ENERGY _ 1998

Eskom seeks to settle power dispute through talks

BD 8/1/98 (55)

ESKOM yesterday said it would exhaust all available options in the Cahora Bassa power dispute with the Mozambican and Portuguese governments before resorting to international courts of law.

Eskom trading manager Jack Nueshloss said yesterday a stalemate was not in any of the affected countries' interests. He said the head of the SA delegation to the three-nation joint committee, Gordon Sibiya, had presented various options to public enterprise director-general Sipho Shabalala, and was waiting for his response. He did not say what the options were.

However, Mineral and Energy Affairs Minister Penuell Maduna's energy adviser, Thulani Gcabashe, said the present tripartite agreement was "heavily" one-sided in favour of the Portuguese government.

"All these agreements are outdated. Mozambique and SA were greatly short-changed in the agreement and the whole thing has to be restructured," Gcabashe said.

He said it was "criminal" for Portugal to take an 80% stake in the project, leaving Mozambique with only 18% and SA as only a consumer.

Eskom has refused to bow to pressure from Hydroelectrica de Cahora Bassa to help it wipe off its $3,2bn debt through increased tariffs to the SA power utility.

The refusal, which has delayed the long-awaited flow of power from the dam's generators to SA, has created a lot of speculation, with some observers saying the dispute could be solved only through the international courts.

Eskom is the only major buyer of power from the dam's generators and has a contract to purchase 1 400MW. The contract expires in 2029.

Because the Cahora Bassa electricity generation project was initiated by Portugal during its occupation of Mozambique, the Lisbon government is expected to pick up the debt.

"It is an extremely sensitive issue and we would all want to play our cards close to our chests so as not to damage the good neighbourliness that exists between the three countries. A political solution could be one of the ways out but there are other options as well," Nueshloss said.

"It is a question of patience and prudence in the negotiations. One has to bear in mind that it is not only a political issue but a financial and economic one as well. A lot of money is at stake and as a public utility it is our duty to protect those interests.

"However, if we are pushed that far, our case is tight and we are legally correct ... so there is no need to worry. But we still feel it is not a good thing to do under the circumstances."

Nueshloss was quoted in yesterday's Business Report as saying the tariff hike made no sense as SA could produce its own power at a cheaper 2,5c per kilowatt hour.

SA currently has a surplus of 5000 megawatts. In terms of the purchase agreement, SA has to forward 500MW of the 1400MW from Cahora Bassa to Zimbabwe.

Hydroelectrica de Cahora Bassa president Manuel da Costa Bras was not available for comment.

Mozambican high commissioner to SA Armando Panguene, who is also chairman of the three-nation permanent joint commission on Cahora Bassa, said his government was awaiting the outcome of the commission's deliberations before taking any action.

"It is true the agreement was a colonial arrangement between the Portuguese government and the apartheid regime and the dam was aimed at benefiting apartheid SA, but it remains a thorny issue," Panguene said.

"Mozambique is in the weakest position regarding the issue at the moment and could lose both ways. But there is still room to negotiate, provided it is done with goodwill and openness," he said.

Panguene said he was optimistic a negotiated settlement of the issue could be reached once the SA government had given its negotiators a mandate. — Sapa.

Dept raises duty on value-added poultry products

THE trade and industry department has raised the duty on value-added poultry products to 220c a kilo from the present 27% ad valorem tax.

This step has been taken to try to close a loophole in the higher duty on frozen products.

The department, which raised the duty on frozen cuts of chicken last September to give some protection to the domestic poultry industry against cheap imports, said yesterday that some importers were sprinkling small amounts of seasoning on poultry to get them reclassified as value-added products.

"The Board on Tariffs and Trade consequently recommended that the duty at 27% ad valorem be adjusted to 220c/kg."

Alwyn Kraamwinkel, chief director of industrial promotion at the department, said: "We have raised the duty with the intention of removing a loophole.

"By merely adding a few bits of seasoning, people can change poultry from frozen into prepared or preserved meat," he said, explaining how some importers had attempted to circumvent the higher tariff on frozen chicken.

The department said the new duty on value-added portions had come into effect on January 8.

The department said that as the price of value-added poultry was generally higher than that of the frozen product, the effect of the newly implemented duty would be considerably less on value-added imports than on frozen cuts.

It said the new duty would, in fact, be lower than the old tariff on some value-added imports.

"Furthermore, a duty of 220c a kilo on high-valued products, which are normally imported under chapter 16 (value-added agricultural products) will be lower than the duty paid in terms of a rate of 27% ad valorem," said the department. — Reuter.

BD 14/1/98 (Poultry)

Award-winning system to save Eskom R80m

Tim Cohen

LONDON — Eskom is expected to save R80m this year after implementing a power transmission system to rural areas which won an award here yesterday.

Gibb Africa, the company which perfected the system, won the Shell Technology for Development Award at the Worldaware Business Awards, in which Shell SA was also a prize winner.

About 400 homes in Southern African villages now have mains power thanks to the power transmission system which transmits power to small users in outlying areas more cheaply than conventional transmission.

The power goes out along a single wire mounted on simple poles with long spans, but the system generates the same standard 230V power at a 20% cost reduction.

Eskom expects to use the SWER system for more than half of the 500 000 power connections it plans for this year.

Gibb Africa won the award for the adaptation and implementation of this technology, and also for good working practices and community involvement.

Shell SA won the Lawrie Group Award for Social Progress for its long-term commitment to teacher training. It spent about R1,6m in KwaZulu-Natal last year on the Centre for the Advancement of Science and Mathematics Education in KwaZulu-Natal.

Leadership courses are run to encourage teachers to set up their own workshops for other teachers and funds formal two-year part-time courses leading to further diplomas in maths, science and technology.

In 1995 Shell SA also established a scheme called Livewire for encouraging young people to go into business.

BD 14/1/98 (55)

Govt warns of Cape land scam

GRAHAMSTOWN — Estate agents have been posing as land department agents in the Eastern Cape and trying to cream off thousands of rand in illegal commissions, the department said today.

The department noted "with concern" that "some estate agents are posing as departmental agents". The department had no "agents" in the Eastern Cape, said Mzimasi Ngudle, provincial land affairs communications officer.

He advised local councils and the public not to use these agents, who were operating in Steytlerville, Somerset East, Jansenville and Humansdorp.

"These agents advise local councils and potential land reform beneficiaries to apply for land reform grants and in the process are trying to collect commissions.

"This results in a supply-driven land reform approach instead of it being essentially needs driven." This could upset the land market and inflate land prices, he said.

Ngudle said the department had officials who advised municipalities and communities on land reform projects. They were paid by government and received no commission for their tasks. — ECN.

SA Youth Council sacks Mashapa over lost money

Pule Molebeledi

BD 14/1/98 (228)

THE SA Youth Council had dismissed its general-secretary, Naledzane Mashapa, for gross negligence after R28 560 of its funds had gone missing, council president Freddy Pilusa said yesterday.

Pilusa said Mashapa, a former SA Students Congress president, had been found guilty of negligence by an inquiry conducted by Edwin Molahlehi of the Independent Mediation Service of SA in December last year.

The missing money was made up mainly of R1 000 subscription fees from 30 youth organisations that had affiliated to the council, which was launched in August last year.

Pilusa said that the council would be consulting member organisations to decide whether criminal charges should be pursued against Mashapa, who had already repaid R5 000.

The inquiry followed the completion of an investigation by the council's executive committee into Mashapa's "poor" performance of his official duties.

It was then discovered that the money was missing.

Pilusa said Mashapa had claimed he had lost the money after attending two social functions late in the evening.

"Asked why he had kept this information to himself, he told the inquiry he was afraid to report it to the executive committee, as he felt it was a sensitive matter," said Pilusa.

Chemist Khumalo, the council's deputy president, has been appointed acting secretary general.

Sapa reported that the SA Youth Council's decision to sack Mashapa had been welcomed by the African National Congress Youth League yesterday.

Eskom forced to resuscitate medical aid

BD 15/1/98 (55)

Robyn Chalmers

ESKOM had injected almost R25m into its ailing medical aid scheme while ending its contract with the scheme's managed care administrator, Medimo, executive director Jac Messerschmidt said yesterday.

Eskom's management stepped in last October to stabilise the parastatal's medical aid scheme — which provides for 28 000 of Eskom's 40 000 employees — as it was losing several million rands a month.

Messerschmidt said there were still "lots of problems" facing the medical aid scheme, Esmed, but it was now at least on a sound financial footing. A once-off cash injection of R24,5m had been required to ensure its liquidity.

"The managed care option was not working. Medimo was supposed to be responsible for payments to hospitals, doctors and other medical practitioners but we found they either did not happen or were late," he said. Medimo declined to comment yesterday.

Messerschmidt said Eskom had subsequently cancelled its contract with Medimo, but there was still a "big mess" which had to be cleared up.

Messerschmidt said Esmed planned to move away from the managed care option and to revise its contributions and benefits.

Eskom was negotiating with trade unions, which had a number of concerns, before a new system was introduced. "We do, however, expect to be moving away from the managed care option and reintroducing limits."

It was expected that the medical aid scheme would be back on track by the middle of the year.

The old Eskom Medical Aid Society discontinued its operations in December 1996 as it could not be sustained as a viable concern in the longer term. Esmed, a new medical aid managed care health scheme, was registered from January 1 last year and offered a range of options. These were a core option for medical emergencies, a savings scheme and a managed care option. The medical aid scheme also provided for visits to traditional healers.

Eskom sources estimated that 75% of its 28 000 employees who belonged to Esmed had opted for or defaulted to the managed care option, the most expensive and also most open to abuse.

Messerschmidt said the managed care option had run into trouble due, among other things, to an overloaded administrative system, late payments and problems with service providers.

Eskom's board had instructed Messerschmidt to stabilise the scheme and investigate the way forward.

Education dept frowns on 'ethnic chauvinism'

BD 23/1/98

Kevin O'Grady

IT WAS unacceptable for SA's school language policy, which avoided forcing schools to cater for more than one language, to be used to advance "ethnic chauvinism", the education department said yesterday.

Education deputy director-general Ihron Rensburg said the policy and regulations announced by Education Minister Sibusiso Bengu and gazetted last year remained in effect. He was speaking after a number of Afrikaans schools refused to admit black pupils this year on the grounds that they required tuition in English.

Several schools in White River and Piet Retief in Mpumalanga turned black pupils away, but relented after the provincial education department intervened.

Rensburg said the regulations, which took effect from the beginning of the year, allowed single medium schools only if requests for tuition in another language came from fewer than 40 per grade in grades one to six and 35 per grade in grades eight to 12.

If there were insufficient requests, it became the provincial education department's responsibility to make arrangements for pupils who required tuition in languages other than those on offer. This could be done by designating a school to cater for the language and providing the necessary resources.

Rensburg said the policy's aim was to promote multilingualism. It required school governing bodies to announce their school's language plan and state how it would promote multilingualism, either through the use of more than one language of instruction or by offering additional languages as subjects.

Without saying "this is the line", the policy encouraged pupils to do their early years of study in their home language and then "acquire new languages along the way".

SA eight held after

EIGHT South Africans on board a privately owned DC-4 aircraft forced down by an Angolan MiG fighter jet in the southern town of Menongue on Tuesday had been detained and taken to the capital Luanda, Angolan news agency Angop reported yesterday.

The DC-4 was carrying mining equipment to the central headquarters of former Unita rebels in Andulo.

Angop said Pieter Bitzker, the captain of the aircraft belonging to Air Congo Express, told reporters he had transported equipment on several occasions to Unita areas, war material. The agency did not ela

The news agency said all but th pants of the aircraft were presented golan media yesterday. Quoting air Gen Francisco Lopes Afonso, it said three had not appeared for "security

Bitzker dismissed any political Unita, saying relations were purely cial and the financial rewards for t risk were very good.

SA military sources said the plan

Govt warns communities against damaging meters

Deborah Fine BD 23/1/98

MINERAL and Energy Affairs Minister Penuell Maduna has warned that stern action will be taken against communities that damage public property such as electricity meters, to voice dissatisfaction about issues related to payment for municipal services.

He was speaking at a meeting on Wednesday to discuss the problem of nonpayment for services in Tembisa on the East Rand. Councillors, the SA National Civics Organisation (Sanco), the National Electricity Regulator and Eskom were represented at the meeting.

Council financial control manager Wellies Welgemoed said nonpayment in Tembisa had led to an accumulated debt of R135m between 1995 and last year.

While bills amounting to R8m were issued to residents each month, only R1,8m was being recovered, resulting in a monthly shortfall of R6,2m.

The council had spent R35m on the installation of pre-paid electricity meters, but had not been able to use of them because of strong resistance.

Vandalism and tampering with meters to lower consumption charges had caused damage of up to R3m. Council efforts to cut the services of residents in arrears were consistently undermined by illegal electricity reconnections.

Sanco Tembisa branch secretary Mandla Gumede said yesterday that the council had reneged on a 1995 agreement whereby residents could pay a monthly flat rate of R80 pending further negotiations with the community. Instead, the council had unilaterally charged consumption rates, causing individual arrears of up to R50 000.

The council said negotiations had taken place but no agreement had been reached as a result of a Gauteng provincial proclamation prohibiting flat rates.

Representatives at the meeting agreed to hold a multiparty "electricity summit" to resolve the issue.

Security plan for councillors launched

Business Day Reporter

DURBAN — The Durban south central council had decided yesterday to provide protection to councillors who risked attacks in communities because of hostility against the officials, town clerk Mike O'Meara said.

The decision followed a reported attempt on the life of councillor Minoh Lesoma because she was campaigning against crime in KwaMashu township.

Criminals fired shots at her home, killing her father.

Councillor Florence Mkhize received threats also, allegedly from informal settlers who blamed her for ordering the demolition of their shacks.

O'Meara said a private security firm had been asked to provide protection to both councillors

A report drafted by council security chief Mick McKenna said options open to the council included arming councillors and providing them with round-the-clock security.

Eskom meets its current targets

(55)
ST (BT) 25/1/98

ELECTRIFICATION

By SVEN LUNSCHE

THE electrification programme remains one of the few successes of government policy. Last year well over 400 000 homes received electricity for the first time, according to industry figures released this week.

Eskom electrified 274 000 homes last year, in line with its RDP targets, while the municipalities — with assistance from Eskom — linked up almost 150 000 houses to the national grid. The continued success of the electrification programme comes amid moves to restructure state-owned Eskom as well as rationalise the 460 entities (mainly municipalities) which distribute electricity in SA.

Government, Eskom, provincial and local authorities and other industry players meet this week to thrash out key issues affecting the industry.

According to government sources, the key issue is whether to rationalise the distribution industry into five or six regional distributors or group together a number of municipalities into larger entities, where feasible.

Last year cabinet approved the rationalisation into smaller units in principle as well as the introduction of fewer and more cost-reflective tariffs.

The cabinet also backed the creation of an electrification fund to fund the electrification programme. The move is not too popular with Eskom as it entails tax and the paying of dividends for the first time. Much of the taxes and dividends would be channelled into the electrification fund, but the remainder would go to state coffers.

"We have always argued that the electrification programme, coupled with low electricity prices, are our contribution to the economy of the country," says Sifiso Dabengwa, Eskom's director of distribution. "Undoubtedly government will take this into account when it makes a decision on the future funding of electrification."

Dabengwa says last year's electrification programme cost Eskom R900-million as the cost per connection was reduced from R3 300 to slightly more than R3 150.

Since the start of the electrification programme, Eskom has supplied 1.54-million homes with electricity. In addition, 81 000 farmworkers received electricity for the first time via a subsidy provided by Eskom to farmers.

The utility is well on target to meet its RDP commitment of providing 1.75-million houses with electricity by 2000, which means that well over 60% of the population will have electricity by then — in 1992 a mere third of South Africans were able to turn on an appliance at home.

Dabengwa says the electrification programme is still running at a considerable loss, as newly electrified households spend on average about R50 a month, well below the break-even level.

"However, apart from the fact that the R50 normally powers lighting, a fridge and a television or radio, the macro-economic benefits of electrifying a home outweigh the mere financial considerations," says Dabengwa.

He says that consumption picks up the longer a household has electricity.

The local authorities also met their commitment of electrifying 150 000 homes last year, says Johan du Plessis of the National Electricity Regulator.

Previously, municipalities largely lacked the capacity to link up homes in their areas to the grid but financial and technical support from Eskom remedied the situation last year.

Du Plessis says Eskom will provide a R315-million grant to local authorities this year, slightly higher than last year's R300-million allocation.

HOT CONNECTION . . . Sifiso Dabengwa turns the power on

'No future' for Atomic Energy Corporation

Misuse of funds puts AEC in peril

(55)

CT(BR) 5/2/98

Sherilee Bridge

Johannesburg — The misuse of government funding to the tune of R300 million a year in the commercialisation of the Atomic Energy Corporation (AEC) had put the future of the state-owned nuclear technology company in further jeopardy, former AEC scientists said yesterday.

Government money was being used to pay for profitable commercialisation activities at the expense of other approved projects, they said.

Mojalefa Murphy, a nuclear physicist, said South Africa's nuclear capability was under attack by the new government, which did not want to be seen as supporting a vehicle which sustained the apartheid legacy.

The unauthorised use of the AEC budget has come under the scrutiny of the minerals and energy affairs department as well as the scientific establishment.

Johann Basson, the chief director of energy at the department, said: "At both board and ministerial level, the viability of the different components of the AEC and the question of whether the department should continue carrying the corporation on its budget are being debated."

The AEC's government funding has decreased by 30 percent since 1990 and amounts to between R250 million and R300 million a year.

This is significantly less than its annual budget of almost R1 billion during the apartheid era.

The corporation accounts for 45 percent of the minerals and energy department's budget. It covers running costs, decommissioning and decontamination operations and loan repayments.

Its total accumulated deficit to March last year was R586 million. Repayments were expected to eat R150 million out of this year's budget.

Over the past few years the AEC's external income has increased to about the same amount as its government funding. Basson said the corporation had entered into a number of joint ventures, mostly foreign.

"While no real privatisation has taken place, full privatisation of the AEC's divisions would be a positive move, allowing the corporation to cross-subsidise profits," said Basson.

In its present form, the AEC was unlikely to survive, he said. The poor state of the corporation was the inheritance of massive overinvestment in property, equipment and manpower.

South Africa's nuclear capability, after decades of huge investment amounting to tens of billions of rands, was now threatened by slashes in state spending, the collapse of the domestic nuclear fuel supply industry and the depressed state of the global uranium market.

Basson said: "Our nuclear industry is in disarray."

□ Business Watch, Page 15

Black energy companies team up in new forum

Patrick Wadula

BLACK minerals and energy companies have teamed up to set up the African Mineral and Energy Forum, aimed at lobbying government and established big businesses in the industry.

Forum steering committee chairman Moses Moloele said yesterday the forum would fill the gap in the minerals and energy policymaking field. "Until now there has not been a unified voice on behalf of disadvantaged groups in the minerals and energy arena in SA."

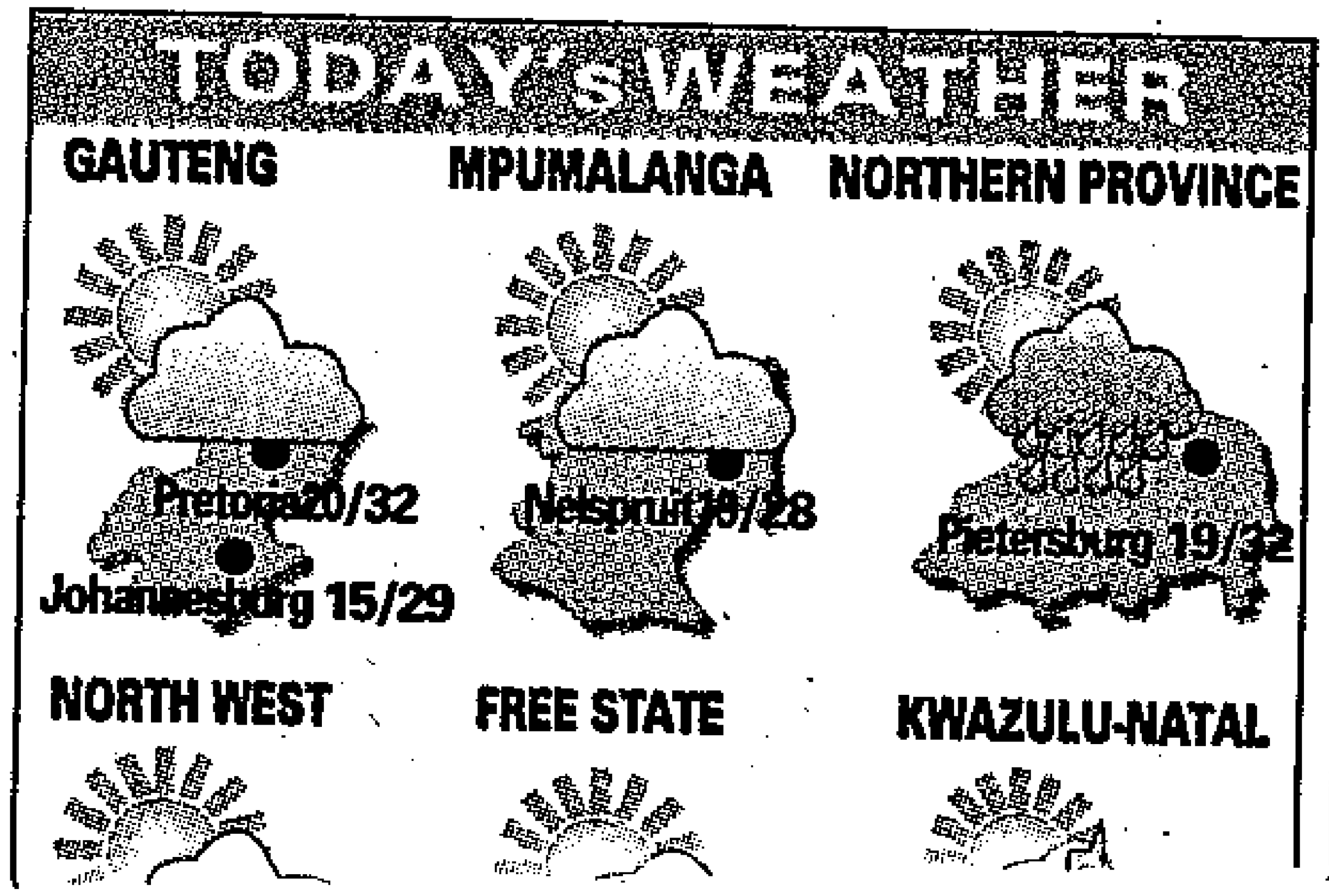
Forum member companies included Naledi oil group's Exel Petroleum, Worldwide Africa Investment Holdings' Afric Oil and Thebe Investment Corporation's Tepco. Other companies involved were George Negoda's African Mineral & Energy Corporation, Vincent Msibi's Allied Energy and Moloele's National African Black Fuel Retailers' Association.

Moloele said the SA Petroleum Industry Association, which was represented mainly by multinational companies, did little to pave the way for black economic empowerment in the industry.

"In the oil industry, black companies still cannot get in on the upstream side which involves refinery and exploration," he said.

The forum, which would consist of three subcommittees specialising in minerals, petroleum and electricity, would not be confined to lobbying. "There is a great need to develop a data base and to exchange and share information and ideas. This will allow us to interface with relevant structures and institutions such as the National Economic Development and Labour Council and the electricity forum nationally, and relevant international organisations," he said.

(55) BD 6/2/98



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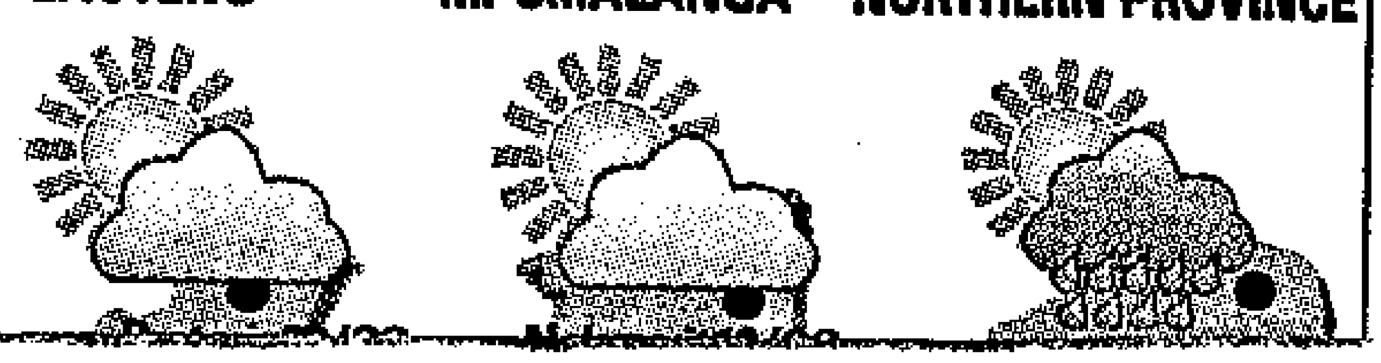


Electricity supply talks in deadlock

BD 18/2/98 (55)

Robyn Chalmers

MADUNA

FIVE years of negotiations on restructuring the R25bn electricity supply sector are in jeopardy with a committee advising government on the issue in deadlock.

The National Electricity Regulator warned earlier that indecision on restructuring could result in SA failing to meet its target of connecting 2,5-million homes by 1999, and was making the task of rationalising 2 000 different industry tariffs more difficult.

There is broad agreement on the urgent need to restructure the supply industry in the face of cash-strapped local authorities' inability to pay Eskom for power supplies.

The cabinet decided in principle last year to replace the system, based on Eskom and municipalities, with a number of regional power distributors. It also agreed to introduce more transparent tariffs, an electrification levy and a capped tax for part funding of municipal services.

