

"It is not obvious to foreign investors and financiers why SA should be an opportunity for them," said Von Schirnding.

There was no alternative to top-level contact worldwide. — Sapa.

Milk Board's financial 'disarray'

TIM COHEN

CAPE TOWN — A parliamentary report has recorded the disarray in the Milk Board's finances caused by court judgments against its levy collection procedure which meant that the collection of R362m was invalid.

The Auditor-General, in a report on the Milk Board tabled in Parliament yesterday, said he was unable to express an opinion on the results of the Board's activities during the 1991/92 financial year because of the "uncertainties" involved.

The report notes that on June 5 last year, the Cape provincial division of the Supreme Court rejected an application by the board for payments of levies of a certain distributor. The implication of the application was that levies of R362m collected since 1987 were invalid.

The board had appealed against the outcome of the application and at the time of compiling of the report, the appeal had not been heard.

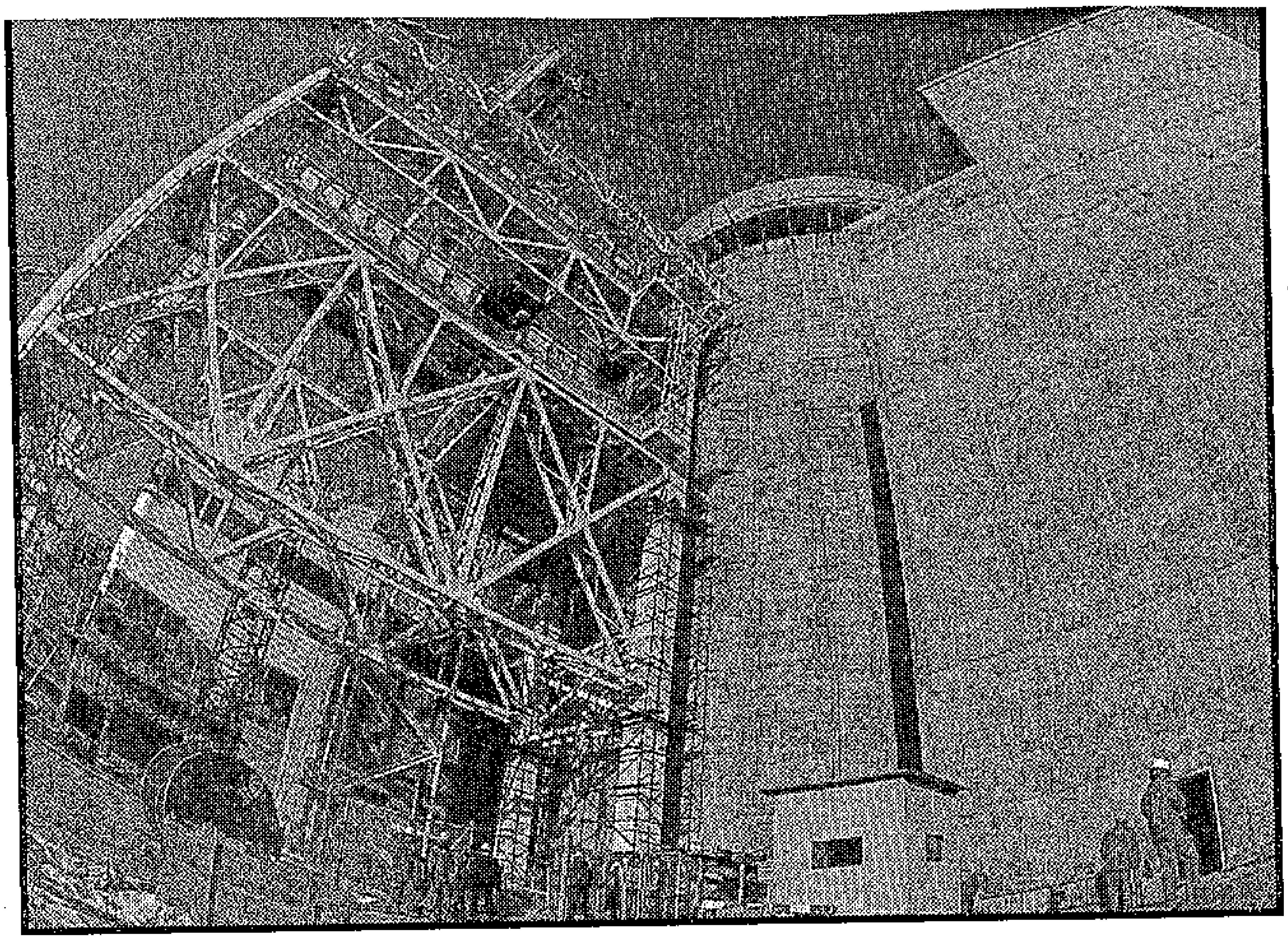
As a result of this, the amendment of the dairy scheme, the promulgation of the valid levies procedure and the procurement of bridging finance, the report did not express an opinion on the results of the board's activities.

During the 1991/92 financial year examined by the report, the board recorded a loss on exports in terms of its stabilisation fund of R46m compared with about R31m for the previous year.

In terms of judgment handed down by the Appellate Division in September 1991, certain levy notices published by the board for the purpose of imposing special and ordinary levies were declared invalid.

The board therefore credited levies amounting to R8,8m plus interest amounting to R4,3m to the accounts of the individual purchasers of milk concerned, writing off the total amount against its stabilisation fund.

Agriculture Minister Kraai van Niekerk was not prepared to approve this action by the board, which had consequently submitted a further application, the report noted.



KOEBERG: Kept going by South African made fuel when overseas nuclear fuel was denied.

Koeberg — Our nuclear fuel kept it going

(55) ARG 25/3/93

MICHAEL MORRIS
Political
Correspondent

SOUTH Africa's nuclear bomb programme provided the technology to meet all of Koeberg power station's nuclear fuel needs.

President De Klerk cited this yesterday as one of the positive spin-offs of the controversial nuclear arms programme, kept secret by National Party leaders for almost 20 years.

He said the R800 million investment in the programme was not wasted.

"The enrichment technology developed by the Atomic Energy Corporation (AEC), as well as the nuclear materials which were produced, constitute an important asset for South Africa.

"They will contribute significantly to the ultimate success of the AEC's peaceful commercialisation programme."

Mr De Klerk said the nuclear material used for military devices would now be used to enlarge the production of radioactive isotopes for medical and other purposes.

"Furthermore, the application of the enrichment technology to the establishment of the semi-commercial enrichment plant provided South Africa with the ability to provide all the nuclear fuel requirements of the Koeberg power station, and to guarantee this supply at a time when the delivery of nuclear fuel for Koeberg from overseas was denied."

Sasol's tariff protection doubles

BIDAM 25/3/93

CAPE TOWN — Tariff protection for Sasol had increased from R222,5m in the 1990/91 financial year to R537,5m in 1991/92, while the derived crude oil price dropped from $24,2 to $18,6 a barrel over the same period, Energy and Mineral Affairs Minister George Bartlett said yesterday.

He said in Parliament the floor price formula according to which Sasol received tariff protection remained unchanged at $23 a barrel. The real tariff protection amount in cents a litre fluctuated from month to month based on differences between the derived crude oil price and the $23 a barrel floor price.

The Mineral and Energy Affairs Department yesterday denied it had received official complaints from the oil industry claiming Sasol was using synthetic fuel tariff protection to fund its diversification.

Responding to a Business Day report, a spokesman said he wished to clarify that a report due in May was not specifically concerned with unearthing cross-subsidisation in Sasol's accounts. Government monitored Sasol on an arms-length basis.

Bombs 'developed as a deterrent'

SA destroyed its nuclear cache — FW

B|DAY 25/3/93. 55

CAPE TOWN — SA secretly built six nuclear bombs but has become the first country to dismantle them voluntarily, President F W de Klerk disclosed yesterday.

In an effort to quell international concern and improve SA's international standing, De Klerk announced that Armscor had developed six nuclear fission devices, starting in 1974.

The capacity, which was developed at a cost of about R600m, was produced for deterrent purposes. The decision to dismantle them was taken in early 1990.

SA did not, however, develop the significantly more powerful hydrogen bomb, had never tested its bomb, nor had it provided or sold any of the technology or devices to any other country, he said.

De Klerk also rejected speculation that another country had assisted SA in developing the technology.

The existence of SA's bombs was divulged only to selected Cabinet members, and De Klerk himself became aware of SA's nuclear capacity only in the early '80s.

De Klerk's disclosures, made in a special joint session of Parliament yesterday, followed Foreign Minister [illegible]'s visit to the US where he was questioned extensively on the issue.

SA acceded to the Nuclear Non-proliferation Treaty in July 1991, which De Klerk said did not oblige SA to inform weapons inspectors of its former status as a producer of bombs.

SA would never again be able to manufacture nuclear bombs because of the restrictions placed on it by virtue of its membership of the treaty, De Klerk told a news

TIM COHEN

conference.

Atomic Energy Agency (AEC) head Walter Stumpf said neither the strength of the bombs nor other technical details would be disclosed because it was not in the interests of non-proliferation to do so.

De Klerk said SA's strategy, should the situation in southern Africa have deteriorated seriously enough, would have been to inform major powers discreetly that it had nuclear capability to persuade those powers to intervene.

When the situation on the subcontinent improved, the nuclear deterrent had become not only superfluous, but also an obstacle to the development of SA's international relations, he said.

In 1990 the decision was taken that all the nuclear material in Armscor's possession should be recast and returned to the AEC to be stored according to internationally accepted methods. Armscor's facilities were to be decontaminated and used only for non-nuclear commercial purposes.

De Klerk said he hoped the unprecedented voluntary dismantling of a nuclear deterrent capability would inspire other countries to take similar steps.

He said the enrichment technology developed by the AEC would constitute an important asset for SA and the announcement would dispel doubts about whether SA had an effective commercial capacity.

Diplomatic reaction to the step is expected to be favourable. Botha yesterday announced that the International Atomic Energy Agency (IAEA) had quickly wel-

□ To Page 2

Nuclear

B|DAY 25/3/93 55

□ From Page 1

comed the disclosures.

SIMON BARBER reports from Washington that US State Department officials were still studying De Klerk's statement last night.

However, officials welcomed the announcement that the IAEA was sending a team to verify that the weapons had been dismantled and that the materials used in them were now under safeguards.

De Klerk's statement appeared to fulfil Botha's pledge, first made here last Thursday, that government would shortly seek to allay all doubts about SA's nuclear activities before its signing of the treaty.

Ambassador Harry Schwarz said Botha "deserves credit" for having pushed for the disclosure, which followed recent charges by the Bush administration and new CIA chief James Woolsey that SA might be violating articles II and III of the treaty.

Pretoria's apparent candour would greatly enhance government's credibility, predicted Whitney Schneidman, a former State Department analyst who consults on SA for the World Bank.

Sapa reports that the ANC welcomed the statement, but said it would not believe "SA's hands are clean" until there was a full disclosure of all details of the weapons programme and its dismantling, the stockpile of weapons-grade uranium and of international co-operation.

"SA is persisting with weapons programmes and the development of delivery systems for its missiles. We need proof and guarantees that these programmes have no nuclear component if indeed we can make the claim that SA accedes to the OAU's aspiration of declaring Africa a nuclear weapon-free zone."

The ANC said De Klerk's statement that there had been no testing of nuclear weapons was at odds with the reported sighting of an apparent nuclear flash in the Indian Ocean in 1979. Also, his claim that SA's nuclear weapons programme proceeded without foreign assistance "contradicted speculation to the contrary".

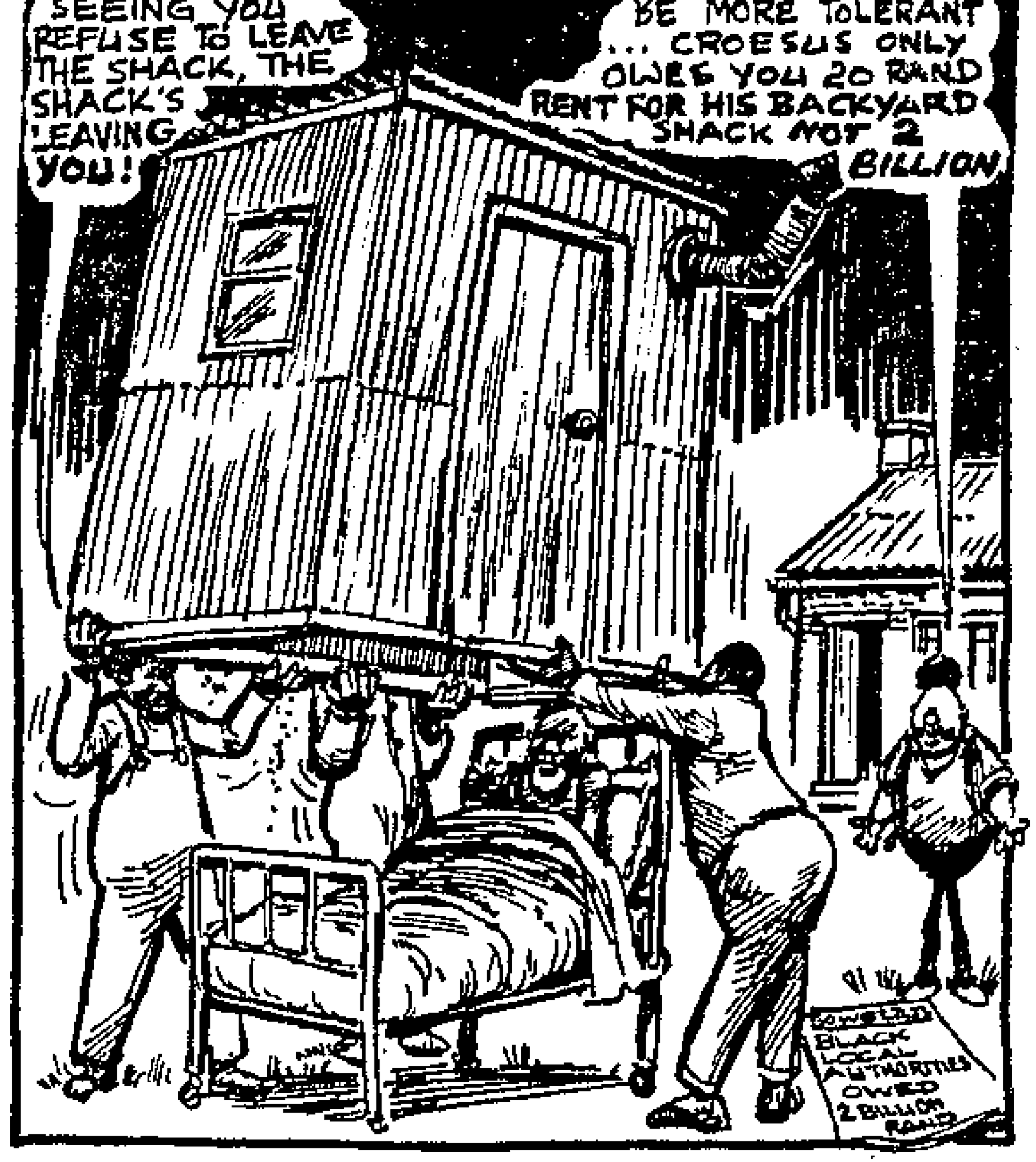
The ANC said it was clear De Klerk had made the admission "under the compulsion of international and domestic pressures".

The ANC also welcomed government's compliance with the treaty but was concerned that it was not required to disclose its nuclear activities before accession to the treaty.

It demanded the public release of the report compiled by independent observer Prof W L Mouton, on the dismantling of the nuclear weapons.

The public also had the right to know what happened to the stockpile of weapons-grade uranium.

● Comment: Page 10



SA stocked nuclear arms, says De Klerk

Sowetan 25/3/93 .

■ **Vorster had instructed that nuclear arms be built in South Africa.**

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By Ismail Lagardien
Political Correspondent

THE Government has admitted that South Africa has for many years had nuclear weapons of mass destruction.

According to President FW de Klerk, former Prime Minister John Vorster in 1974, without the knowledge or consent of the Cabinet, issued an instruction for nuclear arms — possibly missiles — to be built in South Africa.

"The programme was under the direct control of the head of the Government who decided that it should be managed and implemented by Armscor.

Seven "nuclear devices" were "considered the minimum for testing purposes and for the maintenance thereafter of credible deterrent capability".

Six had been completed before the Government started dismantling them in 1991.

On July 10 1991, South Africa acceded to the Non-Proliferation Treaty and consequently signed a Safeguards Agreement with the International Atomic Energy Agency.

De Klerk said the devices were built merely as a deterrent and no tests had taken place.

"The strategy was that if the situation in Southern Africa were to deteriorate seriously, a confidential indication of the deterrent capability would be given to one or more of the major powers, for example the United States, in an attempt to persuade them to intervene," De Klerk said.

The existing technology would be redirected for peaceful purposes, especially in the medical field.

● Meanwhile, the ANC last night strongly criticised De Klerk's announcement of a 10-point plan of action and increased police and army powers to end violence .

It also insisted the 18 Azanian Peoples Liberation Army operatives arrested as part of the plan "be charged or released forthwith".

The Star

90c PWV (R1,00 OUTSIDE PWV, NATAL R1) THURSDAY MARCH 25 1993 CITY LATE * *

Star 25/3/93

A-bombs 'matched Hiroshima'

(254) (55)

By Hugh Roberton and Peter Fabricius

President de Klerk's disclosure of the extent of South Africa's nuclear weapons programme was warmly welcomed by United States officials in Washington.

And in Vienna, the international nuclear watchdog agency said today it had no evidence that South Africa still had nuclear weapons.

The Vienna-based International Atomic Energy Agency (IAEA) added, however, it would check sites involved in the construction of the weapons, said to have had the power of the bomb dropped on Hiroshima, Sapa-Reuter reports.

President de Klerk's disclosure is likely to dispel much of the concern in Washington about the alleged lack of candour by South Africa on the subject in the past.

Administration officials said his willingness to be frank and open about the South African nuclear programme, and to accept extensive international inspections, demonstrated a spirit of helpfulness and would encourage greater co-operation between South Africa and other countries in the field of nuclear research.

There was some disappointment, however, that the President did not deal with an attendant matter of great concern to the US — the so-called Arniston long-range missile programme, which administration officials disclosed last week they had asked the South African Government to reconsider.

But they noted the discussions on the issue were continuing and that they were hopeful some progress could soon be made to address the United States's concerns.

The atom bomb programme produced six nuclear devices — each said to be the strength of the one which devastated Hiroshima.

The bombs were produced by about 1 000 people and were designed to be delivered by air.

The announcement that the bombs had been made during the '70s and '80s, but dismantled in 1990, was made by President de Klerk yesterday.

Informed sources said last night that each of the six bombs was about two metres long and shaped like a normal bomb. They were stored near Pretoria and would have been dropped from British-made Buccaneer jets of the SAAF (now obsolete). None was ever fitted to an aircraft.

If the situation in southern Africa had deteriorated seriously, the Government would have threatened to use the bombs to try to persuade the major powers to intervene, De Klerk told a joint session of Parliament yesterday.

"It was never the intention to use the devices, and from the outset the emphasis was on deterrence," he insisted.

No nuclear bomb had ever been tested, although Atomic Energy Corporation (AEC) chief executive Dr Waldo Stumpf said at a media conference later that there was no reason to believe the six bombs would not have worked.

If the need had arisen, one would have been tested underground to demonstrate South Africa's deterrent capacity.

De Klerk said the decision to build seven "nuclear fis

● To Page 3

● 18 Apla members held ● Death penalty may be restored

P.T.O.

Prison warders: sexual molestation

189. Mr L FUCHS asked the Minister of Correctional Services:

Whether any charges of sexual molestation were laid by prisoners against warders during the period 1 March 1992 to 28 February 1993; if so, (a) how many and (b) how many of these cases were investigated by way of (i) an internal inquiry and (ii) a court process? B421E

The MINISTER OF CORRECTIONAL SERVICES:

(1) (a) Yes, six (6) complaints of alleged sexual molestation were received.

(b) (i) Four (4) complaints of sexual molestation were investigated internally (departmentally). In respect of 3 of the complaints no substantiation could be found for the allegations. In the remaining case the member was charged departmentally in terms of Correctional Services Regulation 71 (1) and found guilty. In addition, an inquiry in terms of Correctional Services Regulation 77 (1) was instituted against the member in order to determine the suitability of his further employment in the Department. This inquiry has not yet been finalized.

(ii) Two (2) complaints of sexual molesting were investigated by the South African Police. The Attorney-General ordered prosecution, but in both cases the members were found not guilty.

The Department regards any complaint of sexual molestation of a prisoner by a member of the Department in a very serious light. Such misconduct is not tolerated and strict action is taken against such offenders.

Companies in liquidation

194. Mr K M ANDREW asked the Minister of Justice:

How many companies were placed under compulsory liquidation in the area of each Master of the Supreme Court in 1992? B440E

The MINISTER OF JUSTICE:

The under-mentioned information refers to compulsory as well as voluntary liquidations, as separate information concerning compulsory liquidations is not readily available.

Bloemfontein	62
Grahamstown	35
Cape Town	470
Kimberley	24
Pietermaritzburg	174
Pretoria	921
Total	1 686

Persons bankrupt

195. Mr K M ANDREW asked the Minister of Justice:

How many persons were declared bankrupt in each division of the Supreme Court in 1992? B441E

The MINISTER OF JUSTICE:

Bloemfontein	506
Grahamstown	308
Cape Town	582
Kimberley	88
Pietermaritzburg	351
Pretoria	3 468
Total	5 303

Equalisation Fund: payments to Sasol

203. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs:

(1) Whether the payments received by Sasol from the Equalisation Fund were increased during the financial years 1990–91 and 1991–92, respectively; if not, why not; if so, (a) by what amount per litre was it so increased on each occasion and (b) what was the total amount received by Sasol in respect of tariff protection in each of these financial years;

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(2) what was the average derived crude oil price in each of the said financial years? B458E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) No. The floor price formula according to which Sasol receives tariff protection is still unchanged at USD 23 per barrel. The real tariff protection amount in cents per litre, fluctuates from month to month, up or downwards, based on differences between the derived crude oil price and the USD 23 per barrel floor price.

(a) Falls away. 55

(b) The value of Sasol's tariff protection on synthetic fuels for the 1990–91 financial year amounted to R222,5 million and for the 1991–92 financial year to R537,5 million.

(2) 1990–91 .... USD 24,2 per barrel
1991–92 .... USD 18,6 per barrel

Middle Eastern oil: price range/payment to Sasol

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204. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs:

(a) What is the price range, expressed in US dollars, of Middle Eastern oil at present, (b) what is the payment to Sasol in cents per litre and (c) in respect of what date is this information furnished? B459E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(a) USD 14,20 to USD 18,05 per barrel

(b) 8,5 c/ℓ

(c) December 1992

HOUSE OF ASSEMBLY

BUSINESS DAY, Wednesday, March 24 1993

Oil companies told to back claims about Sasol subsidies

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BDAY 24/3/93

ANDY DUFFY

GOVERNMENT has called on the oil and petrochemical industry to prove that Sasol has been using public money to subsidise forays into new markets.

Responding to oil company claims that Sasol is using synthetic fuel subsidies to fund its diversification, the Mineral and Energy Affairs Department said yesterday that no evidence had been provided to warrant an investigation.

And a senior government source also added that even if an investigation proved this to be the case, it was not clear that government would take any action. "The government would have to see what was realistic," the source said.

The public challenge follows a steady stream of allegations from Sasol's competitors that it had been using the cushion provided by government for one section of its business as a springboard into others.

Under a framework established in 1989 to protect it from low international oil prices, Sasol is paid per barrel of oil the difference between the prevailing price and $23. This amounted to a pre-tax boost of R537,5m, against Sasol's attributable income for the year to June 1992 of R1,1bn.

Sasol wants to cut its dependence on synthetic fuel, which accounts for about 37% of operating profits. It plans to pursue petrochemical, coal and crude oil refining business through capital expenditure of about R3,5bn.

On all three fronts, however, Sasol has been accused of using the synthetic business to cross-subsidise new ventures.

Shell Oil and Engen have said Sasol's reported plan to set up its own service stations to retail crude oil-based fuel would amount to unfair competition.

However, the department said it would not investigate claims until a detailed complaint was made. Though the department would be against cross-subsidisation with public funds, the source added that a policy on what action to take would be drawn up only once the case had been proven.

The department is drafting an audit report into Sasol's accounts which is due early in May.

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LOA in talks with Eskom on R3bn bond

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CT 23/3/93

From TIM MARSLAND

JOHANNESBURG. — Eskom was planning to raise about R3bn on the capital market to fund electricity supply to impoverished areas over the next few years, sources said yesterday.

The issue was being discussed with the Life Offices' Association and negotiations were in progress with individual members and other interested parties regarding raising the money, the sources said.

UAL Merchant Bank GM Leon Kirkinis, who is closely associated with planning the bond, said details of the issue had not been finalised.

Sources said it was expected that an initial R500m of the paper would be issued in the next few weeks.

Eskom financing manager Theuns Kotze said the bond would be an Eskom instrument and as such would be managed by the electricity supplier. He welcomed the involvement of the LOA in the project.

LOA chairman Neal Chapman said yesterday the bond had to be marketable and the yields market-related.

It was being handled by the LOA's investment development unit, formed about 18 months ago to act as a link "between the pillars of need and member offices".

"The financing mechanism is imaginative in that it meets an early low return, building to an acceptable level and the indications are that the response from the life offices will be enthusiastic."

Capital market dealers said because the issue was for a "socially acceptable cause", it would be taken up by investors.

One dealer said the bond could weaken the capital market somewhat. The issue came on top of news that government planned to raise about R13bn to fund the Budget deficit, apart from the funding needs of organisations such as Telkom, which had yet to be disclosed.

However, he expected the issue to be successful since Eskom was particularly adept at "being able to spend money where it counts".

Chapman said discussions had taken place between the LOA's investment development unit and Eskom regarding the electrification programme. It is believed the R3bn will go towards this programme.

Changes afoot for electricity industry

JOHANNESBURG. — The electricity industry is poised to undergo sweeping changes, with a national electrification forum expected to be launched on May 14.

Sources said yesterday the forum was the result of protracted negotiations between government, Eskom, and civic and political groupings including the ANC.

It also had been decided that the state-appointed electricity council, which controlled Eskom, would not be nominated for a three-year term as had been the norm in the past. Public Enterprises Minister Dawie de Villiers is expected to appoint the new members in May.

Eskom envisages electrifying 650 000 homes in the next four years and is hoping to secure World Bank backing for the plan.

growing metropoles in South Africa. The influx of people to the Durban area and the informal settlements increase the load of health services. The lack of hospital facilities in the northern parts of Durban is causing the inadequate facilities at the King Edward VIII Hospital to be further overburdened;

Durban Academic Hospital

The King Edward VIII Hospital in Durban is currently utilised as a training facility. The quality of the building structures, functionality of the various spaces and the general environment in which patient care and medical training must be carried out, are far below accepted norms and standards.

(3) no; reasons are provided in paragraph (1) (a).

State land in certain Border/Eastern Cape districts

157. Mr P G SOAL asked the Minister of Regional and Land Affairs:

What State land which (a) as at 28 February 1993 fell under the jurisdiction of (i) his Department or (ii) the Department of Public Works or (b) formerly fell under the jurisdiction, administration or control of the (i) former Department of Development Aid, (ii) South African Development Trust or (iii) South African Development Trust Corporation, and which was neither described in Schedule 3 of Proclamation No R.28 of 30 March 1992 nor transferred to the Minister of Regional and Land Affairs in terms of paragraph 1 (e) of this Proclamation, is situated in the districts of (aa) East London, (bb) Komga, (cc) King William's Town, (dd) Stutterheim, (ee) Cathcart, (ff) Queenstown and (gg) Tarkastad? B307E

The MINISTER OF REGIONAL AND LAND AFFAIRS:

(a) (i) None

(ii) See paragraph (b) (ff) and (gg).

(b) (i) None

(ii) None

(iii) None.

(b) (aa) to (ee) None

(ff) and (gg)

District	Property Description	Extent (HA)
Queenstown	Portion 1 of Farm 443	207,0191
	Portion 2 of Cathcart Park Extension 286	214,1330
	Remainder of Portion 13 of Stompstaartfontein 322	6,1243
Queenstown	Remainder of Portion 12 of Stompstaartfontein 322	155,8561
	Remainder of Portion 11 of Stompstaartfontein 322	1,7377
	Remainder of Portion 16 of Stompstaartfontein 322	1,2833
	Portion 17 of Stompstaartfontein 322	8,9507
	Remainder of Portion 19 of Stompstaartfontein 322	0,4437
	Remainder of Hopefield 195	219,8296
	Portion 8 of Hopefield 195	802,4675
	Portion 4 of Hopefield 195	169,5933
	Remainder of Portion 5 of Farm 193 (Farm Tafelberg)	704,8828
	Remainder of Portion 3 of Hopefield 195	3,5873
	Portion 28 of Stompstaartfontein 322	137,1228
	Remainder of Portion 10 of Stompstaartfontein 322	9,5529
	Portion 12 of Haas Fontein Mond 326	26,6221
	Remainder of Portion 5 of Farm 323	24,4747
	Remainder of Portion 1 of Haas Fontein Mond	49,3228
Tarkastad	Portion 1 of Industry 356	7,8017
	Portion 2 of Energy 355	1,8749
	Portion 33 (of 1) of Klein Haas Fontein 135	3,2056
	Portion 36 (of 1) of Klein Haas Fontein 135	0,2857
	Remainder of Klein Haas Fontein 135	341,5071
	Remainder of Portion 6 of Klein Haas Fontein 135	371,4610
	Portion 24 (of 18) of Klein Haas Fontein 135	5,2928
	Remainder of Bezuidenhouts Kraal 145	856,6305
	The Farm Leeufontein 224	689,6795

Particulars in paragraphs (b) (ff) and (gg), which include land alienated by the State before January 1993, have been furnished by the Department of Public Works.

Crude oil/petrol: landed cost/cost at pump

164. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs: SS

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 and (b) what, in respect of 93-octane petrol, was this cost expressed in cents per litre at the pump? B378E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(a) The average CIF landed cost of Iranian light crude oil for the period 1 February 1993 to 16 March 1993 was US$17,02 per barrel.

(b) The untaxed in bond landed cost (IBLC) for 93 octane petrol for February 1993 was 51,994 RSA cent per litre.

Central Energy Fund: balance

165. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs:

What was the balance in the Central Energy Fund as at (a) 31 December 1992 and (b) the latest specified date for which figures are available? B379E

SS

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(a) R1 714,5 million.

(b) On 28 February 1993 the cash balance amounted to R1 956,7 million.

Uitenhage: End-of-year examination statistics

175. Mr E W TRENT asked the Minister of Education and Training:

How many pupils in each of the primary schools falling under his Department in the Uitenhage metropole (a) wrote and (b) passed the end-of-year examinations in 1992? B391E

The MINISTER OF EDUCATION AND TRAINING:

Name of School	Ss A		Ss B		Std 1		Std 2		Std 3		Std 4		Std 5	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
Alex Jayiya	192	172	173	152	120	102	108	102	—	—	—	—	—	—
Ashton Gontshi	107	85	103	87	92	76	102	96	—	—	—	—	—	—
Hombakazi	214	162	81	67	128	124	80	73	—	—	—	—	—	—
Ilinge	—	—	—	—	—	—	—	—	120	87	72	69	80	69
James Ntungwana	185	157	155	140	97	88	129	121	150	117	144	100	140	131
Jn Tulwana	162	137	154	119	130	117	109	98	—	—	—	—	—	—
Mjuleni	226	200	200	175	135	126	186	183	—	—	—	—	—	—
Mngcunube	244	176	191	180	192	192	199	195	—	—	—	—	—	—

cont →

Electricity forum to be switched on

SS

PETER DELMAR

THE electricity industry is poised to undergo sweeping changes, with a national electrification forum expected to be launched on May 14.

Sources said yesterday the forum was the result of protracted negotiations between government, Eskom, and civic and political groupings including the ANC.

It also had been decided that the state-appointed electricity council, which controlled Eskom, would not be nominated for a three-year term as had been the norm in the past. Public Enterprises Minister Dawie de Villiers is expected to appoint the new members in May.

A spokesman for De Villiers confirmed that existing members' tenure would be "slightly protracted" to allow time for discussions on making the council more representative

BDAY 23/3/93.

A conference to launch the forum in September last year failed to reach agreement between political groups and power suppliers on the issue of membership.

Once launched, the forum would work out ways of rationalising SA's electricity supply industry and accelerating the household electrification drive.

Eskom envisages electrifying 650 000 homes in the next four years and is hoping to secure World Bank backing for the plan.

A source said the forum's interim management committee and seven working groups had made considerable progress towards preparing for a May plenary session at which the forum would be launched.

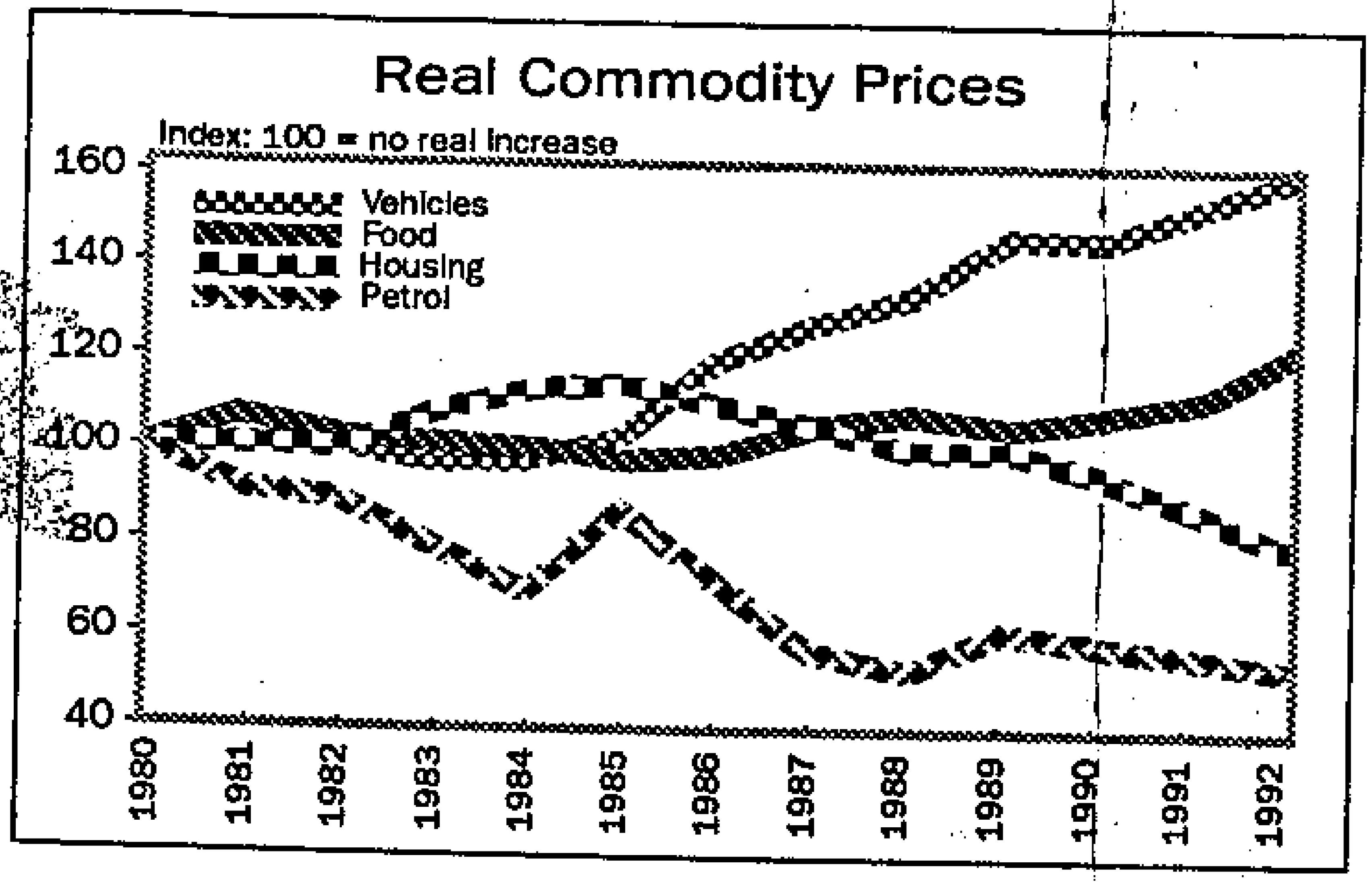
De Villiers met management committee members earlier this month to discuss the future of the electricity council.

Forum members, particularly the civic associations, argued that they should have members on the council because they represented consumers.

Scant hopes of oil industry deregulation

Star 28/6/93

By Stephen Cranston



There is little to comfort supporters of deregulation in the Report on Government Involvement in the Oil Industry, which has been released by the Department of Mineral and Energy Affairs.

It recommends the maintenance of a complex web of regulations governing the oil industry, including retail price maintenance, import control, synfuel levies and the prohibition of self-service petrol stations.

But it does recommend an investigation into the practice of providing protection for lubricating oil to encourage recycling, rather than producing it from imported base oil.

The department says regulatory mechanisms have delivered fuel at the coast, both before and after tax, at internationally competitive prices.

Real terms

The pump price of petrol has dropped progressively in real terms since 1980.

And far from enriching the oil companies, the pre-tax returns on capital employed on oil refining slumped from 18 percent in 1991 to four percent in 1992.

The rationalisation plan prevents oil companies from operating retail outlets, which has facilitated the establishment of a large, economically viable small-business sector.

The department concedes that the plan limits free entry into the service-station industry, as sites developed without any help from the oil industry are only approved by the department if it sees a need for petrol in a particular area.

It says some easing of entry should be considered, but says that of the 202 roster sites in operation at the end of 1985, 38 had closed by the end of 1992.

It defends the synfuel protection given to Sasol when the crude oil price falls below $23 by pointing out that the synfuel industry is even more capital-intensive than the crude-oil industry.

Sasol's considerable profit levels can largely be attributed to the returns from other fields, such as chemicals, waxes and fertilisers, the department argues, although the returns of competitors such as AECI appear to contradict this point.

It argues that Sasol saves SA R4 billion a year in foreign exchange, contributes three percent of gross domestic product (GDP) and two percent of state income.

On the other hand, there would have been more cost-effective and socially beneficial ways of investing the total of taxpayers' money originally invested in the Sasol project.

Sasol is not the only company to receive a subsidy, which it calls tariff protection, even though it is a cash payment and not a duty on imports.

A synfuel levy is paid to the oil companies to compensate for their taking product from Sasol, rather than from their own refineries.

They have been forced to mothball existing refining capacity, though the loss of refinery throughput is expected to be compensated for by market growth by 1996.

Retail price maintenance is strongly endorsed by the department because without it it would be impossible to maintain full service, with consequent job losses, or to continue preventing oil companies from entering the retail trade.

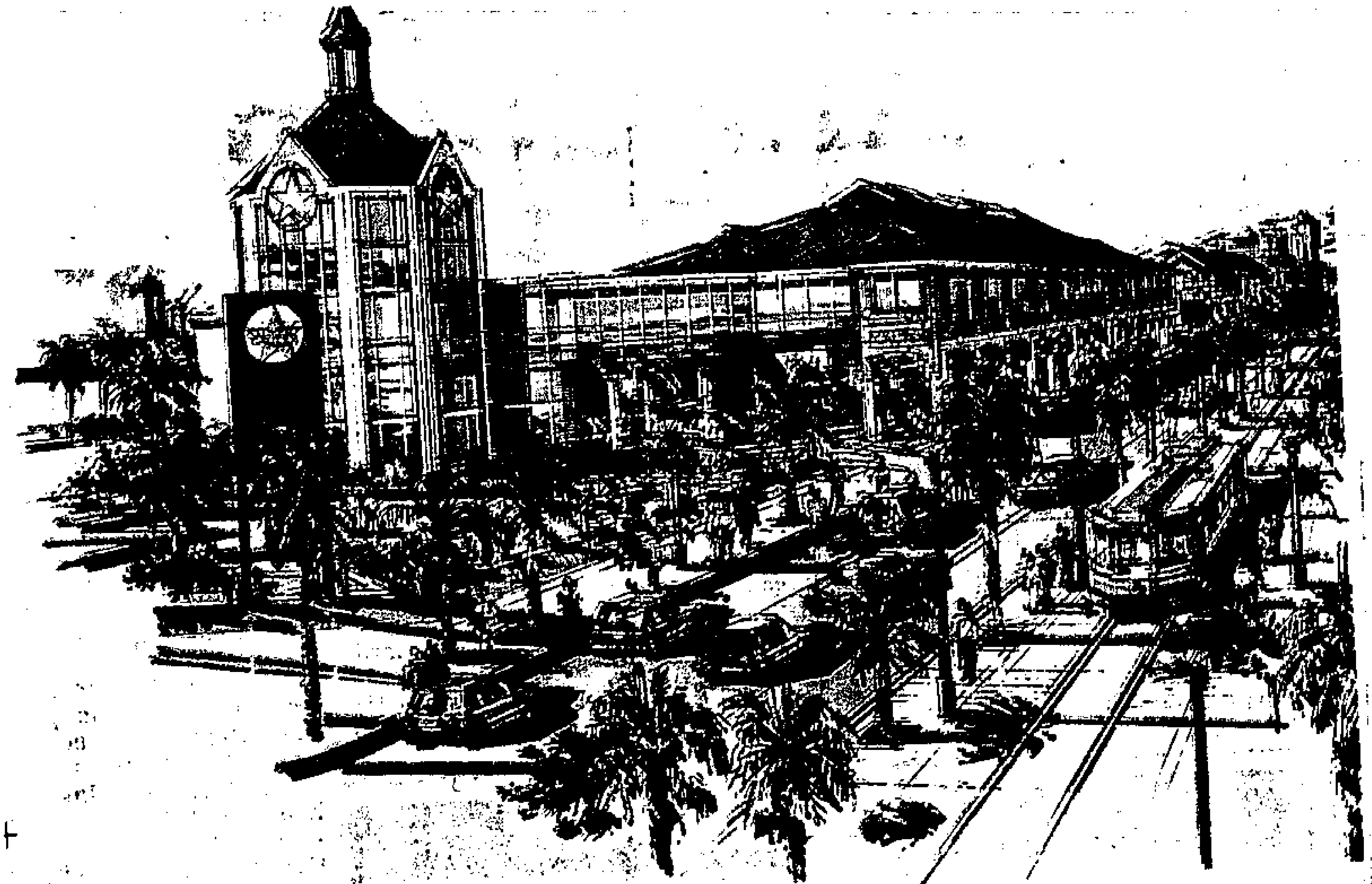
Without such control, it is also thought that there would be 'differential pricing between urban and rural areas.

In countries which had deregulated petrol prices, hypermarkets used petrol as a loss leader and small businessmen were unable to compete.

In the UK, the number of stations fell from 35 000 to 21 000 in the ten years after deregulation.

In the US over 12 years the number of stations fell by 50 percent to 150 000.

Prices increased after deregulation in Greece, Spain, Singapore and New Zealand.



NEW DEVELOPMENT ... An artist's impression of the new Caltex development

Caltex's new Waterfront development

S Times (C Metro) 27/6/93

CALTEX OIL has been awarded development rights for a brand new service station at the Waterfront.

The new five-star service station is planned for the Gateway Precinct site, next to the main entrance to the Waterfront.

It has been designed to satisfy all the fuelling and servicing needs of the motoring public visiting the Waterfront.

There will also be a large convenience store on the site, deluxe rest rooms, prestigious office accommodation and parking for visitors and forecourt customers.

Caltex and the Waterfront go back a long time.

In 1911, under the banner of its predecessor, Texaco, petroleum products were imported in containers, and later in bulk, through its terminal facilities in Cape Town harbour.

S/Times (Buss)

Mossel Bay gas plant

27/6/93

AFROX is building a R15-million carbon dioxide plant at Mossel Bay. (123)

The 100-ton-a-day factory will meet the needs of the Eastern Cape. (55)

Carbon dioxide is replacing chlorinated fluorocarbons (CFCs) and volatile organic chemicals (VOCs) which harm the environment.

FM 25/6/93 (55)

ELECTRICITY FM 25/6/93

Unbundling Eskom?

The ANC reacted with unusual alacrity to what it called premature reports that Eskom plans to unbundle SA's power supply into a number of regional authorities. Eskom officials, looking to do damage control, quickly pointed out that the utility has made no such plans, is not trying to impose its will and is merely one of the players discussing such matters at the National Electrification Forum.

The forum, which began work last month after nearly a year of negotiations, comprises representatives of the civic associations, trade unions, local authorities, political parties, as well as Eskom and the ANC.

Said the ANC: "By referring to this as a likelihood, this statement may give the misleading impression that a high level of consensus already exists within the forum, where this issue is set to be negotiated.

"The ANC, as one of the initiators of the forum, wants rapid electrification rationalisation and the deracialisation of the electricity sector. But this should be done only after detailed investigation of all of the policy options to seek and identify solutions that best serve the long-term national interest."

Eskom senior GM Jan de Beer, who holds the electrification portfolio, agrees that the forum is the place for such negotiations. "We agree that this is not an Eskom decision. The decision will be taken at the forum. Obviously we are talking about a lot of models."

De Beer says restructuring Eskom and other electricity distributors into regional supply authorities is just one plan under consideration. For instance, he mentions that another scenario would see the creation of one centralised utility with generating, transmitting and distribution rights to all domestic and commercial customers, as in France. Eskom, which is now electrifying 200 000 homes a year, has the monopoly only for generation and transmission.

De Beer says that whatever the final plan is, the forum's decisions should carry weight "because everyone is there. It is very representative."

He adds that the forum will work because the goal is clear and shared by all participants. "We have got to get electricity out to the people who have not got it, though we may have different opinions on how to achieve this."

About 96% of whites have electrified homes but only 25%-30% of blacks. It's estimated that R9bn is needed to electrify SA.

"The forum still has a long way to go," De Beer adds. "It would be nice if it doesn't take too long. By this time next year, we might have something on the table." ■

AEC sold R12,4m of uranium overseas

CT 24/6/93

PARLIAMENT. — The Atomic Energy Corporation had sold R12,4 million worth of natural and enriched uranium hexafluoride in a number of overseas contracts in its 1992/93 financial year, AEC chief executive Dr Waldo Stumpf said in the organisation's annual report released yesterday.

SS

He said these exports comprised 11,2 percent of total local and overseas nuclear fuel sales.

Dr Stumpf said overall sales by the AEC, including non-nuclear products and services, had increased by 25,4 percent on the 1992 year, while cost control reduced state's allocation to the AEC by a third.

State funding for operations had been chopped by R310 million during the past two years. — Sapa

Petrol levy allocation being negotiated

B/Day 21/6/93

TIM COHEN

CAPE TOWN — The method of distributing the R133m gained from the special 1c/*l* petrol levy for regional services councils and the joint services board was still under negotiation, Deputy Finance Minister Theo Alant said on Friday. (55)

The levy, which would be paid out monthly from July 1, was aimed at compensating RSCs and the boards for their new commuter transport responsibilities.

The allocation formula was being debated and proposals had been tabled. The intention was to distribute the levy in proportion to each area's fuel consumption.

Replying to a debate on the Tax Laws Amendment Bill, Alant suggested that the method by which VAT, income tax and customs revenue accruing to central government in a federal state should be distributed to regional states was dependent on constitutional negotiations.

Government envisaged that a commission could determine the formula for distribution and that this formula could be renegotiated every three years to allow for factors such as rapid urbanisation.

Although government had made thorough studies of the situation and investigated various scenarios, the final result would be dependent on political decisions.

'Most' W Cape homes electrified

Political Staff

MOST of the houses in black townships in the Western Cape had been supplied with electricity, the Minister of National Housing, Mr Louis Shill, has said.

He told Parliament all houses in Nyanga, New Crossroads and Philippi had electricity but over half those at Mbekweni and about a third of those in Crossroads and Khayelitsha had none.

55

CT 19/6/93

Eskom rationalisation 'merely a model'

Star 18/6/93

By Jacqueline Myburgh

The ANC yesterday rejected reports that Eskom was likely to "unbundle" into regional supply authorities, saying the proposal was premature and had not yet been negotiated at the National Electrification Forum (NEF).

The organisation did want rapid "electrification, rationalisation and the deracialisation of the electricity sector as a whole" but this should be done only after a detailed investigation of all the policy options.

Clarifying Eskom's position, senior general manager Jan de Beer said yesterday that rationalisation was not a proposal, but rather one of the models being considered by the NEF.

"The wrong impression has been created — we fully realise that the thing needs to be discussed and ... we would not unilaterally decide this," he said.

De Beer had earlier been quoted as saying Eskom would undergo drastic rationalisation arising from negotiations with the Government, the ANC and civic associations.

The move, approved by the World Bank, would triple the current rate of electrification, De Beer had said. (55)

The ANC said Eskom had given the "misleading impression" that a high level of consensus already existed within the NEF.

"Such statements ... ignore the role of the relevant trade unions within the NEF, where the relationship between electricity distribution and local government is to be examined."

rsday, June 17 1993

Eskom may 'unbundle' to regions

55

CT 17/6/93

By PETER DELMAR

JOHANNESBURG. — Eskom was likely to be "unbundled" into a number of regional supply authorities following negotiations between itself, the government, the ANC and civic associations.

Senior general manager Mr Jan de Beer said the world's fourth biggest power seller would probably undergo drastic rationalisation arising from negotiations within the National Electricity Forum.

Mr De Beer predicted rationalising the electricity supply would raise the rate of electrification to 400 000 or 500 000 households a year — up to three times the number at present.

Benefits would be profound, with the potential to create tens of thousands of jobs.

The electrification programme had also received formal approval by the World Bank. It was the first area of development most likely to benefit from foreign funding once a transitional executive authority was instituted or an election date set.

Union and civic association representatives on the forum are believed to be pushing hard for the distribution function — currently residing with Eskom, municipal, TBVC and homeland distributors — to accelerate electrification.

There is general agreement that new, regional structures should be subject to a strong regulatory body, the nucleus of which could be supplied by the Electricity Council, which administers Eskom only.

Mr De Beer said it was "doubtful" that any of the existing electricity distributors, including Eskom and some of the leading municipal suppliers, would continue in their present form.

Sasol, AECI in R400-m venture

Star 15/6/93

By Derek Tommey

Sasol and AECI, the country's two chemical giants, are planning to launch a joint venture to produce low-cost PVC, which will sell at competitive prices locally and overseas.

Provided negotiations are successfully concluded, the new company should become effective on July 1.

The two companies say the move is in line with developments overseas where production overcapacity and weak markets have led international outfits to combine forces to increase their competitive position.

It is planned to start work on the joint venture as soon as possible, with production expected to begin at the end of 1995.

It will require an investment of R400 million. It will have an annual turnover of more than R2,5 billion.

Funding

At this stage it is intended to finance the project from cash flows, but outside funding may also be sought.

The operation may be listed on the JSE at an appropriate time.

The venture will have its own management team and board of directors.

It will not be controlled by either Sasol or AECI.

Paul Kruger . . . logical step in Sasol's strategy

Initial indications are that Sasol will hold 60 percent of the venture's shares and AECI the remaining 40 percent.

The venture will take over Sasol's ethylene, propylene and polypropylene operations, and AECI's chlor-alkali, PVC, polyethylene, cyanide and associated downstream converting companies.

The merger will enable the new company to switch from AECI's carbide feedstock to Sasol's lower-cost ethylene feedstock.

This should lead to a reduction of about $200 a ton in the cost of PVC.

AECI managing director Mike Sander said at a press briefing yesterday that he could see no negatives in the proposal.

"It is good for us, for our customers and for South Africa," he said.

Mike Sander . . . no negatives in the proposal

Sasol managing director Paul Kruger said the venture was a logical step in Sasol's strategy of adding value to its considerable feedstock strength by expanding its interests in its polymer business.

Sander announced that the British chemical giant ICI, which has a 20 percent interest in AECI, had advised AECI that now that its demerger process was complete, it was reviewing its portfolio, particularly in businesses around the world which were not in its target areas.

ICI's approach has been that it would like to be a shareholder in those parts of AECI's business that make sense to it as far as international strategy is concerned.

Discussions are likely over the next few months aimed at aligning ICI's interests in AECI more closely with its international business strategy.

THE WEEK AHEAD by Kelvin Brown

BIDay 14/6/93

Petrol hike may pump up PPI

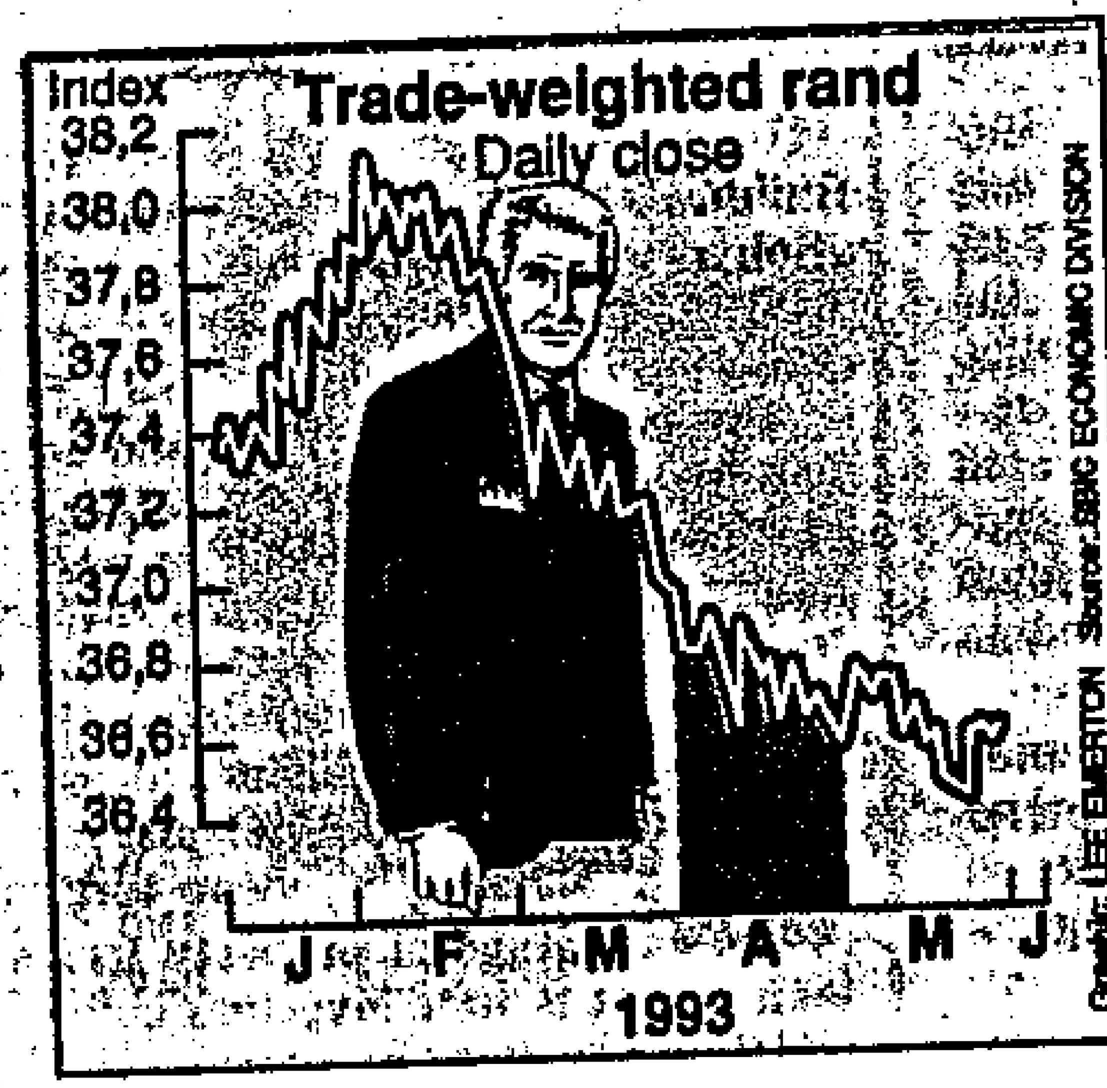
THE 10% increase in the petrol price early in April is expected to pump up the producer price index (PPI) by about half a percentage point to 8,5% for the year to April when figures are released later this week.

Producer inflation has hovered around the 8% mark since last October. It fell to 8% for the year to March from 8,3% in February, re-establishing the downward trend evident in the second half of last year. In March the monthly rise in producer prices slowed to 0,2% from 1,2% in February.

Absa economist Adam Jacobs says the only item likely to show any significant rise in the index is petrol. He points out that its overall inflationary effect is likely to be small because petrol does not carry a large weighting in the PPI basket, while the recession has also forced producers to absorb some of the increase.

The index for local commodities has recorded a downward trend as the recession has deepened. In March monthly local commodity prices fell 0,5%, and the annual increase slowed to 8,5% from 9% in February. "With volumes under pressure many producers are forced to keep price increases as low as possible," says Jacobs.

Mathison and Hollidge economist Tracy Ledger agrees with his assessment, saying consumers cannot afford further price increases. "The trend of low wage settlements and continuing retrenchments have caused demand for credit and personal disposable income to fall significantly, putting producers under severe pressure to absorb cost increases."



The PPI should also obtain some relief from a slowdown in the depreciation of the rand in April. The fall in the value of the rand against the currencies of SA's trading partners was considerably less in April compared with the previous two months (see graph). "Imported inflation should not be so much of an issue due to the rand remaining fairly steady in April," says Ledger. According to the graph, the situation should remain much the same in May.

However, imported inflation is unlikely to disappear. "The trend is towards a lower effective exchange rate," says Nedbank economist Edward Osborn.

Import prices carry a significant 19,5% weighting in the PPI. The large fall in the rand's value earlier this year exerted considerable upward pressure on the imported component of manufactured goods.

After the significant fall in the trade weighted rand index from February, manufactured import prices rose 0,76% in the month, from 0,1% in January. In March the rate came down slightly to 0,7%.

According to Osborn, this year should see the last of low wage increases and big retrenchments. "As we approach nirvana, as far as politics is concerned, demands for higher wage rates are likely to increase." Next year unions could argue that it is time to reward workers who have sacrificed so much by accepting wage increases below inflation.

International economic indicators due out later this week include Japanese first-quarter GDP figures. A rebound from the 0,3% fall recorded in the last quarter of 1992 seems likely after the introduction of the government's multi-trillion yen public works package.

UK May retail sales, out on Wednesday, are not expected to show any rise. Sales have increased in tandem with a faster rate of growth in narrow money supply. The May figure, already released, showed a large slowdown in M0 growth for the year to end-May to a preliminary 3,3% while the broader M4 measure remained fairly dormant.

UK unemployment figures for May follow on Thurday. In April unemployment fell by 14 000 to 2,94-million or 10,5%. This was the third consecutive month the jobless figure fell, raising some concern that it is slowing unusually early in the business cycle.

ST Times 13/6/93

55

Fiery debate looms over switch to unleaded fuel

By CHARMAIN NAIDOO

WHEN South Africa makes the multi-million-rand change to unleaded petrol in 1995, it will be one of the few countries where the decision was not made in the interests of a healthier environment.

The decision to change was motivated mainly by the local motor industry's attempts to keep abreast with engine technology and to enhance its prospects of exporting components and completed vehicles, said Mr Costa Pierides, assistant director at the National Association of Automobile Manufacturers of SA (Naamsa).

In fact, it will not even be compulsory to fit cars immediately with catalytic converters — devices that clean the fumes before they are expelled from the exhaust.

To encourage its use, unleaded petrol will cost less, which means motorists with old-technology engines will effectively subsidise the new technology.

Naamsa estimates that by the introduction date, nearly 3,5-million vehicles — half the country's petrol-engine vehicles — will be able to run on the new fuel, though not all of them will have converters.

Mr Pierides said the industry's attempts to keep up with new technology would also benefit local consumers as engines would be more fuel efficient and require less maintenance.

But CSIR environmental health specialist Petro Terblanche has reservations about the conversion.

She is concerned that the introduction of unleaded petrol without the use of converters will not improve general environmental conditions, and that the costs of the change will be exorbitant.

"A child living in a home where coal is burnt is exposed to more than the healthy lead limit every day.

"The contribution of lead in petrol to total human exposure is low in comparison, probably below 50 percent.

"If it costs R1-billion a year to phase in unleaded petrol, think how that money could be used to provide people with electricity so they don't need to burn coal, which is our worst air pollution problem."

Dr Terblanche said: "Lead is found in paint, dust, water and some canned food. There are other pollutants in petrol that are probably more dangerous than lead, such as benzine. Without the compulsory use of catalytic converters, the environmental benefit of unleaded petrol is reduced."

Mr Pierides said Naamsa had practical concerns about introducing converters immediately.

Reluctant

"The unleaded petrol will be introduced through the existing leaded fuel distribution system. Therefore there is no guarantee the system will be purged of residual lead.

"Since even a small quantity of lead in the fuel could be catastrophic for an automotive catalyst, vehicle manufacturers are reluctant to introduce these expensive systems until they are confident there will be no problems," he said.

In response to criticisms that the money being spent on the conversion to unleaded fuel should go on electrification, Mr Pierides said: "It is wrong to assume that this money could have been redirected to electrification. This investment money would be lost to our economy."

Star 12/6/98

Sasol plans own petrol stations

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AFTER talks with other oil companies, South Africa's fuel giant aims to sell Sasol-branded petrol through its own outlets.

SYNTHETIC fuel and chemical giant Sasol intends setting up its own petrol stations to compete with other oil companies, a company spokesman confirmed yesterday.

Negotiations with the oil companies were already in progress for Sasol to set up a marketing infrastructure after the separation into two companies of its crude oil refining and marketing activities, and its synfuel operations.

The proposed Sasol Crude Oil Refining and Marketing Company would establish its own petrol stations to sell Sasol-branded fuel.

But, like all other oil companies, it would have to buy a pro rata share of Sasol synthetic fuel and be subject to existing tariff protection, said Sasol spokesman Jan Krynauw.

The crude oil refinery was co-owned by Sasol and Total, and it was hoped to list the proposed company on the Johannesburg Stock Exchange. It would not receive government assistance, he said.

The separation of the Sasol operations was announced by Mineral and Energy Affairs Minister George Bartlett in Parliament on May 28.

He said the liquid fuel industry should remain regulated to protect small businesses, and the synfuel and oil industry, but the secrecy surrounding it should be lifted to allow informed debate.

The uncoupling of Sasol's activities would result in greater transparency, Bartlett said.

Sasol sells the bulk of its liquid transport fuel production, manufactured from coal and crude oil, to the rest of the oil industry in terms of a supply agreement whereby each company buys Sasol fuel according to its national market share. In exchange, Sasol's right to market specifically defined petroleum products directly to the consumer is limited.

Restricted marketing of Sasol-branded petrol at oil industry-owned petrol service stations is allowed under the Blue Pump Agreement.

The company said yesterday: "In a deregulated environment, Sasol's synthetic and crude oil-derived fuel production should be marketed separately. Because of the large contribution to the local economy and the foreign exchange savings created by the synthetic fuel industry, it would be in the national interest for all marketers to purchase and market a proportionate share of the synthetic fuel produced in the country.

"The sale of Sasol's fuel production from crude oil will only be effectively secured through Sasol's own marketing infrastructure."

Sasol's contribution to the South African economy is claimed to be R4 billion a year.

Krynauw said the move would ensure that all stakeholders would have a say in the future of the local oil industry. — Sapa.

A little light on the oil industry

W/Mail 11/6-17/6/93 . (55)

The government's report on its involvement in the R23-billion fuel industry will raise the blood pressure of anyone who believes free markets rather than governments deliver the best deal, contends **REG RUMNEY**

THE Mossel Bay petrol-from-gas project created 1 100 permanent jobs — at a cost of R10-million each. That's the calculation that can be made from information contained in the apology, published by the Department of Mineral and Energy Affairs, for the extensively regulated and hitherto secret oil industry.

Job-creation and possible job loss is one thread that runs through the Report on Government Involvement in the Oil Industry.

The report offers the job creation figure as part of an implicit justification for the Mossgas project, widely condemned as a white elephant whose sole rationale was the apartheid regime's paranoid delusions of self-sufficiency.

The report also points out Mossgas will save R2-billion in foreign exchange. That R2-billion does not take into account the enormous amount of foreign exchange which flowed out of the country for the technology and materials that went into Mossgas, and further subsidies which use up taxpayers' money.

Naturally enough, there is no mention in this fascinating and badly translated document of the real reason for Mossgas or other synthetic fuel plants.

That Mossgas will save foreign exchange could be said of any do-it-at-home industry. But the costs, particularly of protection, of setting up a local industry must be counted. Here the report suffers from a kind of tunnel vision, looking only at fuel itself.

Take the graph produced in the report to show how regulation has kept the pump price of petrol in South Africa cheap. True, it does show that the pump price of petrol since 1980 has declined in real terms.

But from the point of view of the national interest it could be argued the pump price is too low, encouraging wasteful use of foreign exchange, and that the tax on fuel should be higher.

The same graph shows the price of vehicles soared over the same period. The intensely protectionist regime that still keeps vehicle prices high came at least partly in response to the same inward-looking strategy that kept the oil industry heavily regulated.

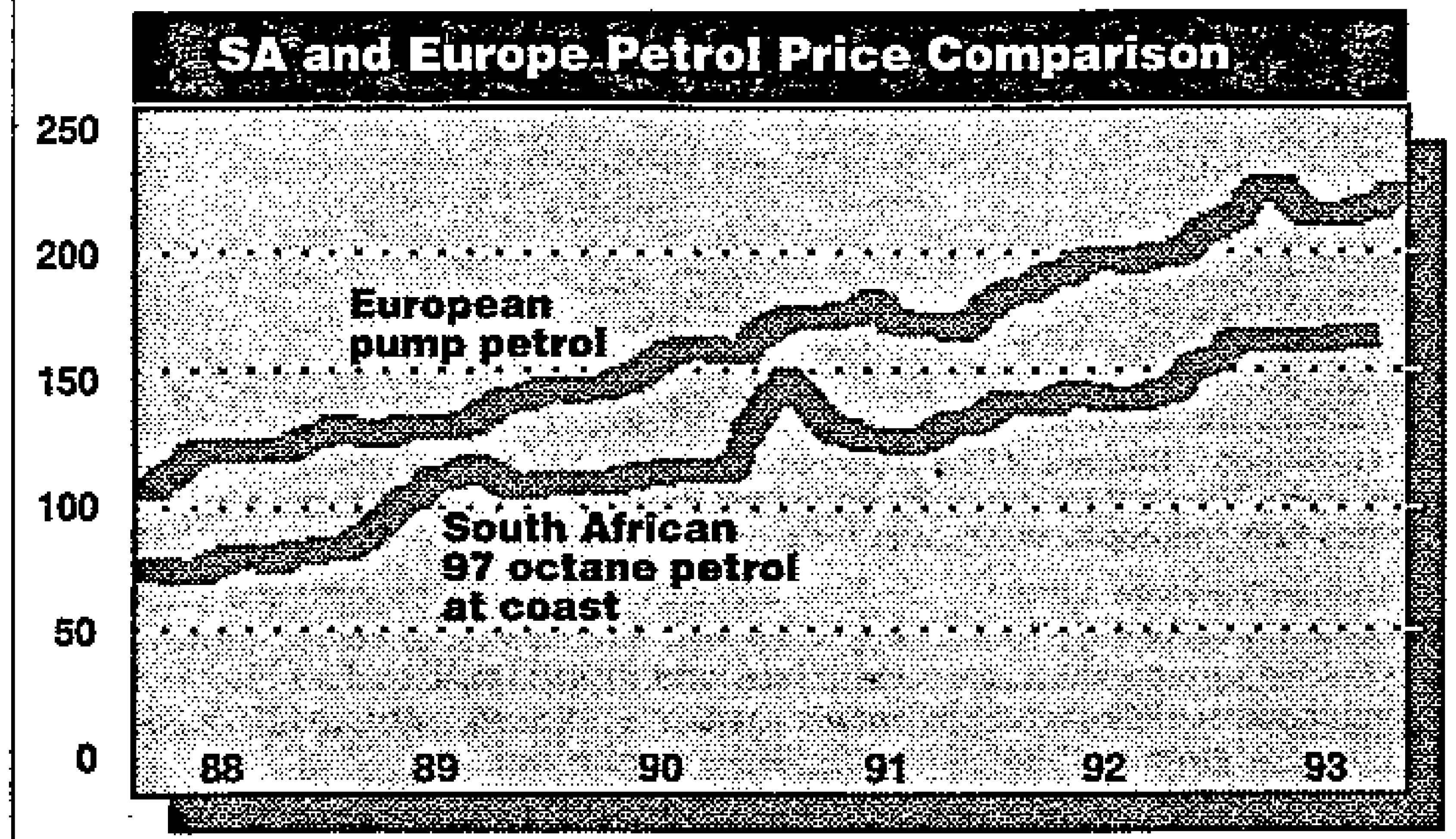
Sasol, the other part of the synthetic fuel industry which continues to be heavily subsidised, is similarly defended.

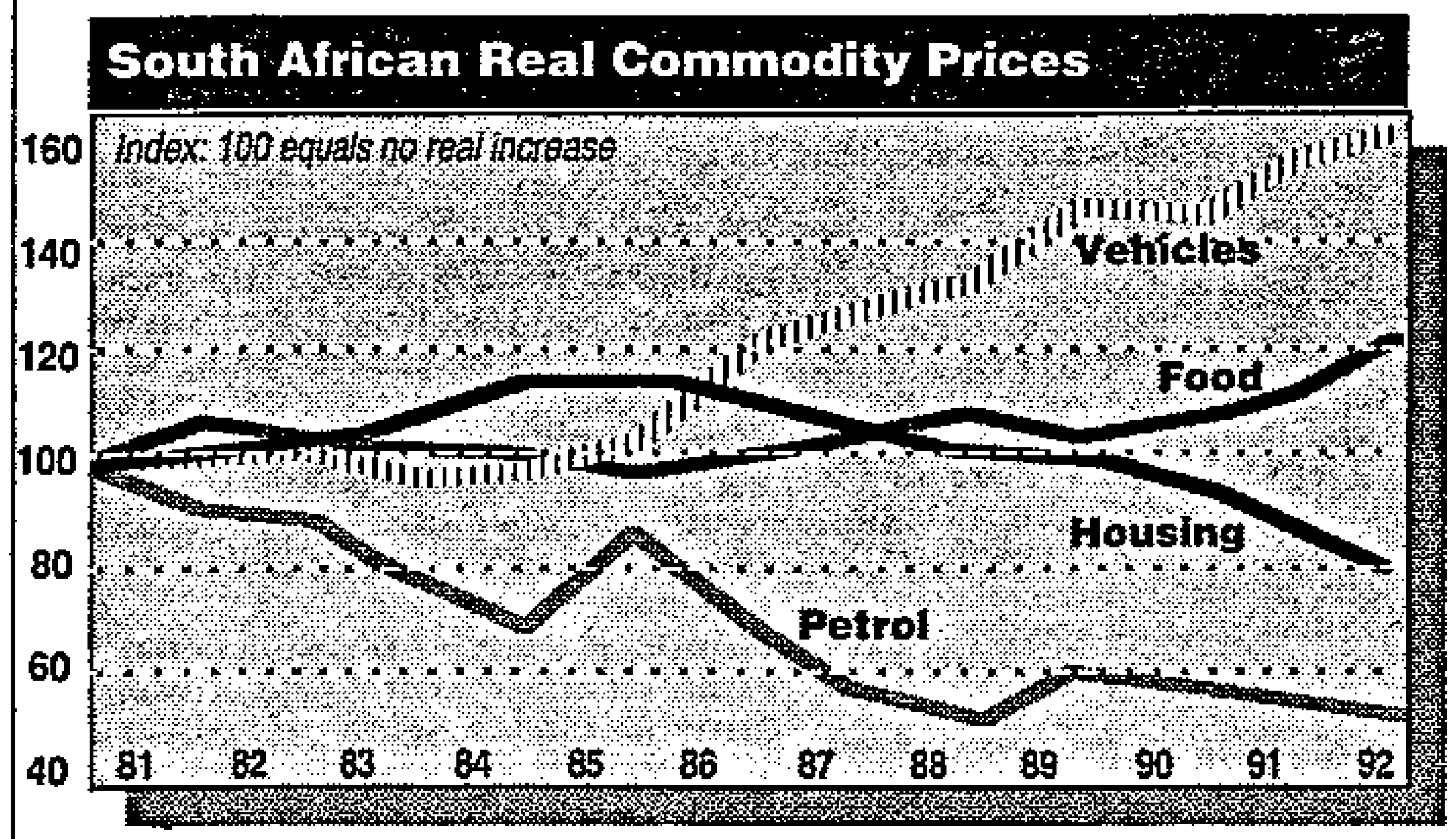
"The oil industry's ability to absorb the large synthetic production is a direct result of the regulatory mechanisms. A key prerequisite for the agreements between the oil and synthetic fuel industries was, and still is, the existence of an orderly and stable market environment ..."

Since the synfuels were prompted by "strategic" considerations this in turn means the oil boycott was the real reason for the existing set-up, which is what government critics have contended all along.

And the motorist pays for the synthetic fuel industry, ie Sasol and Mossgas, through a levy in the fuel price.

However, the anonymous authors of the report contend the cornerstone of regulation is resale price maintenance on petrol. "Retail price maintenance forms the cornerstone of regulation of the oil industry and the withdrawal thereof





The gap widens ... Should the petrol price have been allowed to fall so far when adjusted for inflation? South African prices also lag behind those in Europe

would eventually lead to a total deregulated market with all the expected negative results."

And the end to resale price maintenance, as the report notes, is what consumers want.

It argues this will not necessarily lead to lower pump prices, and may mean less or no service at petrol stations. This misses the real point of deregulation which is to beef up economic efficiency. In theory, jobs lost in one area would be replaced by jobs created elsewhere.

The report refers to overseas experience, but no real study has been made of the likely impact of deregulation in South Africa.

The reaction of the South African oil industry to deregulation is simple: do this and see thousands put out of work as we replace attendants with self-service pumps and buy our own outlets. It is clearly intended to sway a future government in favour of keeping the status quo.

This is parroted in the report as part of a series of arguments in favour of the status quo. "Deregulation will fundamentally affect employment, small business, the viability of the synfuel industry and investment in the oil industry.

"Concerns about the prospects of deregulation have been raised with the Department of Mineral and Energy Affairs by groups not yet participating in parliament on the basis that their constituencies and members will be the first and worst affected by deregulation."

However, only ultra-free market ideologists would argue for an immediate and sweeping end to all regulation across the board. The state need not withdraw utterly from the oil industry.

So, for instance, other countries prohibit self-service, and the arguments for retaining jobs are persuasive. Similarly, vertical integration could be prohibited if it runs foul of new or existing anti-trust legislation.

The report does not address the pressures for a move away from a regulated and protected environment and the central role of synfuels in this web of controls. It does not address the resentment at the privatised and subsidised Sasol's move into areas other than synfuel.

Defence of the status quo extends beyond protecting the synfuel industry. The arguments in the report against petrol stations extending credit to motorists are laughable.

Why should petrol stations, as opposed too say, the restaurant business, be immune from carrying the cost of accepting credit cards? Surely this is the choice of the service station?

But then the underlying theme of the report is that the government knows what it is doing and that a freer market would not serve the needs of the consumer or the country.

It may even be correct in a narrow sense. Allowing supermarkets to sell discounted petrol as a loss leader might put some smaller service stations out of business and lead to the demise of some rural petrol stations.

But the larger picture is lost.

For instance, should mostly white-owned garages have a licence to resist competition from new entrants?

The reports says the inelegantly named "Ratplan" which regulates who can open a service station and where is essential. "Should the Ratplan be abolished there can be no doubt that the number of outlets in particular areas of the country would increase considerably. This is borne out by the number of applications received for roster sites as well as for sites in the self-governing states and TBVC countries ... In other areas again, consumers may be deprived from (sic) service station facilities."