But members of the stakeholder advisory committee cannot reach consensus on a restructuring proposal. The committee was set up this year by Minerals and Energy Minister Penuell Maduna to advise government on how to implement the cabinet's decision.

Minerals and energy department chief director Johan Basson said the committee met three times. The main sticking points were the future shape of the industry, and how the new structure should be achieved.

The National Union of Mineworkers' Eskom co-ordinator, Mongesi Makgalemela, said yesterday the union wanted a different structure, in which struggling municipal distributors would be folded into more viable ones. A national distributor, linked to regional bodies, would be set up later.

The Eskom Employees' Association and the Mynwerkersunie are also understood to support a national model. They declined to comment.

Eskom, local authorities and other trade unions such as the Association of Municipal Electricity Undertakings broadly support the regional model.

Basson said consultations were under way to see whether the gap could be narrowed, but he doubted full consensus would be reached. "The committee needs to give as comprehensive a

Continued on Page 2

Electricity (56)

Continued from Page 1

BD 18/2/98

briefing to the minister as possible, but it will not be a lengthy process ... we hope to submit the proposal within weeks." He said Maduna would probably make specific recommendations to the cabinet for a final decision.

However, industry sources expressed concern that the decision on restructuring would be delayed further. One person involved in the talks said: "The decision is highly politically sensitive and, with a lack of stakeholder consensus, there are fears that government will not make a firm decision until after the 1999 election. This would be disastrous for the sector."

Nonpayment by electricity users is causing grave financial difficulties among local governments, which rely on electricity payments for about 41% of their total income. The problems have also harmed Eskom's ability to meet its electrification targets.

Bill may harm Eskom's plans

(55) Sowetan 23/2/98

By Abdul Milazi

SA could soon generate power from a safer, economical nuclear plant

THE Eskom Amendment Bill, currently being discussed in Parliament, could put a spanner in the works of the company's low-cost electrification programme if passed this year.

The Bill proposes that Eskom be stripped of the privileges bestowed on it by the previous government, where it was exempted from taxes or stamp duty on imports.

According to Eskom spokesman Peter Adams these privileges were in line with the previous government directive which required the company to supply electricity at cost to ensure it was affordable to all citizens.

The proposed withdrawal of these privileges in 1994 coincided with Eskom's ambitious electrification programme aimed at connecting 1,7 million homes by the year 2 000.

This meant the electrification of an average 300 000 homes a year and 1 000 homes a day for Eskom to reach the target. A total of 1,2 million homes have already been electrified.

Adams said the company had an annual turnover of R20 billion and profits of R3 billion which was ploughed back into the community because the government's directive was that it should not make profit.

He said it cost the company R3 000 to electrify one home and it spent more than R1 billion a year in electrification projects.

The planned withdrawal of the company's tax incentives will force it to start charging prime rates to make profit and consumers will have to pay more for electricity.

However, Adams said the electrification programme was still on track and had boosted the informal business sector in black communities.

Eskom is also planning a multi-million pilot nuclear power plant to be constructed next year, a move towards what Adams described as safer, economical and more efficient electricity generation and supply.

"The new power stations will be small and will be fail-safe and explosion proof. They will also not use water and so save it at the time when it (water) is scarce," said Adams.

The system was started in the United Kingdom 20 years ago but was restricted to laboratories. South Africa will be the first to employ it commercially. If successful, the project will be exported to generate revenue.

Opportunities open in electricity supply

BD 24/2/98 (55)

Robyn Chalmers

THERE are significant opportunities for the private sector to play a greater role in the electricity industry, with investment worth R75bn needed in southern Africa by 2005.

Nedcor Investment Bank GM Andre la Grange said in a Business Map review that to date the private sector had played a limited role in the provision of finance for the electricity sector, but "things are likely to change".

La Grange said governments throughout the region were backing off from huge investments in utilities. They saw themselves as regulators and policy makers rather than service providers.

In SA, local government was likely to be removed from the equation in line with restructuring plans for the electricity supply industry.

"Surpluses on the sale of electricity (by municipalities) have funded about R3bn a year in general services, relieving the burden on property taxes. The mechanism for replacing the lost revenue and for finding alternative sources of capital financing have yet to be determined," he said.

La Grange said that in the past the role played by the private sector in the electricity industry was limited by legislation, as Eskom had a monopoly.

The private sector had been involved in the industry as contractor to Eskom or as provider of loan finance.

More recently it had been willing to become involved internationally on a participatory basis, sharing both risks and returns. This normally took place through concession arrangements.

However, in order for the private sector to become involved in generation, it had to be given the freedom to trade through the existing national utility.

Small independent power producers should have guaranteed access to the grid and they must be recognised as a legitimate part of the supply industry.

There must be a commitment to market-related, cost-covering tariffs, and an acceptance at a political level that the utility would need to earn a high return on capital.

La Grange said that the most important factor which was holding the private sector back was the lack of determination by government to open the industry to private participation.

Bill to be revamped after objection from Eskom

(55)

BD 25/2/98

Linda Ensor

CAPE TOWN — A poorly drafted bill to constitute Eskom as a public and tax-paying company was sent back to the drawing board yesterday after Eskom pointed out that, in its proposed form, the bill would negatively affect the utility's status as a borrower on international markets.

Briefing Parliament's portfolio committee on public enterprises on the Eskom Amendment Bill, Eskom's legal and secretarial manager Mohamed Adam said Eskom and its customers needed time to prepare for the change in status. Paying taxes might have an effect on electricity tariffs and, in the interests of certainty, Eskom and its customers needed to know the implications in advance.

The legal adviser to the public enterprises department, who conceded the bill had been put together hurriedly, undertook to present a reworked version which took account of Eskom's objections by the end of the week.

The committee agreed to hold public hearings over five days in April on the implications of the proposed legislation to test public feelings.

The bill was intended to clear up uncertainty in present legislation about who owned Eskom's assets, by making the state the sole shareholder, and to prepare for Eskom's incorporation as a public company.

Eskom approved of the bill in principle but found its wording wanting. "The effect of the bill in terms of its present wording is to deprive Eskom of ownership of its assets but to leave Eskom with its liabilities. In fact, Eskom would be bankrupt and its creditors would have no security for debts due," Adam said.

"If the proposed section is allowed to become law, it would amount to an event of default or covenant default in respect of certain loan agreements in terms of which there are prohibitions, for example, of disposal of a significant portion of assets or property without the consent of the lender."

Govt takes over electricity restructuring

BD 25/2/98 (54)

Robyn Chalmers

GOVERNMENT [illegible] been forced to take control of [illegible] initial electricity supply restructu[illegible] process after its stak[illegible]holder advi[illegible]y committee fai[illegible]d to rea[illegible]h consensu[illegible] on the wa[illegible] [illegible]ward.

Minerals and energy de[illegible]ment deputy director Wolsey Barnard said at yesterday's national power summit that two task teams would be appointed by Minister Penuell Maduna.

The teams would look at financial modelling issues and tariffs within the electricity supply sector. Other task teams would be set up to deal with employment, assets, governance and other issues.

Government officials would consult individual groupings in an attempt to bring them closer together.

Barnard said the stakeholder advisory committee was set up to advise government on a new industry structure and on how this could be achieved. It was also to have advised on a chair-

Continued on Page 2

Electricity

(55)

Continued from Page 1

BD 25/2/98

man for a transformation team to plan and implement the process. The committee could not reach consensus on any of these issues.

The cabinet decided in principle last year to consolidate the supply sector into an undetermined number of independent regional distributors. It approved the introduction of cost-effective tariffs, an electrification levy and a capped tax for part funding of municipal services.

Eskom energy management manager Brian Statham said uncertainty over the future structure of the industry was threatening the development of the generation sector. Decisions were either being postponed or were made on the basis of projections.

Big cut-off – children (55) suffering

Sowetan 4/3/98

Eskom, however, is unrepentant saying it is owed millions in arrears

By Justice Mohale

SIXTY mentally handicapped and epileptic children from the Korekile Home in Bekkersdal on the West Rand have spent the past three days in darkness and without hot water after Eskom cut off the home's electricity supply.

The home is a victim of Eskom's big switch-off of power to the Bekkersdal and Kagiso areas because of non-payment of electricity bills.

Director of the home Ms Masechaba Modimoeng said yesterday that Eskom was inflicting punishment on innocent people.

"Eskom officials are cruel and insensitive. Why didn't they switch off electricity to defaulters only?" she asked. Modimoeng said Korekile Home was not in arrears.

Careworkers are washing children's clothes by hand as electric washing machines have become white elephants. There is no hot water for bathing or making tea.

Food is rotting in fridges. "We normally buy food in bulk and now we have wasted a lot of money due to food rotting," she complained.

It was worse at night because children suffering from epilepsy needed careworkers to always be near them. "Epileptic children can't cope with living in darkness. They keep on crying," Modimoeng said.

The home has appealed to neighbours to assist with coal stoves to heat water.

Eskom's sales and customer area manager, Mr Shadrack Motsoane, said the company would not reconnect the power supply even though loyal customers were also suffering. He said residents owed Eskom R15,9 million for more than four years. "We had no alternative but to cut off the electricity supply," he said.

REPORTS: Sapa, Business Day Reporter, AFP

ed last year, and with it the re- group," he said.

in assistin

Eskom set to benefit from R2bn loan

John Dludlu

THE European Investment Bank (EIB), bankers to the European Union (EU), is proposing to use its newly announced R2bn loan package to SA to back regional projects, with Eskom likely to be one of the first to benefit.

This emerged yesterday in an interview with EIB representatives during their visit to SA.

Eskom, the electricity parastatal, could become one of the SA agencies to receive European Investment Bank finance for regional projects in southern Africa, the bank's representatives indicated.

The first loan package of the investment bank, valued at about R1,6bn, has been used mainly to finance SA projects, although the bank is active also in Africa.

Eskom is already a recipient of a 56-million ecu loan from the EIB, which lent about $30bn around the world last year. The loan is for financing three electric power transmissions in SA.

EIB vice-president Rudolf de Korte, who was in SA to sign the framework for the second loan package of around R2bn, said the Luxembourg-based bank was in talks with the Infrastructure Finance Corporation to use the scheme as an intermediary for infrastructural finance in SA. Participants included First National Bank and the Commonwealth Development Corporation.

De Korte, who signed the second framework agreement this week with Deputy Finance Minister Gill Marcus, said he was happy about how the first tranche of EIB loans had been used in SA.

The intermediaries, including the Industrial Development Corporation (IDC), the Development Bank of Southern Africa and SA's commercial banks, had enabled the European Investment Bank to support small- and medium-size business, including black-owned enterprises. The IDC was given two credit lines — totalling R375m — to on-lend.

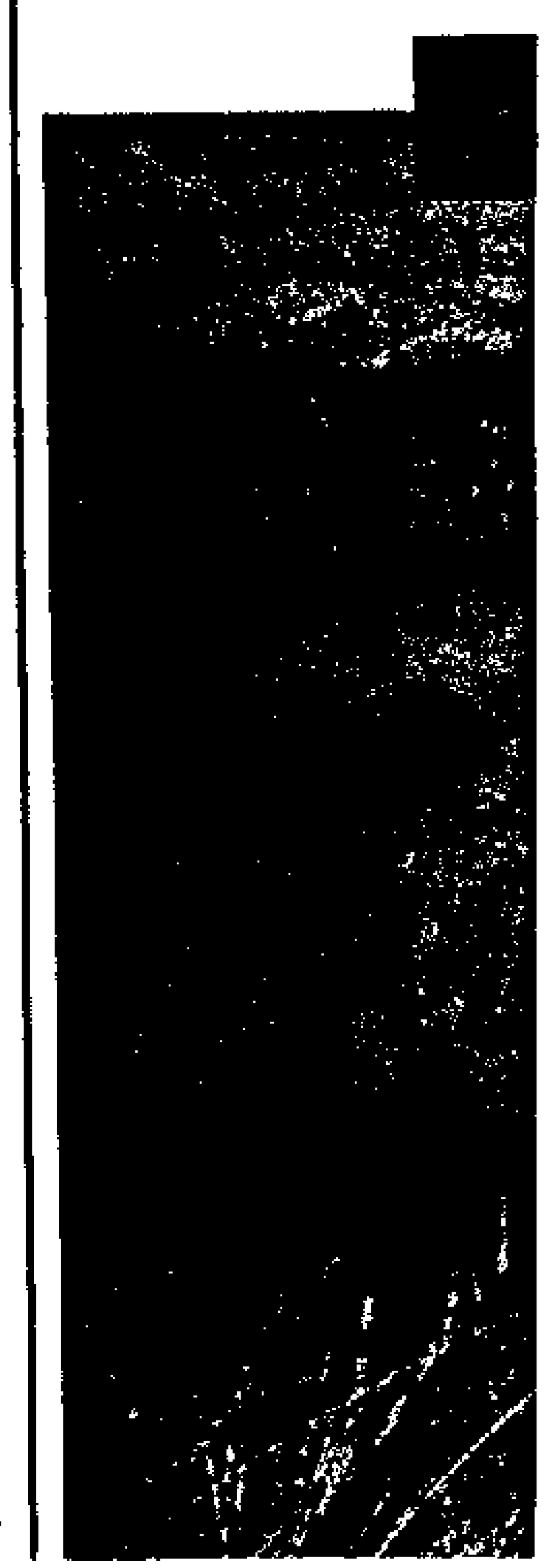
Each of three commercial banks — Standard, First National and Nedcor — has received R45m to on-lend. The finance, with longer maturity dates, has been used for water supply and sanitation projects.

A year ago, the European Investment Bank found itself in a harsh media spotlight after it rejected a loan application by Iscor for the Saldanha Bay steel project. When the news of the rejection hit the media, it cast a pall over talks between the EU and SA on a free trade agreement.

Among the advantages of the investment bank, which has an AAA rating, is to provide finance in Eurorands and service clients looking for dollar funding. This strategy helps reduce the need for forward cover.

Yesterday De Korte was due to hold talks with Mineral and Energy Affairs Minister Penuell Maduna to discuss a loan to state-owned Mossgas and further opportunities.

(55) BD 6/3/98



...nt and Housing Minister Hillary Armstrong, right, toured ...hannesburg, with the city's Eastern council mayor, Justice ... Armstrong was in SA under invitation from Constitutional ... Valli Moosa, who is due to release a white paper on local ...ation today. The UK about to embark on a similar process of ...formation.
Picture: Andy Katz

...inces 'want produce levies'

...vanted to intro... ...n farm produce ...ational agricul... ...il, council chair... ...id last week. ...ir own arrange... ...ncluding veteri... ...ting of produce ...ig council, a cen... "The new mar... ...ws provinces ...

to apply to the council for statutory measures like levies. However, such intervention cannot negate arrangements at national level," Kassier said.

Land and Agriculture Minister Derek Hanekom said he was aware of only the Western Cape wanting to bring back statutory levies.

Western Cape agriculture MEC Lampie Fick was unavailable for comment, but a media report said the province drafting legislation proposing that the department be privatised.

Chemical trade 'comes clean'

(183) (66) (234)

Josey Ballenger

BD 9/3/98

THE chemical industry and some allies have gone "green" in launching the first report on a voluntary initiative to improve companies' health, safety and environmental performance.

Since 1994, 120 SA companies have signed the international Responsible Care initiative, started in 1985 by the Canadian Chemical Producers' Association and now operating in 41 countries. The initiative is administered locally by the Chemical and Allied Industries' Association, which represents 90% of chemicals manufactured and used in SA.

The initiative's goals are to improve the health and safety of employees and the public, protect and rehabilitate the environment, introduce cleaner technologies and promote sustainable development.

I mplementation of the initiative is assessed every two years, with the findings published in reports by the various member countries.

SA's inaugural report, launched on Friday in Johannesburg, was described as the industry's first self-assessment and will be used as a baseline to evaluate companies' performances.

Trade and Industry Minister Alec Erwin said the department would watch the initiative's implementation to make sure the industry was sufficiently self-regulating. He emphasised the need for "outside" auditors of companies' environmental performance and verifiable targets and said he could not see the initiative succeeding without labour's input.

Shirley Miller of the Chemical Workers' Industrial Union warned against the initiative becoming "another cosy relationship between half the industry and government" and said there was "alarming evidence" of workers not being involved in Responsible Care. She called for the involvement of community and environmental groups as well.

'Pooling of electrical power benefits southern Africa'

(55) (219)

BD 9/3/98

Robyn Chalmers

SIGNIFICANT benefits have emanated from the formation of the Southern Africa Power Pool (Sapp), including reduced operating costs and improved working relations between members.

Francis Masawi, Sapp management committee chairman, s aid recently members had also prevented substantial load shedding and the subsequent loss of revenue.

He said there were enormous challenges ahead for governments and electricity utilities throughout southern Africa. By far the biggest of these was that most member countries had about 80% of their population without electricity.

"The reason for this is the cost of establishing the infrastructure to provide affordable power to the often scattered rural areas where most of the population lives," he said.

The rationale behind Sapp was the creation of an efficient energy market with the goal of maximising transfers across the interconnected system.

Members include Angola, Botswana, SA, Mozambique, Lesotho, Namibia, Zambia, Tanzania and the Democratic Republic of Congo.

Masawi said investment in energy sources was the single biggest such programme in the region's history, entailing capital expenditure of between $15bn and $20bn over the next 10 years.

Funds for this expansion would come mainly from private sector investors as the independent power producers model took root in the region.

N ampower technical services senior GM Imker Hoogenhout said nothing could be planned or developed in Sapp or within SA Development Community (SADC) without taking cognisance of Eskom which produced about 90% of electricity in the region.

Hoogenhout said the SADC was still largely characterised by vertically integrated utility companies mostly operating under government influence.

Whether or not SADC was ready, the rest of the world was opening up the electricity supply sector to private initiative.

Energy budget takes 20,3% cut

CT (NM) 10/3/98 (55)

Lynda Loxton
Parliamentary Correspondent

Cape Town — The budget of the department of minerals and energy has been cut by 20,3 percent to R643,9 million in 1998-99 from R807,6 million in 1997-98, mainly because of a dramatic fall in Atomic Energy Corporation (AEC) loans falling due, a parliamentary committee heard yesterday.

Bertus Olivier, the deputy director of financial management in the department of mineral and energy affairs, told the portfolio committee on minerals and energy that AEC loans falling due had fallen to R48,5 million from R231,2 million.

"The figure might climb again next year," he cautioned.

Jan Bredell, a deputy director-general, said the department's priorities this year would be to speed up the development of minerals and the granting of prospecting and mining rights from the current two or more years to four months.

To this end, the amount set aside for mineral development had been increased from just over R40 million to R50,9 million.

The department would also increase the funds set aside for the rehabilitation of mines from R5,4 million to R10,8 million, with the focus shifting from asbestos mines in the Northern Province to gold slime dumps in Gauteng and to coal mines in the Free State, KwaZulu Natal and Mpumalanga.

George Mnguni, a director of special programmes, said the department had undergone considerable restructuring in recent years, downscaling its number of staff from 1 008 in 1994 to 806 now. In the process, it had spent R12,8 million on voluntary severance packages. It had approved 50 applications, rejected 25 and was still considering three.

The amount set aside for promotion of mine safety and health has been increased from R51,1 million in 1997-98 to R56,7 million in 1998-99. Dick Bakker, a deputy director-general, said the department hoped to be able to cut the fatal injury rate in mines by 30 percent over the next three years.

A major challenge would be to ensure that the new Mine Health and Safety Act, which went into effect in January this year, was adhered to and implemented throughout the industry.

Maduna fires adviser for false statement

BD 11/3/98 (596) (188) (66)

Linda Ensor

CAPE TOWN — The personal adviser to Minerals and Energy Minister Penuell Maduna was forced to resign with immediate effect yesterday after making false statements about the minister's "inability" to address an international conference next week.

A letter sent to the organisers and signed by a departmental secretary on behalf of the adviser, Thulani Gxabashe, said: "We do not know whether the minister will still be holding his position then or whether he will be asked to take an assignment by the president to be elsewhere at the time."

Asked by Maduna yesterday to explain himself, Gxabashe did not deny sending the letter, describing it as a "joke". An outraged Maduna said: "I told him this was too sick a joke and that he had better go.".

Gxabashe was given a letter outlining Maduna's other complaints about him. He said he would give his side of the story today.

Maduna said he had not heard about the conference until last week when one of the organisers told him that Justice Minister Dullah Omar had been invited to speak in his place. Omar refused on the grounds that this was Maduna's duty.

The world's top experts on energy and natural resources law will speak at the conference which will be opened on Monday in Cape Town by President Nelson Mandela. "Imagine if the president had gone there without the line function minister, " Maduna said.

The invitation was sent by Deneys Reitz's Michael Dale in July last year, but Gxabashe did not inform Maduna and replied that he was not willing to attend. Maduna said he had asked Gxabashe for conference details but, by yesterday, had not received anything and Maduna had to ask Omar to provide him with a copy of the invitation.

Gxabashe had also indicated to Dale that Maduna had "lost" the conference documents. "This was too much. It's the kind of behaviour I will not tolerate. It makes me look like a fool and contributes to the impression that I am not available," Maduna said.

Maduna demands top adviser's resignation

CT(BR) 11/3/98

JONATHAN ROSENTHAL

Johannesburg — Penuell Maduna, the minister of mineral and energy affairs, yesterday demanded the resignation of his top adviser, Thulane Gcabashe, in an attempt to halt his criticism of Don Mkhwanazi, chairman of the Central Energy Fund (CEF), insiders said.

Gcabashe and Gordon Sibiya, the deputy director-general of the department, have both campaigned to strip Mkhwanazi of his position at CEF for awarding a controversial R3 million consultancy contract to Liberian Emanuel Shaw II without tender.

Press reports have linked Shaw to fraud in Liberia.

In January, an inquiry appointed by Maduna found that Mkhwanazi and the CEF board had flouted procedures in awarding the contract and recommended the nomination of a new board and the termination of Shaw's contract. Maduna, however, has failed to act, saying instead the inquiry was flawed.

Gcabashe, one of two advisers in Maduna's inner circle, yesterday confirmed he had been asked to resign over a series of disagreements with Maduna, including the question of Mkhwanazi.

Maduna said he had asked Gcabashe to resign but flatly denied this had anything to do with Mkhwanazi. "How would this silence him (Gcabashe)... ? You don't silence him unless you kill him," he said.

Gcabashe had publicly embarrassed him, exceeded his authority and acted in a reckless manner, added Maduna.

Seemingly the final straw leading to yesterday's confrontation was a letter written by Gcabashe last September in response to an invitation to Maduna. Gcabashe wrote he was unable to commit Maduna to a function scheduled for March as one could not be sure he would still be the minister.

Complex framework blamed for lack of interest

Soekor presses for fast policy reform

CT (MA) 11/3/98 (55)

Lynda Loxton

PARLIAMENTARY CORRESPONDENT

Cape Town — Soekor, the state-owned oil exploration company, said yesterday it had become urgent for government to develop a separate oil and gas policy and to renew its offshore prospecting lease.

Joggie Heuser, Soekor's chief executive, told the parliamentary portfolio committee on minerals and energy that unless something was done soon, it would be increasingly difficult for Soekor to attract foreign investors to explore and develop South Africa's offshore oil prospects.

He said a separate oil and gas policy was needed because the present legal framework for the industry was complex and confusing. Investors were also concerned about plans to restructure the Central Energy Fund, under which Soekor falls, and whether any long-term subleases entered into with Soekor would be upheld.

Soekor controls most of the offshore areas under prospecting lease OP26. Its petroleum licensing unit sub-leases offshore blocks because the state cannot afford to develop them itself. But it has not been very successful in attracting investors because of red tape and lack of incentives.

Heuser said although Soekor had persuaded the government to reduce taxation on oil and gas exploration from 72 percent to 35 percent, prospective investors still had to negotiate additional tax dispensations with the government to make their investment more attractive.

Heuser said the department of minerals and energy affair's green paper on a minerals and mining policy did not take these factors into consideration and could, in fact, jeopardise any efforts by Soekor to award sub-leases.

The situation had been exacerbated by the fact that Soekor's lease on OP26 would expire in 2007 and it could not grant the leases of more than 12 years that most prospectors wanted, he said.

Heuser said that as a first step, Soekor's lease should be extended for a further 10 years and broadened to include the deep-sea offshore areas in South Africa's exclusive economic zone, where the potential for finding oil was greater.

He said Soekor was also increasingly uncomfortable with its dual role as both referee and player in the sector. He said an independent professional body should be established to take over the regulation and promotion of the industry.

Heuser said Soekor had completed negotiations last year with a Canadian company to explore Blocks 1 and 6A The agreement would be submitted to the Soekor board and the department for approval soon.

The department was also reviewing the sublease of Block 2 while Energy Africa was undertaking a detailed geophysical and geological study of Blocks 3B and 4B, he said.

Pioneer Natural Resources, an American independent, has entered into a study agreement for six blocks. A British independent has completed negotiations for a study agreement for two blocks.

Atomic Energy Corporation takes brunt of cutbacks

BD 12/3/98 (55)

Amanda Vermeulen

GOVERNMENT has scaled back minerals and energy expenditure over the medium-term expenditure framework (MTEF), beginning with a R205m drop in the budget allocation to R647,8m for the 1998/99 fiscal year.

The Budget Review said allocations to the minerals and energy department would decline in accordance with a drop in subsidies to the Atomic Energy Corporation.

The allocation to the department drop to R638m in the 1999/2000 year, and R598,9m in 2000/01.

review said key aims and policies over the MTEF would include promoting the optimal use of mineral and energy resources, and ensuring that the mining and energy sectors operated profitably in a safe and healthy environment.

Budgets for the promotion of mining safety and health, for example, would be R57,9m this year, increasing to R67,3m in the third year of the MTEF.

The biggest change outlined in the review is a R195m drop in expenditure allocated to the Atomic Energy Corporation to R285m for 1998/99.

This has been broken down to R200m for the corporation's operational costs, with R36,5m given to decommissioning and decontaminating activities and R48,5m for the redemption of and interest on strategic loans.

Sybrand van Vuuren, executive GM for finance at the AEC, said yesterday the decline in this year's allocation was greater than expected.

In 1991 the AEC began a process of commercialisation designed to reduce its dependency on government support and to promote the industrialisation of services and products as well as increase foreign business activities. The ultimate aim of this process is privatisation.

But Van Vuuren said the smaller than expected allocation this year would force the corporation to speed up this process and cut back certain business plans in favour of those which generate a short-term return.

Other key aims in the review included the restructuring of Central Energy Fund companies, including Soekor and Mossgas, to create an efficient and integrated liquid-fuel and gas company that will be a vehicle for black empowerment.

The review also said a team would investigate the restructuring of electricity distribution. Government hopes to limit the number of regional distributors to improve efficiencies and cut costs.

ANALYSIS

Liquid fuels policy must address economic imbalances

Debate on the policy framework for the restructuring of the liquid fuel industry still has a long way to go, writes **Riaz Jawoodeen**

(56) BD 17/3/98

APARTHEID and the international response to it, namely, sanctions, left SA with a complicated web of regulations governing the liquid fuel industry. And Afrikaner economic empowerment, courtesy of the fiscus, through the synthetic fuel industry further complicated governance of the industry. The siege economy viewed the industry as strategic in the political and economic sense in order to preserve the apartheid system.

Stakeholders tend to agree that adopting regulatory red tape from the former establishment or replacing it with new red tape would not lead to transformation and economic growth. It would instead fetter any further development of the industry.

The regulatory system inherited from apartheid excludes black participation in the industry. It discourages any new local and foreign investment. This violates constitutional freedom of economic activity. Red tape generally increases transaction costs which keeps production costs high, thereby ensuring that SA remains uncompetitive in a rapidly globalising economy.

The regulatory mechanisms governing the commercial functioning of the industry are archaic within the SA context and especially within a global context. However, whether a gradual approach to deregulation or reregulation is best is debatable.

There are three approaches to restructuring the industry: deregulation, regulation and reregulation.

Deregulation is the approach of the oil industry, with minimal government intervention and an orderly transition period.

The regulation thesis is espoused by the former establishment in the mineral and energy affairs department. It centres on the adoption of the apartheid regulations (with their siege economy red tape). It also supports subsidisation of synfuel producers. This thesis has dominated policy for three years and is expressed in the draft white paper. Minister Penuell Maduna has since rejected important sections of this draft in favour of a reformulation of policy in the sector.

The African National Congress supports reregulation; a qualitatively different policy framework to that of the previous regime. Reregulation is a transitional policy to level the playing fields for a variety of interest groups.

It implies deregulation from the apartheid framework in an orderly transition. Reregulation is a period of adjustment for the various players to gear their business towards a more competitive environment and to create conditions for the entry of new players, both foreign and local, into the domestic market. Thus, reregulation will focus on the lifting of red tape and not its consolidation. It is not simply based on the two pillars of black economic empowerment and job loss, although consideration would be given to these concerns.

Traditionally blacks were marginalised from the economy except as consumers. But black economic empowerment should not be created through uneconomical use of capital. Afrikaner economic empowerment occurred at an unnecessarily high capital cost. Capital resources are scarce and any uneconomical use of capital in this country will spur capital flows past the continent to other developing areas.

There is an erroneous view in the former establishment that market relations would automatically address economic imbalances. Throughout history government intervention has been central in ensuring a country was on a path of economic growth.

The fundamental issue for government in terms of the elections is job creation. Self-service stations are not a prerequisite for deregulation. Neither is it a guarantee of lower pump prices for consumers. Job losses create instability and should be avoided.

It is often suggested that deregulation is the panacea to the industry's problems. Government transitional policy is not based on a single vested interest but hinges on the vision enshrined in its reconstruction and development programme and growth, employment and redistribution strategy as much as it reflects constituency interests. Government thinking on whether to deregulate is guided by the need to develop quickly the energy sector and ensure economic growth in real terms.

Deregulation would not ensure cheaper fuel for consumers. This occurs only at the start of deregulation. Self-regulated markets create an upward pressure on prices. At the same time, in cases of deregulation in Africa, prices never fell with the lowering of international crude prices. Government's priority is to ensure low energy prices for the disadvantaged as well as to ensure that deregulation does not subvert economic development through prohibitive costs.

It is one thing to support economic empowerment of the historically disadvantaged, but another to evolve a viable programme to effect participation in the economy. Client-based empowerment and increased unemployment is all that the new SA offers the vast majority of its people. If there was no correction of the injustice from economic apartheid, then the transformation project would fail and the future of market-related economics would be bleak.

□ *Jawoodeen is a researcher with the Institute for Policy and Social Research*

MADUNA

Private finance no quick fix for southern African energy

BD 18/3/98 (55)

Samantha Sharpe

CAPE TOWN — The introduction of private finance into infrastructure projects was not a panacea to southern Africa's energy ills, Cameron McKenna spokesman Robert Phillips said yesterday at the International Bar Association's Energy and Natural Resources Law Conference.

He said a true transfer of risks from the public sector to the private sector demanded fundamental changes within southern African utility industries.

These included tests to ensure any energy solution offered value for money, was transparent and offered private investors an adequate rate of return, Phillips said.

He said private sector involvement in energy infrastructure projects for the purpose of realising private sector efficiencies meant current rates of return would have to increase to commercial levels.

"Rates of return which may be acceptable to the public sector (and under the Southern African Power Pool wheeling arrangements, this is calculated at less than 6%) are likely to be unacceptable to the private sector even on a non-risk basis.

"I have first-hand knowledge of rates of return being proposed which would preclude private sector solutions in circumstances where the public sector would have insufficient funds to finance the project," he said.

Securing private sector participation in energy projects in southern Africa would be difficult, but not impossible. "It has been rare for the first projects in any country to be easy and we have the vast array of experience in relation to power projects from which to work," he said.

Electricity regulator releases business plan

BD 18/3/98

(55)

Robyn Chalmers

THE National Electricity Regulator (NER) will undertake a financial analysis of the troubled electricity-supply industry and implement long-awaited tariff reforms as part of its business plan for 1998/99.

The regulator's future functions will be finalised to ensure its role in developing the sector is defined. This follows expectations that government will make changes to the regulator's board and that the regulator will also have to contend with changes in the external-energy environment.

Regulator CEO Magate Sekonya said the time had come for action to be taken on problems facing some municipal distributors. "The NER is of the view that all distribution licensees should (be able to) demonstrate their ability to run sustainable distribution businesses," he said. As a result, the regulator would undertake audits of licensees to assess their human, financial and infrastructure resources.

The business plan showed the regulator's priorities this year to include helping government design, plan and implement the new electricity-supply industry structure. Tariff reforms would be implemented to ensure that tariffs were fair, equitable and cost based and subsidies were transparent.

An economic and financial analysis of the electricity-supply industry would be undertaken to advise government on the available options for the modernisation of the generation and transmission sectors.

The organisation's regulatory capacity would be boosted to give it an expanded regulatory role, while supply and service standards for licensees would be implemented.

The plan indicated that government's white paper on energy should be released this year along with greater clarity on the future structure of the supply industry.

"Although efforts are centred on sorting out the (supply) sector, pressures are mounting to transform the generation and transmission sectors. A number of private players have said they intend entering the industry and demands to allow competition and customer choice in the sector will increase," the plan said.

pressed Rice for assurances that Clinton would use the visit to insist on changes to the act. She told them that if Clinton himself did not raise the subject during his visit to SA, Commerce Secretary William Daley would. Daley will be part of the US delegation.

ANC suspends 12 memberships

THE African National Congress (ANC) national working committee suspended the membership of 12 councillors in the Butterworth Local Council yesterday, after they ignored a request by the Eastern Cape provincial government to resign.

The councillors are facing disciplinary charges brought against them by the ANC's Eastern Cape provincial executive committee for bringing the organisation into disrepute and for failing to act in the interest of unity.

The ANC said yesterday the councillors would be suspended with immediate effect pending the outcome of the disciplinary hearing.

The councillors were issued with an ultimatum on Tuesday to relinquish control of the town to the provincial government. The ultimatum was delivered by the police and cited the collapse of Butterworth's administration as the reason.

BMW councillors defended

MPUMALANGA's executive committee should not be publicly crucified for ignoring government regulations and spending R2,3m of unbudgeted tax money to buy 10 luxury BMWs for its MECs, Mpumalanga's portfolio committee on public works said yesterday.

The BMW 528is cost R77 000 more per vehicle than allowed for by ministerial handbook regulations and were bought in defiance of Transport Minister Mac Maharaj's concern about the deal, African Eye News Service reported.

Wool Forum asked for levy

IT WAS incorrectly reported in Business Day yesterday that the National Agricultural Marketing Council (NAMC) had requested a levy on wool.

The levy was requested by the Wool Forum and the NAMC, which advises the minister of agriculture, briefed the parliamentary committees of agriculture on the background to the application.

Eugene Brock of the NAMC said yesterday that in fact the majority of the council had voted against the application from the Wool Forum.

He said that it was not possible to tell if the membership of the International Wool Secretariat, which the levy, if approved, will pay for, was a sound investment for wool growers.

REPORTS: Business Day Reporters, Sapa.

Report suggests that AEC be split

BD 19/3/98 (55)

Shareen Singh

A GOVERNMENT-appointed research team has recommended the Atomic Energy Corporation (AEC) be split into two separate organisations, with government retaining one part and privatising the other.

Research mandated by the cabinet and overseen by the arts, culture, science and technology department concluded there was no longer a need for the AEC's original nuclear research mandate.

This function should be scrapped and the AEC's remaining core activities — technology development and residual nuclear fuel-related functions — should be separated.

The research report, tabled to an interministerial committee this week, recommended a new public company, AEC Technology, be established to develop and market technology and related products at the Pelindaba and Valindaba sites. This company, to be created with substantial Industrial Development Corporation support, should be privatised.

New management

Interim government funding might be needed for AEC Technology.

The company should be run by a new management team which understood the markets.

The researchers did not believe the mineral and energy department was the appropriate structure to oversee AEC Technology.

"It is not logical or desirable to fund technology development in these areas (such as fluorine chemicals) in a non-transparent manner from the department of minerals and energy.... The department of trade and industry might initially be a more appropriate parent organisation."

Residual nuclear fuel-related functions such as radioactive waste management would continue to exist because of national health and environmental obligations, rather than economic imperatives. The focus would be on "cleaning up the consequences of years of wasteful expenditure".

The Safari reactor, a research reactor producing nuclear isotopes, was of little use and did not justify state financial support.

Evidence pointed to its closure. However, Safari's role in the International Atomic Energy Authority and Afra, a body looking into the peaceful use of nuclear programmes in Africa, might have political implications. A detailed study would be required to determine the impact of its closure, the research team's report said.

Last year the minerals and energy department financed AEC to the amount of R287m for its various divisions.

"It is difficult to understand why an energy ministry should be supporting many of these operations while the AEC does not contribute at all to energy production in SA."

The deputy director-general of arts, culture, science and technology, Rob Adam, said his department would discuss the report with stakeholders in the industry and at some stage a document would be tabled to the cabinet.

The report on AEC is part of a broader investigation of science and technology facilities.

National Union of Metalworkers of SA president Mtutuzeli Tom addresses delegates yesterday, the second day of the union's national bargaining conference held in Johannesburg.

Picture: TREVOR SAMSON

Department 'pulling out all stops' on policy

Shareen Singh (55) BD 19/3/98

THE minerals and energy department said yesterday it would pull out all the stops to ensure that a new energy policy green paper would be completed by the end of this month.

Deputy director-general Gordon Sibiya said the green paper was long overdue and was affecting progress in the restructuring of certain state assets, such as the Atomic Energy Corporation and the Central Energy Fund, as well as the provision of solar energy systems to communities.

"I have made a commitment to the portfolio committee on minerals and energy to produce the green paper in two weeks' time. If for some reason there is any delay, it will not be longer than 14 days after that."

Sibiya said when he joined the department in March last year the energy division was not fully functional and he had to focus largely on building that section. He had to develop and design new energy projects and a contracts management system.

The department was given the go-ahead last week to appoint three chief directors and three directors. This would more than double the energy division's capacity at a senior level. A chief director in charge of electricity demand and development, Simunda Mokoena, was appointed on Tuesday. The other posts would be advertised next week.

The lack of capacity in the energy division has hamstrung the department's progress in certain areas, including energy policy, said Sibiya.

Industry sources blamed the delay on energy policy on Minerals and Energy Minister Penuel Maduna. "The process of drafting energy policy had begun long before Sibiya joined the department and some key officials left, apparently after disagreements with the minister's approach on issues. There have already been a number of drafts of the green paper, but none officially tabled."

Sibiya said a white paper would follow within two months of the green paper being handed to the portfolio committee. A bill was expected to be tabled by June.

Government loses its status as a 'safe client'

Lukanyo Mnyanda

BD 19/3/98

BUILDERS were considering asking for bank guarantees before embarking on government projects following a growing trend of late payment and nonpayment by local and provincial governments, the Building Industries Federation of SA said yesterday.

Executive director Ian Robinson said government had lost its status as a "safe client" and that nonpayment was hitting emerging contractors the hardest, with a number having been forced to close down because of cash-flow problems.

It was difficult to put a figure on the amounts involved as the situation could change drastically depending on particular cases, but nonpayment was a growing problem which had forced the cancellation of some projects.

Building and construction professionals were reported to be owed at least R80m late last year.

Robinson said there was "something immoral" about the lack of payment which had already forced some smaller players to close down their businesses.

Zambian delegation focuses on potential investors in SA

John Dludlu

A ZAMBIAN delegation, headed by Commerce and Industry Minister Enock Kavindele, is targeting SA investors as the Lusaka authorities prepare for the sale of state-owned assets.

Kavindele launched a week-long road show in Johannesburg yesterday by inviting SA companies to put Zambia, one of Africa's most successful privatisation stories, on their agenda.

Soon to be sold will be the country's telecommunications, energy and transport parastatals and other state-owned corporations and properties.

Privatisation of over 200 relatively smaller entities had already taken place.

Florence Mumba, an official of the Zambia Privatisation Agency, said SA was being targeted as SA's investors already had a presence in Zambia.

Officials from the Zambian Investment Centre also told a seminar organised by the SA Chamber of Business (Sacob) yesterday that the protracted talks with multinational consortium, Kafue — which was in the final stages of buying a significant chunk of Zambian Consolidated Copper Mines — would be concluded soon.

Negotiations with Kafue, which included SA mining group Avmin, had dragged on longer than expected partly as a result of differences over the value of the asset, said Bwalya Nga'ndu, director-general at the investment centre.

The privatisation programme was inspired by a realisation that business was not for government, Kavindele said.

Investments in the public sector would be made in a way that supplemented private capital. Kavindele said the 1992 reforms had started showing results. These included the abolition of all foreign exchange controls; positive interest rates (with the main rate at 24%, significantly lower than some 50%); subsidies were scrapped; and consumer inflation was reduced to 18% from over 300% before the reforms kicked in.

Sacob president Humphrey Khoza called on business in the southern Africa region to form clusters to be internationally competitive, saying they should not wait for governments.

Project questioned: Page 13

BD 19/3/98

Electricity pirating dangerous

(55)

Sowetan 25/3/98

By Justice Mohale

RESIDENTS of Extension 10, Orange Farm, in the Vaal Triangle, are illegally connecting their homes to the electricity supply in other sections of the area.

The exposed wires are endangering the lives of residents – but they say that they are tired of living in the dark.

A member of the community of about 3 000 families, Mr Petrus Radebe, said the community was angry because Eskom was not helping them.

They decided to take matters into their own hands and connect the electricity themselves.

People are taking electricity from street poles in Extension 3, about half a kilometre away. Some of the wires – which rı a along the ground – are been covered with soil but others are exposed.

Radebe said residents were prepared to pay for electricity. "We have negotiated with Eskom on many occasions regarding the dangers of living in darkness but we have not received any positive response," he said.

Illegal connections

He admitted that these connections were illegal and that the wires could put the lives of children in danger, but said they had no choice.

Eskom customer services and area manager Mr Len de Villiers said they were aware of the illegal connections in the area. He said Eskom had disconnected the wires several times but without success.

"We cannot legally supply electricity in that area because there is a problem over ownership of the land," he said.

One resident, Mrs Martha Nzima, said she was still using a candle because she did want to interfere with the electricity. "I don't want to fiddle illegally with electricity because it could endanger my life," she said.

Mossgas and oil companies have no common ground on price tag

(55)

Linda Ensor

CAPE TOWN — The oil industry's demands that outside parties be prohibited from purchasing Mossgas fuel were hampering a final resolution of the pricing impasse between Mossgas and the oil companies, sources said yesterday.

Parliament's committee on public accounts is considering holding talks next week.

The talks were initiated by the mineral and energy affairs department at the instigation of the committee last year. The committee expressed concern about the amount taxpayers were paying in the form of a synfuel levy in order to compensate Mossgas for the lower price paid by the oil industry for its fuel.

Geoff Doidge, a spokesman for a subcommittee, said there was concern — expressed by the Central Energy Fund as well — about the oil industry's demand for exclusivity to prevent global players from entering the SA market. Mossgas should be in a position to import feedstock to top up its production. "If it is prevented from doing so it will lose its market position," the committee said.

By importing condensate Mossgas would be able to utilise the 10% refining capacity presently out of production. However, oil companies insisted they would only indulge in business locally.

The oil industry has offered to uplift all Mossgas' fuel, and to include new black entrants into the market as parties to the agreement. Oil companies not party to the agreement would be prevented from purchasing Mossgas' fuel, forcing them to find offshore sources of fuel or from SA oil refiners.

The annual difference between the two prices is estimated by Mossgas to total more than R140m, which taxpayers pay via the equalisation fund.

Mossgas demanded that it be allowed to import feedstock to enhance its production capacity which the oil industry has refused. This was a major obstacle to concluding an agreement, the sources said, as oil companies were demanding that the price paid for the product produced from imported feedstock should be lower than that paid for Mossgas' other products. They believed that they could be producing additional fuel themselves.

BD 26/3/98

Real power is economic

CEF lawyer slams Bakker Report

(55)

Sowetan 26/3/98

By Isaac Moledi

THE lawyer representing the Central Energy Fund (CEF) has criticised the Bakker Report, saying the CEF board could take legal action if its term of office was terminated on the basis of the report's recommendations.

Christine Qunta, who said at a media conference in Johannesburg that she was acting on behalf of CEF and not its chairman Don Mkhwanazi, was responding to the recommendations by the Bakker Commission of Inquiry.

According to the recommendations, the embattled CEF board and Mkhwanazi should be sacked.

Not approved

The report also recommended that International Advisory Services (IAS) executive director Emmanuel Shaw II be fired as the CEF board of directors had not approved his company's appointment as a consultant.

The commission was appointed by Minister of Minerals and Energy Affairs Penuell Maduna in November last year to inquire into the R3 million CEF-IAS contract.

But Maduna rejected the commission's recommendations and forwarded the report to Deputy President Thabo Mbeki. The matter was also referred to public protector Selby Baqwa.

CEF legal representative Christine Qunta.

Qunta accused the people who sat on the panel of the commission of not being impartial and dismissed the report as biased and unfair.

She said the findings of any tribunal should be based on evidence submitted to it and that the evidence had to be tested as far as possible to ensure that it was based on more than hearsay or the biased opinions of particular witnesses.

"The report, however, failed in every important respect to test the evidence or seek corroboration for certain assertions made," she said.

Legal right

"The panel ignored almost entirely the evidence of Mr Don Mkhwanazi, the board members and members of the management who gave evidence regarding CEF's procurement procedures and the events surrounding the appointment of IAS," she said.

Qunta said she was of the opinion that if any person had his or her rights violated, that person had the right to exercise his or her legal rights.

"This means that the CEF board of directors have the right to take legal action if they feel their term of office has been terminated on the basis of the Bakker Report recommendations."

The board's term of office expires next Tuesday but Qunta said it could be extended.

'Damaging comments' upset officials

BD 27/3/98 (55)

Linda Ensor

CAPE TOWN — Two leading officials in the mineral and energy affairs department are to seek legal advice on damaging comments they said were made about them by an attorney acting on behalf of Central Energy Fund (CEF) chairman Don Mkhwanazi.

Deputy directors-general Gordon Sibiya and Dick Bakker objected to comments made by Christine Qunta, ostensibly on behalf of the CEF.

Qunta dismissed the findings of a department inquiry headed by Bakker into the appointment of Emmanuel Shaw's International Advisory Services as an advisor to Mkhwanazi on a R3m annual contract.

Among the inquiry's recommendations were the nonrenewal of the CEF board's term of office, due to expire at the end of this month. Qunta criticised the findings as unfair and amounting to a miscarriage of justice. Members of the panel of inquiry were accused of not having applied their minds.

Bakker said he was upset by Qunta's "personal" and "uncalled for" comments, which reflected a misunderstanding of the panel's report findings.

Sibiya, a member of the board, objected to her claim to represent the board, saying he had no knowledge of a resolution being passed to appoint her. If she represented Mkhwanazi, he hoped he would pay her fees.

Among the false statements made about him, he said, were that he had applied for the position of director-general, had a financial interest in company bidding for Mossgas and was the main complainant against Mkhwanazi and the board. He accused Mkhwanazi of smearing him and his colleagues and lowering the morale of department staff in an attempt to divert attention away from himself.

Mineral and Energy Affairs Minister Penuell Maduna is expected to announce the members of the next CEF board over the next few days.

CEF plans listing on the JSE

CT(BR) 27/3/98 (55)

NCABA HLOPHE

Johannesburg — The Central Energy Fund (CEF) may hive off "non-core" operations before listing on the JSE as an integrated energy company, in a fillip to empowerment companies, according to a new internal report.

The proposals, made at a CEF bosberaad, are expected to form the basis of recommendations by International Advisory Services (IAS), the embattled consultancy working on the restructuring of the CEF.

The state is expected to maintain a 50-60 percent controlling stake in the proposed listed national energy company, with the remainder of the shares split between black economic empowerment groups, strategic equity partners and employees.

"This structure would preserve the state's ownership and control over national resources, and create a vehicle to actively participate in the energy sector without distorting free competition in and outside the country," the report said.

In terms of the proposals, Soekor could remain as the upstream exploration and production company while Mossgas could be the refining company. The Strategic Fuel Fund could then remain as the oil trading and storage company.

Petronet would have to be transferred from Transnet to the new company, and a new liquid fuels distribution and marketing company be formed in partnership with emerging companies.

Maurice Radebe, spokesman for the emerging oil companies, said they would welcome the initiative to empower emerging black oil companies.

"We would then expect to participate in the process once the CEF takes a decision about these proposals," he said.

Colin McClelland, executive director of the South African Petroleum Industry Association, said the liquid fuels industry supported the use of state assets to further black economic empowerment. He could not comment on the restructuring of the CEF.

OIL PRICES

Opec takes the pledge once more

FM 27/3/98 (55)

SA stands to gain more than it will lose from higher price

Major oil producers have committed themselves to huge production cuts, signalling hope that the downward oil price spiral could be reversed. The cuts could total 2m barrels per day (BPD).

Monday's trading showed the market was inclined to believe the agreement will hold — Nymex May futures in the US rose by US$1,90/barrel to $16,51 for a gain of around 13,5%, while gold responded positively.

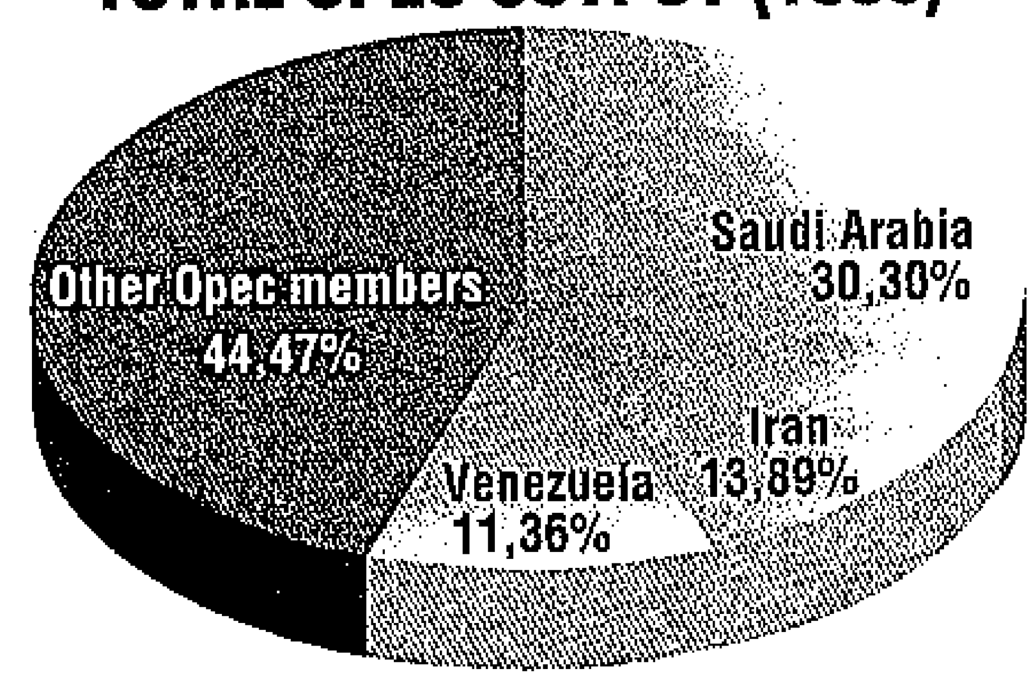
The dramatic weekend announcement was the culmination of yet another Opec conference held in Riyadh, Saudi Arabia. It was notable for the attendance of a major non-Opec producer, Mexico, whose output of nearly 3,5m BPD is almost 5% of the current world total of over 70m BPD.