The report does advocate an "easing" of regulation. If not done scrupulously any system of assigning new service station sites opens up the possibility of patronage and corruption.

The report at least represents a clean break from a tradition of secrecy that had the Special Branch paying visits to researchers who asked too many questions about the oil industry and makes it easier to evaluate the pros and cons of government intervention.

Land bought for nuke plant

Political Staff

ESKOM is acquiring land near Oyster Bay in the Eastern Cape for a proposed nuclear power station.

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Eskom spokesman Mr André van Heerden confirmed yesterday that land was being bought — but he stressed there were no immediate plans to go ahead with building a power station.

Mr Van Heerden said more than 856,532ha would be acquired, and negotiations for more land were underway.

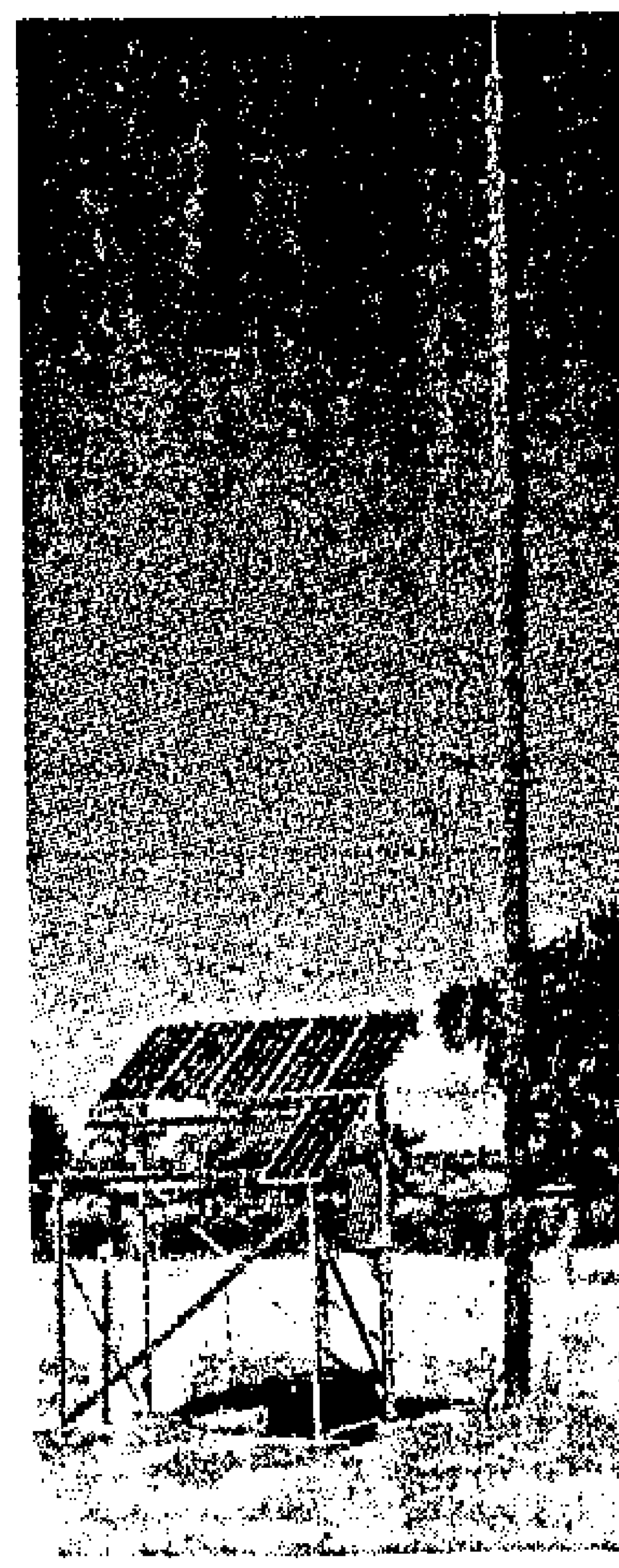
5/10/6/93

Business Day SURVEY

Cellular telephones are being heralded as the cheapest and quickest way of offering most South Africans access to a phone. And it is widely hoped that the new technology, and the expected competition it will generate, will force down costs. Growth forecasts between now and 1997 suggest that the subscriber population will be doubled. ***MELANIE SERGEANT*** *reports.*

Spinoffs for solar power expected

B/Day 9/6/93



Solar-powered telecommunications system in Botswana.

REMOTE telecommunications services are probably the biggest application for which solar power is used.

This is even though more widespread use of solar generated electricity is emerging, including relatively large-scale solar generating plants in the US and Japan.

Two years ago, KG Electric installed its first solar systems for rural phone stations in Botswana and another 14 systems have been installed for very high frequency (VHF) links. The company also recently supplied 600 solar panels and associated steel mounting structures for use in rural phone applications in SA.

With the continuing investment taking place in rural telephony and with the introduction of cellular phone networks, spin-offs for the solar industry are expected. (55)

Another solar-based system for rural and other applications has been developed by Siemens. It is a mobile phone booth, which is designed to improve communications problems in underdeveloped areas.

The booths need neither phone cables nor electricity, because they work with solar panels and mobile communication networks based on the digital Global System for Mobile communications (GSM) standard.

They have been installed in Cameroon in west Africa, but are not yet available in SA. Siemens is researching the possibility of local manufacture.

Buss. Day 9/6/93

Nuclear verification doubt

EDWARD WEST

SA's abandonment of its nuclear arms programme might be impossible to verify after destruction of evidence of the project, the NuclearFuel publication said.

A senior Pretoria official told NuclearFuel that, despite declarations to the contrary, it would be "reasonable to assume that records were destroyed to eliminate all traces of foreign assistance".

Atomic Energy Corporation (AEC) CE Waldo Stumpf confirmed yesterday all technical design information of the nuclear devices had been destroyed. However, programme records and material transfer accounting records were submitted to the International Atomic Energy Agency.

The design information was destroyed in the interests of non-proliferation and its destruction before the announcement of SA's nuclear weapons programme was fully endorsed by the agency. All material had been under agency safeguards since 1991, he said. (55)([redacted])

The agency found no significant losses were encountered from the time nuclear material left AEC for Armscor, until its return to AEC in 1991, Stumpf said.

According to NuclearFuel, the agency had said there was a degree of uncertainty about SA's nuclear inventory even though it had no reason to doubt the accuracy of the original inventory declaration made shortly after SA had signed the treaty.

AEC officials said the establishment of a "totally accurate material balance was not entirely possible due to the accumulation of small amounts of material unaccounted for over a 15 year period".

Uncertainty regarding these small amounts could be reduced by analysis of depleted uranium tails currently stored in about 600 drums in SA.

However, this process was deemed too costly and the agency subsequently determined that it found no evidence that the inventory was incomplete.

While SA claimed to have developed gun-type nuclear devices and not implosion devices, agency officials were not so sure. During a recent inspection, they found indications of activity, such as high explosive shaped-charge development, which might have been related to an implosion programme, the report said.

Agency inspections in Iraq had found thousands of documents which officials said provided a coherent picture of progress on development of an implosion device, the report said.

Total 'not for sale to anyone'

Buss Day

EDWARD WEST 9/6/93

TOTAL SA yesterday quashed speculation that it would be sold to Sasol.

CEO Jean-Claude Goffinet said the company was not for sale and recent reports speculating on a buyout by Sasol were "devoid of any truth".

Total SA's Paris-based parent had recently reaffirmed its commitment to remaining in SA. The company was convinced that SA would become a major player in southern Africa, Goffinet said. (55)

Total SA had invested some R800m in SA over the past three years, he said.

Total has a 12,2% and 15,5% share of the petrol and diesel sales market respectively, and holds a 35% share in Sasol's Natref refinery, reports say. 64

Engen staff may remain at Mossgas

Buss. Day

ANDY DUFFY

THE MANAGEMENT of Mossgas could remain in the hands of Engen staff despite the company's decision to withdraw from the fuel scheme, it emerged yesterday. 9/6/93

Engen chairman Bernard Smith, who is also Mossgas MD and CE, said it was possible that Engen staff responsible for the day-to-day management of the R10,5bn Mossel Bay project could remain on the scheme after Engen had withdrawn.

Although Engen had undertaken to continue managing Mossgas until the Central Energy Forum recruits a replacement, the CEF said it had given no consideration to bringing in a successor. (55)

CEF chairman Danie Vorster added that Mossgas had an "autonomous management" and that "the withdrawal of Engen will not (affect) the day-to-day running of the project."

Mossgas confirmed that three Engen employees responsible for the project management — general manager John Theo, works manager Bob van Niekerk and marketing manager Jonathan Stones — were negotiating with the CEF.

Retaining the current management would save the CEF the task of seeking new private sector interest in Mossgas, following a snub from Engen.

Engen's decision not to pick up its 30% rights in Mossgas stemmed from the scheme's failure to show potential returns to justify Engen's R1,3bn exposure.

It is also understood that Engen felt there would be difficulties in justifying the expenditure of senior management time on Mossgas, having already questioned the scheme's viability.

CEF's Vorster confirmed that Engen had been the only private sector company to have shown an interest in Mossgas.

End of an era as nuke site buried

CT 8/6/93 (55)

From GUY OLIVER

UPINGTON. — Armscor opened their Kalahari A Bomb test site at Vastrap in the Kalahari to the media yesterday as South Africa's brief membership of the nuclear club closed.

The shut-down signalled the end of the "total onslaught" era during which South Africa prepared a no-holds barred strategy — including nuclear arms — to counter a perceived threat from communism.

The decommissioning of the nuclear test shafts was undertaken in terms of SA's compliance with the Nuclear Non-Proliferation Treaty signed on July 10, 1991.

Amid tight security, two shafts, each 0,9 metres wide, were excavated in 1976. One was sunk 365 metres deep and the other 216m into the desert.

Last Wednesday three International Atomic Energy Agency officials from England, the United States and Zambia watched a small explosive charge tear open the steel and reinforced-concrete lids that covered one of SA's best-kept secrets.

The filling-in, by caterpillar-tracked front-end loaders, is expected to take about three weeks.

The IAEA has given specific instructions to ensure that the shafts' redundancy is permanent.

Drums packed with reinforced concrete and placed at intervals of 100m would form obstructions in the sand-filled shafts to ensure they could not be rebored, an Armscor spokesman said.

Over the deepest shaft is a $20m^2$ hangar. In and around the hangar are several glass fibre Russian T54 tank hulls.

The replicas are grim reminders of the war that drove former State President P W Botha in 1987 to order preparations for a nuclear test, fearing unacceptable SA Defence Force losses in the far-off conflict.

About one kilometre away is the second shaft, covered with only a metal safety grate.

The filling-in of the shafts is not without its dangers as water has filtered into them.

The sudden injection of the red dust creates a reaction as air pockets form and the sand heaves and spurts out of shafts like dust devils.

The terminators of the project have to wait hours, even days, for the sand to compact.

It is a last gasp from installations that has drawn the attention of the world's super powers. In 1977 the Soviet Union warned the world that South Africa was on the verge of testing a nuclear device here.

Upington nuclear test shafts blasted

Star 8/6/93

(55)

Own Correspondent

UPINGTON — Armscor has begun the last phase of ridding South Africa of its tactical nuclear capability, by destroying two underground nuclear test sites at the South African Air Force's Vastrap tactical training ground north of Upington.

Engineers used explosives to blast open the steel-reinforced concrete plugs which had been placed in the shafts since their construction in the mid-'70s.

An Armscor spokesman said yesterday the International Atomic Energy Agency (IAEA) would be monitoring the filling process until completion.

Three supervisors from the IAEA — an American, a Zambian and an Englishman — would be supervising the process until the two holes were sealed.

The spokesman said that even though there would be international supervision, it had been South Africa's decision alone to close the shafts and decide on the methods to be used.

The first shaft is enclosed by a hangar and is 385 m deep with a diameter of 9 m.

The second shaft is 216 m deep and lies almost 1 km from the first shaft in a shallow depression.

The shafts are expected to be filled in about three weeks.

The filling of the shafts is an extremely difficult process as the holes are to be filled with sand for every 100 m and then concrete alternating once again with 100 m of sand.

The concrete can be placed in the shaft only once the sand has sunk completely into the water.

The shafts are filled with water. Therefore, when sand is thrown into the shaft it causes a reaction which can be dangerous, the spokesman said.

He said that because of the interchange between the water and sand, the sand had not been settling as quickly as Armscor would have liked.

The spokesman said the pre-cast concrete would act as an obstruction in the hole as well as preventing the redrilling of the hole.

Armscor spikes its nuclear testing shafts

Buss. Day 8/6/93

PETER DELMAR

UPINGTON — SA showed for the first time how it was dismantling its nuclear weapons programme when journalists from around the country converged on a barren stretch of Kalahari scrub yesterday to watch some holes disappear.

Armscor invited the media to watch its two underground bomb testing shafts being filled in at the Vastrap weapons testing range, 100km north of Upington.

The 1m wide shafts are 385m and 216m deep. One is covered by an aluminium shed while the other is in the open veld.

President F W de Klerk confirmed in March that the Kalahari site had been earmarked for nuclear tests, but Armscor insisted it had never been used for this purpose. De Klerk admitted SA had built six nuclear devices which had since been dismantled.

The shafts are being plugged with sand, interspersed at 100m intervals by 44-gallon drums containing concrete and scrap reinforced steel. The process is being monitored by officials of the Vienna-based International Atomic Energy Agency.

An Armscor spokesman at the site said that once filled, the shafts would be virtually impossible to reopen.

As Armscor personnel bulldozed sand into one of the shafts, air pressure at the bottom of the hole sent a jet of sand shooting into the air.

(65)

Contractors filling in the holes were waiting for the sand to settle under subterranean water seeping into the shaft before inserting the first concrete and steel plugs. The process, which started last week when the shafts' cement caps were blasted open, was expected to take up to three weeks.

Eskom to supply townships directly

Buss. Day 7/6/93

PETER DELMAR

ESKOM is set to supply power directly to millions of residents in virtually all PWV townships. This is despite Eskom's mounting arrears bills which have exceeded R500m for the first time.

Eskom sales and customer services GM John Bradbury said at the weekend the utility was negotiating with virtually all Witwatersrand and Vaal Triangle local authorities where it did not already have supply rights.

Eskom had already taken over supplies to the whole of Soweto, Kagiso and Bekkersdal. Agreements were recently signed for supply in Lekoa township in the Vaal Triangle, which includes Sebokeng, Sharpeville, Boipatong and Bofalong.

Eskom had already assumed distribution in Daveyton, Wattville, Vosloorus and Tsakane on the East Rand. (55)

Bradbury said negotiations to take over supply in Katlehong would be finalised within weeks. (350)

In Tembisa, the local civic body and council had agreed to discussions, but Eskom's representatives had been unable to pursue these because of unrest.

It is also believed that the Pretoria City Council is anxious for Eskom to take over supply in the townships of Mamelodi and Atteridgeville, for which it is responsible.

Bradbury said none of the townships where Eskom did not have supply rights was currently paying its bills.

☐ To Page 2

Eskom

Buss. Day 7/6/93 ☐ From Page 1

In the past few months account payments in Soweto had dropped from more than 70% to less than 50%, which translated into a loss of income of more than R1m a month in Soweto alone. Bradbury said the main reason appeared to be heightened unrest in the area. (250)

Until September 1990 the Transvaal Provincial Administration ensured that Eskom was paid for its electricity supply to townships through the provision of bridging finance. (55)

Since then, however, bridging finance had been pegged at levels which meant that there was money for sewage, water, refuse removal and council wages, but which left Eskom as the "tail-end Charlies" with virtually nothing.

Most township civic associations have insisted that Eskom assume power supply to residents from the often-discredited black municipalities.

In most cases Eskom has taken over the councils' distribution infrastructure at a significant discount to replacement costs. In the case of Soweto, infrastructure with a book value of about R400m was acquired for the cost of the electricity arrears — R208m.

The agreements also provided for the supply rights to revert back to the townships on condition that all arrear debt to Eskom was addressed and all capital expenditure by Eskom redeemed.

Sowetans to pay electricity in full

Star 7/6/93

55

By Cyril Madlala

Residents in Greater Soweto will soon pay normal metered tariffs on electricity in a major breakthrough in the provision of services in the townships, which last year faced a staggering R200 million debt in unpaid bills.

At present only half of the residents are paying the flat rate of R33,80 while Eskom "normalises" provision and maintenance of the services.

"The normalisation period is coming to an end now, and we are entering a phase when normal electricity maintenance can take place," Eskom sales and customer service manager Paul Mare said last week.

When the giant electricity supplier took over from the Soweto Council in March last year after the municipality's failure to pay the huge debt, Eskom set off the debt against the value of the council's electricity assets.

"Electrically, Soweto was very run down and Eskom had to apply itself to normalise the situation. For residents to be part of normalisation, we developed a plan in conjuction with local civic bodies and other parties," said Mare.

The plan set out what Eskom would do to "normalise" the maintenance of services in Soweto before residents would meet their full obligations.

As an interim measure, it was agreed that consumers would pay a flat rate of R33,80 while Eskom fixed vandalised installations.

After 15 months, 95 percent of the meters were restored.

As part of the agreement, about 9 000 meters were moved into township yards, he said.

Eskom also agreed to ensure that the technical quality of electricity was up to standard. This would be checked by the Soweto Civic Association's electrical engineer.

To make it easier for residents to pay their bills, 23 pay points were installed in Soweto and two in Johannesburg. A 24-hour toll-free telephone service to report complaints and faults was set up, he said.

He assured Soweto residents that there would no longer be bulk cut-offs, and individual consumers who did not pay would be warned before their supply was cut-off.

The Soweto Civic Association recently decided to arrange a meeting with the National Union of Mineworkers and the National Union of Metalworkers of SA to discuss the issuen of "electricity wardens" to fix basic faults and act as block representatives.

The civic's branches will do random checks with Eskom to check the normalisation programme's progress before deciding whether the civic can "start engaging Eskom on metered tariffs or not", a spokesman said.

Mare said Eskom had accepted the civic's position that the new metered tariff charges should not be more than those of Johannesburg.

Star 7/6/93

Nuclear shafts to be filled

South Africa's nuclear capability will literally bite the dust today when tons of rubble is used to fill underground test shafts at the Vastrap testing range near Upington. International Atomic Energy Agency observers are to be present when Armscor workers begin the mammoth task. — Vereeniging Bureau.

55

Star 7/6/93

Plan to normalise power supplies

"Electricity wardens" will form a cornerstone of a pilot scheme by Eskom and Greater Soweto residents to normalise electricity services that have been on the brink of collapse in the townships. 250

Working closely with the Soweto Civic Association, Eskom will this week call for nominations from residents for people to represent the interests of the estimated 150 000 consumers, Paul Mare, Eskom's sales and customer service manager, said last week. 55

The training of the wardens is part of an 11-point plan that flowed from discussions between Eskom and the civic association when the supplier took over from the local municipality in March last year.

Eskom will pay and train the wardens to fix basic faults for residents, respond to inquiries and check on meter readings.

A pilot scheme of 20 block representatives will be tried for six months, with each representing between 200 and 300 consumers. If it succeeds, and the scheme is applied throughout Greater Soweto, between 350 and 450 block wardens will be required. — Staff Reporter.

Nuclear shafts to be 'filled in' today

CT 7/6/93

From GUY OLIVER

UPINGTON. — Representatives of the Vienna-based International Atomic Energy Agency (IAEA) were scheduled today to witness the further destruction of South Africa's nuclear capabilities at the Vastrap test range.

The existence of these nuclear test shafts burrowed 500 metres into the Kalahari desert about 80km north of here were a jealously guarded secret.

Today they will be "filled in", an Armscor spokesman said.

55

Shock

Armscor disclosed last month that former president Mr P W Botha ordered preparations for a nuclear test in 1987 at Vastrap, fearing Cuban and Warsaw Pact forces in Angola could not be defeated without unacceptable SADF losses.

President F W de Klerk's shock disclosures — specially to residents of this town — earlier this year that South Africa possessed six nuclear devices came soon after Minister of Foreign Affairs Mr Pik Botha held talks with US Secretary of State Mr Warren Christopher.

Siemens gets R25m Cahora Bassa contract

ST Times (Buss) 6/6/9?

By DON ROBERTSON

A COMPUTER contract signed between Siemens and the Hydroelectrica da Cahora Bassa is an important step in the establishment of a Southern African power grid.

The R25-million deal is for the automation of the power transmission system connected to the Cahora Bassa dam in Mozambique. It involves the design of hardware and software, full simulation testing and installation at the site.

It is expected to be commissioned in May and will prepare the hydro-electrical station for a link up with the SA grid.

SA drew power from the Cahora Bassa station for three years in the late 1970s and 1980s, but supply was suspended when the power line was destroyed because of hostilities in Mozambique.

Construction of a Cahora Bassa link with Harare via which some of Eskom's surplus capacity will be moved to Zimbabwe is expected to begin soon and a link from the Matimba power station in SA to Bulawayo through Botswana is under consideration.

Although Eskom has surplus capacity, the 1 450MW from the Cahora Bassa scheme will allow it to utilise this water generated power, rather than burn coal.

Asea back in SA under new name

S/Times (Buss) 6/6/93

By DON ROBERTSON

THE world's largest power generation group, ABB, has gradually bought its way back into SA and plans to use it as a base for expansion in sub-Saharan Africa.

ABB represents the merged operations of Asea of Sweden and Brown Boveri of Switzerland. It operates in 140 countries, has 210 000 employees and sales of $30-billion.

Sanctions forced the Asea division of the combined group to quit SA in 1987. But Brown Boveri Company (BBC) stayed.

Changes in SA's political direction in 1990 encouraged Asea to return. It invested more than R100-million in re-establishing its presence last June.

This involved the establishment of Brown Boveri Technology, ABB Industry, ABB Ferralin, ABB Powertech and ABB Services, which had operated under the Powertech or BBC banners.

The combined group makes turbines, boilers, transformers, high-voltage switch gear and electrical systems. It is also involved in process automation and servicing.

Three months ago, ABB Sub-Sahara Africa was established in Sandton to oversee the group's operations. The office is headed by regional president Lave Lindberg.

ABB Sub-Sahara co-ordinates the operations of 11 companies in 45 countries south of the Sahara.

Mr Lindberg says about a third of the international group's taxed profit of $1,1-billion is generated in Africa. He believes that the manufacture of electrical components will double in SA in the next three to four years provided production costs are kept down and the economy improves.

"Europe does not have much time for Africa and is reluctant to become involved. SA, on the other hand, understands this market. Rather than be a multinational in Africa, we will become multi-domestic. SA will become a major supplier to the rest of Africa.

"Sales and engineering will be carried south of the Sahara, but manufacture will be in SA."

Mr Lindberg says most projects in Africa are financed by aid agencies. ABB Sub-Sahara "must improve its association with the World Bank and other aid centres".

Mr Lindberg returned to SA three months ago after eight years abroad.

He says: "Productivity is still below average, although this is probably because there has been little investment. It seems that companies merely try to stay ahead of their opposition. Customer care is also a problem."

Government's oily evasions

ST Times (Buss) 6/6/93

THE Government now has two policies — one for the oil industry and one for the rest of the economy. Comment by KEVIN DAVIE

AFTER the price of money, the most important price in the economy is that of fuel. It also affects every other price in the economy, including labour.

Apartheid — the World Bank reportedly estimates — has placed SA workers an average 37 kilometres from their work.

No other country in the world houses its labour force so far from the workplace.

Prices have to be competitive if a country is to be competitive. But South Africans have in recent years begun to forget the meaning of the word competitive.

So the leading trade authority, the General Agreement on Tariffs and Trade, reported this week that SA slipped from being the world's 16th largest exporter to 30th between 1980 and 1991.

Gatt says the solution is for SA to follow market-related polices.

The Government recognises that the economy has been largely structured around the needs of apartheid and that a democracy will require new policy objectives.

It has tabled the normative economic model (NEM) which stresses that the economy will be revitalised only through improved competitiveness.

NEM insists that evils, such as retail price maintenance (RPM) where cartels are able to fix prices and then bill the consumer, should be outlawed.

This, of course, is common practice in many countries. SA has the powers on the statute books to do the same.

But the Government last week published its first major policy report since tabling the NEM. The report about its involvement in the oil industry admits that RPM is a cornerstone of the tightly regulated oil cartel.

Collusion, import control, market sharing, price fixing, barriers to market entry, guaranteed profits, subsidies and kickbacks will remain.

If Raymond Ackerman cuts prices, he will go to jail.

The Government uses a myriad hackneyed excuses, rationalisation and obfuscation to justify rejecting its own principles as embodied in the NEM.

It claims that petrol attendants will lose their jobs in a deregulated market. But regulation has limited the growth of service stations to 10% since 1960 and volumes sold have grown by 300%.

The report acknowledges that in major towns such as Pretoria there have been floods of applications to open service stations, but they have been refused because of the infamous Ratplan, the cartel agreement which controls fuel distribution.

Petrol stations may close in small towns, the Government says, ignoring the fact that cartel members have been refusing to supply low-volume garages so that they can switch their Ratplan allocations to more lucrative sites.

Where markets are ignored, distortions occur. Hard-pressed consumers are already subsidising exports to Africa to ease an oversupply of fuel as the R11-billion waste of money known as Mossgas comes on stream.

The industry is investing billions on the promise of further profits guaranteed by the Government.

The Government's continuing commitment to a regulated fuel industry in the face of its support for competition in the rest of the economy is not easy to fathom.

But it does have a contract with Sasol, which produces 150 000 barrels a day of synthetic fuel at a floor price of $23 a barrel while crude prices are languishing at $16.

The contract, a Sasol document says, is an undertaking from the Government to ensure that the company will be profitable.

The Government accordingly ensures that Sasol sells all its fuel at inflated prices and then tips in hundreds of millions in additional subsidies annually.

Last year one of its subsidies amounted to R600-million, enough to cut company tax for every company in SA by four percentage points from 40% to 36% (a NEM goal is to lower company taxes to improve the investment climate).

Sasol is ranked the world's most profitable corporation in its sector by the Fortune 500. Yet some analysts say Sasol would battle to show a profit in a competitive market.

Could this be the truth: is the Government wedded to regulation to save this world-class performer from the embarrassment of battling to earn its living?

(55)

Vastrap nuke site to be dismantled

55 254 CT 4/6/93

Staff Reporter

THE destruction of South Africa's nuclear capability will continue on Monday with the dismantling of the Vastrap testing range near Upington, Armscor disclosed yesterday.

President Mr F W De Klerk opened a nuclear pandora's box earlier this year when his disclosures about the country's nuclear arsenal sent shockwaves around the world.

The Vastrap underground test shafts are to be filled in, under monitoring by members of the International Atomic Energy Agency (IAEA) and the media, an Armscor statement said.

Pretoria's openness about the dismantling of the Vastrap nuclear facility follows a Washington Post report last month which said the CIA believed documentation was "altered or filled in" by South African authorities before being submitted to the IAEA.

But South African Atomic Energy Corporation chief Mr Waldo Stumpf countered in the article: "We have given operating records going back 15 years, very good records."

International observers believe Pretoria may have exported nuclear-related materials to other countries, including Israel, and that SA officials opposed to Pretoria's unilateral nuclear disarmament may have hidden weapons-grade nuclear materials.

PETROL DEREGULATION

FM 4/6/93 (55)

Stuck at a stop sign

Government's move to lift most of the secrecy surrounding the liquid-fuel industry to allow for informed debate is meeting approval. But its decision to keep the sector heavily regulated has come in for sharp criticism.

During his budget vote in parliament last week, Mineral & Energy Affairs Minister George Bartlett said his department had reached the conclusion that a lack of tran-

cont

FM 4/6/93 (55)

sparency in the industry had caused many misconceptions about regulation. "The time has come to remove the doubts, the wrong perceptions and the concerns. This industry can withstand scrutiny."

Bartlett claims that petrol regulation over the past 50 years has served SA well by safeguarding supply and promoting efficiency and competition among oil companies and individual retailers. He asserts that it also has provided a framework for sustained long-term investment, which has resulted in fuel prices before tax comparing favourably with those in most other countries.

But the secrecy, introduced in 1977 because of fears that an international oil boycott would reduce supplies, has resulted in many inaccuracies and misconceptions, particularly, he maintains, the belief that deregulation would cut pump prices for motorists.

Bartlett says any drastic change to the current system must deliver a guaranteed better overall deal for the country, but he believes that evidence internationally suggests that such a guarantee is not possible.

Based on a department report, "Report on Government Involvement in the Oil Industry," which was submitted to Cabinet, Bartlett concludes that deregulation would affect employment, small business, the synfuel industry and oil-industry investment.

As a result, Cabinet decided to keep the strict regulation in place but to roll back the secrecy. But only some of the secrecy will go. With the UN oil boycott still in force, government opted to keep the source of petroleum, suppliers, information about shipping and the size of strategic reserves under wraps.

The finding that deregulation won't cut petrol prices is news to Pick 'n Pay, which for years has said it will drop the price by up to 10% if government stops setting the price. But the supermarket chain is not the only critic of Bartlett's aversion to freeing the industry.

DP MP Roger Hulley says deregulation will lead naturally to increased competition and lower pump prices. He adds that the Ratplan — which regulates the number, allocation and location of service stations, now under investigation by the Competition Board — should be scrapped in stages, starting with urban areas and moving to rural communities. The market should determine the number and location of outlets as it does in other countries, he says (*Business & Technology* May 21).

The minimum price of petrol should then be deregulated, while initially retaining the ceiling price and the prohibition on companies outside the industry, such as Pick 'n Pay, from subsidising oil and fuel products.

"I believe this would bring an average benefit of about 10c/*l* in most major urban areas to hard-pressed consumers," Hulley says. He adds that allowing self-service at petrol stations should be delayed until the economy revives in order to avoid any reduction in the stations' 50 000-strong workforce.

Despite his objections, Hulley welcomes the decision that the department will consider criticism of the Ratplan with a view towards allowing freer entry into the retail market.

Automobile Association MD Peter Elliott welcomes another aspect of Bartlett's speech: an investigation into Transnet's Petronet pipeline tariffs. "The AA's own research has shown that the premium paid by motorists because of these exorbitant tariffs has been used largely to subsidise other Transnet operations, with the motorist receiving no benefit."

Bartlett also makes it clear that he continues to back what critics call the two white-elephant fuel manufacturers, Sasol and Mossgas. He claims that criticism of tariff protection for Sasol's synthetic fuels has been largely unfair and what he calls the enormous contribution to the economy by Sasol's synthetic fuels undoubtedly justified its protection. He also asserts that motorists will pay more for fuel without Sasol.

The future of Mossgas, which also gets tariff protection, will be discussed once the Auditor-General's report on its viability has been tabled in parliament this month. But the announcement that Engen, which has been managing Mossgas since 1989, has withdrawn from the project and will not exercise its option to acquire 30% of the Mossgas share capital adds to doubts over the project.

Hulley is critical of Bartlett's support for Mossgas, saying the entire country could have been electrified, with the creation of about 1m jobs, by using the R12bn spent to date on Mossgas. ■

Natref refinery gears up for shift to unleaded fuel

Buss Day 4/6/93

SA IS due to start the move towards unleaded petrol in 1995 and Sasol is already set to cope with demand from its Natref oil refinery.

Sasol Oil MD Danie de Villiers says the company is in the position of being able to shift to unleaded fuel production immediately, though capacity is currently limited.

Although lead is toxic, it appears that air-borne lead emissions in dense traffic areas are not as hazardous as previously thought, says De Villiers.

Environmental lead is attributable to many other sources such as the natural quantities found in soil and water.

However, petrol engine emissions contain a variety of noxious ingredients: unburnt hydrocarbons, carbon monoxide, acidic compounds of sulphur and nitrogen oxides.

Carbon monoxide is toxic and other emissions can contribute to acid rain and can, in sunlight, help to form photochemical smog, which is hazardous to health and aesthetically unpleasant. 55

Convert

Says De Villiers: "The best way to remove these substances from automotive tail gas is to convert them over an exhaust system catalyst.

"A three-way catalytic converter reduces unburnt hydrocarbons, carbon monoxide and nitrogen oxides. Unfortunately, the catalyst would be rendered inactive if a nominal lead content remains in the petrol."

The converter, according to one motor manufacturer, features a ceramic honeycomb coated with three precious metals — platinum, palladium and rhodium — which are renowned for their catalytic abilities.

As the unleaded fuel emissions enter the converter at about 300C, the metals convert the nitrogen oxides, unburnt hydrocarbons and carbon monoxide into compounds that proliferate in the atmosphere, namely, nitrogen, water and carbon dioxide.

The lead in petrol in the form of tetramethyl lead or tetraethyl lead has been the most cost-effective compound for enhancing octane rating and, as a consequence, an engine's efficiency.

Promote

Current lead in petrol levels are around 0,4g a litre, down from 0,836g/*l*.

SA's move towards unleaded fuel is not without its financial cost, but government plans to levy lower taxes on unleaded petrol and promote its use.

Existing motor vehicles would require modification to use unleaded fuel.

areas around the Sasol plants and Sasolburg and Secunda.

Buss Day 4/6/93

Sasol Oil leads drive for 'friendly' fuels

SASOL Oil — SA's oil-from-coal producer — is one of the leaders in the drive to develop fuels less hazardous to the environment.

MD Danie de Villiers says Sasol Oil's fuels are far more environment-friendly than is usually appreciated.

Says De Villiers: "We have achieved several major fuel formulation breakthroughs in recent years. (55)

"People are often unaware that the Sasol processes used to produce diesel and petrol offer major environmental advantages over conventional fuels. We have one of the most advanced fuel laboratories in the world in which we develop and test new formulations."

He says the trend in First World countries is towards making reformulated or environment-friendly fuels by reducing aromatics, olefins and sulphur content, lowering vapour pressure limit, lead omission and adding of alcohol and other fuel oxygenates.

De Villiers says: "Our fuel-making process has major advantages over the traditional crude-oil fuels. Apart from olefin and lead levels, says Sasol's output already conforms to most US reformulated fuel specifications.

"The impetus came from within Sasol, where we are keen to make whatever cost-justified refinements we can to our fuels and their impact on the environment. This forms a part of our overall corporate commitment to environment-friendly products and processes."

Sasol advances include:

- Removal of sulphur compounds, eliminating sulphur exhaust emissions and reducing harmful effects in motor vehicle engines;
- Reduction of aromatics such as benzene;
- An effective deposit-control additive package;
- Increasing amounts of oxygen-containing alcohols to improve the combustion process, while reducing noxious carbon monoxide and hydrocarbons in exhaust gases and;
- Reducing vapour pressure for lower evaporative emissions during vehicle refilling.

In terms of sulphur and aromatics content, diesel produced from coal by Sasol more than complies with the US's proposed diesel formulation for 1995.

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— World Environment Day —

AlphaFuel keeps a tight rein on petrol pumps

Bussday 3/6/93

AN AUTOMATIC fuel control and reporting system improves control over fuel delivery from company pumps and gives accurate information of fuel use.

Analysis, Management & Systems (AMS) director Ian Alers says that in a manual situation it is almost impossible to establish how much fuel is being used for unauthorised purposes.

AMS developed a software solution called AlphaFuel, with in-house application, which validates every issue of petrol, diesel, oil and paraffin, recording each transaction for management reporting.

(55)

This highly secure system identifies the vehicle before it unlocks pumps and allows fuel to be issued.

It also ensures the pump contains the correct fuel type for the vehicle.

Alers says the AlphaFuel controller can connect to any installed fuel pump.

Stationed on the forecourt, it can control up to 16 pumps, providing fuel to a complete fleet of vehicles and machinery whenever required.

Traditional fuel system reports relying on log book data are not only inaccurate but also inefficient and time consuming, he says.

"Users of our system with about 200 vehicles may expect to save up to one week a month previously spent capturing and analysing log book information as the product captures all data automatically."

Sasol plan to split operations

(55) CT 2/6/93

Own Correspondents

JOHANNESBURG. — Sasol planned to split its existing operations and form a separate — and possibly listed — company for its oil refining activities, MD Paul Kruger said yesterday.

The new company, which would be split from the group's synfuels and petro chemical operations, would be responsible for refining and marketing product through its own retail outlets, he said.

A Sasol spokesman said further details were not available as the group was negotiating the move with other oil companies. However, he said the new company would go a long way towards alleviating a perception that Sasol was cross-subsidising its operations with tariff protection it received as a synthetic fuel producer.

The plan to acquire service stations and retail crude oil-based fuel recently invoked criticism from other oil companies which questioned how Sasol could compete on an equal basis in the retail sector when it was receiving tariff protection based on a floor price of $23 a barrel.

Sasol refines crude oil at its Natref refinery, which has a capacity of 85 000 barrels a day. The refinery was being expanded at a cost of R370m and its capacity was expected to increase to 95 000 barrels a day by 1996, the Mineral and Energy Affairs Department said.

Tariff protection for Sasol's synfuels production — with capacity at 150 000 barrels a day — currently amounted to 10,8c a litre and had averaged 12,5% since 1979. All refineries, including the new Sasol company, would still have to buy synthetic fuel from Sasol, the spokesman said.

New Sasol firm to handle oil refining

Buss. day 2/6/93

(250) (55) (183)

LINDA ENSOR and EDWARD WEST

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Oil companies received R1,267bn from government to compensate them for refining margin losses they suffered when they took over the synthetic fuel produced by Sasol, Mineral and Energy Affairs Minister George Bartlett said in his budget vote on Friday.

The sale of large volumes of synthetic fuel decreased the requirement for fuel refined from crude oil and resulted in a loss of refining margin which had been made good by means of a synthetic levy.

☐ To Page 2

Sasol

Buss. day 1/6/93

☐ From Page 1

Bartlett expected these payments to be unnecessary by 1995. (250)

Lifting a veil of secrecy over oil production in SA for the first time, Bartlett disclosed that the industry sold refined product with a wholesale value of R23bn in 1992, representing 7% of GDP. (55)

The design capacity of SA's four fuel refineries would increase to 450 000 barrels a day in 1995 from 330 000 on completion of expansions. Mossgas's capacity was fixed at 45 000 barrels a day.

Sasol supplied 39% of SA's fuel requirements, selling 5 700 megalitres of fuel to the value of R7bn in 1992. Mossgas planned to sell 1 900 megalitres a year valued at R2bn at 1992 values. (183)

The oil industry saved SA about R7,5bn in foreign exchange a year (oil refiners R1,8bn in 1992), while Sasol's synthetic fuel and chemical operations saved more than R4bn in foreign exchange annually.

Kaolin mine: Strict control

Political Staff

THE energetic opposition to the Chapman's Peak kaolin mine had led to the strictest environmental rehabilitation measures ever in South Africa, MP for Simon's Town Mr Jannie Momberg said yesterday.

The Serina mine under its new owners could become "a beacon for environmental conservation for mining", he said during the debate in Parliament on the Minerals Amendment Bill. He said that while he was still opposed to mining on Chapman's Peak, he felt the mine owners had gone out of their way to accommodate objections.

‘No question of govt mothballing Mossgas’

CT 1/6/93

From ANDY DUFFY

JOHANNESBURG. — There was no question of government mothballing the R10,5bn Mossgas venture despite Engen's decision to completely withdraw from the scheme, a Mineral and Energy Affairs spokesman said yesterday.

Mineral and Energy Affairs director-general Piet Hugo said the Mossel Bay fuel scheme was never meant to be commercially viable, but had been a "strategic decision" by the administration of former President P W Botha.

Though the basis for that decision — oil sanctions — had been eliminated, Hugo said there was no reason to scrap Mossgas, because it was cash positive.

The Cabinet was awaiting a report on the scheme by the Auditor General which was due next week.

But Engen's withdrawal, confirmed at the weekend, was unlikely to impact on the Cabinet's decision, he added.

Hugo added that government had not invited private sector participants when Mossgas was first mooted and Mossgas did not rely on private equity for its existence.

"Mossgas is still a good investment, but it's not a commercial investment," he added. "It was a strategic decision by Government. Government is not going to defend that decision. Mossgas is paying its way, so why mothball it?"

Engen confirmed at the weekend its warnings of the last six months: that it would not take up its 30% rights in the scheme.

Chairman Bernard Smith, who is also Mossgas MD and CE, said returns from Mossgas failed to justify the estimated R1,3bn needed to pick up the rights. He added such an investment would "not be sensible."

The company has also decided against remaining as manager of the project, because it said this would prevent it from focusing on its core business.

Engen has undertaken, however, to continue managing Mossgas until the Central Energy Forum recruits a replacement.

The company warned last year that it might sever its ties with Mossgas if the scheme failed to meet Engen's stipulated 8% return on investment.

The scheme made an operating profit of R24,4m for its first three momths in production, above expectations but below Engen's target.

Mossgas 'will not be axed'

Buss. Day 11/6/93

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Although the basis for that decision — oil sanctions — had been eliminated, Hugo said there was no reason to scrap Mossgas because it was cash positive. The Cabinet was awaiting the auditor-general's report on the scheme, due next week, but Engen's withdrawal was unlikely to affect the Cabinet's decision.

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At the weekend Engen confirmed earlier warnings that it would not take up its 30% rights in the scheme. Chairman Bernard Smith, who is also Mossgas MD and CE, said returns from Mossgas failed to justify the estimated R1,3bn needed to pick up the rights. He added such an investment would "not be sensible".

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Engen had also been uncomfortable with being linked to a scheme dependent on government protection for its commercial survival. Government had undertaken to top up revenues per barrel to $23 — a policy Smith called "indefensible".

● Comment: Page 4

Parastatals boost capex

CT 1/6/93 (55)

Recession's real declines reversed

From TIM MARSLAND

JOHANNESBURG. — Capital spending by parastatals is starting to pick up again after sharp real declines during the recession.

Eskom had budgeted for a 25% increase in capex at R4,5bn against R3,61bn for 1993/92, a spokesman for the electricity supplier said.

This was against an expected inflation rate of about 12% for the year.

More than R500m of Eskom's capex formed part of the organisation's R3bn plan to electrify poor areas of the country.

Telkom is to spend R2,2bn for 1994/93 — up 7% from a previous R2,05bn. This would to be spent on projects such as upgrading client services.

Transnet, under which SAA falls, has budgeted for capex of R1,1bn in the current year against a previous R1,5bn.

A spokesman said Transnet's capex varied extensively from year to year because of the high cost of capital goods it required. However, the aircraft purchased by SAA were bought under operating leases so were not part of capex.

One economist pointed out the parastatals had cut capex sharply in the previous year and the latest figures could indicate the trend was flattening out. This could also be an early sign of economic recovery.

However, most of the capital market funding the organisations needed for this year had already been raised, spokesmen for the organisations said at the weekend.

"Our needs have been dwarfed this year by the government's requirements," one treasurer said.

An Eskom spokesman said funding had been completed for the current year, adding that the entire requirement of R590m for its electrification bond had been raised.

However, he said the electricity supplier could pre-fund for the next financial year if interest rates justified it closer to the time.

A Transnet spokesman said about R600m had still to be raised from the domestic markets.

Telkom treasury manager Willie Landman said Telkom needed very little from the domestic market because of an unexpected improvement in cash flows.

He said about R100m could still be raised, depending on whether cash flows continued to improve. However, Telkom would look at the commercial paper market to fulfil this need.

The Land Bank, which provides financing for farmers, did not require any funds from the capital market this year, a spokesman said. However, it could look at raising R1,2bn from the money market, depending on how the wheat crop panned out.

A wheat board spokesman said it was too early to make a forecast at this stage as to the state of the crop. However, wheat plantings were normal up to now and the crop's outcome would depend on weather patterns.

Development Bank GM Nick Christodoulou said the bank reviewed its finances every few months, but at this stage, saw no need for funds from the market.

Star 11/6/93

Zimbabwe likely to buy more SA power

260 352 55

HARARE — Zimbabwe can expect to import more electricity from South Africa by year-end, Eskom chief executive Ian McRae said in Victoria Falls at the weekend.

Addressing delegates at the 54th congress of Zimbabwe's Chamber of Mines, McRae said the survey for the construction of the 400 megaWatt line using the Matimba-Bulawayo link had reached an advanced stage.

Zimbabwe already imports a small amount of electricity from South Africa following its severe energy crisis last year when hyrdo-electric generation was scaled back because of the drought and problems were experienced at its thermal power stations.

"However, you should not be reliant on anything that comes from outside because you have the ability to generate enough power to meet your own needs," McRae said.

He said there were considerable primary energy resources in Southern African which could be used for economic development individually and collectively, Ziana news agency reports.

He said all countries in the region should work towards establishing common grids to help each other with power deficits.

South Africa, by far the largest and most industrialised economy in the region, is expected to have exhausted its current power supplies by the turn of the century.

Eskom has led the formation of a Southern African power grid, which should enable SA to import power from its potentially energy-rich neighbours. — Sapa.

Fuel regulations 'essential for protection of industry'

Buss. Day 11/6/93

ADRIAN HADLAND
and LINDA ENSOR

PRETORIA — Regulatory measures in the fuel industry would be retained to prevent harm to small business and the synfuel and oil industries, Mineral and Energy Minister George Bartlett said on Friday.

A committee for economic affairs report placed before Cabinet found that deregulation would affect employment prospects, small business, the synfuel industry and oil industry investment.

(55)

Bartlett said any drastic change to the current system could not be contemplated unless it could guarantee a better overall deal for SA. International evidence, however, had not yet provided such a guarantee.

He said regulatory measures in the petroleum industry had promoted security of supply, efficiencies and competition among the oil companies as well as between retailers.

They had also provided a framework for sustained long-term investment, so that fuel prices before tax compared favourahly with most countries. He said, however, that it was essential that the "veil of secrecy" surrounding the industry be lifted.

Demands for regulation were often motivated by a belief that this would result in lower pump prices and, as long as there was not full tranparency in SA's liquid fuel industry, these demands were to be expected.

Because the UN oil boycott against SA was still in place, secrecy would prevail on sources of petroleum, suppliers, shipping and strategic reserves. But it was now possible to declassify information such as petrol consumption, market shares, refinery throughputs, equalisation fund details and the Service Stations' Rationalisation Plan (Ratplan).

While the report argued for the retention of Ratplan, it said the department should establish whether freer entry into the service station industry was possible.

Bartlett said Sasol's activities would become more transparent when its oil refining and marketing activities and its synfuel operations were separated into two companies.

A task group would be ordered to report on the feasibility of changing the structure of Transnet's tariffs.

The department recommended that import controls be retained to prevent dumping and that self-service continue to be prohibited.

It also called for greater transparency of profits made by Petronet in the transport of petroleum products, and for a more equitable pipeline tariff structure.

● Comment: Page 4

New Chinese VW order saves 700 from lay-off

SI Times (BUSS)

30/5/93

By DON ROBERTSON

VOLKSWAGEN SA will supply a further 17 000 left-hand drive Jettas to China, preventing retrenchment of about 700 workers.

The order, worth more than R500-million, follows one signed last year for 12 500 second-generation Jettas for FAW-Volkswagen (FAW-VW), a venture between Volkswagen of Germany and the Chinese Government.

The first shipment of this R400-million consignment was made in May last year and 10 000 cars have been delivered. It is expected that deliveries for the new semi-knocked down order will begin next year at a rate of about 1 200 a month.

Trade between China and SA has been in favour of the Chinese. Last year, SA imported goods worth R709-million from China and exported R489-million, most of which was Jettas.

Chairman and managing director Peter Searle says: "We believe exports to be of crucial importance to the present economic situation in the country. The increased order also protects about 700 jobs at VWSA and many more in the component industry."

Because of the stagnant motor industry, VWSA recently held negotiations with unions about possible forced retrenchment of between 500 and 1 000 workers. A voluntary retrenchment and early retirement programme is still in operation.

Lin Ganwei, president of FAW-Volkswagen, and his board visited the Uitenhage plant and announced the contract.

He says: "We are pleased to be able to continue our relationship with VWSA and see further opportunities for business as the Chinese economy is developing fast and we require this volume to support us through the start-up phase of our factory in Chang Chung."

The deal will go a long way to restoring VWSA's profitability. In its report for the year to December, Volkswagen AG said VWSA suffered a small loss.

Engen going for a London listing

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By ZILLA EFRAT

ENGEN plans a London Stock Exchange listing, possibly before the yearend, to boost its international expansion.

Engen investor relations manager Abbas Gani says the main aims of the listing are to raise the company's international profile and to have structures in place when it needs to raise capital.

"Opportunities knock on our door frequently and we want to have everything in place so that we can take advantage of them quickly."

But the proposed listing is not linked to any specific project or acquisition at this stage, he says.

Engen is believed to be evaluating acquisition options involving oil in West Africa. Its evaluation includes funding its growing exploration in the area.

Engen boss Rob Angel was in London two weeks ago introducing the group to the press, investment analysts and institutions. The group expanded its London office by moving part of its logistics division there a fortnight ago.

Mr Gani says the listing is in line with Engen's wish to be involved in the exploration and production of half of its crude throughput.

"To do this will involve major capital."

One advantage of a London listing is that it could help to overcome the increasing foreign-exchange difficulties that SA companies face when making acquisitions abroad.

Mr Gani says Engen will be listed in London only when the political climate in South Africa is conducive.

He says Gencor's proposed unbundling is regarded favourably by British investors because it will improve the tradeability of Engen shares.

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Sanlam is likely to be the largest shareholder with 22%, followed by Rembrandt Group and Old Mutual.

Gencor's unbundling may also result in its selling its 5,8% stake in the Alba and Britannia oilfields in the North Sea because they do not fit in with its core mining business. Engen holds a 2,2% stake in the venture.

Mr Gani says Engen might be interested in buying these interests "if the price is right". It will depend on prospects for crude-oil prices.

Alfa takes on the biggies

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BUSINESS BRIEFS

Russian gold forecast

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Racy under investigation

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Veil lifts on some SA oil-industry secrets

S I Times [Buss] 30/5/93

55

By KEVIN DAVIE

SOUTH AFRICANS got their first legal look in 16 years at a major chunk of the economy on Friday with the release of a report on the Government's involvement in the oil industry.

The report discloses some of SA's best-kept secrets in the sanctions age.

It says the SA oil industry made sales of R23-billion (7% of gross domestic product) at wholesale level last year.

Before their expansion began in 1991, SA's refineries produced 330 000 barrels of petroleum products a day.

Mossgas

Sasol's synthetic production was 150 000 barrels a day from an annual 34-million tons of coal last year.

Mossgas adds 45 000 barrels a day to SA's synfuel total.

Refinery expansions will bring capacity to 480 000 barrels a day by 1996. Four refineries and two synfuel plants supply 200 depots, 4 900 service stations and 100 000 direct users.

Refined product demand in 1992 was 19-billion litres, or 330 000 refined barrels a day.

The industry employs 111 000 people. Exports brought in R600-million in foreign currency. Refining returns (ROCE) averaged 12% before tax between 1988 and 1992.

The pump price of petrol has declined progressively in real terms since 1980, the period of high prices after the fall of the Shah of Iran in 1979.

Salaries paid by the refining industry totalled R1-billion in 1992. Retailers "added value to the tune of R2-billion during 1992 to wholesale tunrover".

The report says deregulation increased prices in Greece, Spain, Singapore and New Zealand and lowered in the UK and France.

Minister of Mineral and Energy Affairs George Bartlett told Parliament on Friday that the Cabinet had decided the current regulatory measures — they evolved over 50 years — should remain unchanged for the time being.

But "secrecy will be lifted to facilitate an informed debate by all affected parties", according to Mr Bartlett.

Secrecy will apply to the sources of petroleum, suppliers, shipping and strategic reserves while the UN oil boycott is in place.

Mr Bartlett says prospects of deregulation have been raised with his department by extra-parliamentary groups on the basis that their constituencies and members will be the first — and worst — affected.

The Government's decision has been severely criticised by Pick 'n Pay's Raymond Ackerman.

He says there should be a five-year ban on self-service and Sasol should be sold at an agreed price.

"Regulation benefits the vested interests of the oil industry and the bureaucracy at the customer's expense. This is anti-South African."

Pick 'n Pay could cut petrol prices without introducing self-service stations which would threaten the jobs of petrol attendants.

Mr Bartlett says concern that tariff protection provides an unfair advantage to Sasol in the market has been discussed with the company.

"After consultation, Sasol has decided to completely separate its oil refining and marketing activities from those of its snyfuel operations.

Mr Bartlett says Sasol's synthetic fuels supply 39% of SA's requirements. Its protection amounts to 10,8c a litre.

If the Government had not amended its original undertaking to Sasol, these payments would now have been 38c a litre.

Mr Bartlett says Engen has told the Government that it will not take up its 30% stake in Mossgas and will also withdraw from its management.

Lowest

The Central Energy Fund will now have to supply all funds needed for Mossgas.

The AA's Peter Elliott says a free-market system with minimal State intervention should result in increased competition, facilitating continuity of supply and the lowest possible pump price.

He says the AA's research shows that the exorbitant profits by Petronet on its pipeline have been used to cross-subsidise other Transnet operations, motorists receiving no benefit.

Battering for small business

S I Times [Buss] 30/5/93

By DON ROBERTSON

THE recession, now in its fifth year, has devastated small business.

Last year, 1 142 close corporations were forced into liquidation, a rise of 666% on the 149 that went bust in 1988. It also represents a 60% increase on the 712 liquidated in 1991.

In addition, 6 777 close corporations were deregistered in 1992 compared with 5 335 the year before.

But there was a modest increase in the number of close corporations registered at the end of 1992 — 35 005 from 34 553 in 1991 — says the report of the Registrar of Companies for the year to December.

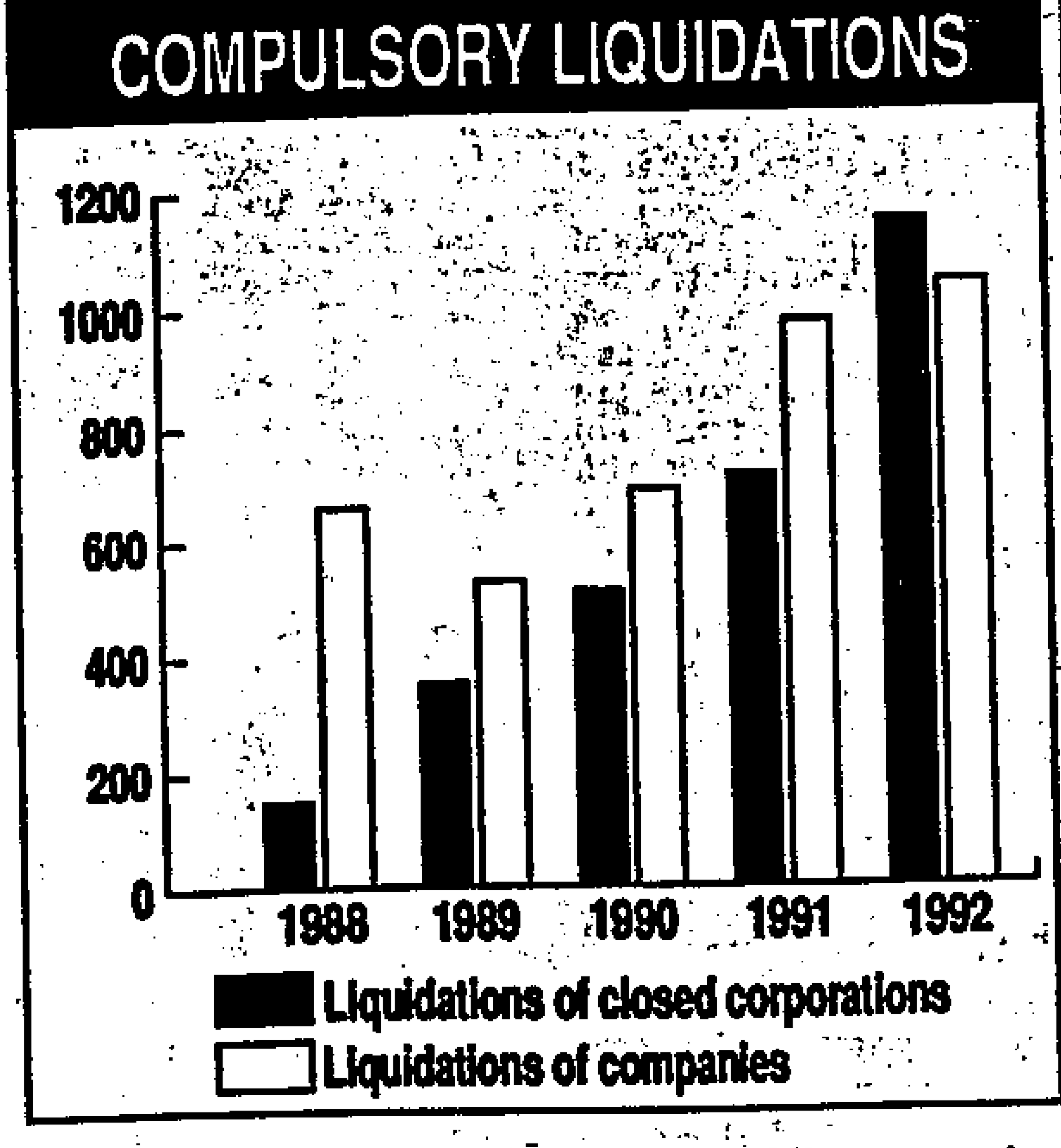
There is some indication that an end to the economic decline might not be far off. Forced liquidations of large companies between 1991 and 1992 rose by only 6,4% from 974 to 1 037. The number rose by 57% from 659 since 1988.

The incidence of voluntary liquidations was much lower for companies, declining by 12% between 1991 and last year. It increased by 188% for close corporations.

Airlines

The virtual lack of incentive to invest resulted in only 119 public companies being registered last year compared with 170 in the previous one.

A similar scenario existed for small companies, 6 252 private firms coming into existence against 6 145 previously.



Registrations of external companies rose to 110 from 77 in 1991, largely because of the increase in the number of foreign airlines.

There was a sharp rise in the authorised share capital of public companies, mainly because of the change in the nature of the South African Forestry company and Denel which added R2,9-billion in capital.

World Bank positive on SA loan

S I Times [Buss] 30/5/93

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Sparks to fly in electricity body

S/Times 30/5/93 [Buss]

(55)

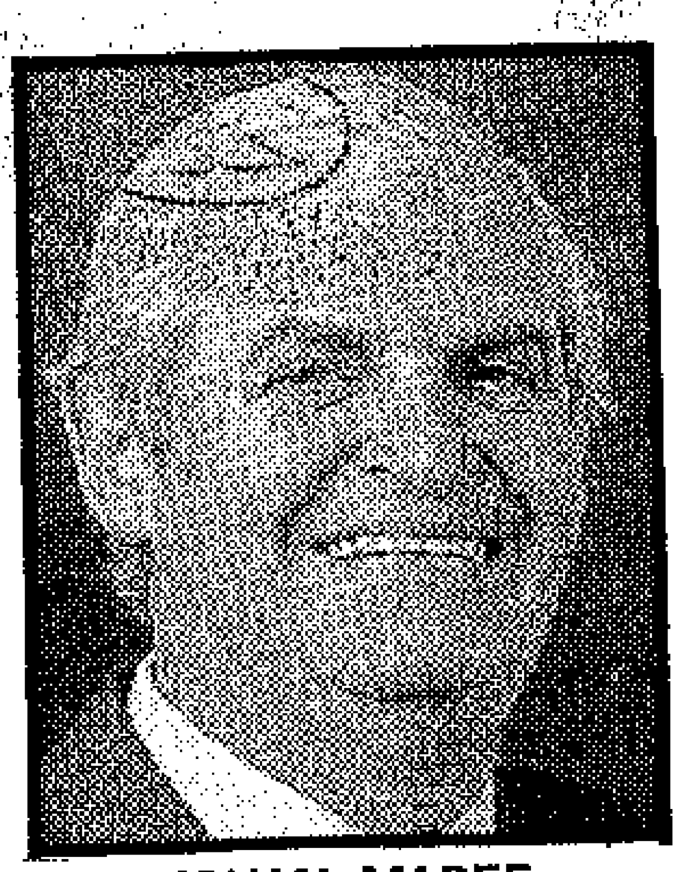
By MICHAEL WANG

THE Electricity Council's new members — they include trade union, township and women's movement representatives for the first time — will not be puppets.

Responding to calls for a more representative council — the 19-member body steers Eskom's policy — care seems to have taken to achieve balanced representation.

It is one of the most influential boards in the country, having access to billions in project financing.

"It is far more representative than before," says Eskom chairman John Maree, himself reappointed to the board. "It opens the possibility of being more reflective about our diversity in the future."



JOHAN MAREE

In anticipation of changes a new government may wish to make, the term of council members has been reduced to two years from three.

But some of the new members have indicated that they will take a hard line.

Gwede Mantashe, National Union of Miners co-ordinator for the Pretoria-Witwatersrand-Vereeniging area, says: "I am not an electricity counsellor. I am a representative of organised labour."

Accordingly, his agenda is twofold: to halt worker layoffs at Eskom and press for the electrification of rural communities to be speeded up.

"We have a growing problem in rapid urbanisation," he says. "By giving power to the rural areas we give people a reason to stay where they are and to contribute to the economy."

Mr Mantashe insists that the reshuffled council is no more representative than before and should be restructured entirely.

Entity

"They have just changed the pawns," he says. "Business maintains a monopoly on the interests of all South Africans."

Dan Mofokeng, Sanco general secretary for the Southern Transvaal, says there is still far to much duplication on the board.

"Why are members from the SA Chamber of Business, the Afrikaanse Handelsinstitut and Spoornet not rolled into one member?" he asks.

Mr Mofokeng stresses that Eskom should curb its intention to operate like a corporate entity.

"Yes, it should recover its costs, but not generate huge profits at the expense of the underprivileged."

Mr Maree has no illusions that a reconstituted board will be business as usual.

"It will be a learning curve for all of us," he says.

He is not prepared to see the board hijacked by special interests.

"Council members must busy themselves with the affairs of Eskom, not with the particular interests of their organisations."

A series of "intensive briefings" may be required to initiate members.

The revamped council is to hold its first meeting June 3.

Last year, Eskom made a profit of R1,5 billion, on which it paid no tax.

Mr Maree, who has fashioned himself as a leader in corporate SA's drive to restructure itself, believes that the appointment of a new council was a "ground-breaking" event that could pave the way for other large corporate concerns to do likewise.

"It could very well change big business in South Africa," he says.

Dropped

The new council: Finance Director-General Gerard Croeser, Eskom's Ian McRae, Sacob's A Dickman, Handelsinstituut's I Lambrechts, Spoornet's B Lessing, engineer J Loubser, Dorbyl's D Mostert, African Bank's A Nkonyeni, Mineral and Energy Affairs' G Venter, National Union of Metalworkers of SA's Bernie Fanaroff, United Municipal Management's S Immelman, SA National Black Consumer Union's Ellen Kuzwayo, Housewives League's N Majija, NUM's Gwede Mantashe, Chamber of Mines' Gary Maude, National Civic's Dan Mofokeng, Eskom Employees Association's Neels Pretorius, SAAU's C van Veijeren and Mr Maree.

Dropped is SABC chairman Christo Viljoen.

Eskom's new deal may expand

DAVID CUMMING 55
Business Staff ARG 29/5/93

THE life assurance industry believes the recently-announced investment instrument through which institutions are able to finance Eskom's electrification drive, could be adapted in the future to allow other forms of socially desirable investment.

These could include the fields of housing, health and education.

"We are looking at a number of projects at the moment," says Life Offices Association spokesman Mr Dorian Wharton-Hood, "and although it would be premature to speak of anything definite, it should be possible to create investment instruments in those fields, providing certain conditions are met."

"One requires two things to get such investments going. The first is an acceptable return and the second is a champion to make it happen.

"In the case of Eskom, everything fitted beautifully.

"Even in a worst-case scenario, the investment offers an acceptable return and also offers the possibility of an extremely attractive return."

The Electrification Participation notes offer a 6 percent fixed-coupon Eskom bond with interest payable twice a year.

"Eskom guarantees a return of no less than 11,98 percent, but it is also linked to a warrant which offers a variable element based on 30 percent of the turnover generated by the electrification drive.

Mr Wharton Hood says there are difficulties associated with other areas, where the fit is perhaps not as perfect as is the case with the electrification drive, but these need not be impossible to overcome. "In the field of education, for instance, it would depend very much on the government's attitude. If they were prepared to guarantee market rates, I believe some arrangement could be made."

The principle of such investments has gained wide acceptance. Not only did they free available money to meet urgent social needs, but they would tend to discourage a future government from reintroducing unpopular prescribed investments on which the return was widely perceived as being totally inadequate.

The rate of return is an important element, since the life offices are obliged to invest policyholders' money in a responsible manner.

In the case of the Eskom scheme, the minimum rate of return is seen as quite acceptable, while there is a possibility that the variable component could see it even outperform some equity investments.

Industry sources say they are encouraged that veteran financial innovator Mr Louis Shill is now at the helm in the housing field.

They feel there is every chance he could persuade the government to back a similar scheme in housing.

They say some of the attractive features of the Eskom scheme are that the giant utility will be electrifying existing houses and that it covers a wide field, both in urban and rural areas and for various income groups.

Using devices like "smart cards" for payment also will guarantee that the funds will be collected and that the return therefore is not threatened.

'Policy on fuel is load of codswollop'

DI CAELERS [redacted] (65) [redacted]
Weekend Argus Reporter

NEWS of the continued regulation of South Africa's petroleum industry has met with conflicting reactions: The Motor Industries Federation claims it will protect motorists against price manipulation, but long-time deregulation activist Mr Raymond Ackerman says that's "a load of codswollop" and that the bottom line is the protection of monopolies and vested interests.

Speaking after the release of the report, Mr Vic Fourie, executive director of the MIF, said: "Maintaining a regulated fuel distribution industry means that motorists will be protected against the manipulation both of price and supply of fuel, and the jobs of 50 000 forecourt attendants will be assured for the immediate future."

Filling station operators countrywide, he said, were relieved and pleased that the Cabinet decision was to maintain regulatory measures for the time being.

But, Mr Ackerman said he believed deregulation would eventually happen and that the decision was simply a lack of decisiveness at a critical time.

"I have no objection to protecting Sasol because the country has put a lot of money into it. But, that can easily be circumvented by making sure that everyone has Sasol at every pump. ARCG 29/5/93

In a statement, Mr Fourie rejected the claim that deregulation would bring down the pump price of fuel.

Deregulation by the government would lead only to "reregulation" by the major oil companies. The conglomerates already had geared themselves to it by moving more and more of the fuel to sites under their control.

(55) (183) CT 29/5/93

Taxpayers paying millions in subsidies

By BARRY STREEK
Political Staff

THE wraps were taken off South Africa's R23 billion-a-year oil industry yesterday — including the disclosure that taxpayers and motorists are forking out a whopping R1 524 million in subsidies for synthetic fuel.

Details about the oil industry were disclosed for the first time in Parliament yesterday when the Mineral and Energy Affairs vote was debated.

Meanwhile, Zambia's deputy Energy Minister Colonel Patrick Kafumukache yesterday announced it would import refined petroleum products from South Africa and supplies had already started to arrive in the country.

Among the shocks to South African consumers was a statement by the Democratic Party's energy spokesman, Mr Geoff Engel, that R742m alone was being paid in subsidies to Sasol — and this accounted for more than 63% of its profits.

He also disclosed that Engen would not exercise its 30% share option in Mossgas and would withdraw from its management. Engen has managed Mossgas since 1989.

The Central Energy Fund would now have to supply all the funds and had raised R2,4bn in foreign loans for this purpose.

Mr Engel told Parliament that Mineral and Energy Affairs Minister Mr George Bartlett was sitting "on top of a national scandal" as the National Party's quest for energy self-sufficiency had cost the country "billions of rands".

Mr Engel said taxpayers and motorists were paying R330m a year to Mossgas, R742m to Sasol, R359,5m to the Atomic Energy Corporation and R92,5m for redemption of loans and interest.

During yesterday's debate, Mr Bartlett said:

- The Mossgas synthetic fuel project had made money so far this year, but had not reached a commercial level of profitability.
- Mossgas would sell 1 900 megalitres of fuel a year worth about R2bn.
- The cabinet had decided that regulatory measures in the oil industry would remain unchanged for the time being.
- Locally-refined product requirement last year was 19 billion litres, equivalent to about 330 000 barrels per day.
- Sasol's synthetic fuel sales last year were 5 700 megalitres, worth R7bn.
- South Africa's four oil refineries will have a joint capacity by 1995 of 450 000 barrels a day.

Mr Bartlett also said secrecy would remain in force over sources, shipping, procurement tactics and strategic reserves.

'South Africa researched hydrogen bomb'

South 29/5 - 2/6/93

PRESIDENT FW de Klerk still has nuclear skeletons in his cupboard, says the ANC.

But the state president's office remains adamant that De Klerk has nothing to add to his admission earlier this year that the South African government had manufactured six atom bombs.

Mr Keith Gottschalk of the ANC's Science and Technology Policy Department, has claimed that the South African government researched the possibility of manufacturing either a hydrogen bomb, or a triple-stage fission-fusion-fission bomb.

Gottschalk describes these bombs as "10 to 100 times more powerful than atom bombs".

In March this year De Klerk publicly admitted that during the seventies the South African government had manufactured six atom bombs — devices similar in strength to those which devastated the Japanese cities of Hiroshima and Nagasaki at the end of World War II. (SS)

The state president's press secretary, Mr Casper Venter, replied that "this office has nothing to add to what the state president said in regard to South Africa's nuclear programme in his statements in parliament on 24 March 1993"

The ANC's accusations were made on the basis of press reports that the Israeli government had sent 30 grams of tritium to the South African government in 1977 or 1978. Tritium is a radioactive form of hydrogen necessary in the manufacture of a hydrogen bomb.

Justin Pearce

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South Africa's fuel production equals a R7 5 billion foreign exchange saving

State wants to keep secrecy on oil

SS ARG 29/5/93

■ Lifting the veil on South Africa's oil remains a delicate matter. But, would the quality of petrol, jobs and small business suffer under the spotlight?

REGULATIONS on the petroleum industry should stay, a Department of Mineral and Energy Affairs report, "Government's Involvement in the Oil Industry", advised Parliament yesterday.

Deregulation would affect employment, small business, the viability of the Synfuel industry and investment by the oil industry.

The report said a full, informed debate on the industry could not take place while the veil of secrecy over the industry remained in place.

Much information had been declassified, but sources of supply, crude-oil volumes and shipping should remain a classified secret until the oil boycott had been lifted officially by the UN and the Arab oil-producing countries.

However, the department recommended that the basis of Transnet's tariffs should be more transparent.

The industry saved the country about R7,5 billion a year in foreign exchange through the SA oil refinery and Synfuel production.

"It is therefore recommended that the current regulatory measures be retained for the time being," said the report. This included import control.

The departments added that withdrawal of import control would have a negative impact on refinery investments and could lead to closures, jeopardise the present marketing arrangements of Synfuel products, and have a negative effect on the service-station industry and the supply and quality of products to consumers.

In view of the impact of credit on wholesale and retail sales, the withdrawal of the prohibition on credit sales was not desireable.

Sasol would lose money on its Synfuel production if its protection was withdrawn.

The department said: "Government also will be in breach of its undertaking to keep protection in place until at least January 1 1996."

Synlevy and compensation payments to the oil industry should continue until they could be phased out in line with market growth.

The future of Sasol would be discussed once the Auditor-General's report on its viability had been submitted.

Self-service at service stations should remain prohibited because its introduction would be expensive and lead to job losses.

But, Mr Rogert Hulley (DP Constantia) said South Africa's oil and fuel industry should be systematically deregulated in phases.

He was speaking during the Mineral and Energy Affairs Vote.

Mr Hulley added that deregulation would lead naturally to increased competition and to lower pump prices for the consumer.

"Firstly, the Ratplan — which regulates the number, allocation and siting of service stations — should be scrapped in stages starting with the urban areas and moving to smaller rural communities. The market should determine the viable location of outlets.

The minimum price of petrol then should be deregulated subject to the initial retention of a ceiling price and a prohibition of cross-subsidisation of oil and fuel products by non-industry entrepreneurs.

"I believe this step would bring an average benefit of about 10 cents a litre in most major urban areas to South Africa's hard-pressed consumers."

Mr Hulley added that the secrecy which restricted the flow of commercial information on the oil and fuel industries should be scrapped.

The introduction of self-service facilities at service stations should be delayed until an upturn in the economy to retain the 50 000 jobs sustained by the industry.

Mr Hulley said doubts about the viability of the Mossgass project remained. Engen had the option of acquiring 30 percent of the holding company for R1,447 billion by September, but if it failed to do so this would be the final verdict on the viability of the project.

The entire country could have been electrified, with the creation of about one million jobs, with the R12 billion spent to date on Mossgass. — Sapa.

Bartlett lifts corner of veil of secrecy over oil industry

55 CT 28/5/93

Political Staff

SOUTH African oil companies are implementing a four-year, R6,5 billion investment programme that will almost double the national output of petrol to 645 000 barrels a day, Mr George Bartlett, Minister of Mineral and Energy Affairs, announced today.

In the face of a failed United Nations oil embargo against South Africa, the oil industry has been one of the most closed aspects of the economy.

However, the Cabinet has now decided to ease some of the secrecy around oil. A few details were provided in Mr Bartlett's parliamentary speech on his budget vote, and in a 32-page report he tabled in parliament on the government's involvement in the oil industry.

Mr Bartlett revealed that from 1992 to 1995, oil companies would invest R6,5 billion in refinery, retailing and other expansion.

At the end of 1995, the Caltex, Engen, Total, Shell and BP refineries would produce 450 000 barrels of petrol a day. The two Shell/BP and Engen refineries in Durban will produce 40 percent of South Africa's petrol.

On top of this, Sasol produced 150 000 barrels a day and Mossgas 45 000 barrels a day.

South Africa's oil industry last year had a turnover of R23 billion — about seven percent of the Gross Domestic Product — and directly employed 111 000 people, including 45 000 pump attendants. Another 46 000 people were employed in the synthetic fuel and refinery industries.

The oil industry produced 330 000 barrels of petrol a day.

Part of the reason for shedding light on the oil industry was that the government wanted a wider debate on deregulating the petrol price.

Eskom 'second cheapest power in the world'

CT 27/5/93 (SS)

Own Correspondent

DURBAN. — South Africa has the second cheapest domestic and industrial electricity in the world — beaten only by New Zealand — and Eskom was doing "everything possible" to beat its only rival.

This was said in Durban yesterday by electricity council chairman John Maree, announcing the newly reconstituted electricity council.

Maree said the new council, with representation from consumer bodies, industry, mining, business, commerce, agriculture and workers, was "a first for South Africa and a model of how South African businesses will have to be run in the future".

Eskom was also the supplier with the fourth largest capacity and sales, and its plants had the lowest emissions of sulphur dioxide worldwide, he said.

Addressing members of local authorities, municipalities and civic organisations, Maree said Eskom was "on track" to its target of five million new connections by 1997.

The number of direct Eskom customers increased from 278 033 in 1991 to 541 866 in 1992.

This was as a result of the connection of new customers, the electrification of new houses and the transfer of existing customers from local authorities to Eskom.

He said consumers had saved more than R4bn as a result of an Eskom programme to keep tariff increases below the rate of inflation.

This saving would increase to R10bn by 1996, an amount which would equal the current GNP of Tanzania and Zambia and four times that of Lesotho.

Petrol 'too cheap in the PWV'

PRETORIA — PWV motorists paid nearly 4c/l too little for 93 octane petrol in April, according to a Mineral and Energy Affairs statement.

During the last six months underrecoveries have varied between 6c/l and 10c/l. In March it was 8,540c/l.

The underrecovery on diesel in April amounted to 4,839c/l.

During the previous five months underrecoveries fluctuated between 8,840c/l and 11,650c/l.

The average landed cost in April for 93 octane petrol increased by 1,355c/l to 54,637c/l while the underrecovery in April was 3,795c/l.