The price war of recent months ultimately derives from a serious loss of cohesion within Opec, with several members aggressively increasing output and ignoring production quotas. Opec output has risen sharply since 1990 — from 23,87m BPD then to 28,52m BPD in the second half of 1997, despite frequent avowals that the cartel would adhere to strict quotas.

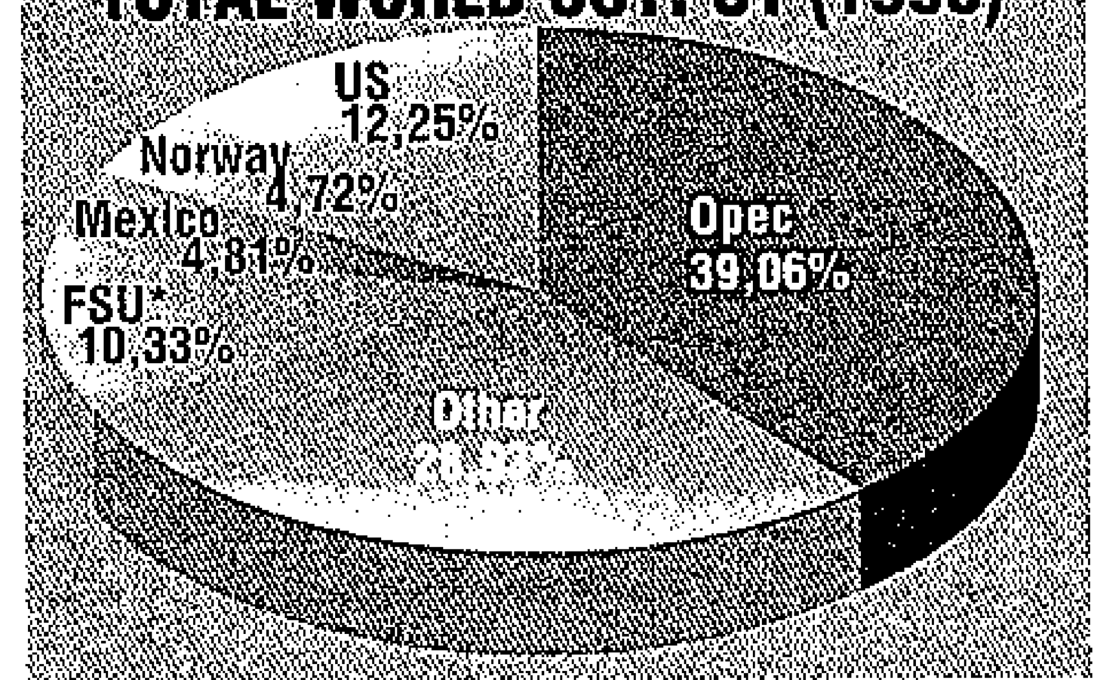
Ironically, Opec founding member Venezuela has become an aggressive and therefore disruptive producer. In 1993 it produced only 2,37m BPD. In November 1997 it produced 3,41m BPD, an increase of around 40% and 42% above quota. It reportedly cherishes plans for dramatic increases in output to an eventual 6m BPD in the next century. Iran, another founding member, has hoisted output by about 20% since 1990, from 3,15m BPD to 3,76m BPD in December 1997.

Matters have not been helped by buoyancy in non-Opec output including the North Sea, Latin America and the west coast of Africa. Only in the former Soviet Union has output dropped sharply — from 11,5m BPD in 1990 to 7,16m BPD in 1997.

TOTAL OPEC OUTPUT (1996)



TOTAL WORLD OUTPUT (1996)



*Former Soviet Union SOURCE: PETROLEUM ECONOMIST

Saudi output has stagnated at around 8,2m BPD since 1991, despite possession of the world's biggest reserves. Rumour has it that the Saudis have finally wearied of their endless sacrificial role as Opec's "swing producer" — the country which has to curtail its own output to sustain prices, despite chiselling by other members.

Though oil demand had also risen strongly — at least until the Asian economic crisis — it was swamped by growth in supply, so the price dropped from a peak of about $24/barrel in late 1996 to a recent low of $12,5/barrel, measured on North Sea Brent.

How do sharp movements in oil affect the SA economy? It would be too simplistic to suggest that low oil prices are good for SA and high prices bad. SA too is a significant producer of petroleum products.

SA still pays a price for a long-standing system of protection for synthetic fuels. If the oil price falls below the level at which government guarantees a price floor for the local producers, protection is provided in the form of payments from the Equalisation Fund. Sasol's formula provides for protection to be available at oil prices under $17. This floor is to reduce to $16 on July 1 1999, and to be reviewed by July 1 2000. These arrangements apply to the whole local synfuels industry including Mossgas. Ultimately these costs are paid by SA motorists.

Then there's the influence on gold. The gold market reacted to the oil news by rising $5/ounce — to a price above $298 at the close in New York on Monday. At an annual output of about 15m ounces, this gain would be worth an extra R375m annualised.

If SA imports roughly 450 000 BPD of oil, or close to 157m barrels per year, at $15 average, the cost would be around $2,4bn a year (R12bn). A 13% gain on that is R150m, so the initial gain on gold is more than twice the loss on oil. While these figures are purely illustrative, they show that SA arguably is often a direct net loser from distressed oil prices.

But gold is only part of the story. To the extent that the fall in the oil price is a spin-off from Asia's slump rather than the result of a market war between producers — it's bought at too high a price for SA, as falls in the prices of metals and minerals other than gold demonstrate. With diamonds, the Asian impact falls on demand rather than price, but the outcome of a drop in earnings is the same.

It's true that a sustained swing back in oil would undo the recent deflationary effect of a declining price, but this is only one of many factors causing the continued decline in inflation.

All things considered, SA should rejoice in the latest news, but receive it cautiously, as so many production agreements in the past have proved to be worthless. However, the sharpness of the recent price decline suggests that the incentive exists for major producers — whether in or out of Opec — to hold to the latest agreement.

And maybe the Saudis' newfound determination not to bear the burden of cheating by others will make this one different from its predecessors. Robin Friedland

CENTRAL ENERGY FUND

Maduna in search of Solomon's wisdom

55

CEF lawyers advise Minister to ignore Bakker report

FM 27/3/98

Spare a thought for Minerals & Energy Affairs Minister Penuell Maduna. By Tuesday next week he will have to decide whether to extend or end the term of the current board of directors of the Central Energy Fund (CEF), the company housing the State's oil assets..

In December last year Maduna extended the term of the CEF board to March 31.

Maduna is caught between a rock and a hard place. Should he decide not to renew the CEF board's term, he may be perceived to have accepted the recommendations of the Bakker Panel, set up to probe allegations of improper conduct within the CEF. Such a decision would inevitable be challenged in the courts.

But should he renew the board's term, he will come under pressure from opposition politicians who have been baying for blood since the *Mail & Guardian* first alleged that the CEF improperly awarded a R3m consulting contract to International Advisory Services (IAS).

In response to the *Mail & Guardian* articles, Maduna appointed a panel, chaired by Dick Bakker, the then acting director general in Maduna's department, to probe the allegations.

The newspaper claimed that CEF chairman Don Mkhwanazi had appointed IAS without following proper procedures.

IAS directors include Emmanuel Shaw 11, the former Liberian Finance Minister. The *Mail & Guardian*, describing Shaw as having a shady past, alleged Mkhwanazi had benefited from their friendship.

Among its recommendations, the Bakker panel said the term of the CEF board should not be renewed. It also recommended that the IAS contract be cancelled.

Maduna has yet to release the official Bakker report. Copies have, however, been leaked to the media.

Maduna told parliament in February that the findings of the Bakker panel had "basic flaws". The embattled Minister now appears to have an independent opinion supporting this view.

The CEF's attorneys Qunta Ntsebenza, this week advised Maduna against following the recommendations of the Bakker report.

They argue that following the recommendations "would be inconsistent with the basic precepts of fairness which have come to be accepted in our common law and since 1994, our Constitution".

Qunta Ntsebenza says its opinion was similar to one offered by Mkhwanazi's attorneys in Durban and a senior counsel, Advocate Peter Olsen.

Qunta Ntsebenza also express the view that the Bakker panel was impartial and biased against Mkhwanazi and other CEF directors.

The legal firm says at least two members of the panel, the chairman Bakker and Bahadzisi Maripe, the secretary to the investigation, could not be seen as impartial as they had an interest in the outcome of the enquiry.

Maripe is chief director of management services in the Minerals & Energy Department.

The lawyers also question the role of Gordon Sibiya, a CEF director, the panel's main witness and a close colleague of Bakker in the Department of Minerals & Energy Affairs. Sibiya is also deputy director general of the department.

The lawyers argue that, in a dispute between the department and CEF, Bakker was likely to side with the department and in particular, with Sibiya.

"The findings of facts and the whole tone of the report (Bakker) tends to support the perceptions of bias."

As reported by the *FM* (*Current Affairs* March 13), Qunta Ntsebenza found that Maripe is the wife of Vincent Msibi, the chief executive of Allied Energy Africa, one of two companies that proposed to buy the CEF's Mossgas and Soekor assets.

The CEF board decided not to act on the proposals.

"She did not disclose this to the panel nor did she recuse herself as would have been necessary.

"This constitutes such a serious irregularity that it would nullify the proceedings and therefore, the findings based on those proceedings," the lawyers argue.

Maduna is also having to fire-fight on another front. His former adviser Thulani Gcabashe, whom he sacked earlier this month, has written an open letter to the press alleging that Maduna had pressed

Arnold Pronto

***Mkhwanazi** . . . lives to fight another day* him and Sibiya to endorse a rejection of the Bakker report.

"We refused to do so because we believed that his condemnation of his own inquiry was ill-advised to begin with."

In his letter Gcabashe also refutes one of the reasons Maduna gave for firing him — the accusation that he prepared a pro-Santa Fe memorandum for submission to Cabinet, contrary to Maduna's instructions. Santa Fe is a US-based energy group that sought to buy Mossgas and Soekor assets.

Jabulani Sikhakhane

Eskom fulfils rollout demands

(55) CT (BR) 1/4/98

JONATHAN ROSENTHAL

Johannesburg — Eskom, the national electricity utility due to be corporatised next year, reported a 19 percent increase in net income after the costs of its electrification initiative and the previous year's exceptional profit on the sale of investments.

Without these exceptional items, net income rose to R3,08 billion for the year to December 31, from the previous year's R3,07 billion.

During the year it increased net cash generated by R385 million to R953 million, allowing it to repay R397 million in debt and to reduce its debt-to-equity ratio to 1,08 from 1,25. Willem Kok, the financial director, said debt and equity had reached parity.

Eskom's real gains during the period were in controlling costs to reduce the real price of electricity and to keep pace with its electrification programme. During the year it connected 274 000 houses and said it was on track to meet its RDP commitment of 1,75 million new connections by 2000.

NEW LEADER *Reuel Khoza, Eskom's first black chairman*

Stella Sigcau, the minister of public enterprises, said the group had spent R286 million on small, medium and micro enterprises as part of its black economic empowerment initiative and had ensured that 32 percent of its employees in managerial, professional and supervisory positions were black.

Reuel Khoza, Eskom's first black chairman, said Eskom's stronger balance sheet provided greater flexibility for the future management of the organisation.

Allen Morgan, Eskom's chief executive, said the utility's near-monopoly status was rapidly being eroded as the energy industry became more competitive.

"The organisation is confident that it will be able to more than hold its own in its traditional local markets and any new markets it may consider entering, either regionally or internationally," he said in the annual report.

He warned that the declining gold industry, which accounts for 12 percent of electricity sales, and the commodity-price linked electricity sales, which account for 11 percent of sales, could put sales under threat this year.

Business Day

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Mkhwanazi quits as CEF chairman, citing 'innuendo and malice'

(55)

BD 2/4/98

Linda Ensor

CAPE TOWN — Minerals and Energy Affairs Penuell Maduna has expressed confidence in the board of the Central Energy Fund (CEF) by reappointing all its member for another three-year term — with the exception of chairman Don Mkhwanazi who turned down his nomination.

Three CEF board members — Keith Kunene, Seth Phalatse and Renosi Mokate — were named chairmen of Mossgas, the Strategic Fuel Fund Association and Soekor respectively. The three CEF subsidiaries were given their own boards to enable them to function more effectively.

Nearly 100 nominations for the CEF board were received in response to newspaper advertisements, said director-general Sandile Nogxina.

The appointments, approved by the cabinet yesterday, flew in the face of the findings of an internal panel of inquiry headed by then acting director-general Dick Bakker. The inquiry recommended that the board members not be reappointed when their term of office expired on Tuesday.

The Bakker panel found the board had contravened the precepts of good corporate governance in post facto confirming the appointment of Liberian consultant Emanuel Shaw's company, International Advisory Services, on a R3m-a-year contract. Maduna rejected the Bakker recommendations, arguing the report was contradictory and based on unsubstantiated, subjective views.

At a media briefing on yesterday's cabinet decisions, presidential spokesman Joel Netshitenzhe said the cabinet noted that Maduna had accepted Mkhwanazi's request to decline his nomination for another term of office as chairman. Maduna had offered him the CEF chair again.

In his letter to Maduna, Mkhwanazi said his decision not to seek renomination was in the best interests of the CEF group of companies. "Since November last year the group has been unable to function effectively because of negative publicity and unfounded, but malicious, allegations against me, particularly as chairman."

"I believe that the new board must pursue its noble task without any burden of this innuendo and malice." Mkhwanazi thanked the cabinet for allowing him to serve his term of office.

Two new members were appointed to the board — advocate Kathy Naidoo and Simunda Mokwena, chief director of energy in the department. Other existing members reappointed were Coen Kruger from the finance department and Gordon Sibiya, deputy director-general of mineral and energy affairs.

Electrification funding needs to be reconsidered

BD 2/4/98 (55)

Robyn Chalmers

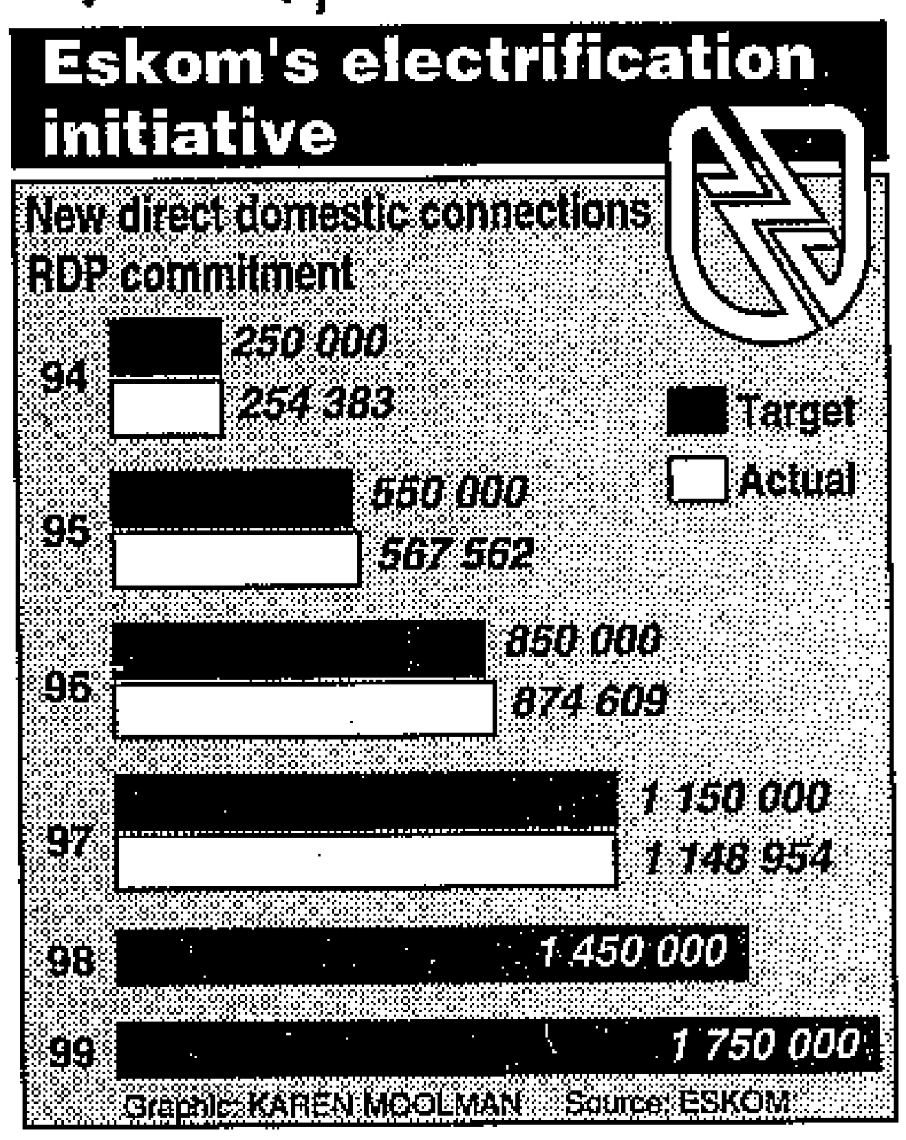
RESPONSIBILITY for funding Eskom's huge electrification programme will have to be addressed in the light of government's decision to turn the utility into a company paying tax and dividends, says MD Allen Morgan.

Morgan said the proposed restructuring of the electricity supply industry would also affect Eskom's ability to continue funding the programme due to increased competitiveness in the sector.

Public Enterprises Minister Stella Sigcau said this week that Eskom was on target to meet and even exceed its electrification commitment. The utility connected 1,148-million homes between 1994 and 1997 against a target of 1,75-million connections by the turn of the century.

The Eskom Amendment Bill will go before Parliament in the next few weeks to constitute Eskom as a public and taxpaying company.

The bill was first submitted to Parliament in February, but was sent back to the drawing board after Eskom pointed out that, in its proposed form, the bill would negatively affect its status as a borrower on international markets.



Morgan said in Eskom's 1997 annual report that the question of Eskom becoming subject to tax and dividends "will have profound effects on both business structures and processes".

"These matters will, to a large extent, be dependent on government's decision regarding the future of the electricity supply industry, which is expected to be finalised during 1998."

Eskom chairman Reuel Khoza said restructuring the supply sector was a significant challenge.

Government's position on restructuring was outlined by the electricity restructuring interdepartmental committee.

The committee recommended that the electricity industry move to cost-reflective tariffs with separate, transparent taxes to fund electrification and other local government services. The distribution industry should be consolidated into a limited number of independent, financially viable regional distributors.

Khoza said that Eskom's council had recently formulated its position on restructuring, and broadly supported the committee's recommendations.

"Whatever form the distribution industry takes, it is critical that the benefits of low-cost, reliable electricity are made available to all SA. An efficient electricity industry is vital to the country's economic growth and international competitiveness," he said.

Cabinet finally ends Mkhwanazi's reign

M+G 3-8/4/98 (65)

Mungo Soggot

The downfall of state oil chief Don Mkhwanazi this week came after the Cabinet blocked an earlier attempt by the Minister of Minerals and Energy, Penuell Maduna, to keep him at the helm of the Central Energy Fund (CEF).

Maduna tried to persuade the Cabinet that Mkhwanazi, the fund's chair, and his board should be retained when their contracts expired this week, despite the scandal surrounding Mkhwanazi that has rocked the state oil industry. Mkhwanazi resigned only after a Cabinet committee ordered Maduna to compile a new list of nominees for the CEF board.

Mkhwanazi's appointment of his close friend, Liberian politician Emanuel Shaw II, as a highly paid CEF consultant, triggered a damning government commission of inquiry which recommended the oil company's board be sacked. The public protector and the Office for Serious Economic Offences are also investigating.

Mkhwanazi threatened to sue the government if he was sacked. But he resigned just before Maduna asked the Cabinet to endorse him again. On Tuesday, the day before the Cabinet met and the day after his last CEF board meeting, he officially rejected his nomination. A Cabinet statement suggested Mkhwanazi had resigned, but his departure was not a prejudgment of the public protector's findings.

Maduna — who has consistently backed Mkhwanazi, despite the advice of his top officials — was unavailable for comment this week.

The minister did not interview any new applicants for the CEF board. Instead, he retained most of the former board members, and appointed his advocate as a new addition.

All but one of the old CEF board had stood by Mkhwanazi throughout the turmoil, following the exposure of Shaw's unusual appointment.

Shaw's R3-million CEF contract remains in place until it expires in June, and is unlikely to be renewed.

The Director General of Minerals and Energy, Sandile Nogxina, confirmed that the Cabinet committee "referred back the first list because it did not include enough women". Nogxina said the department had not interviewed any of the 100 applicants who responded to an advertisement calling for nominations for a new CEF board. He said the CEF Act made it the prerogative of the minister to pick the board.

Those who have stayed on include Mkhwanazi's close associate and friend Keith Kunene, who will become acting CEF chair until a permanent replacement is found. Kunene has also been made chair of the state fuel-from-gas operation Mossgas which, like the other CEF companies, will get its own board.

Mkhwanazi's departure closes the door on a disastrous 12 months for the CEF, which last year appointed its first board since 1994. The scandal over Shaw's appointment came months after a messy squabble over the suspension of the CEF's top oil trader, Kobus van Zyl.

Maduna has spent R2,5-million on a team of accountants, dispatched to find evidence to justify the suspension. Van Zyl, who has been suspended on full pay for the past year, has still to be formally disciplined.

The investigators have compiled several weighty tomes — including an affidavit from Van Zyl's secretary saying he asked her to remove documents from his safe — after their initial findings threw up insufficient evidence to hang him.

Time for a long holiday, PAGE 18

SREPORT
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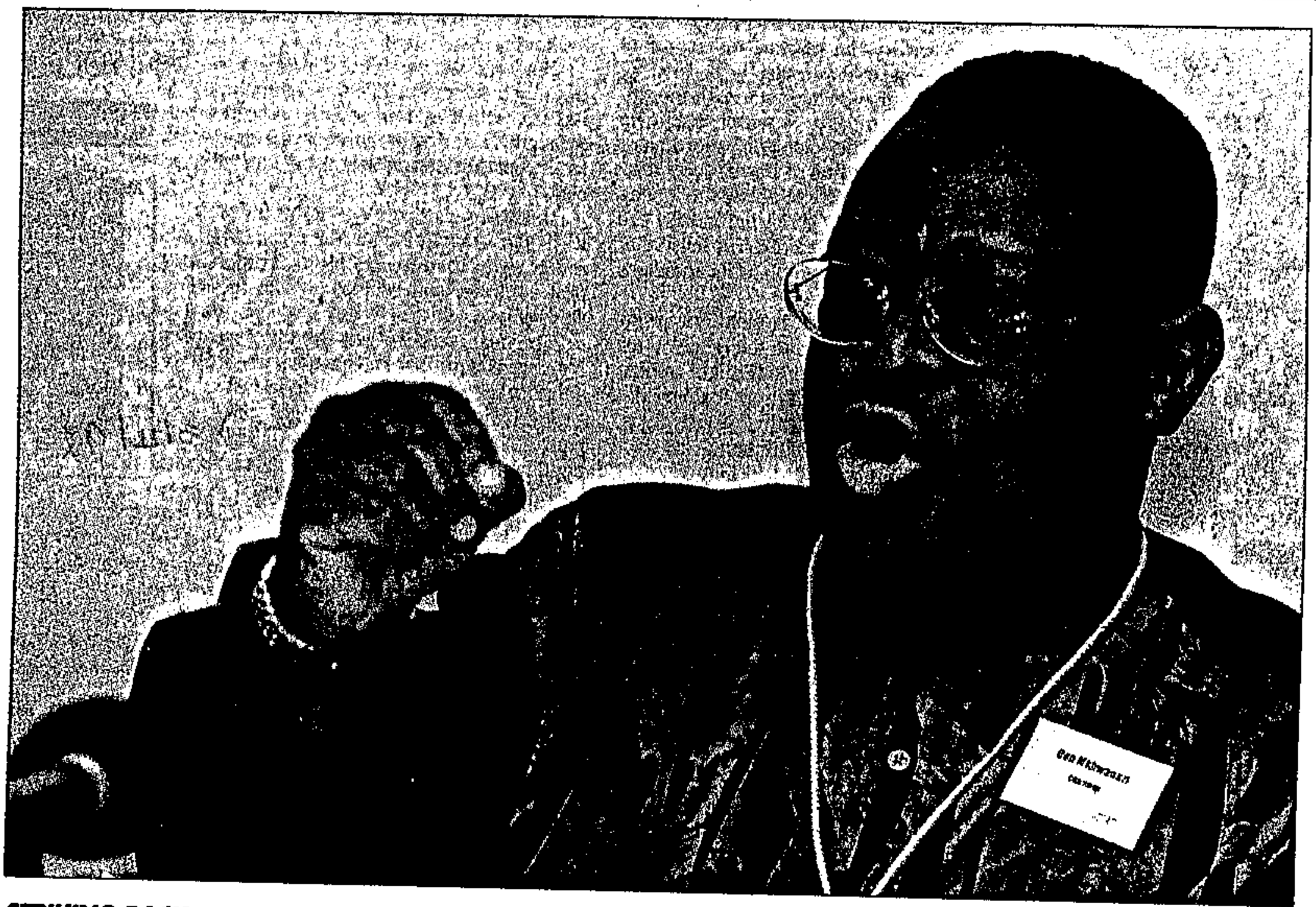
ONAL FINANCIAL DAILY

Alec Erwin wraps up historic visit but fails to sign general trade deal

PAGE 5



STRIKING BACK *Don Mkhwanazi, the former chairman of the Central Energy Fund, speaks of a campaign resisting the effective transformation of the liquid fuels industry*

PHOTO: JOHN WOODROOF

'Oil industry an enemy of change'

(55) (EB3) CT(BR) 3/4/98

NCABA HLOPHE

Johannesburg — Don Mkhwanazi, the former chairman of the Central Energy Fund (CEF), announced yesterday that he had been a victim of a campaign that was aimed at diverting attention from the transformation of the liquid fuels industry.