The delivery cost element in the petrol and diesel price structure was increased by 0,2c/l to 3,5c/l with no accompanying increase in the pump price of petrol or the wholesale diesel price.

GERALD REILLY

This compensated fuel marketers for storage and handling costs and distribution costs from depots to filling stations.

BIDay 27/5/93.

A Mineral and Energy Affairs Department source said the equalisation fund was strong enough to hold the price of fuel at current levels for the next three months, unless there was a dramatic change in costs.

Mineral and Energy Affairs Minister George Bartlett said towards the end of last year it was a softer blow to the economy if price rises were more closely spaced rather than substantial price hikes at longer intervals.

The price of 93 octane in the PWV was increased by 16c/l on April 2, taking the price to 175c/l.

Star 26/5/93

Pik on oil mission to Egypt

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CAIRO — South African Foreign Minister Pik Botha held talks in Cairo yesterday in the latest stage of a campaign to deal directly with Middle East oil suppliers after years of isolation caused by apartheid.

"Now that apartheid has gone, the gates are wide open for us," said Botha after meeting Egyptian Foreign Minister Amr Moussa and touring the pyramids at Giza.

Economists said South Africa was trying to profit from the gradual end to its racist politics by dealing directly with oil suppliers in the Middle East and seeking new markets for exports.

Industry sources say countries such as Egypt and Oman have sold crude oil to South Africa for years despite a UN embargo. But the sales have taken place through independent traders and Pretoria has had to pay a premium.

South Africa has also been unable to export goods to the Middle East to offset the cost of importing oil from the area, which economists estimate at between $500 million and $1 billion a year.

Botha would not comment directly on oil ties, but said a recent South African trade fair in the Gulf had yielded contracts worth $225 million for South African firms.

Botha visited Oman and Qatar, two important oil producers in the Gulf, last month. Delegations from the United Arab Emirates, Bahrain, Tunisia and Jordan have been to South Africa.

South African businessmen visited Egypt and Gulf countries last year and South African banks have opened links with banks in Egypt, the UAE and Bahrain.

An industry source said South Africa was Egypt's second largest oil market after Israel and could account for up to 60 000 barrels per day (bpd) of Egypt's 250 000 bpd total exports.

Botha said South Africa was looking to promote trade in all areas, naming agriculture, technology transfer and industrial goods.

South African defence manufacturers are also interested in Gulf Arab states, practically the only major expanding arms market. — Sapa-Reuter.

Harare runs out of burial space

BIDM 25/5/93

MICHAEL HARTNACK

HARARE — A crisis is looming for African traditional culture following the Harare City Council's warning that it is running out of graveyard space and cremations may soon become compulsory.

"We fear what might happen later. The spirit of the dead person may come back and punish us for cremating the body," a traditional healer from the Nkayi area of central Zimbabwe, Rosemary Mazorodze, said in reaction to the council's announcement yesterday.

Four of the capital's seven cemeteries are full and three others are close to capacity, while the government delays acting on city council demands for commercial farms to be expropriated in the Mount Hampden area for new burial plots.

Deliberately burning the body of a relative is "unheard of" in African culture, said Mazorodze.

"There are some rituals which have to be carried out on a person's grave. We cannot perform such rituals on a tiny grave, or over ashes."

Two years ago the city's medical chief warned that a crisis was inevitable in the late '90s due to the projected death toll from AIDS.

Farmers bitter at the compulsory purchase of their land for peasant resettlement are even more resistant to seeing flourishing fields of maize and tobacco turned into a sterile area of mounds and tombstones.

Burial plots cost up to R205 each.

Delay 'likely' in oil deregulation

BIDM 25/5/93 55

CAPE TOWN — As SA waits for the release of a government study on the merits of deregulating the oil industry, analysts predict no major action is likely until 1996.

Mineral and Energy Affairs Minister George Bartlett said recently the report had been completed and would be released shortly. Industry sources expect it within a week.

Analysts did not expect any major changes until at least January 1996, when warranties on the tariff protection given to Sasol 3 lapse.

"But what we can expect is some relaxation of the secrecy surrounding the whole industry because of the UN oil embargo," said one.

This could be eased as early as June, depending on when the proposed transitional executive council was set up, he said.

Although the ANC has said it would accept the lifting of most financial sanctions on SA once the transitional council system was established and a date for elections was announced, it wanted embargoes on oil and arms supplies to be retained until a democratic government was installed.

The Petroleum Products Act restricts publication of information on the source and price of SA oil supplies. However, oil companies believe amendments to the Act could lead to better-informed public debate on the whole issue of deregulation.

Deregulation in respect of oil supplies was a "somewhat trickier issue", said an analyst. "The main considerations are likely to be the effect on the synthetic fuel producer, Sasol, and on the already strained balance of payments, of allowing a free-for-all on oil imports."

The regulations governing the industry have come under increasing attack from businessmen such as Pick 'n Pay chairman Raymond Ackerman, who has said that if retail pump prices were deregulated, he would be able to cut fuel prices by 6c/l-7c/l at his hypermarkets.

But analysts warned that the ensuing price war could lead to the loss of up to 50 000 jobs at petrol stations around the country.

Small operators would not be able to cross-subsidise their fuel sales with non-fuel sales and would be forced to cut back on staff or close.

There was also a fear, said one, that deregulating fuel prices could prompt some service station owners, especially in rural areas with no access to hypermarkets, to "charge what the market can bear, thus pushing up fuel prices in less developed areas". — Reuter.

Pact reinforces links with Zambia

BIDM 25/5/93

DURBAN — The signing of the "twinning" agreement between Umgeni Water and Lusaka Water & Sewerage yesterday was the latest sign of increasing contact between SA and Zambia.

Umgeni Water CE Graham Atkinson said the twinning "signals the start of an agreement between the two undertakings to exchange information and staff".

The agreement preceded the opening of the Water Institute of Southern Africa conference, which attracted a number of international experts.

"The staff from the Zambian company will be receiving in-house training at some of Umgeni's plants, and some of Umgeni's staff will be contracted to the Zambian company to lend expertise while training staff," Atkinson said.

The pact also involved development of laboratory services, computerised billing and customer service.

Atkinson believed Umgeni Water would be able to contribute to Lusaka Water because Umgeni had been recognised as "a leader in the field of water management and especially the supply of water to rural areas, where the drought has been severe".

Lusaka Water MD Jeff Hendrich said he hoped this would be the first of many mutual agreements. — Sapa.

Kitchen fraud burning buyers

BIDM 25/5/93

TRACY SCHNEIDER

GULLIBLE home owners were losing up to R6m a year to fly-by-night kitchen manufacturers, industry sources said recently.

Kitchen Specialist Association (KSA) chairman Martin Macphail said the incidence of fraud among kitchen manufacturers had reached "epidemic proportions". Losses to unsuspecting customers were estimated at R500 000 a month.

"The situation is difficult to control. All we can do is make customers aware that they should deal with a reputable company," said Macphail.

He said one trader had opened under five different names, taking R100 000 in deposits with him each time. Individual customers had lost up to R30 000.

Many incidents were not brought to the KSA's attention and deregulation of the industry had allowed the problem to grow to the point "of disaster".

However, the KSA was considering asking the Business Practices Committee to approve its code of conduct, thereby making any contravention of the code a harmful business practice.

Under the new constitution, members were bound to conform to a strict code of ethics governing design, manufacturing, installation and service standards.

Macphail said the total market turnover was estimated at R175m a year, with 80% of this from the PWV region.

The industry had done better than expected for the first quarter because there had been a move towards home improvement and renovations.

ENERGY — 1992

JULY — DEC.

Cabinet increases petrol profit margins

GERALD REILLY

PRETORIA — Cabinet has approved an increase of 4c/l in the wholesale profit margin on fuel and 2,1c/l in the profit margin of retailers from today.

While the increases are being borne by the Equalisation Fund, experts predicted yesterday that they would add to pressure on the retail fuel price.

A Mineral and Energy Affairs Department spokesman said there would be no need to raise fuel prices "at this point in time".

He said the fund was strengthened by reasonably low international product prices during the first half of the year.

Other costs being financed by the fund were the 2c/l increase in the Multilateral Motor Vehicle Accident Fund levy and the 1,6c/l on diesel sales which came into operation on April 1.

Industry sources pointed out that when the May underrecovery of 4c/l was added to the latest wholesale and retail margin increases, "it cannot be long" before the fund's resources would have to be protected by a fuel price increase.

The spokesman said the fund would probably be able to contain costs in the fuel price structures "for the time being".

B/Day 1/7/92

The increased margins give wholesalers 13,558c/l on 93-octane fuel sold in the PWV region, and retailers 15,1c/l.

The Cabinet was aware the service station industry was functioning under extreme pressure to remain viable, the spokesman said.

The Motor Industries' Federation said that while the increase in retail margins would go some way towards offsetting spiralling costs, smaller filling stations would still under-recover slightly on gross margin.

Dumping case may determine prices

JONO WATERS

URANIUM prices were set to remain around the $8/lb level until the final determination of the Commonwealth of Independent States' dumping case was made on August 11, SA Nuclear Fuels Corporation spokesman Charles Scorer said this week.

He said current opinion suggested that buyers had purchased forward requirements ahead of the preliminary hearing into the dumping of uranium on US markets by six commonwealth republics and as a result demand was expected to remain low.

The US commerce department issued its preliminary determination in the dumping case in late May saying that uranium had been sold "at less than fair value" in the US by the republics of Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Ukraine and Uzbekistan. BDay 1/7/92

A dumping duty of 115,82% was to be deposited on uranium imports from the republics, pushing up the price by about $11/lb.

Scorer said buyers had feared price increases after the hearing and as a result had bought forward.

Therefore, demand was expected to remain low for the next few months until the final determination on August 11, (which could be extended by up to 60 days).

Last November, a group of US uranium producers filed an anti-dumping petition because commonwealth imports of natural and enriched uranium to the US had increased 12 times between 1989 and 1990.

(55)

The commonwealth had increased its market share from 0,8% to more than 17%.

Most SA uranium is sold on a 10-year contract basis by the gold and uranium divisions of Anglo American, Anglovaal, Genmin and JCI and sustained low prices will affect the long-term contract prices — currently about double the free market levels.

Fuel margins up but prices unchanged

STar 11/7/92

Finance Staff 55

The wholesale margin on fuel will be increased by 4c a litre and the retail margin by 2,1c a litre with immediate effect, the Department of Mineral and Energy Affairs announced yesterday.

The increased wholesale margin for 93 Octane fuel in the PWV area now stands at 13,558c/l (8,92 percent of the total price) and the retail margin at 15,1c/l (9,934 percent).

Product prices

These increases will be financed by the Equalisation Fund and will thus not result in any fuel price increase to consumers at present.

"The benefits of reasonably low international product prices during the first half this year contributed to the strengthening of the Equalisation Fund to allow financing of the announced margin increases."

Other cost factors that are being financed by the Fund are 2c/l to the Multilateral Motor Vehicles Accidents Fund and 1,6c/l on diesel sales.

13 (Day) 2/7/92

Swaziland buys power

THE Swaziland Electricity Board said in Mbabane yesterday that because of the drought, more than 90% of the country's electric power was being imported from Eskom in SA. The board would pay Eskom R50m this year.

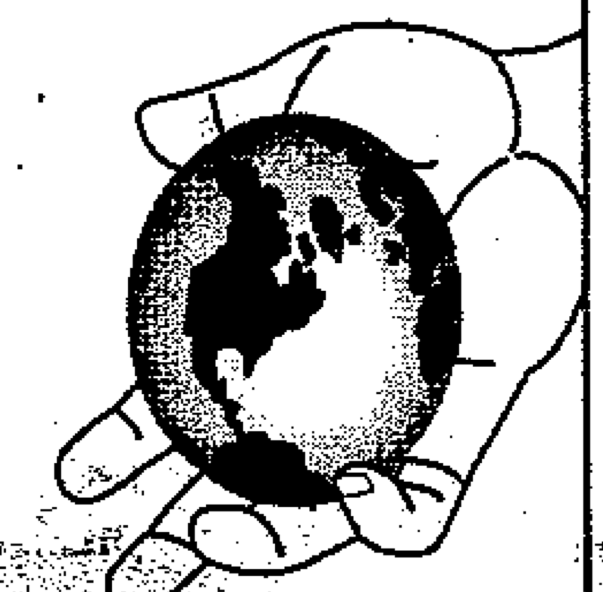
(55)

Charity begins at home

Sowetan 3/7/92 (55)

ROOTS

AN ENVIRONMENTAL COLUMN



By MUSA ZONDI

IF you know the fog and the mist that covers Van Reenen Pass like a large white woollen coat, you would begin to understand what happens in Soweto during winter.

As you approach the township - if you are coming from the Bara route - then turn towards Crossroads, your troubles begin.

It's White City on the left and on the right if Mofolo South. As you approach Crossroads, you feel tempted to turn on your bright lights. This becomes worse as you near Mshenguville.

This is the heart of Soweto. In this area it is almost impossible to see the street lights and many accidents occur. Putting on the bright lights gives you the same effect as when you do the same at Van Reenen Pass.

This does not affect Soweto only. It is the same story in East Rand townships.

Why is it that when this country boasts it can provide electricity for the rest of Africa, it cannot even provide for people in this country? People are forced to use coal stoves. Dr Ngakane points out in the documentary Living in the City that there are many cases of chest problems and lung diseases in these areas.

In some cases people suffocate to death through the use of imbawula - heater. But right in the middle of Soweto there is a huge power station. Other than just spewing smoke and smog, the owners of this power supply should think of supplying these shacks with electricity. The people choke on the smoke but few get the benefit of the power.

In some cases people have electricity but a number cannot afford to pay for it. It is not enough just hooking up cables and then claiming people have electricity. It is also important that the price is affordable.

South Africa has a lot to offer the rest of the continent. But surely, charity must begin at home.

● On the subject of energy, a new product which has just been introduced in this country, promises an answer to those people who do not have electricity. Called Mbaula, it is a heater and stove combined and burns almost anything including wood, mealie cobs, paper, charcoal and cow dung.

With drought gripping the country at the moment, a lot of dry plants can be used.

(2) Indien sodanige erf, standplaas, perseel of ander terrein deur meer as een verbruiker geokkupeer word, is die heffing genoem in item 1 deur elke verruiker betaalbaar.

2. Vorderings vir die voorsiening van elektrisiteit, per maand:

(1) Huishoudelike verbruikers, kerke en instansies nie elders verneld nie:

(a) Vir 300 kWh per kWh: 22c.

(b) Van 301–1 000 kWh: 15,95c.

(c) Bo 1 000 kWh per kWh: 19,8c.

(d) Minimum vordering per maand: R25,00.

(2) Besighede, Transnet en Departement van Pos- en Telekommunikasie:

(a) Vir 400 kWh per kWh: 22c.

(b) Van 401–1 000 kWh: 16,5.

(c) Van 1 001–1 500 per kWh: 17,6c.

(d) Bo 1 500 kWh per kWh: 19,8c.

(e) Aanvraagsheffing, per kVA (waar van toepassing): R25,45.

(f) Minimum vordering per maand: R78,00.

(3) Werkswinkels en waterpompe:

(a) Vir 300 kWh per kWh: 22c.

(b) Bo 301 kWh per kWh: 17,6.

(c) Aanvraagsheffing, per kVA (waar van toepassing): R22,45.

(d) Minimum vordering per maand: R48,00.

(4) Industriële verbruikers:

(a) Vir 400 kWh per kWh: 22c.

(b) Bo 400 kWh per kWh: 18,7c.

(c) Aanvraagsheffing per kVA (waar van toepassing): R25,45.

(d) Minimum vordering per maand: R250,00.

(5) Skole.

(a) Vir 300 kWh per kWh: 20c.

(b) Bo 400 kWh per kWh: 18c.

(c) Minimum vordering per maand: R25,00.

3. Aansluitingsgelde:

Alle oorspronklike aansoeke, op versoek van die verbruiker, vanaf die komitee se hoof-elektriesetoevoergeleiding tot by die verbruiker se aansluitingspunt, word deur die komitee, op koste van sodanige verbruiker verrig teen werklike koste plus 10% administrasie koste.

4. Heraansluiting by wanbetaling:

(1) Indien die diens opgeskort word weens wanbetaling, sal die heraansluitingsgelde R80,00 beloop, asook 'n verhoging van die deposito teen R100,00 vir huisverbruikers en R300,00 vir alle ander verbruikers.

(2) Vir die heraflees van 'n meter waar die lesing deur die verbruiker betwis word: R30,00: Met dien verstande dat die bedrag terugbetaalbaar is as die lesing foutief is.

(2) If such erf, stand, lot or other area is occupied by more than one consumer, the basic charge contemplated in subsection 1 shall be payable by each consumer. SS

2. Charges for the supply of electricity per month:

(1) Domestic consumers, Churches and Institutions not mentioned elsewhere:

(a) For 300 kWh per kWh: 22c.

(b) From 301–1 000 kWh: 15,95c.

(c) Above 1 000 kWh per kWh: 19,8c.

(d) Minimum charge per month: R25,00.

(2) Business consumers, Transnet and Department of Posts and Telecommunications:

(a) For 400 kWh per kWh: 22c.

(b) From 401–1 000 kWh: 16,5.

(c) From 1 001–1 500 per kWh: 17,6c.

(d) Above 1 500 kWh per kWh: 19,8c.

(e) Demand charge, per kVA (where applicable): R25,45.

(f) Minimum charge per month:: R78,00.

(3) Workshops and water pumps:

(a) For 300 kWh per kWh: 22c.

(b) Above 301 kWh per kWh: 17,6.

(c) Demand charge, per kVA (where applicable): R25,45.

(d) Minimum charge per month: R48,00.

(4) Industrial consumers:

(a) For 400 kWh per kWh: 22c.

(b) Above 400 kWh per kWh: 18,7c.

(c) Demand charge per KVA (where applicable): R25,45.

(d) Minimum charge per month: R250,00.

(5) Schools.

(a) For 300 kWh per kWh: 20c.

(b) Above 400 kWh per kWh: 18c.

(c) Minimum charge per month: R25,00.

3. Connection charges:

All original connections, on request of the consumer, from the committee's main electrical supply to the consumer's point of connection, are performed by the committee at the cost of the consumer, calculated at actual cost plus 10 % administration fee.

4. Charges for the reinstatement of services after non-payment:

(1) For the re-connection of the electricity supply after the supply has been disconnected due to non-payment the charges will be R80,00 plus an additional deposit of R100,00 for home owners and R300,00 for all other consumers.

(2) For re-reading of a meter where the consumer disputes the first reading: R30,00: Provide that the first reading is a fault, this amount will be refunded.

(3) Vir die aflees van meter en die heraanskakel van die stroom waar 'n nuwe verbruikersooreenkoms gesluit word: R10,00.

(4) Vir die installering van 'n toetsmeter op die verbruikers se versoek: R30,00. Hierdie bedrag is terug betaalbaar indien die oorspronklike meter meer as 5 % foutief bevind word.

J. J. PARSONS,
Sekretaris.

Posbus 58
ROEDTAN
0580.

(3) For the reading of the meter and the re-connection of the electricity supply where a new consumers-agreement is signed: R10,00.

(4) For the installation of testing meter on request of the consumer: R30,00: Provided that this amount will be refunded if the meter is at fault by more than 5 %.

J. J. PARSONS, (55)
Secretary.

P.O. Box 58
ROEDTAN
0580.

DEPARTEMENT VAN FINANSIES

No. R. 1800 **3 Julie 1992**

DOEANE- EN AKSYNSWET, 1964

WYSIGING VAN BYLAE No. 1 (No. 1/4/127)

Kragtens artikel 48 van die Doeane- en Aksynswet, 1964, word Deel 4 van Bylae No. 1 by genoemde Wet hiermee gewysig in die mate in die Bylae hiervan aangetoon.

J. A. VAN WYK,
Adjunkminister van Finansies.

DEPARTMENT OF FINANCE

No. R. 1800 **3 July 1992**

CUSTOMS AND EXCISE ACT, 1964

AMENDMENT OF SCHEDULE No. 1 (No. 1/4/127)

Under section 48 of the Customs and Excise Act, 1964, Part 4 of Schedule No. 1 to the said Act is hereby amended to the extent set out in the Schedule hereto.

J. A. VAN WYK,
Deputy Minister of Finance.

BYLAE

I	II			III	Annotasies
Bobelastingitem	Tariefpos	Bobelastingkode	Beskrywing	Skaal van Bobelasting	
170.00			Deur bobelastingkode 02.00 by tariefpost No. 49.00 deur die volgende te vervang:		
		"02.00	Goedere van poste Nos. 49.02 (uitgesonderd subposte Nos. 4902.10.05 en 4902.90.05) en 49.10	15%"	

Opmerking.—Die uitwerking van hierdie wysiging is dat kinderprente-, -teken- of -inkleurboeke van tariefpos No. 49.03 vrygestel word van die betaling van bobelasting.

SCHEDULE

I	II			III	Annotations
Surcharge Item	Tariff Heading	Surcharge Code	Description	Rate of Surcharge	
170.00			By the substitution for surcharge code 02.00 to tariff heading No. 49.00 of the following:		
		"02.00	Goods of headings Nos. 49.02 (excluding subheadings Nos. 4902.10.05 and 4902.90.05) and 49.10	15%"	

Note.—The effect of this amendment is that children's picture, drawing or colouring books of tariff heading No. 49.03 are exempted from payment of surcharge.

No. R. 1801 **3 Julie 1992**

DOEANE- EN AKSYNSWET, 1964

WYSIGING VAN BYLAE No. 1 (No. 1/1/485)

Kragtens artikel 48 van die Doeane- en Aksynswet, 1964, word Deel 1 van Bylae No. 1 by genoemde Wet hiermee gewysig in die mate in die Bylae hiervan aangetoon.

J. A. VAN WYK,
Adjunkminister van Finansies.

No. R. 1801 **3 July 1992**

CUSTOMS AND EXCISE ACT, 1964

AMENDMENT OF SCHEDULE No. 1 (No. 1/1/485)

Under section 48 of the Customs and Excise Act, 1964, Part 1 of Schedule No. 1 to the said Act is hereby amended to the extent set out in the Schedule hereto.

J. A. VAN WYK,
Deputy Minister of Finance.

Eskom sees the light

■ESKOM saw the light this week and agreed to halt all retrenchments and restructuring plans until it negotiates with unions and also agreed not to carry out any privatisation exercises.

Instead, the company will set up a negotiating forum for the industry along with the three unions in the sector at a summit to be held "as soon as possible". W/Mail 3/7-9/7/92

Workers picketed the company's Megawatt Park headquarters during the six-hour meeting where the agreement was being sculpted. SS

R32-million project to light up Sun Valley

By EVE VOSLOO (55)

A R32-million project which will be able to supply electricity to 11 000 consumers is underway to cater for future development in the Sun Valley, Kommetjie, Ocean View and Noordhoek areas.

A city council spokesman said this week that it had become necessary to establish a new main electrical sub-station in Buller Louw Drive, Sun Valley, to provide for new demand and to relieve pressure on the Clovelly main sub-station.

High voltage underground cables are to be laid from Steenberg via Clovelly to Sun Valley.

Various potential routes were considered with the help of Eskom and a final route approved by the Fish Hoek Municipality, the Western Cape Regional Services Council and the Silvermine Nature Reserve Advisory Board after a report had been submitted by the Environmental Evaluation Unit of the University of Cape Town.

Work has already started on the project. A spokesman said contractors were on site and had started preliminary work — but that this had been delayed by bad weather. Residents along the route who will be affected by digging for laying of cables and other construction will be notified about 10 days before work starts in their area. (Cape Metro) S Times 5/7/92

The work is to be done by Power Installations, which has a site office in Clovelly ☎ 782 6462.

The project should be finished by April 1993.

Inkatha's plans for the poor in Cape

S Times

Sunday Times Reporter

(Cape Metro) 5/7/92

THE Inkatha Freedom Party is planning a series of social upliftment schemes among the Western Cape's more impoverished communities.

They have already begun a major fundraising drive, running competitions and appealing directly to companies, to finance these projects, an IFP spokesperson said this week.

The projects include a series of programmes such as Street Urchins Pads (SUPS), which plans to purchase and renovate old houses to house and feed street children.

Maningi Bokkisi is planned as a Section 21 company, with which they hope to harness the knitting and crocheting skills of black women, which will then be collectively marketed on behalf of the women involved.

They also hope to finance ablution blocks in squatter camps.

Pick 'n Pay could drop price by 8c a litre

Secret fuel deal outcry

S1 Times [Buss] 5/7/92 (55)

By KEVIN DAVIE

PICK 'N PAY's Raymond Ackerman has fired a broadside at the Government and the oil industry over a secret agreement about to be signed to regulate fuel distribution for another four years.

The agreement, known in the industry as the Ratplan, is a three-way deal among the oil companies, service station operators and the Government. Mr Ackerman says: "Regulation has made oil companies extremely wealthy and consumers poor. Protection is there to benefit the big companies."

If the Government allowed it, Pick 'n Pay would drop petrol prices "tomorrow" by between 6c and 8c a litre.

The Government raised retail and wholesale margins this week by 2,1c/l and 4c/l respectively.

They bring the retail margin of 93 octane to 15,1c/l and the wholesale one to 13,5/l.

The National Energy Council's Lourens van den Berg confirms that the new version of the agreement, which dates back 30 years, will extend it by another four years. He says the agreement awaits the consideration of Mineral and Energy Affairs Minister George Bartlett.

Mr Van den Berg declined to make a copy available, saying it was a contract between the three parties.

Mr Ackerman says he was led to believe that deregulation of SA's highly controlled fuel industry would come in February. He appeals to Mr Bartlett not to sign the new agreement. He will take up the matter with President De Klerk.

Wrong

"It would be completely wrong for the country. We need deregulation because high petrol prices increase all others."

Mr Ackerman's criticism of the profits made by the large oil companies is supported by the Automobile Association.

AA public affairs manager Robin Scholtz says "an increase of 42% in the wholesale margin once again emphasises the previous call by the AA for the multinational oil companies to declare their trading accounts in SA".

Mr Ackerman says Pick 'n Pay is prepared to wait until February to lower its petrol prices, but if regulation is to be extended, then "judgment will have to be reserved on what we do next".

Oil major Engen is preparing for deregulation of the industry, according to the latest issue of The Executive magazine.

Twelve garages converted from the Mobil to the Engen brand name already feature "prime signs" which advertise the price of fuel at the station. Industry sources suggest that in a deregulated market these prices could change daily with lower offers to attract motorists in off-peak periods.

Engen group marketing chief John Roberts has told The Executive that his company is behaving as if deregulation is already a reality.

It is using the prime signs to gauge public reaction, says Mr Roberts. Its competitors can test their signs abroad, but SA-based Engen has to do so here.

Mr Roberts says: "We know there's a 'threat' of deregulation hanging over us. If we're ready, it won't have a major impact.

"But if one of the other players is not ready, the others will become vultures, they will see an opportunity to steal market share, so it's crucial to be prepared."

Mr Roberts plays down the possibility of a price war bloodbath, but believes Engen will emerge as the dominant player with nearly 50% more market share than its main rivals.

The Executive says Engen-Mobil, Shell, Caltex and BP each controls between 16% and 18% of the market. But add in Trek and Sonap — Engen's other brands — and the group's share jumps to between 26% and 30%.

The article says: "It is an advantage that Roberts can't let slip as he heads for what well may be a cut-throat free market."

Mr Roberts says where there are two or three competitors with equal market share, there is generally a bloodbath because nobody leads, everybody follows and it becomes a street fight.

"An undisputed market leader can prevent that, and it's therefore crucial that we use the full power of our market share."

The Executive says Engen would probably hold its own in a showdown with the most powerful of the foreign-based companies (presumably a reference to Shell) and win against the others.

The NEC 1989-90 report says the service station

● To Page 3

Fuel deal

S1 Times [Buss] 5/7/92 (55)

● From Page 1

rationalisation plan was implemented in 1960. The number of petrol stations has since increased by less than 10% while volumes sold have risen by 300%.

It says: "The plan was introduced by all interest groups in collaboration with Government and with retention of the free market principle, to regulate the industry."

Keys ponders VAT of 16%

(Buss Times)

By CIARAN RYAN

FINANCE Minister Derek Keys is considering raising VAT to 16%, says the VAT Co-ordinating Committee. S1 Times (Buss)

Committee chairman Bernie Fanaroff told Business Times: "The minister indicated that the present rate of VAT at 10% was insufficient to counter the effects of dissaving in the economy. 5/7/92

"He said he might have to raise VAT to 16%."

A spokesman for Mr Keys says: "The minister was referring to the increasing worldwide shift from direct to indirect taxation.

"As the economy moves to a more indirect form of tax, this could require an increase in VAT rates.

"The minister indicated that VAT rates in most European countries were of the order of 16%."

Board of Executors economist Rob Lee says the correct way to deal with government dissaving is to cut its spending, not raise taxes.

Dissaving refers to the excess of government spending over revenue. This year the Government deficit, or dissaving, is budgeted to be about 4,5% of gross domestic product.

Control

Mr Fanaroff says the VAT Co-ordinating Committee met Mr Keys to discuss the plight of the poor in SA under VAT.

Mr Fanaroff says: "We are one of the few countries in the world to charge VAT on basics, such as food, medicine and electricity.

"The minister said there was insufficient money for zero-rating food. We asked him what about the money being wasted in corrupt government departments.

"He replied that these were not under his control. We cannot accept this argument."

Tax partner with attorneys Hoymeyr Van der Merwe Henry Vorster says "any increase in the VAT rate would normally be accompanied by a decrease in income-tax rates in accordance with the principle of broadening the tax burden".

"But one must always consider whether such an approach is appropriate for a country such as SA."

Food sales lo[...] in 30 y[...]

S1 Times [Buss]

By TERRY B[...]

FOOD sales in the past two months have shown the worst real decline in 30 years, says Checkers Shoprite operations director Sergio Martinengo.

Mr Martinengo says: "Sales fell by between 5% and 8% in May and June as the recession's stranglehold on the economy tightened."

All retailers are showing similar reductions in volume a square metre, says IBIS marketing joint managing director Gordon Pasley.

Retailers started feeling the recession 13 to 15 months ago. But the last two months have been disastrous.

"It is as though somebody has just turned off the tap," one retailer lamented.

Pick 'n Pay financial director Chris Hurst says May and June sales dropped in real terms on last year's.

"We did not expect it to be this bad."

Econometrix economist Tony Twine says it is unusual for the volume of food sales to drop.

"Food sales should keep pace with the population growth, which at 2,5% a year, is higher than economic growth of less than 1% annually for the past 12 years."

Food sales tend to grow positive even in recessions. He suggests people are buying cheaper and poorer quality foods.

Mr Martinengo says the middle class has been worst

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C[...] cre[...] Ho[...] cre[...] the hau[...] N[...] Cap[...] tive dev[...] com[...] ope[...] nitu[...] R[...] ster[...] dle-[...] hav[...] Bla[...] sive sent[...] W[...] dire[...] last reta[...] kind[...]

Sasol, Engen in line for deal with Kenya

By ZILLA EFRAT: Nairobi

SASOL and Engen are about to form a joint venture with a project cost of $10-million with a Kenyan company called Oil Tanking.

A source says the project involves lubricating oils and blending facilities. A plant is being built in an export processing zone in Mombasa, the largest port in East Africa. It should be in operation by the end of the year.

Once in full swing, the project is expected to generate between $25-million and $100-million a year in exports from SA.

The plant will supply Central and East African markets. Oil Tanking would not comment when approached this week.

W&A Investment corporation has formed a joint venture with two Kenyan finance and trade companies — Abbey Investments and Marathon Corporation. Called Kensa, it will facilitate trade between SA and East Africa, particularly Kenya, Uganda and Tanzania.

● See page four

Cameroon expects to sign Eskom deal

BDay 7/7/92 RAY HARTLEY

CAMEROON Trade Minister Rene Owona said yesterday his country would sign a ground-breaking deal with Eskom in the next few weeks.

The deal would pave the way for Eskom to bid for a R1,2bn hydroelectric construction project in Cameroon in the near future, Owona said.

But Eskom CE Ian McRae said no details of Eskom's involvement in Cameroon had been finalised.

He said he had "just talked about the importance of electricity" in education and the provision of other social services.

The "general agreement" would involve the purchase of SA technology and know-how. Owona said this would lower the cost of electricity in Cameroon, which currently relied on expensive equipment from Europe and the US.

He said Eskom was already involved in the construction of a R300m hydroelectric turbine together with a German company.

Owona said he expected other trade with SA to increase tenfold to R100m following the Cameroon delegation's visit. Four delegates from the Central African Republic were scheduled to join the party today.

The 32-man Cameroon delegation will meet Foreign Affairs deputy director-general Derek Auret and an ANC economic delegation on Friday.

They will also visit Durban, Cape Town and Pretoria before leaving for home on Sunday.

Sasol, Engen in line for deal with Kenya

By ZILLA EFRAT: Nairobi

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● See page four

perts," said Mr Schoeman in a ... pavement, sleep huddled next to each other for warmth.

Thobile Makhoba and her friends also use plastic sheeting, boxes and pieces of rags to shield themselves against the winter chill.

Ms Makhoba told The Star that when she first started sleeping on the pavement, four years ago, she had two blankets and a coat.

"Someone just grabbed the blankets during the night. One by one, they were gone until I was left with nothing," she said.

She complained about the

cold mor

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Big chill switch-on boosts Eskom

STAR 10/7/92

Staff Reporter

Eskom is smiling as shivering South Africans set a record by using 22 640 megawatts of electricity in one hour between 6 and 7 on Wednesday night.

Eskom spokesman Hanlie du Toit said the previous peak-hour record was 22 480 MW, measured during the previous cold snap on June 25. Last year's system peak-hour record was 22 186 MW on June 19.

She said the latest record did not necessarily reflect how cold it was, but how power supply and usage had increased.

"Early in the morning, the electricity demand rises rapidly due to household and industrial activity, reaching its peak between 8 and 9 am. In the evenings, when people prepare food and switch on heaters and television sets, the demand rises rapidly once again, resulting in another peak," she said.

Tutu, De Klerk hold talks on petition

STAR 10/7/92

Staff Reporter

Archbishop Desmond Tutu yesterday held an hour-long discussion with President de Klerk about a recent church leaders' petition to the Government to bring the perpetrators of the Boipatong massacre to justice.

The petition was handed in at Tuynhuys on June 22. It also called on political leaders to reach agreement on the international monitoring of violence and on multi-party control of the security forces.

Archbishop Tutu's request for the meeting was a personal initiative.

John Allen, spokesman for the archbishop, said the discussions took place in a friendly and open atmosphere. The archbishop did not believe the differences were irreconcilable, and was hopeful the discussions would contribute to the resumption of negotiations.

Clerics soften stand on Govt

STAR 10/7/92

DURBAN — The national conference of the SA Council of Churches last night drew back from a moratorium on further talks with the Government.

It also softened its stand on urging church leaders to place advertisements in newspapers, calling on the Government to resign.

The debate became heated during the discussion of this resolution, which in its original form asked that unjust laws be disobeyed.

An amendment was passed unanimously which instructed the national executive committee to start a process of consultation among member churches and in society to formulate a plan of action — which might include a talks moratorium and advertisements.

Introducing the original motion, Emma Mashini said: "We want the Government gone, whatever needs to be used."

Anglican Bishop of Johannesburg Duncan Buchanan said: "I would much prefer that we talked than fought ... if we don't talk to them, who will convert them?" — Own Correspondent.

Oil company margin up 143% in only 14 months

S1 Times (Buss) 12/7/92

55

By KEVIN DAVIE

THE margin paid to SA's oil companies has jumped 143% in 14 months from an estimated R935-million a year to R2,3-billion.

Until April last year, SA's refiners were paid 5,5c a litre for petrol and diesel. Last week the Government announced the new wholesale margin would be 13,5c/l.

Fuel consumption figures are classified, but industry experts estimate annual use at 17 000-million litres.

The new margin will cost motorists about R2,3-billion annually compared with R935-million at April last year.

"No other industry can boast such an increase especially in the recessionary times the country is experiencing," says AA communications manager Robin Scholtz.

Until May last year the wholesale margin was determined by calculating an average return of 15% on oil company assets used in refining and marketing.

Then Mineral and Energy Affairs Minister George Bartlett announced that this formula would apply only to marketing. This includes fuel depots, delivery tankers, some service stations and other costs, such as a share of head-office space.

Lourens van den Berg of the energy branch of the Department of Mineral and Energy Affairs says the wholesale margin was increased because the oil companies had been subsidising losses in their marketing operations from their refining activities.

"The industry on average incurred a loss on marketing in 1990. It realised a meagre return in 1991. With the present margin increase only becoming effective on July 1, it is estimated that the oil industry will not nearly reach an average return of 15% in 1992."

Mr Van den Berg says a firm of chartered accountants studied "the possible effects of the deregulation of refining activities".

This showed that "4c/l for a full year would be necessary to earn a return of 15% (taking into account the investments in refinery expansions)".

"Should refining be deregulated and only marketing regulated an increase of 4c/l would also be required," Mr Van den Berg says.

The wholesale margin was increased by 2c/l in April last year and 2c/l in October. Last week it was increased by another 4c/l.

All the increases have been funded from the equalisation fund, which is built up from a charge of 7c/l to the buyer.

Mr Van den Berg says: "It is more appropriate to build up funds in the equalisation fund to subsidise fuel prices when increases become necessary in terms of the formula."

He declines to comment on SA's fuel consumption figures.

Mr Van den Berg says both the asset base and cost increases of the oil industry were well below inflation in 1991. In spite of the recession, petrol sales went up in 1991.

Democratic Party energy spokesman Roger Hulley says the consumer is paying the price of outdated over-regulation.

"The more we can lift the veil of secrecy and encourage open competition, the more likely we are to get lower prices."

Cabinet

Mr Van den Berg says the deregulation of refining last May followed close collaboration by the Government, the crude-oil industry, the synthetic fuel industry, the Competition Board and private-sector and consumer organisations.

Competition Board chairman Pierre Brooks confirms he supplied a confidential preliminiary report to the Government.

Dr Brooks says he will investigate the oil industry only if instructed to do so by the Cabinet.

"I will look for guidance in this regard. Cabinet recently decided to extend regulation."

He says the oil industry is complex: "You can't touch one part without touching the whole structure. Ad hoc tinkering would be difficult."

The UN oil embargo is still in place, but after sanctions "we will perhaps move back to a free-market situation".

Children's home puts Mossgas units to use

CT 16/7/92 **Staff Reporter** (55)

TWO fully-equipped accommodation units from the Mossgas oil rig's "Flotel" have been grounded — as a new children's home in Kleinmond.

The Claremont Rotary Club acquired the units along with R250 000 worth of contents from Mossgas at bargain prices.

The Kleinmond project was the brainchild of Mr Peter Slingsby, the founder of the Kleinmond Child and Family Welfare Society.

The nearest children's home is in Hermanus and is completely full. Mr Slingsby said he gathered the "most ragged bunch" of children together to influence the Rotary project appraisers into donating the two units, which collectively house 40 people and are worth about R40 000 each.

Yesterday the fishing community watched anxiously as the crane strained to hoist the units into position. At one point it nearly overturned.

2241

5.

- 3 -

Eskom pumps millions into W Cape projects

CT 17/7/92

55

By AUDREY D'ANGELO
Business Editor

ESKOM will spend more than R13m on urban electrification projects in the Western Cape metropole this year, Ronnie Kingwill, distributor manager at Cape Town, told a media conference yesterday.

And it will spend R40m a year on such projects over the next five years, "which will give us about 15 000 new connections annually."

Kingwill explained that, in addition to improving the quality of life for township dwellers and helping to kick-start the economy by increasing demand for electrical equipment, the projects would help Eskom to sell more electricity — vital in keeping unit costs down.

It aimed at reducing the cost of electricity in real terms by 20% by 1996, through continuing to keep increases below the rate of inflation. This meant that cost savings of between R100m and R150m would have to be made every year.

Selling more electricity would help to keep unit costs down, by using excess capacity which had been expensive to install and was giving no return. Koeberg was running at only 50% capacity.

Kingwill said Eskom aimed at providing electricity to everyone who wanted it and was prepared to pay for it. Pre-payment meters were being installed in new developments wherever possible, including some occupied mainly by whites.

One school of thought believed that electrification projects in rural areas, particularly in the Eastern Cape, Transkei and Ciskei, might halt or slow down the drift to the towns.

He stressed that, in addition to helping the domestic consumer, limiting the rise in electricity costs also helped keep SA exports competitive.

Over 50 000 children to see the light

STAR 2/7/92

Education Reporter

Educational opportunities for more than 50 000 children will be a whole lot brighter by the end of the year following the announcement yesterday by Eskom to provide electricity to 84 schools across the country.

Eskom chief executive Dr Ian McRae said the electricty giant was committed to "making things happen" and the electrification of schools was seen as part of the organisation's contribution to educational development in disadvantaged communities.

Ten schools were electrified by Eskom last year.

"Eskom realises that the most significant contribution the organisation can make to the development of a child is the electrification of schools.

"This leads to the creation of an environment which is more conducive to learning," Dr McRae said.

Energy access research project launched in city

ROGER FRIEDMAN
Staff Reporter and Sapa

55

ARGT 23/7/92

A R1,5 million research project aimed at widening access to energy for South Africa's rural and urban poor has been launched at a conference in Cape Town.

The project aims to develop policy options for consideration by a democratic government and other key institutions.

The two-year project, funded by the Dutch government, will be carried out by researchers attached to or working with the University of Cape Town's Energy Development Research Centre.

Access to energy was high on the agenda of energy policy and development issues in South Africa, said the head of the centre, Dr Anton Eberhard.

The conference brought together South African researchers, international experts, representatives of state departments and local and regional government, Eskom, oil companies and trade unions.

"I was particularly pleased with the high level of representatives from the various institutions," Dr Eberhard said.

Mr Alan Morgan, Eskom executive director for marketing and electrification, termed the project an "excellent initiative".

He said knowledge of the South African community's requirements was of the utmost importance to Eskom.

A theme of the conference had been the fact that access to energy was a right, not a privilege, Mr Morgan said.

Dr Eberhard found it a little disappointing that although all political parties had been invited, only the ANC had been represented.

The two main directions of research will be into the needs of rural people, focusing on biomass issues such as the use of fuel wood.

The research would build on the experience of other countries such as Zimbabwe.

The project will train up to six black South Africans to take part in policy research and to work within policy-implementing structures.

Dr Eberhard said South Africa had to build on international experience in energy policy analysis and formulation.

Given time, South Africa might be able to offer lessons and perhaps even role models to other developing countries.

In a paper presented at the conference, UCT researcher Mr Paul Theron said there was a substantial surplus of generating capacity on the national electricity grid.

Fuel price hike looming as underrecoveries continue

GERALD REILLY

PRETORIA — The price of fuel would have to be increased, industry sources said yesterday.

This was against the background of the latest Mineral and Energy Affairs Department announcement that in June underrecovery on 93-octane petrol in the PWV area was 9,459c/l.

It was the largest underrecovery for months.

The landed cost rose to 53,300c/l. This followed underrecoveries in March of 0,778c/l, 2,535c/l in April and 4,635c/l in May.

The Stabilisation Fund, the sources said, must be taking a battering.

The amount in the fund is never disclosed.

A department spokesman said a sharp increase in international prices for refined petroleum products had again resulted in an increase in the average landed cost of petrol and diesel during June, despite a slight improvement in the rand/dollar rate.

The big June underrecovery comes from the increase in delivery cost of 0,4c/l from 2,9c/l to 3,3c/l, retroactive to January.

Landed cost of diesel also increased from 50,860c/l in May to 53,936c/l, resulting in an underrecovery of 3,886c/l in June.

Project aim is power to the poor SS

A DUTCH-FUNDED R1,5-million research project will focus on broadening access by South Africa's rural and urban poor to energy.

The project, lauhched in Cape Town this week, will be carried out over two years by researchers involved with the University of Cape Town's Energy Development Research Centre. Wim aug 24/7-30/7/92

NEWS The new OPEC bids a mature role in the world economy

Wild swings in world oil prices feared

Sowetan 31/7/92

■ DANGER ZONE Expert's comments make oil producers sit up and take notice: (SS)

LONDON - Petroleum markets are entering a danger zone in which wild swings in the price of oil may put new strains on a fragile global economy.

"Probably at no time in the history of the oil industry have there been so many uncertainties," says the secretary-general of the Organisation of Petroleum Exporting Countries, ProfessorSubroto.

An urbane Indonesian with the background of a university professor, Subroto is not given to hyperbole.

His comments to a seminar held in Anchorage, Alaska, therefore had the petroleum industry sitting up to take notice.

Reborn from the ashes of the old cartel of the 1970s, OPEC confronts a daunting challenge as it bids to fill a new role as a mature player in international economic affairs.

Subroto listed three factors that could cause the sort of destructive instability in oil prices which the revamped OPEC says it is pledged to avoid.

Three vital factors

- Eventual return to an already well-supplied market of some three million barrels daily of oil from Iraq which is now shut in by a United Nations embargo.

That could cause a glut, if the other 12 members of OPEC were unable to agree on cuts in their quotas to make room for it.

- Turmoil in the former Soviet Union which was the world's biggest petroleum producer. There are a dozen other potential trouble-spots among oil-producing nations where supply could be interrupted to send prices up.

"You are not immune from the risk of political upheaval anywhere in the world," says Sheikh Ahmed Zaki Yamani, the former oil minister of Saudi Arabia.

- A perceived need for colossal investment - as high as R700 billion over the next five years - to develop new oil fields and, especially in Russia, to refurbish old ones in order to meet global demand.

Third World demand, particularly in Asia, is accelerating by a million barrels a day each year. The West's thirst for oil may also revive if the US and other big economies can be made to expand again.

A new survey by Houston-based *World Oil*, a trade journal, predicts drilling for new oil and gas will drop 15 percent in 1992 with North America and the former USSR leading the decline.

OPEC says it is worried that would-be investors in oil production capacity may be scared off.

Political upheavals might have that effect.

Last big glut

So might anything like an Iraqi glut that cast doubt on whether oil prices could remain predictable and firm enough to guarantee a return on investment.

The last big glut occurred in 1986 and prices tumbled from more than R80,4 per barrel to less than R28. The average even now remains just under a target of R58,8 which OPEC reckons is about right in present conditions.

An upward pricing "shock" might also keep big money out of investing in oil. Besides crimping economic activity in the short term, it would probably depress demand for petroleum and soon usher in a new period of weaker prices.

The last glut was a reaction to the price spiral of the 1970s which halved demand for OPEC's crude oil.

Big exporters such as Saudi Arabia are therefore particularly anxious that shortages should not threaten the market, just as they also worry about environmentalist pressure for a "carbon tax" intended to discourage consumption.

"Too high a price merely sets the stage for too low a price"

The Saudi role is critical, Western oil executives say.

Oil Minister Mr Hisham Nazer outlined the biggest exporter's strategy for the 90s in a London speech in 1989 when he said: "Too high a price merely sets the stage for too low a price."

The kingdom has subsequently endorsed R58,8 per barrel (up from a goal of R50,4 in the late 1980s) as a reasonable OPEC target for the time being.

Nazer refuses, however, to be cast in the role of the "swing" producer who would balance global supply and demand by turning the taps up or down on his huge production capacity.

He insists that other producers in and outside OPEC should help to maintain predictable, inflation-linked fuel prices.

The Saudis did raise output in 1990 to avert a price shock after Iraq's invasion of Kuwait shut in both of those states' oil.

But the Saudis also pressed others in OPEC to agree to join them in waiving the output quotas then in force.

Market analysts expect the Saudis to insist that OPEC must share out the inevitable cuts in quotas when Iraq eventually returns to the market.

Subroto calls this "potentially the biggest market challenge facing us in the short term". - *Sapa-Reuter*.

Oil companies back to importing crude

S|Times 9/8/92 (BUSS) (55)

By KEVIN DAVIE

SOUTH African oil companies are importing their own crude for the first time since 1981.

The Central Energy Fund (CEF) confirms that "in anticipation of the lifting of oil and shipping sanctions all industry members are allowed more freedom".

CEF general manager Kobus van Zyl says: "This is a phasing-in programme that will lead to complete freedom once all sanctions on oil and shipping have been lifted."

Because of remaining UN sanctions, middle men are still used in the oil trade.

Engen's John Roberts confirms that his company has landed crude oil.

He says Engen has procured crude in the past for the manufacture of refined products for export.

"The State was not obliged to find oil for re-export," says Mr Roberts, explaining that before the Engen takeover of Mobil, there were limited exports from SA.

Mr Roberts says Engen is importing crude as an exercise in "getting its feet wet". Unlike the other oil majors which have foreign links, SA-based Engen needs to develop expertise before sanctions are lifted.

Engen owns two tankers. They are used to export refined products, mainly to Africa. They do not carry imported crude oil.

Mr Roberts declines to provide details of Engen's procurement activities, saying "there is still an embargo in place".

One source says the oil companies would prefer to deal directly with suppliers rather than through the Strategic Fuel Fund (SFF) because it charges a fee for its services. Mr Roberts declines to comment on whether Engen can import more cheaply than the SFF.

Mr Van Zyl says: "The SFF is buying at prevailing world prices. We expect the industry to do the same once they have acquired the necessary know-how."

Direct imports will not reduce petrol prices, he says.

"Because of the application of the IBLC formula for calculating finished product prices, the crude oil price has no effect on the consumer."

Names

Mineral and Energy Affairs Minister George Bartlett told Parliament this year that most regulation of the oil industry pre-dated sanctions.

"I have to emphasise that the only regulatory measures implemented as a result of the oil boycott are the commercial acquisition of crude oil by SFF and the collection of that portion of the equalisation fund levy used for meeting the additional cost incurred in acquiring crude in a covert manner," he said.

Richard Hengeveld, of the Amsterdam-based Shipping Research Bureau (SRB) which has tracked about 50% of oil exported to SA, says some new names have become involved in this trade since late last year.

In particular, the SRB has tracked two UK-based Greek companies which have only recently re-entered this market. They are Coulouthros and Papachristidis.

Coulouthros delivered oil from Egypt to Durban in the 230 000-ton tanker Sailor last November.

Papachristidis made two deliveries from the Persian Gulf to Durban and/or Saldanha Bay in February and March. In both cases the 315 000-ton Hellespont Orpheum was used.

Mr Hengeveld says most tankers which offload oil in SA still cover up all or part of their names although some do "not bother too much".

Primary countries of origin are still the United Arab Emirates, Egypt and Iran.

Premiums

Mr Hengeveld does not expect the UN oil embargo to be lifted before the end of the year. He says it is voluntary and could be lifted by the countries involved.

The future of the SFF has not been determined. Mr Van Zyl says its "future role will only be finalised when the present uncertainties on sanctions have been cleared up".

Mr Hengeveld says there have been rumours for some years that oil companies have been involved in direct crude imports.

The last direct imports of crude by SA-based oil companies were made in 1980-81. The best-known case is Shell, which brought in several tanker loads in 1980.

But SA-based oil companies feared that they would be subject to international boycotts. In spite of the premiums of $8 to $20 a barrel which the SFF paid between 1979 and 1984, oil companies have not imported crude since 1981.

These companies have imported refined or finished product in the past few years since fires at Sasol 2 and 3 increased the need for refined product.

But as noted by Mr Roberts, "finished product is not subject to the embargo".

Atomic workers to act on wage row

PRETORIA. — Workers at the Atomic Energy Corporation of South Africa Limited have resolved to take industrial action to demand better wages and working conditions.

In a statement yesterday, the northern-eastern Transvaal branch secretary of the Chemical Workers' Industrial Union, Mr Jackie Masemola, said the decision followed the company's refusal to increase its wage offer because the offer had been accepted by another union representing mainly white workers. CT 11/8/92

He said CWIU-proposed mediation had been rejected.

Strike ballots are to be held tomorrow.

"We have also resolved to consult with white workers who we know are also not satisfied with the company's offer, to join us in the strike." — Sapa

Mossgas signs agreement

(260) Business Day Reporter (55)

STATE-owned oil company Mossgas last night signed a R10m agreement with Pentow Marine and Portnet involving the operation of the marine tanker facility through which Mossgas's petroleum products will be shipped. B1044 14/8/92

From the end of the year about 85% of the petrol, diesel and paraffin produced by Mossgas would be shipped by tanker from the marine tanker terminal at Mossel Bay to Port Elizabeth and East London, Mossgas said.

Pentow Marine will be responsible for the loading and unloading of the products through the terminal which consists of a single-point mooring buoy, 3km out at sea, and ancillary equipment such as floating hoses.

As part of the agreement, Pentow Marine has purchased the buoy tendering vessel, Pentow Malgas, which will be used for servicing the marine tanker terminal.

Portnet will be responsible for rendering port services including a pilot and tug service. It will also take over ownership of the marine tanker terminal from Mossgas.

City firm lands big Mossgas contract

(55)

ROGER FRIEDMAN
Staff Reporter ARG 14/8/92

THE Cape Town marine salvage company Pentow Marine has landed a R10-million-a-year contract to handle Mossgas oil.

Tankers belonging to the major oil companies will transport the oil to all South Africa's major ports in terms of a tri-partite agreement signed by Mossgas, Portnet and Pentow in Mossel Bay last night.

Pentow has converted a salvage vessel into a bouy tender vessel and renamed it Pentow Malgas.

Pentow salvage co-ordinator Mr Godfrey Needham said the company's vessel had been completely refurbished and was ready for use.

It would provide diving support for the delicate oil transfer operations.

He said oil and petrol refined by Mossgas would initially be held in storage outside Mossel Bay. The products would be pumped out to sea via a submarine pipeline to a single point mooring.

The buoy was in Portnet territory, so they would supply the berthing and unberthing service.

The products would be pumped aboard the tankers from the mooring point for transport to Cape Town, Port Elizabeth, East London and Durban.

● In an address to the Business Forum in Cape Town yesterday, Mr George Bartlett, Minister of Mineral and Energy Affairs, said the Mossgas project would meet costs without state subsidies if oil prices remained stable.

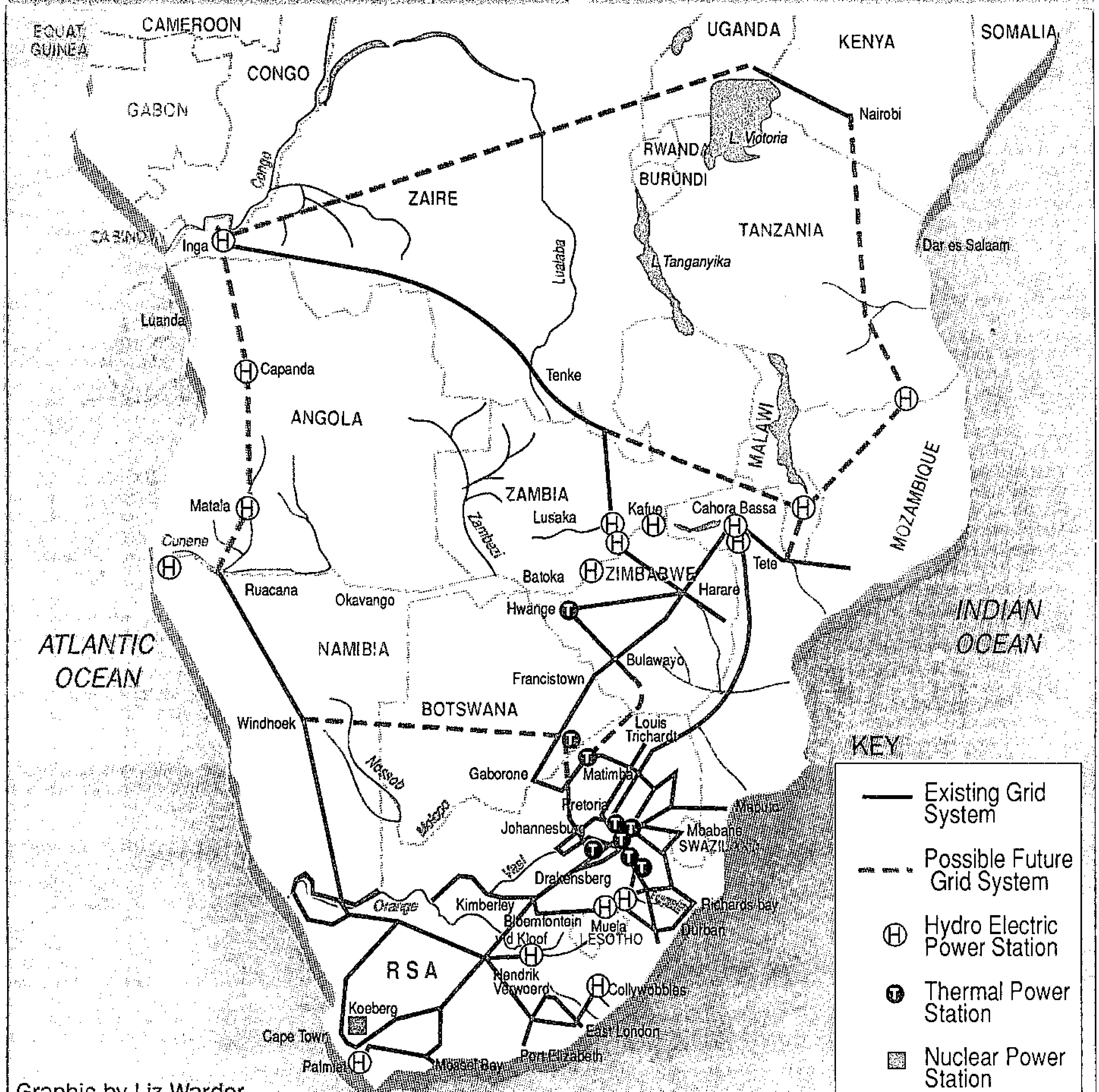
"As far as State funding of the project is concerned, it is totally untrue that the taxpayer will have to foot the bill," Mr Bartlett said.

The financial resources of the Central Energy Fund were used to finance the project. The fund had been created in the early 1980s specifically to finance synthetic fuels projects, he said.

"At the expected level of future prices, it has the potential of repaying State funds plus a reasonable return, saving significant amounts of foreign currency in the process."

ESKOM'S DREAM

Southern Africa's power grid



Graphic by Liz Warder

Power for Africa

(55) ARG 14/8/92

Eskom's dream of an electricity grid linking the nations of Southern Africa and beyond may one day become reality. BARNEY MTHOMBOTHI of The Argus Africa News Service reports.

PATIENCE is gradually paying off for Eskom's Ian McRae. When he started dreaming aloud a few years ago about a power grid that would light up the whole of Southern Africa, many did not think it was possible.

Political animosities and suspicions still prevailed and sanctions were in place.

But suddenly his vision, with the loosening of political tensions in the region, does not only appear possible, it also makes a lot of sense. The drought is also propelling Southern African countries into one another's arms.

The objective is to harness the region's huge resources of hydro-electric power, and through an international grid, provide all the countries in the area with the cheapest electricity. South Africa has the expertise and the financial resources and Zaire, for instance, has untapped hydro resources that can satisfy the needs of the entire continent.

It is an ambitious project that will extend right up to the Equator, tying together the resources of the Kunene and Zaire rivers on the west, Lake Victoria in central Africa, Lake Malawi and Cahora Bassa in the east and all the power sources and arteries in Zambia, Zimbabwe and South Africa.

The drought has made this cooperation almost imperative. Zimbabwe and Zambia will run out of electricity by the end of the year if help is not forthcoming. The Zambezi is running very low.

A recent meeting in Lusaka of power companies from five Southern African countries — South Africa, Zambia, Zimbabwe, Botswana and Zaire — decided that South Africa and Zaire should transmit power to Zambia and Zimbabwe as a matter of urgency. Eskom is to begin transmitting power to southern Zimbabwe within weeks, and also through Botswana to Zambia and western Zimbabwe.

Eskom has already constructed transmission lines on its side of the border, and Zimbabwe is expected to be in a position to link up soon. Zaire will also send power to the two countries through existing lines.

According to Dr McRae it was also agreed at the meeting that Zaire, with the help of Eskom, should undertake a study to see whether additional power lines could be built from Zaire to Zambia.

All these efforts, although precipitated by the drought, will form the building blocks of the proposed international grid.

How has Eskom been received by the other countries? "Extremely well, in fact with open arms," McRae says.

"It's not something we've just got involved with. We've been developing relationships with the power companies in Southern Africa for years, especially in the last year or two. In fact I'll go so bold as to say — I don't know about Libya — I don't think there's one country in Africa, let alone in Southern Africa, with which there is any difficulty in having good relations.

"But in Southern Africa, that's where we're focusing. The 15 to 16 countries, the doors are wide open, and we've signed many cooperation agreements."

Namibia, for instance, is developing another hydro-electric project on the border with Angola, and Eskom has been approached to take surplus power when it is completed.

"Because of that possibility and the need to help Namibia with development, we're putting another transmission line through to Namibia."

Angola also wants to connect the northern part of the country with the south, and they would want to integrate into the grid by linking up with the Inga project on the Zaire River, which will form the hub of the interconnected grid.

Dr McRae says the Cahora Bassa powerlines in Mozambique have been severely damaged in the fighting and Eskom is not getting any power from the project. "It requires about 100-million dollars to repair it and get it operational," he says.

Almost two-thirds of the funding, he says, is now available. He is pleased Mozambican president Joaquim Chissano and Alfonso Dhlakama, leader of Renamo, have finally agreed to meet.

"Even if they were not to find total peace, if they were to agree to a ceasefire along the Cahora Bassa corridor, and to announce that, that would help bring in funding quickly."

The Mozambicans are receiving power from Eskom but Dr McRae denies that they are finding it difficult to pay for it.

"No, we haven't had any problem. They might have a month in arrears, but we charge them interest on that."

Eskom has also signed a cooperation agreement with the Ivory Coast. A Cameroonian cabinet minister who was here with his country's soccer team expressed "considerable interest" in the possibility of Eskom taking part in projects in Cameroon.

He says countries around the knee of the continent such as Cameroon and Nigeria see the importance of interconnection, so that should anything happen, they would have an alternative source. This will require the development of a sub-grid in that region, which will eventually be linked into the Inga project in Zaire.

"Now you start to see the development of grids in North Africa and of those grids possibly linking to grids we're linked to as well. That takes us into the far distant future. We're talking 20, 30 years of looking into some sort of grid formulating in Africa."

Eskom set for jobs cut-back

CT 17/8/92

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From PETER DELMAR

JOHANNESBURG. — Eskom will soon cut several hundred professional posts or transfer incumbents from head office to power stations.

Confirming the group had decided on major restructuring, group engineering manager Andrew Dickson said at the weekend rationalisation of the workforce had already begun.

This was occurring because Eskom was nearing the end of its 10-year, R50bn construction programme.

"The opportunity is now being taken to focus the group's engineering resources on the effective technical support of the operating plant," Dickson said. To achieve this refocusing, fully fledged engineering departments were being established at power stations.

The existing generation technology department at Eskom's Megawatt Park — which employs about 700 people, about half of them in professional capacities — would be scaled down to a "core" of specialists and technical consultants.

"In this way a substantially increased engineering resource will be made available on site to manage the life cycle of the generating plant," Dickson said.

He said a number of functions would no longer be carried out in-house and "a number of redundancies" are expected.

"The civil and building division, consisting of architecture, civil engineering and quantity surveying, has been worst affected by the rationalisation. In future no significant architectural work will be performed in-house. Only an informal client capability will be retained."

The architecture department employs about 50 architects and draughtsmen.

Dickson said the bulk of civil engineering and quantity surveying work would be performed at the power stations, with a relatively small core of specialists remaining at Megawatt Park.

Generation group human resources manager Gawie Horn said although Eskom employment contracts stipulated staff could be employed anywhere in SA, "when we do send people to the gramadoelas, we will look at the compassionate grounds".

Eskom followed a policy of no forced retrenchments and affected staff were encouraged to accept positions in other groups in Eskom where needs arose.

"Concurrent with this policy, Eskom has made available a variety of voluntary options to staff members. These include applications for separation packages, early retirement, retraining and relocation.

"Eskom needs to ensure that it retains the necessary skills for its operations and applications for the above options are subject to these constraints.

Last year Eskom reduced its workforce from 50 000 to 46 600. It is expected the other operating groups will be similarly affected.

Plans afoot to set up national forum

Major drive to electrify households

BDAY 18/8/92.

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WILSON ZWANE

DEVELOPING new strategies to electrify millions of homes is the aim of a major conference of representatives from Eskom, government, business, labour, political parties and civic organisations next month.

The conference was expected to pave the way for a national "electrification forum", which would work out ways of extending the provision of power to more areas of the country, a source close to Eskom said yesterday.

Eskom estimates that 70% of the population — an estimated 23-million people in 3-million households — do not have electricity. Most of these people live in rural areas and townships.

The two-day national electrification conference will be convened by the Development Bank of Southern Africa at Midrand from September 1. It will be attended by 160 representatives of interested organisations.

The electrification forum it sets up will look into the specifics of the electrification process, such as funding and technology.

The conference was the brainchild of the ANC and the Mineral and Energy Affairs Department, which "separately requested the Development Bank to convene a conference for all interest groups in the field of electrification", the source said.

The foundation for the conference was laid at an ANC conference on electrification in Cape Town in February. At that conference the bank was requested to convene next month's gathering.

Peter Freeman of the Development Bank said next month's conference was intended to create an opportunity for all stakeholders to participate in establishing an effective national mechanism to drive affordable and sustainable electrification.

"This could take the form of an electrification forum at national level but it is up to the conference to consider the structure and its goals and functions. The important thing is that the basic needs of people must be met."

Eskom public affairs executive Johan du Plessis said yesterday the utility was "very happy" about the conference and the envisaged national forum.

"We see this as a major step towards the democratisation of the electrification process," Du Plessis said.

He said its decisions would not have legal effect, but it would bring pressure to bear on a governing body of the day to "implement its recommendations".

STEPHANE BOTHMA reports that Eskom, in its annual report, said it was going all out to electrify 700 000 homes in the next five years. The report said 38 050 homes were connected to the electricity supply last year, and the plan was to connect a further 164 000 this year.

Eskom said it was proceeding with the programme even though loss of revenue, because of non-payment of accounts, amounted to R291m last year. The figure was expected to rise to R390m this year.

Capital expenditure in the current financial year was expected to be about R2,8bn.

Plan to turn lights on for millions

(55) CT 18/8/92

Own Correspondent

JOHANNESBURG. — A new strategy to bring electricity to millions of homes is the aim of a major conference to be attended by representatives from Eskom, government, business, labour, political parties and civic organisations next month.

Eskom estimates 70% of the population — about 23 million people in three million households — do not have electricity. Most of these people live in townships and rural areas.

A source close to Eskom said yesterday a two-day national electrification conference would be convened by the Development Bank of SA (DBSA) at Midrand from September 1 and would be attended by 160 representatives of various organisations.

He said the conference would pave the way for a national "electrification forum", which would appoint working groups to look into the specifics of the electrification process, such as funding and technology.

The conference was the brainchild of the ANC and the Mineral and Energy Affairs Department, who "separately requested the DBSA to convene a conference for all interest groups in the field of electrification", the source said.

Eskom public affairs executive Mr Johan du Plessis said yesterday the conference was "a major step towards the democratisation of the electrification process".

Fuel stabilisation adjustment due — DP

BDA 19/8/92.

GERALD REILLY

GOVERNMENT's fuel stabilisation fund is sinking under the weight of persistent underrecoveries on petrol and diesel and an adjustment cannot be far away, says DP Trade and Industry spokesman Brian Goodall.

Other sources claimed the fund would be able to hold out "for some time yet but not forever".

In terms of the petroleum products legislation, the amount in the fund is classified information.

Goodall pointed out that government had two handy options to raise funds to compensate for falling state revenue — raise VAT and/or increase the fuel tax.

Either would be directly inflationary, but government's need was becoming greater all the time and the chances were that the petrol tax would be raised.

Goodall said to raise VAT would churn up a storm of political protest and consumer resistance, something government was unlikely to risk in the current political environment.

A Mineral and Energy Affairs spokesman said the underrecovery on 93 octane in the PWV area in June was a huge 9,4c/*l*, in May 4,63c/*l* and in April 2,3c/*l*.

The burden being carried by the fund is clear from recent wholesale and retail margin hikes.

The wholesale margin on 93 octane was increased by 2c/*l* in April last year and by another 2c/*l* in October. The retail margin was raised by 1,5c/*l* in December.

In April this year the wholesale margin was again raised, this time by 4c/*l* and the retail margin by 2,1c/*l*.

The only price increase since August last year for 93 octane on the Reef was in March this year — 8c/*l* in tax and 1c/*l* to compensate for higher transport costs.

Drought spurs plans for regional grid

Eskom pact with African neighbours

B/DAY 20/8/92

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PETER DELMAR

ESKOM has reached agreement with its Zimbabwean counterpart on a R350m power grid system to be extended later to sub-Saharan Africa.

Eskom CE Ian McRae said in Johannesburg yesterday that the drought had accelerated the need for implementing the grid, which would link SA with 17 other countries. The scheme was likely to become a reality within a decade at a cost of R8bn.

The urgency surrounding the establishment of the grid could result in some mothballed Eskom power stations being brought back into service.

McRae said work on providing Eskom power to Zimbabwe and Zambia was already under way. Both countries would run out of hydroelectric power by the end of the year if the drought persisted.

In terms of the proposal, the work would be jointly financed by the Zimbabwe Electricity Supply Authority (Zesa) and Eskom. Eskom would cover costs to the Zimbabwe border and Zimbabwe the costs inside its borders. The total cost of the project would be about R350m, with the Matimba-Zimbabwe connection costing more than R200m.

The supply project involved strengthening the power system between Eskom and the Botswana Power Corporation via Gaborone to Bulawayo and installing a new 500MW line from Matimba power station in the northern Transvaal to Bulawayo.

Work on the line via Gaborone had begun and the Zimbabwe government would soon consider proposals for the Matimba-Bulawayo link, compiled by Zesa.

Agreement on the project represents a major breakthrough for Eskom. Despite enjoying a close relationship with its counterpart in Zambia, relations with Zimbabwe have traditionally been frosty.

It is believed Zimbabwe Transport and Energy Minister Denis Norman — who spearheaded Zimbabwean co-operation with Spoornet on the transport of millions of tons of maize — played a key role in negotiations.

McRae also disclosed that Eskom and the electricity authorities of Zaire, Zambia, Zimbabwe and Botswana had agreed last month on initial steps, including detailed studies, for a sub-Saharan grid.

"The focus (at the meeting in Lusaka) was on the immediate and short- to medium-term solution to the threat in power supplies in Zimbabwe and Zambia as a result of the drought. The gathering took place with the full backing of the respective governments. A sense of urgency prevailed which transcended politics."

McRae said the link-up would bring far-reaching social, economic and political benefits to the region and would give SA a

☐ To Page 2

Eskom

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☐ From Page 1

B/DAY 20/8/92

major economic boost in terms of technical and consumer goods demand.

SA electricity prices would benefit from the grid through improved economies of scale. Initially, as an exporter of power, Eskom would be able to make better use of its excess capacity. Later, as a possible partial importer, it would benefit from reduced capital expenditure demands.

McRae said Eskom had spare capacity to the year 2000, but the grid could mean that it would put into service some of the three power stations and two power station units it had mothballed.

An end to the drought would not delay the process towards the grid.

McRae predicted a mix of power sources for the grid, with new hydroelectric dams and new mines being built. Cahora Bassa would have to be involved, as would stations in Cabinda, Angola, and Bepupa Falls in Namibia/Angola and Batoka Gorge on the Zambezi. Major extensions of the grid proper would span Botswana, Zimbabwe, Mozambique, Tanzania, Zaire, Uganda, Kenya and Angola.

☐ Sapa reports from Harare that Norman told parliament yesterday plans were under way to import 50MW of electricity from SA.

He said authorities in Botswana, Zaire, Zambia, SA and Zimbabwe were looking at ways of how the five nations could share the supply of electricity.

Norman said the drought in the subregion was having serious implications on power generation from major hydroschemes on which Zimbabwe depended to a large extent for its power.

And Zesa corporate planning manager Simbarashe Mangwengwende said yesterday that power rationing could soon be introduced in Zimbabwe because of the critical shortage of energy.

Plans for sub-Saharan power grid

Own Correspondent

JOHANNESBURG. — Eskom has reached agreement with its Zimbabwean counterpart on a R350 million power grid system to be extended later to sub-Saharan Africa.

Eskom chief executive Mr Ian McRae said yesterday that the drought had accelerated the need for implementing the grid, which would link South Africa with 17 other countries. The scheme was likely to become a reality within a decade at a cost of R8 billion, he said.

Mr McRae said work on providing Eskom power to Zimbabwe and Zambia was already under way. Both countries would run out of hydro-electric power by the end of the year if the drought persisted.

It is proposed that the work would be jointly financed by the Zimbabwe Electricity Supply Authority (Zesa) and Eskom. Eskom would cover costs to the Zimbabwe border and Zimbabwe the costs inside its borders.

Mr McRae disclosed that Eskom and the electricity authorities of Zaire, Zambia, Zimbabwe and Botswana had agreed last month in Lusaka on initial steps, including detailed studies, for a sub-Saharan grid.

Major extensions of the grid would span Botswana, Zimbabwe, Mozambique, Tanzania, Zaire, Uganda, Kenya and Angola.

SA electricity prices would benefit from the grid through improved economies of scale. Initially, as an exporter of power, Eskom would be able to make better use of its excess capacity. Later, as a possible partial importer, it would benefit from reduced capital expenditure demands.

An end to the drought would not delay the process towards the grid, which Mr McRae said was irreversible.

● Sapa reports from Harare that MrDenis Norman, Zimbabwe Transport and Energy Minister, told parliament yesterday that plans were under way to import 50MW of electricity from South Africa.

Zesa manager Mr Simbarashe Mangwengwende said yesterday that power rationing could soon be introduced in Zimbabwe because of the critical shortage of energy.

55 CT 20/8/92

Sasol could supply gas to Columbus

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S Times (Buss) 23/8/92

By ZILLA EFRAT

SASOL is concluding negotiations to build a gas pipeline costing more than R100-million from Secunda to the Middelburg-Witbank area.

Its major customer could be Columbus Stainless Steel, a venture between Highveld Steel and Samancor, at Middelburg. The project is expected to be given the go-ahead soon.

Sasol Oil managing director Danie de Villiers says the company is designing the pipeline which will be between 115km and 160km long, determining its route and preparing to obtain servitude rights.

The venture looks profitable at this stage and he is optimistic it will go ahead.

The pipeline could cut through Witbank on its way to Middelburg, boosting Sasol subsidiary Gascor's gas supply within a year by between 6-million and 8-million gigajoules annually.

Current sales to about 700 customers in the greater Witwatersrand area are about 25-million gigajoules a year.

Partner

This route could be extended to Pretoria, a potential market of 3-million to 4-million gigajoules a year.

Sasol and Empressa Nacional de Hidrocarbonetos (ENH) of Mozambique are investigating the possibility of importing natural gas from the Pande gasfield to SA.

This project could involve the development of the gasfield and building a 900km-long pipeline, costing up to R1-billion. It would link up with the 1 200km-long gas pipeline system operated by Sasol.

Earlier this year, Sasol and ENH signed an agreement to jointly explore the Pande gasfield. They are looking for a third partner.

Mr De Villiers says that before building a pipeline, Sasol would need to be assured of at least one large base load customer in an area. At Middelburg, this customer would be Columbus.

Sasol has never been able to justify a gas supply to Pretoria, but the pipeline to Witbank could make it more attractive.

Sasol expects to complete the pipeline to Middelburg 20 months after an agreement is reached.

Its gas is used for virtually any type of industrial heating. Mr De Villiers says the advantage of the pipeline gas supplied by Sasol is that it is environmentally friendly, being sulphur free, and has no stockholding requirements.

The ease of the gas application opens many opportunities to improve the efficiency of manufacturing processes to levels that are not normally attainable with liquid or solid fuels.