He said that his hardline approach to transformation had earned him a bad reputation among people with vested interests in the industry.

"This campaign is part of a broader pattern of resistance to effective transformation of the oil industry, which had remained untransformed until the minister stepped in," said Mkhwanazi.

He declined to serve as chairman of the fund for another three years after Penuell Maduna, the minerals and energy minister, passed a vote of confidence by reappointing him and his board.

Sandile Nogxina, the director-general of the department, said the cabinet had appointed Keith Kunene, one of the board members, to act as interim chairman.

Kunene would become the chairman of Mossgas, while Seth Phalatse would chair the Strategic Fuel Fund and Renosi Mokate would head Soekor.

The reappointment of the board ran counter to the findings of an internal inquiry headed by Dick Bakker, then acting director-general of the minerals and energy affairs department, which had recommended that the board be dissolved when its term expired on Tuesday.

Mkhwanazi said he stepped down to allow the CEF board to carry on its operations without being dogged by the controversy attached to him as the chairman.

"I had to swallow my pride and act in the interests of the board and the country, despite the vindication by cabinet. I knew that the controversy would stick and paralyse whatever we did."

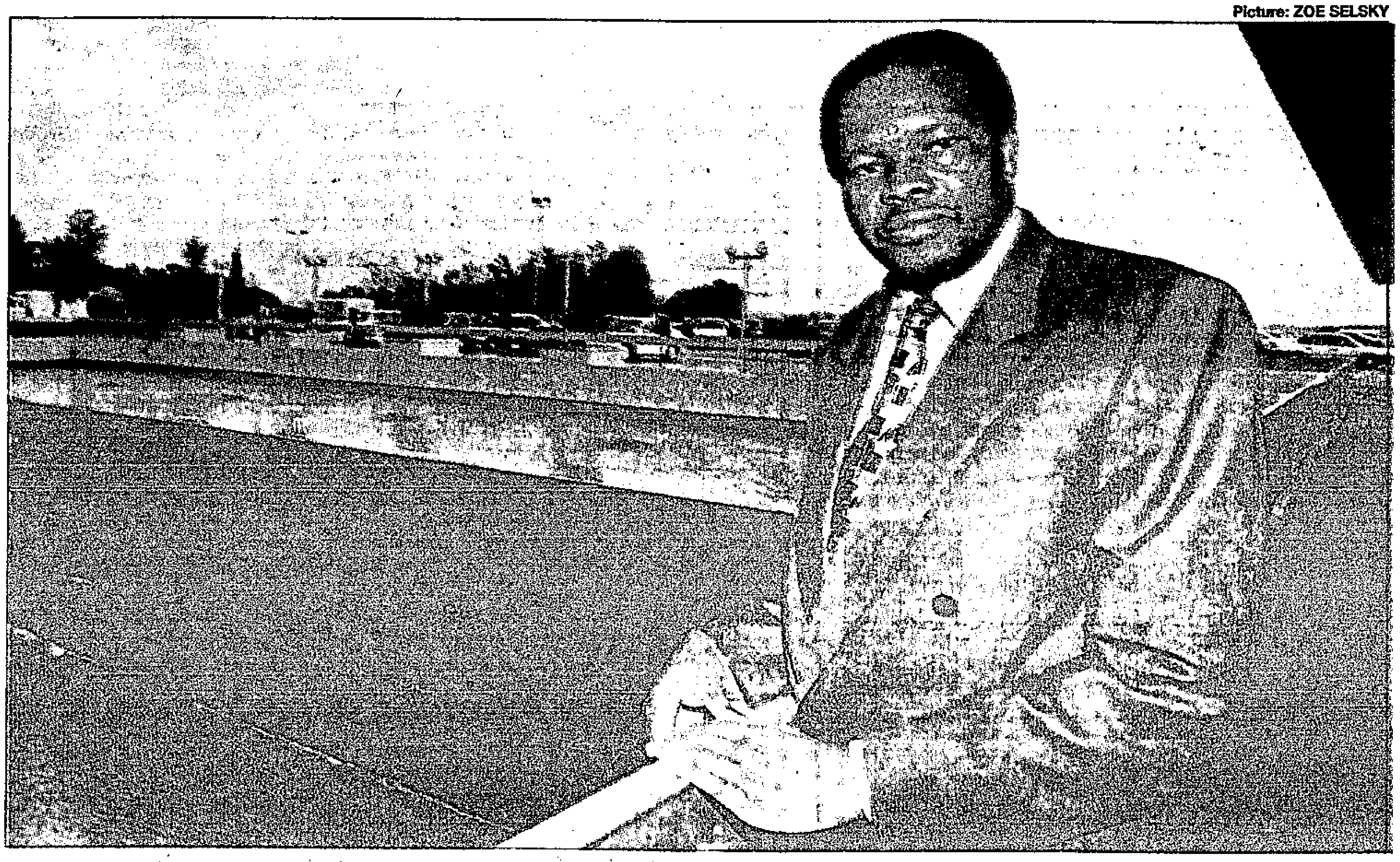
The controversy had hampered progress on the formation of an integrated and state-owned energy company to be listed on the JSE.

Mkhwanazi stood by his position that there was nothing irregular about the appointment of the International Advisory Service to advise on the restructuring of the CEF, and said the Bakker inquiry was a mistake because it was not independent.

Bakker could not be reached for comment because he was not answering press queries at the moment, his assistant said.

□ Business Watch, Page 2

Picture: ZOE SELSKY



NOT FLIPPING . . . Eskom chairman Reuel Khoza says the decision rests with the government, but it seems inevitable anyway

Eskom sees privatisation light

(55)(222) ST(BT)5/4/98

PUBLIC UTILITIES

By THABO KOBOKOANE

ESKOM has conceded for the first time that privatisation is an option for its future structure.

"It is not for me to say whether or not Eskom should be privatised. That decision that rests with government. But there is a certain inevitability about it," chairman Reuel Khoza said this week when questioned about Eskom's potential privatisation.

The privatisation of Eskom is likely to be one the most controversial in the light of its enormous social obligations under the electrification drive.

The utility is on track to meet its RDP commitment of electrifying 1.75-million homes by 2 000. Since the drive began in 1994, it has electrified 1.148-million homes. Over the five years of the programme, Eskom has increased its customer base by a figure of 30%.

Public hearings are scheduled later this month on whether Eskom should pay taxes and dividends, as proposed in the Eskom Amendment Bill.

Eskom has accepted that it will have to pay taxes and dividends in 1999. The restructuring of the industry is also likely to have taken place by then.

These taxes and dividends will be used in accordance with government's priorities, possibly for an electrification fund.

The recommendations are contained in the Electricity Restructuring Interdepartmental Committee which, among others, recommended that the entire electricity industry move towards cost-reflective tariffs, with separate transparent taxes to fund electrification and other government local services.

The committee also wants the distribution industry to be consolidated from its current 460 (mainly municipalities) into a limited number of commercially viable regional distributors.

Khoza says the stalled discussions about restructuring the Electricity Supply Industry received a boost in 1997 and should be completed by the end of the year.

Eskom posted a 4.8% jump in revenue to R20-billion in 1997, while net income was virtually unchanged, at R3.08-billion.

The balance sheet is looking stronger with the debt to equity ratio reduced to 1.08. Eskom says the level is expected to reach parity this year.

Critically, it has managed to bring down non-payment levels, which cost it more than R1-billion over the past few years. Eskom says it now collects about 90% of its revenue from problem accounts, compared with 39% in 1995. This is due to an agreement offered to municipalities under which bulk arrears were written off if current accounts were paid in full.

Its most critical challenge in the next few years will be squaring up to competition as the deregulation of the industry takes place, but Khoza is confident Eskom will meet the challenge.

Khoza sees an increased role for Eskom in Africa, in line with Thabo Mbeki's vision of an African Renaissance.

"Eskom will also have a role in spearheading development on the continent. As one of the world's largest power supply companies, and arguably the most efficient, Eskom is particularly well-placed to provide developmental infrastructure. This will help change both the reality and the perceptions of Africa's circumstances."

Khoza says Eskom has been invited by the Democratic Republic of Congo to co-operate on the development of hydropower in that country. Other invitations have been received from Nigeria, Rwanda, Uganda and Tanzania to offer advice in the development of electricity generating capacity.

Eskom commercialisation tops restructuring agenda

(55) (1932)

CHRISTO VOLSCHENK

ECONOMICS EDITOR

Cape Town — The government was considering only the commercialisation of Eskom, the R90 billion national electricity generator, and not its privatisation, the standing committee on public enterprises said yesterday.

It told told businessmen at a public hearing on the Eskom Amendment Bill in Parliament that it had explored ways of creating competition between independent power stations inside Eskom to improve the efficiency of the parastatal.

Afterwards Mzuyo Ndziba, a director in the ministry of public enterprises, told Reuters: "We are looking to bring competition into Eskom."

The parastatal was not on the list to be partly or completely privatised when the government published its so-called framework document for the restructuring of state assets in 1996.

But the first day's hearings were dominated by a debate about the way forward with restructuring. The Afrikaanse Handelsinstituut (AHI) argued that the restructuring of Eskom should wait until a comprehensive policy for the energy sector had been finalised.

Members of the committee felt the Eskom Amendment Bill could safely pass through parliament without any "unintended consequences" to the restructuring process.

The AHI said transferring the assets of Eskom to the state before an energy policy had been finalised would be "unwise", since it would come down to "tinkering without a clear vision".

Eskom was technically not owned by the state. The bill before the committee provided for it to be transformed into a tax-and dividend-paying corporate entity and for its assets to be transferred to the state.

Since 1985 Eskom had been run by the Electrification Council.

BD 16/4/98

'Complete electrification before taxing Eskom'

(55) BD 16/4/98

Linda Ensor

CAPE TOWN — SA's rapid electrification programme should be completed before Eskom was incorporated as a company and required to pay tax and dividends, business and research bodies said during a parliamentary hearing yesterday.

Alternatively, government should assume responsibility for funding the programme, they said during the public hearing on the proposed Eskom Amendment Bill which would transfer ownership of Eskom's assets to the state and remove its income tax exemption.

Afrikaanse Handelsinstituut representative Joop Becker said the utility's capacity to continue rolling out infrastructure and maintain its policies of cross-subsidisation and low tariffs would be undermined by these additional demands on its income.

The SA Chamber of Business (Sacob) also urged an evaluation of the effect paying taxes and dividends would have on the financing of the electrification programme, Eskom's loan structure, return on equity and bad debt recovery.

Professor Anton Eberhard, the director of the University of Cape Town's Energy and Development Research Centre, said Eskom had committed about R5bn towards the capital cost of electrification since 1991, connecting 1,5-million new households, many of them in rural areas where capital costs were high and consumption and revenues low. Estimates of the overall net present value of rural electrification suggested a negative R3 500 per connection in rural areas, a cost Eskom had had to bear.

"Analysis of the electrification programme shows that the expected level of cross-subsidy required on a national basis to sustain the programme without external financial support, is in the region of R1,5bn per annum, equivalent to 5% of total industry revenues. Eskom operations currently account for around 70% of this cost," Eberhard said.

He urged that taxation and dividend payments by Eskom be delayed until government had met its electrification targets and an electrification fund had been established.

Sacob, the Handelsinstituut and a range of business and research organisations voiced concern that the bill was being introduced in the absence of an accepted policy framework for restructuring the electricity industry, which was necessary for investor confidence.

They argued that the promulgation of the bill be postponed pending debate and comment on the Green Paper on National Energy Policy which would define what the country needed from its electricity supply industry.

The Energy Intensive Users Group warned that taxing Eskom would probably lead to higher tariffs, in effect a form of double taxation of consumers.

"Undue increases in the costs of electricity will affect the financial performance and the competitiveness of business and could have the effect of deterring future investment," group chairman John de Wet cautioned.

Eskom's initial concerns over the security of its loan agreements had been addressed by the legal drafters and it supported the amended bill, its legal manager, Mohamed Adam, told the committee. It had no objection in principle to becoming a taxpayer, he added.

Real power is economic

Numsa challenges Eskom's decision

Sowetan 20/4/98 (55) (...)

By Sowetan Business Reporter

THE National Union of Metalworkers of South Africa (Numsa) vowed on Friday to continue engaging Eskom in a fight after the electricity giant apparently terminated the recognition of two of the union's key shop stewards.

In a statement Numsa also condemned the court case "that has dragged for more than nine months" against its two officials and said it viewed Eskom's refusal to drop the case against the two officials as "union-bashing".

Numsa's agreement sector coordinator, Steven Nhlapho, said Eskom was insisting on derecognising the union's key fulltime shop stewards and had already spent close to R500 000 on discipline procedures involving the two senior officials.

"But we vow to spare no effort to show the company that the union has a constitutional right to elect its own representatives," he said.

According to Nhlapho, Eskom has no collective bargaining structure but had instead established a "pseudo-consultative" forum that imposed miserable wages on workers with very little negotiation".

The union statement read: "Eskom claim to be the custodians of the new Labour Relations Act but they are failing to implement it".

Nhlapho said Numsa wanted a forum that would reach binding agreements on wages and conditions of employment on an annual basis.

"In the event that negotiations reach deadlock any of the parties may declare a dispute and channel this through the industry-level dispute resolution procedures."

Meanwhile, the union threatened to escalate its fight to close the so-called apartheid wage gap and achieve inflation-linked wages in the steel engineering sector.

Numsa was responding to pre-negotiation statements by the Steel Engineering Industries Federation of South Africa (Seifsa) last week, that wages in the sector were too high and had, for the past four years been above the inflation rate.

Seifsa reportedly said the trend needed to be reversed if South Africa wanted to compete successfully in the world economy as the industry was now exposed to international competition.

Court case endangers Eskom deal with unions

(??) (???)

FRANK NXUMALO

CT (ER) 20/4/98

LABOUR EDITOR

Johannesburg — Eskom's Unfolding Vision Agreement (UVA) between the utility and its unions might keel over as the National Union of Metalworkers of South Africa (Numsa) has vowed to pursue a damaging court case against Eskom based on the agreement.

The agreement was signed in 1993, and signatories included Numsa and the National Union of Mineworkers.

Numsa said Eskom was applying to withdraw its recognition of shop stewards Jerry Mafereka and Gerry Davies for allegedly being "vocal" on transformation issues and calling for the replacement of the UVA by a collective bargaining structure based on the Labour Relations Act of 1995.

Numsa said on Friday the case had dragged on for more than nine months. It said the new act empowered trade unions to freely elect their own representatives, as opposed to a clause in the agreement that allowed Eskom to withdraw its recognition of shop stewards it did not like.

"The union has a constitutional right to elect its own representatives. As a structure to negotiate wages, the UVA is archaic," said Steven Nhlapho, the Numsa house agreement sector co-ordinator.

Nhlapho said the unions had been fighting for a bargaining council at Eskom for the past two years, only to be rewarded with "a pseudo-consultative structure (the Central National Forum), which is highly authoritarian".

An Eskom spokesman said the utility would not comment pending the results of the court case.

Eskom set to pay taxes – but stay in public sector

(05)

ED WEST

DEPUTY BUSINESS EDITOR

ARG 21/4/98

Koeberg nuclear power station will have to pay taxes and dividends like other Eskom plants when the Government moves to make the utility a taxpaying entity.

But operations would not be affected, an Eskom spokesman said.

There were no plans to privatise Eskom at this stage. The Government instead wished to make it pay taxes like any other company and collect the dividends, said Wandile Zote, spokesman for Public Enterprises Minister Stella Sigcau.

Mr Zote said it was impossible for the Government to consider privatising Eskom at the moment. There was an "absence of clarity about who actually owns Eskom" and the electricity distribution industry first needed to be regulated and made more efficient.

This week the parliamentary portfolio committee on public enterprises will host public hearings on the Eskom Amendment Bill, which aims to "corporatise" Eskom by making the state the sole shareholder and forcing it to pay taxes and a dividend. Corporatisation is usually the first step towards privatisation.

Eskom generation, nuclear assurance and environment manager Tony Stott said there was no clarity yet from the Government about how much tax it expected Eskom to pay.

Low electricity prices and the electrification commitments of the reconstruction and development programme had been funded by efficiency improvements at Eskom. Some compensation would be required to meet social development commitments if Eskom was to operate like a normal company, Mr Stott said.

NER happy with privatisation

(55)

Sowetan 22/4/98

By Shadrack Mashalaba

THE National Electricity Regulatory (NER) – the regulatory authority for the supply of electricity industry in the country – says it will welcome the privatisation of the electricity industry.

Announcing the NER's new board members in Johannesburg yesterday, chairman and chief executive Magate Sekonya said although the privatisation of utilities such as Eskom was the Government's duty, he believed that the privatisation of the local electricity industry was important and possible in the long run.

"This is good for competition," he said.

According to Sekonya, there were 400 electricity distributors in the country and the NER hoped to see them cut down to five.

He said this would help to achieve efficiency.

Sekonya said his regulatory body would be making its submission to the Cabinet today about the future of the industry.

He said the board would soon be meeting with the management of the NER to map up a strategic programme of the organisation for 1998.

This would be followed by a *bosberaad* which will be held from April 30 until May 3 with other stakeholders, he said.

The board's duties would include setting tariffs, implementation of quality of supply and service standards by licencees.

The statutory body was formed in 1995 as a successor to the Electricity Control Board.

Three-year term

The board was appointed by the Minerals and Energy Minister Penuell Maduna. The board, whose term became effective from April 1, will serve a three-year term which ends on March 31 2001.

The NER has been allocated a budget of R23 million in the current financial year which ends on March 31.

Members of the NER's board are: Andries Gamede, Professor Anton Eberhard, Jay Singh, Dr Johan Pienaar, Kokodi Morobe, Obed Mlaba, Senti Thobejane and Zandile Khathi.

ENERGY

CT (BR) 23/4/98 (55)

Sacob calls for Eskom Bill to be postponed

The South African Chamber of Business (Sacob) has called on the government to postpone the proposed Eskom Amendment Bill pending the finalisation of the green paper on energy. In its submission to the parliamentary portfolio committee on public enterprises hearing, Sacob called for a " staged approach" to allow sufficient debate on the green paper and the implication of the possible change of Eskom's status.

"The green paper should define what South Africa needs from its electricity supply industry and it is this definition which should guide decisions on the structure and ownership pattern for Eskom," Sacob said. It supported "in principle" the transfer of Eskom to the state, on condition that Eskom would eventually be privatised and relieved of its obligation to finance the electrification programme once it began to pay dividends and taxes. — *Ncaba Hlophe, Johannesburg*

MORE TANKER TRAFFIC APPROVED

Green light for Saldanha deal

(787) (55) CT 27/4/98

WEIGHING THE ECONOMIC benefits against environmental risk, an independent review panel has decided to allow extra traffic. Environment Writer **MELANIE GOSLING** reports.

THE Strategic Fuel Fund has been given the go-ahead to increase tanker traffic in Saldanha Bay to allow for crude oil storage deals with foreign countries.

The approval comes with strict environmental conditions and will be permitted as an interim measure only, pending a review within the next five years.

This was the recommendation of a report released last week which examined the best option to deal with the Strategic Fuel Fund's (SFF) aim to use its spare storage tanks at Saldanha Bay for trading purposes.

SFF's intention was to store 15 million barrels of Iranian oil in the tanks, which would boost the country's oil-dealing profits by around R50 million a year.

The Iranian deal has since been called off, but there is now talk of an oil storage deal with Saudi Arabia.

The Iranian oil storage deal caused an outcry from the green lobby when it was announced two years ago because of the increased oil tanker activity in the environmentally sensitive bay.

The deal proposed to increase the number of tankers entering the bay from around 25 a year to 75, pushing up the risk of oil spills.

A relatively small five-ton oil spill from the tanker Hawaiian King in Saldanha Bay in 1995 resulted in an oil slick penetrating to the sensitive southern end of Langebaan Lagoon, part of West Coast National Park.

The oil escaped from booms around the tanker, fuelling fears that oil spills in the bay could not be contained.

When the SFF was negotiating with Iran it commissioned the Council for Scientific and Industrial Research (CSIR) to assess the environmental impacts of the proposed increased tanker traffic in Saldanha. Although the deal was subsequently called off, the impact assessment continued, as the results would be used for any future oil storage deals with other countries.

> *From a purely environmental view, the panel would have opted to close down the oil terminal*

The CSIR came up with five options:

- To maintain the status quo and not increase tanker traffic;
- To expand tanker traffic without increasing the port size;
- To expand tanker traffic and build a double mooring berth;
- To replace Saldanha's oil terminal facilities with an offshore oil-transfer facility at St Helena Bay, which would keep tankers out of Saldanha Bay, or
- To close down Saldanha's oil terminal and the SFF's storage facility altogether.

A independent review panel of experts was set up to decide which of the five options was best, weighing up the environmental risks against the financial benefits.

The SFF signed an agreement that it would abide by the recommendations of the review panel.

The panel opted to allow oil tanker traffic to be increased, using a single mooring berth only, but to limit the number of tankers to 35 a year.

The panel said that from a purely environmental point of view it would have opted to close down the oil terminal or replace it with an off-shore facility.

But the former would probably have resulted in an oil facility being built elsewhere, which would be expensive and might carry greater environmental risks, while the time it would take to investigate and build an off-shore facility would probably mean that the window of opportunity for oil trading would be lost.

The panel stipulated that the jetty-based oil transfers in Saldanha Bay should stop immediately if the SFF established an off-shore transfer facility anywhere between Lambert's Bay and Cape Hangklip.

The SFF is investigating building an off-shore facility in Table Bay.

Other conditions of approval were:

- That the SFF set up an independent advisory body along the lines of the Shetland Oil Terminal Advisory Group in the United Kingdom;
- That the Department of Mineral and Energy Affairs start a holistic study to place the SFF in an appropriate context;
- That, because of the rapid and unco-ordinated industrialisation of Saldanha, the authorities undertake a regional environmental assessment to put all development initiatives in context, and
- That the SFF obtain an undertaking from any new shareholders that they will be bound by the recommendations of the review panel's report.

The panel included more detailed conditions of approval dealing with preventing and minimising the impact of oil spills, fires, explosions and leakages from storage tanks and pipelines.

The SFF must also take steps to get ISO 14001 certification (an environmental management system) by the SA Bureau of Standards.

The tanks were built in the apartheid era to store strategic oil stocks. South Africa started selling off strategic stocks in 1989, which meant the tanks at Saldanha Bay were under-utilised.

Obstacles loom for Sasol-AECI deal

(55)

Amanda Vermeulen

BD 28/4/98

THE Competition Board is unlikely to approve energy producer Sasol's proposed takeover of chemicals group AECI without a formal investigation into the deal's effect on the fertiliser and explosives markets.

Besides the board, Sasol also faces the task of convincing AECI directors of the merits of the deal.

Sasol's discussions have so far been confined to Anglo American Industrial Corporation (Amic), which owns 52,6% of AECI. Management of AECI is expected to balk at being taken over by Sasol and the deal could see the loss of more than 1 000 jobs, including some in the executive suite.

AECI's board has been criticised for the company's poor investment rating and financial performance.

Sasol's acquisition of AECI's businesses may result in the fertiliser and explosives businesses being rationalised with those of Sasol, leaving a limited role for AECI's current group executive.

Amic said in a cautionary notice last week that it was in talks to sell its AECI stake to Sasol for cash. No price has yet been made public.

By taking over AECI, Sasol would gain control of about 75% of the local fertiliser market and more than 80% of domestic explosives sales.

The combination of Sasol and AECI's interests would test a Competition Board ruling in the early 1980s when it banned a deal between AECI and the Chamber of Mines giving the group an exclusive contract to supply explosive devices to mining companies.

Board chairman Pierre Brooks said the board had fielded a number of calls from parties concerned about the implications of a Sasol-AECI tie-up.

He said the board would probably have the final say on whether the transaction went ahead, and that a number of provisos could be attached to its approval. These might include instructing Sasol to sell parts of its enlarged fertiliser and explosives businesses to third parties to enhance competitiveness.

US rate concerns send markets tumbling

LONDON — World bourses fell victim to concerns about US interest rates and Japan's economic package, sending shares tumbling yesterday.

Traders said the losses were triggered by Japan's ¥16,65-trillion economic package announced on Friday which failed to include permanent income tax cuts. The Nikkei index fell 361,29 points to 15 649,95.

Concerns over a possible rise in US interest rates at the next US Federal Reserve meeting were also sending investors scrambling for the sidelines. At 2.30pm in New York the Dow Jones industrial average was 207,51 points lower at 8 857,11. In London the FTSE 100 index shed 141,5 points, or 2,4% to 5 722,4 on US rates fears and profit-taking in the financial sector.

The falling share prices helped gold, which had fallen to an afternoon fix in London of $309,65, down $3,50 from Friday's fix, on fund selling. It then recovered as share prices fell, closing at $311,15, down $1,80. — Dow Jones.

Japan seeks backing: Page 7

Nuclear energy bill will extend minister's powers

(56) BD 29/4/98

Shareen Singh

THE mineral and energy department will table in Parliament next week amendments to the Nuclear Energy Act which will give the minister more control over the Atomic Energy Corporation (AEC).

Minerals and energy deputy director-general Gordon Sibiya said yesterday the nuclear energy bill as well as the long-awaited energy white paper would be tabled on May 6. He said the nuclear energy bill would extend the minister's powers to exercise "sensible control, particularly governance" over the corporation.

"In my view and the view of the government, the current Nuclear Energy Act of 1993 gives sweeping powers to the AEC, which makes the government almost powerless to act on critical issues," said Sibiya.

With the exception of the right to issue import and export licences, the minister had no say in the affairs of the AEC, even on sensitive issues such as the buying and selling of uranium. "The AEC decides on its own who to buy uranium from and who they can sell to. This has raised concerns from various people."