Drought boosts vast electricity grid plan

Sub-Saharan power needs could link SA with 17 African countries within 10 years in a project costing R8 billion and bringing to the whole region a host of political, social and trade benefits

SS AHG 24/8/92

JOHANNESBURG. — The crippling drought has accelerated implementation of a sub-Saharan electricity grid that could link South Africa and 17 other countries within a decade at a cost of about R8 billion.

The grid will bring far reaching social, economic and political benefits to the region and will provide the South African economy with a major boost in terms of technical and consumer goods demand, says Eskom Chief Executive Dr Ian McRae.

He predicted markets opening up among the region's 200 million people, only 10 percent of whom have electricity at present.

In the process South African electricity consumers would benefit from economies of scale as initially the country would be a net exporter of electricity, thereby absorbing existing excess capacity and later, as a partial importer, cushioning capital expenditure demands on Eskom.

Eskom at present generated 22 600 Mega watts a year — more than 60 percent of all power generated in the region.

There was spare capacity up to the year 2000, but the grid programme could mean the demothballing of some shelved Eskom power station plant and bring the time when new capacity was needed earlier than projected.

This would provide local industry and engineering with further windfall business.

Things were moving fast, he said, and the "grid timetable" was shortening. The major elements would be in place within a decade.

The first steps towards the grid had already been taken by Eskom's undertaking to provide South African power to Zimbabwe and Zambia, which would run out of hydro electricity by the end of the year if the drought did not end.

This involved strengthening the power system between Eskom and Botswana Power Corporation via Gaberone and Francistown to Bulawayo and by installing a new 400 Mw line from Matimba Power Station to Bulawayo.

Work on the project was already in progress way and would be financed jointly by Zimbabwe and Eskom. Eskom might cover costs to the Zimbabwean border and Zimbabwe would cover the cost of assets into that country. The total cost of the project would be about R350 million, the Zimbabwean sector being more than R200 million.

The electricity authorities of Zaire, Zambia, Zimbabwe and Botswana met Eskom officials in Lusaka on July 21. The basis of the sub-Saharan grid link was discussed and initial steps, including detailed studies, agreed.

The focus was on the threat to power supplies in Zimbabwe and Zambia as a result of the drought.

To explore the opportunities the grid presented, South African suppliers would have to market themselves, but there was a clear perception among the participating electricity authorities that good equipment, technology and services from South Africa would be cheaper than other world sources.

Any end of the drought would not cause a delay of the process towards the grid, which Dr McRae saw as "irreversible."

Much groundwork had to be done. Already some basic principles had emerged. The respective countries would have to finance their "leg" of the grid.

By implication this would require finance from bodies such as the World Bank, African Development Bank and other sources.

He predicted a mix of power sources for the grid — thermal, nuclear (from South Africa), pump storage and gas turbined.

New hydro dams and new mines were envisaged. Cahorra Bassa would undoubtedly be involved and a North Bank extension was envisaged. Other stations in the grid would include Cabinda in Angola, Ipupa Falls in Namibia/South Angola and Betoka Gorge in Zimbabwe/Zambia.

Major extensions of the grid proper would span Botswana, Zimbabwe, Mozambique, Tanzania, Zaire, Uganda, Kenya and Angola.

Within the Southern African region, several of South Africa's immediate independent neighbours already received power from Eskom.

South Africa was rich in coal for thermal generation, while hydro power would provide the basis of much of the rest of the grid.

Some idea of the potential was that the Inga scheme in Zaire at present generated 1 500 Mw, but had the capacity to produce 50 000 Mw — double South Africa's present total output.

Eskom would undoubtedly be called on to provide technical and engineering support for aspects of the grid. The corporation's know-how in terms of dry cooling was particularly relevant.

He envisaged bilateral and multilateral agreements between power corporations with the full backing of their Governments.

"I see the extension of the grid as a passport to peace in the sub-Saharan region, a way to raise standards of living and a source of major economic growth," said Dr McRae. — Sapa.

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British Gas special projects manager Yvonne Barton, who is in SA to present the Executive Women's Club businesswoman of the year award. Picture: ROBERT BOTHA

World trade 'key to SA energy needs'

BDAY 25/8/92

KATHRYN STRACHAN

OPENING up SA to the rest of the world and establishing international trade links was the only way the country would overcome the limits of its low energy reserves, a leading UK energy specialist said yesterday.

British Gas special projects manager Yvonne Barton — in SA to present the Executive Women's Club businesswoman of the year award — said the example of Japan indicated it was possible for a country to achieve economic prosperity, despite low energy reserves.

Barton, chairman of Britain's top businesswomen's organisation, Network, has risen to the top of a field in which it remains unusual to find women — geotechnical engineering with particular emphasis on offshore oil rigs. (55)

But Barton's interest has moved more to the challenges facing energy policy where political barriers are falling away and environmental concerns conflict with growing demands for energy. 25/8/92

She believes that in distributing energy, the Western world has until now been able to ignore half the world, as well as to ignore the environmental costs.

The reassembly of the world order has posed great challenges, particularly for the international oil industry, she said.

"The opening up of the People's Republic of China introduced us to a thousand million people all aspiring to a Western lifestyle, and an enormous demand on the earth's energy sources.

The collapse of the Soviet Union revealed a vast continent of riches, with Siberia harbouring half the world's gas supplies," Barton said.

Over the past 25 years, world energy consumption had tripled and was set to climb unabated as the "Tiger" economies of Asia continued to grow.

The world had plenty of energy resources, but getting the energy to where it was most needed and the cost to the earth of doing so, were the most crucial problems involved.

With dramatic changes happening across the world new environmental considerations had started to come to the fore, she said.

Countries had differing priorities depending on their stage of economic development; the problems that poorer nations wanted to tackle first were not the environmental goals that Western countries most wanted them to pursue.

The answer was not to implement a global energy policy through government intervention, but to provide real alternatives to spoiling their environment by lifting trade barriers and freeing up the world's resources, she said.

'Fuel price hike can be staved off'

GERALD REILLY

PRETORIA — Mineral and Energy Affairs' fuel stabilisation fund was coming under increasing pressure, but was likely to be able to hold out until the year-end without a fuel price increase, a department source said. BIDAY 26/8/92.

Last month the underrecovery on 93 octane petrol on the rand amounted to a huge 14,650c/*l*. This was the fifth consecutive month of underrecovery ranging from 0,778c/*l* in March to 9,459c/*l* in June.

Economists said while the stabilisation fund might be able to hold off a petrol price hike, government could raise the petrol tax at any time. Another option would be to raise VAT.

A major reason for the big jump in July was the increase in wholesalers' margins of 4c/*l* and in retailers' margins of 2,1c/*l* from July.

A department statement said yesterday the international market price of refined petroleum resulted in a decrease in July's landed cost.

From page 1

Strike

2/7/92

55

plement the broad areas of agreement.

Spokesmen for both Shell and SAB Beer Division said they had been in favour of the 24-hour shutdown.

However, SAB's Mr Adrian Botha said the company would not now seek to implement such a plan as this might put employees in a difficult position in their communities if other members of their communities stayed away from work on additional days.

Pick 'n Pay general manger, industrial relations, Mr Frans van der Walt, said management was discussing the issues and would meet shop stewards early next week.

Volkswagen's Mr Johan Breytenbach said management would hold talks with shop stewards next week on what policies to adopt. He declined to comment on the possibility of a 24-hour shutdown.

Policy

Most companies said that in the event of a two-day stayaway they would adopt a policy of no work, no pay, no penalty.

Sacob director Mr Raymond Parsons said the organisation would be sending guidelines to members within days on how to deal with the stayaway.

The Cape Town Chamber of Commerce has expressed "great regret" at the failure of Cosatu and Saccola to reach agreement on their proposed accord.

In a statement by its president, Mr Herbert Hirsch, the chamber said its representatives to a Sacob summit meeting on July 21 had supported the broad thrust of the draft agreement.

Mr Hirsch appealed to all employers and employees to discuss problems and show understanding for each others' problems and approach the proposed August 3 general strike on the basis of "no work, no pay", with discipline as a last resort.

Ithuba funds power project for schools

BDAY 27/8/92

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WILSON ZWANE

ESKOM and the charity organisation Ithuba have embarked on a major project to electrify schools and health centres in areas where government has not been forthcoming with funds.

Eskom public affairs executive Johan du Plessis said yesterday the utility and Ithuba had an agreement in terms of which some proceeds from Ithuba's fundraising programme went into the project.

Last year Eskom obtained R1m, or 20% of the proceeds from Ithuba's fundraising programme, which it ploughed into the electrification of clinics and schools in the northern Transvaal and in the PWV region.

Completed projects include a high school, developed from a horse stable in Orange Farm in the Vaal, several schools in Alexandra, and two clinics in the northern Transvaal — one in Marble Hall and another in Elandskraal.

Du Plessis said he hoped Eskom would get more than 20% of the proceeds from this year's Ithuba fundraising programme as the utility planned to electrify more schools in the Transvaal, Natal, the Cape and the Free State.

Among schools earmarked for electrification in the next few months were three in Orange Farm. These schools were converted from chicken runs.

Augustus Khumalo, founder and owner of the schools in Orange Farm, said this week the DET had not provided funds to electrify the schools.

"I get a grant from the DET with which I have to pay the teachers and run the four schools," Khumalo said.

Since Eskom electrified one of his schools, Black Forest High School, parents had been called on constantly to foot electricity bills.

Orange Vaal DET spokesman Philip Mahasela said although Khumalo's schools had been registered with his department, they were privately owned and as such did not qualify for government subsidy.

But, said Mahasela, the DET had given Khumalo a R250 000 grant last October to run the schools. "That grant was not a one-off thing. Every month the department gives Khumalo about R55 000."

Asked to comment on the two northen Transvaal clinics, a TPA spokesman said she was not aware that Ithuba money had been used to electrify them.

In another development, Du Plessis disclosed that Black Management Forum president Prof Wiseman Nkuhlu would chair next week's national electrification conference. Du Plessis said Nkuhlu was chosen as chairman by an eight-member committee entrusted with the convening of the conference, which would pave the way for an electrification forum to develop strategies for speeding up electrification of about 3-million homes.

Several people were considered for the position, but Nkuhlu was acceptable to all parties. These parties excluded government but included Eskom and the Development Bank of SA.

At last, a storage

Bumper regional deal for Eskom

JOHANNESBURG. — A massive electricity project costing more than R737m involving Eskom and five other African countries was announced by Dr Ian McRae, Eskom's CE, last night. 55

Other African countries involved are Zimbabwe, Botswana, Mozambique, Zambia and Zaire, it was disclosed at a meeting in Johannesburg. Part of this project will include the rehabilation of the Cahora Bassa hydro electricity scheme at a cost of about R270m in Mozambique. CT 28/8/92

Eskom is also set to start a crucial project building a transmission line from Cahora Bassa in Mozambique and Harare in Zimbabwe.

Eskom has the sole right to purchase power from Cahora Bassa but has agreed to forego the approximate 500 mega watts of power until the year 2003.

Sasol wins (55) Nam oil licence

WINDHOEK. — The Namibian goverment has awarded the third licence to explore for oil off the coast of Namibia to Sasol, Deputy Mines and Energy Minister Jessaya Nyamu said in Windhoek yesterday.

The 11 000sq kms licence area is south of Terrace Bay. CT 28/8/92

Sasol Mining, a subsidiary of Sasol Ltd, is expected to spend R27,5m on exploration and more than R1m on training Namibians during the first four years.

Sasol gets Namibian oil exploration licence

STAR 28/8/92. (55)

WINDHOEK — Sasol has taken a first step in expanding operations beyond South Africa with the award yesterday of a licence to explore for oil off the coast of Namibia.

The licence, granted to subsidiary Sasol Mining, is the third awarded by the Namibian government for oil exploration in its territory.

Announcing the deal yesterday, the Namibian deputy Minister of Mines and Energy, Jessaya Nyamu, said: "The award of this licence signifies the beginning of a vibrant chapter in our emerging bilateral business relationship, which is indicative of the growing confidence between our people."

The 11 000 sq km licence area 2012 is situated southwest of Terrace Bay on the northern Namibian coast.

Sasol Mining is expected to spend about R27,5 million on exploration and over R1 million on training Namibians in the first four years.

Sasol said yesterday the agreement was expected to be signed in Windhoek next month.

Work is due to begin as soon as the agreement is signed.

Mr Nyamu said, in response to a question, there was no contradiction in Namibia entering into an agreement with SA, despite calls by other countries for non-involvement.

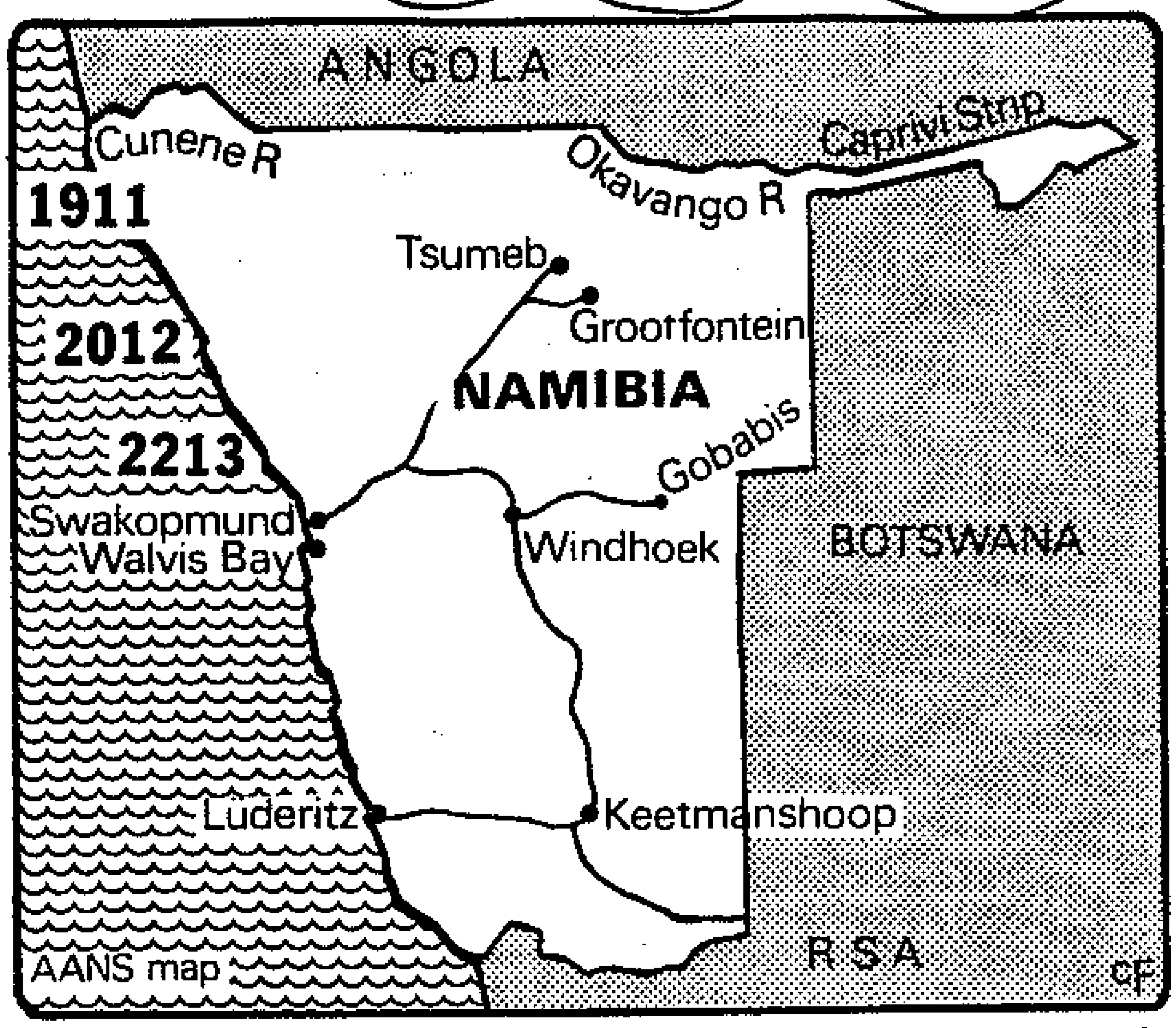
He said it was understood and accepted, by bodies including the Organisation for African Unity, that Namibia was an "exception" when it came to sanctions against SA because of their linked economies.

"It would not make practical sense," he said.

Namibia earlier signed contracts with a Norwegian consortium, which has already begun seismic work close to the new licence area, and with Canada's Ranger Oil and Britain's Hardy Oil & Gas, which will be exploring inshore close to Walvis Bay in block 2213.

Geologists are optimistic that the exploration activities will eventually yield viable oil reserves off the Namibian coast.

The presence of oil to the north, off Angola, and Namibia's giant Kudu gasfield to the south, with reserves estimated at up to 560 billion cu m, are among factors indicating large oil reserves off the Namibian coast, they say.



The Sasol exploration block 2012 is 11 000 sq km in extent sited between two other blocks already allocated.

A study of the complementary South American coast, and results of a basic seismic survey conducted under SA supervision in 1989, confirm this view.

Klaus Endresen, whose Norsk Hydro Namibia heads a consortium including Norways's Statoil and Saga Petroleum, and which was granted the first licence in April, said: "The enthusiasm to explore this area reflects the fact that a lot of companies are confident of the Namibian continental shelf, particularly when you take the low oil prices into account."

But he warned that the exploration of this coast would not be completed this century.

Mr Nyamu said the Norsk consortium had beaten five others to the licence for block 1911, an 11 000 sq km sector near the northern border with Angola.

A total of 18 companies were bidding for search rights.

Mr Endresen said Norsk would install five Norwegian technicians and sophisticated equipment to interpret the results of a detailed seismic survey launched last month by subcontractors Western Geophysics of the US.

"This is no half-hearted operation. We are creating a completely autonomous office. All the interpretation will be done in Namibia. We are very serious." — Sapa- Reuter.

Eskom unveils power strategy for neighbours

STAR 28/8/92.

Eskom yesterday clarified plans to help ease the energy crisis facing neighbouring states due to the drought in the region.

Eskom chief executive Ian McRae said three projects were in the pipe-line, the first of which is expected to be operational next month to supply energy to Zimbabwe.

Zimbabwe recently announced that its residents and industries would have to face power rationing due to the reduced capacity of its hydroelectrical supplies brought about by the drought.

The country's energy woes were exacerbated on Tuesday night by electricity blackouts because of problems largely at Hwange's coal-fired power station.

Eskom has developed a strategy to set-up a power grid linking most of sub-Saharan Africa and these efforts have now become more imperative.

"The situation has dramatically changed in the region in that the drought has brought about a critical sitaution in these countries," Mr McRae said.

"If there are no further inputs into their dams, these countries are facing a situation where they would run out of hydroelectric power by the end of the year, or early into next year."

Although it was not possible to import large quantities of power into the neighbouring states in the short-term, Mr McRae said a transmission line to South Africa's border with Zimbabwe at Beit Bridge had been established.

Zimbabwean technicians would shortly link up with that line, and by November this year 40 megawatts of South African power would flow into Zimbabwe's system.

The total project cost amounted to R7 million with South Africa footing R4 million of the bill.

This would go some way towards easing Zimbabwe's crisis but the energy situation in the country is expected to remain critical until May next year.

A second project of R145 million in conjunction with the Botswana Power Corporation would involve the strengthening of lines through to Gabarone.

This would allow 100 MW from Eskom to flow into Botswana from May next year and then also, if neccessary, be directed to Zimbabwe and Zambia.

However, the threat of a prolonged drought and other water shortages in the future meant it was essential there should be a very strong energy tie between Eskom and the Zambian, Zimbabwian and Botswana systems.

Mr McRae said a R315 million project to flow power from Eskom's Matimba station across the south-eastern corner of Botswana to Bulawayo in Zimbabwe was being negotiated.

The project had been approved by the South African government while Botswana and Zimbabwe still had to take a decision.

Mr McRae said this would allow some 500 MW to flow into these countries' systems and if South Africa faced an energy shortage in the future the flow could be reversed enabling it to import power.

This project would extend through Zimbabwe to supply Zambia as well.

In addition to these three projects, Eskom had been invited to participate in a study with Zaire, the region's other energy powerhouse, to strengthen Zambia, Zimbabwe and Botswana's energy systems.

Further regional developments being considered were the linking of power stations on the Zaire River with Angola and, further down the line, with Namibia.

Once financing for the Cahora Bassa project, floundering due to years of civil war in Mozambique, had been secured it could be operational within three years.

Responding to criticism that Eskom was pursuing regional plans at the expense of domestic needs, Mr McRae said it remained a priority to extend electricity supply to South Africa's people.

"Electrification is vital for the region to move towards economic growth, but likewise it is a high priority to bring electricity to the 20 million or so people in South Africa without it," he said. —Sapa.

SS

ARG 29/8/92 (55)

Sasol's oil search

■ A number of firms are clamouring to be part of the search for oil off Namibia.

Business Staff

SASOL Mining has been granted a licence to explore for oil off Namibian. An agreement with the Namibian government is to be signed in Windhoek next month and work will begin immediately after.

Sasol's 11 000km² licence area 2012 lies south-west of Terrace Bay on the northern Namibian coast.

"The award of this licence signifies the beginning of a vibrant chapter in our emerging bilateral business relationship which is indicative of the growing confidence between our people," said Namibian Deputy Mines and Energy Minister Mr Jessaya Nyamu.

Sasol Mining, a subsidiary of Sasol Limited, is expected to spend about R27,5 million on exploration as well as more than R1 million on training Namibians in the first four years, Sapa reports.

Namibia earlier signed contracts with a Norwegian consortium, which has already begun seismic work close to the new licence area, and Canada's Ranger Oil Limited and Britain's Hardy Oil and Gas which will be exploring inshore near Walvis Bay.

Instinct and circumstantial evidence tell oil firms there is business to be done off Namibia's largely unexplored western Atlantic coast, and they are clamouring to be a part of the search.

The Norsk consortium beat five others to the licence for block 1911, an 11 000km² sector near the northern border with Angola. A total of 18 companies were bidding for search rights.

"No one in the world knows whether there is oil in these waters off Namibia," said Norwegian Mr Klaus Endresen, whose Norsk Hydro Namibia a.s. — heading a consortium including Norways's Statoil and Saga Petroleum — was granted the first licence in April.

"But the enthusiasm to explore this area reflects the fact that a lot of companies are very confident of the Namibian continental shelf, particularly when you take the low oil prices into account."

Mr Endresen said the presence of oil to the north off Angola and Namibia's giant Kudu gas field to the south, with reserves estimated at up to 560 m³, were among factors indicating oil off the Namibian coast.

Other factors included a study of the complementary South American coast and results of a basic seismic survey conducted in 1989.

Pointing out that Norway had drilled 28 wells before striking oil in the North Sea, he said "the exploration of this coast will certainly not be completed this century".

Mr Endresen said the Namibians drove a hard bargain, but he praised their professionalism.

"The competition is strong and the negotiations were very tough," he said.

He said Norsk would install five Norwegian technicians and sophisticated equipment to interpret the results of a detailed seismic survey launched last month by subcontractors Western Geophysics of the United States.

"This is no half-hearted operation. We are creating a completely autonomous office. All the interpretation will be done in Namibia. We are very serious," he said.

Mr Endresen said Norsk was committed to drilling three test wells and to a minimum expenditure of R120 million during its four-year licence period.

The group has also made a R2,7 million grant to the government to train Namibians in related technology.

Canada's Ranger Oil Limited won rights to block 2213, about 300km south of the Norsk concession.

"This search is very important to Namibia," Mines and Energy Minister Mr Andimba Toivo ja Toivo said.

He said employment, technology transfer and the tax structure in the event that oil is found were the main features in negotiations with exploration companies.

Revamp of power supply urged

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By ZILLA EFRAT

A THIRD of local authorities distributing electricity supply fewer than 1 000 users each.

This a finding of a government report which concludes that SA's electricity distribution industry is incapable of supporting a major electrification drive and is often ineffective and inefficient.

The report, which says rationalisation is necessary, was released by Mineral and Energy Affairs Minister George Bartlett, among others, for discussion at this week's national electrification conference.

Out of the 431 local authorities which distribute 43% of SA's electricity, only 290 are believed to be more or less financially stable.

Only six, including Eskom, supply electricity to more than 100 000 domestic users each. The average is 4 350 users a local authority.

The report says it is internationally recognised that an organisation with fewer than 10 000 customers will not be financially viable.

The large number of small players has resulted in an unhealthy diversity of policies, standards and tariffs, as well as reduced customer service and the loss of benefits of scale.

S/Times (Buss) 30/8/92

Political

The report says the distribution industry's present structure has contributed to a rate of electrification which is much slower than desired.

To wipe out the backlog, about 350 000 houses will have to be electrified annually in the next 20 years. The distribution network and appliances will cost more than R1,1-billion a year.

The report suggests that between five and 15 regional single service electricity distributors should be developed.

They would take over most of the distribution and reticulation work of Eskom and those of existing local authorities.

The report suggests the future structure of electricity distribution should be discussed as part of the political negotiation process.

One regulatory regime for electricity distribution, excluding Eskom's power generation, should be developed.

Government is involved in one way or another in electricity generation, transmission, distribution and reticulation. Many of organisations report to different ministers.

The report says there is a need for conciliation and co-ordination.

Secret Govt fuel pact is disclosed

S Times (BUSS) 23/8/92 55

THE infamous Ratplan, the secret agreement between the Government and the oil industry which has controlled fuel distribution since 1960, can now be disclosed.

The Government and the oil industry this week agreed to a new four-year cycle of the plan to limit the number of new service stations, restrict entry by newcomers and outlaw the sale of petrol at lower than Government-approved prices.

By KEVIN DAVIE

The new Ratplan — Business Times has a copy — was agreed to by Mineral and Energy Affairs Minister George Bartlett and the oil companies.

Mineral and Energy Affairs spokesman Lourens van den Berg says the plan has been agreed to but not signed. "The oil companies do not sign because of (foreign) anti-trust legislation.

"The oil companies agreed to abide by the new four-year cycle."

The Competition Board — it granted Ratplan an exemption from a prohibition under the Competition Act in 1986 — has begun an investigation of the plan.

The probe follows a complaint from a would-be petrol station operator who has been thwarted because of the plan's closed-shop conditions.

Key

Pick 'n Pay chairman Raymond Ackerman, who is campaigning for lower petrol prices, says: "Ratplan protects vested interests. Protectionism is socialism.

"We were promised deregulation, but instead have more regulation to run until 1995."

The Service Station Rationalisation Plan, known in the industry as Ratplan, has increased the number of petrol stations by 10% since 1960 to 4 650. Average volumes sold have increased in the same time by 378%.

A key clause says no oil company may "grant any benefit whatsoever to any end user of petrol in respect of sales made through service stations".

The Ratplan provides for 200 new garages before the end of 1995.

Existing siteholders — Trek, Shell, Engen-Mobil, Caltex, BP, Total, Zenex and Sonap — are allowed 25 new service stations each.

Ratplan also provides for another 183 sites through the closure of low-volume ones, such as in rural areas, because of population migration.

Radius

Caltex is allowed to open 35 new stations, Shell, BP and Engen/Mobil 33, Trek 12, Zenex eight and Sonap six.

These relocations require permission from the Government if the closure leaves no petrol garage for a radius of 10km.

Ratplan also provides penalties for offending participants who may have to forfeit part of their quota for transgressions.

If an oil company is found to have supplied petrol or diesel to a station owned by another oil company, the transgressor is obliged to pay three times the wholesale price of that fuel to the aggrieved party.

Mr Ackerman says: "There should be free competition, just like a food store. The consumer uses enormous amounts of petrol. If we are serious about bringing inflation down we have to start with petrol."

Ratplan's objectives are to:

- Provide fuel nationally at a reasonable price through a countrywide network of viable petrol outlets.
- Ensure essential services are available for the motoring public.
- Improve the profitability of dealers by promoting increases in average site petrol sales and thus reduce the need for margin increases.
- Achieve overall parameters which provide for a basic minimum service standard and prevent the proliferation of petrol outlets and unnecessary duplication.

Mr Van den Berg says the Ratplan accords with the Government's policy of protecting small business and providing jobs.

Margins have decreased in real terms since 1980, but he acknowledges that average volumes have risen dramatically because of the plan's restrictive provisions.

He says service station are not usually developed against quota under 250 000 litres a month. At the present retail margin of 15c/l this realises R37 500 a month.

Effect

Mr Van den Berg says there is no pricing in Ratplan: "But if prices are not maintained, the industry will not supply."

Ratplan controls unbridled expansion, but does not prescribe where stations can be sited. Oil companies pick up the best sites, but if an individual can show there is a need "he will be able to get that site".

Competition Board chairman Pierre Brooks is investigating a complaint that the Ratplan is anti-competitive and against the Competition Act.

He says Ratplan predates this Act, which took effect in 1980, by 20 years.

Dr Brooks confirms that the Competition Board's view is that there should be as little regulation as possible.

"Ratplan could constitute a restrictive practice in that it creates a barrier to entry."

Mr Van den Berg says the oil companies own about 22% of the 4 650 stations in SA. A senior Motor Industries Federation (MIF) source says the oil company-owned sites are the busiest and account for about 60% to 70% of total volume sold.

The oil companies are not allowed to operate the petrol

● To Page 3

Fuel pact 55

● From Page 1

stations themselves; they are managed by MIF members, some of whom also own the sites. S Times (BUSS)

The MIF is the third member of Ratplan.

Mr Ackerman supports the outlawing of self-service stations as a measure to protect jobs. 30/8/92

He says criticism that Pick 'n Pay could drop prices at its petrol outlets by up to 8c/l because of alleged subsidisation from its food interests is unfounded: "We run our operations as separate, profitable business units."

Ratplan is one of several regulations, measures, conventions, agreements and formulas which regulate SA's fuel industry.

The worldwide trend in petrol retailing is to deregulation. Most EEC countries operate free petrol retailing markets. Service station operators have to meet only zoning, environmental and safety standards.

Oil fund pays for new police stations

KATHRYN STRACHAN

A PLAN to use some of the proceeds of government sales of strategic oil reserves to build 59 satellite police stations and 250 police contact points gets under way this week. BDAY 31/8/92

Economic Co-ordination Department spokesman Ernst van Eck said yesterday R62,4m of the R1,08bn strategic oil funds scheme had been allocated to security services in an attempt to halt the violence.

Contractors will submit their tenders for projects this week and construction will be completed by March.

The oil funds scheme, aimed at socio-economic relief projects, was announced a year ago. The projects include building thousands of classrooms, housing sites, and clinics and community centres in "informal areas" in SA and the homelands.

Several educational and community projects are already under way.

The process of planning projects and consulting communities about facilities needed was almost completed and Van Eck said he expected the scheme to surge ahead. Unrest had delayed some projects.

Plans for the conversion or upgrading of hostels, for which R31m had been allocated, had stalled because of conflicting views on how the problem should be approached.

Van Eck said the scheme was aimed at special development projects, with the emphasis on creating employment, social stability and a climate for investment.

Government guidelines for selecting projects focused on creating jobs and stimulating economic growth.

The fund would involve about 667 projects providing jobs for 59 000 people for an average period of 15 months. A sum of R20m had been allocated for a Manpower Department employment project.

Bavarian firm wins R370m Sasol contract

CT 1/9/92 (55)

JOHANNESBURG. — Sasol Ltd said yesterday it had awarded the first phase of its Alpha Olefins contract for the engineering and contract management to a Bavarian firm, Linde AG.

The first phase would be responsible for the production capacity of 100 000 tons per annum at a cost of R370m.

It will come on-stream by mid-1994 at which stage the timing and size of phase two will be considered.

The eventual total capacity of 450 000t per annum of the Alpha Olefins 1-pentene and 1-hexene will make Sasol the dominant player in the market.

The Alpha Olefins purification facilities will be constructed at Secunda from where most of the final product will be exported. — Reuter

PE to raise R139 m for township power project

ARG 2/9/92 (56)

PORT ELIZABETH. — The Port Elizabeth municipality is to raise more than R139 million over the next five years to supply electricity to Ibhayi township.

Town clerk Paul Botha said the money would be used to set up an electricity network supplying over 20 000 houses.

He said a large portion of the amount would probably come from the Development Bank of South Africa and other financial institutions.

"We have applied to the Development Bank for loan advances and will be liable to pay them back," said Mr Botha.

However, because of a single objection when the council approved the recommendation to finance the project, the municipality still had to wait for Cape Provincial Administrator Kobus Meiring to approve any loan applications.

Mr Botha said this was a legal requirement and would not hinder the project, which had already started.

A spokesman for the Port Elizabeth People's Civic Organisation (Pepco), Mr Monde Mtanga, said they "fully approved of" the project.— Ecna.

Electricity forum to be launched

BIDAY 2/9/92 (55)

WILSON ZWANE and PETER DELMAR

A NATIONAL electrification forum will be launched today after a meeting yesterday between groups from across the political spectrum, and power suppliers.

Delegates to a conference convened by the Development Bank of SA near Johannesburg expressed the hope that the forum would begin work within weeks.

The forum will work out strategies to accelerate the national electrification process and rationalise SA's fragmented electricity supply system.

Delegates representing government, Eskom, business, labour, the SA National Civic Organisation (Sanco), political parties, and local authorities backed the forum.

Sanco president Moses Mayekiso said electricity was "a right", so a new approach to the financing of electrification that "fits in with affordability" should be found.

"What may be of use to debate is the so-called lifeline system whereby each household will be given a basic amount at little or no cost. (The household) must progressively pay more for use that reaches luxury consumption levels."

Those unable to pay for electricity would have to be subsidised, he said.

"We will want to have wide debate on whether these (subsidies) come in the form of a new tariff structure with cross-subsidisation between either communities and corporate consumers, or rich and poor residential areas."

Mayekiso said electrification would continue to be a "site of political struggle" because of the high cost of electricity and "because of its importance to many municipalities' budgets".

However, Sanco was committed to depoliticising electricity if a system could be developed to serve the interests of the poor and working class urban and rural people.

Mayekiso criticised Eskom's raising of foreign capital and accused it of doing "geopolitical deals with bandits of Renamo".

Eskom CE Ian McRae said Eskom did not have the resources to electrify all SA

☐ To Page 2

Forum

BIDAY 2/9/92

From Page 1

homes on its own.

"What is needed ... is a shared vision and common objectives among all role players in an efficiently structured electricity distribution industry, where resources are harnessed in a concerted effort to meet the divergent customer needs."

McRae said there was enough generating capacity to achieve the electrification of millions of homes as well as assist industry to expand production.

"What we do in SA on electrification is likely to spill over to our neighbouring countries, where it can affect the lives of 100-million people." (55)

Association of Municipal Electricity Undertakings representative Jan Malan said the end user of electricity would benefit by removing the middle man. He said a single area distributor could purchase energy directly from the national grid at substantially reduced prices.

Modest earnings rise at Sasol forecast

(55) ARG 3/9/92

JOHANNESBURG. — South Africa's oil-from-coal and chemical producer Sasol would report on Monday only modest earnings growth for the year to the end of June, with weaker prices and demand for its main products, analysts said.

"Operating income in the second half, year on year, could be down 20 percent in line with lower refining margins", said Mike Ray, an analyst at stockbrokers Anderson Wilson Partners.

But Sasol's annual earnings and dividend were likely to rise slightly as a result of a lower interest bill and adjustments in its substantial deferred tax reserve, he said.

Mr Ray forecast a 5 percent increase in earnings to 194c a share in 1991-92 from a previous 185c, while other analysts said earnings could be slightly higher at about 200c.

The dividend for the full year was expected to rise in line with earnings to between 75c and 77c from a previous 71,5c.

Mr Ray said prices of petrochemical products, mainly ethylene and polypropylene, had fallen sharply in the last year because of lack of demand in export and domestic markets.

The current drought was expected to affect Sasol's fertiliser business.

Mr Ray expected finance charges, which were R542 million in the previous year, to be lower after this year's issue of convertible debentures to help fund capital expansion.

Analysts said they were looking for further information on several recently announced projects.

Sasol's mining subsidiary was recently awarded an exploration licence by Namibia, a project that analysts consider high risk and unlikely to bear results for years.

Sasol has also begun the first R370 million phase of its giant Alpha Olefins project. It said eventual total capacity of 450 000 tons a year of the Alpha Olefins 1-Pentene and 1-Hexene would make it the dominant player in this lucrative market.

Analysts were also hoping for comment on Sasol's investigation of the new Pande gas field in Mozambique. — Sapa-Reuter.

New deal obviates uranium glut

MATTHEW CURTIN

A DEAL struck by the US and Russian governments has allayed fears that a vast additional supply of uranium would be released from military stockpiles after the sudden end to the Cold War and the collapse of the Soviet Union.

The Financial Times reported yesterday that the governments had initialled an agreement for the conversion of highly-enriched uranium from dismantled Soviet nuclear weapons to low-enriched uranium for use as commercial nuclear fuel.

The agreement specifically mentioned that there would be no adverse impact on US consumers or Western world producers who had been hit by tumbling prices associated with a large oversupply.

Spokesmen for SA's Nuclear Fuels Corporation (Nufcor) were unavailable for comment yesterday, but a uranium industry source said the agreement was a favourable development.

However, he said, threats that a sudden influx of converted weapons grade fuel would worsen the already substantial glut on the uranium market had been exaggerated.

SA currently produces about 6% of world uranium output, but production had fallen away steadily in the '80s. Demand slackened with the curtailment of nuclear power programmes and supplies grew with the release of material from large US and then Russian stockpiles. (55)

Uranium output from SA's gold mines fell 30% in 1991 to 1 885 tons from 2 697 tons in 1990.

The FT reported ~~Uranium~~ Institute director-general David Kay had said the agreement "ensures that not all the weapons-grade fuel will be entering the market at once, but will be released over many years.

BIDAY 3/9/92

"The arrangement seems guaranteed to have zero impact on the market by ensuring there is no vast new capacity".

He said early estimates that dismantling nuclear weapons would provide about 100 000 tons of uranium — or about two and a half times last year's Western world sales of 38 000 tons — were proving wide of the mark.

Electricity forum short-circuits

BDAY 3/9/92

WILSON ZWANE and PETER DELMAR

ATTEMPTS to establish a national electrification forum ran into difficulties yesterday when consensus could not be reached on membership.

But delegates at the two-day national electrification conference, convened by the Development Bank of SA which ended at Midrand yesterday, agreed on the goals of the forum.

These goals include developing strategies to accelerate the national electrification process and facilitating the establishment of a national electrification fund.

There was initial agreement that the forum should be lean and focused, but a number of delegates later raised objections, saying that a small forum would not be inclusive.

Heated debate arose when some delegates suggested that rural communities and the TBVC states should be represented at the forum. The conference was also divided on government's role.

The failure by the delegates from groups across the political spectrum and power suppliers to reach consensus dashed earlier confidence that the forum would be functioning before the year-end.

It had been envisaged that the forum would have met formally sometime this month to appoint working committees, which would have been entrusted with the task of looking into the specifics of the electrification process. Conference chairman Prof Wiseman Nkuhlu said the establishment of the forum would be deferred until the conference's steering committee had secured sufficient agreement from interested parties on the forum's membership.

Steering committee chairman Peter Freeman said his committee would now embark on behind-the-scene lobbying in an attempt to get parties to agree on the forum's structure. It is understood that the steering committee will convene another conference on electrification within three months, but Freeman was emphatic that another conference should be convened only after it had been ascertained that a consensus on the forum's membership would be reached.

Expressing his disappointment at the failure to agree on the forum's composition, Freeman said the steering committee might look at processes leading to the recent formation of the national housing forum. It took 13 months for the national housing to be formed, and chairman Eric Molobi had said the delay was caused by differences among participants.

Electrification forum stalls

55

CT 3/9/92

JOHANNESBURG. — The proposed launch of a National Electrification Forum consisting of power suppliers and groups from across the political spectrum failed to take place yesterday due to disagreement regarding the size and representation on the body.

The forum was earmarked for launch yesterday following conferences involving the participating groups in Johannesburg.

The NEF's goals will be to work out strategies to accelerate the national electrification process and rationalise South Africa's fragmented electricity supply system.

Conference chairman Wiseman Nkuhlu said it was too ambitious to expect the forum to be launched after only one meeting. He said he regarded the conference as a success despite the fact that the process had stalled.

While delegates representing the government, Eskom, business, labour, local authorities, civic organisations and political parties supported the idea of the forum, they had disagreed on its composition, he said.

Eddie Theron ... competition.

Ratplan could be withdrawn

S/Times (BUSS) 6/9/92 (55)

By KEVIN DAVIE

RATPLAN, which has controlled fuel distribution in SA since 1960, may be revised or withdrawn even though it is scheduled to run until the end of 1995.

The Department of Mineral and Energy Affairs (DMEA) says "the plan is but an agreement, and although the necessary powers exist to legalise it, thus far the Government has not found such a course of action necessary".

"Should it be decided to reduce the Government's involvement in the petroleum industry in any way or to withdraw altogether, the plan may be revised or withdrawn."

Self

The DMEA says Ratplan is not a secret document in terms of any legislation, but is a confidential agreement between SA oil companies, organised service stations and the Government "who act in the interests of the consumer".

"The reference by the press (Business Times) to a secret agreement can therefore only be interpreted as deliberate, the same applying to the plan being branded infamous."

SA petrol prices are competitive with Europe's, notwithstanding the fact that those countries have self-service and full service is provided here.

"This ensures job opportunities for 45 000 driveway personnel with roughly 250 000 dependants.

"In addition, the restriction on the opening of service stations has prevented the unnecessary squandering of capital in a country which has a shortage of capital resources."

The DMEA says Ratplan has contributed to restricting the rise in the price of fuel since 1985 to only 51% in nominal terms while in real terms it has decreased by 36%. This compares with a 160% increase in food prices in the same time — a real rise of 13%.

"It is therefore evident that the price of fuel has not contributed to the average increase in inflation over the past six years."

Average per capita expenditure on petrol in Pretoria-Witwatersrand-Vereeniging amounts to only R30 a month, or R85 a month based on the economically active population in the country. Food, drinks and cigarettes cost R176 a month, or R500 for the economically active population.

The DMEA says regulation does not protect the vested interests of the oil industry: "SA has more oil companies than many other countries in the world — also Western countries.

"There is keen competition between these companies, also competition with regard to prices as is evident from the discounts they allow to direct clients and service stations with a view to extension of market shares."

Cotton-farming threat

S/Times (BUSS) 6/9/92

THE future of cotton farming and the domestic textile industry will remain in jeopardy unless prices for domestic raw cotton become internationally competitive, says Brian Brink, executive director of the Textile Federation. cotton

World cotton prices are R1,20/kg cheaper than the R4,80/kg forced on SA users by the Government, says Mr Brink. Duties were imposed last May to penalise imports.

Sasol aiming at world petrochemical market

STAR 8/9/92

(55)

By Derek Tommey

Sasol management is preparing to make the company a major world manufacturer of petrochemicals and is not letting the current uncertainty in South Africa stop it.

At a briefing last night, chairman JA Stegmann and MD (now also deputy chairman) Paul Kruger voiced their confidence in the future of South Africa as they outlined Sasol's current and future developments, including a capital expenditure programme of R3,5 billion.

However, Mr Stegmann emphasised there was still a need to find workable solutions to SA's problems by negotiation.

Until the political players accepted that the only rule under which SA would be able to prosper was live and let live, it would be unrealistic to expect the economy to perform to its full potential, he said.

A stable political accord would be difficult to arrive at against a backdrop of a poorly performing economy, he added.

Immediate good news for Sasol shareholders is that the company increased attributable profit by 10,7 percent in the 12 months to June, despite difficult conditions.

Earnings a share rose 9,4 percent to 202,0c. The dividend has been raised by 9,1 percent to a total of 78c a share.

Mr Stegmann said he was pleased with the results because they came off a high base and showed Sasol's ability to weather adversity.

They followed a 39,5 percent increase in Sasol's earnings in 1990-91, mainly as a result of higher oil prices caused by the Gulf War.

But the collapse of the high petroleum price was partially offset by better production volumes at Sasol Three, a contribution to profits by the new Syferfontein strip mine, and improved performance by the fertiliser, explosives and polymers division.

Although operating income declined, a drop in interest paid and a smaller tax bill enabled Sasol to increase its taxed income from R1,054 billion to R1,171 billion.

Earnings this year are expected to show little growth. Sasol has no new projects reaching the profit-earning stage and oil prices are expected to remain unchanged.

But interest payments should drop.

And with 2 200 people taking voluntary retrenchment earlier this year, Sasol expects to hold costs at their present level.

To achieve this Sasol has called for a 10 percent reduction in operating costs.

In the past few weeks Sasol has announced new investments costing R670 million.

These are a R370 million Alpha Olefins plan, a R200 million oxygen plant, and R100 million on rationalisation operations at Secunda.

They bring the value of new projects to around R3 5 billion.

Sasol is also looking at new ventures in coal export, acrylonite, acetic acid and other petrochemical ventures.

"These projects, together with those currently under construction, should go a long way to achieving growth from 1993-94 onwards," said Mr Stegmann.

Mr Kruger said the next five years should see petrochemicals increase their contribution to Sasol's profits from 20 percent to 50 percent.

Sasol had a major cost advantage over its international competitors.

Its profit margin on phenol, an important raw material, was 71,2 percent, against only 24 percent for its competitors.

The profit margin on another raw material, ethanol, was 62,3 percent, against 26,9 percent.

These margins gave Sasol huge opportunities to expand in the field of petrochemicals, he said.

Sasol shrugs off uncertainty in drive into world markets

ARG 8/9/92 (53)

DEREK TOMMEY

JOHANNESBURG. — Sasol management is preparing to make the company a major world manufacturer of petrochemicals and is not letting the current uncertainty in South Africa stop it.

Chairman J A Stegmann and managing director (now also deputy chairman) Paul Kruger last night voiced their confidence in the future of South Africa as they outlined Sasol's current and future developments, including a capital expenditure programme of R3,5 billion.

However Mr Stegmann emphasised there was still a need to find workable solutions to South Africa's problems by negotiation.

Until the political players accepted that the only rule under which South Africa would be able to prosper was live and let live, it would be unrealistic to expect the economy to perform to its full potential, he said.

A stable political accord would be difficult to reach against a backdrop of a poorly performing economy, he added.

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But the collapse of the high petrol price was partially offset by better production volumes at Sasol Three, a contribution to profits by the new Syferfontein strip mine, and improved performance by the fertiliser, explosives and polymers division.

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In a year when the recession deepened and the business environment deteriorated further, it is indeed gratifying to be able to report that attributable profit increased by 10,7% to R1 153,0 million.

In assessing this result it should be borne in mind that the previous year's earnings, which had shown a year-on-year improvement of 39,5%, had benefited substantially from the high oil and petroleum product prices occasioned by the Gulf War. In contrast with this, oil and product prices stayed at a relatively low level throughout the year under review. If, in addition, account is taken of the rising cost structure in South Africa and the very depressed level of petrochemical prices, the Board considers the results of the past year to be eminently satisfactory.

The collapse of the high petroleum prices after the Gulf War had an adverse effect on operating profit. This was partially offset by higher production volumes at Sasol Three, the first contribution to profit by the Syferfontein strip mining project and the improved performance of the Fertilizer, Explosives and Polymers Divisions. Attributable earnings benefited from a lower effective tax rate owing to the continued high level of capital expenditure and a reduced net interest charge due to a further reduction of the Sasol Three loans and interest earned on the proceeds of the debenture issue.

A final dividend of 41,5 cents per share was declared, bringing the total for the year to 78,0 cents per share. This represents an increase of 9,1% on the previous year.

Sasol's vigorous pursuit of new business opportunities necessitated the injection of additional capital into the Group. This was accomplished by means of a renounceable rights offer of 56 382 400 8,5% unsecured automatically convertible subordinated debentures at an issue price of R18,50 each. Through this issue the permanent capital of the company was increased by just more than R1 000 million. The support of our shareholders ensured the success of the issue, which was fully subscribed.

During the year under review the low prices of oil and petrochemicals in conjunction with the escalating cost and wage structure in South Africa necessitated further rationalisation and restructuring in order to reduce operating costs and to protect profitability. Moreover, in the current year a renewed and concerted cost reduction programme has been embarked upon. These cost reduction programmes regretfully led to a reduction in the workforce at all levels. Fortunately, most of the recent retrenchment targets are being achieved through the voluntary acceptance of retrenchment benefits.

Every effort is made to assist retrenched workers to find alternative employment. Sasol's community training programmes for the unemployed at Sasolburg and Secunda continue to equip individuals with marketable skills and by so doing soften the impact of the cost rationalisation programmes.

Operational aspects are dealt with more fully in the Annual Report.

The South African economy in the post World War II period has exhibited a remarkable potential for growth. Through its inherent strength and excellent infrastructure it has displayed exceptional resilience to adversity. For an economy of a developing country such as South Africa to grow at a satisfactory rate, an on-going high level of foreign investment is a prerequisite. The fact that the South African economy was able to show a positive real growth of 2,2% per annum in the eighties when punitive financial and trade sanctions and political uncertainty led to a net capital outflow of approximately R30 000 million, adequately demonstrates its inherent strength.

However, political uncertainties, the prolonged recession experienced by our trading partners and the severest drought in living memory have all contributed to the current poor performance of the economy.

In the absence of real growth, the economy is incapable of providing employment for new entrants into the labour market. Its overall capacity to employ is in fact shrinking.

Until a political dispensation that is acceptable to the very diverse spectrum of political opinions in our society has been arrived at, satisfactory performance of the South African economy is unlikely to be achieved. A growth rate of at least 5% per annum is necessary if we wish to address effectively the problem of unemployment.

At this stage many of the political groupings, in their approach to negotiating a new constitutional dispensation, are reluctant to make room for participation, for sharing, for consultation, for consensus. Rather, they lean towards the belief that a simple majority must have absolute and unfettered power to rule the country as it sees fit.

Such a view takes no cognizance of the harsh realities of our society. The existence of widely divergent political, cultural, ethnic, tribal and language groupings is an indisputable fact of life that we dare not ignore.

We shall have to stop thinking in terms of majorities and minorities. For one to attempt to prevail over the other by force, oppression, intimidation or mass action, is a certain recipe for continuing unrest and violence, even anarchy. The constituencies of the major groupings are simply too powerful for any of the main players to be overrun or pushed aside.

Stable government will be possible only once it has been accepted by all concerned that there must be not only participation in deliberations but also a say in decision-making by the main players.

When all is said and done, we have no other choice: workable solutions to South Africa's complex political and social problems will have to be arrived at not by coercion but through negotiation.

The question that faces all South Africans is this: for how long is our society destined to suffer great pain before it is finally accepted by the political players that the only rule under which we shall be able to prosper and to live together in peace and prosperity is that of live and let live in a spirit of partnership and co-operation. Until that stage is reached it is unrealistic to expect the economy to perform to its full potential.

It is equally true that it will be extremely difficult to arrive at a stable political accord against the backdrop of a poorly performing economy. It is therefore imperative that we immediately start correcting the serious structural deficiencies that have arisen in the economy.

As was pointed out in the recent IMF report on the South African economy, a reduction in the high level of underemploy

support of social needs can be achieved only through economic growth at a rate well above the performance of the 1980s.

To achieve this a number of structural adjustments will have to be made. Of these, restoring fiscal discipline is surely at the top of the list.

In recent years we have seen a pattern of ever rising State expenditure and ever increasing deficits before borrowing. The State has in fact disinvested on a considerable scale instead of contributing to domestic savings.

What is required is not increased expenditure, but a reduction in real terms and a reordering of priorities. The Minister of Finance has indicated that he intends to tackle this issue and for this he deserves the full support of the business sector.

On the labour front, as I stated in my review last year, South Africa has priced itself out of the competitive market in terms of wages and productivity. The spiral of wage inflation has been most harmful to the economy and, directly and indirectly, to the very people it was supposed to benefit. Those who have gained in the short term from the large wage increases have not only decreased in number but will in the medium and longer term lose out because of the adverse economic effects of these increases. The wage spiral is also one of the main reasons why the number of unemployed has escalated to such an alarming and dangerous level.

I fully support the view in the IMF report th large real wage increases will not help to improve living standar or the distribution of income, but will instead act to reduce growth and raise a steep barrier between the employed and the growing number of underemployed.

It is proper that the employed should have a voice in wage deliberations. The question not yet answered is: who speaks for the growing number of unemployed when wage negotiations take place?

The National Manpower Commission has been reconstituted and hopefully it will provide a much improved forum for deliberating and advising on matters related to labour and industrial relations. But here too there is a grave risk that the unemployed (who will have no voice in this forum) could be further disadvantaged when recommendations are made to improve conditions applicable to the diminishing but advantaged body of employed.

We shall not become a winning country in international markets until an accommodation is reached in the labour field that will ensure entrepreneurs of a disciplined, industrious and productive labour force.

There is no country in the world that can afford the level of stay-aways and strikes we are experiencing at present. It will be impossible to arrest the inflation spiral and restore economic growth to a satisfactory level while large sections of organised labour remain politically subservient.

There is no single remedy for the serious structural distortions that have arisen in the labour field. But the highest priority must continue to be given to education and training to enhance those skills that are in demand in industry. This will also help to improve income distribution.

The various issues I have mentioned are by no means the only ones that will have to be resolved if economic growth is to be restored to a satisfactory level, but they are among the more important ones.

The proposed Economic Forum, though an advisory body, could become a very useful instrument towards achieving maximum consensus between organised labour and organised business on the measures required to correct structural deficiencies in the economy. Hopefully it will also serve to enhance the understanding among participants not only of the demands being placed on the economy, but also of the paramount importance of sustained growth at a level that will reduce unemployment. It should also contribute to a better understanding of the conditions necessary for restoring a net capital inflow and of what the economy is capable and incapable of delivering in quantitative terms under various scenarios.

South Africa stands at the crossroads. I have no doubt that the path of negotiation, tolerance and accommodation will, in the end, be accepted as the only viable route to a future constitutional dispensation for South Africa. I hope this realisation will come very soon, but if it should be delayed, there is no reason for despair.

The attitude of wait-and-see which is evident among potential foreign investors is understandable. But I would like to assure them that in South Africa itself, if investment decisions are not forthcoming as fast as one would like to see, it is often simply because the desired level of return cannot yet be achieved and not because of the present uncertain political and economic outlook. Decisions on new projects are still being taken regularly. A case in point is Sasol's large investment programme to which I referred in last year's review. Just last week the Board approved three new projects for Secunda with a total end-of-job cost of R670 million. This brings the total of projects approved and not yet commissioned to R3 500 million. Still under consideration are new investments with a total value of more than R2 000 million.

These projects are to a large extent export-oriented. They will substantially increase Sasol's current direct contribution to foreign exchange earnings/savings of R4 000 million p.a., which represents approximately 20% of total exports by the country's manufacturing sector.

Profit Outlook

Sasol's investment programme is designed to ensure future growth for shareholders and to benefit our other stakeholders and the communities within which we operate.

The Syferfontein mine is now in full production and various smaller chemical plants such as normal butanol, krypton and xenon recovery and cresylic acid purification will be commissioned during the first half of the current financial year.

Large projects currently under construction are the renewal of Sasol One, the anode coke plant, the Natref expansion project and the acrylic fibres plant, which is a joint venture with the Industrial Development Corporation.

These projects will only be commissioned towards the end of the current financial year and will therefore start to contribute to profits only in the 1993/94 financial year.

The projects just announced are :

Alpha Olefins	R370 million
New oxygen plant	R200 million
Rationalisation of Secunda Operations to reduce unit output cost	R100 million
Total	R670 million

SASOL LIMITED

(Company registration number 79/03231/06)

HIGHLIGHTS OF THE YEAR

- Despite deepening recession, attributable profit up by 10,7%
- Total dividend up by 9,1% to 78 cents per share
- Permanent capital increased to enable vigorous pursuit of new business opportunities
- Three capital projects to the value of R670 million just approved, bringing capital work in progress to R3 500 million
- Major cost reduction programme promises to counter the effects of local inflation
- Economic growth in South Africa essential for sustained political stability
- South African economy has displayed remarkable resilience
- Confident that an accommodating negotiated constitutional settlement is possible in South Africa

SASOL IS COMMITTED TO:

- Dynamic growth through investment in high value-added projects, designed to bring maximum benefit to shareholders, customers and employees
- Staying up front as world leader in the technology development and commercial production of synfuels and petrochemicals from coal and natural gas
- Maintaining its position as the leading South African group in the chemical and oil sector
- Operating its existing facilities at maximum efficiency and profitability, thereby providing a sound cash flow for new investments
- Quality as a way of life
- Safety and a high regard for the environment
- Serving the communities in which it operates with care and sensitivity

CHAIRMAN'S REVIEW

In addition to these projects, the Board is in due course to consider the establishment of new ventures in coal export, acrylonitrile, acetic acid and other petrochemical businesses. These projects, together with those currently under construction, should go a long way towards achieving real growth from 1993/94 onwards.

The results for the current financial year will be determined largely by the level of international petrochemical prices and the rand/dollar exchange rate. Since chemical prices have weakened to the point where many leading international producers cannot fully recover cash costs, we do not expect prices to deteriorate any further. However, we foresee no material improvement in these prices unless the world's major economies recover rapidly from the present recession.

Since virtually all the Group's local and export prices are determined in US dollars, the strengthening of the rand against the dollar in recent months is having a negative impact on revenue and profits. For South Africa's export-oriented and import replacement industries, the rand has now become overvalued against the dollar. As long as this trend continues all the Group's major divisions will be faced with more or less constant prices in rand terms.

Since no significant growth contribution can be expected from the commissioning of new projects during the course of the current year and in view of the possibility of stagnant rand prices, all divisions of the Group have embarked on a major cost reduction programme. It is hoped that this programme will fully counter the effects of local inflation and that earnings will at least be maintained at the past year's level.

Conclusion

In December 1991 Mr Alistair Macmillan retired as a director and Deputy Chairman. His association with Sasol started in the 1950s when he was part of the IDC team that helped to put Sasol on the map. He first joined the Board of Sasol in 1970. We wish him a fond farewell and thank him for his unfailing support. He truly became one of us.

It is with much pleasure that I extend a warm welcome to Adv Christo Wiese and Mr Warren Clewlow who joined the Board on 1 April 1992 and 1 July 1992 respectively.

The results of the last year are in no small measure due to the inspiring leadership of Paul Kruger, Sasol's Managing Director. It gives me great pleasure to record that he has been appointed Deputy Chairman, whilst retaining his position as Managing Director.

Sasol is extremely fortunate to have an outstanding team of executives. I should like on behalf of the Board to thank them and all the other employees of the Group for their dedication and hard work during the past year.

A special word of thanks is also due to my colleagues on the Board for their enthusiastic commitment to Sasol and for their invaluable advice and guidance.

J A Stegmann
Chairman

DETAILS OF THE FINANCIAL RESULTS

The audited consolidated results of the Group for the year ended 25 June 1992 were as follows:

	Year ended 25.06.92 R million	Year ended 25.06.91 R million
Consolidated income statement		
Turnover excluding excise duties and levies	**7 853,9**	7 561,8
Net operating income	**1 758,6**	1 897,2
Dividends received	**1,2**	3,7
Net interest paid	**(228,6)**	(376,1)
Income before taxation	**1 531,2**	1 524,8
Taxation	**(359,7)**	(470,1)
Income after taxation	**1 171,5**	1 054,7
Outside shareholders' interest	**(18,5)**	(13,4)
Earnings attributable to permanent capital holders	**1 153,0**	1 041,3
Distribution to permanent capital holders	**453,9**	403,1
Increase in attributable profit	**10,7%**	39,5%
Earnings per share	**202,0c**	184,7c
% increase	**9,4%**	39,5%
Dividend per ordinary share		
– Interim	**36,5c**	32,5c
– Final	**41,5c**	39,0c
– Total	**78,0c**	71,5c
% increase	**9,1%**	20,2%
Dividend cover (times)	**2,6**	2,6

DECLARATION OF DIVIDEND NUMBER 26

Notice is hereby given that the directors have declared a final dividend of 41,5 cents per share (1991 – 39,0 cents) in respect of the financial year ended 25 June 1992. The dividend is declared in the currency of the Republic of South Africa and will be payable to shareholders registered in the books of the company at the close of business on Friday, 18 September 1992. Cheques will be posted on or about 14 October 1992.

Notice of any change of address of shareholders must reach the transfer secretaries, Central Registrars Limited, PO Box 4844, Johannesburg, 2000, on or before 18 September 1992.

By order of the Board
R Hugo
Company secretary

31 August 1992

Registered office
1 Sturdee Avenue
Rosebank
Johannesburg, 2196
PO Box 5486
Johannesburg, 2000

Transfer secretaries
Central Registrars Limited
154 Market Street
Johannesburg, 2001
PO Box 4844
Johannesburg, 2000

10% boost in profits for Sasol

CT 8/9/92 (55)

From EDWARD WEST

JOHANNESBURG. — Sasol has upped attributable profit by a tenth to R1,15bn from R1,04bn in the year to June 25 1992, in spite of the deepening recession and the fact that last year's profits were buoyed by the Gulf crisis.

MD Paul Kruger said the profit should be viewed in the light of rising costs in SA and significantly lower petrochemical and liquid fuel prices in local and world markets.

Turnover improved marginally to R7,85bn (1991: R7,56bn) as a result of higher production and sales volumes. However, lower prices affected operating income which dropped to R1,76bn (R1,9bn).

Reduced loans payable for Sasol Three and the R1bn rights issue resulted in lower interest payments at R228m (R376m). Tax was lower at R358m (R470m) because utilisation of assessed losses at Sasol Mining, Sasol Three, and the capital expenditure programme resulted in a lower tax rate. Lower interest and tax payments compensated for the drop in operating income and as a result, attributable profit increased by 10%, but fell in real terms.

Earnings a share was 202c (184,7c). The final dividend was raised to 41,5c (39c) a share, bringing the total dividend for the year to 78c (71,5c) a share covered 2,6 times.

Kruger said high international fuel prices and refining margins experienced during the Gulf crisis buoyed Sasol's profits in the previous financial year. However, international fuel prices and refining margins had fallen in the year under review.

Production volumes improved at Sasol Three, the polymers division, Syferfontein mine and at the crude oil refining operations. Poor trading conditions in the agricultural sector resulted in a decrease in sales volumes in the fertiliser division, but the division nevertheless produced a profit from sales in the first half of the year.

Synfuels contributed 37% to operating profit, coal mining 15%, crude oil refining and gas marketing 28% while petrochemicals, fertilisers, explosives, polymers and others contributed 20% to operating profit, said Kruger.

Current new ventures included a R333m anode coke plant producing anode coke from a low-grade Sasol pitch which would be ready for commissioning by July 1993. A R345m acrylic fibre plant was being erected in Durban as a joint venture between Sasol and the Industrial Development Corporation. A R37,5m project to extract and purify krypton and xenon would be completed by December 1992. The R900m renovation of Sasol One to expand its product range to petrochemicals from liquid fuels would also reach full production by June 1993.

The R370m Natref expansion to increase refining capacity by 10% and allow the processing of heavier high-sulphur crude oils as well as produce lead free fuel would be completed during August 1993.

These projects would contribute to profit only in the 1993/94 financial year. Still under consideration were new investments worth more than R2bn, said chairman Joe Stegmann.

Sasol in first off-shore oil deal with Namibia

(55) CT 9/9/92

WINDHOEK. — The Namibian government and Sasol signed an agreement here yesterday for the company's first venture into off-shore oil exploration.

Sasol is the third company, and the first from Africa, to be awarded an oil exploration licence since Namibia opened its first bidding round last year.

The company is to spend at least R27,5m during the first four-year phase in its search in a 11 500km² area off the northern Namibian coast.

An amount of about R1m is to go on training Namibians.

"For Sasol this is indeed a momentous and historic occasion," said MD and deputy chairman Paul Kruger at the signing ceremony.

Although the company was new to oil exploration it was not without knowledge having spent the last number of years acquiring the necessary knowledge.

"I believe it is fit and proper for Sasol with its first venture into oil exploration to be in Africa. It is also fit and proper for it to be in the new state Namibia," he said.

"Sasol is sincere and absolutely serious to make this venture work in the interest of both of us."

Kruger said the first seismic survey work on a 4000km² area would begin before the end of the year.

Sasol would also "soon" establish a Namibian company.

Speaking at the signing ceremony Mines and Energy Minister Toivo ya Toivo said both countries economies were going through tough times. They faced a common challenge to promote economic growth and development in the region and needed to look to alternative ideas to achieve this.

The first two licences to explore for oil in Namibia were awarded to a Norwegian consortium and Canada's Ranger Oil Ltd and Britain's Hardy Oil and Gas respectively. — Sapa

BDAY 11/9/92

NEWS IN BRIEF

Engen gets oil licence

SA's integrated petrochemical group Engen was granted a licence yesterday to explore for oil off Namibia's coast. (55)

The licence allows a consortium of Engen's international exploration arm, Eagle Energy, and US oil company Chevron to explore a 10 850km² block.

Eskom gives union voice

(128) 27/11/92 (55)

JOHANNESBURG. — Trade unions will effectively be given a say in decision-making through a mechanism now under negotiation with South Africa's giant electricity supplier Eskom.

Reports by Staff Reporter, Own Correspondent, Sapa-Reuter-AP and UPI

First National Bank has been forced to move two recently planted willow trees from their positions outside the new Bank City complex. The trees, which were found to be in the way of tunnel excavations at the building site, have been donated to the Kelland Bird Sanctuary in Randburg. Watching the relocation operations yesterday were FNB project manager Mel Buckley, top left, and Bruce Davidson of the Wildlife Society, and Miss Randburg Caron Saunders.

Pictures: ROBERT BOTHA

Electricity the key for entrepreneurs

BDAY 11/9/92

WILSON ZWANE

ISAAC Madisa is disabled and illiterate. Yet he conducts a roaring business in the tiny settlement of Elandskraal in the sweltering northern Transvaal.

Madisa owns a smart home, a bakery, a general dealer store, three trucks and a bakkie. He estimates his monthly turnover at more than R100 000. He employs 20 local people, who were unemployed before he started his businesses.

And Madisa is not the only entrepreneur in Elandskraal. Fellow residents have set themselves up in manufacturing, retail and entertainment.

This does not sound like a normal picture of SA township life.

And, indeed, all this prosperous commercial activity was not in evidence in Elandskraal a mere 20 months ago.

Before December 1989, the township did not have electricity. Sources of energy were wood, paraffin, coal and gas.

Madisa and his fellow businessmen agree that electricity has been a transforming experience for them.

They point to the great advantages afforded to communities with electricity. As they have shown, people can start small businesses, thereby creating job opportunities in their midst.

ANC secretary-general Cyril Ramaphosa said in July last year the country could begin tackling the huge unemployment problem if electricity was provided to all South Africans.

Manufacturing and mining were areas where there would be most benefits, Ramaphosa said.

Eskom public affairs executive Johan du Plessis concurs, but says more than just electricity is needed to develop communities: both the public and private sectors have to share in providing underdeveloped communities with skills and resources they need to start their small businesses.

Du Plessis says with a bit of help from the public and private sector, small businesses can mushroom everywhere in the country where there is electricity.

But he points out that Orange Farm, south of Johannesburg, is one example of a community developing at a snail's pace despite having electricity.

In sharp contrast to Elandskraal — which has fewer than 2 000 households — Orange Farm is a sprawling township with more than 70 000 people living in 12 000 homes.

Unlike Elandskraal, Orange Farm does not have a dry cleaner, a disco, a bakery or a shopping centre.

Orange Farm has been electrified to a large extent, but it has only one general dealer. There are two properly built schools, but also four pitifully shabby schools which have been converted from chicken runs and horse stables.

So what is the essential difference between Elandskraal and Orange Farm, that is preventing the latter from developing as a commercial and light industrial centre? Most experts grope for an answer.

Maybe the relative "youth" of Orange Farm — it sprang up only in 1989 — is a factor. Many of the squatter community there are displaced individuals and the community lacks cohesion.

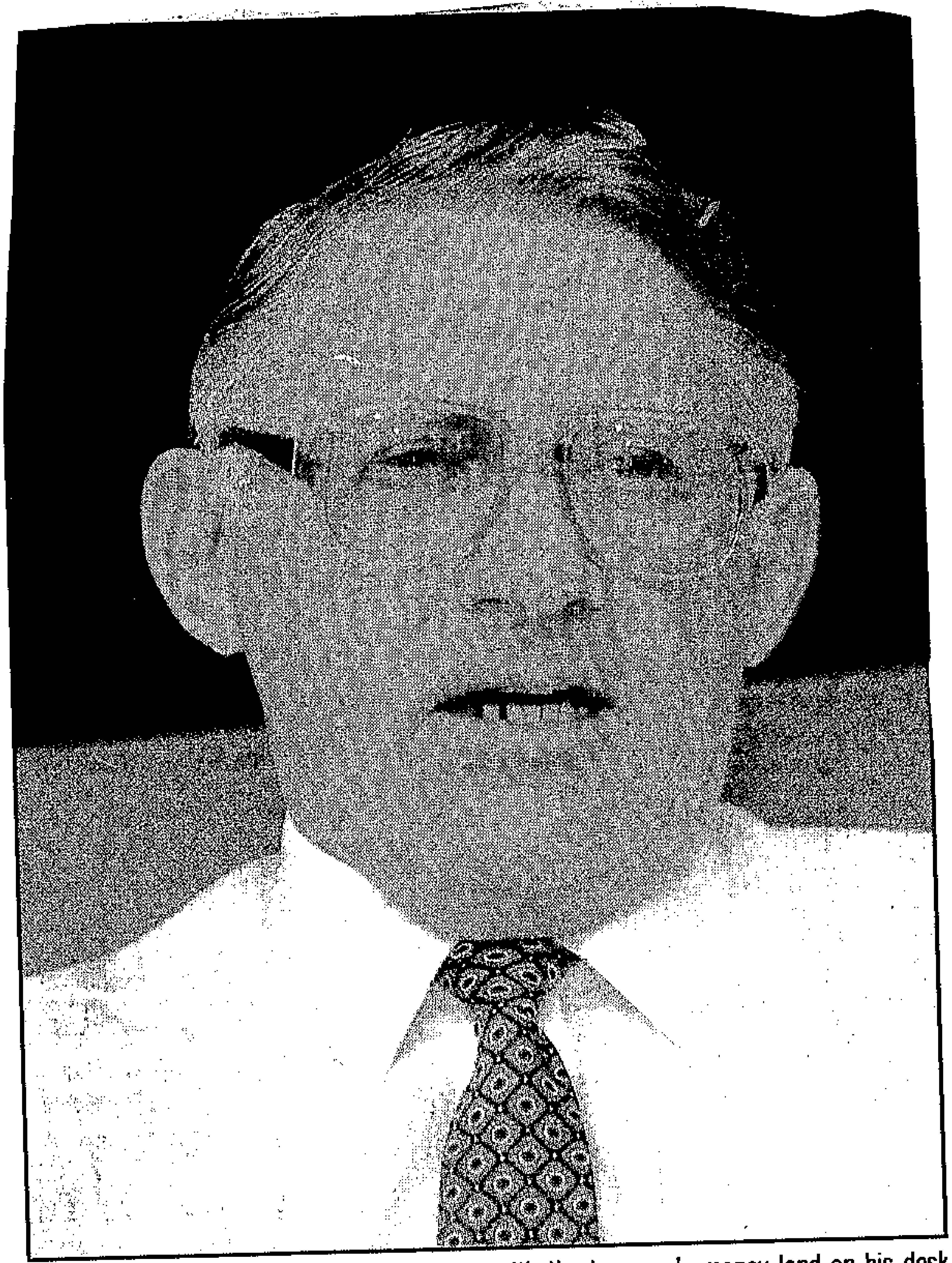
Du Plessis also believes Orange Farm people are hindered from starting their businesses by a lack of funds from financial institutions.

Much of the reluctance of business to lend to township residents, or invest in squatter areas, has stemmed from the violence. Although Orange Farm — unlike its neighbouring townships, Sebokeng, Evaton, Sharpeville and Boipatong — has been relatively quiet in recent months, it has been tarred with the same brush.

According to a recent survey conducted for a business development organisation, the Get Ahead Foundation, only 9% of informal entrepreneurs were able to get loans from banks.

But Du Plessis is confident that Orange Farm's size and its proximity to Vereeniging give it great potential for a business boom — if only there were sufficient confidence to get investment going.

Ironically, Madisa and the other Elandskraal entrepreneurs obtained loans from the now defunct Development Aid Department, closed down as a result of widespread corruption among its officials.


GEORGE BARTLETT: Allegations of profligacy with the taxpayer's money land on his desk

New inquiry into fuel deregulation

STimes (BUSS) 13/9/92 (55)

THE Government has begun a new investigation into deregulation of the fuel industry, writes ZILLA EFRAT. Minister of Mineral and Energy Affairs George Bartlett says the oil companies and the Motor Industries Federation (MIF) have been asked for input.

In assessing any possibilities for further deregulation, he has asked them to take certain criteria into account.

One is that deregulation must allow fuel to be supplied at the pump at the lowest possible price. In addition, deregulation should not cause unemployment, place small businesses at risk or result in a scramble for market share.

Reports by the oil industry and MIF are expected to be handed to Mr Bartlett soon.

They will be examined by the Department of Mineral and Energy Affairs.

These developments follow deregulation of fuel refining in May last year after an investigation.

The wholesale and retail

R100m hand-out for oil refineries

STimes (BUSS) (SS)

13/9/92

By KEVIN DAVIE

THE Government will pay R100-million this year to the oil companies for doing nothing.

Known as synthetic element payments, they began in 1984 when the commissioning of Sasol Two and Three caused the oil refineries to cut production by an estimated 40%.

Growth in fuel demand has since caused oil companies to produce at near capacity — all SA refiners have announced plant extensions and upgradings. But the synthetic element payments continue.

A Mineral and Energy Affairs spokesman says the refineries mothballed plant when Sasol Two and Three came on stream. They began de-mothballing last year. Some products are produced at capacity, others are not.

Formula

The Government is negotiating to increase the synthetic element payments by an estimated R30-million because the oil companies will soon distribute Mossgas fuel.

The Department of Mineral and Energy Affairs confirms that the synthetic element payment, funded by the motorist through the equalisation fund, will amount to R85-million this year. Another R15-million will be paid because last year's payment should have been R106-million. But only R91,3-million was paid.

The payments began in 1984 when R97-million was paid in the second six months. Since 1985 payments have amounted to R940-million, according to the Auditor-General's latest report.

The Department of Mineral and Energy Affairs says the payments were reduced to present levels "when natural market demand increased".

Spokesman Lourens van den Berg says growth in the total local market is still not equal to production from Sasol Two and Three.

"The synthetic element is still payable in terms of this formula."

Mossgas managing director Bernard Smith says an agreement has been concluded whereby the oil industry will act as marketers of his company's products. The agreement — which he declines to disclose — will be signed soon.

Mr Smith says the oil companies are discussing with the Government the possibility of receiving the same payments "they have historically received with respect to offtake of Sasol synthetic production".

The formula used for the synthetic element payment is secret, but one industry source estimates that Mossgas will produce about 30% of Sasol's synfuel production. This means that the oil companies will receive about R30-million annually for production losses because of Mossgas.

A confidential document by the petro-chemical and oil industries estimates that the average penalty to the oil refineries of taking Mossgas product would be 6c a litre of Mossgas fuel.

The Central Energy Fund's Danie Vorster says agreement has been reached in principle that Mossgas will receive the in-bond landed cost (IBLC) for its product at the port of delivery. The IBLC is calculated by taking Bahrain and Singapore refined prices and adding the estimated cost of shipping refined products to SA (about 11% of the IBLC).

It is reliably reported that this "in principle" agreement was reached after more than a year. The oil companies refused to discuss the issue with Mossgas because Mossgas would benefit one of the oil companies (Engen) while causing cutbacks at other refineries.

Mr Vorster says the issue of the oil companies receiving the synthetic element payment has not been resolved: "Discussions are continuing."

Tanks

Mr Smith expects Mossgas to be in full production by mid-1993. It will reach 50% of production by the yearend. Some diesel has been produced, but it is from condensate and not gas.

The condensate is converted into diesel through a single process. But gas has to go through 25 processes to be converted into fuel.

Mr Smith says the diesel in Mossgas storage tanks should be delivered to the market in the fourth quarter of 1992.

The oil companies will take Mossgas products in relation to their national market share.

R3,3bn SPENDING BRINGS IN R521m

Nuke fuel wastage

(55)

S Times (BUSS) 13/9/92.

SOUTH Africa's nuclear fuels industry is a multi-million noose around the taxpayer's neck. The Government is budgeting to dole out R570-million this year for the Atomic Energy Corporation (AEC) to produce sales of a mere R134-million.

13/9/92

As with Mossgas, the nuclear fuel industry was developed for strategic reasons. Since 1987 it has cost the taxpayer more than R3,3-billion to make sales of only R521-million.

By CIARAN RYAN

Another R1,5-billion will be spent in the next five years to produce nuclear fuel which could be imported at a fraction of that cost.

Johan Kruger, of the Bernard Price Institute at the University of the Witwatersrand, says: "This is an enormous amount of expenditure for very little return."

The money subsidises nuclear fuel production at Pelindaba, west of Pretoria. Annual sales of R90-million are made to Eskom's Koeberg power station. Koeberg pays international market prices for the fuel plus a small premium.

SA developed the uranium enrichment facility while Koeberg continued to obtain fuel from a foreign supplier — thought to be France — throughout sanctions.

Koeberg generates less than 6% of Eskom's output. AEC started to supply Koeberg in 1989 when sanctions were ending.

Prospects

AEC does not disclose the cost of developing the enrichment facility, but it is estimated at more than R1-billion.

Nearly 70% of the Department of Mineral and Energy Affairs 1991 budget of R1,07-billion was spent on nuclear energy.

SA's strategic industries have been identified by Reserve Bank Governor Chris Stals as a key reason for SA's economic woes. Finance Director-General Gerhard Croeser has indicated that there will have to be reduced support for these industries.

Export prospects in a market glutted by production from the former Soviet Union look dismal. AEC exports a small amount of enriched uranium.

Uranium spot prices touched a post-war low of $7 a pound in 1991, but firmed this year.

AEC is negotiating with the Government as to who is responsible for repaying more than R450-million in loan stock issued more than a decade ago for the development of the nuclear industry.

SA signed the Nuclear Non-Proliferation Treaty in 1991 and can in theory buy nuclear fuel from any one of the signatory nations. The AEC says there may be difficulties in practice.

SA was able to obtain nuclear fuel even before it signed the treaty.

AEC says a smaller than expected deficit will reduce its reliance on State assistance this year to about R413-million. The money will be used for operational expenditure. More than R200-million will go to offset the costs of producing nuclear fuel for Eskom, R88-million to technology development, R28-million to commercialised businesses and the balance of more than R100-million to run head office.

The R413-million in State funding — excluding loan repayments which are not disclosed — will generate sales of R160-million in the current financial year.

AEC says nuclear fuel sales will fall by 25% from R90-million in 1992 to R66,8-million in 1997.

The book value of AEC's assets is R600-million. The cost of the plant is unknown. But the assets are heavily marked down because the nuclear plant has a low resale value.

AEC employs about 3 400 people — down from 8 000 in 1986. It has embarked on a rationalisation and commercialisation drive to reduce State funding to R250-million by 1997, all of which will be spent on making nuclear fuel.

AEC's public relations manager Nic Ligthelm says the uranium enrichment process will require continual State funding. But a cost-effective laser enrichment process is being developed.

"In 1995 we will have to decide whether we switch to uranium enrichment using the laser process. This will be much cheaper. We will only go ahead with uranium enrichment on a commercial basis."

Mr Ligthelm cannot say how much the laser process will cost to install.

"The nuclear business demands a long-term approach — 10 to 15 years. Given a short-term approach of five years and the over-supply in the market, one should get out of the business.

"In the longer term there are indications of an upturn in nuclear power, in which case the returns will be lucrative.

"Once the industry is closed down in SA, it can never be started up again."

Mr Ligthelm says AEC has the capacity to supply two nuclear power stations with fuel. Pelindaba has a capacity of 300 tons of "separative work" a year. Mr Ligthelm says a minimum of 3 000 tons a year is required for a commercial return.

Overheads

AEC is reducing its dependence on State aid. By 1997 the nuclear division and general overheads will require R250-million a year. Non-nuclear fuel sales are projected to quadruple from R44-million in 1992 to R157-million in 1997 as AEC's 10 commercial businesses start to yield a return.

The group's industrial businesses, all focusing on high-tech markets, will be profitable within two years, generating sales of R100-million by 1994.

Mr Ligthelm says there will be no cross-subsidisation of nuclear fuel by the business division. Indirect costs will be recovered by individual businesses and capital expansion will be funded through open-market transactions.

Dr Kruger says the money "could be have been spent in developing other energy forms. For example, the gas at Mossel Bay could have been used to fire an Eskom power station at very low environmental costs, rather than try to produce extremely expensive liquid fuel which will not be economic.

"The country has surplus generating capacity, but Koeberg alleviates pressure on coal-burning power stations in the Eastern Transvaal. This reduces pollution, but the costs are high."

COMPANIES

Sasol eyes Mozambique gas project

BDAY 14/9/92. (55)

(218) EDWARD WEST (260)

SASOL is to meet potential joint venture partners later this month to discuss the exploration and development of gas fields onshore of the Mozambican coast, Sasol assistant GM Peet Steyn said yesterday.

Steyn said discussions were to take place with various international companies to find a third partner with the necessary experience in the development of onshore gas fields.

Sasol and the Mozambican energy company Empresa Nacional de Hidrocarbonetos de Mozambique (ENH) entered into an agreement in February regarding the joint exploration for and development of natural gas in that country.

In terms of the February agreement, ENH was continuing with exploration activities and was currently engaged in drilling the 11th exploration well in one of the potential fields, the Pande gas field.

Sasol was drawing up a market survey to establish the potential gas market. Steyn said although the reserves were not big, further exploration should find sufficient reserves to ensure a feasible project.

☐ Meanwhile, Soekor is following up approaches made by numerous potential investors in either participation or concession rights to its Bredasdorp Basin, Soekor spokesmen said.

The oil exploration parastatal had also approached various companies and authorities on the west African coast for further opportunities and several prospective projects were being investigated.

ay morning in Monza to annouce his retirement from Formula One racing
lliams for next year.
Picture: AP

He said: "I have made this decision with some regret and with some pause as you have noticed

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First fuel from Mossgas

CT 14/9/92

JOHANNESBURG. — The first Mossgas product is soon to reach the market following the shipment on Saturday of 10 million litres of diesel from Mossel Bay to Durban.

The diesel was pumped into Genref's tanker, the Energos, from the special tanker terminal about one sea mile offshore at Mossel Bay.

"Although Mossgas is still scheduled to start delivering to the oil companies from November, the product in this case has been supplied from stocks built up since April," said Mossgas.

"This one-off supply of diesel is to cover a temporary shortage resulting from the maintenance shutdown of Durban refineries.

"Mossgas is also producing petrol from the condensate which it receives, together with gas, from its offshore production platform 60 sea miles south of Mossel Bay."

Production of synthetic oil from offshore gas is also imminent. The first gas from the platform arrived at the end of March.

Mossgas will initially produce only 93 and 97 octane petrol, diesel, kerosene and light and heavy alcohol.

"Under normal circumstances Mossgas fuels will be supplied to oil companies to market under their own brand names in the southern and eastern Cape and in the Border areas.

"About 15% of the final product will be distributed by road and rail from Mossel Bay, and the rest will be moved by ship from Mossel Bay to Port Elizabeth and East London," the statement said. — Sapa

State is urged to encourage greater use of diesel power

BIDAY 18/9/92

55

EDWARD WEST

ATLANTIS Diesel Engines (ADE) wants the government to increase the difference between diesel and petrol prices to encourage a switch to diesel-powered vehicles.

ADE sales and marketing manager Glynn Whitmore said the company would meet with Mineral and Energy Affairs Minister George Bartlett today to suggest the petrol price be increased to 20% that of diesel instead of the present 4%.

There had already been a favourable response from meetings with Transport Minister Piet Welgemoed.

Whitmore said in the light of the current diesel surplus incentives to promote the use of diesel-driven vehicles should be considered.

Worldwide, the average price difference between diesel and petrol was 28% as opposed to SA's 4%.

Whitmore said the move would also be in line with Government Transport Energy Division policies which noted that a saving on the trade balance could be achieved by more efficient fuel usage. This would also have the benefit of decreasing the level of exhaust emissions.

ADE, the Industrial Development Corporation subsidiary and SA's only diesel engine manufacturer, had targeted the medium commerical vehicle and midi and minibus markets to switch to diesel power.

The company, which had forecast R17m profit for the year to end-June 1993 compared with the R23m profit the previous year, was already exporting diesel-powered minibuses to Zimbabwe where the price difference between diesel and petrol was high, said ADE MD Fritz Korte.

"Nowhere in the world are the taxi and the medium truck markets dominated by petrol power. A change to diesel power for taxis could save SA nearly R700m a year, rising each year. This would result in cheaper fares, and bus subsidies could be decreased," said Whitmore.

The perception that diesel engines were noisy, smelly, dirty, smoky and underpowered had become a myth following the rapid development of diesel engine technology, she said.

Big August drain in fuel fund (55)

GERALD REILLY

PRETORIA — The Mineral and Energy Affairs Department's stabilisation fund suffered another heavy drain during August with big underrecoveries in petrol and diesel.

Underrecovery on 93 octane on the Reef amounted to a near record figure of 14,505c/l for August. The July figure was slightly higher at 14,650c/l. BDay 1/9/92

This followed underrecoveries of 9,459c/l in June, 4,635c/l in May and 2,535c/l in April.

A department spokesman said a decrease in the international market prices for refined petroleum products had resulted in a decrease in the average landed costs of petrol and diesel.

However, a worsening exchange rate had meant big underrecoveries in both fuels.

The average rand-dollar exchange rate worsened slightly in August compared with July from R2,7552 to R2,7641.

The average landed cost of 93 octane petrol decreased by 0,145c/l from 52,392c/l in July to 52,247c/l in August.

'Let there be electricity'

55

SOUTH Africa needs a new approach to financing electrification to make it affordable to as many people as possible. According to the president of the South African National Civic Organisation (Sanco), Mr Moses Mayekiso, it is intolerable that black communities, denied electricity for decades, now have to pay more for electricity than those in former "white" areas.

Sanco believes electricity is a right in a country where there is a 40 percent excess generating capacity, and that it should be made available at affordable rates throughout the country, including rural areas.

Instead, three out of four black people are without electricity. And, where it is provided, has been done in a "high-handed" way that costs up to 60 percent more.

Mayekiso proposes the establishment of a national electricity forum to hammer out how electricity can be provided more cheaply. At a recent National Electrification Conference at Midrand he put forward several proposals which could be considered by the forum.

● First of all, communities must be involved in decisions about how electricity is to be provided. They "simply want to be treated with the same respect that blue chip clients receive". The forum could be a means of achieving this.

● Secondly, the financing of electricity needs to be overhauled.

Mayekiso says there needs to be more debate on suggestions such as the so-called "lifeline" system whereby "each houshold will be given a basic amount at little or no cost, and then must pay progressively more for use that reaches luxury consumption levels".

Because electricity was a necessity and can therefore be called a social good, consideration will also have to be given to providing major subsidies for those who cannot pay, he says.

"We will want to have wide debate over whether these come in the form of a new tariff structure — with cross-subsidisation between community and corporate consumers, or between rich and poor residential areas — or with new state subsidies," says Mayekiso.

"Electricity is one area where South Africa offers extremely cheap inputs to major corporate consumers. In the interests of making electricity affordable to all, it may be useful to see how far prices can rise for these consumers before this affects their overall inflation and competitiveness."

The Civic Associations of the Southern Transvaal (Cast) has proposed, among other things, a Bank of Reconstruction to help finance electricity. South 19/9-23/9/92

Sanco is involved in detailed negotiations with the "big five" banks on possible options in the financing of housing and development — including electricity — in disadvantaged communities.

Possibly the most controversial of these options is what Mayekiso describes "unlocking the hundreds of billions of rands now wasting away in the Johannesburg Stock Exchange and commercial property speculation".

Although Mayekiso says support for this is "shared by many actors across the political spectrum", it is the one most likely to chase away the local and foreign investment that many people agree is needed to create jobs and promote economic growth.

Possibly more acceptable will be the option proposed in the Nedcor/Old Mutual scenario plan which talks of a percentage of prescribed assets of financial institutions going into housing and related development.

But Mayekiso believes the community can also contribute through the small-scale savings and credit facilities springing up everywhere in the form of stokvels, burial societies and credit unions.

LYNDA LOXTON

IN THE DARK: Electricity will change the lives of township residents

Banks funding small business

South 19/9-23/9/92

WHILE civics campaign for better and easier access to bank finance for grassroots communities, five major banks have joined forces with the Small Business Development Corporation to raise over R500 million over the next three years for small business.

Obviously aimed at combatting rising unemployment by encouraging small businesses to expand operations, the scheme is being underwritten by the government to the tune of R20 million.

The scheme underwrites a portion of the risk to which banks are exposed when considering small business loans. This enables bankers to retain their normal credit standards while reducing the collateral which small businesses usually have to supply.

To date, the scheme has provided loans worth R28 million to more than 130 small to medium-sized businesses, giving an average loan size of about R200 000.

The maximum loans allowed are for R400 000. A fee of 0,75 percent a year is levied on the amount granted and the interest rate cannot be higher than the prime overdraft rate plus four percent.

The banks involved are the African Bank, Boland Bank, First National Bank, Nedbank and Standard Bank.

S/Times (Bus) 20/9/92

Underpaid

THE fall in the international price of petrol resulted in a decline in the average landed cost of it and diesel in August, says the Department of Mineral and Energy Affairs. (55)

In spite of this, motorists underpaid 14,5c a litre for petrol on the Reef. The underrecovery on diesel was 4,2c/l.

Call for basic services boost

STAR 21/9/92

By David Canning

WASHINGTON — Ambitious plans to overcome backlogs in the supply of basic services in South Africa — such as electricity, water supply, water-borne sewerage and tarred access roads — are highlighted in World Bank position papers made available in Washington.

A bank report on electrification, which supports efforts to redress these power backlogs, says up to 3 million low-income homes could be provided with electricity in three to five years, creating hundreds of thousands of jobs and providing an economic kick-start.

The report backs Eskom's "Electricity for all" programme and the Household Electrification Forum flowing from an ANC-sponsored conference held earlier this year — and offers to support the initiative.

In a separate report, World Bank researchers summarise the findings of two urban missions to SA and outline a work agenda aimed at designing an overall urban strategy.

Their paper on the urban sector finds that virtually all white urban dwellers live in formal housing and have in-house water supply, water-borne sewerage, electricity, tarred roads and adequate drainage.

They found the annual per capita expenditure on residential infrastructure for whites was R1 567 — higher than that of Stockholm (R633), Munich (R758) and Hong Kong (R758).

The contrast with South African black areas was striking. More than half the black population residing in SA's largest urban areas is informally housed. Access to services by these households is of low quality or non-existent.

The report cites important economic distortions caused by the physical separation of black and white cities — and the fact that high-density, low-income areas are located at the urban fringe.

Much higher than normal transport costs are incurred by black households on commuting, and average trip lengths for urban commuters has grown from 24 km 10 years ago to 37 km today.

Housing investment in SA is much lower than in comparable countries, owing to a number of factors such as the extreme spatial separation, insecure tenure, lack of mobility and shortage of mortgage finance.

In their electrification paper, World Bank researchers say a major household electrification programme is both financially and technically feasible.

Eskom is capable of bringing electricity to 700 000 homes in a three to five-year period and several municipalities have positive schemes, they say. The most ambitious is in Durban where the city council has announced plans to electrify 160 000 homes over the next five years.

Panda director Chris Wolf said some units at Guildford Place would be rented.

Petrol tax hike — govt's best option

CT 22/9/92

From GRETA STEYN

JOHANNESBURG. — The government's easiest option to alleviate its cash crisis would be to raise petrol taxes, economists said yesterday.

They also predicted economic reforms such as tariff and surcharge reductions would be put on hold until the revenue dilemma eased.

In the next fiscal year, individual taxpayers would continue to face erosion of income through fiscal drag as they bore the brunt of government's financial crisis, they said.

Sacob economist Ben van Rensburg said the easiest way out for government would be to raise the petrol levy.

In the Budget, the levy on petrol was raised by 8c a litre to bring the take from this source to R939m. Any further increase would raise at the most a few hundred million rands.

Van Rensburg predicted excise duties would be raised substantially in the next Budget, but said government was not likely to take recourse to a luxury VAT rate.

"Variable VAT rates are unlikely to increase income from the tax and it causes too many administrative problems," Van Rensburg said.

He believed looking for more sources of revenue was a futile exercise in an economy battered by recession. The personal tax take had been knocked by retrenchments, income from company taxes had been hit by liquidations and VAT collections were feeling the pinch of cutbacks in consumer spending.

"SA is already overtaxed. Raising more tax will only harm the economy further. Individuals are 45% worse off after three years of fiscal drag. If government wants to reduce the deficit next year, it has to cut back on spending rather than look for additional revenue sources," he said.

Afrikaanse Handelsinstituut economist Nic Barnardt said the deficit of 6% of GDP had to be seen as a sign of the severe recession, rather than expansionary fiscal policy.

"Spending figures do not provide any evidence of aggressive fiscal policy to turn the recession around," said Barnardt.

Petrol levy rise is 'easiest option'

BIDAY 22/9/92 (55) (920)

GREETA STEYN

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"Spending figures do not provide any evidence of aggressive fiscal policy to turn the recession around," said Barnardt.

Spending for the April-August period was up 20% on the previous year. Although this is ahead of the budgeted 16,5%, economists said the seasonal pattern of spending suggested it was still on line to end the fiscal year near the original targets.

Barnardt predicted the recession would last for another six to 12 months, and said the timing might not be right to cut government spending dramatically in the next Budget.

His view was that the undercollection of VAT was largely a reflection of the recession, although other economists believe government may have overestimated the tax base.

The latest revenue breakdown for the fiscal year to July shows VAT income running at almost 18% below last year's GST take — compared with a budgeted rise of 12% (after transfer to self-governing states).

Customs and Excise and the petrol levy income rose by about 39% in the April-August period, against a budgeted rise of 28,4%.

This buoyancy is helping to alleviate the pressure on the fiscus.

● Comment: Page 14

Govt probes fuel price deregulation

BIDAY 23/9/92. (55)

NANCY KEATES

GOVERNMENT has begun investigating whether it should relinquish control over fuel prices and end a cushioned life for oil companies.

If deregulation occurs, oil companies stand to lose a market free of price competition, a guaranteed refining incentive, a limit on the number of new service stations and a fixed return on assets.

But the multinationals operating in SA, which include the wholly owned subsidiaries Shell SA, BP SA and Caltex SA, say government is unlikely to deregulate fully because there's no strong argument for it.

And government says it is in no hurry to relinquish control because it will necessitate the restructuring of tariff protection for the synthetic fuel industry.

But Engen, the one oil company operating in SA without a multinational parent, has already begun preparing for unchecked fuel prices, believing it can win in an industry shakeout.

"It's just a question of timing," says Engen investment relations manager Abbas Ghani. "No matter what government you have, the rest of industry will start lobbying for deregulation."

Whatever the future may hold, the multinationals have no intention of leaving SA as can be seen in the millions of rands spent increasing refining capacity in the last 12 months.

The obvious benefit oil companies now receive is the lack of price competition.

A less obvious benefit comes from the way government determines the price at the pump. The fuel price is based on the import cost, but because the imported oil is crude, which has lower transportation costs than refined oil, the set price is higher than the actual import costs.

"Since it's cheaper for the oil companies to refine the crude locally than to import petrol, there's an incentive to maintain and even expand local refineries," says National Energy Council energy division chief director Lourens van den Berg.

Oil companies in SA also benefit from an agreement between themselves, service stations and government which limits the number of new retail outlets and forbids the sale of fuel below government-approved prices. That ensures the profitability of retail sales, though the companies will not discuss wholesale fuel prices or detail operating costs.

Government also pays the oil companies for restricting their refining output and buying synthetic fuel from Sasol.

SA's oil industry has been regulated since 1946. In the 1970s, the fear that sanctions could continue to limit the supply of crude led government to invest billions of rands in synthetic fuel ventures.

Deregulation now would mean the restructuring the tariff protection for Sasol and oil-from-gas producer Mossgas, both of which would probably not survive without tariff protection.

Oil companies argue deregulation will be harmful to the country in other ways. They say SA's inland cost of petrol at R1,52 ($0,555) a liter now is more than competitive with those of its trading partners, including Britain at $0,968 Germany at $0,90 and the US at $0,308.

SA petrol now costs R0,55 a liter in 1985 prices, compared to R1,11 in 1980.

Unemployment

The oil companies say government is aware that price competition will force service stations to install self-service pumps, putting the jobs of an estimated 60 000 attendants at risk. •

While the current government is in no particular hurry to deregulate, all eyes are on what view will be taken by the ANC.

The ANC has no stance on deregulation of fuel prices. However, analysts say the ANC is likely to oppose it because of the job losses. SA's unemployment rate is already above 40%.

Analysts say the ANC is likely to maintain protection for Sasol, the country's most profitable listed company.

All the oil companies are worried that deregulation will allow supermarkets to use petrol as a loss leader to lure customers and making up for the lost income by raising food prices.

Pick 'n Pay chairman Raymond Ackerman, the country's most vocal opponent of controlled petrol prices, says his stores will not have to cross-subsidise fuel price cuts with food price increases because of the larger volume of fuel sold.

But Engen, which controls an estimated 30% of the retail market through its three retail brands Engen, Trek and Sonap, says there will not be a price war because it, as the dominant player in the market, will stabilise prices.

Engen, which was created when mining house Gencor bought Mobil's operation in 1989, installed price mechanisms at its service stations and restructured its marketing in preparation for deregulation.

Oil companies readily admit the incentive to refine crude locally stems from regulated prices. However, whatever the outcome of the deregulation debate, they say SA will remain an attractive market.

Rapid urbanisation has caused the country's fuel consumption to increase an estimated 3-4% a year through the current decade, prompting all four refiners to expand capacity in the past year. — AP-DJ.

B/Day 23/9/92

Taiwanese study offer

THE Taiwanese government was offering study scholarships to SA students, its Pretoria embassy announced yesterday. (50)

It said successful applicants would study Chinese at the Mandarin Chinese Centre of the National Taiwan Normal University in Taipei.

Foreseeing a disaster, or a new government

During the Seventies, when oil was selling for US$27 a barrel, Arie de Geus asked his line managers at Royal Dutch Shell to play along with a little game. What would you do, he asked, if the price fell to $15 a barrel? The idea seemed preposterous. After all, they were planning for the days of $35 a barrel. But to humour De Geus, they discussed the unlikely scenario.

Needless to say, when the oil price crashed to $9, Shell was prepared.

Rather than relying on a forecast, which is as good as relying on a crystal ball, scenario planning attempts to outline all the likely social, economic and political outcomes. And with SA's volatile environment on those scores, it's no wonder that scenario planning and its sibling, business continuity planning, have caught on here.

Shell ... *ready for any scenario*

Paul Aucamp, business strategy practice leader at the Business Futures Group, explains the difference between forecasts and scenarios: "Forecasts are extrapolations of the past. Scenarios remove the tendency to attempt to walk backwards into the future."

The biggest drawback to using scenarios is that designing them and estimating their probability is time consuming. Also, scenarios tend to reflect their designers' wishful thinking or subjectivity.

But the big advantage of scenario planning is that it makes people consider possibilities that they would otherwise shrug off. "If the unexpected happens, you're better off than your competitor who never even discussed the scenario," says First National Bank's Andrew Lumsden.

Business Futures Group's Michael Olivier believes there are three pillars on which any scenario in SA depends: the political process, violence and the state of the economy. Though each factor exerts its own influence, the interplay between them exerts an equally powerful force.

Olivier has developed a range of scenarios based on various combinations of the three factors. For instance, he matches up a democratic outcome of political negotiations and decreased violence against the effects of a market-driven, a mixed or a socialist economy. By changing one of the variables, other scenarios emerge. And, for each one, businesses can plan accordingly.

Yet the point of the exercise is not the scenario itself but the broadening of top management's vision. Scenarios are better used "to highlight critical issues and to identify the environment's driving forces than to forecast the future," says Absa strategist Clive Brummer.

While scenario planners are trying to figure out how to grow the business whatever the future brings, business continuity planners are suggesting ways to keep the business up and running when disaster strikes. Though business continuity planning also uses scenarios, the chief difference between the two disciplines is that one plans for new and expanded business opportunities while the other safeguards against losing existing ones. There is, however, some overlap.

"In the mining industry, for instance," says Nigel Hendrikz, of Business Continuity Management, "we recognise the value to a company of R&D at a time when money is tight. The point is that part of its survival strategy is to be ready and positioned for action when the upturn comes."

Trade & Industry and Finance Minister Derek Keys told a similar story recently. When he set up his own part-time financial consultancy in 1965, his first client — a manufacturer of agricultural machinery and equipment — had been hard hit by the worst drought in more than 30 years. "I have based a 27-year career on the fact that as a financial consultant, I gave my client the courage to plan for the upturn." The company rationalised and restructured — in time to reap the benefits when the rain came.

When it comes to continuity planning, run-of-the-mill disasters such as floods and fire come to mind immediately; planning for less obvious ones is harder. Therefore, an important part of any investigation begins with a study of an enterprise's most vulnerable spots.

Nevertheless, "identifying the cause of a potential problem is not enough, you have to look at its effects," adds Hendrikz, whose company works with a methodology relied upon by many UK- and US-based multinationals.

The process involves looking at a business's entire product line, identifying which is the most important — and therefore the most vulnerable — and formulating a "Plan B" in the event of a disaster. The art is to anticipate not only what might go wrong, but also where, when and how.

Hendrikz stresses that business continuity planning concentrates not on short-term losses of profits, but on the longer view of providing for contingencies when an enterprise's continued existence is threatened.

In the motor industry, for example, he explains that at a typical plant that produces, say, 10 models, it is most probable that three or four of these are responsible for about 70% of income. These lines are therefore the ones that should receive special attention.

Another area of vulnerability might be the spraying of vehicle bodies because it represents a critical phase in the production process — no further work can take place until a painted body is delivered to the production line. The sprayers are thus in a position of power. One way to make the rest of the plant less vulnerable might be to make paint spraying an autonomous division, which could then contractually bind itself to production quotas. The failure to meet quotas would be reflected in workers' pay packets.

"Disasters are not always government's problem," he says, "and it cannot be held responsible for an individual business's ability to remain in business when disaster strikes. The current recession is an example, so are the widespread strikes of the past few months — businessmen have to take the initiative to see that they remain in business across the stoppages."

(55) ARG 26/9/92

Eskom looks to FNB for disaster recovery

ESKOM has entered into a contract with First Recovery, First National Bank's specialist disaster recovery subsidiary, to cater for a critical portion of Eskom's disaster recovery requirements.

According to Mr Andre Hofer, information technology production manager at Eskom, the organisation operates an in-house disaster recover facility which services a large portion of its computerisation.

"But, the system for which First Recovery will now be providing back-up is key in enabling a total disaster recovery operation" he said.

"Without an external back-up on this system, we might not be able to initiate our in-house procedures in the event of a major computer disaster."

First Recovery managing director, Mr Ken Ernstzen, says that companies which rely heavily on technology should all ensure that they have adequate disaster recovery plans in place: "It is estimated that most major companies would go out of business within a matter of days should they experience a serious computer failure."

Across the world, governments are looking at legislation demanding adequate disaster recovery procedures for major corporates because of the broader impact a disaster in any key installation could have on national economies.

"For example", said Mr Erntzen, "just imagine the consequences to the country were an organisation such as Eskom to experience a disaster and then be unable to recover. Even if recovery took only a few days, the socio-economic impact would be horrific.

Koeberg double faults: 'All fine'

ARG 26/9/92

Weekend Argus Reporter

THE Koeberg nuclear power station ground to a halt for four days at the end of last month after both nuclear units developed faults.

Safety procedures clicked into place and there was no real danger of a meltdown or radio-active leakage, said Mr Don Murray, spokesman at the nuclear power station.

On August 25, the turbine on Unit 1 tripped after low oil pressure developed on the bearings. The reactor automatically tripped shortly afterwards as automatic safety procedures came on line.

The next day, Unit 2 also had to be switched off because the oil quality dropped below the required standard.

Both units were off for four days and power had to drawn from the national grid to supplement the shortage due to the stoppage at Koeberg.

Unit 1 was started up again on August 30 and Unit 2 was brought back on line on September 9.

Mr Murray said safety measures at the station were of the highest possible standards and at no time was anyone in any danger.

Angola oil deal hopes for Energen

ARG 28/9/92

55

Argus Africa News Service

LUANDA. — South African energy company Engen may sign a deal with US company Conoco to explore an Angola offshore oil field.

Asked yesterday on his return from South Africa whether he knew anything about this, Angolan Foreign Minister Pedro do Castro Van Dunem Loy said he had heard about it.

"We envisage such co-operation," he said, stressing, however, that Luanda would uphold sanctions against South Africa in line with the United Nations and the Organisation of African Unity should it be returned to power in this week's first multiparty elections.

"We hope that there is a resumption of dialogue in South Africa to make that country eligible for such co-operation."

While the Engen deal remains a well-sourced rumour about which all parties are likely to remain coy, the level of South African interest in the Angolan oil industry is an open secret and it is inevitable that dialogue should have been going on for some time.

For its part, Unita will not face a sanctions dilemma should it take power. Asked for its position on sanctions, Mr Abel Chivukuvuku, Foreign Affairs representative said: "No sanctions. Relations will be normal."

It is believed that South Africa intends recognising the new Angolan government whichever party it should be. South Africa and the US are the only countries which have never recognised the government of Angola since independence in 1975.

More power in Khayelitsha

55

THE Khayelitsha branch of the SA National Civics Organisation is close to reaching an agreement with Eskom on the domestic electrification of new areas of the township. CT 29/9/92

This emerged at a report-back meeting said to have been attended by "a couple of thousand" people in the Khayelitsha Stadium on Sunday afternoon.

The deadline for finalising the issue is November 15.

~~044~~. (55) ARG 2/10/92

Fuel price rise coming

The Argus Correspondent

DURBAN. — The petrol price is to go up — but by how much, and when, have still to be finalised, Minister of Mineral and Energy Affairs Mr George Bartlett said today.

Mr Bartlett said his office was informed every week by the Energy Branch of the Department of Mineral and Energy Affairs of the state of the equalisation fund.

"It has been common knowledge that for some time there has been an under-recovery of 15 cents a litre because of the international price. That has been funded by the equalisation fund.

"We are looking at the situation and are contemplating whether or not it is time for an increase in the price.

"The indications are that we are coming to the time for an increase. The exact amount — and when — I am not in a position to say at this stage," said Mr Bartlett.

Increase in petrol price is predicted

TIM MARSLAND

GOVERNMENT would raise the petrol price by 15c/*l* within the next few days, market sources said yesterday.

Rumours surfaced on the JSE and capital markets that the price rise could come as early as today. Some sources said a hike of up to 30c/*l* was planned.

A Mineral and Energy Affairs spokesman said such a steep hike was unlikely, but a petrol price increase would be announced "soon". He said underrecovery on the fuel price on the Reef in August had been 14,5c/*l*. The Cabinet would decide when and by how much to raise prices.

A government source said National Energy Council members were meeting behind closed doors last night.

World crude prices have remained stable over the past few weeks, although the rand weakened to about R2,81 to the dollar.

Nedbank chief economist Edward Osborn said a fuel price rise would be "bad news for inflation. It could put back an expected cut in Bank rate even further. We are seeing inflation in the 13% area, so there may still be room for a Bank rate cut, despite the fuel price rise."

Osborn said it appeared government did not intend adding additional excise to the fuel price "for the moment". He said: "This will be a purely economic adjustment to strengthen the fuel stabilisation account. It appears government is ... going for the lowest price rise it can live with."

Electrification bill likely to be R9bn

(55)

THEO RAWANA

THE total electrification of SA could cost as much as R9bn over the next seven years, Eskom national marketing and promotions manager Sam Mosikili told a housing convention this week.

Addressing the Alex Times Housing Convention in Alexandra, Mosikili said there would be 4,6-million — out of a total 7,5-million — households without electricity if more effort was not put into the electrification programme.

About 32 organisations and companies were represented at the conference, which sought to formulate a policy best suited for providing housing in the township. B/DAY 2/10/92

"If one takes into account issues such as the distance from the high voltage grid, the availability of alternative fuels, affordability, and the large urbanisation now happening, the potential for electrification is seen as about 2,6-million households or approximately 18-million people.

"Experience has shown that unless the penetration of electricity is very high, something in the order of 80% or 90%, the kind of development we have seen in the Pacific Rim countries is just not possible," Mosikili said.

He added: "The total electrification of the country might cost as much as R9bn over the next seven years.

"That money has to come from somewhere, and right now all indications are that we won't get cheap funding from institutions such as the World Bank. SA is not seen as a developing nation, as its income per capita is too high to allow soft funds to be made available."

He encouraged players in the electricity distribution industry to work together and take up the challenge of electrification in SA.

12% city electricity hike on the cards

By PETER DENNEHY

CT 6/10/92 (58)

ELECTRICITY consumers should have to pay 12% more from November 1, the utilities and works committee recommended yesterday.

This price hike is one percentage point below the figure announced in the council's budget in May.

Utilities chairman Mr Kenneth Penkin explained that the real increase could be kept below the anticipated 13% because the amount of electricity revenue diverted to the rates fund had declined (in real terms).

Cape Town's R2 monthly service charge on domestic electricity accounts is to be reduced to zero, but this will be compensated for by a slightly higher tariff.

Instead of paying the 13,29c/kWh, consumers will pay 15,27c/kWh (excluding VAT in both cases).

This is a 14,9% increase in the unit charge, but it is calculated that it will bring in only 12% more revenue as the balance will make up for the eliminated service charge.

In areas where Eskom itself is the bulk supplier of electricity, the service charge is R25,99 excluding VAT.

The proposed tariff increase allows for 10,6% — R63,5 million — of the revenue from the electricity undertaking to be used for the alleviation of property rates. Last year's figure was also R63,5 million.

ARG 6/10/92

12% electricity cost rise urged

55

CLIVE SAWYER, Municipal Reporter

AN ELECTRICITY price rise of 12 percent, effective from November, has been recommended by the utilities and works committee.

The increase, subject to approval by the executive committee and full council, is one percent less than that estimated in this year's budget.

Utilities chairman Mr Kenny Penkin said the recommended increase was reasonable in difficult economic times.

The R63,5-million "contribution" from the sale of electricity to the rates stabilisation fund is to stay the same as last year.

About R10-million will be earmarked as a "provision for bad debts" in anticipation of arrears.

Economic conditions, more than the political situation, were causing an increase in arrears, a city treasurer's report said.

The R2 monthly service charge paid by domestic consumers is to be scrapped. The proposed tariff increase will make provision for "limited" funding of more electricity dispensers in lower-income areas.

The 10 percent grossing charge levied on all accounts of more than R85 paid after due date is to remain.

● The committee recommended approval of an R8 294 527 tender for the building of the third stage of the Cape Flats outfall sewer at Zeekoevlei.

Acceptance of the tender, one of 10, will depend on Western Cape Regional Services Council approval of a loan to the city council.

● Banana ripening rooms at Epping Market, built 15 years ago, must be renovated by 1995 to meet the requirements of the Montreal Protocol, aimed at halting the use of the ozone-hostile substances.

Chlorofluorocarbons — CFCs — are used in the rooms.

A project identification report said renovations would cost about R2-million.

South Africa was a signatory to the protocol, and if the conversion was not done the rooms would have to be closed and income lost, the report said.

Other problems were that doors were angled so that fork trucks could not be used to stack pallets of bananas.

The top bananas had to be removed manually and the layout and airflow were also inadequate.

the north in brief

Sowetan 8/10/92 (55)

Petrol price up by 15 cents

MOTORISTS could soon be paying up to R9 more to fill their petrol tanks.

SABC radio news reported yesterday an increase of up to 15c a litre was imminent. An announcement is expected from Minister of Mineral and Energy Affairs Mr George Bartlett in the next two days.

Bartlett last week said a petrol price rise was unavoidable because consumers on the Witwatersrand had been paying far too little for petrol since March. In July and August, the under-recovery was more than 14,5c a litre.

However, there is some good news for farmers and transport operators - the Department of Mineral and Energy Affairs has confirmed that the price of diesel will not be increased.

Press remembers bannings

A PRESS seminar under the auspices of *Sowetan's* Nation Building campaign will be held on October 19 to focus on the issue of Press freedom and other issues related to the media. Sowetan 8/10/92

Newspapermen and political and trade union leaders will engage in a debate on the issues. The seminar will also be a commemoration of the banning of political organisations and the closure of newspapers, including *The World* and *Weekend World*, on October 19 1977. The event will take place at the Soweto campus of Vista University.

Decision not to raise price of diesel 'far-sighted' — bus chief

SHARON SOROUR, Staff Reporter

(55) (244)

ARGT 8/10/92

GOLDEN ARROW has congratulated the government for its "far-sightedness" in not increasing the price of diesel fuel.

The bus company's chairman, Mr Nic Cronjé, said this was the first time in more than a decade that the socio-economic importance of diesel fuel had been properly recognised.

Diesel made up about 15 percent of the operating cost of the company's buses. After wages and salaries, fuel was the company's single biggest cost factor, Mr Cronjé said.

The public transport industry was under immense pressure and the decision made it very much easier for bus operators to contain operating costs, which had to be covered by fares.

"The company also appreciates that the cost of diesel fuel is a substantial factor affecting the agricultural and food retailing sectors," he added.

Eskom is set to supply Vosloorus

B/Day 8/10/92. [redacted] (55)

WILSON ZWANE

ESKOM is set to start direct provision of electricity to the East Rand township of Vosloorus.

Vosloorus town clerk George Prinsloo said yesterday the council, the TPA, Eskom and the Vosloorus Civic Association would meet tomorrow to finalise the agreement, in terms of which Eskom would take over all the aspects of power supply in the township.

Prinsloo said his council was "anxious" to finalise the agreement.

Negotiations on the arrangement began in 1990 after it became clear the Vosloorus Town Council was unable to settle its Eskom electricity accounts. The council owes the utility R25m in unpaid electricity bills.

Should the agreement be finalised, Vosloorus will become the fourth township on the Reef to have had Eskom take over its electricity supply from the local auth[redacted]ity. Other townships are Soweto, Dobsonville and Alexandra. [redacted]

The SA National Civic Organisation (Sanco) told an electrification conference convened by the Development Bank of Southern Africa last month that it wanted Eskom to take over the supply of electricity in all townships.

Eskom public affairs executive Johan du Plessis said electricity payments had improved substantially in Soweto, Dobsonville and Alexandra since the utility's takeover.

Petrol price 'up 15c soon'

CT 8/12/92

JOHANNESBURG. — The price of petrol is soon to go up 15c a litre, according to government sources.

The petrol price hike would be announced imminently but the price of diesel would not be increased, the government confirmed yesterday.

Mr C P Edwards, a spokesman for the Minister of Mineral and Energy Affairs, Mr George Bartlett, said last night an announcement about the price of fuels, other than diesel, would be made "soon".

The announcement is expected before the end of the week.

Inflation

The DP's alternative spokesman on mineral and energy affairs, Mr Geoff Engel, questioned the government's commitment to reducing inflation when its fiscal policies contradicted this.

The chairman of Golden Arrow Bus Services, Mr Nic Cronje, congratulated the government on its far-sightedness in not increasing the price of diesel, which made up about 15% of his company's operating costs.

The South African Consumer Union said it had sent an urgent request to Minister of Finance Mr Derek Keys not to increase the petrol price because of the effect on inflation. — Sapa, Political Staff

SA power for Zimbabwe

B/DAY 8/10/92.

(55)

MICHAEL HARTNACK

HARAARE — Zimbabwe was to begin large-scale importation of electrical power from SA — in spite of political fears in some quarters — Transport and Energy Minister Denis Norman announced yesterday.

Norman, who earlier this year pioneered cabinet-level links with SA to solve Zimbabwe's food imports crisis, told a news conference practicalities not politics had prompted continuing negotiations on imports via Beitbridge and Botswana. His announcement comes the day after President Robert Mugabe acknowledged his first meeting with Foreign Minister Pik Botha in 12 years in power.

"There have been so many problems in the past 50 years, but I think we are now getting the whole scene together," said Norman, hoping that past political difficulties would now be shelved, and a regional power and transport system achieved.

An article in the Herald newspaper, controlled by the parastatal Mass Media Trust, voiced fears yesterday of increasing Eskom influence in Zimbabwe in the wake of power blackouts which threaten to cost the economy more than R600m, said business sources.

Norman said: "That is an opinion which is expressed in a number of quarters in Zimbabwe. It is an opinion which I thoroughly understand but I am not sure I completely believe in." He said he was going ahead with negotiation with Eskom without a formal cabinet mandate. "I have always been a regionalist."

Imports via Beitbridge were planned to increase from 5MW to 50MW by January 1 and imports via Botswana to 60MW. Talks were taking place on the plan put forward in Zimbabwe last month by Eskom director Jac Messerschmidt for Zimbabwe to import 350MW from Matimba via a connection to Bulawayo.

Norman identified lack of spares and management problems at Hwange thermal power station as key reasons for the blackouts which have left some areas without power for up to 16 hours on successive days. The falling level of Lake Kariba was only a secondary cause.

Price to rise 7c a litre from midnight tomorrow

Minister warns of 'major' increase early in 1993

55

ARG 8/10/92

Petrol up

TOS WENTZEL
Political Staff

THE price of petrol is to rise by 7c a litre at midnight tomorrow and there will be a "major" increase early next year.

Paraffin is to cost 3c a litre more but the diesel price is to be pegged, Mineral and Energy Affairs Minister Mr George Bartlett said today.

He blamed the rises on the fact that the raw material, oil, cost more than the end product, petrol.

Since the last price rise, in March, the difference between the cost of oil and petrol had risen to 14,505c/ℓ. Under-recoveries on diesel and paraffin were 4,202c/ℓ and 9,361c/ℓ respectively.

"Although the equalisation fund can still finance these huge unit under-recoveries for the time being, the monthly depletion rate of the fund is such that a major price increase is indicated for early 1993," said Mr Bartlett.

Beneficial

"A smaller interim fuel price adjustment at this stage would be more beneficial to the consumer and the economy as a whole than a much bigger one at a later stage.

"A smaller fuel price increase would enable the fund to continue financing the remaining unit under-recoveries for a longer period when the fuel price situation may improve"

Mr Bartlett said the smaller increase would also have a less damaging effect on inflation. The 7c/ℓ increase — 4,6 percent — would directly add only 0,184 percentage points to the inflation rate, he said.

The indirect effect on inflation was calculated at 0,32 points within six months, but it might be possible to reduce this with counter-inflationary measures.

The price of diesel was not being increased because it would hit farmers hard at the start of summer, and the losses on diesel were much lower.

Mr Bartlett said: "This decision will assist the agricultural sector, which is currently bowed down by severe drought conditions."

He had also tried to recognise that a large proportion of South Africans depended on paraffin for heating, cooking and lighting, and a smaller rise would limit their pain.

It was also felt that the best time for an increase in the price of paraffin was at the beginning of summer, when demand for heating was low.

Petrol price increase announced today

BDay 8/10/92. (55)

Business Day Reporters

AN INCREASE in the price of petrol would be announced today, Energy Minister George Bartlett confirmed last night.

He said the increase was unlikely to be as much as 15c a litre as speculated in news reports last night.

An Energy and Mineral Affairs spokesman said full details of the fuel price adjustments would be released today.

Witwatersrand motorists had been paying far too little for petrol since March this year, and as a result a price increase was unavoidable, Bartlett said this week.

He said there had been an underrecovery in both July and August this year of 14,5c a litre on the import cost of fuel.

Recent speculation that a price increase was imminent has led to massive orders from major diesel buyers.

This gave rise to assurances from government that a diesel price increase would not take place.

DP energy affairs spokesman Geoff Engel said yesterday the hike was a sign government was shifting the tax burden to motorists as a soft target for revenue.

"The DP questions the government's commitment to reducing inflation when its fiscal policies clearly contradict this."

Afrikaanse Handelsinstituut chief economist Nick Barnardt emphasised last night that the price hike was not a tax measure, but a means to correct underrecovery on the equalisation fund.

Such a step was necessary to prevent further damage to the fund, he said.

Overall, the increase would not have a serious effect on the inflation rate, and a 0,5% rise could be expected.

"However, this will not reverse the general decline in the inflation rate, and at worst it will slow down the decline a bit."

Barnardt did not believe the increased price would stand in the way of the lowering of interest rates.

Paraffin also to cost more, but diesel unchanged

Petrol price rises 7c

STAR
8/10/92.

Political and
Finance Staff (55)

The price of petrol goes up 4,6 percent on Saturday. The increase means 93 octane will rise 7c to R1,59 a litre.

At the same time, the price of illuminating paraffin will increase by 3c a litre.

Good news for struggling farmers, however, is that the price of diesel will remain unchanged.

The announcement was made today by the Minister of Mineral and Energy Affairs, George Bartlett.

The increase is aimed at offsetting the recent under-recovery on the imported cost of fuel.

The Central Energy Fund has released figures showing that motorists have been paying too little for fuel since March this year. In July and August the under-recovery has been as high as 14,5 cents a litre.

Sources stressed that the overall increase in the petrol price would not be used to increase revenue from the fuel levy raised on every litre of petrol.

Consumer bodies have warned that the petrol price increase could have a ripple effect on other consumer prices.

The SA National Consumer Union yesterday sent an urgent request to the Minister of Finance not to raise the petrol price following rumours of an imminent increase.

Consumer Union chairman Lillibeth Moolman said any increase would have an adverse effect on inflation. It would be "immoral" for the Government to believe a petrol price increase would help it gain more revenue from VAT.

Consumers were presently struggling "as never before", she added.

Economists said, however, that the lower-than-expected increase — a 15c increase had been widely speculated — would not reverse the recent downward trend in consumer price inflation.

"With inflation running at about 14 percent and the economic recession continuing to exert downward pressure on prices, the fuel price rise will have a negligible impact on other price levels," one economist said.

He believed it would not prevent a further drop in interest rates, which is widely expected before the end of the year.

Mother Christmas . . . Paula Lubbe, who works in the Johannesburg electrical engineering department, is full of ideas when it comes to lighting up the streets for the festive season.
Picture: Stephen Davimes

I know a secret and I'm not telling

By Peter Wellman

Santa Claus has a workshop in Johannesburg where the city's Christmas street lights are made . . . and I have seen the secret details of the displays planned for this year.

I'd be a real spoilsport if I gave away all the details. And the mayor would be cross, because there would be no surprises when he switches the lights on officially. That will be on November 21, in front of the City Hall.

It starts each year when someone from Santa (probably one of the elves) whispers into the ear of bubbly Paula Lubbe, who works in the city's electrical engineering department, and that's why she always comes up with the best ideas for the lights.

Paula does a little drawing exactly to scale and Santa's helpers make huge drawings from that and twist strips of aluminium into the various shapes. They tie coloured see-through cloth to the strips, so that the figures can be seen properly in the daytime, too.

Then they attach all the lights, and check things like whether the lights work when the tiger's tail goes up and down (whoops, that's supposed to be a secret!).

The main displays will be in Market Street between Fraser and Von Wielligh, in Commissioner Street between Harrison and Von Wielligh, and in Rissik Street between Commissioner and De Villiers.

'Major' new fuel price hike in new year

GERALD REILLY
and EDWARD WEST

MOTORISTS can expect another "major" petrol price increase early in the new year, Mineral and Energy Affairs Minister George Bartlett said yesterday.

Bartlett announced that the petrol price would rise by 7c/l to 159c/l and illuminating paraffin by 3c/l from tomorrow.

He said that although the Equalisation Fund could still finance the huge underrecoveries, the monthly depletion of the fund made a second increase unavoidable.

Since the last fuel price increases in March, underrecoveries had increased. In August, it was 14,505c/l on 93 octane petrol, 4,202c/l on diesel and 9,361c/l on illuminating paraffin.

The price of diesel has not been raised.

Bartlett said it had become clear a smaller interim fuel price adjustment at this point would be more beneficial to the consumer and the economy than a much bigger adjustment at a later date.

Bartlett said "Another benefit is that the impact of a smaller increase will be less on the inflation rate. For example, a 7c/l increase (4,6%) in the retail pump price for

☐ To Page 2

Fuel hike

BDay 9/10/92.

☐ From Page 1

petrol will only have a direct effect of some 0,184 percentage points on the inflation rate."

The indirect effect on inflation was calculated to be 0,32 percentage points in the course of six months and could possibly be lowered by counter-inflationary measures.

Government sources pointed out the 1993 "major" increase mentioned by Bartlett could include a hike in the fuel tax to bolster flagging state tax revenue for the current financial year.

The only other option would be to raise the level of VAT, a move which would meet with resistance and adversely affect constitutional negotiations.

The Automobile Association cautioned that the 7c increase could possibly be only the first in a series of incremental increases.

The AA said that with the underrecovery at about 15c/l, yesterday's increase would only partially assist the Equalisation Fund and would not address additional transport costs, retail and wholesale profit margins and the MMF levy which have been carried by the fund.

The AA considered that an overall increase of about 25c/l would be required in the long term — and this would have a negative effect on inflation.

Econometrix economist Tony Twine agreed further price increases would occur soon as government would have to make up the remaining 7,5c/l underrecovery in the Equalisation Fund.

Twine believed government had overestimated the effect of the increase on inflation because the weight of petrol in the CPI basket was about 2% and a 5% increase in petrol prices would add up to a 0,1% impact on the CPI.

Sacob hoped that the investigation into deregulation of fuel prices would be complete before the next possible price increase early in 1993 — assuming the fuel price situation had not improved.

Sacob said that while the 7c/l price hike increased business costs, the actual impact was minimised by the fact that the price of diesel was left unchanged. However, minibus taxis would be hard hit.

Consumer Council director Jan Cronje said the petrol price should not influence the price of most goods and services because commercial and agricultural transport almost exclusively used diesel.

The Afrikaanse Handelsinstituut (AHI) expected the increase to slightly retard, but not reverse the expected downward trend in the inflation rate. The AHI forecast a CPI inflation rate of below 13% by year-end with further consequent interest rate declines before year-end in prospect.

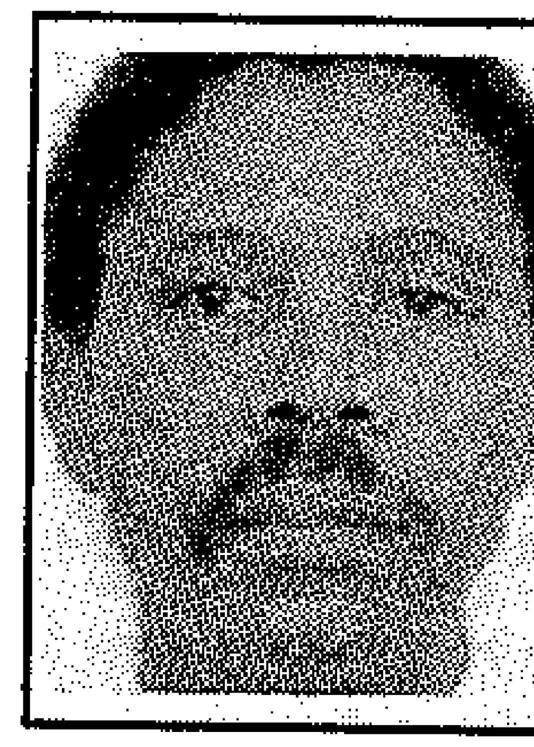
The AHI proposed that fuel prices be reviewed at least on a quarterly basis to prevent sporadic large changes.

The price increase was condemned by the DP as unjustified and a cover-up of the Mossgas "fiasco" as there had been no material increases in international oil prices or a decline in the rand/dollar exchange rate.

The DP called on government to publish the cost price of a litre of Mossgas petrol (including depreciation and financial charges) compared with the cost price of imported petrol before tax so that the general public would know how much it was subsidising Mossgas.

Sowetan 9/10/92 (55)

The petrol price increase is bad news for the man in the street, already hard-hit by runaway food prices and soaring unemployment. But an economist told **Joe Mdhlela** that business will be circumspect in hiking prices:



THE DECISION by the Government to increase the petrol price by 7 cents a litre, is bad news for the man in the street.

However, there should be no reason for the business sector to increase the prices of their merchandise, Sanlam chief economist Mr Johan Louw said yesterday.

The increase will come into effect tonight.

It was previously speculated that the increase would be around 15 cents a litre.

However, Louw said it was still possible that the Government would announce further increases early in 1993.

He said the increase was unavoidable as this was a follow-up to the increase of the international oil price not so long ago.

There is consumer resistance

"The minister speculated there would be a big increase at the beginning of 1993. I think what is happening is that the Government is introducing the increase in stages. We can expect another increase around early next year," said Louw.

The economist said he was doubtful whether the price increase would result in other increases by the business sectors.

"The problem is that there is consumer resistance to further increases on consumer goods.

"I hope retail businesses and other similar sectors will absorb the increase and not pass it on to the consumer."

Economy is flat

In any case, said Louw, the economy is "rather flat" and it would be foolhardy for anyone to contemplate increasing the price of consumer items.

He believed there would be increases of some sort but was optimistic that these would not be as high as to bring resistance from consumers.

"It should also be realised that the petrol price increase does not mean extra income for the Treasury. On the contrary, there was already a big short-fall on the national account and the belief that this would strengthen the Government's coffers is misplaced."

A slap in the face

Louw said he did not envisage a significant major increase in inflation.

"The projected inflation rate in November is expected to be 12,4 percent, but because of this increase the inflation might go to 12,6 percent, tapering down to 12 percent in December."

Township residents will greet the increase as a slap in the face, following major food price increases, especially on staple foods.

In September food went up by about 30,4 percent, with vegetable prices hitting an all-time

A motorist expresses her anger at the petrol price increase to an amused petrol pump attendant.

high of 88,7 percent.

Meat prices during the same period went up by about 27 percent.

The increase in food prices prompted business leaders, including Mr Raymond Ackerman, to urge the Government to zero-rate basic foodstuffs from Value Added Tax.

A disasterous effect

The general secretary of the National Council of Trade Unions (Nactu), Mr Cunningham Ngcukana, said the petrol price increase would have a disastrous effect on black people.

He termed the increase as inflationary, leading to price increases on consumer items, especially food.

He accused the Government of misusing taxpayers' money by engaging in "white elephant" projects like Mossgas.

"By December consumers will be worse off, hit by price increases all the over the place."

He said the effect of the increase would be felt mostly by the formal transport industry, which no longer enjoyed Government subsidies.

Of great concern

"This will escalate retrenchment in the transport industry, especially in bus services which, because of the withdrawal of subsidies, are barely surviving," he said.

He said the decision by the Government to take unilateral steps on the restructuring of the economy was of great concern to the federation.

The Congress of Trade unions of South Africa were unable to comment on the increase as they did not have enough information.

'More rises to come'

(55)

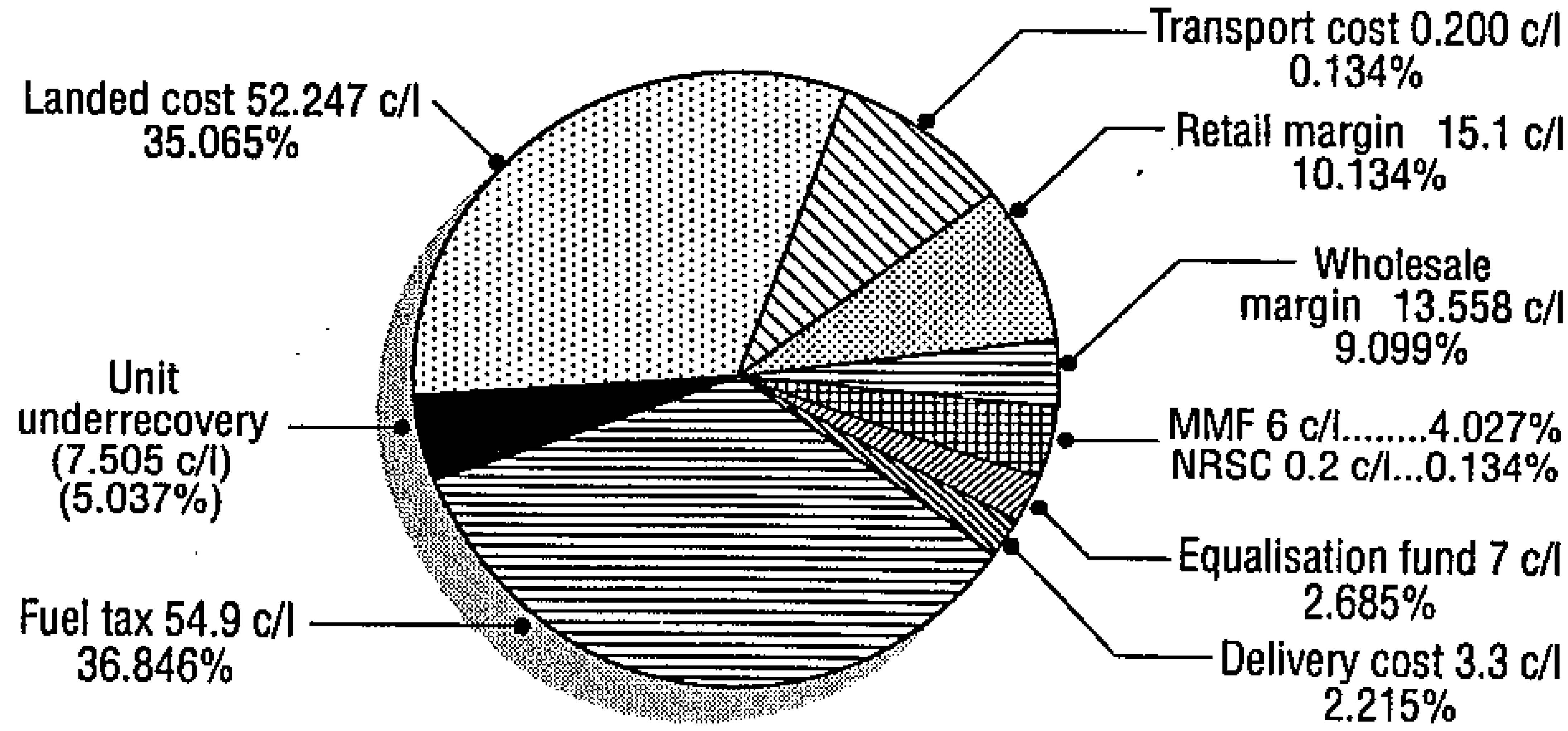
Sapa reports from Johannesburg on reaction to the increased petrol price.

ARG 9/10/92

Petrol price: 149,0 cents per litre

93 Octane: Coast (zone 1A)

10 October 1992



Exchange rate USA$1 = R2.7641

Current landed cost: 52.247

Landed cost element in price structure: 44.742

Remaining unit underrecovery: (7.505)

THE 7c increase in the price of petrol might be only the first in a series of expected increases leading up to the Budget, according to the Automobile Association.

In a statement warning motorists, the AA said: "With the current under-recovery of 15c a litre, this increase will only partially assist the Equalisation Fund, and will not address the additional transport costs, retail and wholesale profit margins, and the MMF levy which have been carried by the Fund.

"It is the AA's opinion that an overall increase of 25c a litre will be required in the long term, which would obviously have a negative effect on the inflation rate."

The AA called on the authorities to explain the reasons for the large under-recovery.

"The Department of Mineral and Energy Affairs reported in August that fuel price unit under-recoveries were being experienced on all grades of petrol and diesel, despite a decrease in the average landed cost and a slight worsening of the exchange rate," said the AA.

The Motor Industries' Federation said fuel price increases to wipe out Equalisation Fund under-recoveries should be adjusted more frequently to minimise the impact on the economy.

MIF executive director Vic Fourie added that the increased wholesale price of the dealer without a marginal adjustment to the dealer's profit margin placed pressure on the viability of pump stations because of interest and other factors.

Meanwhile, business and consumer organisations have reacted with caution to the increase.

Consumer Council executive director Jan Cronje said the increase came as yet another blow to South Africa's hard-pressed consumers and dashed hopes of a further drop in the inflation rate.

He advised consumers to use fuel sparingly by avoiding unecessary trips, driving economically and ensuring that their vehicles were kept in good condition.

The South African Chamber of Business (Sacob) said that at a time when South Africa was still grappling with the problem of inflationary expectations, the increase — although less than expected — could only aggravate the situation.

"With other cost increases, petrol price rises will also adversely affect consumer disposal income," said Sacob.

Both organisations expressed the hope that the current official investigation into the further deregulation of fuel prices could be completed before the next possible price increase early in 1993, assuming that the fuel price situation had not improved.

Both welcomed the announcement that the diesel price would not be affected.

According to Mr Cronje: "Commercial and agricultural transporters almost exclusively use diesel and it follows that the petrol price increase should not influence the price of most goods and services."

South African Agricultural Union chief economist Koos du Toit said the increases in the price of petrol and illuminating paraffin would indirectly influence agriculture as it placed increased pressure on the inflation rate.

"These types of price increases do not promote improve the economy which in turn determines the rehabilitation and welfare of agriculture."

The Democratic Party has condemned the petrol price increase as unacceptable and unjustified.

Mr Geoff Engel, a DP spokesman on mineral and energy affairs, said in a statement: "There has been no material increase in international oil prices or a decline in the rand/dollar exchange rate.

"The deficit is the result of the failure of the additional fuel levy, announced in March during the budget debate, to fully recover the amount required.

"The result: the motorist must now bear the burden," he said.

"This is a blatant cover-up of the Mossgas fiasco, which is one of the biggest financial disasters in South Africa's history, costing R13 billion to establish, and which will continue to cost motorists and commuters much more in subsidies," Mr Engel said.

"This R13 billion could have been productively used to fund one million service sites or 430 000 low-cost housing units at R30 000 each," he added.

Mr Engel called on the Minister of Mineral and Energy Affairs to publish the cost price of a litre of Mossgas petrol, including depreciation and finanacial charges, compared with the cost of imported petrol before tax so the public would know how much they were subsidising Mossgas.

Mr Whitey Basson, managing director of the Shoprite Checkers Group, challenged the government on the timing of the petrol price rise.

"Government says that a shortage in fuel revenues dates back to March, one month after the Budget announcement when petrol was increased by 8c a litre," said Mr Basson.

"This sudden increase is badly timed and once again consumers are forced to pick up the bill for bad planning on the part of the government."

Mr Basson said that Shoprite Checkers would support consumers with the supermarket's ongoing commitment to low prices by toughening negotiations with suppliers.

On behalf of consumers, Mr Basson appealed to other businesses to absorb this latest increase, and not simply pass on new price increases in the name of the fuel price hike.

He added that the group would also continue its price freeze on certain foods to offer consumers relief.

A more positive note was struck by Tolcon managing director Peter Erasmus who said the increase in the price of petrol discounted toll road tariffs.

"Toll fees are calculated according to a formula based on the savings a motorist makes when travelling on the tolled section of the road," he said. "Time, wear and tear, distance and fuel are all costed in.

"Clearly when the price of petrol goes up and toll fees remain static, the motorist gets an immediate benefit."

Tolcon's roads were managed on the philosophy of "value-for-money" with the main objectives being driver comfort, peace of mind and safety.

'More rises to come'

55

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ARG 9/10/92

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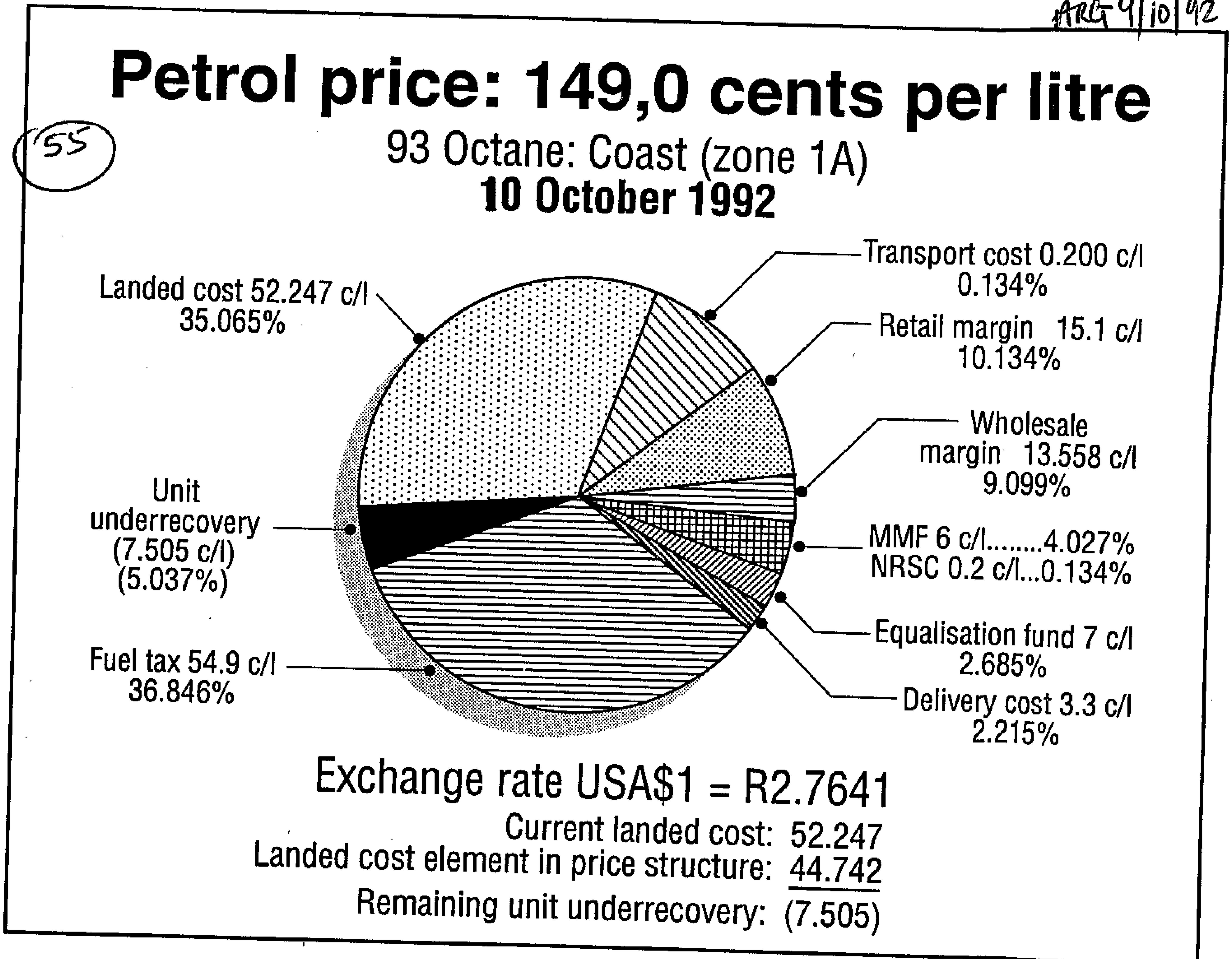

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Petrol price rise won't hold back interest rate cut

STAR 9/10/92

By Roy Cokayne

The 7c a litre increase in the price of petrol from midnight tonight is not likely to add significantly to a rise in the inflation rate — nor delay a widely expected cut in the Reserve Bank's bank rate and bank prime and other interest rates.

A cut in interest rates is expected in some circles within the next few weeks and Amalgamated Banks of South Africa (Absa) senior economist Adam Jacobs does not believe the petrol price increase will delay these reductions.

"Generally, the economy is so weak and the underlying trend in the inflation rate is downwards. In addition, VAT will be out of the system in October," he says.

Jacobs estimates the petrol price hike will lead to a 0,25 to 0,4 percent increase in the inflation rate.

Minister of Mineral and Energy Affairs George Bartlett says the indirect effect on the inflation rate is calculated to be 0,32 percentage points within the course of six months.

Bartlett says this could possibly be lowered by counter-inflationary measures.

Standard Bank Bond Investments managing director Vic Moll believes the Reserve Bank's bank rate and prime rates will be reduced in the next few weeks.

Interest rates have been on a downward trend for some time.

Last week Standard Bank Bond Investments reduced its interest rate on commercial and participation mortgage bonds from 17 to 15,94 percent.

Moll says a cut in these rates usually precedes a cut in other rates, including home loan rates.

Northern Transvaal Chamber of Industries (NTCI) executive director John Toerien says "market forces really are screaming for a further drop in interest rates".

Writing in the first edition of the NTCI's "Economic Focus" newsletter, Toerien says that given the economic situation, there is no danger that lower interest rates soon could be interpreted as an official move by the Reserve Bank not to adhere any longer to a policy of financial discipline.

A drop in interest rate levels on its own would not trigger a greater demand for credit, he says, adding that there are too many negative factors present in the economy.

"Given the present state of the economy, there can be no danger that lower interest rates will harm the fight against inflation and the promotion of price stability, which is the main responsibility of the Reserve Bank," Toerien says.

"What is of paramount importance, however, is that lower interest rates can help to put a floor on dwindling business confidence, which is at its lowest ebb for 16 years.

"It can also improve the cash flow of financially highly geared companies and lessen the financial debt burden of the man in the street," he says.

● Reports — Back Page

Call to lift veil of secrecy over fuel

STAR 9/10/92

(55)

By Michael Chester and Zingisa Mkhuma

More increases in the price of petrol are expected after the rise of 7c a litre from midnight tonight — amid calls that the industry be deregulated and its cloak of secrecy lifted.

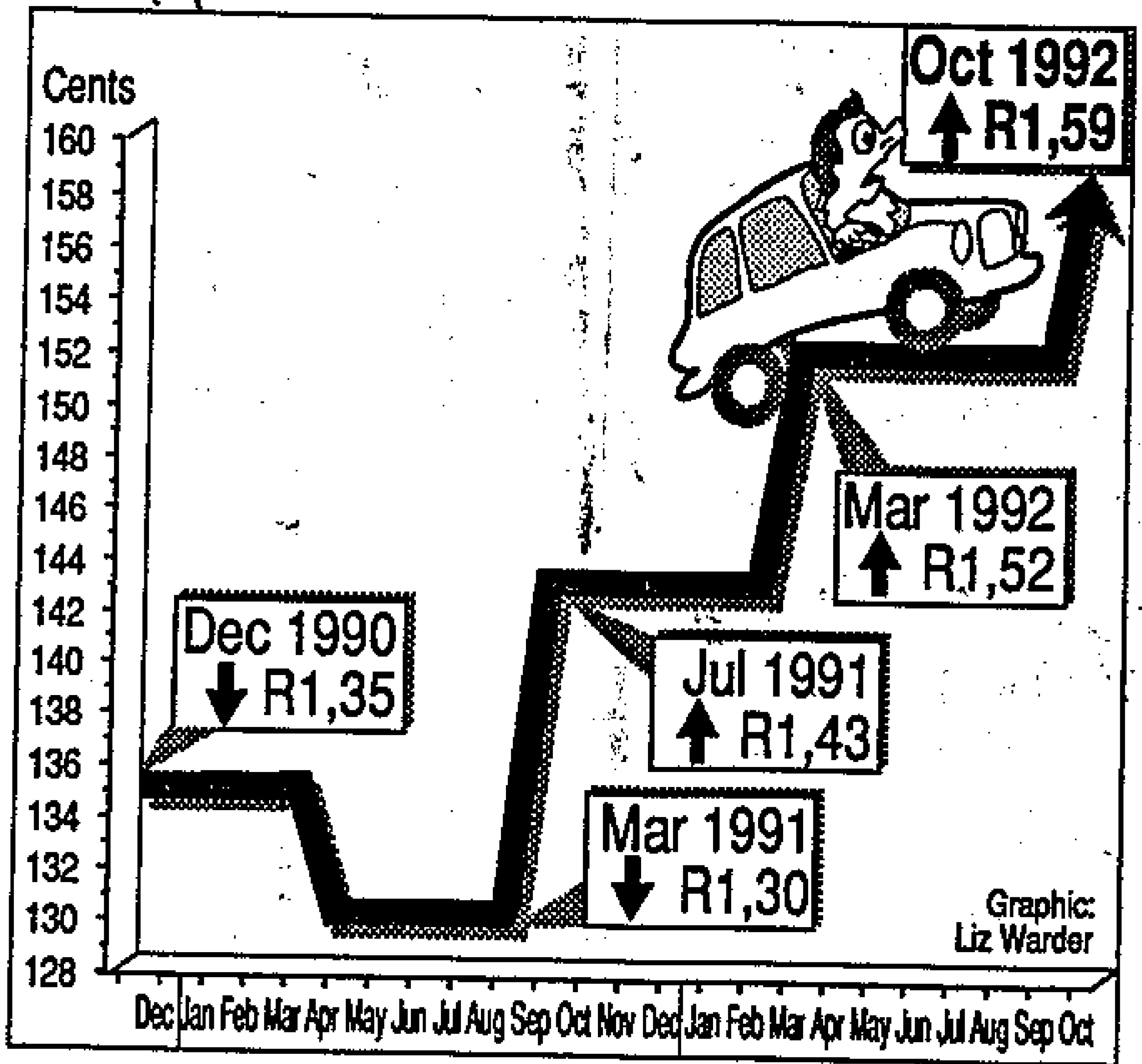
The Government announced the increase, the second in less than a year, yesterday. The last increase was 9c a litre in March. The price of diesel will remain the same.

From tomorrow motorists will pay R1,59 a litre for petrol. The price of paraffin will also increase by 3c a litre.

Yesterday the Automobile Association warned the petrol price increase could be the first in a series of increases totalling 25c/l leading up to the Budget next year, while consumer bodies warned that the price of goods and services could rise as a result of the latest increase.

The warnings came as economic experts said motorists should demand full answers from the Government about what goes on behind the scenes when fuel prices are increased.

The Econometrix research unit in Johannesburg said questions needed to be answered by the Government about a complex system of



multimillion-rand hand-outs paid to oil companies.

Controversy has been simmering for several weeks about the continuation of the payments, which were devised to compensate oil companies for any cutbacks of production from conventional refineries when they agreed to buy supplies from the Sasol operations.

Insiders have estimated that payments have been running as high as R100 million a year — even though sanctions problems have largely been removed.

"The justification for secrecy about the deals was always explained as protecting international suppliers from losses during the oil embargo imposed on South Africa during the apartheid years," Econometrix executive Tony Twine said yesterday.

"The need for such secrecy has largely disappeared — and it's time for the Government to lay its cards on the table.

"Now the need for full disclosure may be more important than ever if next comes the suggestion that hand-outs should be made to make allowance for Mossgas production costs.

"Sasol is now on the trail of big profits from lucrative new markets offered by expansion of its petro-chemical production lines. One wonders whether special protection can be justified."

Department of Mineral and Energy Affairs spokesman Lourens van den Berg later explained that bigger profit margins for oil companies and retailers were agreed with the Government three months ago.

The new petrol price was also necessary to cover rising costs of other items, such as transport and fuel deliveries.

He confirmed that further increases may be necessary inside the next few months to remedy what he described as "under-recovery" of costs at recent price levels.

Pick'n Pay chairman Raymond Ackerman called for the deregulation of the fuel industry and said that should this be done, his company would discount fuel by between 7c and 8c a litre.

Among those hardest hit by the increase in the petrol price would be the minibus taxi industry, said the South African Chamber of Business.

The chairman of the National Black Consumer Union Nonia Ramphomane said the increase would have a ripple effect.