Changes to the Nuclear Energy Act would also pave the way for restructuring. A government-appointed research team recently recommended the AEC be split into two organisations, with government retaining one part and privatising the other. Sibiya said the recommendations were still under consideration.

The AEC also has plans of its own on how to restructure. The amended Nuclear Energy Act would give the minister the power to drive the restructuring process, rather than the corporation.

The energy white paper, also to be tabled in Parliament next week, was handed to Mineral and Energy Affairs Minister Penuell Maduna about 10 days ago and he had sent it back for further amendments, said Sibiya.

The paper would address three main energy sectors: liquid fuels, nuclear energy and electricity.

The key difference between this white paper and other versions drafted since the time of former minister Pik Botha, hinged on participation by black businesses and community stakeholders in the restructuring of various entities.

"We have ensured that emerging businesses and the broad community become involved in restructuring of the energy sector and are able to take advantage of the opportunities that may emerge from restructuring," said Sibiya.

He said that in drafting the energy white paper, comments were received from industry players on issues such as: a new pricing formula for oil; the restructuring of the energy sector and whether or not a state-owned oil company was feasible; deregulation of the petroleum industry; jet fuel and whether or not SA Airways should be protected with respect to jet fuel prices; the idea of a fifth oil refinery; the future of Mossgas and black economic empowerment.

Significantly, the energy white paper also addresses energy delivery to rural communities via solar power systems.

The paper outlined a broad vision rather than giving details of policies, said Sibiya. Interested parties would be given time to comment on the paper before a final version was drafted and thereafter a bill. Sibiya expected a new energy act to be passed in Parliament this year.

Taxing Eskom may hit economy, experts warn

New bill 'puts jobs and prices at risk'

(55) (230)

ARG 30/4/98

CHARLES PHAHLANE
POLITICAL BUREAU

The Eskom Amendment Bill could have the effect of increasing electricity prices and hurting the economy, interested parties told a parliamentary committee.

The bill seeks to transfer ownership of Eskom to the state and to make the parastatal pay taxes.

The portfolio committee on public enterprises was told the bill should not be passed until its likely effects on prices had been researched and the white paper on energy, which was still being drafted, was published.

The Congress of SA Trade Unions said the changes should not jeopardise "what is currently a successful formula."

"There is no certainty as to how the corporatisation and taxation of Eskom will impact on Eskom's restructuring, its development potential or on its strategic economic role." Cosatu's Kenneth Creamer told the committee.

The University of Cape Town's Applied Fiscal Research Centre (AFReC) submitted that removal of tax-exempt status would improve financial management of the parastatal, and lead to improved investment decisions. Eskom has a number of unused power stations.

But taxation could also have negative effects. If Eskom were taxed, then it should be relieved of its burden of electrifying houses.

Government statistics showed that there were 1 000 electricity connections a day on average since 1994. AFReC's Iraj Abedian said there was a need for clarity on what would be taxed: electricity as a commodity or the electricity industry.

The Cabinet has already approved an electrification levy and a municipal levy on consumption.

Taxing electricity directly might increase prices and distort the allocation of resources, Dr Abedian said.

It could also discourage investment, which would hurt jobs.

The electrification levy would make cross-subsidisation of electricity more transparent. But it might not be the most efficient way for the Government to fund electrification, as the levy would be a regressive tax, affecting poor customers the most.

The municipal levy would take the form of an excise tax, like the fuel levy, but it was not clear how it would be divided among municipalities. The levy could have far-reaching implications for the economy and could adversely affect competitiveness, since other countries used electricity pricing to give their industries a competitive edge. It could also hurt future investments.

Koeberg crisis plan needs upgrade

ARG 30/4/98 (55)

ED WEST
DEPUTY BUSINESS EDITOR

Independent Canadian consultants have found that emergency procedures at the Koeberg nuclear power station need improvement.

And planned urban development in the area around the plant, at Duynefontein, just north of Melkbosstrand, could make matters worse.

The consultants report that considerable infrastructural development, such as improved roads, will be required if emergency procedures are to be adequate for the area's growing population.

Science Applications International Corporation was commissioned by Eskom and the Council for Nuclear Safety to review the Koeberg emergency plan as part of a 10-year re-assessment of the power station.

There are 56 000 people living within 16km of Koeberg. According to scenario planning by provincial authorities, there are plans to establish new urban centres for 473 000 people in the area in 20 years.

"The modified scenario development around Koeberg, in its current state, does not meet the emergency preparedness and response requirements", the report says.

Science Applications director Jeff Lafortune says most areas of improvement related to poor co-ordination between Eskom, local authorities and residents in the event of a disaster. The report foresees gridlock if people attempt to escape the scene of a nuclear accident by car.

The consultants recommend that the main railway line be used for evacuation of the south-east urban area, access be improved to the N7 highway, that additional lanes be built on the N7, that the R27 coastal road be upgraded, and that distribution and reporting points be established north and east of the 16km area so all roads can be used as evacuation arteries.

"We found many organisations are not well informed on their own roles and responsibilities and on (those) of other organisations," the report says.

Dr Lafortune claims the chance of an accident requiring the implementation of the emergency plan is less than one in 10 000 years.

Energy use 'needs to be reassessed'

(55)

LYNDA LOXTON

ET(AR) 7/5/98

Cape Town — South Africa had passed the easy, "cherry-picking" stage of meeting its energy needs and now had to take a longer-term view of possible alternatives, the parliamentary portfolio committee on minerals and energy heard yesterday.

Tony Surridge, the director of electrical energy, said about 15 percent of gross domestic product (GDP) was spent on energy and a potential 10 to 20 percent saving through energy efficiency would boost GDP by 1,5 to 3 percent. But this had implications for the way energy resources were viewed.

It was becoming more expensive to electrify homes and it had become imperative to establish a national electricity regulator to ensure that there was sustainable delivery.

PUBLICATIONS

None

UNLEADED PETROL

Cost and performance fuels resistance

Search is on to persuade motorists about merits of unleaded fuel

Unleaded petrol has produced a miserable growth record in SA despite a price differential of 4c/*l* against leaded petrol.

It was introduced amid much fanfare in February 1996 but now government, the oil industry and motor manufacturers are desperately seeking the magic formula that will see the fuel account for between 20%-25% of the market against the current 9,9%.

What will it take? Industry analysts say octane enhancement — unleaded petrol currently has an octane rating of 91 compared with leaded at 93 — is top of the list. Second, an increase in the price differential and finally an extension to the availability of unleaded petrol, particularly at petrol stations in rural areas.

But lurking in the wings is perhaps the most potent weapon of all — fitting restricted fuel nozzles that will only dispense unleaded petrol.

Already a number of local manufacturers, including BMW and Mercedes-Benz, are fitting catalytic converters on new vehicles in line with world environmental standards. As converters can only run on unleaded fuel these vehicles, along with some Fords and a host of imports, all come with the restrictive fuel nozzles.

The oil industry has spent over R300m in making unleaded petrol available and now obviously wants to turn a profit on its investment.

At the time the differential was set the petrol price was R1,70c/*l*. Currently it's R2,25c/*l*. Oil companies argue that a differential of 6c/*l* is needed if the gap between leaded and unleaded is to be maintained at 1996 levels.

Department of Mineral & Energy Affairs director for transport energy Teuns Burger says: "No firm decision has been taken yet but government is in intensive discussions with all the role players. But as it's a financial matter the ultimate decision will also obviously involve the Department of Finance."

Burger says there appears to be a "residual fear about unleaded petrol" among SA motorists. He says achieving 15% of market share would be a significant milestone.

Nico Vermeulen... range of measures required to win over motorists

Executive director of the SA Petroleum Industry Association (Sapia) Colin McClelland says to raise market penetration to between 15%-25% a differential of at least 6c/*l* is needed. He also feels that if government reduced its tax on unleaded it would give impetus to sales.

Sapia reports that sales of major petroleum products continue to grow — up 4,5% from 4,9bn *l* in the first quarter last year to 5,1bn *l* in the first three months this year. Petrol, which accounts for half the sales, rose 2,4% to 2,7bn *l*.

National Association of Automobile Manufacturers of SA (Naamsa) director Nico Vermeulen says it was at the request of his industry that unleaded fuel was produced.

"Internationally, the trend is towards greater use of unleaded fuel. In the US and Japan and many countries in Europe you won't even find leaded fuel. Engine technology and development is centered on unleaded fuel. But what was found overseas was octane ratings had to be increased because of the high performance requirements of vehicles.

"There is general acceptance within government and the oil industry that a 20% market penetration is the level needed to justify the investments the oil industry has made in the manufacture and distribution of unleaded."

Vermuelen admits that introducing smaller inlet nozzles is being looked at by the industry, but that on its own this won't be sufficient to increase unleaded's market share.

"If they want to get to 20% in the short to medium term then the two most effective mechanisms are increasing the octane rating and increasing the price differential. We admit that the introduction of restrictive nozzles is an option and the industry is looking at it."

SA is learning that tinkering with behaviour patterns is a tricky business. While South Africans proudly proclaim themselves to be enviromentally conscious, the paltry growth record of unleaded bears testimony to the fact that local motorists still inhabit a different historical time zone.

However, the stakes here are welfare not warfare. To win over hardline motorists it appears that government has tacitly accepted it must forgo some of its precious tax revenue on unleaded.

But the oil industry should beware — it might just be overreaching itself.

The *FM* has it on good authority that should market penetration exceed 25% the industry might not be able to deliver due to limited capacity.

Mick Collins

AUTOMOBILE ASSOCIATION

Beware of pirates

In an *FM* corporate report on the Automobile Association on April 17, an AA employee advised SA motorists to avoid imported vehicles because of potential problems with spares and service backup. Group MD Barney Mostert, however, says this view is not endorsed by the AA. Many imported makes, he says, have full back-up around the country. "The AA only cautions motorists not to buy illegally imported cheaper pirate parts, which have no warranty and no back-up in case of failure," he says. ■

Eskom calls in auditors to sort out medical aid chaos

(55) BD 12/5/98

Robyn Chalmers

ESKOM has been forced to call in a firm of auditors to sort out the financial chaos at its medical aid scheme, Esmed, after it was discovered that accounts from doctors were not being reconciled.

Eskom executive director Jac Messerschmidt said yesterday an investigation into Esmed, which provides for 28 000 of Eskom's 40 000 employees and has been losing millions of rands each month, had been completed.

The investigation was launched after a member of the Esmed crisis steering committee alleged earlier this year that the medical aid was steadily sliding deeper into chaos. This was despite Eskom's management decision last October to step in to try to stabilise Esmed. Eskom injected almost R25m into the ailing scheme while ending its contract with the scheme's managed care administrator, Medimo.

Messerschmidt said a key problem was that doctors' accounts were not being reconciled. This meant that in certain instances, doctors were being paid more than once. This was discovered when a number of service providers returned payments to Esmed.

He conceded that Esmed's financial department was in chaos.

"When a medical aid scheme of this size gets into trouble, it generally takes up to two years to sort out. We hope to do this sooner, but it will not happen overnight ... there are still major problems," he said.

Late last year Eskom issued a letter to suppliers and service providers to Esmed guaranteeing payment for all valid claims submitted by members.

Eskom wished to ensure that services by suppliers to Eskom employees should continue on credit as before.

However, Messerschmidt said that due to the lack of reconciliation, the backlog of arrears was not diminishing. There were once again threats by certain service providers to put Esmed members back on a cash-for-services basis.

Esmed began operating in January after the demise of the Eskom Medical Aid Society.

Curb development around Koeberg, says safety body

(55)

Linda Ensor

BD 12/6/98

CAPE TOWN — Curbs would have to be placed on the development of communities in the vicinity of the Koeberg nuclear power plant, Council of Nuclear Safety director Jeff Lever told a parliamentary committee yesterday.

There was pressure to develop the area within 16km of the plant in contravention of guide plans, which would interfere with emergency measures for evacuation and sheltering should there be an accident at Koeberg.

"We are concerned that if development is allowed to proceed uncontrolled, there might be problems in the future," Lever said. Property owners might be unable to develop the full value of their properties were controls to be introduced.

The council had conducted briefings with local authorities on how the developments could be controlled, the portfolio committee on mineral and energy affairs heard. Eskom had brought in Canadian consultants to evaluate its emergency plans

Board chairman John Martin stressed the importance of separating the regulatory and promotional aspects of the industry by splitting the Council for Nuclear Safety and the Office for Nuclear Regulation.

The proposed Nuclear Safety Bill provided for this but, after intervention by the Chamber of Mines and the department of mineral and energy affairs in the drafting of the bill, its fate became unclear.

The bill's proposal to set up an independent regulatory body was in line with international conventions. A national strategy on integrated waste management was being formulated by the council and the departments of mineral and energy affairs and environment which would include the management of radioactive waste.

Government would also have to decide how the high level of waste generated by Koeberg, presently stored at the plant, would be stored in future.

Council officials said there was minimal danger of contamination from nuclear waste being shipped along SA's coastline between Japan and France.

CAPE ARGUS, TUESDAY, MAY 12, 1998

Koeberg safety fears threaten development

(55)

Plea for tighter control

ARG 12/5/98

The Council for Nuclear Safety has voiced its concern about burgeoning development near the Koeberg power station outside Cape Town, and wants it brought under control.

Further development could prove a problem in the unlikely event of an emergency evacuation of Koeberg, the council's general manager Jeff Leaver told the National Assembly's mineral and energy affairs committee.

"We are taking the whole matter very seriously."

The council was not against development, but wanted it to be properly regulated.

The possibility existed that people with vacant land in the area would not be able to develop their property, Mr Leaver said.

It was likely that "curbs on some communities" would become necessary, unless it could be shown that adequate emergency procedures could be implemented at Koeberg.

Several years ago a plan was formulated to limit development within 16km of Koeberg, but this had come under increasing pressure, he said.

Electricity supplier Eskom, which owns Koeberg, had hired Canadian consultants to look at the development issue and was considering their report.

Mr Leaver said Koeberg was "deemed to be acceptably safe", and while there was room for improvement in controls at the plant, these were not unsatisfactory.

Had Koeberg been located 200 or 300km north of its current location, certain restrictive safety conditions would have been relaxed, council chairman Professor John Martin said.

Bert Winkler, the council's executive officer, said high-level radioactive waste was currently being stored at Koeberg and the plant would have the capacity to store this waste for the next 15 years.

A "political decision" would have to be taken about what to do with high-level radioactive waste in the future.

The Vaalputs disposal facility in the Northern Cape, which is currently licensed to deal with low and medium-level radioactive waste, might be a possibility. – Sapa

Nuclear Safety Bill is delayed

Lynda Loxton
Parliamentary Correspondent

Cape Town — The parliamentary portfolio committee on minerals and energy was asked yesterday to investigate delays in the tabling of the proposed Nuclear Safety Bill, while concern was expressed about the steady encroachment of housing developments on the Koeberg nuclear power station.

The Council of Nuclear Safety (CNS) told the committee that although the drafting of the bill had developed "satisfactorily", it was not clear what had happened to it after it had been taken over by the department of minerals and energy affairs after the intervention of the Chamber of Mines.

The bill aims to cover safety in the nuclear industry and the monitoring of radiation in mines.

"This is a matter of concern for us, and we would like progress to be made in this area," said John Martin, the CNS chairman.

It is understood that the Chamber of Mines intervened because it objected to plans by the CNS to increase licence fees for the monitoring of radiation waste levels in mines, especially at a time of a declining gold price.

The CNS also said it had been restricted by financial constraints from doing more to educate the public about the radiation dangers of mine dumps and disused underground equipment.

Committee members said they were concerned about plans by some mines to move their dumps closer to Soweto. This posed the danger of a possible repeat of the Merriespruit slimes dam disaster, and local communities needed clear assurance about radiation and other dangers.

Committee members also expressed concern that the guidelines used to limit the development of residential housing around the Koeberg nuclear plant seemed to have been abandoned, mainly because of pressures on local councils to approve lucrative housing schemes and their own need to raise rates and taxes from new developments. This could have serious consequences in case of a disaster.

Jeff Lever, the general manager of CNS, said discussions with local authorities were intended to draft firm agreements on development, even though this would affect the value of land within 16km of the plant.

"There has been pressure to develop ... contrary to the earlier guidelines," he said.

Several committee members complained that security around the plant was still too tight for official delegations from parliament visiting the plant, never mind the public. This contributed to the general misunderstanding about the role of nuclear energy in South Africa.

CNS officials agreed there was a growing need for a firm government policy on the future of nuclear energy in South Africa.

Eskom calls in experts over Koeberg

Emergency evacuation plans may not be enough – residents

(55) (SE) ARG 13/5/98

NORMAN JOSEPH
Staff Reporter

Eskom has called in Canadian consultants to examine residential development in the 16-km zone around the Koeberg nuclear power station because of fears that emergency evacuation plans may not be enough to guarantee people's safety.

Eskom, which owns Koeberg at Duinefontein on the West Coast, expects to get the report soon.

Koeberg is responding to fears expressed by residents of Table View, Melkbosstrand and Bloubergstrand and concerns by the Council for Nuclear Safety.

Blaauwberg municipal planning director Stanley Visser said that although his department wanted to take an independent look at Koeberg's emergency plans, "we don't have land available for sale and no plans for developments".

Mr Visser said an agreement between his municipality and Koeberg required all development plans to be referred to Koeberg for approval.

His department would abide by the requirement that no more than 650 000 people would be allowed to live within Koeberg's 20km radius. Blaauwberg's total population was between 130 000 and 140 000, said Mr Visser.

"We have no plans for development within the 16km zone and there is no land available for sale," he said.

But there were developments under way between Melkbosstrand and Bloubergstrand, including a golf course and 1 200 houses. In the northern parts of Table View, residential developments had been approved in the Kila area.

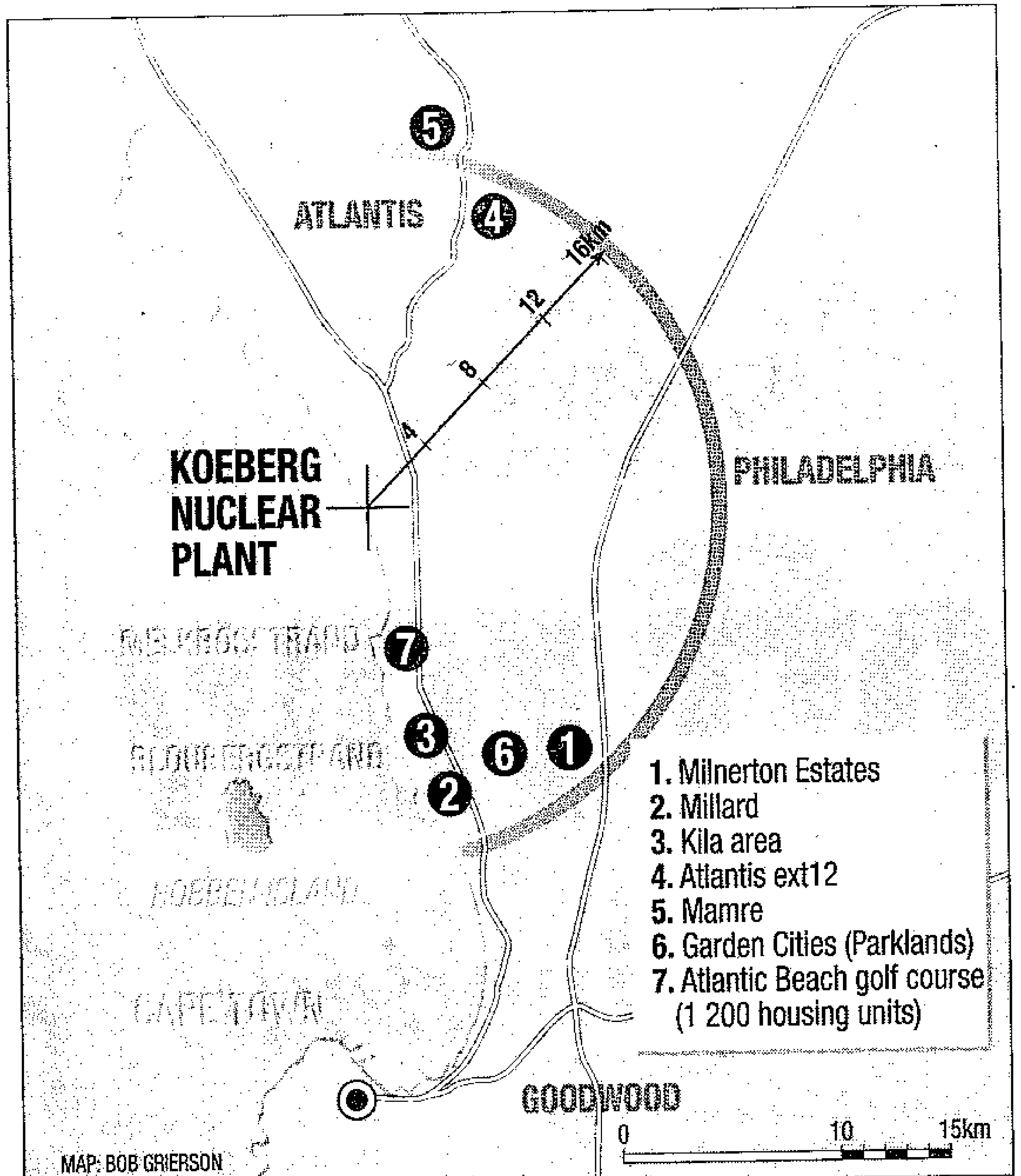
Mr Visser said most property in Bloubergstrand belonged to private owners.

Jeff Leaver, general manager of the Council for Nuclear Safety, told the National Assembly's mineral and energy affairs committee this week that if developments went ahead there could be a problem in the "unlikely event" of emergency evacuation being necessary.

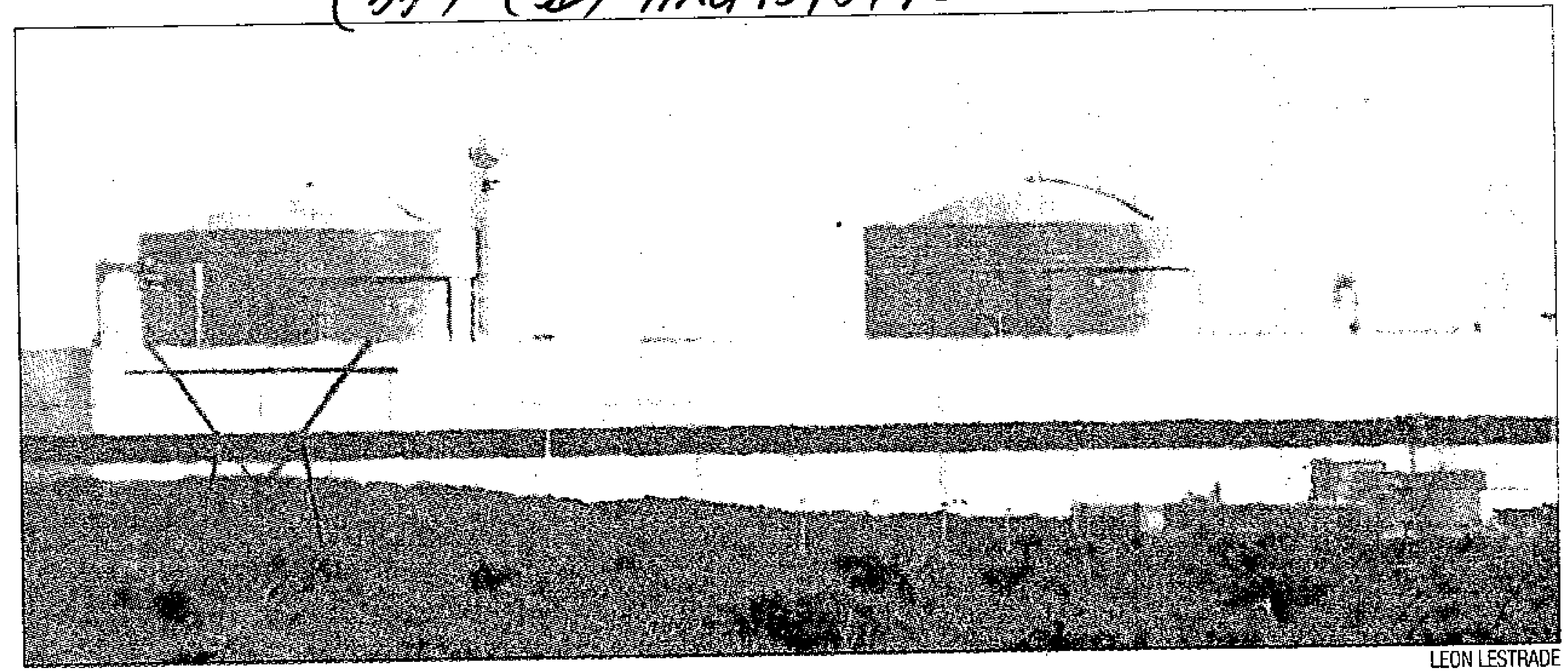
Table View resident Michael Economou and his wife, Tanya Preston, said they opposed developments around Koeberg.

Another Table View resident, Rose Wakefield, said: "I am not supportive of these developments and they must be halted."

Bridget Haefele and Allan John Walker of Table View said they would not support developments in the area because people's safety was being ignored. Emergency plans might not be enough to safeguard residents.