● **Effect on rate cut — Page 15**

'Diesel taxis money savers'

ARGT 10/10/92

Business Staff

ABOUT R770 million a year could be saved by the minibus taxi industry by switching from petrol engines to diesel power, says Mr Fritz Korte, managing director of Atlantis Diesel Engines.

There would also be substantial savings for operators of petrol-powered medium trucks if they switched over.

"These are some of the benefits that could accrue as a result of the increase in the difference in prices of petrol and diesel," he said yesterday.

"The difference after today's increase in the price of petrol is now nine percent, but this is still out of line with worldwide pricing practices. The worldwide average in favour of diesel is 28 percent."

Mr Korte said research indicateed that on average minibus taxi operators used 270 litres of fuel a week, and as an industry had an annual petrol bill of R1,7 billion.

Based on 7km/litre, total distance travelled over a six-day week by an individual taxi was 1 890km, an average of 315km a day.

On this basis, individual operators who switched to diesel could cut their fuel costs from 28,29c a km for petrol to 19,8c a km for diesel.

This worked out at a saving of R26 a day, or R156 a week and R624 a month.

Mr Korte says it has also been proved that the operating costs a km of a fully-laden 29-seater diesel-driven minibus were half that of a fully-laden 15-seater petrol-driven minibus taxi.

In expectation of a demand by taxi operators and commerce, ADE had developed a two-litre turbocharged diesel engine for installation in minibus taxis and light delivery vehicles.

Major advantages claimed for the diesel engine over the petrol engine included greater efficiency, a longer lifetime, up to 40 percent better fuel consumption and greater reliability.

Cosatu petrol protest

CT 10/10/92

DURBAN. — Cosatu, the country's largest trade union federation, has announced plans to embark on a campaign against the petrol price increase, starting on Tuesday next week.

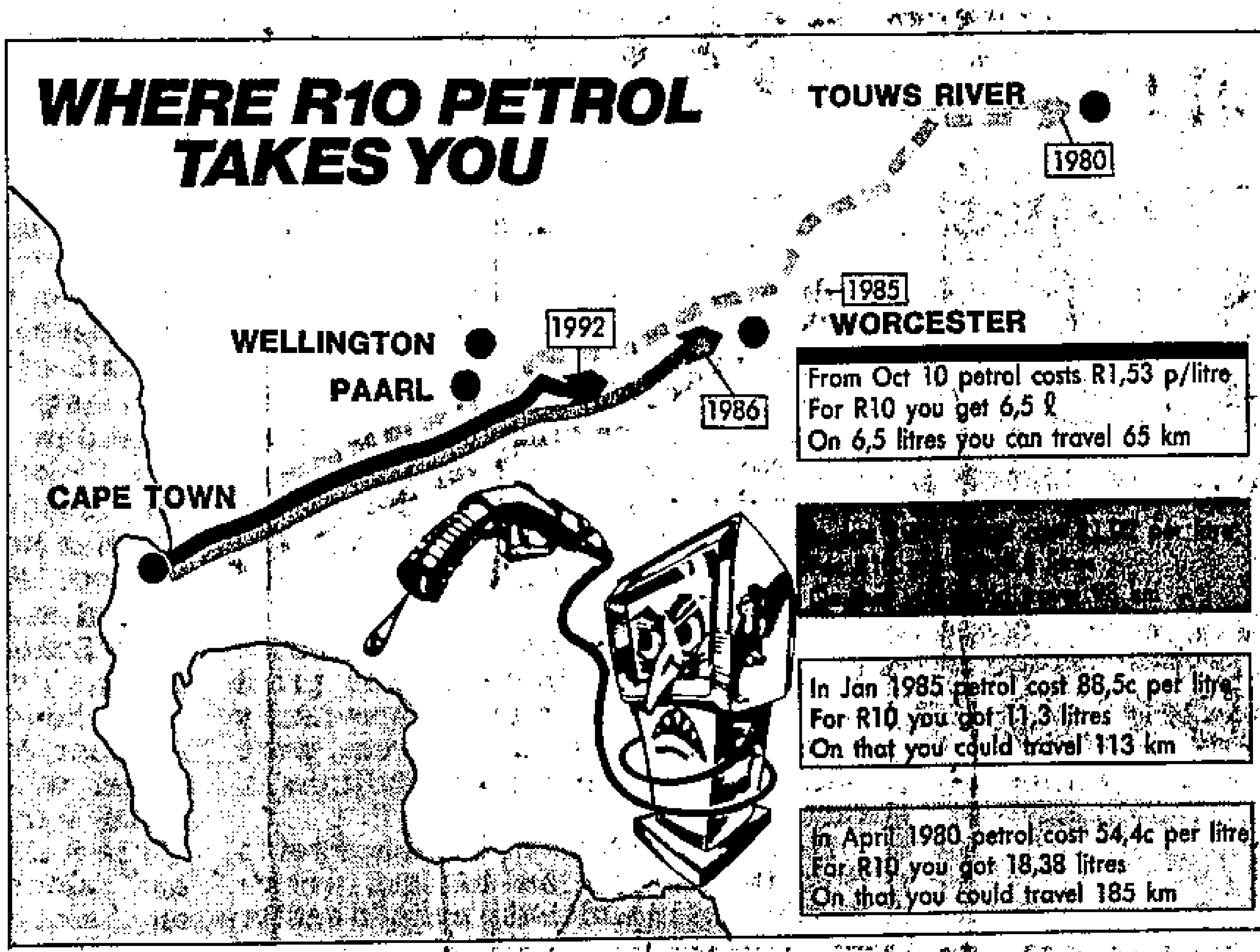
● The 7c price rise, due to take effect at midnight last night, was also condemned by the Pan Africanist Congress.

In a statement yesterday afternoon the PAC's secretary for labour, Mr Lesaoana Makhanda, asked for a subsidy.

The taxi industry had indicated it would increase its fares, leaving the commuter with trains — which he described as "moving explosives" — as the only alternative.

● The ANC said the price rise would lead to a chain reaction ending in higher food prices.

It added that just as the price of diesel remained unchanged, so should paraffin — up by three cents a litre — have been exempted as it was an important source of fuel for the poor. — Own Correspondent and Sapa



HOW FAR YOU CAN GO . . . This graphic shows how far you could have driven on R10 worth of petrol over the years in a medium-sized car, and how far you can go now with the ~~latest increase~~. 65 ~~65~~

Far away and long ago

CT 10/10/92

Staff Reporter

THE distance one can travel by car on R10 worth of petrol has declined dramatically in the past quarter-century.

According to calculations based on the petrol consumption of a medium-sized car, one could have travelled from Cape Town to Bloemfontein on R10 worth of petrol in 1970.

Yet from today, R10 of petrol in an equivalent car will be consumed by the time you get to the Huguenot tunnel.

Calculations were made by the Cape Times on the basis of a car using 10 litres of petrol to travel 100km.

In 1970, petrol cost 9,9 cents a litre. For R10, one would therefore get 101 litres of petrol. This would take you beyond Bloemfontein, which is just over 1 000km away.

In 1980, the same R10 would get the motorist as far as Touws River, 185km away. In 1985 you would get just past the Worcester turn-off.

And from today, with 97-octane petrol costing R1,53 a litre, you get 6½ litres for your R10, which takes you as far as the tunnel.

Secret petrol deal challenged

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Weekend Argus Correspondent

■ A deal between the big oil companies and the government is stifling free competition, claims supermarket chief Raymond Ackerman.

JOHANNESBURG. — A storm is raging over a behind-the-scenes deal between the government and oil giants, as motorists today pay another 7c a litre for petrol.

The row came to a head yesterday when supermarket boss Raymond Ackerman challenged the government to allow free pricing at the pumps.

The target of the challenge is a secret agreement entitled the Service Station Rationalisation Plan — widely known as the "Ratplan".

This is a deal between the Minister of Mineral and Energy Affairs and the big oil companies to control fuel distribution channels.

Pick'n Pay chairman Mr Ackerman blamed the agreement for stifling competition by setting limits on the number of filling stations in operation — and blocking newcomers unless they abided by rigid rules on fixed price levels. He disclosed that the 12 filling stations operated by the supermarket chain could all stay in profit if they held petrol prices at old levels — but had been forced, by rules laid down by secret pacts, to apply the new 7c-a-litre rise.

"The rules forbid us to sell at cut prices — with the threat of shutting off supplies if we try it," he said.

"It's ludicrous that no competition is allowed at the petrol pumps. We could cut the new price by 7c a litre and still make a fair profit. Because we are forced to apply the increase, the profits from our filling stations will be doubled.

"Rules and regulations may have been necessary when South Africa was finding ways to dodge the international oil embargo. But now that sanctions are falling away it's high time they were scrapped."

Mr Ackerman said he had sent an urgent appeal to the Minister of Mineral and Energy Affairs to refuse to sign a five-year renewal of the "Ratplan" that was now under consideration.

The rigidity of "Ratplan" rules is also causing concern at the Competition Board, which outlaws any collusion between companies to fix prices or any interference with competition between business rivals.

"Until now the oil industry has been exempt from legislation about open competition because of the special provisions of the Petroleum Act," said board chairman Dr Pierre Brooks.

"The wholesale deregulation of the oil industry is virtually impossible until government policies on fuel are changed. Many of the regulations were formulated when oil embargoes were imposed. The ending of sanctions may allow a review of policies.

"However, there are several aspects of the Ratplan that are under investigation.

"For the moment, various clauses in the agreement appear to have possible merit. But we also need to look deeper into agreements that limit the entry of newcomers to the garage business, and which may threaten the survival of certain filling stations that the oil companies can deprive of supplies.

"If the Ratplan is renewed, perhaps it should be made more flexible."

Zimbabwe is plugging into SA's power

By MICHAEL HARTNACK: Harare

DRASTIC power cuts continued in Zimbabwe last week as the country began importing increasing amounts of power from South Africa.

Strategic fears of reliance on Pretoria — brushed aside by Transport and Energy Minister Denis Norman — took second place to practicalities as talks went ahead on a R320-million connection with Eskom via Botswana.

Mr Norman said some of the darkness now descending on Zimbabwean suburbs should be dispersed by January with plans to use existing infrastructure to import over 100 South African megawatts through Messina and Gaborone.

"There are going to be some casualties," Mr Norman said after an inspection of Hwange coal-fired thermal power station, major source of Zimbabwe's power crisis.

Complacent and inefficient managers had allowed the station to become "extremely dangerous" through neglect of equipment and the last British expatriate manager, Mr Denis Board, was being brought back to sort out the mess.

55

S Times 11/10/92.

Motorists foot huge profit bill

S/Times (BUSS) 11/10/92. 55

By KEVIN DAVIE

USERS are paying an extra 4c a litre for fuel because of the antiquated system used by the Government for determining prices.

Fuel prices were at the centre of a storm of protest this week as the Government raised the cost of petrol price by 7c/*l* amid warnings that further increases would be necessary to fund continuing under-recoveries and tax revenue shortfalls.

Industry experts say the in-bond landed cost (IBLC), the fuel-pricing system used in SA since the 1930s, is a licence for SA refiners to pump profits of hundreds of millions of rands at the expense of users.

The potential "windfall profits" made by SA refiners from the IBLC is dealt with in a World Bank paper on trade and industrial policy.

Secret

Bank staffer Brian Levy reports that some interviewees say the IBLC sets fuel prices 10% above what the import price would be in practice "providing windfall profits to both Sasol and to the country's oil refineries".

Mr Levy says the subject is controversial and there was debate among those interviewed.

The increases announced this week have little to do with the IBLC, which reflects the fuel component of the petrol price. An analysis of the fuel price for the two years to July this year shows that the IBLC increased by 10,4% a year.

The big increases since July 1990 were in the non-fuel part of the petrol price. The Government allowed a wholesale margin increase of 56,2% a year and a retail margin rise of 21,7% a year. Fuel tax increased by 31,2% a year.

The decision to lift the petrol price this week was because of strain on the equalisation fund caused mainly by the two margin increases for the fuel industry. But the fund will continue to meet an under-recovery of 7,5c/*l*.

The IBLC is not determined by domestic market conditions. The Government uses the prices of a refinery in Bahrain and three in Singapore. The cost of shipping refined fuel to SA is added to determine the IBLC.

Industry sources say in a deregulated market SA refinery prices would resemble those of Singapore. Motorists would pay the cost of shipping crude to SA and not refined product.

SA's production figures are secret, but industry sources say the windfall profits for SA refiners run to hundreds of millions of rands annually.

Mr Van den Berg acknowledges that the Singapore price already includes shipping, wharfage and insurance because it is an oil-importing centre.

The IBLC is based on the import parity principle of what it would cost to bring in refined product. The latest IBLC is 52,2c/*l* for 93 octane.

The IBLC is the price the oil companies get for their fuel. Several taxes, levies and margins are added to arrive at the price paid by the mo-

● To Page 3

Volatile

But relatively little refined product is brought to SA. Crude is imported in supertankers at a considerably lower cost as refined product is volatile and must be shipped in smaller vessels and with higher insurance costs.

The pricing structure favours refiners because they pay for moving crude directly to SA (mostly from the Middle East). Users bear the costs of moving refined product. The Singapore price reflects the fact that it is a crude-importing centre (mostly from the Middle East).

The shipping cost makes up about 11% of the IBLC. Mineral and Energy Affairs spokesman Lourens van den Berg says this cost was 4,1/*l* in August.

Petrol price

S/Times (BUSS) 11/10/92.

● From Page 1

torist.

The Government's decision to grant handsome profit margin increases to the oil industry while most businesses have been suffering in the recession, conflicts with the experience of deregulated markets.

Caltex Australia's latest annual report shows that a record profit of A$108-million in 1990 was transformed by market conditions to a A$16-million loss last year.

Chairman Brian Murphy blames the outbreak of severe discounting in the retail and petrol market.

"This was a reflection of market conditions plus a reaction to the takeover of Esso's downstream business by Mobil." 55

The Government and the oil industry maintain that the IBLC reflects market prices. They say SA pre-tax pump prices are competitive with most First World countries.

The method of calculating the IBLC is "an arm's length method representing the cost to import large quantities of liquid transport fuels at specific qualities", says a Sasol spokesman.

Fuel levy fast becoming major state revenue earner

STAR 13/10/92. (55)

By Sven Lünsche

The fuel levy is rapidly emerging as one of the major revenue items for the state at a time when income from VAT is falling well below budgeted estimates.

For the first five months of the current 1992/3 fiscal year (April to August) R2,76 billion was collected from the fuel levy, almost 50 percent more than in the comparable period in fiscal 1991/2.

VAT revenue of R6,42 billion over the same period was 14,6 percent below the R7,51 billion collected from GST in the first five months of the 1991/2 fiscal year, according to figures released by the Central Statistical Services.

A fuel tax of 54,9c/litre is levied on every litre of petrol sold.

While the levy was not raised in conjunction with the recent 7c hike in petrol prices, earlier increases during the year ensured rising revenue from this source.

The poor income from VAT, however, which officials attribute to the poor state of the economy, has resulted in overall revenue increasing by only 1,3 percent to R28 billion from R27,64 billion in 1991/2.

The Government had budgeted for a 13,2 percent rise in revenue to R84 billion for the full fiscal year.

The revenue collected in the first five months amounted to only 33 percent of the budgeted figure, compared with 37 percent at the same stage last year.

Of the other major revenue items, income tax collections rose 4,3 percent to R16,11 billion (R15,44 billion), excise duties were up 28,2 percent to R1,63 billion (R1,27 billion) and customs duties two percent higher at R1,2 billion (R1,18 billion).

The slowdown in the level of imports reduced revenue from import surcharges by 0,1 percent to R614,2 million (R614,6 million).

During the first five months of the fiscal year state spending surged by 20,2 percent from R35,36 billion to R42,51 billion, boosted by a rise in expenditure to R10,17 billion in August, compared with average levels of R7 billion in the preceding months.

The major expenditure items for the first five months were: Foreign Affairs, including assistance to homelands R2,47 billion (1991/2: R2,12 billion); Finance R7,82 billion (R6,83 billion); Trade and Industry R1,71 billion (R887 million); Police R2,52 billion (R2,25 billion); Defence R3,58 billion (R2,09 billion).

While economists are optimistic that spending can be curtailed to meet the budgeted level of just over R100 billion for the full year, the shortfall in revenue is leading to a serious overrun in the deficit before borrowing.

Finance Minister Derek Keys had budgeted for a deficit of R15,93 billion for the full fiscal year — with only five months gone the deficit at R15,67 billion has already reached that level.

If this trend continues, the deficit could surge to R30 billion. While this is unlikely, Keys has stated that the deficit for the full fiscal year could rise to R25 billion, or six percent of estimated Gross Domestic Product.

This is well above the budgeted 4,5 percent and double the internationally accepted level of three percent of GDP.

Petrol levy to the rescue as VAT fails to deliver the goods

Business Staff (55) (3X0) ARG 13/10/92

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Engen boosts earnings 50%

CT 15/10/92 (55)

From MATTHEW CURTIN

JOHANNESBURG — Modest increases in local fuel sales, sharply higher exports, interest on its R1,1bn rights issue, and a lower tax bill drove Engen's attributable earnings 50% higher in the year ended August 1992.

Engen, the Gencor group's manufacturer and distributor of fuel products, reported attributable income of R429m compared with R286m in 1991.

That was equivalent to an 18% increase in earnings a share to 275c (233c), diluted by the large number of shares in issue. Engen declared a total dividend of 137,5c, 18,5% higher than the previous year's 116c.

CE and MD Rob Angel said at a news conference yesterday that growth in the local fuel market depended on SA pulling out of recession, but it was encouraging that fuel sales were still on the increase.

Angel said the year's highlight was the completion of the R670m phase one of the Genref refinery expansion, which came in under budget and on schedule. But the plant was taken out of commission for six weeks to upgrade, a significant blow to revenue.

He said Engen would announce its plans for phase two in early November.

Angel said the group increased its exploration spending to R36m (R20m) and had now established itself as an important player in worldwide oil exploration.

ESKOM

Turning on Zimbabwe

FM 16/10/92 (55)

Eskom is waiting for the green light from the Zimbabwe Electricity Supply Authority (Zesa) to throw the switch and begin pumping power to electricity-strapped Zimbabwe, where regular power blackouts are costing the teetering economy dearly.

Zimbabwe now imports 5 MW and could be receiving 40 MW-50 MW by the end of the year if Zesa confirms the deal is on and connects its Beit Bridge power line with the Eskom line south of the Limpopo.

But, says Eskom assistant planning manager Pierre Rubbers, while Zesa has, in principle, decided to take Eskom power, "not all the hurdles have been crossed to finalise the agreement." Apart from wrangling over Eskom's price, the final decision by Zimbabwe to buy power on a large scale from SA, which the staunchly anti-Pretoria government has steadfastly resisted in the past, still has to be finalised. FM 16/10/92.

Zimbabwe — where the peak demand for electricity is about 1 500 MW in winter (compared with about 23 000 MW in SA) — traditionally gets about 666 MW from Lake Kariba's hydroelectric station, while its Hwange coal-fired station supplies about 800 MW a year.

There are reports that Hwange has been plagued by management problems and a lack of spare parts. And the savage subcontinental drought has driven Lake Kariba to such low levels — below 30% — that Zimbabwe has this year been forced to import about 120 MW from Zaire. Even this assistance was too little and Zesa was recently forced to reduce its power supplies to industry and households in Zimbabwe to as little as eight hours a day. While the cuts have led to public outcries, the Zimbabwean government may be hedging its bets before signing a supply agreement with Eskom.

For one thing, rains may shortly start falling in the central African catchment area of the Zambezi River. For another, hydroelectric power is far cheaper than SA's coal-sourced electricity, so Zimbabwe's dearth of foreign exchange may entice it to gamble on good rains soon, rather than lock itself into a long-term contract to buy power from Eskom.

But Eskom — which has about 5 000 MW of excess capacity — is ready to start rolling as soon as the Zimbabweans are in a position to take up Eskom electricity. The improvements to the Messina-Zimbabwe link will cost about R7m and SA will carry about R4m.

There are two other options planned to supply power to Zimbabwe. "Apart from the Beit Bridge link (linking Zimbabwe with the Messina line), we could double our link with Gaborone within the next year," Rubbers says. "And we could also build a new 400 km transmission line from Matimba power station near Ellisras to Bulawayo within two years."

The Gaborone link would entail doubling the 132 kV line over about 130 km at a capital cost of about R40m. Subject to the charge payable to Botswana for using its existing 220 kV lines between Gaborone and Bulawayo to transmit the power, acceptable tariffs could be negotiated to provide Zimbabwe with an additional 50 MW-60 MW.

But the biggest boost is available from the third option.

"Matimba, which has a capacity of 3 700 MW, is our closest major power station to Zimbabwe," Rubbers says. "We could build a new 400 kV line at a cost of R350m-R400m, which could deliver up to 500 MW to Zimbabwe — or even other buyers further afield."

□ Eskom has entered into a joint venture with the Foundation for African Business & Consumer Services that provides Fabcos with R25 000 a month for the next two years to develop electrification projects. Fabfin, a Fabcos affiliate, plans to build 16 000 homes for low-income families over the next eight months in Bela-Bela township in Warmbaths and Tshepiso township in the Vaal. Fabcos also will market discounted electrical appliances and erect concrete electricity poles.

"We're not giving them this money to ease our conscience," says David Blane, Eskom's commercial development manager. "We expect them to use the money to develop areas we want developed, like electrification projects. We're paying them to help us."

Fabcos, which represents perhaps 1m people in 14 organisations, including builders, taverners, hairdressers, stokvels and taxi operators, has a similar joint venture with First National Bank to operate Future Bank. CE Jabu Mabuza says Fabcos will be entering into a similar venture with an SA airline — reportedly SA Airways — by the end of the year.

"We have a proven track record," Mabuza says. "We haven't been going out there looking for a handout. We say please help to compete. Please help us to create the opportunities."

INFLATION (55) FM 16/10/92.

The power of positive thinking

The recent rise in the price of petrol will have a minimal effect on the inflation rate. Official calculations are that the additional 7c/*l* on petrol will directly increase inflation by only 0,184 percentage points (petrol's direct weighting in the CPI is 3,18%). The indirect effect is estimated to be 0,32 percentage points within the six months following.

Brokers Frankel Max Pollak Vinderine economist Mike Brown agrees with these estimates.

It is important to see the petrol price rise in its proper perspective so that inflation is not fuelled once again by expectations that become self-fulfilling. The damage that perceptions can do, despite the reality, has been vividly demonstrated in the past two years.

In the third quarter of 1990, the outlook for inflation was encouraging. Consumer prices rose 13,8% compared with the corresponding quarter of the previous year, down from a peak of 15% in the first quarter. Government spending was set to fall in real terms — for the first time in at least a decade. Twelve-month growth in the broad monetary aggregate, M3, had fallen from a peak of 23,67% in January to 13,01% by September and was due to fall to a low of 10,37% in October.

The downward trend in inflation was halted by a rise in the oil price, to over US$40 a barrel, ahead of the Gulf War. In the event, the war lasted only a few weeks and oil prices fell with the outbreak in January 1991. But the effect on expectations remained and was quickly compounded by other developments.

One was the distortion which technical changes produced in money supply figures; at their face value they indicated a leap in inflation prospects. The other was the anti-VAT campaign that gathered momentum over 1991.

The role of expectations was illustrated in the rising cost of food — ahead of a change-over to VAT which was to be levied on a much wider range of food than GST. Food inflation rose from 15,4% in January 1991 to 19,7% in September. This preceded the six percentage point rise in food inflation in October — the month VAT was introduced. It can be explained only by pre-emptive rises imposed by producers and retailers and the receptive mood of consumers.

Hopefully everyone concerned will have learnt a valuable lesson. Government bungled the introduction of VAT through inadequate packaging. But now, says Brown, there appears to be better co-ordination among government departments and more sensitivity to a wide range of lobbies, particularly black consumers, to whom transport costs are an important component of expenditure. Hence the careful phasing in (see box below) of increases to meet under-recoveries.

But more pressure may come if the oil price does not fall. A further increase in fuel prices — possibly announced in next year's Budget — will then become unavoidable because of the squeeze on revenue collections.

Azar Jammine, of Econometrix, says: "The spinoff effect will add more to that, especially if the increases apply to diesel which affects transport and production costs." Diesel's direct weighting in the CPI is small (0,03%), but has a strong influence on the producer price index.

Another variable relates to potential changes in VAT legislation. Theoretically, a zero-rating of a wider range of foodstuffs could offset the impact of higher rates on other goods. But, says Jammine, there is no guarantee food retailers will lower prices accordingly, if at all.

But economists remain optimistic about inflation over coming months. Sanlam economist Johan Louw says other positive disinflationary factors will come into play, particularly lower interest rates which would ease the burden on mortgage payers, for instance. Says Louw: "We expect inflation of 11%-12% next year, with fuel prices preventing it going lower." ■

PETROL PRICE: FIRST INSTALMENT?

55

FM 16/10/92.

Government has plucked up courage to make a halfway adjustment to the petrol price with the 7c/*l* increase last Saturday. The remaining under-recovery level for petrol is about 7,5c/*l*. The price of illuminating paraffin goes up by 3c/*l* while the diesel price has been left alone. The under-recovery for diesel remains around 4,2c/*l* and for paraffin nearly 6,4c/*l*.

DISSECTING THE INCREASE

Item	Date of increase	Amount (c/l) Petrol	Diesel
Service differential*	1/1/91	0,5	0,5
	1/1/92	0,4	0,4
Retail profit margin	14/12/91	1,5	—
	1/7/92	2,1	—
Wholesale prof margin ..	1/4/91	2,0	2,0
	1/10/91	2,0	2,0
	1/7/92	4,0	4,0
MMF levy†	1/4/92	2,0	1,6
IBLC changes	—	0,005	(6,298)
Total Unit under-recovery		14,505	4,202
Less: price increases	10/10/92	7,000	—
Remaining under-recovery		7,505	4,202

* Cost of delivery from depots to service stations.
† Multilateral Motor Vehicle Fund.

Source: Department of Mineral and Energy Affairs.

Mineral & Energy Affairs Minister George Bartlett announced that the Equalisation Fund could continue to finance under-recoveries for a while but inaction now would have exhausted it early next year. So a decision was taken to pass on a significant proportion of the under-recovery to motorists.

Within the framework of administered prices for liquid fuels, the increase was overdue. Government's reluctance to pass on the full weight of price pressures is understandable. An increase for diesel has been deferred so as not to hit farmers at the start of a new agricultural season.

The estimated effect on the inflation rate is small (see separate report).

Reduction in the shortfall will enable the fund to continue to finance the remaining deficit for longer. Bartlett hopes the oil price will fall before the fund is exhausted and the remaining shortfall has to be paid for out of higher prices at the pump. North Sea Brent crude is hovering just above US$20 a barrel and the capacity of Opec's fractious members to supply is vastly above demand. In a weak world economy international crude oil prices may well decline but a fall in the rand/dollar rate could offset any benefit.

Power price rise

55 16/10/92 Arg

ARG 16

Exco approves 12 percent increase from next month

CLIVE SAWYER, Municipal Reporter

AN ELECTRICTY price increase of 12 percent, effective from November, has got the nod from the executive committee.

The price increase will be put to the full council for approval at the end of the month.

A "grossing charge" of 10 percent will be charged on accounts of more than R85 paid after due date.

Exco recommended that R10 million be transferred from the tariff stabilisation fund to provide for bad debts.

● Two exhaust stacks on the gas turbine at Athlone power station are to be replaced at a cost of R1 million.

A city engineer's report said corrosion of the exhaust stacks was so far advanced "their collapse is imminent". The stacks were installed in 1973.

Repairing them would not be economical, and they would have to be replaced to avoid "demand charges" from Eskom, estimated at R3 million a year.

● An application to reopen Mossat Lane in Green Point was sent to the full council for decision.

The closing of the lane after claims that it was a haven for vagrants has been the subject of hours of debate and appeals, and is understood to occupy several volumes of correspondence filed at the Civic Centre.

The utilities and works committee earlier recommended that a request by one of the applicants to address the full council on the topic, be turned down.

● Exco recommended approval of a R2 million scheme to repair the banana ripening facility at Epping Market, and alterations to bring it in line with internationally agreed guidelines aimed at preventing depletion of the ozone layer.

● The council is to refuse a Department of Health and Welfare request to take over the running of Volks Hospital in Gardens.

Exco said the council would have no objection to the government asking for tenders for the future use of the hospital.

Volks Hospital urgently needs maintenance and improvements expected to cost about R3 million.

Operating expenditure is about R4,5 million a year, while the hospital's annual income is about R1,6 million.

● Two advisory committees, one of which has not met for several years — while the other has never met — are to be closed down.

The Zeekoevlei Advisory Board, set up in 1963, has not met since 1973.

This is a somewhat better record than that of the Princess Vlei Advisory Board, set up in 1969: "There is no record of representatives of other bodies (apart from the council) ever having been elected or of the advisory board ever having met."

The amenities and health committee concluded that since the board had not met, "it clearly served no useful purpose".

Unique solar power plant opens in SA

(SS) ARGT 17/10/92

Weekend Argus Correspondent

JOHANNESBURG. — South Africa's only solar photovoltaic production plant, the result of a venture between South African, German, Italian and Russian partners and represents a foreign investment of R9-million, has opened in Verwoerdburg.

The Helios Power Plant, which is situated in Gateway Industrial Park, is a joint venture between a South African-owned company, Photovoltaic Systems (Pty) Ltd, the inter-national Marvol Group with headquarters in Germany, Helios Technology of Italy and Moscow General Industries of the Russian Federation.

Helios Power managing director Joe Micciarelli said the start of local production in SA would lead to export opportunities, import replacement and job creation.

"At full capacity, we have the capability to produce eight times the volume of the current South African market. It should be clear that Helios Power intends to export on a large scale."

Helios Power and Marvol Group chairman Dr Mark Voloshin said he regarded the Helios Power factory as a showpiece of what could be achieved by Russian-South African co-operation.

Electricity rate up by 8%

(55) CT 17/10/92

Staff Reporters

ESKOM'S annual electricity tariff increase for 1993 will be 8%, the organisation announced yesterday.

However, most people in greater Cape Town will be paying 12% more for electricity from the beginning of next month.

This is because the Cape Town municipality is the bulk supplier of electricity in this sub-region, and its tariff increases occur in a different cycle from Eskom's.

However, the city does buy most of its electricity from the Eskom grid. Eskom usually raises its tariffs in January, but the Cape Town City Council traditionally raises its electricity fees near the beginning of summer.

Consumers in some northern suburbs or peri-urban areas who get their electricity directly from Eskom will be affected from January by Eskom's 8% hike, but most Capetonians will feel it only after next year's summer tariff rise.

Eskom's 8% rise should blunt next year's summer increase in Cape Town, so that households and businesses could be 4% better off in electricity costs than they would have been.

Eskom extends power

CT 17/10/92

(55)

JOHANNESBURG. — Eskom is to accelerate its extension of power lines to Mozambique, Zimbabwe and Zambia because of the deteriorating drought conditions in the southern African region, Eskom chief executive Dr Ian McRae revealed here yesterday.

Zimbabwe and Zambia, in particular, were facing major energy crises as hydro-electric power generation had been severely affected by the drought and undue strain was being placed on coal-fired power stations in those countries, Dr McRae said.

To alleviate the situation, Eskom was pushing ahead with three immediate power transmission projects to relay more power to Zimbabwe, which was facing a major energy crisis.

Eskom also planned a strengthening of the supply of power from the northern Cape to Namibia.

In the eastern Transvaal, Eskom was constructing a second power line to the Mozambican capital of Maputo which would strengthen the power grid in that country, Dr McRae said.

AA calls for petrol inquiry

(SS) CT 17/10/92

JOHANNESBURG. — The Automobile Association yesterday called for an investigation into the petrol price structure and the role of the oil industry, and repeated an earlier call for secrecy surrounding the industry to be ended.

The AA also announced it would appeal against a judgment which upheld the legality of unmanned camera speed traps. — Sapa

'Let market set petrol price'

S Times (Buss) 18/10/92 (SS)

By KEVIN DAVIE

A SENIOR government official is supporting fuel deregulation, saying that it will probably bring down petrol prices in urban areas.

Robert Scott, chief director transport energy at the Department of Mineral and Energy Affairs, says he believes the market is the best regulator and that market forces could bring prices down.

Dr Scott recently attended a conference of the World Energy Council in Madrid, where delegates were told that fuel deregulation in New Zealand had lowered prices, upgraded facilities, improved customer service, provided longer operating hours and generally improved the industry's image.

Deregulation in New Zealand created leaner and more efficient oil companies and vigorous competition for market share.

Dr Scott declines to say how much prices could fall in a competitive SA market.

Pick 'n Pay chairman Raymond Ackerman says he can cut the retail margin from 15c/litre to about 8c/litre, suggesting that overall savings to the consumer could be considerably higher, perhaps up to 10% of the fuel price.

Increases announced last week brought fuel prices for 93 octane to R1,49/litre on the coast and R1,59/litre in the PWV.

Benefits

Dr Scott, who stresses that his views are unofficial, says deregulation in SA may bring similar benefits to those achieved in New Zealand.

He says a case may be made for protecting the synfuels industry ("we've invested too much to let it go to the wall"), but in all other respects the SA fuel industry is similar to other fuel markets and should be subject to the same market forces.

Dr Scott says that where subsidies are involved they should be transparent. "There should be no hidden subsidies of any kind."

He says that prices may increase in small towns where there is only a single garage, but that this would encourage competitors to move in, forcing prices down.

SA is well-served with seven companies in the industry. This should encourage healthy competition.

Dr Scott says that any support the organised oil industry may give for continuing regulation could be interpreted as supporting their own interest.

He acknowledges that his views are not always supported by some of his colleagues who enforce the regulation of the industry.

But Dr Scott concedes that government intervention could be advantageous in certain circumstances. Sanctions are a case in point.

Robert Stein of Electricorp Marketing told the World Energy Conference that the end user has benefited from the competitive pressures forced on the oil industry by deregulation in New Zealand.

He says, historically, the oil industry was "enshrined in a mish-mash of regulation with an overriding guaranteed rate of return". Both the retail and wholesale prices were fixed by regulation.

Strategy

Stein says New Zealand refining has also been exposed to competition from imported products and has quickly mapped out a strategy for survival in a deregulated market.

"The refining results to date have been impressive. Costs have been trimmed and yields improved significantly, ranking New Zealand Refining Company among the best and most economic refining companies in the Pacific Basin."

Workers exposed to radiation

S Times [Cape metro] 18/10/92.

(55)

By CHIARA CARTER

ALMOST half the radiation workers at Koeberg Nuclear Power Station outside Cape Town received a detectable radiation dose last year and a "few" received more than the internationally accepted maximum dosage.

This is the finding of the fourth annual report of the South African Forum for Radiation Protection. The forum was established in 1987 by the Medical Research Council (MRC) and is funded by the Atomic Energy Corporation, the Department of National Health and Population Development, the Council for Nuclear Safety and the MRC.

The forum's report says that of 1 400 radiation workers at Koeberg, 646 received a detectable radiation dose — sufficient exposure to radiation that it can be measured. However, the total dose workers received dropped from 2 520 mSv in 1990 compared to 1 637 mSv.

The report said the maximum radiation dose to a member of the public was less than a tenth of the maximum acceptable limit and no increased radioactivity in the environment or in food due to the Koeberg Power Station was observed.

Dr Reynecke le Roux, the vice-chairman of the Forum, said the report showed that Koeberg was "very safe".

He said some workers had received more than the internationally acceptable radiation dosage of 20 mSv, but there was no cause for alarm since the limit had only recently been lowered from 50 mSv.

"That workers received a detectable radiation dose is not significant. The report shows that if anything Koeberg is too safe," Dr Le Roux said.

Mr Mike Kantey, a former member of the now defunct pressure group Koeberg Alert, agreed that the report indicated Koeberg had a "good record" and was minimising the risks.

However, he said it was debatable whether there was such a thing as an acceptable minimum for radiation exposure. Mr Kantey said radiation exposure increased the risk of cancer and birth defects.

"We should be concerned that workers are exposed to these risks at all."

He said that while Koeberg had a good record this did not rule out the possility of an accident and did not answer more long-term questions about how nuclear waste and the components of the Koeberg plant would be disposed of.

Power price to go up early next year

55

Sowetan 19/10/92

■ Aim is to 'provide power to 90 percent of SA's people':

Sowetan Reporter

Sowetan 19/10/92

THE price of electricity is to go up by eight percent from January next year, Eskom chairman of the Electricity Council Dr John Maree announced on Friday.

He said while inflation was expected to be around 12 percent in 1993, an increase of just eight percent ensured that the electricity price had been reduced by four percent in real terms.

He said Eskom was confident that it would meet its undertaking to reduce the price by 20 percent within a five-year period.

"For Eskom, an increase of only eight percent is a significant achievement. The current state of the economy is such that to keep adjustments below inflation is extremely difficult," he said.

Maree said Eskom was committed to lifting the percentage of people with electricity from about 30 percent to 90 percent.

"We believe that electrification should be a national priority (because) this would be imperative for future economic growth and job creation."

Probed on the success of Eskom's supplying electricity directly to the consumers, particularly in the townships, Maree cited Alexandra, just outside Johannesburg, as an example.

Mr Tony Ngwenya addresses a meeting of the newly formed Soweto Albanism Association at the Funda Centre, Soweto, at the weekend.

Consensus needed to get forum going

SS

PETER DELMAR

HOPES that the multiparty national electricity forum would be constituted formally this year have been dashed by the main parties' lack of progress.

However, convenors working towards establishing the forum remain optimistic that it will be up and running by early next year. B/DAY

A two-day conference last month failed to reach consensus on the forum's membership. A steering committee was appointed to iron out the differences. 19/10/92

Steering committee chairman Peter Freeman said it was apparent that the forum would not be established by the end of this year.

It was envisaged that contact would be made with representatives of other national forums to learn from their experiences. He noted that it had taken 13 months to get the housing forum off the ground.

Eskom CE Ian McRae said at the weekend the utility provider remained optimistic that the forum would soon be functioning and that it would have an important role to play.

Freeman said it was possible that a facilitator would be appointed to bring the parties to agreement. Once established, the electricity forum, which would represent parties across the political spectrum as well as suppliers, would consider restructuring the electricity industry and the future of a national electrificiation strategy.

AA calls for full probe of petrol price

B/Day
19/10/92 GAVIN DU VENAGE (SS)

THE AA had called for a full investigation into the petrol price structure and the role the oil industry played in pushing up prices, public affairs GM Robin Scholtz said in a statement at the weekend.

It was well known, he said, "that crude oil and not petrol is imported, and calculations based on crude oil imports need to be done".

He questioned the legitimacy of the recent price rises, which were blamed on underrecovery over the past few months, saying there had been minimal fluctuations in the average landed cost and the exchange rate, and suggested increased wholesale and retail profit margins were the the main reason for the increases.

"Another aspect that needs immediate attention is the extent of deregulation in the oil industry," said Scholtz.

While the move from total regulation of a strategic commodity to deregulation could not be made overnight, political circumstances had changed rapidly and a review was urgently needed. The AA recomended there be certain relaxations, in particular with regard to wholesale and retail margins, and fuel retailling by supermarkets should also be considered.

"The argument that the SA consumer pays a market price for petrol in the long run is highly incorrect. In effect there is no private oil industry in SA," said Scholtz.

The fact that government set the petrol price to provide wholesalers with a 15% return, and regulated retail margins and number of outlets, indicated the fuel industry was "simply a government operation." The fuel levy was one of the main sources of state revenue.

Eskom powers ahead with plans for Africa

(55)

B/DAY 19/10/92

PETER DELMAR

A NUMBER of breakthroughs in linking Eskom with energy-strapped countries in southern Africa were announced by Eskom CE Ian McRae at the weekend.

McRae was speaking at a news conference at Megawatt Park at which Eskom announced its price increase would be kept to 8% — 4% below projected inflation.

He said plans were well advanced to build a second line from the eastern Transvaal to Maputo, which would double Eskom's existing supply of 50MW to Mozambique. The link was expected to cost up to R100m.

Eskom was closely involved in plans to restore Cahora Bassa and "final funding" was being sought, he said. Eskom would allow power from Cahora Bassa — to which it has the rights — to flow to Harare at least until 2003.

He said work on bringing additional electricity to Zimbabwe, which might run out of hydro-electric power by the end of the year, was progressing well.

By November, Eskom would be supplying 40MW to Zimbabwe.

A strengthening of supply links to Zimbabwe through Botswana would bring an extra 100MW to Zimbabwe.

McRae said he hoped a 500MW link from the Mathimba power station in the northern Transvaal to Bulawayo would be built within two years.

A second line from the northern Cape to Windhoek was being planned and a study was under way to evaluate the feasibility of a link from Zaire, through Angola, to Namibia.

He said Eskom's domestic electrification programme was now connecting more than 15 000 households a month and this figure was likley to reach 20 000 by the year-end.

Eskom finance and services director Mick Davis told the news conference Eskom was on track to meet its undertaking to cut electricity prices in real terms by 20% over five years.

For the first time in Eskom's history, electricity sales had declined — by 0,5%.

However, Eskom was working on a predicted 2% GDP growth until 1996 and annual electricity sales increases of 3,5% to 5%.

Eskom chairman John Maree said New Zealand had surpassed SA as the country with the world's cheapest electricty.

The difference between inflation and Eskom's latest price increase would save consumers R10bn by 1996 and put exporters in a strong position, Maree said.

R34,5-m owed to city council for electricity

55

ARG 19/10/92

CLIVE SAWYER
Municipal Reporter

ARREARS in Cape Town City Council electricity accounts have hit R34,5 million — and are increasing by R1,1 million a month.

Of the debt, R23,3 million is more than two months old.

The arrears equal about six percent of the total anticipated annual income from electricity.

In September 39 500 disconnection notices were sent out and the supply to 7 900 consumers was cut.

City treasurer Mr Eddie Landsberg said his department aimed to increase the rate of disonnections by about 4 000 a month.

A previous target of 12 000 disconnections a month had not been achieved because disconnection staff had been accepting last-minute payments.

From next month disconnection staff will not accept these payments "in the interests of increased productivity."

Each disconnection cost about R40, which was recoverable from the consumer.

The city electrical engineer's department had improved its planning and administrative procedures to step up disconnections and was considering hiring extra staff.

Mr Landsberg said the treasury department had hired extra staff to deal with added administrative work.

Asked how much of the arrears was likely to be written off by the end of the financial year, Mr Landsberg said this was impossible to anticipate.

In the first quarter of this financial year, R125 000 was written off.

Bad debts written off in the 1990/91 financial year were R493 888 and in the 1991/92 financial year R582 930.

"The average increase in arrears in the past six months, including the high-consumption winter period, was about R1,1 million a month," said Mr Landsberg. In February the chairman of the executive committee said arrears were about R20 million, about half of which was owed by consumers in Langa and Guguletu.

Since then the council resolved to increase the rate of disonnections.

A private firm of debt collectors was hired in October 1990 and the executive committee resolved last week to renew its contract on renegotiated terms.

Recommending a 12 percent increase in electricity tariffs, effective from November, Exco said about R10 million should be provided to cover bad debts.

A pilot scheme of electricity prepayment meters was being tested in Tambo Square, Guguletu.

Prospects for nuclear fuel 'not encouraging'

BDAY 20/10/92

EDWARD WEST

THE Atomic Energy Corporation (AEC) has improved sales by nearly one-tenth in its financial year to end-March 1992, but prospects of nuclear fuel becoming profitable ~~are~~ not encouraging. (55)

Its 1992 annual report, tabled in Parliament last week, said the prospects of nuclear fuel becoming profitable were limited because economies of scale at the uranium enrichment plant and reduced sales to Eskom limited income.

Furthermore, plants erected for nuclear fuel production were designed in the late '70s against a background of inexpensive electric power in SA and to service a nuclear power programme — then estimated to double the present capacity by 1994.

But urgent efforts were being directed towards further rationalisation and the reduction of operating costs. Export possibilities for the modest excess capacity were being pursued.

However, these would have to be explored in depressed nuclear fuel world markets that would shortly be flooded by enriched uranium previously used for military purposes from the former Soviet Union.

Research to replace the enrichment plant with a world competitive plant, such as the molecular laser isotope separation process, was promising and a pilot demonstration model was being constructed.

A new enrichment plant based on this process would, however, only be erected on a commercial basis, and preferably in cooperation with local and overseas partners.

The state-owned corporation's income increased to R853,4m from R819,8m in spite of the economic climate and a lower-than-expected 7,3% increase in nuclear fuel sales to Eskom because of its excess electricity generating capacity.

Sales of non-nuclear fuel products introduced two years ago as part of AEC's commercialisation strategy improved on the previous year by 25% to R37m.

Eskom looks at negotiated tariffs

55

PETER DELMAR

NEGOTIATED electricity tariffs would play a much more significant role in future power supply, an Eskom spokesman said yesterday.

Customer incentive schemes manager John Thorby said Eskom was no longer concerned customers qualifying under the incentive scheme should use the electricity for export.

He said in an interview Eskom was moving away from its narrowly defined customer incentive schemes to more broadly defined negotiated packages. BDAY 20/10/92

In trying to mop up its excess capacity Eskom had, to date, concentrated on offering incentive packages to the big consumers.

However, in future Eskom envisaged other distributors, particularly municipalities, offering consumers negotiated packages.

This could be effected through a possible restructuring of the electricity supply industry, to be considered by the national electricity forum which was expected to be launched early next year.

— an increase in the fuel tax of 8,0 c/l and 6,0 c/l respectively on petrol and diesel; and

— rail and pipeline transport tariff increases implemented by Spoornet and Petronet, respectively, with effect from 1 January 1992.

These increases were reflected in the price structures of fuel with effect from 21 March 1992. The cumulative underrecovery in respect of transport cost for the period 1 January 1992 to 20 March 1992 was financed by the Equalization Fund.

Increases were as follows in the PWV area:

— Petrol: 1,0 c/l

— Diesel: 1,0 c/l

— IP: 0,9 c/l

No tariff increases were applicable to fuel sold at the coast.

(2) Since 1 January 1991 various elements in the fuel price structures were approved without a concomitant fuel price increase and the cumulative underrecovery in respect thereof was financed temporarily by the Equalization Fund. The price elements which were approved since the above-mentioned date are as follows:

Price element	Date of increase	Increase (c/l) Petrol	Diesel	IP
a) Delivery cost	1 January 1991	0,5	0,5	0,5
	1 January 1992	0,4	0,4	0,4
b) Retail profit margin	14 December 1991	1,5	—	—
	1 July 1992	2,1	—	—
c) Wholesale profit margin	1 April 1991	2,0	2,0	2,0
	1 October 1991	2,0	2,0	2,0
	1 July 1992	4,0	4,0	4,0
d) MMF levy	1 April 1992	2,0	1,6	—
e) Net changes in landed cost until 31 August 1992		0,005	(6,298)	0,461
Total unit underrecoveries on 1 September 1992		14,505	4,202	9,361
Less increases on 10 October 1992		7,0	—	3,0
Remaining unit underrecoveries		7,505	4,202	6,361

In view of the high underrecoveries as at 1 September 1992, Cabinet has decided to implement smaller but more frequent fuel price increases which will have a smaller effect on the inflation rate.

Projections for 1992-93 tax year

379. Mr G C ENGEL asked the Minister of Finance:

(1) Whether any projections have been made for the 1992-93 tax year in regard to state revenue, state expenditure and the estimated budget deficit; if not, why not; if so, (a) (i) what, by category, are the latest projections for (aa) state revenue, (bb) state expenditure and (cc) the estimated budget deficit and (ii) in respect of what dates are these projections furnished and (b) how do these projections vary from the budget in each case;

(2) whether he will make a statement on (a) the above-mentioned deficit and (b) how it is proposed to fund it; if not, why not? B877E

The MINISTER OF FINANCE:

(1) As normal for a Budget, projections are periodically made for the 1992/93-financial year.

(i) and (ii). A statement on the course of government finance, with special reference to the Budget, is issued three times yearly by the Department of Finance. The latest document was issued on 16 October 1992. Copies of two tables from this document, containing particulars of the Budget up to September 1992, are attached. Projections for internal management purposes are undertaken on a regular basis, but are not included in the statement. Experience has shown that a large degree of unpredictability is present in the month-to-month pattern of government expenditure and income. Therefore, unless prior indications unequivocally show a substantial deviation, Government refrains from making statements that may give rise to unnecessary speculative moves in the financial markets. If however circumstances necessitate it and an occasion arises to put the outcome of the Budget in perspective, changes in the Budget (expenditure totals and financing) are made by top management between Budget dates.

(2) I have stated—in a press statement on 3 September 1992—that this year's deficit before borrowing will be higher than the budgeted figure, because the current recession is more serious and has lasted longer than was forseen at the time of the Budget. I repeat that the deficit before borrowing may be as high as 7 per cent of GDP for the 1992/93-financial year, compared with the 4,5 per cent budgeted for.

I also remarked that it is not my intention to seek additional funds during this fiscal year to reduce the deficit before borrowing: in my assessment of the state of the economy, any such move would be counter-productive. Experience has shown that, with strict control of expenditure, a cyclical increase in the budget deficit during recessionary conditions is reversed during an economic upswing.

So far, 80 per cent of this year's financing programme has been completed. In view of this and because financial markets have already discounted the course of the Budget, it is not expected that the deficit will cause upward pressure on capital market rates for the rest of the financial year.

TABLE 1

EXCHEQUER ISSUES AND RECEIPTS (QUARTERLY)

This table has been compiled from the Statements of Receipts in and Transfers from the Exchequer Account published monthly. Any analysis of these statements should bear in mind that they are shown on a cash flow basis, i.e.:

(a) TOTAL EXCHEQUER ISSUES:
Total issues do not represent actual expenditure. Late issues and surrenders in respect of a specific fiscal year result in total issues (as shown here) differing from the actual expenditure figures as shown in the Budgetary documentation.

(b) TOTAL EXCHEQUER RECEIPTS:
The receipts for month X do not include amounts in transit for that month, but include those in transit for month (X-1). This means that the April figure of each fiscal year includes the "in transit" figure for March (the previous fiscal year).
Proceeds from privatization, other capital revenue and loans are excluded from these figures.

(c) DIFFERENCE BETWEEN ISSUES AND RECEIPTS:
As a result of (a) and (b) this difference cannot be directly compared with the actual deficit before borrowing.

TOTAL EXCHEQUER ISSUES
(R million)

	1988/89	% growth	1989/90	% growth	1990/91	% growth	1991/92	% growth	1992/93	% growth
APR-JUN	12 979	8,7%	16 395	26,3%	17 478	6,6%	21 089	20,7%	25 087	19,0%
JUL-SEP	12 974	18,1%	15 746	21,4%	18 354	16,6%	21 065	14,8%	24 717	17,3%
OCT-DEC	12 937	14,0%	15 758	21,8%	16 858	7,0%	20 279	20,3%		
JAN-MAR	17 715	29,6%	17 900	1,0%	21 706	21,3%	23 957	10,4%		
TOTAL	56 604	18,1%	65 799	16,2%	74 396	13,1%	86 390	16,1%		

TOTAL EXCHEQUER RECEIPTS

(R million)

	1988/89	% growth	1989/90	% growth	1990/91	% growth	1991/92	% growth	1992/93	% growth
APR-JUN	8 773	20,3%	11 986	36,6%	14 302	19,3%	14 399	0,7%	15 853	10,1%
JUL-SEP	13 236	26,7%	16 850	27,3%	18 969	12,6%	20 517	8,2%	20 421	–0,5%
OCT-DEC	12 298	32,7%	14 202	15,5%	15 747	10,9%	17 851	13,4%		
JAN-MAR	13 904	26,8%	17 963	29,2%	17 776	–1,0%	19 335	8,8%		
TOTAL	48 210	27,0%	61 000	26,5%	66 794	9,5%	72 102	7,9%		

DIFFERENCE BETWEEN ISSUES AND RECEIPTS

(R million)

	1988/89	1989/90	1990/91	1991/92	1992/93
APR-JUN	4 206	4 409	3 176	6 691	9 234
JUL-SEP	–262	–1 104	–615	547	4 296
OCT-DEC	639	1 556	1 111	2 428	
JAN-MAR	3 811	–63	3 930	4 622	
TOTAL	8 394	4 798	7 602	14 288	

– Surplus

\+ Deficit

TABLE 2

EXCHEQUER ISSUES AND RECEIPTS (CUMULATIVE)

This table has been compiled from the Statements of Receipts in and Transfers from the Exchequer Account published monthly. Any analysis of these statements should bear in mind that they are shown on a cash flow basis, i.e.:

(a) TOTAL EXCHEQUER ISSUES:

Total issues do not represent actual expenditure. Late issues and surrenders in respect of a specific fiscal year result in total issues (as shown here) differing from the actual expenditure figures as shown in the Budgetary documentation.

(b) TOTAL EXCHEQUER RECEIPTS:

The receipts for month X do not include amounts in transit for that month, but include those in transit for month (X-1). This means that the April figure of each fiscal year includes the "in transit" figure for March (the previous fiscal year).

Proceeds from privatization, other capital revenue and loans are excluded from these figures.

(c) DIFFERENCE BETWEEN ISSUES AND RECEIPTS:

As a result of (a) and (b) this difference cannot be directly compared with the actual deficit before borrowing.

TOTAL EXCHEQUER ISSUES (cumulative)

(R million)

Period	1988/89	% of total	1989/90	% of total	1990/91	% of total	1991/92	% of total	1992/93	% of total*
April to:										
Jun	12 979	22,9%	16 395	24,9%	17 478	23,5%	21 089	24,4%	25 087	24,9%
Sep	25 952	45,8%	32 141	48,8%	35 832	48,2%	42 154	48,8%	49 804	49,5%
Dec	38 889	68,7%	47 899	72,8%	52 690	70,8%	62 433	72,3%		
Mar	56 604	100,0%	65 799	100,0%	74 396	100,0%	86 390	100,0%		

* Budgeted (R100 676 million)

TOTAL EXCHEQUER RECEIPTS (cumulative)

(R million)

Period	1988/89	% of total	1989/90	% of total	1990/91	% of total	1991/92	% of total	1992/93	% of total*
April to:										
Jun	8 773	18,2%	11 986	19,6%	14 302	21,4%	14 399	20,0%	15 853	18,7%
Sep	22 008	45,7%	28 836	47,3%	33 271	49,8%	34 916	48,4%	36 274	42,8%
Dec	34 306	71,2%	43 038	70,6%	49 018	73,4%	52 767	73,2%		
Mar	48 210	100,0%	61 000	100,0%	66 794	100,0%	72 102	100,0%		

* Budgeted (R84 749 million)

DIFFERENCE BETWEEN ISSUES AND RECEIPTS (cumulative)

(R million)

Period	1988/89	1989/90	1990/91	1991/92	1992/93
April to:					
Jun	4 206	4 409	3 176	6 691	9 234
Sep	3 944	3 305	2 561	7 238	13 530
Dec	4 583	4 861	3 672	9 666	
Mar	8 394	4 798	7 602	14 288	

Landed cost of fuel

380. Mr P H DE LA REY asked the Minister of Mineral and Energy Affairs:†

Whether his Department intends switching over from the present system according to which the landed cost of fuel is determined to another system; if not, why not; if so, (a) for what reasons, (b) when and (c) what are the particulars of this system?

B878E

55 The MINISTER OF MINERAL AND ENERGY AFFAIRS:

No, because the current import parity pricing system (in Bond Landed Cost) is a market related pricing system which has withstood the test of time due to the fact that it satisfies the key criteria of a good price determination mechanism; namely:

— Defensibility: It is an arm's length approach which precludes manipulation by interested parties; 55

— Realism: It reflects noticeable trends in international markets;

— Simplicity: It is simple in principle and readily explicable; and

— Continuity: It contains relatively few but flexible elements which minimize frequent revision or renegotiation of the structure and/or its basic principles.

During the past 15 to 20 years there were a number of investigations into the possible reviewing of the import parity structure. The results of all these studies indicated the retention of the present system. The actual test always has been the commensurability of South Africa's pre-tax pump price with international fuel prices. The South African pre-tax petrol price compares very favourably with the average of the 12 European community countries.

Petroleum products were traditionally imported into South Africa from export refineries east of Suez. The choice of a basket of refined products from refineries situated in Bahrein and Singapore for the purposes of determining South African fuel prices was made for reasons such as comparable product quality, a structured term supply market and product availability. The import parity principle is used to calculate a realistic international market price paid to the local refineries as an alternative to importing refined product. The landed cost price is in fact an international price and the basis of import parity is generally accepted.

The international market price of 93 octane petrol at the coast has, for example, declined in real terms by 37% from 1980 to 1992; this benefited the South African consumer over the long term. The import parity pricing mechanism, however, does not reflect the increased cost of production of the local refineries which are subject to South African inflation. The import parity principle, therefore, forces the local oil companies to compete on a price basis with other international crude oil refineries and to be as cost efficient as possible.

(a), (b) and (c) Fall away.

Unit Charlie 10 at Vlakplaas: dissolution

381. Dr W J SNYMAN asked the Minister of Law and Order:†

(1) Whether the unit Charlie 10 at Vlakplaas is to be dissolved; if not, why not; if so,

(2) whether members of this unit have been offered retirement packages; if not, why not; if so, what are the relevant details?

B879E

The MINISTER OF LAW AND ORDER:

(1) Yes.

(2) The possibility of placing these members in other units, as well or offering individual members retirement packages, is currently under consideration.

Lucky Malaza's release from prison

382. Mr D P DU PLESSIS asked the Minister of Correctional Services:†

(1) (a) What criteria applied ~~with~~ regard to the recent release from prison of a certain Lucky Malaza, (b) with whose approval was he released, (c) for what offence or offences had he been sentenced to imprisonment and (d) with what objects and/or motives was he found to have committed this offence or these offences;

(2) whether he or his Department received any requests for the said person to be released; if so, from whom or what bodies;

(3) whether he furnished the information asked for in paragraph (1) of this question to these persons or bodies; if not, why not; if so, (a) when and (b) on what occasion?

B880E

The MINISTER OF CORRECTIONAL SERVICES:

(1) (a) In this regard I refer the hon member to the Statement dated 26 September 1992 by the Government spokesman on the release of prisoners who have committed crimes with a political motivation.

In a spirit of reconciliation and pursuant to agreements reached between the State President and Mr Mandela, the Government has decided to release a number of prisoners who were imprisoned for politically motivated crimes, on the following basis:

1. The prisoners concerned must have committed crimes with a political motivation.
2. Their crimes must have been committed before 8 October 1990, which was the cut-off date.
3. All prisoners who fall within this category, are eligible for release, regardless of their political affiliation.

(b) He was released in terms of section 69 of the Correctional Services Act, 1959 (Act No 8 of 1959).

(c) Robbery with aggravating circumstances;
Murder;
Possession of a firearm without a licence; and
Possession of ammunition without a licence.

(d) For personal gain (this was established after he was released).

(2) Yes. The Department of Correctional Services has for internal classification purposes, classified prisoners *inter alia* as security prisoners, security related prisoners, unrest related prisoners etc. A variety of information and evaluations were used in this process of classification.

In this particular case there were sufficient information which indicated that he was security related.

Information in this regard was exchanged between the Government, the ANC and the Human Rights Commission and in this process Lucky Malaza's name also appeared on the lists of the ANC and the Human Rights Commission.

It is a reality that the motive for crimes, especially in cases where the motive could be a further incriminating factor, is not apparent under all circumstances whether during trial or investigation. It should be mentioned that in the past numerous organizations were prohibited and the mere admission of belonging to such organizations implied further contraventions.

As has already been mentioned in media statements, Lucky Malaza's name appeared on various lists of so-called political prisoners. In this regard I refer the Hon member to a list of names which was published in the Weekly Mail of 28 August to 3 September 1992.

(3) The information in (1)(c) *supra* was known to the ANC and the Government prior to the release on 26 September 1992.

STATEMENT BY THE GOVERNMENT SPOKESMAN ON THE RELEASE OF PRISONERS WHO HAVE COMMITTED CRIMES WITH A POLITICAL MOTIVATION

It is the Government's position that all political prisoners, as defined in terms of internationally accepted guidelines, were released some time ago in terms of previous agreements. In a spirit of reconciliation and pursuant to agreements reached between the Government and the ANC in preparation for today's meeting between the State President and Mr Mandela, the Government has decided to release a number of prisoners, who were imprisoned for politically motivated crimes, on the following basis:

1. The prisoners concerned must have committed crimes with a political motivation.
2. Their crimes must have been committed before 8 October 1990, which is the cut-off date agreed to by both the Government and the ANC.
3. All prisoners who fall within this category are eligible for release, regardless of their political affiliation.

The release of these prisoners will take place on the following basis:

1. A first category of prisoners will be released within days in terms of section 69 of the Correctional Services Act. As many as 150 of the prisoners on the list submitted by the ANC fall into this category and have already been released or are in the process of being released. A process of identification of prisoners falling into this category, but with other

continue →

political affiliations, is also now taking place.

2. A second category, those who are serving life sentences, do not qualify for remission of sentence in terms of section 69 of the Correctional Services Act. They will be released, after a process of identification, before 15 November 1992, in terms of legislation which the Government will present to Parliament during the forthcoming short session in October. The proposed legislation will deal equitably with all those prisoners who qualify and whose release can make a contribution to reconciliation.

Certain prisoners in this category will however, within days, be released on parole on certain conditions. In such cases the parole conditions will be cancelled in the event of Parliament passing the above-mentioned legislation.

In addition to the above-mentioned cases, the Government will submit further legislation to Parliament to enable it to address the cases of persons who have committed similar offences, but who have not yet been charged or sentenced, in keeping with the Government's position that they should be dealt with on the same basis.

The Government has, in this regard, been guided by the following considerations:

1. All prisoners and offenders who fall in this category should be treated on the same basis, regardless of their political affiliation.
2. The Government's action in releasing these prisoners does not signify condonement of the crimes which they committed —many of which were atrocious and morally inexcusable.
3. However, the Government has, throughout, accepted that national reconciliation and a comprehensive political settlement, will require that the slate should be cleaned with regard to all persons who have committed crimes with a political motivation. Only on this basis can the book finally be closed on the conflict and bitterness of the past.
4. Whatever steps are taken should be taken properly and in accordance with the law.

In this regard it has consistently been the Government's view that special legislation would be required for the release of certain categories of prisoners and that the use of the State President's powers *inter alia* that of pardon in terms of section 6(3)(d) of the Constitution would not be appropiate in such cases.

ISSUED BY THE SA COMMUNICATION SERVICES ON BEHALF OF THE GOVERNMENT SPOKESMAN
26 September 1992

Plutonium on ships: disasters

383. Mr J H MOMBERG asked the Minister of Environment Affairs:

(1) Whether his Department has drafted any contingency plans to deal with any disasters that may occur while ships carrying cargoes of plutonium, for example, pass through South African territorial waters; if not, why not; if so, what measures will be taken in respect of (a) human health, (b) the environment in general and (c) the fishing industry in particular in the event of any such disasters occurring;

(2) whether he or his Department has been notified that a ship carrying a cargo of plutonium en route from France to Japan will be passing through South African territorial waters; if so, what are the relevant details;

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

B881E

The MINISTER OF ENVIRONMENT AFFAIRS:

(1) The Department has not drafted contingency plans to deal with disasters that may occur while ships carrying cargoes of plutonium, for example, pass through South African territorial waters. Should such a shipment pass through territorial waters, and it be necessary to obtain competent authority approval from the *Council for Nuclear Safety (Council)* in terms of the *International Atomic Energy Agency (IAEA) "Regulations for the Safe Transport of Radioactive Material"*, or should the vessel wish to enter a port, sojourn or anchor in territorial waters, it

would be require to be licensed in terms of the Nuclear Energy Act. Such approval or licensing would be contingent on the establishment of a comprehensive emergency plan, approved by the *Council*. Such plans as a matter of course require consideration of all potential exposure pathways.

(2) The Department has been informed by the Japanese government that several routes are being considered and a decision on the actual route will only be taken at a later stage. The ship will undertake a non-stop voyage from France to Japan. It has been indicated that the intention is not to pass through any territorial waters except those of France, Japan and possibly Britain. According to information received from the Japanese government, the ship will traverse neither the economic sone, nor the territorial waters of South Africa.

(3) No.

Ships entering exclusive economic zone/territorial waters: permit (55) (56)

385. Mr J H MOMBERG asked the Minister of Transport:

(1) Whether a permit is required for a ship to enter South Africa's (a) exclusive economic zone and (b) territorial waters; if not, why not; if so, (i) by whom is it required, (ii) subject to what conditions is it issued and (iii) what specifications are contained in such permits in respect of (aa) normal and (bb) emergency conditions;

(2) whether the Japanese government or agency responsible for a proposed shipment of plutonium to be transported from France to Japan has lodged an application for such a permit; if so, (a) when and (b) in what manner;

(3) whether such a permit was issued to the said government or agency; if not, why not; if so, (a) when, (b) for what reasons and (c) subject to what conditions;

(4) whether he will make a statement on the matter? B883E

The MINISTER OF TRANSPORT:

(1) (a) and (b) Yes, under certain circumstances.

(b) (i) An application for a permit must be made to the Council for Nuclear Safety in terms of the Nuclear Energy Act, No 92 of 1982, and the International Atomic Energy Agency Regulations in respect of nuclear powered vessels or vessels carrying nuclear substances on board requiring to enter the South African territorial waters. (55) (56)

(ii) Safety conditions laid down by the Council for Nuclear Safety.

(iii) (aa) and (bb)
Specifications laid down by the Council for Nuclear Safety.

(2) No.

(3) No, an application was not lodged.

(4) News releases have already been issued by the Minister of Home Affairs and of Environment Affairs and the Council for Nuclear Safety. A further news release will only be issued if and when circumstances and the public interest warrant it and after consultation with the other government institutions that have an interest in the matter.

Release of prisoners on political grounds

387. Mr L FUCHS asked the Minister of Correctional Services:

(1) Whether any prisoners have been released from gaol on political grounds in 1992; if not, what is the position in this regard; if so,

(2) whether he will furnish information on the prisoners so released; if not, why not; if so, (a) what are their names, (b) for what offence or offences was each such prisoner convicted, (c) what sentence was imposed in each case, (d) on what grounds was each prisoner released and (e) in respect of what date is this information furnished?

B885E

The MINISTER OF CORRECTIONAL SERVICES:

(1) Yes.

(2) (a), (b), (c), (d) and (e)

continue ->

(c) No.

Plutonium shipments

393. Mr R F HASWELL asked the Minister of Environment Affairs:

(1) Whether the South African delegate to the International Atomic Energy Agency Conference held in Vienna, Austria, on 22 September 1992, lodged an objection to the possible routing of plutonium shipments via the Cape sea route; if so, what is the (a) name of this delegate and (b) purport of the statement or comment made on this occasion;

(2) whether the South African Government is in official contact with the Japanese government concerning the possible shipment of plutonium via the Cape sea route; if so, what are the details of the plans and other arrangements made in this regard;

(3) subject to (a) what conditions and (b) whose approval will shipments of plutonium be allowed to enter (i) South Africa's (aa) exclusive economic zone or (bb) territorial waters or (ii) South African ports;

(4) whether there has been a change in his or his Department's policy in regard to allowing plutonium shipments within South Africa's exclusive economic zone; if so, (a) why has there been a change, (b) what is the nature of this change and (c) what, in brief, is the new policy; if not, (i) what, in brief, is the existing policy and (ii) how will it be enforced?

B904E

The MINISTER OF ENVIRONMENT AFFAIRS:

(1) No official statement or comment on this matter was made by the South African delegate to the conference.

(2) The Japanese government has been apprised of the technical and legal requirements in respect of transport of radioactive materials in South Africa, including the territorial waters, related to the IAEA transport regulations and licensing requirements. The Japanese government is still considering several different sea routes. Should it be necessary, appropriate application will be made.

(3) According to the Nuclear Energy Act, plutonium is a radioactive and fissile material and as such its transport is subject to the controls applicable to such material in accordance with IAEA "Regulations for the Safe Transport of Radioactive Material", for the purposes of which the Council for Nuclear Safety is the National Competent Authority. In addition, vessels carrying such materials may, under certain circumstances, require to be licensed in terms of the Nuclear Energy Act, the licensing authority being the Council for Nuclear Safety.

In terms of the IAEA regulations, multilateral approval is required for the design of the package used to transport this material. Such multilateral approval would not be applicable where the passage of the vessel is through the exclusive economic zone but would apply if the vessel passes through South African territorial waters. Where such multilateral approval is necessary, the consignor of the material is required to obtain such approval. Multilateral approval is given by means of a certificate of design validation issued by the Council for Nuclear Safety and is issued upon submission and satisfactory evaluation of an engineering safety assessment. Such assessment must demonstrate that the package meets all the test requirements specified in the International Atomic Energy Agency transport regulations and was manufactured in accordance with a quality assurance regime adequate to demonstrate compliance with the manufacturing specifications. In addition, assurance of compliance with the package maintenance programme must be provided.

Should it be required in terms of the regulations, multilateral approval of the actual shipment may also be required. Similarly, such approval is given by a certificate issued by the Council for Nuclear Safety and may include provisions relating to the mode of transport, type of cargo, freight container and any necessary routing instructions. It would address supplementary operational controls in respect of the preparation, loading, transport, storage, unloading and handling of the consignment, including any special

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stowage provisions. It would also include emergency arrangements.

In addition, should such a vessel wish to enter a port, anchor or sojourn, in South African territorial waters, for any reason whatsoever, such vessel must be licensed by the Council for Nuclear Safety. The licensing process requires a comprehensive quantitative assessment of the risks involved to be carried out, a comprehensive emergency plan to be established and financial guarantees to be provided in respect of any liability for nuclear damage which may be incurred by the licensee, should this be required by the Minister of Mineral and Energy Affairs.

(4) No.

Disposal of land

394. Mr J A JORDAAN asked the Minister of Regional and Land Affairs:

(1) Whether any land listed in Schedule 3 of Proclamation R.28 of 31 March 1992 was not referred to in a general notice issued by the Advisory Commission on Land Allocation on 2 October 1992; if so, (a) what land and (b) why;

(2) whether this land has been disposed of; if so, (a) at what price, (b) for what purpose, (c) when and (d) to whom;

(3) whether the disposal of this land was made public; if so, (a) when and (b) in what manner?

B890E

The MINISTER OF REGIONAL AND LAND AFFAIRS:

(1) No general notice for public attention has as yet been published by the Advisory Commission on Land Allocation regarding the utilization and allocation of the state land concerned. In accordance with the said Commission's mandate as stipulated in section 91 of the Abolition of Racially Based Land Measures Act, 1991 (Act 108 of 1991) an advice has, however, been submitted to the State President regarding the identification of land which has not yet been developed or allocated for a specific purpose. This advice not only includes land mentioned in Schedule 3 of Proclamation R.28 of 1992, but also other state land.

(2) and (3)

No. The future allocation, alienation and utilization of the land concerned will take place on the basis of Governmental decisions taken on the advice of the Advisory Commission on Land Allocation and relevant bilateral agreements.

Transferral of land in East London district

395. Mr J A JORDAAN asked the Minister of Regional and Land Affairs:

(1) Whether any land in the East London district was transferred to his Department on 1 April 1992 in terms of paragraph (e) of Proclamation R.28 of 31 March 1992; if so, for what purpose is this land being used or held;

(2) whether his Department is planning to develop this land; if so, what is envisaged in this regard?

B891E

The MINISTER OF REGIONAL AND LAND AFFAIRS:

(1) and (2)

No. The land was not transferred to the Department of Regional and Land Affairs but to the Minister of Regional and Land Affairs. The land concerned comprises all the former South African Development Trust properties which are not situated within the jurisdictional areas of the TBVC States and Selfgoverning Territories. The allocation and utilization of the land will be determined by means of bilateral agreements and advice of the Advisory Commission on Land Allocation.

The development of the land concerned is being undertaken by the respective line function departments.

Management of political party: member of SAP

396. Mr A GERBER asked the Minister of Law and Order:†

(1) Whether a certain member of the South African Police, whose name has been furnished to the Police for the purpose of the Minister's reply, serves on the management of a political party; if so, (a)

returns have not been submitted. These cases are followed up on a continuous basis except where extension has been granted.

(2) Yes.

(a) The records of objections are kept on a decentralized basis at the 33 offices of receivers of revenue and the details of the number of objections which have not been dealt with are at present not available. The information will be furnished as soon as it is available.

(b) (i) Every case must be considered on its own merits and is dealt with as soon as all the relevant facts are available.

(ii) As mentioned in (2)(a) above, this information is at present not available and will be furnished as soon as it is available.

(3) (a) 197.

(b) 1980 — 3
1981 — 12
1982 — 18
1983 — 29
1984 — 41
1985 — 63
1986 — 68
1987 — 83
1988 — 62
1989 — 35
1990 — 15
1991 — 2

(4) (a) The assessing of cases is a continuous process and Inland Revenue strives to ensure that assessments are issued within four months of receipt of the return of income. Cases of salaried persons are normally dealt with in a shorter period while the more involved cases like companies, of necessity, take longer.

(b) Objections are dealt with on a continuous basis as and when all the relevant facts are available. Every case is considered on its own merits and there is not a standard period for dealing with them.

(c) Cases are brought before the court as and when court days are available. Special additional sittings of the Special Court have been held for some time in order to erase the backlog. It is expected that the backlog will be erased within a year.

An important measure which has been introduced to speed up the hearing of appeal cases is the Special Board which will hear smaller cases in a more informal manner.

Bilharzia

376. Mr R J LORIMER asked the Minister of National Health:

(a) How many cases of bilharzia were reported in each province during the latest specified 12-month or other period for which information is available and (b) (i) what is it estimated is the incidence of this desease in South Africa at present and (ii) what action is being taken by her Department in this connection?

B874E

The MINISTER OF NATIONAL HEALTH:

(a) Bilharzia is not a notifiable medical condition, therefore no information is available on the number of cases on South Africa and

(b) (i) no estimate can be given since surveys of infections have not been undertaken and

(ii) the prevention of bilharzia is integrated in the primary health care programme which includes the following measures:

— Education of the population at risk with regard to the transmission cycles, distribution, symptoms and prevention of bilharzia.

— Distribution of brochures on bilharzia.

— Provision of clean, uninfested water for human consumption.

— Provision of effective sanitation facilities to prevent the infestation of water sources.

— Diagnosis and treatment of bilharzia patients.

Mossgas: cost per litre/subsidy

377. Mr G C ENGEL asked the Minister of Mineral and Energy Affairs: (SS)

(1) (a) What is the estimated cost per litre of refined petrol derived from gas produced by Mossgas and (b) in respect of what date is this estimate furnished;

(2) how many litres of fuel is it estimated will be produced by Mossgas in each of the next three years;

(3) whether it is anticipated that the subsidy in respect of Mossgas fuel will be based on the difference between the Mossgas production cost and the cost of imported fuel; if not, on what basis will the subsidy be calculated;

(4) what, in terms of the existing rand/dollar exchange rate, is the estimated subsidy in respect of Mossgas fuel in each of the next three years?

B875E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) (a) The cost to refine petrol from gas is company confidential information and cannot be divulged. It can, however, be noted that, from a pure operating perspective (i.e. excluding servicing or capital cost), Mossgas refining costs compare extremely favourable with any conventional crude refinery.

(b) Falls away.

(2) Mossgas will be building up towards design capacity during 1993, but thereafter production should be of the order of 1 600- 1 700 megalitres of refined product per annum.

(3) No; with a view to promoting investment in the manufacture of liquid fuels from indigenous resources and to encourage greater involvement by the private sector in such industries, Government has ruled that the current protection mechanism, whereby the prices that manufacturers of liquid fuels from indigenous resources will receive, will at least be the same as the equivalent product price that is deduced from a crude oil price of $23 per barrel. As long as Engen is a participant in Mossgas, the company will qualify for the same protection as Sasol.

(4) The protection calculation is a function of both oil price and rand/dollar exchange rate. The current Mossgas assumption for these parameters indicates the estimated protection to be:

1993 — R70,25 million (SS)
1994 — R50,16 million
1995 — Nil

i.e a total of R120,41.

Note that in terms of the current protection mechanism this amount is repayable when the oil price exceeds $28,70 per barrel.

Under the same oil price scenario, but a stronger rand, (i.e. the current exchange rate) the above support figures will be reduced.

Increase in price of refined fuel

378. Mr G C ENGEL asked the Minister of Mineral and Energy Affairs: (SS)

(1) Whether there has been an increase of approximately 14,5 cents in the price of refined fuel since the Budget Speech on 18 March 1992; if not, what is the position in this regard; if so,

(2) whether he will furnish an analysis of the cost pressures that led to this increase; if not, why not; if so, what are the relevant particulars?

B876E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) No, but since 18 March 1992, the retail prices of petrol (all octanes), and the wholesale prices of diesel and illuminating paraffin were increased as follows:

Date of increase	Increase (c/l) Petrol	Diesel	IP
21 March 1992	9,0	7,0	0,9
10 October 1992	7,0	—	3,0
TOTAL INCREASE	16,0	7,0	3,9

The general fuel price increase on 21 March 1992 was necessitated by:

Eskom power agreement a sign of black Africa's post-apartheid approval

SA signs landmark deal with Tanzania

(55) ARG 22/10/92

DAR ES SALAAM. — South Africa has struck a landmark deal on electricity production with Tanzania, in another sign of black Africa's increasing acceptance of its former bitter enemy.

Under the deal, Eskom will train Tanzanian staff and provide laboratory facilities. It will also encourage investment in Tanzania's power industry and help to set up factories making equipment such as meters.

The chairman of the directors of the Tanzanian Electricity Supply Company (Tanesco), Mr George Mbowe, said his country had 300 million tons of unexploited coal.

"The South Africans are good in producing coal-fired power generation. We want them to take a look at Tanzania's potential in that field," he said.

The Eskom-Tanesco deal is significant because for three decades Tanzania has been one of South Africa's strongest critics.

For years, under the rule of Dr Julius Nyerere, it was at the forefront of attempts to impose an ecor omic embargo. Now the barriers are coming down.

Significant

Mr Mbowe said Tanesco planned to diversify its hydro-based electricity resources. The deal with South Africa was made after it was forced to ration power because of falling water levels at major dams near the capital, Dar Es Salaam.

"Eskom will allow us use of their laboratories in Johannesburg to determine the technical characteristics and suitability of our local power generation," said Mr Mbowe.

"The two sides have agreed to have Tanesco officials go to South Africa for short-term training. It is most significant because we have a shortage of knowledgeable staff in financial and computer divisions and technicians."

An Eskom spokesman said the deal was a significant breakthrough, and improved relations were likely to cement progress towards a sub-Saharan electricity grid in which Eskom played a leading role.

Economic analysts say the deal with Tanzania represents the type of breakthrough South Africa has been looking for on the continent. "Others will now follow," said a leading Kenyan analyst.

Tanzania hosted many ANC exiles and has not allowed anything "Made in South Africa" on its soil. South African aircraft are still barred from Tanzanian air space. — Sapa-Reuter.

US anti-dumping deal to benefit SA uranium

(SS)

BDay 22/10/97

JONO WATERS

THE uranium quota imposed on six Commonwealth of Independent States republics after the US anti-dumping investigation earlier this week was positive for SA's uranium producers, Nuclear Fuels Corporation spokesman Charles Scorer said yesterday.

The ruling already had a positive affect on uranium spot prices and would push up the contract prices for SA producers.

The spot price climbed in the last month from$7,75/$8,00 a pound to $9,75/$10,00 a pound for U308 uranium. "Prices should rise and now reflect normal costs."

Scorer said production was the lowest it had been in SA since 1975. Production peaked in 1980 at 6 000 tons a year and had since dropped to 1 800 tons. The SA share of the western world market had fallen to about 5% from around 15%. Canada had increased its production substantially.

The US commerce department announced on Monday it had signed quantative suspension agreements with Kazakhstan, Khirghistan, the Russian Federation, Tadzhikistan, Ukraine and Uzbekistan.

Imports from the commonwealth countries had hurt the US uranium industry as they sold at less than fair value.

The suspension agreements specified quota limits on imports of uranium which were tied to the market price of uranium in the US. If the market price of uranium increased, the countries would be allowed greater imports into the US. If the price fell, the quotas would be cut. The agreements enabled the department to limit imports for eight years and monitor the quota for two years after.

"Two factors have been working against SA uranium producers in the last six years — the imposition of the Comprehensive Anti-Apartheid Act (CAAA) in 1986 and huge amounts of (commonwealth) material being dumped on the US market."

Scorer said SA's market share was cut dramatically and by the time the sanctions period was over, there was a huge glut of uranium on the market.

Before the sanctions period, SA production had been split evenly between customers in the US, the Far East and Europe. Japan's trade ministry imposed sanctions soon after the US did.

Europe was now SA's largest customer, but Scorer said the ruling would allow SA producers to regain their market in the Far East and possibly in the US.

He said SA's producers had the best chance of capturing the market in the East as inventories were running down and SA had a reputation for reliability, which the commonwealth also had to demonstrate.

Eskom staff reassured

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CT 24/10/92

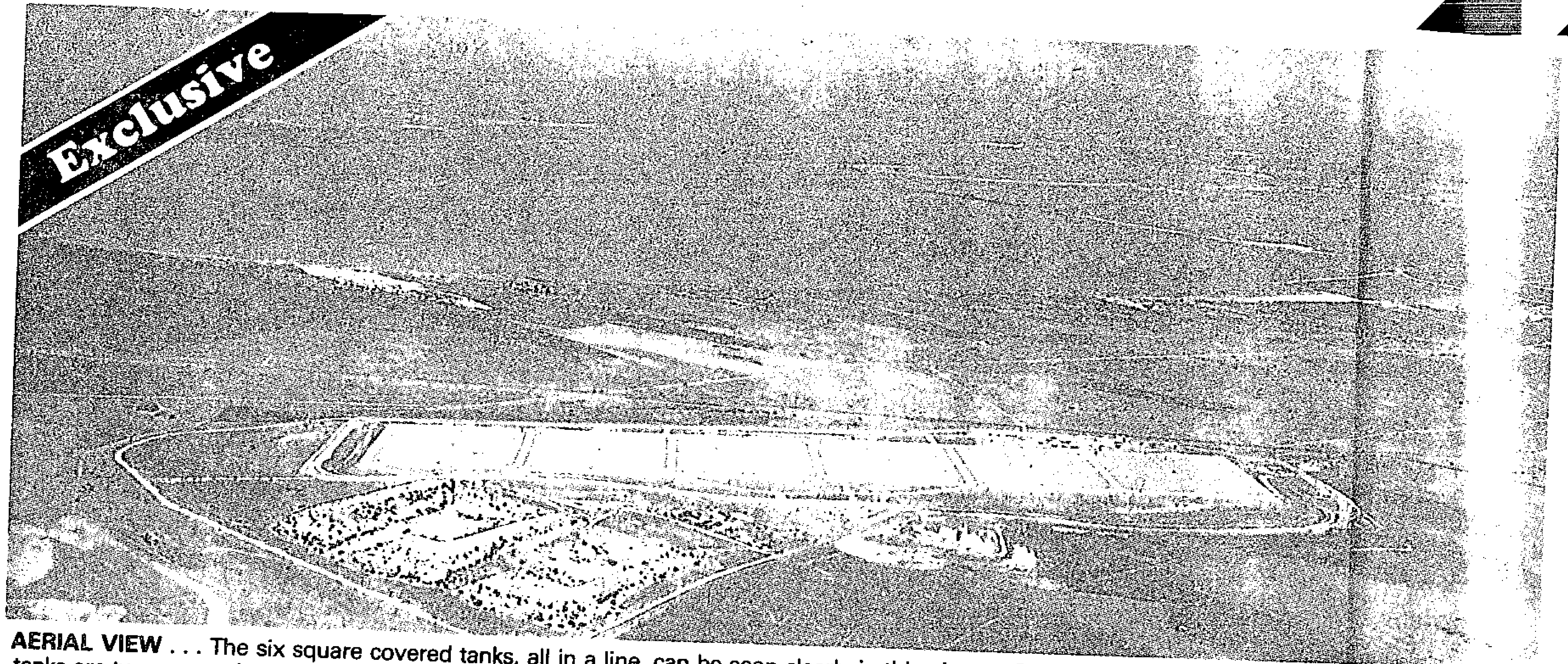
Staff Reporter

ESKOM will not retrench staff in the near future as feared by workers, but is considering clustering and merging certain services from January.

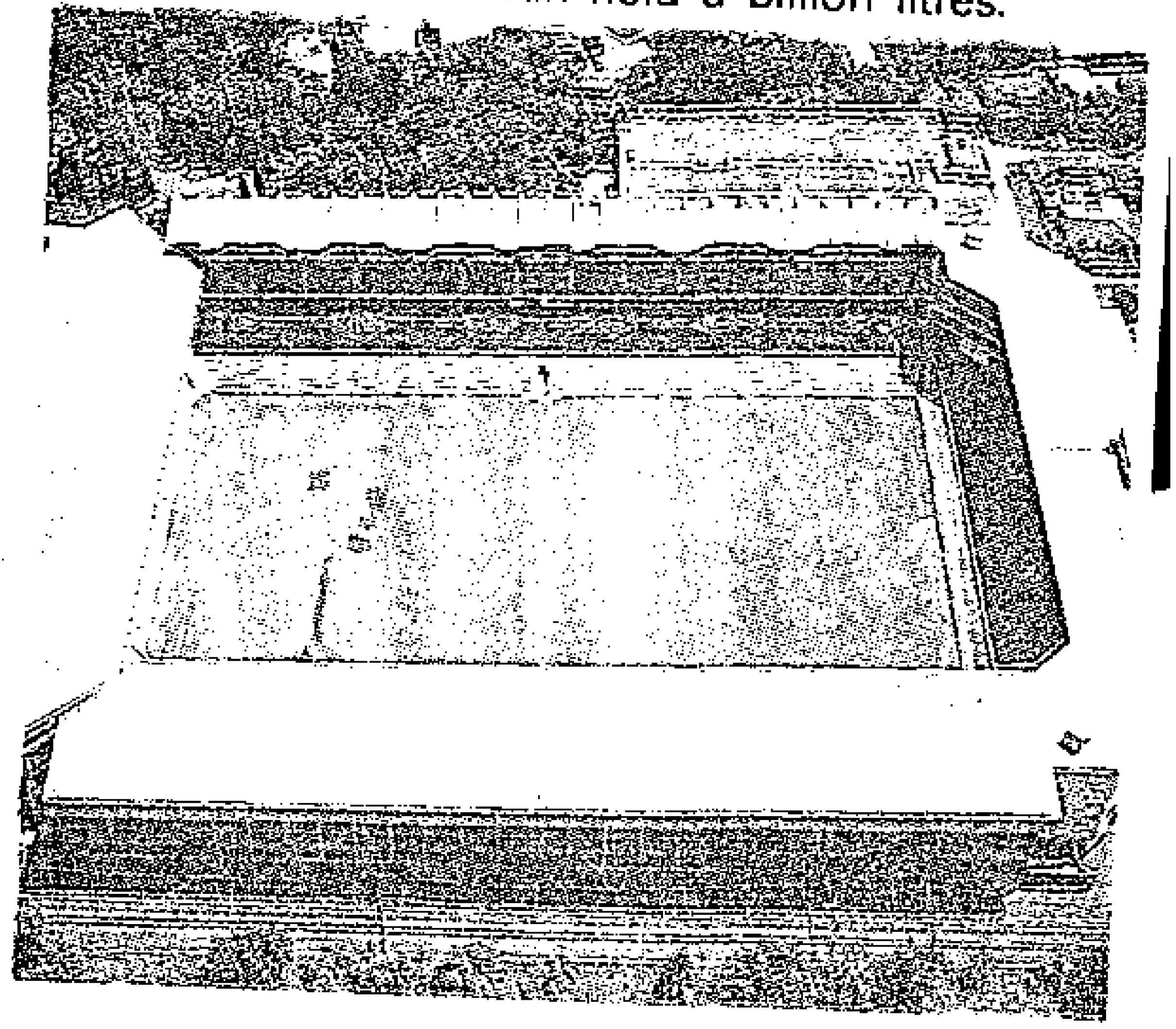
Eskom's executive director of generation, Mr Johan van den Bergh, flew in from Johannesburg yesterday to address administrative and commercial "support staff" on their fears of imminent retrenchments.

He assured support staff workers that there had been extensive negotiations with their various unions, and nobody would lose their jobs, be downgraded or "be declared surplus".

Billions of litres buried on Cape Coast



AERIAL VIEW . . . The six square covered tanks, all in a line, can be seen clearly in this picture. One side of one square is 240m long. Beside the tanks are two excavations, made for extra tanks of the same size. The oil tanker terminal is on the arm extending into the bay in the background.



SPACE FOR THIS . . . Oil storage tanks at Saldanha are so deep that a building this size (top) could be submerged in one of the tanks without protruding. And an entire rugby stadium, like Newlands (below), could fit into one of the six tanks, each of which can hold a billion litres.

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CT 24/10/92

OIL SECRETS

By PETER DENNEHY

THE veil was lifted this week — exclusively to the Cape Times — on a previously top secret 45 million-barrel South African oil hoarding depot.

The depot, believed to be one of the largest of its kind in the world, comprises six huge, 11-storey deep, concrete-lined tanks and is close to Saldanha Bay, north of Langebaan.

It is believed to be one of a number of secret depots in South Africa.

Oil is also believed to be stored in disused mines in the Transvaal.

The exposure of the stockpile comes only weeks after the price of petrol was increased by 7c a litre with the prediction that there will be a further rise early next year.

Called the West Coast Strategic Fuel Fund facility, the installation, close to Saldanha Bay Naval Training Base and Langebaanweg Air Force Base, was first used to stockpile crude oil in January, 1980, at the height of international oil sanctions against South Africa.

The square tanks have sides 240m long, and are each 31m deep — each large enough to accommodate Newlands rugby stadium.

They are linked to a jetty at Saldanha Bay by an underground pipeline.

The Saldanha depot was built at a cost of R102 million between November 1976 and June 1982 and can store a total of 45 million barrels of crude oil, worth an estimated R2,8 billion at today's prices.

The terminal jetty installation cost another R10m. To build the entire facility today would cost R500m.

During a visit to the site by the Cape Times yesterday, it emerged that dozens of "Very La[rge] Crude Carriers" (VLCC's) have secretly discharge[d] their cargoes into these tanks over the last decade.

The Strategic Fuel Fund terminal can accommodate ships 380m long, with draughts of 21m.

Each of the huge tanks is capable of holding five or six shiploads of oil.

Yesterday one of the tanks was empty and the others, according to the tank farm operations superintendent, Mr Hein Brand, are full "to varying degrees".

The tanks were all "virtually full" at one stage during the 80s.

There are two uncompleted excavations behind the row of six tanks for the construction of more tanks.

It is understood, however, in the wake of sanctions being lifted, that more tanks will not be built.

International oil brokers are understood to be

To page 3

From page 1

Oil

(55) CT 24/10/92

keen to lease the spare storage capacity at the depot.

South Africa was hoarding oil as a bulwark against sanctions and international isolation.

The total amount stockpiled and the exact location of the stockpiles has remained a top secret, protected by the controversial Petrolium Products Act.

Severe penalties, including a jail sentence faced anyone who made public details of the stockpile or any information on the import of crude oil to South Africa.

No reasons were given for granting the Cape Times permission to visit and photograph the depot.

The Cape Times has for some time sought permission to make details of the site public.

Recent reports have claimed that the government has begun selling some of its oil stockpile for special projects.

In August Mr George Bartlett, Minister of Mineral an Energy Affairs, confirmed that the government was buying less crude oil and selling its reserves to local refineries.

Experts claimed the crude was "probably" being sold at a loss.

At the time Mr Bartlett said "a small proportion of the proceeds of the sale of stockpiled crude had been paid to the Central Energy Fund for the partial funding of Mossgas in 1988 an 1989."

He said less than two percent had been exported — and that to Madagascar.

He also said some of the proceeds were being used to fund "social upliftment".

Mr Bartlett refused to say exactly how much had been sold and for what price, citing the information as "classified" in terms of the Act.

However, it was made known early this year that about R2m earned from oil sales was handed to the government's emergency relief scheme.

Yesterday Senior Central Energy Fund and Strategic Fuel Fund officials would not divulge what proportion of South Africa's oil reserve is kept at Saldanha — or how long the oil there could sustain the country's oil needs.

'Thanks for helping to make a loss'

(SS) 25/10/92. SI Times (B455)

By KEVIN DAVIE

THE Atomic Energy Corporation (AEC) has thanked the cash-strapped government for a R685-million grant which it used last year to produce a loss of R587-million.

The AEC's first annual report — its financial performance has been confidential until now — shows that the grant was used to produce nuclear fuel sales of just R142-million.

The report also shows that, even if the nuclear division is closed down, loans of R740-million must be repaid by 2004. The taxpayer will pick up the tab, as the government has guaranteed repayment in full.

Government's high levels of consumption expenditure have been identified as a key economic problem. Reserve Bank governor Chris Stals has isolated strategic industries as a contributor to SA's economic woes.

"I wish to express our appreciation for understanding and support given to the AEC amidst economic pressure on the State treasury and increased demands from other institutions," chairman Wynand de Villiers says in the report.

Sales prospects for the nuclear division do not look good. Local demand is down, the next nuclear power station is unlikely to be built in SA before 2010 and export prices are low because of excess capacity.

Even if the AEC does win export orders it is producing nuclear fuel at about 50% of capacity, giving it limited room to increase sales to cover costs.

Expected nuclear fuel sales to Koeberg were lower than expected last year because of reduced power generation resulting from Eskom's excess electricty generation capacity.

Export potential is being explored, but the AEC says export markets are severely depressed.

The AEC says that some short-term contracts have been successfully negotiated "in an acceptable contribution to fixed costs".

"We do lose a lot of money," says Emil Bohme, AEC's financial manager. He says the nuclear plant, commissioned in 1986, was "90% financed by external funds".

Bohme acknowledges that SA's nuclear fuel needs can be imported for about R140-million, but says "we cannot take the risk of running short of fuel. It is a strategic decision".

He says that if the nuclear plant is closed down, "a lot which has been invested in the past will be thrown away. And your shareholder (the government) will still have to pay the R740-million (in outstanding loans)".

Bohme says a huge asset not reflected in the balance sheet is the technological benefits which come from running an atomic energy programme.

The AEC says that State funding has fallen during the past two years by R322-million. "The AEC will continue to concentrate its efforts on reducing its claim on State funds."

ARGT 26/10/92

SA power supply to Zimbabwe from today

(55)

HARARE .— Zimbabwe is to get electricity from South Africa from today following talks with Eskom, Transport and Energy Minister Denis Norman has announced.

Mr Norman said yesterday electricity supplies had stabilised and normal supplies should be restored early next year.

"Officials of Zimbabwe Electricity Supply Authority (Zesa) and Eskom have been discussing short-term arrangements to take power from Botswana as well," Mr Norman said.

To complement the imports, an extra 200 megawatts will be generated by early December by the Hwange power station, the country's biggest, if gears ordered arrive as scheduled.

"Add all that together and by January when we get another 40 megawatts from Zaire, I hope to have restored the situation," Mr Norman said.

Zimbabwe was plunged into darkness on August 25 when the Kariba South and Hwange power stations developed faults and came off the national grid.

The country is facing its worst energy crisis as a result of reduced generating capacity at Kariba caused by the worst drought this century. — Sapa.

Power up by 11,5% as cuts start

By PETER DENNEHY

55

ELECTRICITY tariffs are to be increased by 11,5%, excluding VAT, from the beginning of next week — as 12 000 homes are disconnected a month in a campaign against defaulters by the council.

CT 30/6/90

At present, according to the city electrical engineer, there are some 42 000 households that face electricity cut-offs because of arrears.

CITY MOVE TO KEEP STREET KIDS OUT OF JAIL
See PAGE 3

Councillors said at their monthly meeting yesterday the city may have to write off some R25m in bad debts.

At present, about 8 000 defaulters lose their supply each month. Moratoriums on disconnections in Valhalla Park, Bonteheuwel and Manenberg are to be lifted, as the negotiated agreements are not reducing arrears.

In areas where there is a potential of violence, the disconnectors will be provided with an armed escort.

Mr Ian Iversen said illegally reconnecting electricity that has been cut off was the equivalent of theft.

Where this is detected, the council will disconnect more effectively.

The mayor, Mr Frank van der Velde, told council that he is in the process of convening a workshop with community organisations to discuss the electricity situation.

Pre-pay electricity planned for township

(55) CT 30/10/92

TAMBO SQUARE, a township for 600 former squatter families between Guguletu and Heideveld, is to be provided with electricity by the Cape Town City Council on the pre-payment meter system.

This is a groundbreaking development, as the council would not normally provide electricity to an area where average incomes are so low.

The cost will be financed by a Development Bank loan of R2,7 million, repayable over 20 years.

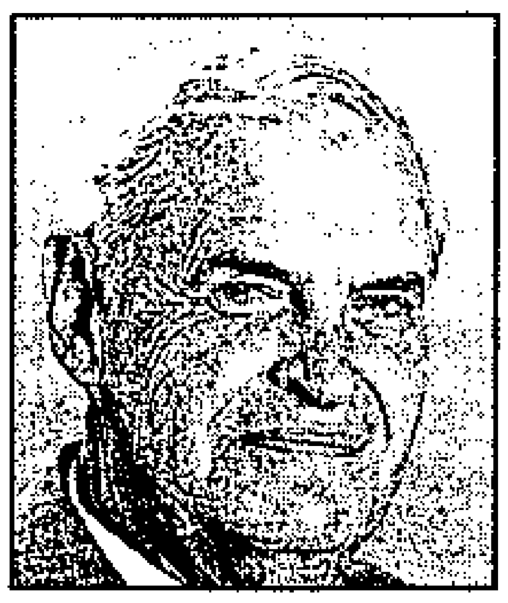
Consumers in Tambo Square will have to pay in advance 10% (now R153) of the cost of electrifying their homes. They will pay the ordinary domestic tariff for their electricity, but instead of paying bills they will pay in advance for "smart cards" with electricity credit on them.

An application will be made to Eskom to provide financial assistance for the service connections.

The project is seen as a pilot scheme, so its terms should not be regarded as precedents binding on the council in other areas.

Pre-payment meters have been in use in England for years.

McCrae



Maree

bers are Christo Viljoen, chairman of the SABC; Dawid Mostert, group CE of Dorbyl; Aubrey Dickman, an economist; Moss Lekota, executive director of Nafcoc; and Barry Lessing, deputy MD of Transnet. There are also representatives from mining, agriculture, academia, business institutes, municipalities and central government. The appointment of a successor to McRae will be subject to government's approval.

Maree's choice to succeed McRae is said to be Mick Davis (34), who is chief director: finances and services. Davis spent six years as an accountant with Peat Marwick before joining Eskom as internal audit manager in 1986. He was appointed to the management board just two years later, well before many of his colleagues, who had been there for 15 years or longer.

Davis's age and relative inexperience are factors that may count against him. One top-level executive, who is not in the running for the job, says Davis's appointment could signal an exodus of his colleagues on the management board. His detractors, however, admit he is a financial whiz. It is also known that Maree — a former executive at Barlow Rand and still a member of its board of directors — has always maintained that Eskom needs a few bright accountants.

On the other hand, McRae leans heavily towards the technical and engineering side of the business. He is said to favour Jac Messerschmidt (48), who works in the CE's office as general manager: change project and marketing. He joined Eskom in 1967 and was appointed to the management board in 1990. Like McRae, Messerschmidt has a background in mechanical engineering.

Other executive directors on the 10-member management board who are considered to be in the running are:

- ☐ Bruce Crookes (43) — head of transmission and a 23-year veteran who was appointed to the board in 1991.
- ☐ Allen Morgan (45) — head of sales and customer service (with responsibility for electrification) and a 21-year veteran who was appointed to the board this year; and
- ☐ Johan van den Bergh (45) — head of power generation and a 22-year Eskom veteran who was appointed to the board in 1988.

The job is one of the country's top executive posts. From his headquarters in Megawatt Park, Sandton, McRae oversees 40 000 employees. Eskom supplies 95% of SA's electricity and half of Africa's. It accounts for 5% of SA's GDP. With R40bn in assets, it's the eighth-ranked industrial giant in SA.

Eskom insiders say Maree and McRae differ substantially on a strategic outlook for the utility, which is one of the world's biggest. McRae promotes Eskom as the vehicle for sub-Saharan electricity transmission while Maree favours concentrating on a local role for the power giant. To McRae, electricity is the single biggest stimuli for economic growth and he advocates electricity for all. Maree, on the other hand, is believed to be more interested in distributing electricity at the lowest cost possible to industry.

At least one top Eskom executive feels that Maree may call it a day should the Electricity Council decide to ask McRae to extend his contract for another three years. But an Eskom spokesman says there's no animositiy between the two men and that they're "an ideal team."

Eddie Botha and Maureen Sullivan

ESKOM FM 30|10|92

Power struggle? (55)

Senior Eskom executives are sharpening their elbows as indications grow that CE Ian McRae could leave the government-owned utility as early as March.

Several officials at Eskom, including one executive, say McRae (63) may not be asked to stay on when his contract expires that month, though he is eligible for another three-year appointment. McRae joined Eskom in 1947 and became CE and chairman of the management board in 1985.

McRae has often clashed with chairman John Maree (68) and the relationship between them is described as strained. This is said to be the reason Maree is expected to ask the controlling Electricity Council, which meets on November 5, not to reappoint McRae, who also sits on the 20-member council. Maree declines to discuss the agenda for the meeting, which is not open to the public.

It is not certain whether the council would decide to remove McRae or ask him to stay on, at least temporarily. Among the mem-

continued →

ARG 30/10/92

42 000 consumers could be 'cut off'

Municipal Reporter

A WORKSHOP on electricity arrears is to be convened by the city council and community organisations, says mayor Mr Frank van der Velde.

The real solution to the mounting debt problem was to install pre-payment meters, he said yesterday.

Consumers eligible for disconnection now total 42 000, while it is estimated the city council will have to write off about R25 million.

The council resolved yesterday to increase disconnections to 12 000 a month, lift the moratorium on disconnections in Valhalla Park, Bonteheuwel and Manenberg, increase the deposit for new consumers from R50 to R125, and find "surplus" staff to help with disconnections.

Mr Ian Iversen said the council should "throw the book" at people whose supplies had been disconnected and who were caught reconnecting supplies illegally.

Mr Rupert Hurly suggested Mr Van der Velde, by profession an electrical engineer, could help out.

"I am using my spare time to persuade people to pay," Mr Van der Velde replied.

Mr Arthur Wienburg said disconnections should be increased to 20 000 a month, and that cables should be cut or dug up to prevent illegal reconnections from street boxes.

Mrs Eulalie Stott said the average owed by residents of Langa and Guguletu was R1 900: "They have no prospect of being able to pay," she said.

She asked if illegal reconnections were possible if prepayment meters were installed.

Mr Van der Velde said there were devices in prepayment meters to make them more difficult to tamper with than ordinary meters, but they could be bypassed.

55

THE OIL MARKET FM 30/10/92

Ready to rock and roll

(55)

The benefits of deregulation would outweigh short-term job concerns

In the new climate of world freedom, economics in theory, principle and practice dictates deregulation of the retail petrol and diesel markets. The recent 7c increase in the petrol price (*Economy* October 16) was needed to meet various increases in administered prices, notably the retail margin, but it too suggests that deregulation, as supermarkets have been urging, needs swift consideration.

The accumulation of inefficiencies resulting from tariff or other forms of protection, or from administered prices, adds up to an Argentinian economy. Consensus is emerging that to achieve a rapidly growing export-orientated structure, these destructive elements must be worked out of our system.

SA's oil industry makes much of the argument that deregulation could cause the loss of up to 50 000 forecourt jobs. Even Pick 'n Pay chairman Raymond Ackerman has been reported as saying that forecourt jobs should be protected by outlawing self-service.

One possible approach to rebutting this argument would be to test deregulation in a self-contained urban area some distance from a main metropolis. We might well find the results differ from those claimed by the industry.

Lourens van den Bergh of the Department of Mineral & Energy Affairs says the former National Energy Council investigated deregulating the oil industry during 1990-1991. Apart from freeing the refining margin, other policy steps initiated were:

- Scaling down minimum requirements regarding repair services which service stations must render; and
- Implementing international market-related adjustments of fuel prices at ministerial and departmental level without reference to Cabinet.

In addition, government has applied a strategy to deregulate crude oil acquisition.

Deregulation of retail pricing and marketing has been accomplished in a few countries — with varying consequences. In a large country such as SA, price regulation has ensured that rural areas do not have to pay more for petrol than cities. But the cost of misallocated resources has been severe.

Recently there have been attacks on the so-called Ratplan or Service Station Rationalisation Plan. According to industry sources, this arrangement has existed since 1960 and predates any oil embargo. It aimed to provide a national network of sites, ensure essential services for motorists, encourage higher turnover per site and prevent proliferation of service stations.

Ratplan does not serve as a mechanism for retail price maintenance. That is done through the Petroleum Products Act of 1977. But price maintenance dates back to around 1937.

The industry disputes the idea that Ratplan achieves market sharing. All oil companies received the same number of quotas for the development of service stations, irrespective of their size and market share. The companies do not operate service stations, though they own 22% of the total number.

Continued

Sites owned by the companies are leased to individual operators for their own risk and reward.

The industry contends that even a partial liberation of the retail market would benefit hypermarkets at the expense of small operators. International experience, goes the argument, has shown that it is difficult to retain restrictions on self-service once retail price maintenance is removed.

The industry argues that Ratplan has demonstrated unit cost advantages by maintaining turnover, which helps to hold down margins.

The publication of statistics about petroleum is still heavily restricted. The scales of consumption and imports are generally believed to be in the region of 450 000 bpd (barrels per day) of crude oil consumption and 300 000 bpd of imports. The first figure is notional, because Sasol does not produce crude oil as such but makes refined fuels from gasified coal. For comparative purposes, Sasol may be considered to have an output of refined fuels equivalent to a refinery processing around 150 000 bpd of crude oil. Mossgas will produce liquid fuels with a crude oil equivalent of around 45 000 bpd.

Sasol at present enjoys a significant measure of price support in the form of a guaranteed floor price at US$23 a barrel, based on Dubai crude, but it has to turn over to government 25% of revenue attributable to oil prices over $28,70 a barrel.

Oil majors

The cost of Sasol's support at the present oil price of $20 a barrel for Brent crude is around 3c/litre spread over the entire volume of consumption of petrol and diesel.

At a delivered oil price of, say, $21,50 a barrel, SA's oil imports cost around $2,35bn or R6,6bn/year. The savings in foreign currency from Sasol's output are around R3,3bn a year and from Mossgas around R1bn. The cost-saving through local refining is around R1,5bn/year, compared with the cost of importing refined products. But savings in foreign exchange must be balanced against the cost of price support and other overt and covert protective measures.

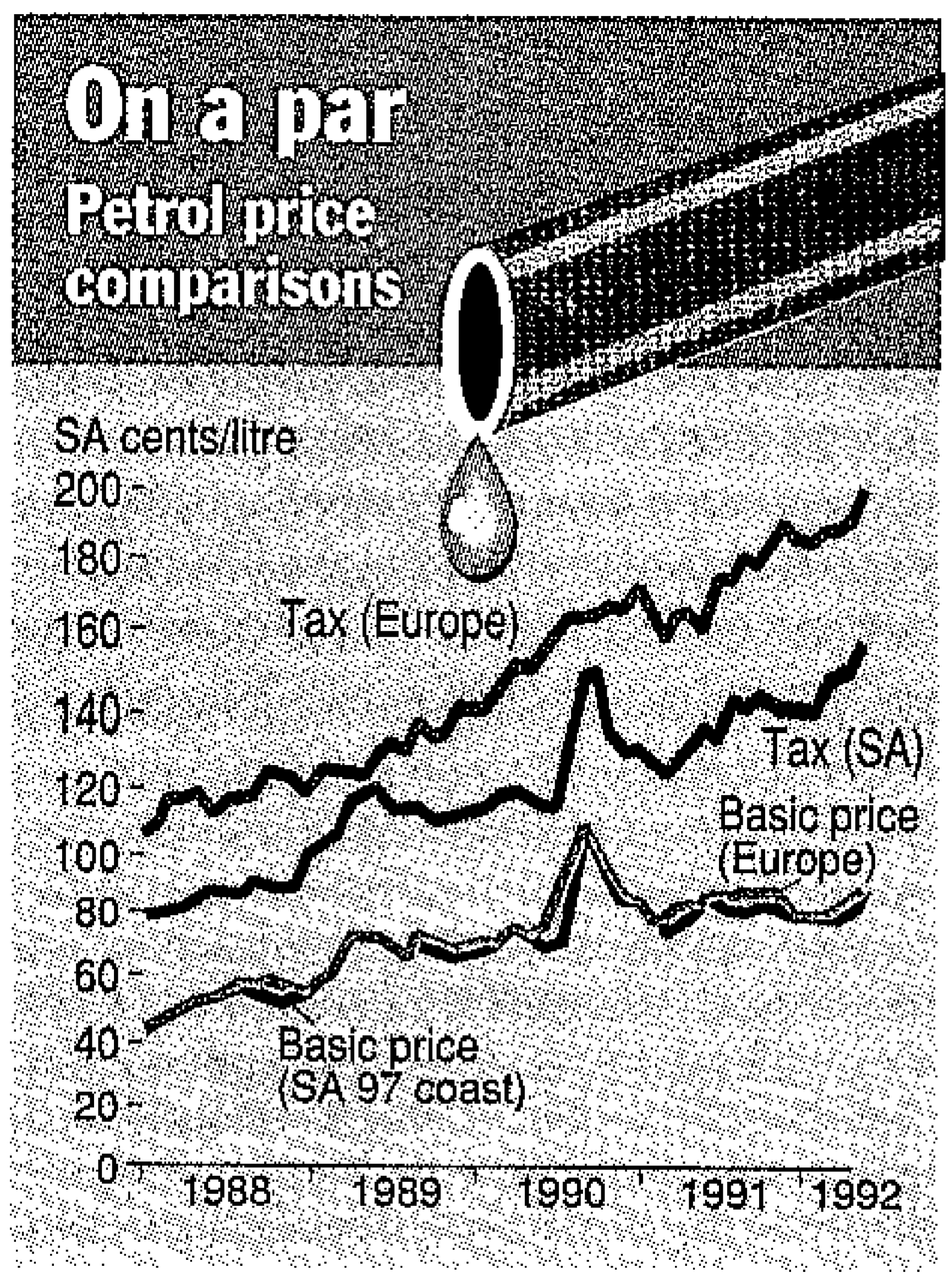
Crude oil is processed at the three coastal refineries (two at Durban and one at Cape Town), which are owned and operated by international oil majors Shell and BP in partnership, Engen (as successor in title to Mobil SA) and Caltex. Sasol operates an inland refinery at Sasolburg as the major partner along with Total SA.

Though oil refineries can be run below capacity at higher than optimal unit costs, it is far more important for the economics of Sasol's synthetic fuel operation that its facilities remain fully loaded. This has been ensured through a marketing agreement with the oil companies in their capacities as wholesalers of petrol and diesel. This obliges the oil companies to purchase all of Sasol's synthetic output so that variations in consumption are absorbed by variations in refinery throughput. Mossgas's output will be marketed the same way.

Petrol and diesel are sold through the large network of filling stations, affiliated to and traditionally often financed by an oil company. They now operate on the one-brand system (though Sasol broadly exercises its right to have one pump at one-brand stations throughout its area of supply).

SA has already halved the lead content of its petrol, in line with international trends. Fully unleaded petrol will be introduced in 1995. The reduction in lead content from 0,8 g to 0,4 g of lead per litre of petrol has already added more than 1c/*l* to the cost. To take the process to completion could cost another 5c/*l* in today's money.

The pricing of petrol and diesel is done according to a formula which fixes retail and wholesale margins and builds in the range of taxes imposed. The price at the pump is based on a notional value for refined product imports — the in-bond landed cost (IBLC). It is notional because SA imports crude oil and not petrol and diesel. This vital parameter is derived through a net-back process



from the price of refined products at four reference refineries around the Indian Ocean, including three at Singapore and one in the Gulf.

The IBLC formula has, over many years, delivered liquid fuel to the SA market at prices broadly competitive with those in Europe. The formula, incidentally, is not peculiar to SA. It is used in a few countries around the Indian Ocean, including Thailand.

The formula's effect is to include the refining margin for the local refiners in the IBLC. It follows that greater operating efficiency than is achieved at the four reference refineries will allow the local refiners to achieve a greater profit margin. The formula does not function on a cost-plus basis.

Before 1991, the oil industry's profit was monitored on marketing and refining. Refining is now deregulated and profit is monitored on marketing only against a return on assets of 15% before tax and before the payment of interest. The return is calculated on historical depreciated book values of assets with some additional depreciation allowed to compensate partially for inflation in the cost of capital goods. Total depreciated assets still in use are, therefore, not included in the asset base — and additional depreciation is not allowed on them.

After Sasol's Secunda output came on stream, the refineries were forced to operate well below capacity for some years. The refineries are now fully loaded for petrol production and have embarked on expansion programmes which include developing capacity, not merely overcoming bottlenecks. Investments are being planned to allow for the production of unleaded petrol. The additions to capacity will be considerable. In contrast, Sasol says it will not even contemplate building new synfuel plants at current or even significantly higher oil prices.

The industry expects demand for liquid fuels to increase at a rate slightly higher than GDP — say 1,2% for every 1% increase in real GDP. Of course, this elasticity of demand can be influenced by movements in the real, taxed retail price of petrol and diesel. The taxes on petrol are determined in cents per litre, not ad valorem, so they need to be adjusted periodically to allow for the inflation rate if the real tax take is to be maintained.

In the current environment of regulated retail prices, the oil companies compete at the retail level through skilled advertising, location and the ancillary services offered. Shell says it has recently regained its position as market leader in branded petrol (with Caltex second). This is due in part to the enthusiastic way Shell has provided backing for black causes, including the taxi industry, a major consumer grouping.

In terms of all oil products traded locally, Engen (encompassing Mobil, Sonap and Trek) is the leading brand, followed by Shell. Caltex and BP (despite its problems at head office) remain major players. BP is relaunching the image of its service stations and has its half share in the Sapref refinery expansion.

The outcome is that SA motorists have ready access to high-quality fuel at a wide variety of locations and at a price (including tax) below the pump price in Europe. The US, which remains an oil-producing country, barely taxes its petrol; so the price at the pump is lower there. But this could change in the near future, very largely for fiscal reasons.

The costs of the present pricing structure are transparent. So the savings from early deregulation are easy to work out and can be weighed against the risks. That suggests deregulation, aimed at a more productive allocation of resources, could be phased in with the minimum of disruption, provided it is planned, co-ordinated and consistent.

There is no need for a Big Bang to bring prolonged and unfortunate dislocation. But that, in turn, means work on deregulation should begin sooner rather than later. ■

Shocks for illegal links to power

55

CT 31/10/92

Municipal Reporter

MANY electricity consumers who default on their payments risk shocking themselves and others if they illegally restore the power supply to their homes.

The Mayor of Cape Town, Mr Frank van der Velde, said at the council meeting this week it was known that locked kiosks had been broken into. The council was aware of nearly 1 000 cases of illegal reconnection.

A disconnecter indicated that some supplies required a flick of the right switch to restore power, but in other cases a single meter required up to three reconnections — sometimes with pliers as the wires were live.

He cited a case in which wire had been inserted illegally to reconnect a supply. A child who tried to remove the wire when an inspector called had been shocked. The boy survived.

Vandalism to kiosks could also create risks, particularly to children at play and especially in wet weather.

Councillors disclosed earlier this week that where supplies had been reconnected illegally, these would be disconnected more effectively. This could entail pulling out fuses or digging up underground cables and breaking the circuit.

● City Electrical Engineer Mr Fred Daniel said yesterday that disconnecters would not normally be accompanied by armed escorts, even in potentially dangerous areas — although the council permitted this.

It was preferable that security staff be easily accessible if a situation became threatening.

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Japan's refiners under the whip

By KEVIN DAVIE

WHILE the Government and the oil industry cling to regulation, Japan is aggressively deregulating, bringing fuel prices down in some areas by 25%. S/Times (Buss)

Like SA, Japan had a decades-old system of regulation whereby the Government allowed the oil companies to operate as a cartel.

The companies liked the price-fixing so much that they fought to maintain it, The Economist reports.

But now the Ministry of Trade and Industry (MITI) has decided the opposite: it wants competition to force the creation of a Japanese oil giant capable of competing against the world's biggest.

"As a result Japanese motorists look like getting some relief from the artificially high petrol prices for the first time in decades," The Economist says.

The Japanese pay four times — some, but not all, in taxes — what Americans do for their fuel. 1/11/92

"MITI's moves have already pushed prices in parts of the country down by 25%."

The Economist says that although the Japanese oil industry has operated with slim refining margins, it "has been allowed to sting the motorist with margins four times larger". (SS)

Sting

"Japan's oil companies liked the price-fixing formula so much they tried to maintain it."

But, says The Economist, MITI has not only abandoned its support for the practice, it is investigating pricing with the zeal of a veteran price buster and publicising its findings.

'Now that such price fixing has been pointed out to them, Japanese motorists are no longer willing to tolerate even modest rises at the pump, legitimate or otherwise.

"With the recession beginning to bite, they are on the prowl for discounts.

"Japan's hapless oil companies, obedient to MITI's commands for so long, may be forgiven for wondering what they have done to deserve this fate."

Foreigners offered storage use

Govt clams up on oil reserves

S.Times (Buss) 1/11/92. (55)

By KEVIN DAVIE

THE GOVERNMENT is marketing the use of the huge space used to store strategic oil reserves to foreigners, but is unwilling to disclose its size to its owners, South Africans.

It has partly lifted the lid on the enormous capacity of the secret stockpile by disclosing that a facility in the Western Cape can house 45-million barrels of crude oil.

This — the equivalent of the amount carried by 26 supertankers — is sufficient to meet the needs of the 50 000-barrel-a-day Caltex refinery in Cape Town for 2½ years.

Bunkers

Experts have until now believed that SA's total strategic reserve was equivalent to between 50-million and 60-million barrels, enough to keep SA self-sufficient for 200 to 250 days.

The size of the Western Cape facility suggests that SA's total strategic reserve may be enough to last 2,5 years. The EC requires oil companies to hold 90 days' supply.

Even after disclosed sales of R1,5-billion for socio-economic spending and undisclosed sales to fund Mossgas, oil valued at many billions of rands may still be underground at secret locations.

The West Coast Strategic Fuel Fund facility at Saldanha Bay was shown to the Cape Times last week. Six concrete bunkers built at a replacement cost today of R500-million can house crude valued at R2,5-billion.

Central Energy Fund general manager Kobus van Zyl confirms that spare capacity is being marketed to foreigners who wish to house significant reserves of crude some distance from the volatile Middle East but on the way to the major markets of Europe.

He declines to detail the size or location of SA's oil reserve.

"The SFF is busy with commercial negotiations for, among others, the lease of tank space. We have no intention of conducting these negotiations through the press."

Africa Confidential newsletter reported in May that SA was tempting international petroleum companies to rent space in disused mines which previously housed the emergency supply.

It said: "At least two oil companies are showing interest."

The Western Cape facility was first used to stockpile oil in January 1980. Official documents show that SA was then paying $8 a barrel as a premium to bust the oil embargo.

The facility has six square tanks 240 metres long and 31 metres deep. It is linked to a jetty at Saldanha Bay by an underground pipeline.

The Cape Times reported that all six tanks were full during the mid-1980s, but one is now empty and the other five are full "to varying degrees".

Paul Conlon, an energy consultant for the United Nations, estimated in 1987 that SA's reserve was 50-million to 60-million barrels, "about one-fifth or one-sixth or what it officially claims".

Cost

He said most of the oil was stored at Milnerton, Cape Town, and in disused coal mines near Witbank in the Transvaal.

The Western Cape facility was built by Fenix & Scisson of Tulsa, Oklahoma, which was involved in most of the stockpile projects.

Dr Conlon estimated the Western Cape capacity at 7,5-million tons.

He said the cost of storing each barrel of crude in SA was at least $3,50. The stockpiled oil constituted billions of rands of wasted opportunity cost.

Fenix & Scisson was also involved in converting "four or five" coal mines near Witbank for oil storage. Dr Conlon estimated that they could hold 18-million barrels.

Other storage facilities include one at Ferrobank near Witbank and an underground cavity near Vrede in the free State. There are also tank farms for refined product near all the major refineries.

A source says the disused mines have been supplying the refineries at Natref near Sasolburg and Durban as part of the R1,5-billion sale which the Government has announced to fund socio-economic spending.

One of the pipelines between the coast and the Reef was converted for this purpose. CEF chairman Danie Vorster confirms this.

Supplies to the coast are no longer continuing, but the disused coal mines are supplying the 75 000-barrel-a-day Natref refinery with about 25 000 barrels a day.

About R500-million of the oil revenue will be spent on low-cost housing. Another R1-billion has been allocated for job creation and educational projects including clinics, creches, schools, roads and police stations.

An unspecified amount of the reserve was sold to help meet the runaway costs of Mossgas. This amount has never been disclosed.

Mineral and Energy Affairs Minister George Bartlett says that because of the official UN embargo "disclosure of figures on strategic oil reserves at this time will not be in the national interest".

Oil embargo might not go

BDAY 6/11/92

NEW YORK — A UN body yesterday recommended retaining a non-mandatory oil embargo against SA.

A report approved by the 10-member intergovernmental group to monitor the supply and shipping of oil and petroleum products to SA said premature lifting of the ban would harm negotiations for nonracial government. 55

"It is against this background that the group believes the oil embargo against SA should be maintained for the time being," the group said. It was set up in 1986 to monitor an embargo enacted by the UN General Assembly.

The group was convinced "the oil embargo may be lifted when an interim government representing the majority of the population of SA has been established and when such a government requests the lifting of the embargo".

It noted "rapid political developments" in SA, saying: "Some of these developments were positive, particularly the continuing conviction among the political parties ... on the need for negotiations..."

However, a "premature lifting of the oil embargo against SA would be counter-productive". — Sapa-Reuter.

Pollution control

55

Sowetan 6/11/92

THE Department of Environmental Affairs may soon introduce legislation on pollution control.

The legislation will be aimed at rectifying waste management. The core message is that waste, including hazardous waste, is the result of everyone's activities and that each person must accept responsibility. The perception that waste is a nuisance should change to that of perceiving it as a potential resource.

The strategy which the Government envisages in the development and implementation of waste management policy is one of partnership.

- Sowetan Reporter

Engen pumps R800m into upgrade

(55) CT 9/11/92

Own Correspondent

JOHANNESBURG. — Engen is to upgrade its Genref refinery in Durban at a cost of R800m, CE Rob Angel announced at the weekend.

He said the project would be financed by a combination of foreign supplier credits, favourable foreign and local financing structures, and from the proceeds of a rights issue in April last year. It was expected that the project would be completed by 1995.

The first phase of the Genref expansion programme was completed this year within the R670m budget.

Angel said the second phase's main objectives would be to improve the yield and product quality of high value transport fuels, enhance environmental protection, particularly through air pollution abatement, and improve refinery reliability. About 3 000 jobs would be created in the engineering industry during the 26-month construction schedule.

The upgrading project would significantly increase Genref's production of unleaded petrol and low sulphur diesel fuel.

Angel said 40% of the project cost would be devoted to facilities for environmental protection and product quality improvements.

'Green' petrol cheaper

(55) CT 11/11/92

DURBAN. — "Green", or environment-friendly unleaded petrol, would almost certainly be cheaper when it is introduced in 1995 to encourage motorists to buy it.

Department of Mineral and Energy Affairs spokesman Mr Theuns Burger confirmed this yesterday when he said leaded petrol with a 97 octane rating is be to be phased out in 1995, when the "green" petrol — probably with a 95 octane rating — is introduced here and in other coastal cities.

He said although it was more expensive to produce unleaded fuel, it could become cheaper with improved production methods.

NEWS IN BRIEF

BIDAY 13/11/92

Fuel underrecoveries

SUBSTANTIAL underrecoveries on all grades of fuel were again recorded during October, Energy Affairs Minister George Bartlett said in Pretoria yesterday. 55

Since the 7c/l price hike for 93 octane on October 10 motorists in the PWV area had paid on average 8,173c/l too little.

Bartlett said the increase in international market prices for refined petroleum products and a weakening exchange rate had resulted in an increase in the landed cost of petrol and diesel.

Eskom to spark off economy

(55) ARG 14/11/92

DAVID CUMMING
Weekend Argus Correspondent

■ Power to the people: Not the slogan of a new liberation movement but it could adequately express one of Eskom's major aims as the giant utility comes to terms with its role in the current and future SA.

SOUTH Africa's electricity supplier has come up with a three-prong strategy to play an important role in shaping the country's future.

It will do its bit to ensure economic growth, it will electrify as many of the country's households as possible and it will position itself as a business which is able to keep in step with ever changing needs in the new SA.

"Those three issues represent our key focus at this stage," Mr Jac Messerschmidt, Eskom executive director, said.

He says the drive to assist the economy is based on its perception that a stagnant economy will be unable to support the successful political change to a multiracial democracy.

The focus will be on reducing the cost of electricity by 20 percent in real terms in the next five years. "We have to help our export industries to become more competitive in world markets. This means our electricity price must be competitive in world terms."

The corporation intends achieving lower prices through a radical efficiency improvement strategy which will eliminate unnecessary bureaucracy, getting rid of overlapping functions and duplication. It will be assisted in this drive by moderate capital requirements in the immediate future.

"If we can succeed in lowering the price of electricity, we will attract more customers and therefore sell more electricity. You could say we will be selling economic growth," he said.

As part of the cost-cutting drive, Eskom has embarked on a five-year plan to meet specific cost-saving targets, with the ultimate savings being in the region of R500 million.

A second major drive will be to electrify as many South African homes as possible.

"At the latest count, there are 2,9 million SA households which do not have electricity. While many of these fall under the jurisdiction of local authorities, we estimate Eskom can gain direct access to 900 000 of them and we plan to do so within the next five or six years.

It will also look at innovative means of reaching consumers in such areas as squatter camps. "We might even be able to do away with meters in these areas. We are looking at a scheme, for instance, which will involve running a central power cable through the middle of a settlement with leads reaching down into the individual households.

"These could be equipped with a kind of trip switch which would kick out when too much power was drawn. The consumer would then be required to switch off one of his appliances before it would kick back in.

A third focus of attention is the issue of harmonisation with the community at large. This will include a programme of affirmative action to ensure Eskom reflects its customer base. This is particularly important in the fields of distribution and management.

Tiger call for tax-free food

TIGER Oats executive chairman Robbie Williams has called for the removal of VAT on all food.

Mr Williams says that unless adequate arrangements are made to feed the poor, VAT on food is unacceptable.

He believes a zero-rating on all food should be introduced — not so much that the rich then eat tax-free but that the poor are actually fed. The rich-get-fat notion is more than outweighed by the need to feed the people cost effectively, and it is more practical to zero-rate all food than to introduce tiers of VAT. S/Times (BUSS) 15/11/92

Tiger Oats is one of the most efficient producers of food in SA and Mr Williams says that if productivity could be increased along the whole of the nation's food chain and be linked with deflationary pricing, the food-price spiral could start to turn down.

Tiger's turnover in the year to September rose 15% to R9,2-billion. Volumes in basic foods held up although retailers noted declines in volume sales of almost half the grocery categories measured.

Tiger's operating profit of R677-million was up 13% on lower margin and earnings a share by 11% to 230c after higher tax.

Furnace oil price shoots up

(55)

COROBRIK Western Cape managing director Peter du Trevou has criticised the Department of Mineral and Energy Affairs for the 31,5% increase in the price of heavy furnace oil (HFO) to 50,25c a litre. S/Times (BUSS)

He says this is the second increase in four months. On the date the HFO price was increased by 20%, petrol went up 8% and bunker and diesel fuel remained unchanged.

"It is patently clear that ours and similar industries are having to subsidise the other products."

Mr du Trevou says even though increases in HFO are not politically sensitive, they have far-reaching implications for the hard-hit building industry. 15/11/92

COMPANY ROUND-UP

PRELIMS	Turnover	%	Profit before tax	%	Earnings a share	%	Div a share	%

Tariff protection 'unacceptable'

Engen faces tough choice on Mossgas

183 SS

B/DAY 16/11/92.

LINDA ENSOR

CAPE TOWN — The likelihood that Mossgas would need substantial tariff protection would make it difficult for Engen to follow its rights in the giant project, Engen CE and MD Rob Angel said last week.

Engen has a 30% stake in the equity of the project, and has an option to follow this participation up to six months after the start of commercial production, probably towards the end of next year.

It has said that it would not invest in Mossgas unless it was a commercially sensible thing to do.

"Engen has always said it would require a real return of the order of 8% to follow its rights. Our achieving this on the back of substantial tariff protection may make it unacceptable for Engen," Angel said at a presentation to the Investment Analysts' Society on Friday.

"However, should we not follow our rights we believe it would be in the best interests of all stakeholders for Engen to continue to manage Mossgas."

It is understood that discussions point to Mossgas becoming a public utility owned by the Central Energy Fund and operating under Engen management.

Angel said negotiations were far advanced regarding the development of West African exploration opportunities.

A number of options to acquire oil production in West Africa, the Middle East and the North Sea were being pursued with the aim of developing a substantial, standalone exploration and production business.

He said Engen was seeking opportunities to develop and acquire a distribution infrastructure to support its growing export business in sub-Saharan Africa and the Indian Ocean islands.

"It is the group's firm intention to secure distribution outlets and capture marketing niches, and to utilise coastal and inland tankage as springboards for further marketing initiatives," Angel said in Engen's annual report released at the weekend.

The development of an offshore logistics organisation to optimise product sourcing and transportation of products, and subsequently crude oil, would be an integral part of these plans.

Last year Engen exported oil and oil products to 16 African countries and Indian Ocean islands and has been pursuing an aggressive drive to increase these exports. In 1992 exports increased 80% to 539-million litres (303-million), representing more than 10% of domestic sales.

Acquisition opportunities would arise as a result of the restructuring of major international oil companies, which might shed smaller operations and relegate Africa to a low priority status.

Angel said new exploration activities in Namibia and Gabon would get under way this year, but exploration in the Bredasdorp Basin was being scaled down.

"West Africa will be a core area for Engen upstream and it was rewarding to be able to enter into new exploration acreage opportunities with Chevron in Namibia and Total and OMV in Gabon. Discussions with other partners and countries are well advanced," Angel said.

He told the investment analysts that

☐ To Page 2

Engen

B/DAY 16/11/92 183 SS

☐ From Page 1

Engen was targeting real growth in earnings. It would derive the full benefits of the Phase I completion of its Durban refinery which had increased capacity by 30%.

Also, results would be boosted by a full year of the marketing margin increase and firmer refining margins. However, with prospects of an economic recovery remaining uncertain, the outlook for a growth in volumes was cloudy. Last year earnings rose 18% to 275c.

The 1993 capital budget was R1,4bn, R800m of which was committed to Phase II of the refinery expansion project. R40m had been allocated for exploration.

Angel said the importance of healthy cash resources within Engen had led the board to look into the possibility of declaring scrip dividends. A medium- to long-term aim would be to secure the listing of Engen on international stock exchanges. To achieve this an international marketing campaign to institutions and potential investors would be undertaken.

Changing the Mobil brand name to Engen was a three-year project costing R120m to R150m.

Angel called for the lifting of secrecy provisions governing the oil industry. Only information on the sourcing and transportation of crude oil needed to be restricted, he said.

Eskom in talks on more smelters for SA

CT 16/11/92

From PETER DELMAR

JOHANNESBURG. — Eskom had held talks with two foreign aluminium companies which were considering setting up smelters, possibly in SA, corporate business development consultant Guy Joubert said at the weekend.

Last week's announcement that the R7,2bn Alusaf expansion would go ahead had boosted efforts by Eskom to encourage investment in electricity, he said.

Eskom had a corporate business development unit which aimed at persuading investors "that they can make money by putting up an electricity intensive plant", said Joubert.

The announcement that the Alusaf expansion would go ahead had "given a lot of credibility" to Eskom's efforts to promote investment.

Eskom initiated feasibility studies into the Alusaf investment, which will increase production to 466 000 tons a year. In terms of Eskom's contract with Alusaf, the cost of power is linked to the London Metal Exchange's platinum price.

Foreign input

Joubert said one of the foreign companies considering setting up smelters, possibly in SA, was Kaizer Aluminium of Germany. It had teams investigating suitable smelter sites worldwide, including in Mozambique and Iceland.

He said Richards Bay's location and its good sea harbour facilities were major factors in determining the success of Alusaf.

The other crucial factor, he said, was SA's cheap power. SA's electricity is among the cheapest in the world.

Internationally, Eskom's major competitor for new investment is Hydro Quebec, the Canadian utility whose power is based mostly on hydroelectricity. Quebec's costs are in the region of $0,018c per kilowatt hour. Eskom has committed itself to reducing its cost to a similar level.

"SA's competitive advantages lie in cheap energy and minerals. Those are our strong points and we need to play to these advantages," Joubert said.

Engen cool on new pump prices deal

Business Staff

(55) ARG 17/11/92

JOHANNESBURG. — The deregulation of petrol pump prices would lead to increased unemployment and at least 300 independent service stations would close down, says Engen managing director Rob Angel.

Speaking at a presentation to the Investment Analysts' Society here, Mr Angel said that Engen was investing in self-service equipment and that if the petrol price was deregulated, it would turn 300 of its 1 500 service stations into self-service outlets overnight.

But he warned that while the price of petrol might come down in the more competitive urban areas, in the country areas it would increase, especially in those places which had only one service station.

Mr Angel said that Engen aimed to be 50 percent self-sufficient in its petrol sourcing.

In Gabon, Engen had a 10 percent participation in two wells in the offshore Alombie Permit, which had resulted in one non-commercial gas discovery.

In the Congo, Engen had a 7,5 percent interest in Kayes B, which operates four wells, but none had resulted in commercial discoveries.

The most significant exploration deal so far had been the 40 percent interest in Block 2815 off the Namibian coast, managed by Chevron.

Mr Angel was confident that a major find could be made off Namibia: the west coast of Africa had produced good finds, but for political reasons there had been no significant exploration in Namibia since 1974, he said.

Engen was continuing its exploration of the Bredasdorp Basin, but Mr Angel believed most of the oil in the area had already been discovered.

About 30 million barrels had been found, but spread out in pockets.

Bu contrast, the Alba oil field, in which Engen had a 2,2 percent interest, had estimated recoverable reserves of 350 million barrels, of which 7,6 million was Engen's share. Production was due to begin at the end of 1993, he said.

Engen would cap its exploration expenditure at R40 million and not take a 100 percent participation in any exploration venture because it did not have the expertise.

■ Although **Barlow Rand** lifted pretax income by 15 percent to R2,53 billion in the 12 months to September, a higher tax rate, more shares in issue and a greater payout to minorities, earnings per share were up just two percent to 437,5c.

The dividend has been raised two percent to 173c.

MD Derek Cooper says the difficult first half, in which Barlows managed to increase earnings per share by 11 percent, was followed by even more testing conditions.

There was intense competition for limited business and great pressure on margins — the operating margin fell from 8 percent to 7,7 percent.

Much of the group operated at no more than 60 percent of total capacity.

Turnover was up 10 percent to R35,2 billion.

■ Wider-than-expected margins helped **Nedcor** overcome difficult trading conditions.

The financial services group increased net income by 19 percent to R408million in the year to September.

Earnings per share rose 16percent to 215c, with dividends rising the same percentage to 66c for the year.

Net interest income rose by 19 percent to R1,62 billion, benefiting from high interest rates.

A feature of the banking industry over the past few years has been the spiralling increase in providing for bad and doubtful debts.

Nedcor, with its home loan problems of the Perm, has by some fancy footwork limited the actual increase in provision to two percent to R238 million.

Chief executive Chris Liebenberg says the effective rise is 18 percent because the amount for the previous year included a special R32 million provision.

MIF urges pump lessors to buy petrol stations

CT 18|11|92 Own Correspondent (58)

JOHANNESBURG. — The Motor Industries' Federation wants service station owners to buy their sites from oil companies in the interests of small business development.

Federation president Errol Richardson said yesterday if the oil industry ended up owning all the sites, then the position of small business would be one of near non-existence.

The industry needed to avoid a situation where fuel refiners owned both refining and retail distribution facilities, giving them a stranglehold on the industry.

Mineral and Energy Affairs energy branch spokesman Lourens van der Berg said oil companies owned 20% of SA's service station sites with a further 20% controlled by head-leases. The remainder were owned by private individuals.

Forum on electricity is planned

CT 20/11/92

55

Municipal Reporter

PLANS are being laid to convene an electricity tariffs forum next year.

The forum would consider ways to standardise electricity tariffs to domestic consumers, according to Stellenbosch University electricity affairs expert Professor Isak Lamprechts.

Prof Lamprechts said pressure is building for the introduction of uniform domestic tariffs regardless of where the consumer lives.

Eskom charges a standard domestic tariff for areas it supplies directly, but those it serves indirectly via municipalities pay different tariffs.

Some black communities pay more for electricity than nearby white consumers because local authority boundaries cut them off from cross-subsidisation by areas with a solid industrial base.

Yet there are also examples of townships paying lower tariffs than nearby white suburbs.

CITIZEN 26/11/92 (55)

Loan for power scheme

THE Development Bank of Southern Africa has granted a R75m loan to the Durban City Council for its project to provide electricity to 140 000 people.

The bank also entered into a second agreement for a R63m loan to fund in part the building of four substations. Both projects form part of the council's R500m Electricity For All scheme.

Lesotho elections off

THE general elections which were due to take place in Lesotho on November 28 have been postponed by the country's military council chairman, Major-General E P Ramaema. Sowetan 26/11/92

Ramaema, in a statement on Tuesday, cited "unavoidable delays in the preparations (affecting) the essential activity of delimiting constituencies" as the reason for the postponement. The delays meant nominations for the elections could not be completed.

6 appointed to varsity body

NAMIBIAN President Sam Nujoma, who is also the Chancellor of the University of Namibia, has announced six appointments to the University Council. Sowetan 26/11/92

They are Dr Theopolina Tueumuna, a doctor at Oshakati State Hospital, Mr Peter Bottger, a Windhoek businessman, Mr Justice Harold Levy, a senior judge of the Windhoek High Court, Roman Catholic Bishop Bonafacius Hausiku, the Reverend Willem Konjore, a Swapo MP, and Mr George Mayambelo, an official in the Ministry of Education and Culture.

SA to sign CWC treaty

SOUTH Africa will sign the Chemical Weapons Convention, which prohibits the development, stockpiling and use of chemical weapons, in January next year, Foreign Minister Pik Botha has said. 55

"The decision to sign the Chemical Weapons Convention in January 1993 is an expression of the South African Government's wish to participate in international non-proliferation and disarmament activities," Botha said.

Although SA is party to the Geneva Protocol of 1925 and the 1972 Biological Weapons Convention, the CWC goes far beyond the Geneva Protocol which only bans the offensive use of chemical weapons. - *Sowetan Correspondents and Sapa*

Sowetan 26/11/92

Eskom ups funding needs by R800m

CT 26/11/92 From HILARY GUSH (55)

JOHANNESBURG. — Eskom's larger funding requirements for 1993 — up R800m from 1992's level — would have a limited effect on the capital market, analysts said yesterday.

Finance director Mick Davis told a meeting of financial institutions yesterday that of the R3bn Eskom would need to borrow next year, about R2,1bn would be raised on the local gilts market.

Although this was R600m higher than funding through the bond market this year, Davis said "no negative impact on rate or liquidity levels is foreseen".

He attributed the increase to higher loan repayments and a 10% rise in capex. A "substantial" amount of prefunding had been secured, and the remaining requirement had been hedged.

Davis did not expect to raise finance from the foreign loan market next year, and said the balance of the borrowing requirement would be funded by R150m in foreign export credit facilities and R750m in maturing investments.

Syfrets Managed Assets gilts specialist Rob Nichol said as most of the funding was already in the market and had been hedged at below 14%, Eskom's borrowing would have no upward influence on rates.

Nichol said the planned 10% increase in capital expenditure next year translated into about R4bn, to be spent mainly on electrification of low-cost housing.

Board of Executives senior portfolio manager Rob Lee said R2bn was "a pretty low figure."

Parow considers a powerful solution

(55)

PAROW Town Council is studying an innovative plan to sell electricity which at the same time allows the council to collect arrears. CT 27/11/92

The system is based on the econometer, a device which is installed in each home and enables residents to buy only the electricity they can afford.

Consumers will have to buy electricity cards and insert these into the econometer to determine the number of units used.

The meter will be controlled by a code number distributed to each consumer which will have to be punched in before it can be used.

In terms of the new system it will be arranged with consumers who are in arrears that they pay one to 10 cents extra for each unit purchased to pay for arrears.

JAPAN has extended until January the probe into allegations that SA, Norway and China have dumped manganese alloy there.

The extension has been attributed to some parties delaying the submission of data.

The government has not imposed duties on the ferro-silicon manganese, saying imports have fallen sharply during the investigation.

29/11/92

Mossgas first

29/11/92

MOSSGAS has produced its first alcohol as a by-product of its oil-from-gas process.

It stands to earn about R55-million a year from the alcohol when in full production.

The company has concluded contracts to export the alcohol, although the customers and destinations are confidential. The alcohol is to be stockpiled until there is sufficient for a shipload, probably towards the end of the first quarter in 1993.

S/Times [BUSS]

April next year.

He holds a masters degree in business administration from New York University and is president of the Black Management Forum.

Eskom's new price lures

55

ESKOM has extended its off-peak period concessions again. S/Times (BUSS)

New price options have been offered to bulk users such as industrialists, mining and farming communities from January and could save them 10% of their total bill.

29/11/92

Since the introduction of the new schedules in April last year, 204 customers have joined the scheme, buying electricity worth R500-million in 1992.

Golf record

SA PHILIPS will sponsor the South African Open golf championship, providing a record R500 000.

R1bn contract for Majuba in danger

ST Times (BUSS) 29/11/92 (55)

By CHERILYN IRETON

A R1-BILLION contract is in the balance after suspension of the second phase of construction at the R8,5-billion Majuba power station.

The contract, between L&C Steinmuller (Africa) and Eskom, is for the erection of six boilers at the new-generation power station being built near Amersfoort. It was signed in 1982.

Earlier this month Eskom suspended work midway in the construction — with three of the six generating units nearing completion — because of problems with the coal supply from Rand Coal. The remaining three units are at foundation stage.

Although Eskom still plans to build units four to six, the delay while it investigates other options has unsettled the contractors.

Negotiations are now under way between Steinmuller and Eskom to decide the fate of the contract. Steinmuller deputy group managing director Reinhard Soeder was unwilling to comment on the effects on the group while negotiating with Eskom.

Other multimillion-rand contracts awarded for Majuba went to GEC Althsom, and a consortium of Concor and Group 5.

Best

Concor managing director Jurgen Schultz says the suspension has an effect on the company's workload which is difficult to replace in a poor economic climate.

"Obviously there are a lot of employees involved.

"But we are making the best of it by looking at alternatives. We have quite a reasonable workload elsewhere," says Mr Schultz.

GEC Althsom has met most of its contract for the delivery of the turbine generator plant. The units will be mothballed until Eskom decides where to build the three units, says Keith Maxted, managing director of GEC Althsom International.

Other sub-contractors involved are Deutsche Babcock, Wecam and Elgen.

The Kendal power station in the Witbank area is being mentioned as a site for the additional units if no solutions are found to ensure continued development of Majuba.

But environmental impact studies will be conducted to evaluate whether the blanket ban on increased power-station emissions in the Witbank area can be eased or accommodated.

Eskom hopes that Rand Coal will find an acceptable solution to the Majuba problem, but as a precaution is examining other options. They include building the three generating units onto an existing power station such as Kendal, says Eskom executive director, generation, Johan van den Bergh.

This station is supplied by Rand Coal, says Rand Coal chief executive Allen Cook.

Pollution

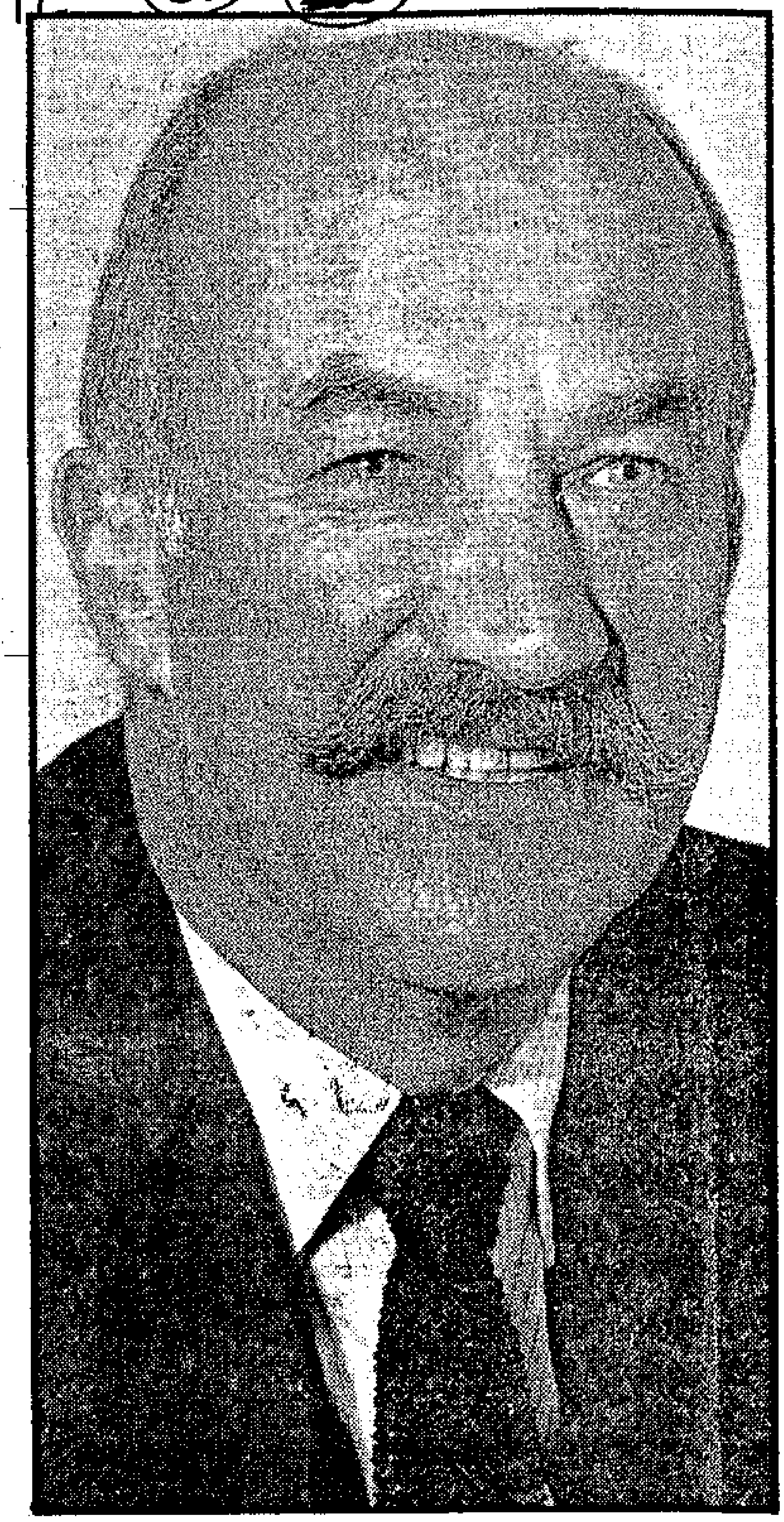
The three generating units at Majuba already built will be commissioned on schedule.

Mr van den Bergh says Eskom would like to go back to the Witbank area, but will first have to assess the impact on the environment.

"A lot of things have been done to alleviate air pollution in the area since the ban was imposed in 1981," he says.

The chief pollution control officer at the Department of National Health, Martin Lloyd, says the ban on increased emissions in the Witbank area still stands. However, if Eskom were to shut one of its old generation stations or remove sulphur from emissions through more sophisticated anti-pollution measures, the expansion would be possible — provided the total emissions did not increase.

Rand Coal is unable to supply sufficient coal to the station at a cost-efficient price because of geological problems at Majuba.



JURGEN SCHULTZ: Making the best of a probelm

087 moves abroad Telkom will miss

By TERRY BETTY

THE 087 telephone service will still be available next year on international lines at R5,97 a minute.

Telkom has refused to renew the 25 operating contracts which expire on December 31.

Premium Rate Association (Prasa) chairman Neil Jacobsohn says telephone companies in Hong Kong, Australia and Portugal have been in SA offering to make their international lines this income as well as the technology will move abroad. SA operators will also receive less income, but at least it will cover the cost of their investment.

Telkom says its image has been tarnished. A spokesman says it was criticised because of sleazy services and many people refused to pay their kom folded at the first sign of pressure.

"A doctor will try to cure the patient, not kill him.

"It is crazy in depressed economic times to close a R200-million-a-year industry merely because Telkom cannot handle the complaints. The potential is huge considering it is worth £300-million a year in the UK."

Mr Jacobsohn says it will exacerbate unemployment. Callnet, the Times Media ser-

PETRONET'S PIPELINE TO PRINT MONEY

S| Times (Buss) 29/11/92

Transnet needs to make R1,8-billion profit each year. Here's a way to print money. Comment by KEVIN DAVIE. (55)

TRANSPORT giant Transnet is going through rough times. It posted a R90-million loss this year but needs an annual profit of R1,8-billion just to finance its pension fund deficit.

An easy way to do this is to use its monopoly position to base its fares on the cost to the consumer of using alternative transport.

So flying to Europe starts at R2 000, but the cheapest alternative — sailing — is five times more pricey at R10 600. This would bring the boodle rolling in.

The suggestion may appear absurd, even outlandish, but Transnet bases one of its key tariffs, that of its pipeline division, Petronet, on this principle.

These tariffs are set closer to the cost of moving fuel by rail than by pipeline. Pumping is relatively cheap compared with trucking.

The difference has been estimated to raise the cost to the PWV fuel user from about 3c/l to 9c/l.

This boosts Petronet's profitability by several hundred million rand a year. Transnet has just published its annual results, but Petronet's profits — reportedly R400-million — are not available.

One Transnet source says they have the figures but are not allowed by "The Direction" to supply them; another says divisional breakdowns will only be available when this year's figures are published.

These figures were last tabled in Parliament for 1989/90, showing a profit of R325-million from revenue of R421-million.

Some 50% of SA's fuel is consumed in the economic heartland, the PWV. Fuel users on the Reef — stakeholders in state-owned Transnet — are paying several hundred million more for their fuel than they could be.

The losers are all parties who use fuel in areas served by Petronet.

Competition Board chairman Pierre Brooks says he has not considered whether Petronet's pricing could amount to a restrictive or monopolistic practice. He says that as SA moves to a more competitive footing it is important that the state first get its own house in order. "There are a number of cases where we find restrictive business practices in state monopolies."

There should be no alarm at the possibility of Transnet using seafares to set airfares. It would not be allowed to get away with it.

Why it has been allowed to run its pipeline division this way is no more beguiling a mystery as why the economy has shown declining growth rates during the past three decades.

Dumping probe

JAPAN has extended until January the probe into allegations that SA, Norway and China have dumped manganese alloy there.