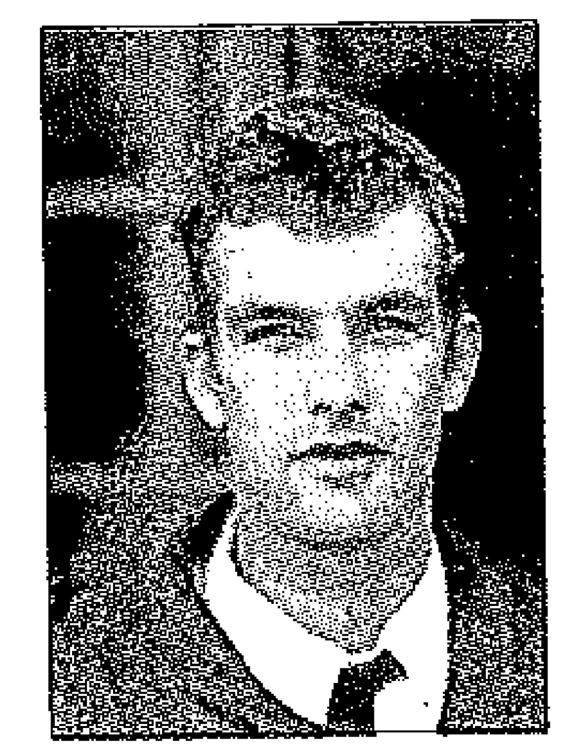
MAP: BOB GRIERSON


LEON LESTRADE

Potential danger: the Koeberg nuclear power station nestles next to Melkbosstrand along the picturesque west coast


Tanya Preston


Rose Wakefield


Allan John Walker


Michael Economou


Bridget Haefele

Union and Eskom at odds over Esmed medical aid scheme

Robyn Chalmers

(55)

14/5/98

THE National Union of Metalworkers of SA (Numsa) has lashed out at Eskom over the handling of the crisis at its medical aid scheme, Esmed.

Steve Nhlapo, Numsa Eskom sector co-ordinator, said yesterday Eskom was trying to force employees to become members of the ailing medical aid scheme. The scheme has been losing millions of rand each month and Eskom was recently forced to call in a firm of auditors to help with reconciliations.

"Eskom is trying to make it a condition of employment that workers belong to Esmed, but we are suspicious of this. Do they wish to boost Esmed's cash flow?" he said.

An Eskom spokesman denied the electricity utility had made it a condition of employment to belong to a single medical aid overseen by Eskom. The spokesman said that since the early 1980s, when the medical aid scheme was opened to all employees, there was a choice between the Eskom medical aid or three external schemes.

"This situation has not changed — many employees have opted to belong to external schemes and we have never tried to stop them," he said.

Nhlapo said Eskom had made inroads into the employers' contribution. Eskom used to pay 100% of medical aid costs but, after previously disadvantaged people were allowed into the scheme, this was downgraded, he said.

"The trade unions are not even represented on the Esmed board of trustees, so we have no say over how the medical aid scheme is being restructured. There is a crisis in this scheme ... we wish to participate," he said.

However, the Eskom spokesman said the parastatal had never contributed 100% to medical aid costs, but had always combined employer and employee contributions in a 60:40 ratio.

The spokesman said Eskom had set up a semiautonomous body to oversee its medical aid scheme.

A board of trustees had been appointed to manage the medical aid scheme and deal with its problems.

The board had called on all members to participate in Esmed's restructuring, and this included the trade unions, so they could become involved should they wish to do so, he said.

Eskom sets its sights on other African parastatals

SAMUEL MUKALAZI

ET (BR) 18/5/98 (55)

Kampala — Eskom, the electricity parastatal, was considering investing in Uganda, Rwanda, Tanzania and the Democratic Republic of Congo, an Eskom delegation said last week.

The delegation was in Uganda to examine investment opportunities in the country's recently liberalised power sector.

Reuel Khoza, the leader of the delegation, said Eskom was interested in buying parts of Uganda Electricity Board (UEB) when it was privatised.

"We are interested to bid for some of the aspects that will be up for privatisation, and we are looking closely at independent power generation," said Khoza.

Eskom, according to Khoza, is the lowest-cost producer of electricity in the world. Last financial year, the corporation registered a net profit of $300 million.

The utility intends to have 50 percent of its investment outside South Africa, with particular emphasis on sub-Saharan Africa, in the next five years.

Baguma-Isoke, Uganda's minister of state for natural resources, said an inter-ministerial committee was quantifying UEB's investment in the distribution section to find a monetary value before it was privatised.

"We want to privatise distribution of electricity so that the nuisance of distribution and collection of revenue is handled by a private company," he said.

The UEB, on the advice of the World Bank, recently made operational changes in its commercial section, including the appointment of a chief commercial manager and an independent monitoring team.

The World Bank was concerned at the UEB's low rate of collections. — Independent Foreign Service

NUM supporters to march on Eskom

Pearl Sebolao (55)(2/2)

ABOUT 3 000 National Union of Mineworkers (NUM) supporters plan to march to Eskom's Johannesburg office today to protest against what the union calls "discriminatory employment practices" by the company, the NUM said yesterday.

The union claimed that procedures put in place to ensure the company recruited from within its own ranks before advertising for positions externally were not adhered to.

There was also a "subtle attempt on the part of Eskom to sideline NUM members for promotion, making them feel they are missing out on opportunities by becoming union members", NUM spokesman Madoda Vilakazi said yesterday.

The union would await management's response to the memorandum before contemplating similar protest marches in other provinces.

An Eskom spokesman said the company was very disappointed by NUM's intention to march on the company's Braamfontein office before raising the problem through proper channels with management. He said Eskom had an agreed-on conflict resolution system.

The move could only be interpreted as "NUM trying to put pressure on the company", he said.

BD 19/5/98

Eskom feels NUM's wrath

(55)

Sowetan 20/5/98

CHANTING members of the National Union of Mineworkers occupied the foyer of Eskom's regional office in central Johannesburg yesterday when Eskom executive director of distribution Mr Ray Dabengwa failed to arrive to accept a memorandum of grievances as agreed.

Dabengwa, who was apparently in a board meeting, sent regional manager Mr Herbert Hlabangani to accept the memorandum.

NUM officials said they had been notified both verbally and in writing that Dabengwa would accept the memorandum.

In a heated conversation with Hlabangani, NUM protesters said the incident reflected Eskom's lack of respect for workers. Eskom officials said they were trying to establish whether Dabengwa would be coming to accept the memorandum.

Protesters said they would continue to occupy the foyer until Dabengwa arrived. Police monitored the situation from outside the building.

Protesters set off from the Braamfontein Civic Centre at 11am to march to the Eskom regional office in Smit Street.

Officials had expected several thousand protesters to take part in the march to the regional office, but about 500 protesters gathered at the building. – *Sapa.*

NUM members protest over Eskom director

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The protesters set off from the Braamfontein Civic Centre at 11am to march to the Eskom regional office in Smit Street.

NUM officials had expected several thousand protesters to take part in the march to the regional office, but a *Sapa* reporter on the scene said about 500 protesters had gathered at the building.

Traffic was disrupted for the duration of the march as workers sang and danced, holding placards denouncing Eskom for bad industrial practices. – *Sapa* and *Sowetan Reporter.*

Meter tampering 'costs Eskom R300m'

BD 21/5/98 (55)

Robyn Chalmers

MORE than 40% of prepaid electricity meters on average are believed to have been tampered with at an annual cost of at least R300m in lost revenue for Eskom and local authorities.

Industry and government officials have indicated that allegations of fraud involving consumers, and in some cases technicians, bypassing meters are rife. "The problem is far more serious than Eskom or municipalities are letting on," said one official.

However, Eskom executives were adamant yesterday that they had the problem under control. Eskom spokesman Peter Adams said regular audits of prepayment meters were undertaken. "There is evidence that about 5% of meters on average are being tampered with. This has remained steady for the past year or two."

This contradicts an earlier statement by Public Enterprises Minister Stella Sigcau that energy theft in the prepaid environment had been reduced to a weighted annual average of 26% last year from 38% in 1996. About 1,2-million meters have been installed in SA at a cost of more than R500m.

Adams said countermeasures were being put in place to combat energy theft. These included sealing meters and ultimately removing them in cases of proven tampering; and installing them outside rather than inside homes. "The overall impact is that the situation has been controlled and progress has been made in stopping tampering," he said.

However, industry observers indicated that prepaid electricity meters were not only unpopular among some consumers but were inappropriate technology for township residents who used limited amounts of electricity.

John Heath, CE of electronics and electrical metering company Zaptronix, estimated that underprivileged people spent R18 a month on electricity on average, which equated to 130kW hours. This was well below the break-even point of 600kW hours.

Heath said a flat rate tariff circuit breaker was perhaps more appropriate as it gave people certainty in terms of their electricity bills and could not be tampered with. "A number of communities have been calling for this solution for some time."

A former government official claimed that "hundreds of millions of rands" were being lost every year as a result of improper systems and alleged fraud. Technology existed to ensure that the metering system became more effective via constant monitoring. However, this would require further investment.

Soekor plans to double oil yield off Mossel Bay

CT (BR) 26/5/98 (55)

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

EXPLORATION *Penuell Maduna announces new plans*

Cape Town — Soekor, the state-owned oil exploration group, said at the weekend it would invest $75,9 million to double the output of its Oribi oilfield off Mossel Bay by the end of next year.

Marcus Banga, a spokesman, confirmed the announcement by Penuell Maduna, the minerals and energy affairs minister, on Friday that Soekor planned to develop its Oryx oilfield to boost the production of the Oribi field.

He said Oryx was a relatively small, marginal field, but it would boost the lifespan of Oribi from four years to about nine years, raising capacity from 26 million barrels to about 35 million barrels. Production would be kept at 25 000 barrels a day, or about 6 percent of South Africa's oil needs.

The expansion project would be financed from own income and loans. About "four or five" other prospects were being evaluated and would be announced as they neared finalisation.

During the debate on his budget vote, Maduna also said the Cabinet had approved plans by Mossgas, the oil-from-gas producer, to use R180 million to finance the expansion of its gas fields. The cost would be recovered over four years from cash surpluses generated by Mossgas.

Maduna also gave a few hints about his proposed new policy on the liquid fuels industry, which is expected to be spelled out in greater detail when he releases his energy white paper on June 1.

He planned to phase out current controls over industry margins as well as the rationalisation plan, which controls the siting and allocation of petrol stations.

Synthetic fuel subsidies would be phased out, and oil companies would only have to uplift synthetic fuels from Mossgas and Sasol for as long as the two were still barred from the retail sector.

(55) Sunday Times Business Times
May 31 1998

Eskom lights the way in Africa with regional power grid

(55)

SVEN LUNSCHE
Looks at transnational initiatives in southern Africa

ST (BT) 31/5/98

POLITICIANS are hedging their bets about greater economic integration in southern Africa, but the region's energy executives are rapidly fulfilling the dream of pooling regional power resources.

At this month's World Economic Forum in Windhoek, industry executives and officials from Southern African Development Community (SADC) countries rattled off lists of transborder projects being finalised or on the drawing board.

Eskom is clearly the driving force behind the regional vision. Unlike the case in other sectors, SA's leadership is not met with scepticism and resentment.

Eskom's top executives — chairman Reuel Khoza and CE Allen Morgan — are leading the southern African integration. "For Eskom the regional grid is the practical implementation of African renaissance," says Khoza. "Cheap and reliable electricity supplies are vital if industry has any chance of becoming competitive."

Eskom's role is usually through joint projects but the utility has expressed an interest in buying into privatised state electricity companies. Uganda and Zambia are first on the list.

The speed of developing new electricity generation will depend by and large on electricity demand from SA. "At present forecasts for economic growth, we have enough power until 2006," says Morgan.

"However, if a number of new industrial projects come on stream, we will need new capacity by as early as 2003. That is why we need to plan for new projects now," he adds.

Integral to the region's power requirement is the SADC power pool, into which utilities sell their surplus so it can be accessed by all in the region.

At present, says Morgan, Eskom sells 2% to 4% of its electricity to the pool, by far the largest supplier to total pool flows of 800MW.

Some of the key projects earmarked for development are:

MOTRACO

The Mozambique Transmission Company (Motraco) has been formed between Eskom, Mozambique's EDM and the Swaziland Electricity Board to co-ordinate the supply of electricity from SA to Swaziland and Maputo.

Motraco has been given renewed urgency now that Billiton has given the go-ahead for its Mozal smelter. The company will be financed at $130-million, with EDM and Eskom taking 33.3% each, SEB a minimum of 15% and equity partners the remaining 18.3%. In order to supply Mozal's initial 425MW electricity requirements, Motraco will build two new electricity lines from Eskom's Arnot and Camden power stations to Maputo. The latter line could also supply the bu of Swaziland's power demar s.

A number of feasibility studies regarding interconnections between various SADC countries have been completed. Morgan says the interconnections, including one between Zambia and Tanzania, will lend themselves to structures like the one used to create Motraco.

CAHORA BASSA

For the second phase of Mozal, scheduled for 2005, 850MW will be required. In addition, several other projects are scheduled, including a R10-billion iron and steel plant.

Electricity authorities in SA, Zimbabwe and Mozambique are looking at options to meet the expected surge in demand.

Negotiations are ongoing for both Zimbabwe and Eskom to become stakeholders in the Cahora Bassa hydro-electric power station. Currently EDM owns 18% and the Portuguese power utility 82%. Government sources in Zimbabwe said this week they were close to finalising a 30% stake in Cahora Bassa in order to ensure it supplied the country's entire needs. Cahora Bassa supplies 400MW to Zimbabwe.

Morgan says there are "potential overtures" to bring Eskom into Cahora Bassa but nothing has been decided. Having completed a line between Cahora Bassa and SA, Eskom is negotiating a price for the power.

Plans are also under way for the construction of another dam at Mepanda Uncua on the Zambezi river for hydro-electric power generation. If EDM does go ahead with plans to construct the dam — expected to have a capacity to generate over 2 000MW of power — Eskom would be interested in partnering EDM, Morgan says.

A third potential source of electricity could be the Pande gas field on the northern Mozambique coast. US group Enron is promoting the idea although initial gas flows will be used for the Maputo iron and steel project in which Enron will be partnered by the Industrial Development Corporation.

KUDU/ORANJEMUND

The Kudu gas field, developed by a Shell-led consortium, is at the centre of ambitious plans for power generation.

The gas exploration itself will cost $400-million, financed by Shell and Namibia Power (Nampower), among others.

In the first phase of gas utilisation, Nampower is leading plans to establish a $500-million gas-driven thermal power station at Oranjemund to make Namibia self-sufficient. The project is scheduled for completion in 2002.

Nampower will control 44% of the 750MW power station's equity, with Shell holding 19% and Eskom 15%. Morgan says the benefits for Eskom are that it will diversify its dependence on coal and water as the main sources of power. "Gas is environmentally friendly and globally an increasingly popular option," he says.

In the second phase of the project, towards 2004, says a Shell Namibia spokesman, the consortium exploring Kudu is considering a gas pipeline to Cape Town to drive a new power station in the Western Cape. This could supply Saldanha Steel and SA consumers via the Cape Town municipality.

It would be the first time that electricity in SA was generated by a utility other than Eskom.

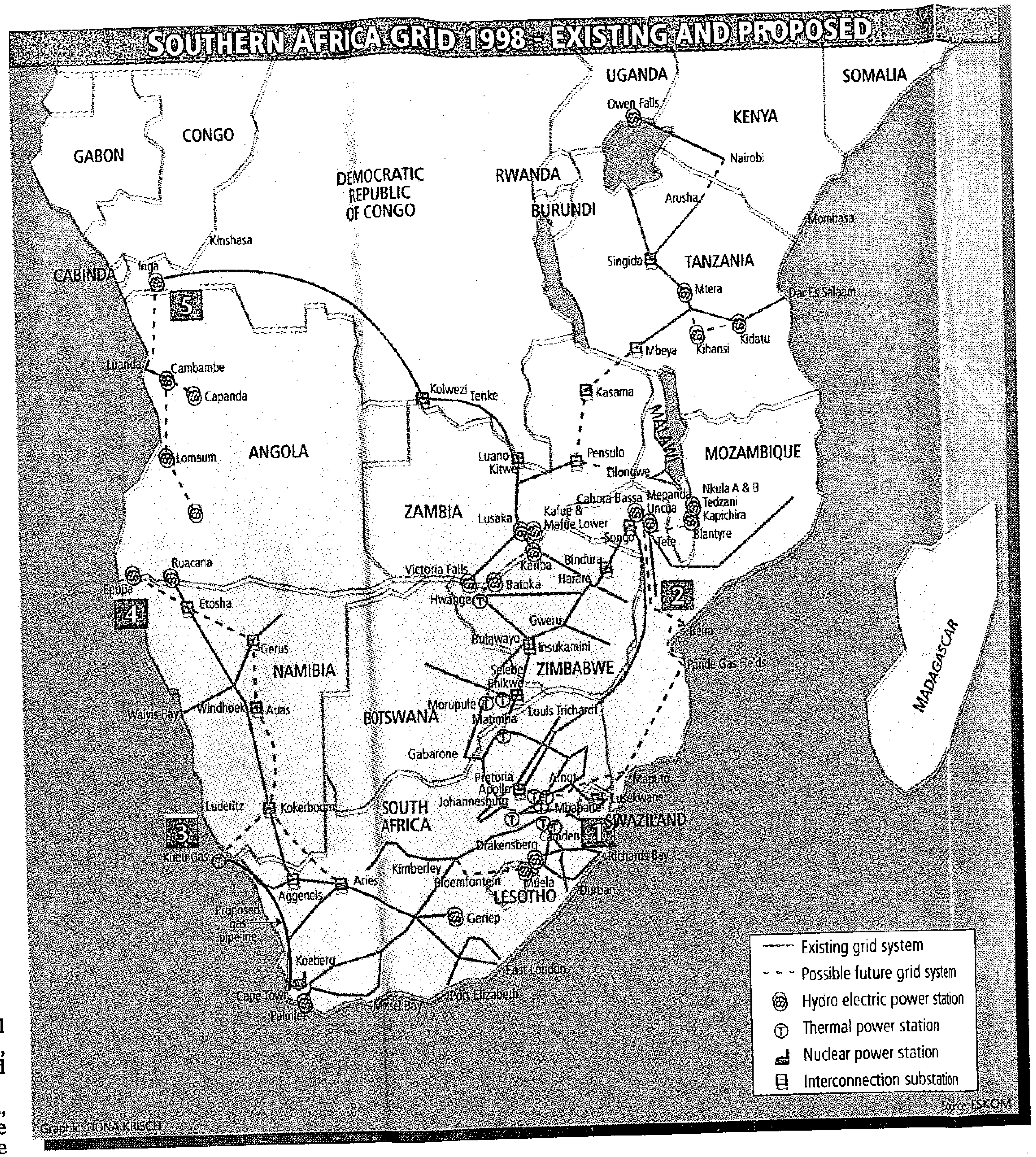
EPUPA

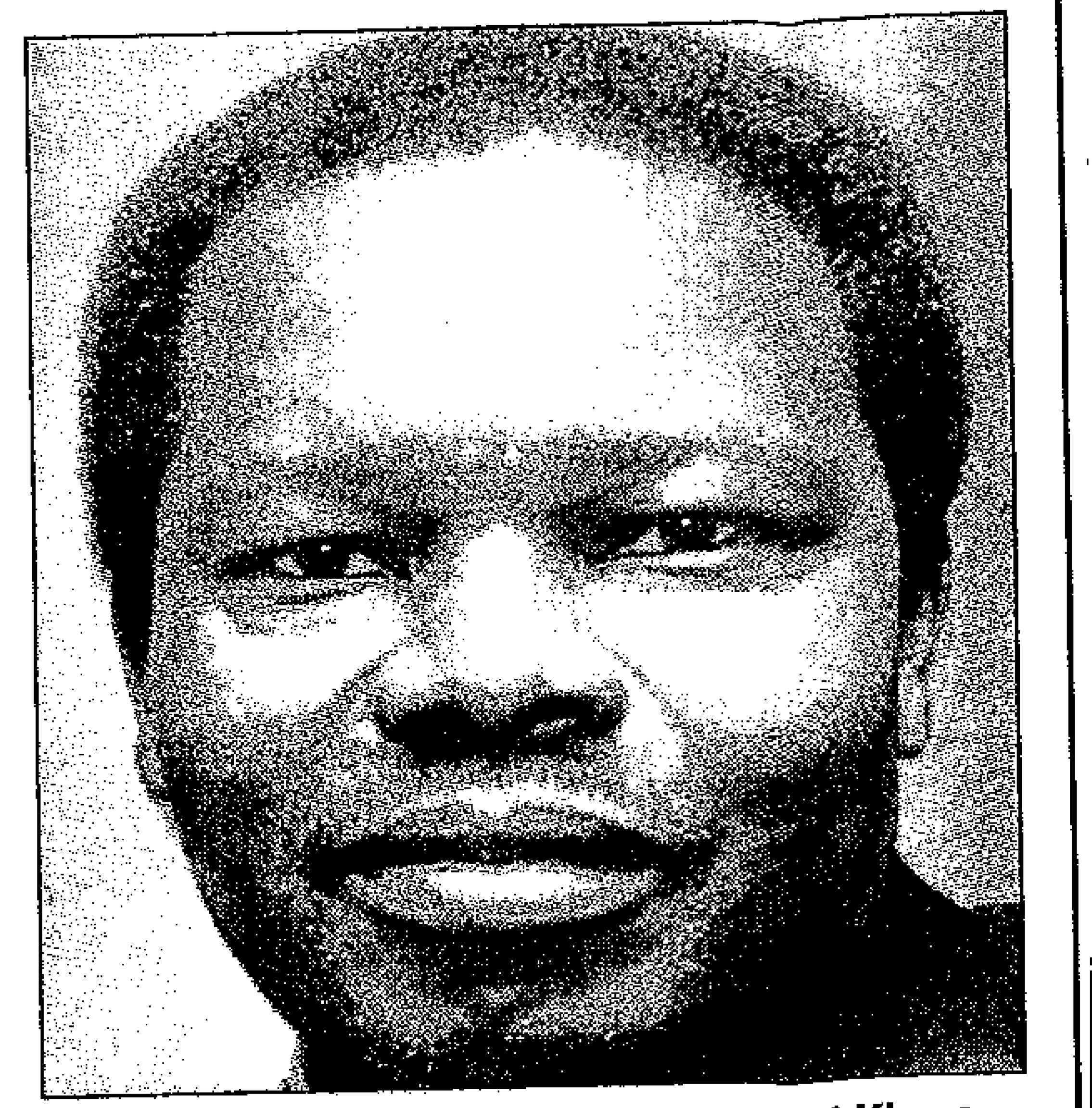
Also in Namibia, the existing line between the country and SA has been expanded, allowing Eskom to source more power from Namibia's Ruacana hydro-power station.

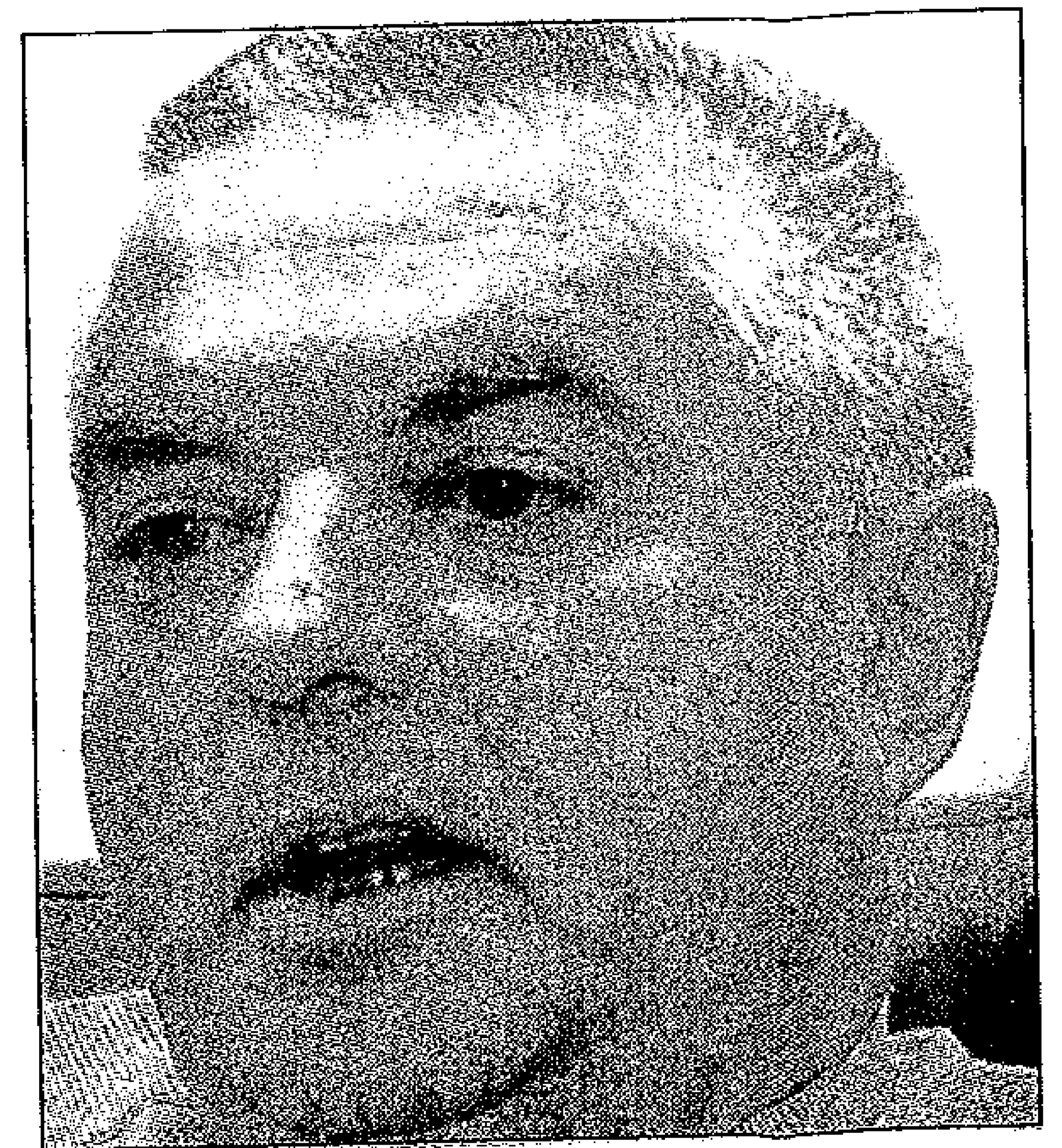
Plans for the Epupa power station further upstream on the Ruacana have run into strong resistance from environmentalists and have been put on hold.