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Golf record

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Sparks fly over power supply to Khayelitsha

ROGER FRIEDMAN 55
Staff Reporter ARG 3/12/92

A TOP-LEVEL meeting will be held today to try to resolve who should control the electricity supply to Khayelitsha, vast tracts of which remain in the dark because of a row between Eskom and Lingelethu West Town Council.

Mr Dixon Khulani, secretary of the South African National Civic Organisation's Khayelitsha branch, said the electricity issue had developed into a "cold war".

Eskom says it is willing and able to electrify Khayelitsha within three years but is prevented by legislation from going ahead.

Under the Electricity Act, control of electricity is vested in the provincial administration, which has appointed Lingelethu its agent.

"Although installing electricity in Khayelitsha will be a huge loss to us, we see it as a social investment venture," Eskom's Mr Jannie Ehlers said.

"About 60 000 households are suffering because Lingelethu West is looking after its own interests."

But Lingelethu town clerk Mr Graham Lawrence said the council was "reluctant to hand over electricity control to Eskom".

He said he had "serious reservations" about Eskom's commitment to social upliftment.

Eskom offered Lingelethu a special "time of use tariff" which could result in savings up to 50 percent for users, but Lingelethu had shown no interest, Mr Ehlers said.

Mr Lawrence countered that the council had run up a debt of between R30 million and R40 million to set up the infrastructure for the electrification of Khayelitsha.

"Now Eskom wants to take over the existing infrastructure, but does not want to pick up the tab," he said.

The council, the CPA and Eskom meet in Cape Town today to try to resolve the issue.

● See Page 29

BUSINESS Chance for local workers to make money during electrification of houses

Eskom boost for black artisans

Sowetan 3/12/92

■ Sub-contracting Electrification giant will promote local contractors: 55

By Mzimkulu Malunga

ESKOM aims to broaden the country's technical base by sub-contracting to black artisans in its electrification programme of the townships.

"Part of the process is to ensure that we encourage and promote local contractors in areas where Eskom operates," said Paul Marais, sales and customer service manager for the West Rand.

However, the prospective sub-contractors have to meet certain requirements before they could be commissioned.

They have to produce a wireman's licence - an officially recognised qualification for electricians. Secondly, they have to have a workman composition, so that if any of their employees are injured on duty they (workers) qualify for compensation.

"With electricity being a dangerous source of energy if not installed properly, we have to screen tenders and be satisfied that they are qualified to deliver the services they have been contracted to do," he said.

Payments ranged from R8 000 to R15 000 depending on the number of houses in which electricity was installed.'

Sub-contractors with bigger numbers of people in their employ were given higher targets - about 300 houses a month.

Those who employed a fewer number, were expected to electrify between 100 and 200 households monthly.

Currently, there are two types of sub-contracting. One is the service connection which entails drawing power from the electrical sub-stations for domestic consumption. The other involves the transferring of meters from the streets to the residences.

Five black sub-contractors were rendering service connections in various areas on the West Rand while six electrical companies handled the meter transfer project, according to Marais.

In the East Rand township of Tsakane, between 80 to 90 percent of the wiring inside the houses is done by blacks, said Laetitia van Staden, sales and customer services manager for the area.

Plans are already at an advanced stage to extend the programme to other East Rand townships in the next few months.

the diary

Your update on what's happening in the business world from Mzimkulu Malunga

THE African National Congress' economics department will host an anti-trust, monopolies and mergers policy workshop at the Aloe Ridge Hotel near Fourways from tomorrow until Sunday.

Financial editors or their senior assistants are invited to attend the Friday and Saturday sessions. For more information contact Rizwana Bawa at (011) 330-7188.

●A conference on the opportunities in franchise businesses will be held at the Carlton Hotel on December 8-9. Registration fee is R990.

There will also be workshops conducted by international franchise specialists during the conference. For more information contact Black Integrated Commercial Support Network at (011) 789-3141.

●The National Association of Co-operative Societies of South Africa, representing burial societies, women's and meholisano clubs, is to hold its annual general meeting at Funda Centre on December 12.

Guest speaker will be *Sowetan's* day editor, Thami Mazwai. For more information contact the Nacssa office at (011) 331-8326.

●The National Black Consumer Union will hold its fundraising dinner at the Jan Smuts Holiday Inn on Sunday starting at 5.30pm. For more information contact Ethel at (011) 337-6210/2.

●Clem Sunter's new book, *The new century - the quest for the high road*, will be subjected to thorough scrutiny at the Seff-702 business breakfast tomorrow at 7.30am.

For more information contact Giles Shepherd at (011) 726-5018.

Eskom wins Khayelitsha contract

(55)

ARG 4/12/92

ROGER FRIEDMAN
Staff Reporter

KHAYELITSHA residents are to get "switched on" — and Eskom has been awarded the lucrative contract to supply and control electricity in the area.

Mr Charles Cooper, of Eskom's communication department, said agreement had been reached between the Lingelethu West Town Council, the Cape Provincial Administration and Eskom at a top-level meeting yesterday.

"It was mutually decided Eskom would go ahead with the electrification of Khayelitsha," Mr Cooper said.

He described the agreement as "amicable" following protracted disagreement between the parties.

"There are still a lot of details to be worked out."

Lingelethu West's town clerk, Mr Graham Lawrence, said he was worried that there had been no consultation with the affected community before the decision had been taken.

"I remain concerned that a profit-orientated organisation will be taking over the electrification in the area," he said.

"The prime function of any local authority is to render services to the community.

"I must now allay the fears of the 40 people employed in my electricity department that they will not be laid off before Christmas — not a very nice duty," he said.

Yesterday Eskom's electrification manager, Mr Jannie Ehlers, said Eskom was ready to step in immediately should they be given the go-ahead.

It would take three years to complete the job, which would run at a huge loss initially, he said.

Deregulation of SA fuel industry on the cards

CT 10/12/92

55

Business Editor

DEREGULATION of the fuel industry is bound to come — but not immediately, because it will bring problems that must first be sorted out — Engen CE Rob Angel said after the company's agm yesterday.

During the agm the chairman of the Shareholders Association of SA, Issy Goldberg, complained of the high real prices of petrol and diesel oil in this country, pointing out that they affected the entire economy.

Angel said they were more expensive in most of Western Europe. Among Western industrialised countries it was only in the US that they were cheaper than in SA. "This is a function of tax."

Answering further questions from Goldberg, chairman Bernard Smith said Engen was exporting to other African countries and was being paid on delivery in US dollars.

The company had received tax concessions because of its high capital expenditure, and expansion of its refinery would continue in several phases. Its business with countries to the north of SA was growing and this meant capacity would have to be increased.

Another shareholder, B J du Plooy, pointed out that petrol and oil were potentially hazardous to the environment. He asked what was being done to prevent contamination from underground tanks at service stations, particularly where there was a risk of leakage into rivers and aquifers.

Smith said:"The issue is one we are very well aware of. A proposal is underway to evaluate it in detail."

Discussing trade with other parts of Africa, Angel said:"We are growing closer to other African countries all the time."

He considered the recent violence and statements by Apla "very serious". But, taking a longterm view, he was confident that SA would solve its political and economic problems.

Engen's annual report shows that the company is exporting fuels, lubricants, paraffin and petro-chemicals to other parts of Africa and has taken part in joint exploration ventures with major international oil companies in the Congo and Gabon.

"Discussions with other countries and partners are well advanced. Engen's involvement in the Bredasdorp Basin slowed and will most likely continue to slow as higher prospective opportunities become available."

Sales volumes in Botswana, Lesotho, Namibia and Swaziland have grown, although they were severely constrained by the drought.

Neighbouring states

Discussing petrochemical sales the report says: "We have enhanced our ability to compete in the export market through the appointment of an agent in the neighbouring states and volumes have increased.

"Our aim is to expand our efforts to include the whole of sub-Saharan Africa in the coming year.

"In line with corporate philosophy the chemicals division has devoted considerable attention to our impact on the environment.

"This will inevitably result in changes to our product mix as we modify solvents, replace certain solvent-based systems with water-based systems and expand our range of substitutes for CFCs and similar environmentally sensitive products."

Sasol plans R120m gas pipeline to Columbus

(SS) 10/12/92

Own Correspondent

SASOL would establish a R120m gas pipeline to the Columbus project and other industries in the eastern Transvaal, a spokesman said yesterday.

Construction of the pipeline, to stretch from Secunda to Witbank and Middelburg, would be completed by September 1994.

The feasibility of the pipeline was dependent on the gas consumption of the Columbus stainless steel project, which was given the go-ahead on Monday.

Gascor, a Sasol subsidiary, has been operating an extensive gas network, mainly to industry, in the Witwatersrand for the past 28 years. It currently services up to 800 consumers in the region.

The 73km pipeline between Secunda and Witbank would have a diameter of 400mm. The diameter of the 38,5km Witbank to Middelburg pipeline would be 325mm.

The new pipeline was expected to increase Gascor's sales by up to 25% from 1994 onwards.

The pipeline was designed to supply 900 gigajoules an hour of methane-rich gas from Sasol's Secunda plants where there was excess gas capacity. Its energy value was about 35 mega-joule/normal cubic metre.

Sasol said the pipeline was expected to attract new industries to the Witbank/Middelburg area. The pipeline would not affect the environment as it would be laid underground.

Advantages of gas to heat-energy consumers included high heat value and efficiency, low sulphur content, continuous availability, consistent quality, and clean burning, the group said.

Contractors for the pipeline would be appointed after tenders had been requested.

Financial

Engen roars ahead

Business Editor SS ARG 10/12/92

ENGEN, the energy giant that grew from Gencor's \$150 million acquisition of Mobil from its American parent company, is now worth more than R7 billion.

This success story emerged from the group's annual meeting in Cape Town.

Assets total about R2 billion and the company's market capitalisation is R7,1 billion, a figure based on yesterday's share price.

Chairman Bernard Smith agreed the net asset value was about R16 a share and that more than R30 a share represented goodwill.

Engen also owned about 30 percent of Mossgas, which cost R30 million, he said in reply to questions by Mr Issy Goldberg, chairman of the SA Shareholders Association.

Gencor owned 62 percent of Engen's shares and 95 percent of the rest was held by financial institutions.

The group was now heavily involved in sea exploration off the west coast from the Bredasdorp Basin to two blocks off Angola. The Angolan field looked the most promising.

BUSINESS

Anglo mine to expand

Star Foreign Service

SANTIAGO DE CHILE — Minera Mantos Blancos, the Chilean copper mine controlled by Anglo American, plans to invest $290 million to maintain production and develop a new deposit over the next five years.

Mantos Blancos needs to expand its mine near Antofagasta in the Atacama desert to reach the ore body's remaining reserves.

The expansion, which is expected to cost $85 million, will extend the life of the mine beyond the year 2010. Output is expected to remain steady at about 75 000 tons a year.

STAR 10/12/92

Cathodes

The company will also invest $56 million to switch production from copper oxides to copper cathodes.

In addition, Mantos Blancos is developing a second ore body called Mantoverde, which is expected to start production in 1994.

The mine will have to find $92 million to pay for its share of the Collahuasi copper project, should Royal Dutch/Shell and Falconbridge accept Minorco and Mantos Blancos as new partners.

Luxembourg-based Minorco has made a $185 million bid for Chevron's 33 percent stake.

World oil prices tumble

STAR 10/12/92

(55)

LONDON — World oil prices tumbled yesterday, extending an abrupt slide that has taken them down by 15 percent in seven weeks because of market concern about excess supply.

Traders ignored a Saudi Arabian warning that a correction was in prospect.

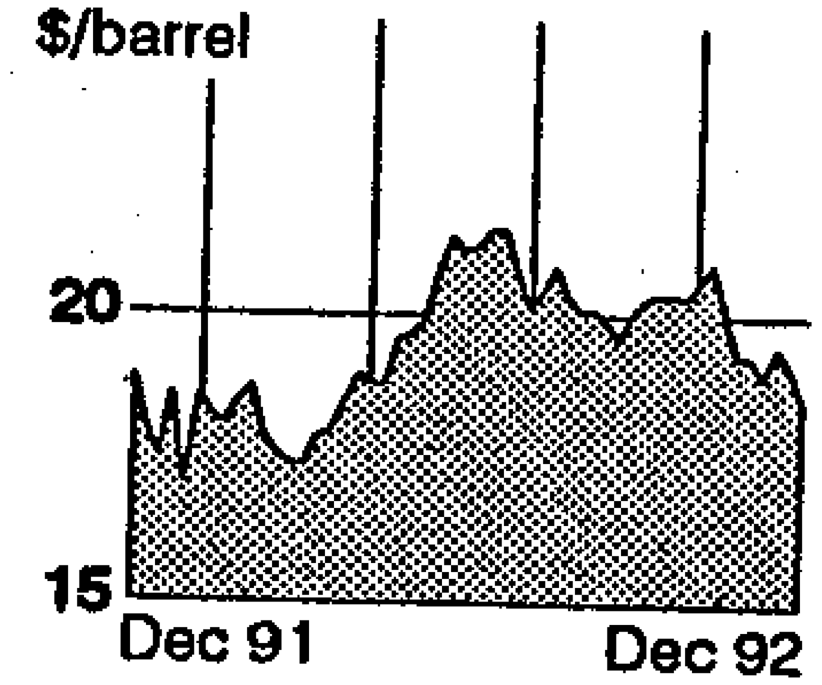
Futures for the benchmark crude oil, North Sea Brent Blend, were down 29c in London in late morning to $17,65 per barrel. This compares with almost $21 in mid-October.

"The market will pass through a correction period towards a significant improvement in oil prices," Saudi Arabian Oil Minister Hisham Nazer said during a visit to Cairo.

But traders reacted to news from the American Petroleum Institute that US stocks of distillate — used for heating oil — rose by 3,99 million barrels last week.

Americans are supposed to buy heating fuel at this time of year ahead of the northern winter, and market analysts saw the build-up in stocks as new evidence of poor demand for oil products on both sides of the Atlantic.

Besides mild weather, the sluggish demand is also a consequence of a weak global economy, said Geoff Pyne, an energy economist with brokers UBS Phillips and Drew in London.



Pyne said that refiners who were already making poor returns on processing crude oil could be expected to reduce throughput of crude at their facilities.

The market's worry about poor demand was matched by concern about the level of expected crude supply from the Organisation of Petroleum Exporting Countries (Opec).

Traders were sceptical about whether the 12 Opec members would honour new output limits agreed to in Vienna last month.

These were designed to keep total volume from the producer club at around 25 million barrels per day in coming months.

Market scepticism was not shared by such Opec leaders as Saudi Arabia's Nazer.

Nazer said in Vienna when the Opec talks ended that he would have preferred a lower production ceiling so as to ratchet the market higher.

But he still thought that supply would about match demand and that prices would eventually go up.

He clearly hadn't changed his mind when he got to Cairo yesterday for Arab oil talks, while his assessment also seems to be supported by latest data from the International Energy Agency (IEA), the West's Paris-based oil watchdog body.

The IEA predicts that demand from the suppliers of last resort — Opec and company stocks — will be a high 26,5 million barrels daily in the crucial January-March 1993 quarter.

Even with some "leakage" on Opec quotas, this implies a big draw on company stocks and a firmer market early in 1993.

Nazer, however, also said yesterday it was important that all the Opec producers should join Saudi Arabia in honouring their mandatory output allocations.

Sceptical traders pointed out that the Opec accord required cuts in output by Nigeria and Libya.

They said neither of these had reputation for keeping the rules.
— Sapa-Reuter.

Uranium spill 'no threat'

CITY PRESS 11/12/92

55

LLOYD COUTTS

ONE hundred kilograms of uranium was spilt at a Pelindaba enrichment plant yesterday, releasing a small quantity of uranium gas into the air, the Atomic Energy Corporation confirmed yesterday.

The corporation said the leakage posed no threat to people or the environment.

Corporation spokesman Nic Ligthelm said most of the spillage was contained within the building housing the uranium, but a small quantity escaped through an emergency chute.

This had precipitated immediately into uranyl fluoride after mixing with water vapour in the air. Extensive tests done after the accident showed no detectable signs of uranium in the immediate environment.

The uranium gas spill occurred when a seal on a condenser container broke.

Gas for Columbus

STAR 11/12/92

By Stephen Cranston

Sasol's heating fuel division is building a R120 million pipeline to supply gas to the Columbus stainless steel complex and other industries in the Eastern Transvaal.

240 SS 183

The pipeline from Secunda to Witbank and Middelburg will be completed by September 1994.

Gascor, a subsidiary of Sasol, is SA's biggest producer and supplier of pipeline gas.

Contractors for the pipeline will be appointed after tenders have been requested.

Sasol pipeline gas has a low sulphur content, continuous availability and is clean-burning. No stock-keeping is necessary.

Sasol expects the pipeline to attract new industries to the Witbank/Middelburg area.

The pipeline will be installed underground, with no effects on the environment.

Uranium mishap at Pelindaba

W/Mail 11/12-17/12/92.

(55)

By EDDIE KOCH

A CLOUD of uranium leaked into the air after an accident in the Atomic Energy Corporation's (AEC) nuclear enrichment plant in Pelindaba on Wednesday.

A group of holidaymakers at a nearby picnic site on the Hennops River were evacuated at the time of the spill as a precautionary measure and workers inside the plant are being monitored to establish if their health has been affected.

Exact details of the accident have not yet been made public. At this stage it is not possible to determine whether the uranium that leaked into the atmosphere was radioactive or not.

The incident has been reported to the Council for Nuclear Safety in Pretoria as well as the International Atomic Energy Agency, as required by international regulations.

The Weekly Mail was tipped off about the accident after a member of Earthlife Africa received a call from an unnamed employee at Pelindaba.

The source says the spill occurred as a result of human error: automatic filter systems in the stacks at the plant were not switched on after a maintenance operation.

"Six condenser pipes and/or condensers burst, releasing more than a ton of uranium. Of this at least 200kg was released as a vapour through the stacks.

The rest was released into the buildings where it is lying around as yellow powder. People with protective suits are currently cleaning up the buildings," said the source.

The AEC late yesterday confirmed the accident but said that it posed no danger to employees or to the public, and that there had been no reason to introduce emergency measures. AEC chief executive Dr Waldo Stumpf said the extent of the spill had been exaggerated

"An accidental release of uranium hexafluoride occurred at the AEC's Pelindaba site on December 9 as a result of a flange seal breakage on a condenser," said an official AEC press release.

"The exact amount of material released will be determined later, but it is estimated that a maximum of 100kg was released.

"Uranium hexafluoride immediately reacts with moisture in the air resulting in the formation of solid uranyl fluoride. Therefore the effect of the release was mostly confined to the inside of the building. A small quantity of the material was, however, released to the atmosphere."

Professor Harold Annegarn, of the Schonland Research Centre at the University of the Witwatersrand, said the release of 100kg of uranium powder or vapour "was not a minor incident, a case of a 'whoops I dropped a test tube'".

Uranium hexafluoride gas used in the uranium enrichment process was "not particularly nice" and potentially dangerous to anyone in close proximity to the leak.

Annegarn said, however, that the plume would not pose a long-term environmental hazard as it was quickly neutralised by the atmosphere.

Henk Coetzee, representative of Earthlife Africa's Pretoria branch, said his organisation was worried by the significant differences between the AEC's media release and the information provided by its source.

"We are also concerned that a press release was only issued by the AEC after we pressed them for the issue to be made public.

It appears that the AEC are not willing to routinely release information that is important to the public as far as health and safety is concerned."

Coetzee said his organisation was campaigning against laws such as the Nuclear Energy Act "that allowed the AEC to hide behind legislation in order to withhold information from the public".

Council for Nuclear Safety representative Jonathan Cooper said the incident looked fairly dramatic because a large plume was emitted from the stacks and because the white powder "looked a bit like a snowstorm.

"The initial estimates of the leakage were a bit high at the point of the fault and a lesser quantity was leaked into the atmosphere."

By the time of going to press, the AEC did not respond to requests for details about the radioactive levels of the plume and the area over which the cloud had travelled.

SUNDAY TIMES, Business Times, December 13, 1992

Megaprojects will boost SA's economic growth

S/Times [BUSS] 13/12/92 (55)

By CIARAN RYAN

CAPITAL projects worth more than R14-billion have been announced within the last two months which will help to reverse South Africa's declining economic growth rate.

This week's announcement of the R3,5-billion Columbus Stainless Steel venture follows that of the R7,2-million Alusaf aluminium smelter, which together will generate annual sales of about R4-billion.

Other megaprojects which have been given the go-ahead include Engen's R800-million Genref refinery expansion and Anglo's R946-million Namakwa Sands and R1,7-billion Moab gold projects.

Private sector projects worth a further R15-billion are in the proposal stage. Once commissioned, these projects will add 10% to SA's fixed investment levels, generating annual sales of between R8-billion and R9-billion — equal to an annual economic growth rate of 3% in current terms.

"A 10% growth in investment levels translates into a 3% growth in the economy," says Frankel Max Pollak economist Mike Brown.

These private sector investments show that South African business is prepared to invest in its own country.

Mr Brown says a sustainable economic growth rate of 5% is achieveable within three years, provided a greater portion of national savings are diverted to direct investment in productive and development projects.

"We can achieve these growth rates if the capital markets are able to finance direct investments, such as low-income housing, to the tune of 2% to 3% of gross domestic product.

"Government must also switch from consumption to investment spending to the tune of 3% of GDP, or about R9-billion a year."

Model

SA's fixed investment is currently R54-billion. Institutional cash-flows were about R70-billion last year and should exceed R80-billion this year.

Life offices and pension funds are preparing a proposal which may divert a portion of these savings into development finance.

Minister of Finance Derek Keys is about to announce an economic model to vastly increase SA's investment levels in both capital- and labour-intensive sectors.

Capital-intensive projects, such as Alusaf and Columbus, are attacked by the IMF and World Bank because they create few jobs.

Columbus will create just 100 direct jobs and Alusaf less than 2 000, although tens of thousands of jobs will be created downstream.

Capital spending on existing gold mines, a major source of job creation in the 60s and 70s, declined from R2,7-billion in 1988 to R2-billion in 1991, and capex programmes are being deferred until the gold price shows signs of recovery.

More than 140 000 gold miners have lost their jobs since 1987.

Frankel Max Pollak's Mike Brown says the country needs both capital-intensive and labour-intensive development projects to improve the economy's ability to create wealth and jobs.

Projects such as Alusaf and Columbus will protect the balance of payments during the upcoming growth phase, while increasing the flow of capital to development projects will create jobs and distribute wealth among low income groups.

Since the mid-80s, SA's fixed investment levels fell from the IMF recommended target of 25% of GDP for developing countries to 16% this year. SA's investment rate, net of depreciation and after inflation, is currently 1,5% of GDP, says the PFI. This should rise to about 5%.

Another minerals beneficiation project under consideration is a R4,2-billion alumina, magnesia and potash production plant by the IDC. It could generate export sales of R1,6-billion a year, making SA self-sufficient in its use of these minerals and a significant exporter of magnesia and magnesia metals.

The IDC is currently constructing a demonstration plant for R100-million. If successful, a full-scale plant would come on stream in 1997.

Viability

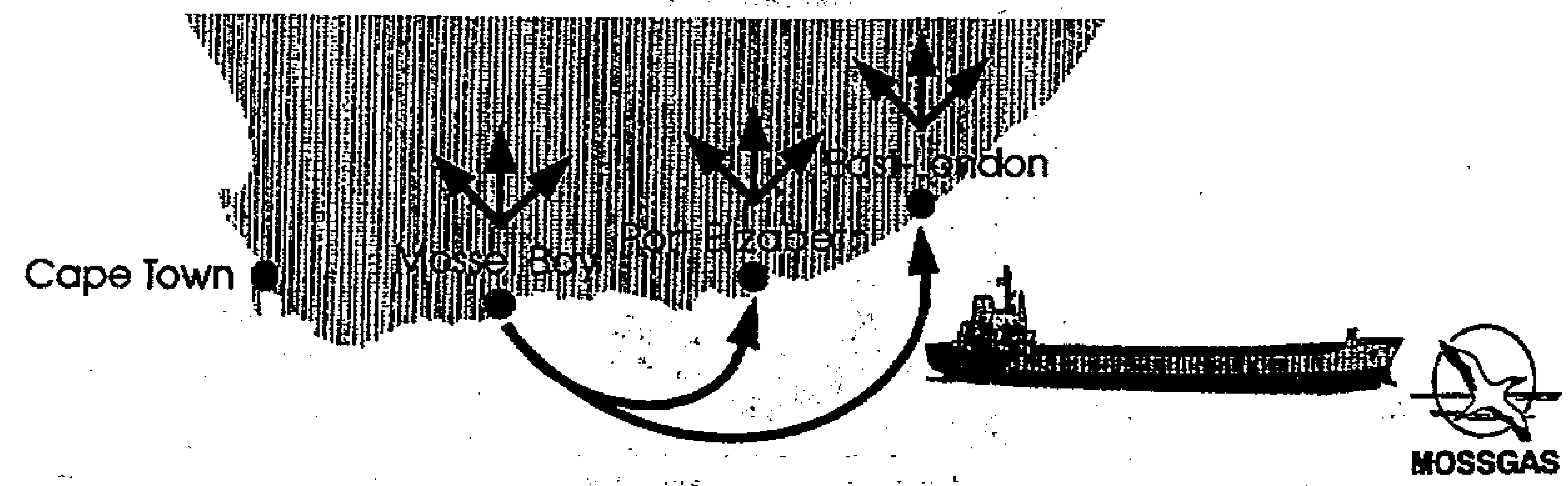
The IDC and Iscor are working on a project to convert iron ore to steel using the low-cost Corex process. The steel mill would cost about R3,3-billion, generating export sales of about R1,1-billion a year, with commissioning in 1997.

The IDC, Engen and Sentrachem are investigating the feasibility of downstream processing of Mossgas fuel with a projected capital cost of R12-billion.

This would improve the viability of the state-subsidised Mossgas plant and improve the country's foreign trade balance by about R2,5-billion, according to Malcolm Macdonald, senior general manager at IDC, in a presentation to the Euromoney Conference in London earlier this year.

Sasol has obtained Section 37(E) tax approval for several large projects from the Department of Trade and Industry.

Black gold from Mossgas project may save billions



Mossgas bonanza

Synthetic black gold has started to flow from the Mossgas fuel plant near Mossel Bay and could save many billions of rands in foreign exchange. 55

WILLEM STEENKAMP
Weekend Argus Reporter

THERE is a massive bonanza awaiting South Africa in the new year: The multimillion rand Mossgas plant near Mossel Bay comes on stream at full capacity for the first time, producing about 30 000 barrels of oil a day.

And over the next 30 years — the expected lifespan of the project — it is conservatively estimated that synthetic fuel produced at the plant will save South Africa more than R120 billion in foreign exchange, a saving that could be used to meet the burgeoning cost of housing, education and other pressing welfare needs in South Africa.

Further spin-offs from the project include the savings in transport costs which will run to about R30 million a year.

About 15 percent of Mossgas production will be distributed in the Southern Cape and

Mossel Bay and could save many billions of rands in foreign exchange. 55

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Further spin-offs from the project include the savings in transport costs which will run to about R30 million a year.

About 15 percent of Mossgas production will be distributed in the Southern Cape and the rest will be shipped to Port Elizabeth and East London from where it will be distributed elsewhere.

The first shipment of synthetic fuels is expected to be loaded at Mossel Bay within the next few days, bound for the Eastern Cape.

Another spin-off set to earn Mossgas about R55 million a year is the production of heavy and light alcohols for the export market. Mossgas is currently stockpiling alcohols and the first shipment is expected to leave for overseas in March.

Mr Harry Hill, public affairs manager at Mossgas, said other products that could earn Mosgass millions of rands include liquid oxygen, nitrogen, and carbon dioxide.

He said Mossgas management was pleased with current progress. Production was ahead of schedule and all the systems had been tested and were functioning well.

While Mossgas is now also producing by-products from its natural gas, it has been manufacturing some quantities of diesel and petrol from condensate, found in the gas fields, since the middle of this year.

But, during the first week of January, it is expected that the plant will run for the first time at full capacity, up from the 70 percent capacity at present.

There are 1 800 people employed at Mosgass, of whom 1 100 are permanent employees.

Mr Hill said the yield and quality of the synthetic oil produced from the synthol process was much better than expected.

The Mossgas project cost about R12 billion to complete and there has been some criticism about the price and the need for the project at all.

But, if the expected savings materialise, the project could be a major financial benefit for the region and the country as a whole.

■ If newly discovered gas fields off the Southern Cape coast are incorporated into the scheme, the lifespan of the project could be extended by many years and the saving in foreign exchange expenditure could be much higher.

Drilling on the sixth well in the existing FA field off Mossel Bay has reached its final depth of 5,3km and production from this well is expected to start early in the new year.

55 CT 17/12/92

Women cook up a storm for Eskom

Own Correspondent

JOHANNESBURG. — A group of women from the East Rand township of Vosloorus vented their anger at electricity switch-offs by turning Eskom offices into laundromats and kitchens.

A source close to the Vosloorus Civic Association said the women descended on the utility's offices in Germiston on Tuesday.

The source said four minibuses transported the women to Eskom's offices "where they did their cooking and ironing".

The women apparently connected their appliances to power sockets in the offices.

The source said the women had not been acting under instructions from the civic association.

Vosloorus has been without electricity for the past two weeks, allegedly because less than 10% of residents are paying accounts.

Eskom sales and customer services manager Ms Laetitia van Staaden confirmed the incident. She said the women were told they would have to deal with the Vosloorus Town Council as the service provider.

Ms Van Staaden said Eskom had proposed to the council that it lease Vosloorus's electricity distribution system at a nominal rental in return for supply rights.

In terms of the proposal, tabled at a meeting on Tuesday, Eskom would hold off its claim for about R30m owed by the council.

However, negotiations were on hold as the council is in recess and the agreement could not be signed before January 7.

In terms of the proposal, Eskom will sign individual contracts with end-users, a scheme already working in Tsakane, near Springs.

Changes 'opening new doors' for SA

BDAY 18/12/92

ROBERT WICKS

POSITIVE political changes in SA and increasing regional economic interdependence are opening new doors throughout Africa, says Engen CE Rob Angel.

Angel said in the new group magazine Energos that a key aim would be the creation of an integrated petro-chemical company able to serve the specialised needs of sub-Saharan Africa.

He believed the potential for major expansion was in exploration, production and chemicals.

"Progress upstream, in exploration and production, and downstream, in chemicals, are vital to the group's long-term survival.

"Opportunities will be pursued whenever considered feasible and strategically important to long-term goals."

Downstream expansion would focus on the development of a strong and viable chemicals division.

"The timings of the expansion of the chemicals division will depend on demand for chemicals. There is no sense in challenging international players unless market share is available."

Chemicals currently contributed 5,5% to group revenue.

Angel wanted Engen to aim for 50% self-sufficiency in crude oil supplies — the percentage major oil companies generally had.

"It is important, however, to keep the group manageable and maintain the growth of the core business," he said.

This would be achieved partly by concentrating expansion in exploration and production opportunities in existing development areas rather than undeveloped areas where the cost of entry was considerably higher.

"By the year 2000 Engen will have achieved an average earnings spread of 50-35-15 between marketing and refining, exploration and production and chemicals," Angel said.

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Drain

The R670m first phase expansion of the Generef refinery in Durban positioned Engen favourably for two further expansion phases necessary to create the capacity to serve local demand and new markets in Africa.

Although exploration and production were exerting a 5% drain on group income, Angel said these activities would become financially self-supporting in a reasonably short time.

In May this year Mobilannounced its name would be changed to Engen. Engen paid R650m for Mobil and inherited about R350m in liabilities, and an estimated R130m was spent on changing corporate livery and imaging.

Will Pelindaba start talks?

W/Mail 18/12 - 22/12/92

(55)

Pelindaba means 'the talking is over'. But an accident at the Pelindaba nuclear plant last week makes it clear that talks about public safety haven't yet begun.

By **EDDIE KOCH**

SPURRED by an accident at the Pelindaba nuclear plant last week — which sent a plume of uranium dust into the air above a nearby residential area — Earthlife Africa is planning a campaign against "draconian secrecy clauses" in the Nuclear Energy Act.

Said Henk Coetzee, representative of the Pretoria branch of Earthlife Africa: "We have been in contact with residents from Broederstroom near the Pelindaba nuclear reactor and, together with them, we are planning a challenge to a law which allows the minister of energy affairs to suppress vital public information in the case of a nuclear accident."

The organisation says that Dr Waldo Stumpf, chief executive of the Atomic Energy Corporation (AEC), last week refused to provide the organisation with data about the leakage of uranium dust into the atmosphere — as he is entitled to do in terms of the Nuclear Energy Act.

The AEC confirmed the incident last week, saying an accidental release of uranium hexafluoride occurred at the Pelindaba site on December 9 as a result of a flange-seal breakage on a condenser.

The incident was of a serious nature, requiring that it be reported immediately to the Council for Nuclear Safety as well as to the International Atomic Energy Agency.

"The exact amount of material released will be determined later but it is estimated that a maximum of 100kg was released," the AEC press release said. "Uranium hexafluoride immediately reacts with moisture in the air, resulting in the formation of solid uranyl fluoride. Therefore, the effect of the release was mostly confined to the inside of the building. A small quantity of the material was, however, released to the atmosphere."

Coetzee said Earthlife was aggrieved by the AEC's handling of the matter on three counts:

- Stumpf allegedly refused to provide Earthlife with information about the extent of the accident, or with data relating to the radioactive level of the uranium cloud that was released through stacks at the reactor plant.
- The AEC issued a press release only after the organisation had been tipped off about the accident by an employee at the plant. "If this had not happened, the public might never have been informed about the incident."
- Tough clauses in the Nuclear Energy Act give the government vast powers, through the minister in charge of nuclear energy, to suppress information about the nuclear industry.

Draconian secrecy ... Security is so tight that it would be illegal to publish a photograph of the Pelindaba plant

The Act requires that the AEC report all accidents and abnormal occurrences at nuclear installations to the Council for Nuclear Safety. The latter is a statutory body which monitors the activities of all organisations licensed to handle radioactive materials, which can then appoint inspectors and make public information relating to the event.

But environmental lawyer Peter Lazarus, who works for a consultancy called Environmental Options, notes an extraordinary clause in the Act which states that whenever the minister believes it is in the interests of state security, he can act in terms of the legislation without revealing what he has done, and without giving reasons.

Except for certain information in respect of nuclear accidents, he can also exempt the AEC or anyone from any provision of the Act.

Lazarus adds that although the AEC and the Council for Nuclear Safety are set up as normal companies, they are exempt from the provisions of the Companies Act, and are thus constituted above the law.

"Under the law, the government is required to gazette information about dangers posed to the public only when the AEC is unsure whether there are people in an area that has been identified as a danger zone."

Other clauses in the law, Lazarus notes, prevent publication of information relating to "anything done by or on behalf of the minister or the corporation or any subsidiary company" in the exercise of their powers. Licences are granted to the AEC for various purposes, but Lazarus says it is alarming that the public has no access to the conditions attached to the licences, and thus could not know whether they were being complied with.

Although, through the Council for Nuclear Safety, the Act tried to establish a separate body to monitor the safety of the nuclear industry, the very close relationship between the council and the AEC made this impossible, Lazarus adds.

Earthlife intends to write to President FW de Klerk to lodge a protest about these sweeping secrecy clauses and urging him to review the legislation as a matter of urgency.

Nic Ligthelm, public relations officer for the AEC, acknowledges the law allows his corporation to withhold information from the public, but stresses it was aimed at protecting the nuclear industry from sanctions and sabotage: "It was never the intention of the Act to screen matters relating to health and safety from the public. You must remember that this law has its origins in a period when there were strict sanctions against the nuclear industry in the country. It is unlikely that the minister or the chief executive would withhold information of this nature."

Asked if last week's accident would have been reported had it not been leaked to Earthlife by an employee, Ligthelm said it was not routine practice to issue press statements about occurrences reported to the Council for Nuclear Safety.

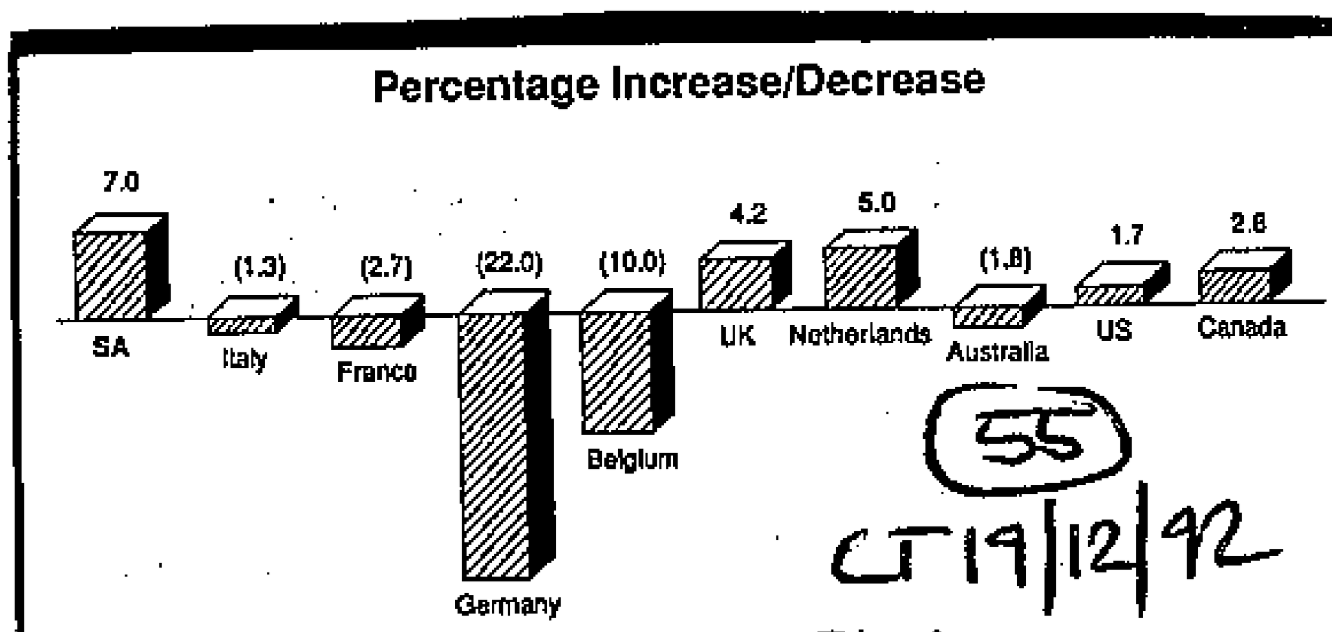
"But if that's what the public wants, then we will issue these statements regularly. We do not want to hide anything and I will talk to Dr Stumpf about making regular press statements about these matters."

Earthlife remains unhappy about these guarantees. It points out that the AEC relied on the discretion of a few powerful individuals, rather than a statutory obligation to report details of nuclear accidents to the public.

"The public has a right to know about environmental matters that may affect their health and safety," says Coetzee. "This right should be enshrined in the constitution and the law."

A request from *The Weekly Mail* for data from the AEC's computer dispersion model about the movement and radioactivity levels in the uranium cloud released from the stacks at Pelindaba (which means "the talking is over") last week was turned down on the grounds that this would be "classified" information. However, when pressed on the matter, Ligthelm said he would request permission for this data to be made available once a report had been submitted to the Council for Nuclear Safety.

Stumpf was not available to comment on claims by Earthlife that he had refused to make this information available to the organisation and, through them, to residents living near Pelindaba.



(55)

CT 19/12/92

SA gas prices soar

Business Staff

GAS prices in SA have risen by an unweighted average of 7% in the past year, according to an international price survey carried out by National Utility Services (NUS).

This was the highest increase among 11 industrial nations included in the survey.

And, says NUS' Rob Mackenzie, taken in conjunction with rising electricity and water costs it means upward pressure on the producer price index (PPI) which must eventually push up the consumer price index (CPI).

"Clearly it bodes ill for local gas users in that, as a factor of production, gas prices are increasing faster than the international norm — and from a higher base," commented Mackenzie.

"Those industries which are gas dependent are therefore likely to be hardpressed to compete with their international counterparts.

"It also means that gas dependent companies supplying the local market will find themselves increasingly under additional cost pressures.

"No amount of assurances from economists that the inflation rate is falling will cancel out the fact that SA gas users will have to compensate for their rising input costs with increased product prices."

The NUS survey shows that SA has the third most expensive gas in the world, with an unweighted average price of R28,55 per gigajoule.

Sweden has the most expensive with R36,62 and Italy comes second with R29,10.

Price of fuel set to rise

(55)

By CP Correspondent

The price of petrol and diesel will probably be increased early in January by about 10 cents per litre. CPress 20/12/92

Concern has been expressed that this will lead to price increases throughout the economy.

The price was expected to be increased after the school holidays in early January. The Department of Mineral and Energy Affairs said on Friday that the Cabinet had to approve the increase. At the earliest, this could only happen on January 6 when the Cabinet would meet for the first time after the summer holidays.

A month ago, the Afrikaanse Handelsinstituut said that the increase was unavoidable.

AA's call to scrap petrol 'Rat Plan'

(SS)

S T Times (Buss) 20/12/92.

By CIARAN RYAN

THE Automobile Association has called for the deregulation of the oil industry, on the grounds that the need for controls is no longer present.

It says there is evidence that deregulation in other countries had more benefits than disadvantages.

In a report on the SA oil industry, the AA has called for the scrapping of the Retail Rationalisation Plan — the "Rat Plan" — which "affords the traditional major companies absolute protection of market share while the profits of the industry are protected".

The "Rat Plan" was introduced to limit the number of service stations and so ensure their viability and dealer profitablity. The plan protects the retail industry against new entrants, such as chain stores and super-markets.

Sword

The proscription on oil companies operating their own service stations "is not consistent with the principles of free enterprise".

"The protection is understandable if the majors were supplying crude and making investments in SA," says the AA. "Crude, however, is mostly imported by government agencies and no significant investments have been made by the multinational oil companies in the last number of years.

"In addition, it can fairly safely be assumed that with the disinvestment sword hanging over the international companies' heads they are declaring maximum dividends."

The AA notes that 50% of the country's refining facilities and 70% of marketing activities are under international control, although the trend is towards local buy-outs of foreign shareholdings. Most recently, Engen bought control of Mobil, and the report says Caltex might become the next target for a takeover.

'Cartel'

Although multinationals came under extreme pressure to disinvest, they remained in SA because of the high levels of profits being made, virtually all of which is repatriated as dividends.

The AA says that, with regard to pricing, the SA oil industry is "a cartel chaired by government".

"The overall profitability of the oil industry is monitored and profit margins on individual products then established to maintain this profit level within certain parameters."

The report says oil companies, at present exempted from the Competitions Act, should only have exemption regarding product supply and refining.

Once the international oil boycott against SA is dropped, local oil companies should buy crude and refine it in competition with each other.

"Crude is purchased by agencies at undisclosed prices, while selling prices of refined products are based on a deemed import cost from Singapore."

The AA says the profit margin permitted the oil companies remained static for 25 years. In 1979, the government introduced a levy of 14c a litre to pay for the development of Sasol and since then assumed control over the pricing of all petroleum products, not just petrol.

In a decontrolled market, international oil prices would play an important part in local price determination, and would not, as at present, be derived from the price in one isolated market — Singapore.

Expensive

The AA says that because synthetic fuels are similar to those derived from crude, charging "an international price is not unrealistic", although the cost of producing synthetic fuel is at present more expensive than the same products distilled from crude — otherwise Sasol "would not have had any justification for the subsidy they receive from government".

Sasol is currently selling products to other oil companies at a deemed import cost. Oil companies are compensated for this loss of refining revenue through what is known as synthetic fuel element.

The report says Sasol could be excluded from the formula used to calculate fuel prices by valueing synthetic products on a cost plus basis.

Because of the different cost structures, prices of synthetic products — as opposed to those derived from crude — may differ greatly and affect the SA economy adversely, a process which the AA says is already occurring "as Sasol subsidies are paid from levies imposed on fuel prices", a cost borne by the economy.

Third World energy plan fails to fuel upliftment, says report

BIDAM 21/12/92 (55)

GAVIN DU VENAGE

LARGE investments in energy are leaving Third World countries heavily indebted, without the benefits of expanding industries, job creation and higher living standards, the Washington-based Worldwatch Institute says in its latest report.

The report said developing countries, in trying to emulate the wealthier industrialised nations, had spent hundreds of billions of dollars on energy supply.

Some countries, like Costa Rica and Brazil for example, used one quarter of all their foreign borrowings to pay for energy and related infrastructure.

Energy use in developing nations had quadruppled since the '60s, on the assumption that it was the primary characteristic of developed countries.

However, wealth disparities had increased, and in Latin America, where some of the world's largest energy projects had been built, three-quarters of the population saw its per capita income fall.

Living standards were further battered by strategies used to pay off debt, and much of the income needed for payments came from the exports of energy-intensive products, such as aluminium.

While the disparity between the developing and developed nations had to be closed, it was clear this could not be done simply through expanding energy supplies, the report said.

The solution, said the report, was to move from industrial to service energy provision: in other words for cooking, lighting, and increased agricultural productivity.

A sum of $350bn invested in efficiency improvements over the next 30 years could eliminate the need for $1,75-trillion in power and oil plants and other infrastructure, freeing money for other, more neglected investments.

Failure to look for alternatives, warns the report, "would lead only to stagnant development prospects for most of the people on the planet".

PWV motorists 'pay too little for petrol'

PETER DELMAR

(55)

22/12/92 Citizen

THE rate of underrecovery on petrol and diesel continued to grow in November, putting fuel prices under further pressure.

The Mineral and Energy Affairs Department said yesterday PWV motorists paid an average 9,905c/l too little for petrol in November — up from 8,173c/l in October.

The diesel underrecovery was 11,459c/l — the highest this year and more than three times the figure for June.

The department said a slight decrease in international market prices was offset by a weakening of the exchange rate, which increased landed prices in November. Unit underrecoveries were realised on all petrol and diesel grades.

The average rand/dollar rate weakened from R2,8854 in October to R2,9967 in November, and the average landed cost of 93 octane petrol rose from 52,915c/l in October to 54,647c/l in November.

The landed cost of diesel increased from 54,369c/l in October to 57,509c/l in November and an average unit underrecovery of 11,459c/l was realised in November.

The Afrikaanse Handelsinstituut has warned that petrol and diesel prices could increase by 10c/l next year.

STAR 22/12/92

Petrol still 'too cheap'

55

The average landed cost of petrol and diesel in SA increased in November despite a weakening in the world market prices.

The Department of Mineral and Energy Affairs yesterday ascribed the increase in the landed cost to a further weakening in the rand-dollar exchange rate.

Consequently the average landed cost of 93-octane petrol increased from 52,915 c/l in October to 54,647 c/l in November.

The unit underrecovery increased to 9,905 c/l from 8,173 c/l in October after the latest fuel price hike.

The AHI said last week that the price of petrol and diesel could increase by 10 c/l next year. — Sapa.

ANC airs nuclear suspicions

DIRK HARTFORD SS

23/12/92 Sowetan

THE ANC said yesterday it suspected SA might still be involved in secretive nuclear activities.

ANC spokesman Carl Niehaus told a news conference the process of building South Africans' confidence in the democratic process was being undermined by government's "ambiguous answers" and clandestine activities on nuclear matters.

Niehaus said the ANC had learnt that International Atomic Energy Agency inspectors (IAEA) recently visited an abandoned facility known as "Building 5000" at Pelindaba and found equipment used to work on the shape of spherical fissile cores for a nuclear explosive device.

The ANC — drawing its information from reports in respected nuclear industry journals from Europe and the US — claimed the IAEA had determined SA had secretly produced several hundred kilograms of highly enriched uranium.

This, Niehaus said, "indirectly confirms" SA had an active and secret nuclear development programme with the capacity to arm about 25 nuclear weapons.

The US was also reported to have asked SA to declare that it had a nuclear weapons programme, the ANC said.

But Atomic Energy Corporation chairman Wynand de Villiers denied the allegations and said the international community was "quite happy" there were no activities in SA related to nuclear weapons.

De Villiers said since SA signed the international Nuclear Non-Proliferation Treaty in July last year there had been 70 visits to SA by the treaty's inspectors, who had carried out more than 435 inspections.

In terms of the treaty, the inspectors may investigate any nuclear activity, facility or material in the country.

Inspectors had asked to see the site in the Kalahari where SA was alleged to have tested a nuclear device, as well as "Building 5000" at Pelindaba, he said, adding they were satisfied that no nuclear activities

To Page 2

Nuclear

Blown 23/12/92

SS

From Page 1

had been carried out at these sites in the past 10 to 15 years.

De Villiers said the Pelindaba building had been used for nuclear experiments in the late '70s when testing was being done for a proposed nuclear power station. But the project had been abandoned because of a lack of money.

He said information on the amount of SA's nuclear material was not publicly available, but the "nuclear weapons states" — the UK, US and Russia — were fully informed of SA's situation.

He said it would not make sense for SA to sign the non-proliferation treaty and to try to maintain a clandestine nuclear agenda. It was government's policy to support the establishment of a nuclear weapons-free zone in Africa and SA had no intention of manufacturing nuclear arms, nor did it have any, De Villiers said.

The ANC said it had long been opposed to the building, stockpiling and use of nuclear weapons. Niehaus said control of nuclear facilities would be taken up at an early opportunity by an interim government. The ANC called on government to admit to the full extent of its nuclear weapons programme and weapons grade uranium stockpile.

Eskom's team at yesterday's media conference included, from left, corporate communications manager Bongani Khumalo, Johannesburg distribution manager John Bradbury, East Rand sales and customer service manager Laetitia van Staden and national electrification negotiations manager Martin Opperman.
Picture: ROBERT BOTHA

Rush for fuel as pumps run dry in Bulawayo

MICHAEL HARTNACK

HARARE — Filling stations in Bulawayo were yesterday desperately seeking fresh supplies of petrol and diesel after the state-run national oil company failed to make deliveries to local depots of major commercial oil companies.

B/DAY 23/12/92

As word spread of pumps running dry, there was a rush by motorists, reminiscent of the nationwide 1982 crisis when overnight queues formed at garages.

Despite recent heavy rains breaking the worst drought in decades, there is still a water shortage in Zimbabwe's second city, with households rationed to 400l a day.

Meanwhile, hungry villagers surviving on the government's monthly 5kg maize meal handouts have braved armed police guards to attack maize shipments from SA near Mwenezi.

Hordes of villagers recently swarmed onto a train 140km south of Masvingo and made off with considerable amounts of the estimated 1 000 tons cargo.

Local Zanu (PF) leader Joel Machava blamed erratic delivery of government drought relief for the upsurge in theft from trains.

Sapa-Reuter reports that police in Harare confirmed the incident.

Zimbabwe has been in the grips of a drought which forced more than 5,4-million people, half the country's population, to depend on government food handouts.

Eskom seals Congo deal

(55) PETER DELMAR

ESKOM said yesterday it had concluded a co-operation and technical assistance agreement with the government of Congo, the 17th African state to open its doors to the utility.

B/DAY 23/12/92.

Eskom also announced that its CE Ian McRae would hold talks early next year with Uganda and Egypt.

In terms of an agreement to be signed early next year, Eskom and the Congolese government and its Societé National d'Electricité (SNE) will co-operate in a number of fields. These include training and development of staff, a technical study on the Congo's power systems, improving the reliability of SNE's power supply, assistance with protection against lightning, and rural and urban electrification.

Eskom said McRae had "expressed satisfaction with the latest milestone achieved in the establishment of an economically robust and socially stable southern Africa and indeed Africa, supported by effective and inexpensive electrical energy".

Eskom recently signed a similar co-operation agreement with Tanzania. It has started talks on co-operation with each of the 12 SADC states and has formal co-operation agreements with Zambia and the Ivory Coast.

Council resists takeover bid

THEO RAWANA and STEPHEN COPLAN

ESKOM yesterday told the Vosloorus Town Council to hand over the running of electricity services to the utility before January 7, or face court action over the R40m it owed.

The council refused to restore the electricity supply to residents even after Eskom had offered to supply it free to the East Rand township until January 7 as a gesture of goodwill.

Eskom's Johannesburg sales and customer service manager John Bradbury told a news conference in Johannesburg yesterday the Vosloorus Civic Association members, who were staging sit-ins and threatening hunger strikes at Eskom's Germiston offices, were targeting the wrong people.

The council was to blame for the crisis, Bradbury said.

At another news conference, Vosloorus councillor Sidwell Mofokeng said his council had decided to restore electricity and services to the township for 10 days only.

B/DAY 23/12/92

The takeover issue was raised two years ago when it had become clear that the council was unable to pay Eskom. But up to now, the council had refused to sign the agreement, Bradbury said.

Eskom corporate communications manager Bongani Khumalo said: "Once the council signs the agreement, the legal action will be rescinded and the R40m debt put aside."

Sapa reports that Vosloorus Civic Association president Ali Maziya said it was unlikely that residents would pay the R100 service charge required as they had decided in November to pay only R20.

He said most residents had paid their electricity charges in accordance with a 1991 agreement between the civic association and the council.

He claimed the council cut off electricty supplies three weeks ago to force residents to pay for other services such as water and refuse removal.

Residents refused to be blackmailed by electricity cuts into paying for these services. They demanded the establishment of a commission of inquiry to investigate claims of corruption and maladministration in the council, Maziya said.

Vosloorus residents will picket the council's offices today, demanding the council sign an agreement allowing Eskom to supply electricity directly to residents and the immediate resignation of all councillors.

Zimbabwe fuel shortage over

ST(?) 23/12/92

HARARE — South Africans planning to drive to Bulawayo for the holidays need not worry about the petrol shortage there.

The shortage arose this week because of the train crash in the northern Transvaal which interrupted the delivery of oil supplies from South Africa.

Bulawayo has been getting its petrol through Beitbridge while supplies for Harare come from Beira through a pipeline.

The National Oil Company said there were adequate supplies. Petrol and diesel are being sent to Bulawayo from Harare until supplies through Beitbridge are resumed. — Star Africa Service.

news in brief

Eskom supports residents

55

ESKOM has given its support for residents of Vosloorus in the ongoing electricity crisis in the township. Sowetan 23/12/92

At a Press conference at their Braamfontein offices yesterday, Eskom officials denounced the actions of the Vosloorus Council and said the council was punishing innocent people by indiscriminately cutting off electricity supplies to the East Rand township.

Eskom reaffirmed its commitment to help solve the problem, but stressed that the dispute was essentially between the residents and the council.

Meanwhile, the Vosloorus Council announced yesterday that the electricity supply to the township had been reconnected subject to residents paying R100 for service charges by December 28.

Makena was sacked - TTA

Sowetan 23/12/92

THE Transvaal Taxi Association said yesterday Mr Enos Makena was expelled from the TTA's executive and did not resign as he had claimed.

Makena said on Tuesday he was resigning from the SA Black Taxi Association because Sabta's executive was merely a rubber stamp body. However, the TTA said Makena was expelled by the disciplinary committee after he had refused to distance himself from newspaper reports ascribed to him which brought the TTA into disrepute. His expulsion from the TTA also affected his position on the Sabta executive committee.

SA could fuel 25 nukes, says report

W/Mail 23/12 - 29/12/92

(55)

South Africa is capable of fuelling at least 25 nuclear warheads. This, and other disclosures made by the ANC yesterday, add to the deep concern about the government's secret nuclear weapons programme.

By **EDDIE KOCH** and **PAUL STOBER**

SOUTH Africa has secretly produced more than 200kg of highly enriched uranium — enough to fuel 25 nuclear warheads — at the Atomic Energy Corporation (AEC) research complex in Pelindaba, according to the African National Congress.

The ANC says international inspectors also recently found equipment used to manufacture parts for a nuclear explosive device at an abandoned plant near the Pelindaba complex.

A team from the International Atomic Energy Agency (IAEA), which recently visited this country on a short-notice inspection, allegedly found assembly technology, testing gear and metallurgical equipment used to make "fissile cores" for nuclear bombs at an abandonded site near Pelindaba.

The ANC cited a report from the journal *Nucleonics Week*: "The site, located just south of the Pelindaba uranium enrichment complex, has long been suspected by Western governments as having served as a nuclear weapons development centre during the 1970s. The IAEA visited the site on short notice ... on the basis of information provided by a member state."

The organisation added that the American Central Intelligence Agency had recently released a report, in terms of the Freedom of Information Act, which showed the current chairman of the AEC, Dr Jacobus de Villiers, had been directly involved in weapons design at the Pelindaba research centre until 1979.

Nic Ligthelm, spokesman for the AEC, said yesterday he could not comment on whether the corporation had produced weapons-grade enriched uranium. However, he said: "If evidence about this has been produced, such stocks will be included in the inventory submitted to the IAEA. All material in stock was included, but I personally don't know if the inventory included weapons-grade enriched uranium."

He stated that the plant south of Pelindaba was mothballed many years ago after being used for a reactor development programme. Claims that equipment capable of manufacturing nuclear bombs was stored there were "devoid of all truth".

"As far as I know, Dr de Villiers was never involved in a weapons development programme," Ligthelm added.

Asked if South Africa ever had a nuclear weapons programme, he replied: "I am not able to respond to that."

The ANC said yesterday: "The National Party government must declare the extent of its nuclear weapons programme now. To continue its policy of secrecy and uncertainty amounts to holding the people of South Africa hostage to a possible nuclear threat.

"The ANC has long been opposed to the militarism of the apartheid regime. We have stated our opposition to the building, stockpiling and use of nuclear weapons."

Another report by *Nucleonics Week*, included in a package released yesterday by the ANC, alleged that an IAEA team discovered South Africa had clandestinely produced "several hundred" kilograms of weapons-grade uranium during the 1970s and the 1980s. IAEA safeguard experts were quoted as saying that more than 200kg of highly enriched uranium were produced at the pilot enrichment plant at Valindaba's so-called Y plant.

"The amount of weapons-grade uranium produced at this plant may well be in excess of 400kg ... Since South Africa signed the Nuclear Non-proliferation Treaty (NPT) and declared an initial inventory of fissile material to the IAEA last year the IAEA has been at work verifying the inventory declaration," the report said.

"Sources said that the large highly enriched uranium inventory has indirectly confirmed that South Africa had an active and secret nuclear weapons development programme, since no South African (civilian) nuclear facility required uranium enriched to levels above 45 percent U-235."

Information allegedly obtained by the IAEA's inspectors showed that up to 400kg of U-235, the scientific label for radioactive uranium, had been enriched to levels ranging between 60 and 90 percent.

"Given new estimates of the amount of fuel needed for a country to make its first nuclear weapon — Iraq planned to make a fission bomb with about 15kg — South Africa's presumed highly enriched uranium inventory could fuel about 25 nuclear weapons," the journal said.

In 1979 an American satellite detected a nuclear flash off the Cape coast, leading to widespread speculation that this was South Africa's first detonation of a nuclear bomb.

Since then the CIA, which is deeply concerned about the potential for nuclear proliferation in the Third World, has periodically leaked information about South Africa's alleged nuclear weapons industry. In 1990 CIA sources revealed that South African and Israeli scientists were collaborating to manufacture a long-range ballistic missile capable of carrying nuclear-tipped warheads, at a site near Arniston in the western Cape.

In October this year, the Department of Trade and Industry announced it was planning to introduce a Bill in 1993 designed to ensure non-proliferation of nuclear weapons in this country. A draft of the Bill has already been published in the *Government Gazette*.

"South Africa possesses technology, abilities and products, some of which the international community considers to be sensitive in nature because these can be used, or misused, for the manufacture of weapons of mass destruction," the department said.

"Consequently, it is expected the international community will exert substantial pressure on South Africa to exercise control over these technologies, abilities and products, in order to restrict proliferation. Without this control, trade with our traditional trading partners could be severely affected."

South Africa signed the NPT last year. But the government is not obliged, under the terms of the treaty, to state if it pursued a nuclear weapons programme in the past or if it now possesses nuclear warheads.

"The De Klerk government and the AEC must reveal to all South Africa and the international community the nuclear programme that it has pursued in the past, and is still pursuing," commented the ANC yesterday.

"We believe that secret control of nuclear facilities, of undeclared stocks of weapons-grade material, and possible nuclear weapons ... holds potential dangers for the people of our country and the whole southern Africa region."

The ANC added it would try to ensure that a future government abides by the Organisation of African Unity's policy of turning Africa into a nuclear-free zone.

Ligthelm confirmed that South Africa was not obliged, in terms of the NPT, to give information regarding radioactive material produced prior to October 31 1991. However, he said the IEAE had been given operation records from all enrichment plants at Pelindaba and would be able to determine from these whether or not uranium had been enriched to weapons-grade level.

De Klerk has destroyed his power base — generals

W/Mail 23/12 - 29/12/92

By JAN TALJAARD

THE steps taken by President FW de Klerk against members of the South African Defence Force are "totally inexplicable", says former chief of Military Intelligence and influential rightwinger General Tienie Groenewald.

His voice is one in a growing chorus from rightwingers who have expressed their dismay at the forced retirement of 23 SADF officers announced at the weekend.

Groenewald, who resigned from the SADF two years ago because of his strong rightwing views, said that among the senior officers who were forced into retirement were some staunch supporters of the National Party. Contrary to standing orders that SADF members may not be involved in party politics, one of them had even actively promoted a "yes" vote before the referendum this year, he said.

Groenewald's claims echo those of one of the axed men, deputy chief of staff intelligence Major General Chris Thirion, published in *Beeld* on Monday. Thirion was quoted as saying that he could not understand why the axe fell on him, as he had always supported the political initiatives of De Klerk.

Groenewald said he still keeps close contact with many of the officers who served under him in MI, and that he knew of no plot or concerted effort to block De Klerk's reforms. Those officers who, like himself, were against the direction taken by De Klerk had resigned from the SADF some time ago, he said.

The way in which the steps were announced was "totally unacceptable," he added. "To publicise them at an international news conference without having given the involved parties a chance to defend themselves against these allegations was utterly dishonourable.

"I have never before seen a government destroy its own power base such as this one is doing. While the country is steadily moving towards complete chaos, the government has effectively neutralised the SADF's intelligence capabilities by removing the eyes, ears and nose of its defence force."

THE WEEKLY MAIL

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Veteran anti-apartheid campaigner ... Helen Joseph (left) was still addressing meetings until three years ago Photo: ANNA ZIEMINSKI

Helen Joseph critically ill

By JACQUIE GOLDING

VETERAN anti-apartheid activist Helen Joseph is lying critically ill in the intensive care unit of the Johannesburg Hospital after suffering a severe stroke a week ago at her Norwood home. On Tuesday, as *The Weekly Mail* went to press, she was understood to be in a coma.

For the past five decades, the 87-year-old Joseph has been a key symbol of the struggle against apartheid.

"From the late 1940s, Helen consistently opposed apartheid," said African National Congress spokesman Carl Niehaus.

"The total period of her bannings and house arrests was 20 years and she has been consistent in championing the basic ideals of the ANC."

Instrumental in the formation of the ANC-linked Congress of Democrats and the Federation of Transvaal Women in the early 1950s, Joseph was one of the leaders of the famed anti-pass march on the Union Buildings by 20 000 women in 1956. With many other Congress Alliance members, she was an accused in the Treason Trial.

Joseph assisted families who had members in exile and in prison, helping Winnie Mandela and the children while Nelson Mandela was imprisoned on Robben Island.

"Between her banning orders, she visited those who had been banished, as well as establishing structures for those in need of food and shelter," added Niehaus.

Joseph has written three books, including *Tomorrow's Sun*, which tells of her travels in early years and consoles those embittered and separated from their families. Her autobiography, *Side by Side*, whose title is taken from the Freedom Charter, is Joseph's latest work, written in 1986.

Joseph was twice honorary president of the National Union of South African Students (Nusas) and secretary-general of the Federation of South African Women.

"She has always kept people in mind and it was a ritual to have Christmas parties at her place where a moment of silence was dedicated to those imprisoned and exiled," said Niehaus.

Joseph continued to address meetings after both a heart attack and an earlier stroke, but ceased three years ago because her voice could not take the strain.

Her last banning order expired when she was 79 years old.

Man of the land

THE government this week made a surprise appointment to the Advisory Commission on Land Affairs. Mr Justice Sydney William McCreath was appointed chairman of the commission on Monday, squashing speculation that acting chairman Nic Olivier, of the Democratic Party, would step into the vacancy.

The judge has no history of involvement in land affairs, but the government is eager to have a judge at the helm to give status to the commission.

"Olivier would have been a good appointment, especially for cor. 'nuity," commented a source in the National Land Committee this week.

New petrol to cost less

55

ARG 26/12/92

■ Unleaded petrol will start flowing from South African pumps by mid-1995, but there are fears the change to unleaded fuel is unnecessary, and the cost of introducing unleaded petrol locally could devastate the hard-pressed economy.

WILLEM STEENKAMP
Weekend Argus Reporter

THE introduction of unleaded petrol on the South African market will cost billions of rands, but little of this will be borne by motorists, initally at least.

Unleaded petrol will, as has happened abroad, probably be sold at a lower price than leaded petrol to promote the sale of this so-called environmentally friendly fuel.

There has been criticism that the impact of leaded petrol on the environment is so small it poses no health risk. This issue is being used as a lever to ensure the introduction of unleaded petrol locally, to the benefit of the motor and energy industries.

This was denied by a Department of Mineral and Energy Affairs spokesman. "Although environmental issues played a role in the government's decision to introduce unleaded petrol, this was not the main reason.

"Unleaded petrol has been introduced in nearly all the countries of Europe, as well as in Japan, America, Germany and other countries are soon to follow. Should South Africa not follow suit, we will be left behind in the technological advances made throughout the motor manufacturing world will pass us by.

"And the important point is that the introduction of unleaded petrol will not mean that leaded petrol will sumarily be withdrawn from the market. People will still have the choice of buying either leaded or unleaded petrol at service stations."

He said that unleaded petrol would probably initially be sold cheaper than leaded petrol in order to market the fuel successfully. The impact on the economy and the consumer will be lessened because the change-over is being phased in over a number of years. He declined to give figures on the financial implications of the changeover.

The lead content in South African petrol has already been decreased from a high of 0,8 grams a litre in 1989 to 0,4gm/l and studies done then indicated no measurable impact on the blood lead levels in children. High blood lead levels have been found to cause intellectual and development delays, anaemia and even death.

Mr Johan van Vreden, head of the Vehicle Technology Division of the Automobile Association of South Africa (AA) said the effect of petrol fumes on air pollution in this country was not significant, except in some densely populated areas.

While there was no doubt that the introduction of unleaded petrol was necessary in the long run, he said, it should have been delayed until the year 2000 because of the current difficult economic situation.

"To keep in line with the rest of the developed world, unleaded petrol must eventually be introduced in South Africa. But our traffic density is not nearly as severe as in European countries and a more gradual phasing in would have been more appropriate.

"With unleaded fuel further refining is necessary to remove the lead from petrol, raising production costs. People who want to run existing cars on unleaded fuel will have to have fuel intake systems and cylinder heads modified and new engines will have to be purpose built," said Mr Van Vreden.

Not so, said Mr Roy Davies, national chairman of the Motor Traders' Association of South Africa. "Our impression is that unleaded petrol will be sold more cheaply than leaded, and also many of cars produced for the South African market in the past few years can run on unleaded petrol.

"But if a catalyctic converter has been fitted to convert an older car to allow it to run on unleaded petrol, putting leaded petrol in by mistake will seriously damage the electronic equipment, and repairs could run into thousands of rands.

"Unleaded pump nozzles are likely to be made a different size, and the opening of unleaded car's petrol tanks will probably be made smaller, to ensure the wrong petrol is not used by mistake."

Mr Davies said the change-over to leaded petrol would have a major financial impact on refineries, the motor manufacturing industry and to a lesser extent the car owner.

"But South Africa can ill aford to be left behind the rest of the world in the development of new high tech fuel technology. This together with the impact unleaded petrol has on the environment, makes the decision to sell unleaded petrol the right one," he said.

Mr Albert Schuitmaker, assistant director of the Cape Town Chamber of Commerce, said the Chamber welcomed the introduction of unleaded petrol, but it would have major financial implications.

"If South Africa wants to be seen as environmentally concious and wants to keep abreast of technological developments, this is the right step especially if we want to remain a major player in southern Africa and want to export cars to other countries."

Eskom favours the lean machine

CT 28/12/92

Own Correspondent

JOHANNESBURG. — Eskom favours the establishment of five to 15 utilities, devoted solely to power distribution, taking over from the more than 500 suppliers currently operating.

GM Jan de Beer said in an interview that SA could no longer afford the duplication of distributors and this was a viewpoint Eskom would be pressing at the national electricity forum which it is hoped would be established in the new year.

Eskom is a major player in the multiparty forum which will probe the future of SA's electricity supply industry.

De Beer said Eskom believed the supply of electricity should be regionalised. This could be affected by some of the larger municipalities getting together.

At the beginning of the year Eskom had about 200 000 customers, fewer than the muncipalities of Durban and Johannesburg. By taking over supply to households in Soweto and other black municipalities, however, Eskom now had about 500 000 customers, making it the country's largest single distributor.

De Beer said it was incorrect that Eskom was eager to get rid of its distribution role. It was likely that it would at least continue to play an important role in rural areas.

The ideal would be for the electricity distributors to be dedicated energy suppliers and not to be involved in other services.

BIOM 28/12/92

Shortfall in uranium

URANIUM production has been undershooting projected reactor requirements in the industrialised countries since the mid-1980s, and the shortfall is likely to continue through the rest of the decade, according to a report released in Paris last week by the Nuclear Energy Agency. 55

The report says ~~annual~~ uranium production capacity is expected to rise in the early 1990s after declining sharply between 1998 and 1990.

Eskom moots new power structure

B10DAY 28/12/92 (55)

PETER DELMAR

ESKOM favours the establishment of five to 15 utilities, devoted solely to power distribution, taking over from the more than 500 suppliers currently operating.

GM Jan de Beer said SA could no longer afford duplication of distributors. Eskom would press this viewpoint at the national electricity forum which it is hoped would be established in the new year.

De Beer, who is also an Eskom delegate to the forum, said the body's interim management committee was continuing to meet and would do so again this week.

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De Beer said it was not true that Eskom was eager to get rid of its distribution role. It was likely that it would at least continue to play an important role in rural areas. The ideal would be for the electricity distributors to be dedicated energy suppliers and not to be involved in other services.

But it was unlikely that a single model would fit all situations in the country. Amix of business and domestic consumers and for some measure of cross-subsidisation to occur between these groups was likely.

The future structure of the distribution industry would evolve and be the result of negotiations, he said.

Successfully restructuring distribution would probably help rationalise the household electrification drive, which De Beer said was not happening fast enough, despite Eskom having electrified a record 30 000 houses last month. Eskom estimates there are some 2,4-million households without power, but it has access to only 900 000 of these.

Colin Legum looks at Africa, politics and oil

Opportunities for new investment

Star 28/12/92.

(55)

THE possibility of new investment by multinational oil companies in African countries was envisaged by M A van den Bergh, a group managing director of the Royal Dutch/Shell Companies in an address he delivered to the Oil and Monetary Conference in London. He said that although progress on the economic front remained patchy, an increasing number of African countries had embarked on reforms which offered some hope for an economic reawakening.

The presence of oil in the Blue Nile province of Southern Sudan continues to prove to be one of the major stumbling blocks to ending the country's bitter civil war. The Khartoum regime has insisted in confidential talks with would-be mediators that it would resist any idea of losing control over the rich oilfields in the Blue Nile province, which falls within the Southern Sudan, in negotiations for either a federal or confederal constitution.

Strapped for oil — and indeed for most other urgently required imports — the Khartoum regime has entered into extensive agreements with Iran. In exchange for regular shipments of oil, as well as for military supplies, exclusive rights have been granted to an Iranian syndicate to take over the management of Port Sudan. Radio Cairo has carried reports suggesting that this concession is only a small part of a wider agreement giving the Iranian navy permanent access to Sudan's Red Sea ports.

Iran's expanding involvement in Sudan is causing serious concern to Egypt and Saudi Arabia, as well as to the country's other neighbours, Ethiopia and Eritrea. The former two suspect that Iran is exploiting Sudan's economic and military weakness to secure a foothold in the African continent from which to promote their Islamic revolutionary ideas.

Despite Tehran's denials, there is strong evidence to support allegations that Iran is supplying not only arms but also military instructors and possibly also some fighting cadres to assist the Sudan army in its war against the rebel forces in the South.

Zaire, which has its own limited oil resources, and more that could be exploited once the country achieves a measure of political stability, has entered into an agreement with Kuwait for a 12 months' supply of oil.

The Belli oilfield in Tunisia's Nabeul Province has come on stream. The oil was first discovered by the US Marathon company in June 1991. Its recoverable deposits over seven years are estimated at 3 million tons, and its present output capacity is reckoned to be 10 000 barrels a day.

Tunisia is keen to interest other multinational companies to carry out further explorations. It recently granted a drilling licence for hydrocarbons over 3 932 square kilometres in the Medinine Province.

Eritrea, which is due to become independent after a referendum next April, is giving a high priority to oil exploration along its Red Sea coast where earlier findings have proved promising. □

Mossgas getting off to an uncertain start

STAR 31/12/92.

By Stephen Cranston 55

Mossgas will operate at full capacity from next week, although the oil-from-gas project is still not a commercial proposition.

In the present circumstances Engen will not take up its option to maintain its 30 percent equity in the project at an expected cost of R1 billion.

An Engen spokesman confirmed yesterday that the group's position had not changed, despite a bullish statement from Mossgas that the project would save R120 billion in foreign exchange over 30 years.

An industry observer said the figures assumed that the rand value of oil products would increase by 10 percent a year. "This may or may not be a reasonable assumption, but it does not mean anything. If the oil price were to increase yearly, so would the yearly operating cost of the plant."

Almost certainly more oil would be received by buying dollars at the offical rate and using them to buy oil products.

At current oil prices and an estimated production of 30 0000 barrels a day, the project would save about R26 billion in foreign exchange over thirty years — not much considering the R12 billion capital cost of the project.

Engen chairman Bernard Smith

Moreover, these foreign exchange savings would be swallowed up by estimated running costs for operations and the servicing of commercial loans of R540 million a year.

If all the project costs carried commercial finance charges, then interest payments alone would be R1,8 billion, more than double the production value.

Engen chairman Bernard Smith said last year that no protection would be needed if the oil price remained at $19 a barrel in 1989 terms, which is equivalent to at least $23 today.

Brent crude oil prices are currently quoted at $18,53 a barrel.

In order to achieve a real return on total capital employed, the oil price would need to be $37, according to Smith, but as high as $50 a barrel according to independent analysts.

Production costs for new wells in Arab countries are often as low as $7 a barrel.

And oil companies will have to be compensated for the loss of margin from their own refineries if they are compelled to take Mossgas product instead.

The chances are that Mossgas will be a public utility managed by Engen, but it will continue to be controlled by the Central Energy Fund.

There is the prospect that the life of the project could be lengthened by further gas field discoveries.

Production from the sixth well is expected to start early in the new year.

With Mossgas and Sasol, 40 percent of SA's petrol needs are generated internally, which provides a cushion against any future disruption of world fuel supplies.

Mossgas expects to earn R55 million a year from heavy and light alcohols. It also expects to earn foreign exchange from liquid oxygen, nitrogen and carbon dioxide.

Chemical companies continue to express interest in a cracker at Mossel Bay, which will provide aromatic chemicals such as benzene, toluene and styrene.

Expertise was gained in the manufacture of equipment for the offshore oil and gas industry through Dorbyl's and Babcock's joint ventures with Press Offshore.

Savings in transport costs are expected to run to R30 million a year.

About 15 percent of production will be consumed in the Southern Cape area around Mossel Bay and the rest shipped to Port Elizabeth and East London.

Mossgas did something to fill the vacuum in fixed investment. It represented 55 percent of total new fixed investments in 1989/90.

Its record in terms of new jobs has been poor.

At the peak of its activity it created 46 000 jobs, but it now employs just 1 100 permanent staff, at a cost of R10 million per job.

For the same outlay as the Mossgas project, at least 300 000 houses could have been built.