INGA

A feasibility study has recommended upgrading the Inga hydro-power station in Congo DR as well as the construction of a new 500MW line from Inga to the copperbelt in Zambia. Additional lines are in the planning stage for the second phase of the project which also includes extending the lines to Zimbabwe and SA.




DRIVING ... Eskom chairman Reuel Khoza


NETWORKING ... Eskom CE Allen Morgan

SA takes 'pocket' I

N- power lead.

Eskom set to build new-generation, 'safe and environmentally friendly' stations, for export and for local use

Star 1/6/98 (55)(2...)

By James Clarke

South Africa is poised to deliver – worldwide – a new generation of environment-friendly, safe, "pocket-sized" nuclear-power stations which can be placed on factory premises or in municipal areas.

The neat "clean power" generating plants, based on a different technology to present nuclear stations, have been developed by Eskom. An important factor is that they do not need water to cool them.

The 100MW stations, about the size of a large house, are based on a gas-cooled pebble-bed modular reactor.

They will slash greenhouse-gas buildup and scenery-spoiling high-tension wires.

The "pocket" power stations are easy to build and transport. Their reactors fit on the back of a truck. One station would generate enough power for a medium-sized town.

The man behind the programme is David Nicholls, a former submarine commander who emigrated from England 17 years ago to work at Eskom's Koeberg nuclear power station.

Nicholls said the new power plants would render obsolete the conventional nuclear power stations such as Koeberg, which have been anathema since the Chernobyl disaster.

Although the technology has been perfected in Germany, South Africa could build the first prototype, probably next to Koeberg, and go into production within four years. The prototype is expected to be up and running within two years.

Although electricity in South Africa is cheap by world standards, pressure to cut down on harmful emissions from coal-fired power plants is expected to increase.

Nicholls has already begun a sales trip to France, Germany and the Far East. Countries such as Japan and Indonesia have expressed interest in the programme, Eskom spokesman Peter Adams said.

The "pocket" power stations have minimum environmental impact and are fail-safe because, according to the designers, they cannot melt down. They produce no pollution and store their own waste for 40 years of their life. The plant can then be imploded and covered by a mound.

The "safety zone" required for the stations is only 400m, compared to 60km at Koeberg.

In a worst-case scenario, the plant could be abandoned and left to cool down, because it is self-regulating.

Adams said the next step was to build a plant and demonstrate its acceptability. "There will be an environmental impact assessment and the public will be left to decide."

Adams said the project had been shown to the Government, which had expressed approval.

Eskom plans to produce 10 stations a year for local use and 20 for export. This could create thousands of jobs and become a major earner of foreign exchange.

The cost of producing one plant is R365-million. Unit for unit of electricity, this does not make the small plants' output any cheaper than electricity from coal-fired stations, but millions of rands are saved because no cross-country transmission lines are needed.

► Report and graphic ...Page 9

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Eskom's powerful 'pocket-sized' answer to pollution facts and fission

ET 1/6/98

(56)

JAMES CLARKE

JOHANNESBURG: Eskom's "pocket" nuclear power stations may well prove to be the perfect compromise between today's unsatisfactory methods of power generation and the promise of nuclear fusion tomorrow, when even aircraft may be powered by inboard "cold fusion" reactors.

Nuclear fusion produces no waste.

Eskom has achieved something in between: "cool fission".

The nuclear waste from these "pocket nukes" will be less of a problem than the waste from coal-fired power stations.

The small-scale power stations are enough to power a fair-sized town. They house a pebble bed modular reactor (PBMR) in a three-storey-high building that covers an area about a quarter of a soccer pitch. They cannot get hot enough to cause a melt-down, scientists claim.

Their inherent safety — as opposed to safety features — should remove much of the public's nervousness about nuclear power.

The 400-metre "safety zone" around them is more to allay public fear than to suggest that, in an emergency, people outside might get hurt. Conventional nuclear installations need 16km.

If a pocket station were to get out of control, its staff could walk away until it cooled down — but they would probably stay to re-set it, the designers say.

Its greatest blessing for South Africa is not necessarily its safety, low cost or minimal environmental impact, but that this 100MW power station does not need water as a coolant.

The PBMR is gas-cooled. The reactor is filled with small graphite balls containing separately encapsulated nuggets of enriched uranium. Helium, an inert gas, is heated by being passed through the nuclear pile. The hot gas drives a turbine engine that generates electricity.

Another environmental advantage is that coastal towns could have their plants next to them, ruling out the need for unsightly transmission lines. In this sense, the pocket nukes are more environmentally friendly than hydro-electric schemes, which have devalued some of Africa's most scenic areas.

Eskom is ready to build a prototype of its pocket power station, probably next to Koeberg. It should be up and running soon after the end of the century.

The public would then be able to assess whether the power station was as environmentally friendly as its engineers had claimed.

Given the go-ahead, Eskom could build 10 units a year for internal use and 20 a year for overseas. This would create thousands of jobs and be a foreign exchange earner. The units, if built today, would cost R365 million each.

South African-made "pocket nukes" could, within the next two decades, provide 2% of the world's power, says Professor J Gittus, senior partner of France's major nuclear consultancy.

Nuclear energy has played a shrinking role in power production worldwide and probably provides no more than 5% of the world's electricity.

Nuclear waste is one of the major disadvantages of big nuclear plants. It takes thousands of years to become harmless and needs secure and geologically stable dump sites.

The PBMR would look after its own waste.

"The fundamental idea of the design is ... a plant that has no physical process that could cause a radiation-induced hazard outside the site boundary," says an Eskom spokesperson.

The spent fuel could be stored beneath the plant and, after 40 years — the extent of the plant's life — the structure could be imploded and the lot buried beneath a small mound. The core could be left to cool and the land put to other uses.

David Nicholls, PBMR programme manager for Eskom, is used to living next door to pocket-sized nuclear reactors — he was commander of a nuclear-powered submarine. His PBMR is somewhat larger but needs a staff of only 10.

South Africa, more than any industrial country, has to get away from coal power. Thousands of tons of acid rain fall each year on the Highveld where the big stations are. One area around Witbank receives 850 tons to a square kilometre every year.

Worse is carbon dioxide, a major greenhouse gas that has altered the Earth's atmosphere. Industrialised countries that have strict air pollution regulations are becoming less willing to import goods from "dirty countries" whose governments are soft on polluters. South Africa is notoriously soft, hence its cheap electricity.

South Africa produces, per capita, 10 times more CO_2 than the world average. Its most modern plant, Letabu in Gauteng, burns 15 million tons of coal a year and this produces 30 million tons of CO_2.

When South Africa is forced by sanction to clean up its act, coal-fired electricity will rocket in price — but the country does not have the resources for more water-cooled power stations.

It produces virtually the cheapest electricity in the world. Although it would not necessarily have cheaper power if it switched to pocket nukes, other countries certainly would.

"Because of the high price of electricity overseas there should be an extensive export possibility," says Nicholls. "What makes them even more attractive is that the safety standards being applied to the PBMR design are stricter than those applied to other modern Western nuclear stations."

WORLD INTEREST IN ESKOM'S PROJECT

SA's portable nuclear stations

WITH CONVENTIONAL nuclear reactors sparking controversy around the globe, Eskom claims to have developed a power plant that will revolutionise electricity production. **JAMES CLARKE** reports.

CT 1/6/98

SOUTH AFRICA is poised to deliver — worldwide — a new generation of environment-friendly, ultra-safe, "pocket-sized" nuclear power stations which can be placed on factory premises or inside municipal boundaries.

The "clean power" plants — based on very different technology to those currently in use — were developed by Eskom and there is already international interest.

The 100 megawatt stations — about the size of a large house — are based on a gas-cooled, pebble-bed, modular reactor (PBMR). They could slash greenhouse gas build-up and limit the use of scenery-spoiling high-tension wires.

The mini power stations are amazingly safe, cheap and easy to build and transport — their reactors fit on the back of a truck. One station can generate enough power for a medium-sized town.

The man behind the programme is David Nicholls, a former submarine commander who emigrated from England 17 years ago to work at Eskom's Koeberg nuclear power station.

Nicholls said the new power plants would render obsolete conventional nuclear power stations such as Koeberg, which have become anathema overseas since the Chernobyl disaster.

Although the technology was perfected in Germany, South Africa is uniquely situated to build the first prototype, probably next to Koeberg, within two years, and go into production within four years.

Although electricity in South Africa is cheap by world standards, pressure to cut harmful emissions from coal-fired power plants is expected to increase.

The cheap electricity generated by the coal stations is also regarded as an unfair advantage by South Africa's trading partners, who have to comply with strict — and expensive — emission standards.

Nicholls began a sales trip to France, Germany and the Far East last week. Japan and Indonesia had already expressed interest in the programme, Eskom spokesperson Peter Adams said.

The mini power stations have a minimal impact on the environmental and, according to the designers, they cannot melt down, produce no pollution and store their own waste for 40 years of use.

The plant can then be imploded and covered by a mound. The "safety zone" required for the stations is only 400m, compared to 60km at Koeberg.

In a "worst-case" scenario, one could simply walk away from the plant and leave it to cool down because it is self-regulating.

Adams said the next step would be to build one and demonstrate its viability. "There will be an environmental impact assessment and the public will be left to decide." Adams said the project had been shown to the government, which had approved of it.

Eskom plans to produce 10 stations a year for local use and 20 for export. This could create thousands of jobs and become a major earner of foreign exchange.

The cost of producing one plant is R365 million. This does not make the small plants' output any cheaper than electricity from coal-fired stations, but millions of rands are saved because no cross-country transmission lines are needed.

ANSWER TO POLLUTION FACTS & FISSION — PAGE 14

Numsa slams Eskom for its 'apartheid' wage discrepancies

CT(BR) 2/6/98 (55)

FRANK NXUMALO

LABOUR EDITOR

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) has slammed Eskom for offering workers "miserable wage increases" while paying company management millions of rands in addition to the more than R200 million it sets aside for them as a "golden handshake".

Steven Nhlapho, Numsa's national energy sector co-ordinator, said at the weekend: "In terms of the Eskom wage bill released this year, the executive directors earn more than a million rands each (a year).

"Last year Eskom management received R100 000 each on profit-sharing arrangements, while workers received a meagre R800. The offer from employers exacerbates the apartheid wage inequalities."

Nhlapho said Eskom offered 5 percent for lower grades and 6 percent and 8 percent for higher categories. Numsa is demanding wage increases of 16 percent for the bottom grades and 13 percent for higher grades to close the apartheid wage gap. It wants these to be based on actual rates of pay.

The union also wants the establishment of a "legitimate" bargaining forum that will handle negotiations in terms of the new Labour Relations Act.

Peter Adams, a spokesman for Eskom, said it was company policy not to comment while negotiations were in progress.

5 BUSINESS DAY, Thursday, June 4 1998

Govt to promote energy savings

BD 4/6/98

(55)

Linda Ensor

CAPE TOWN — Government would promote energy efficiency among industrial and commercial energy consumers through the use of incentives, the draft white paper on energy policy, released yesterday, said.

The document noted that South African industry was one of the most energy-intensive in the world, consuming more energy per unit of economic output than all but 10 other countries in the world. It recommended that an independent unit be established to implement energy efficiency strategies.

Savings of up to 20% could be made by industry, mining and commerce which consumed about 60% of commercial energy, at a cost of about R18bn in 1995.

"Significant scope for improved energy efficiencies exists within the industrial commercial, domestic and transport demand sectors," the draft white paper said.

Energy efficiency standards in the commercial building sector which utilised 20% of total municipal electricity consumption, would also be beneficial.

Energy savings of about 30% could be achieved through the use of improved design and management practices.

Government would facilitate the development and implementation of standards and norms for commercial buildings and industrial equipment.

And it would implement an energy efficiency programme to reduce consumption in its own buildings.

Voluntary targets might be set for energy efficiency improvements in various industries and commercial organisations.

The report noted that while most countries had energy conservation regulations, in SA no energy efficiency standards, norms or regulations existed. Energy efficiency and conservation considerations would have to form part of an overall policy.

Government undertook to facilitate the performance of audits, disseminate information and undertake sectoral analyses and training programmes as it had identified lack of expertise as one of the key barriers to increased energy efficiency.

It would also encourage the establishment of voluntary guidelines for the thermal performance of low cost housing and would promote the introduction of a domestic appliance labelling programme to inform consumers about appliance energy consumption.

Regarding the environment, the draft white paper said government would seek to mitigate the negative environmental and health effects of air pollution from coal and wood use in households.

Safety and performance standards for paraffin stoves, which caused a lot of accidents would be introduced, and the petroleum industry which supplies paraffin to the retail sector would be required to introduce safety measures in stoves as part of their marketing activities.

These could include the use of child resistant paraffin containers and lids.

Draft white paper proposes levies

(55) BD 4/6/98

Linda Ensor

CAPE TOWN — Three fiscal measures were proposed in the draft white paper on energy policy — a levy on electricity sales by suppliers, an environmental levy on energy sales and a lower diesel levy.

The document noted that fiscal mechanisms could be effectively used to achieve energy policy objectives such as encouraging fuel switching, raising dedicated sources of finance for particular needs and encouraging more efficient environmental and resource management.

Fiscal policies had a fundamental effect on energy prices and should be aligned with energy policies.

Among the levies to be considered were a tax-deductible levy on electricity suppliers to fund the National Electrification Fund and the possible introduction of an environmental levy on energy sales to support alternative energy options and promote energy efficiency.

The proceeds could be used to finance an Energy Efficiency Agency.

Tax differentials might also be used to support government's policy of promoting the use of diesel, a more efficient fuel. A suitable differential between diesel and petrol would be phased in.

Government supported the use of special-purpose dedicated levies to fund regulatory and other government agencies provided there was a clear link between those ultimately bearing the additional cost and those benefiting from the activities of the relevant agency.

"These levies will remain dedicated to the special purposes for which they were designed and will not be used as general revenue-raising mechanisms," the document stressed.

It was recommended that municipalities be authorised to tax electricity via an excise tax, within a limit set by government and monitored by the National Electricity Regulator. Regional electricity distributors would collect this tax on behalf of local authorities and would show the tax separately from the electricity consumption portion of the consumer's bill.

Municipalities now receiving unduly large surpluses from electricity tax would, within a stipulated period of, say, three years, be required to reduce their dependency on it to the established limit.

All municipalities should be given the authority to tax electricity sales in their area, not only the large ones.

The draft white paper acknowledged that taxation of electricity was effectively an input tax and said government would consider measures to ameliorate the impact of these taxes on customers who would be burdened by it or if it retarded economic growth.

The creation of a National Electrification Fund would eliminate the financing of the electrification programme by means of the internal, non-transparent, cross subsidisation within Eskom and local authority distributors.

It would be financed by a levy placed on the net electrical energy sold by licensed electricity generators and wholesale importers. It would be payable monthly in arrears based on wholesale sales recorded in the previous month.

ENERGY *Minister to release three bills and draft white paper*

Maduna gets moving

(697)

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — In a surprise move yesterday, Penuell Maduna, the minerals and energy minister, sought to dispel fears that he was falling behind in the introduction of new energy legislation by saying three new bills and a draft white paper would be released within a week.

His announcement, at an unusual appearance before the portfolio committee on minerals and energy, took many observers by surprise. They said they hoped this indicated that Maduna's department was emerging from a troubled, controversy-ridden start. They also pointed out that, for the department to get any legislation through this year, it would have to get to Cabinet within weeks.

For the energy sector, the most welcome news was that Maduna's long-awaited draft white paper on energy would be released within days. Maduna said it might be released by late yesterday but officials later said that either tomorrow or Monday were more likely.

He indicated, however, that he planned to fast track the white paper through the usual consultative process with it being presented to Nedlac and the general public simultaneously.

Maduna said he wanted all comments on the draft white paper by August 30 so the final version could be tabled in parliament before the end of this year's session in September. He also expected two reports soon on the restructuring of the Central Energy Fund group of companies, one by a consultant and the other from HSBC Bank. Once he had studied them he would make a statement.

On the minerals and mining policy white paper released earlier this year, he said he had received numerous submissions and was holding bilateral discussions with the Chamber of Mines on the proposed reversion of unused mineral rights to the state.

"We have told them up front that while indeed the discussions are quite useful, the basic principles will not be departed from," he said.

He hoped the final version of the white paper would be tabled by September.

Earlier this year it seemed the department would have no new legislation ready for this year's session, but Maduna said he would present three bills to Cabinet this week.

BD 4/6/98

Numsa, Eskom in dispute

CP 7/6/98 (55)

By ZOLILE NQAYI

WHILE Eskom management is earning millions of rands in salaries, it was only prepared to offer lower-paid workers an increase of five percent, the National Union of Metalworkers has charged.

This emerged after last week's first round of wage negotiations ended in stalemate.

Numsa also accused the parastatal of practices harking back to the days of apartheid.

According to Steven Nhlapho, Numsa National Energy sector co-ordinator, management has consistently refused to provide them with details of their salaries.

The first round of the wage negotiations on Tuesday ended without an agreement after Eskom offered an increase of five percent to the lowest paid workers and six percent for the higher paid grades.

"We at Numsa are demanding a 16 percent increase for the bottom grades and 13 percent for higher grades so as to close the apartheid wage gap. All wage increases should be based on actual rate of pay," Nhlapho said.

According to Nhlapho, labour and management had an agreement in 1994 to narrow the apartheid wage which saw higher grades paid far much more than employees in the bottom grades.

"They are now intentionally reversing the agreement.

"Last year, lower grades were given an increase of about 10 percent and higher grades got nine percent, but this year they are offering higher paid workers a six to eight percent increase as compared to five percent for the lower grades," Nhlapho said.

Numsa is accusing the parastal of enriching those in management at the expense of lower paid workers who on average earn R31 000 a year.

"Whereas they are only offering a meagre five percent increase for the lowest paid grades, they allocate R11 million in salaries and packages for 11 people. These are 10 Executive Directors and a Chief Executive Officer," Nhlapho told City Press.

The next round of wage negotiations is scheduled for next week, but Numsa is sceptical that management will budge from their current offer and an industrial action is inevitable.

"It is ironic that Eskom, which is a state company and supposed to be championing what the national government is preaching, is determined to take us back to old ages," Nhlapho said.

Numsa is also demanding the establishment of a formal bargaining forum.

"While labour is required to follow certain procedures when doing things, management does not follow any and this is against the provisions of the Labour Relations Act."

Eskom refused to comment on Numsa's charges.

State sets out plan for deregulating petrol industry

Draft paper proposes ending Mossgas and Sasol subsidies, but seeks solutions for job losses, writes ANDREW GILL

(5th) ST (BT) 7/6/98

THE government has proposed broad-based deregulation of the liquid fuels industry which could see retailers setting their own petrol prices within three years.

A draft energy white paper released on Friday recommends that subsidies for Mossgas and Sasol be phased out by 1999.

It says the energy market should be deregulated to allow competition in liquid fuels and in gas and electricity distribution.

Market forces should determine liquid fuel prices within three to five years.

A major thrust of the 114-page document is increased access for disadvantaged South Africans.

The government would promote access to affordable energy services for the disadvantaged, small businesses, small farms and community services, Energy Minister Penuell Maduna said.

The document is open to public debate until August.

The paper sees no forced short-term redundancies at petrol stations. A social plan will be drawn up to cope with later job losses.

It concedes the deregulation — which will in time allow self-service — may result in job losses among SA's 45 000 pump attendants. It plans a moratorium on self-service and vertical integration where wholesalers can operate service stations.

The initial three-year deregulation phase includes the state restructuring its liquid fuel assets, allowing for interim adjustments to fuel-price mechanisms, negotiation of intra-industry agreements and settling over- and under-recovery accounts.

The second phase of price deregulation will begin after that.

Sasol welcomed news that the deregulation of the liquid fuels industry would be in phases.

"We fully agree with the recommendation that the first phase of the deregulation process extend over a period of about three years to coincide with the target date of June 2000 set by Cabinet in December 1995," Sasol said.

The policy document proposes the progressive lowering of subsidies in synthetic fuels to zero next year to level the field.

It says synthetic fuels account for 28% of SA's energy needs.

The report says government should assess the true costs of electricity generation at Koeberg, which produces about 5% of SA's electricity.

But it says the government does not plan to abandon nuclear power generation, and recommends a study on new nuclear plants.

Eskom will be divided into separate generation and distribution entities, initially under one holding company.

Attempts will be made to improve energy efficiency and reduce harmful emissions on economic, environmental and health grounds.

Exploration for oil and gas will be opened up to international competition.

A national tariff structure will be set for gas and electricity distribution, and more powers will be given to the National Electricity Regulator.

SA Petroleum Industry Association chief Colin McClelland said deregulation plans were in line with what SAPIA had been seeking.

"But we will have to wait and see whether deregulation will be a big bang or phased in. My own suspicion is that it will be phased in gradually."

He said deregulation would be in line with international trends and lead to a more competitive and efficient industry.

NEW

Energy white paper plans to encourage new investment in pipeline industry

(55)

State threatens gas monopolies

CT(BR)8/6/98

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — The draft energy white paper released last week poses a threat to the long-standing monopoly of the gas pipeline industry by Petronet and Sasol — by aiming to encourage new investment in the potentially huge new sector.

In line with International Energy Agency recommendations, it lays the basis for a more level playing field through the establishment of a new gas regulatory authority.

It said this would "inhibit monopolistic abuse of pipelines by requiring pipelines to provide non-discriminatory open access to uncommitted capacity, transparency of tariffs and disclosure of cost and pricing information to the gas regulatory body".

Sasol, the main gas producer, has a web of pipelines for its own use and has a deal to use most of the capacity of Petronet's gas pipelines.

Many more entrants are likely to enter the market soon, mainly from Mozambique's Pande and Namibia's Kudu gas fields. Waterberg's coal bed methane is also ripe for exploitation. Many have seen Petronet's high tariffs as a stumbling block to these developments.

But Sasol said on Friday the policy proposals were "based on the assumption that the pipeline gas industry in South Africa is a mature one". It said it was still in a developmental stage, with no commercially viable natural gas reserves having yet been developed.

Sasol was surprised the white paper did not focus on measures to encourage investment in the development of a pipeline gas industry.

The paper said the natural monopoly characteristics of gas transmission pipelines presented the potential for the exercise of market power, including restricted access of gas industry competitors and maintenance of high prices.

Where newcomers wanted access to a pipeline, decisions would be made on a reasonable basis and at the expense of the applicant who requested the upgrading.

The white paper accepted the argument that the current tax regime for gas pipelines, in which depreciation on pipelines is not allowable for tax purposes, discouraged investment. It said the department of minerals and energy would make representation to the department of finance to change the rules.

It envisaged the establishment of a Gas Licensing Authority to implement a minimal regulatory regime and said the businesses of the transmission, storage, distribution and merchandising of gas would be kept separate to prevent anti-competitive behaviour.

"On the other hand, the security of gas supply/demand to encourage development of the industry may require some form of vertical participation by the principal players."

But this would require proof of functional separation and arms-length relationships between the companies.

The white paper said distributors were vulnerable to predatory actions by producers, who could attract the steady-demand medium-sized consumers, thus destroying the distributor's ability to aggregate sales and enter into a take-or-pay contract with the producer.

This could limit the expansion of the gas industry into the household market. As a result, distributors would be awarded licences for franchised areas to market gas to small gas consumers.

CT (PR) 8/6/98

INSIDE PARLIAMENT

Detail bedevils Penuell Maduna's energy white paper

(55)

The long-awaited release last week of the draft white paper on energy once again bears out the dictum: the devil is in the detail.

Though the paper makes all the right-sounding kinds of noises about deregulating the energy sector while ensuring that national needs and black economic empowerment goals are met, there are many ambiguities about what the department of minerals and energy really plans for the sector.

The liquid fuels industry, for example, is told quite emphatically in one section of the paper that synthetic fuel subsidies will be phased out by 1999, but is then told in another that this will only happen in about three years' time.

Sasol, the oil-from-coal producer, will no doubt make strong representations for phasing out its subsidies over the longer period before the July 31 cut-off date for comments.

The joint standing committee on public accounts and the portfolio committee on minerals and energy will have to bear some of these things in mind (if they have managed to get hold of the white paper) when they meet today to consider the whole issue of synthetic fuel subsidies and the wisdom of further investments in Mossgas.

Penuell Maduna, the minerals and energy minister, said in his recent budget speech that the Cabinet had given Mossgas the go-ahead to invest R180 million in the first phase of its expansion programme aimed at lengthening its life. But it will clearly be expected to fund this from its own resources, as the white paper says: "Government will not increase its involvement in the manufacture or marketing of synthetic fuels."

LYNDA LOXTON

This raises the question whether parliament has any say over future business decisions by Mossgas. As long as those loans are guaranteed by the government, as they are, many will no doubt insist that it should.

The portfolio committee on public enterprises will put the final touches to the Eskom Amendment Bill today, which paves the way for the corporatisation of the public utility. This means it will, for the first time, have to pay tax.

Eskom officials last week expressed some reservations about this, although they know it is inevitable when the government is tapping every available source of income. Their argument was that any taxes due would have to be eased in if paying tax would affect Eskom's ability to deliver on the government's electrification programme.

Again, the energy white paper gives some idea of the department's thinking on this issue. It said that Eskom should pay tax, but this would have to be carefully introduced because it could mean that Eskom would have to raise its tariffs, with inflationary implications.

There would also be a "transaction cost" to the government in collecting the tax while introducing a tax on the electricity industry meant that local authorities would also be affected.

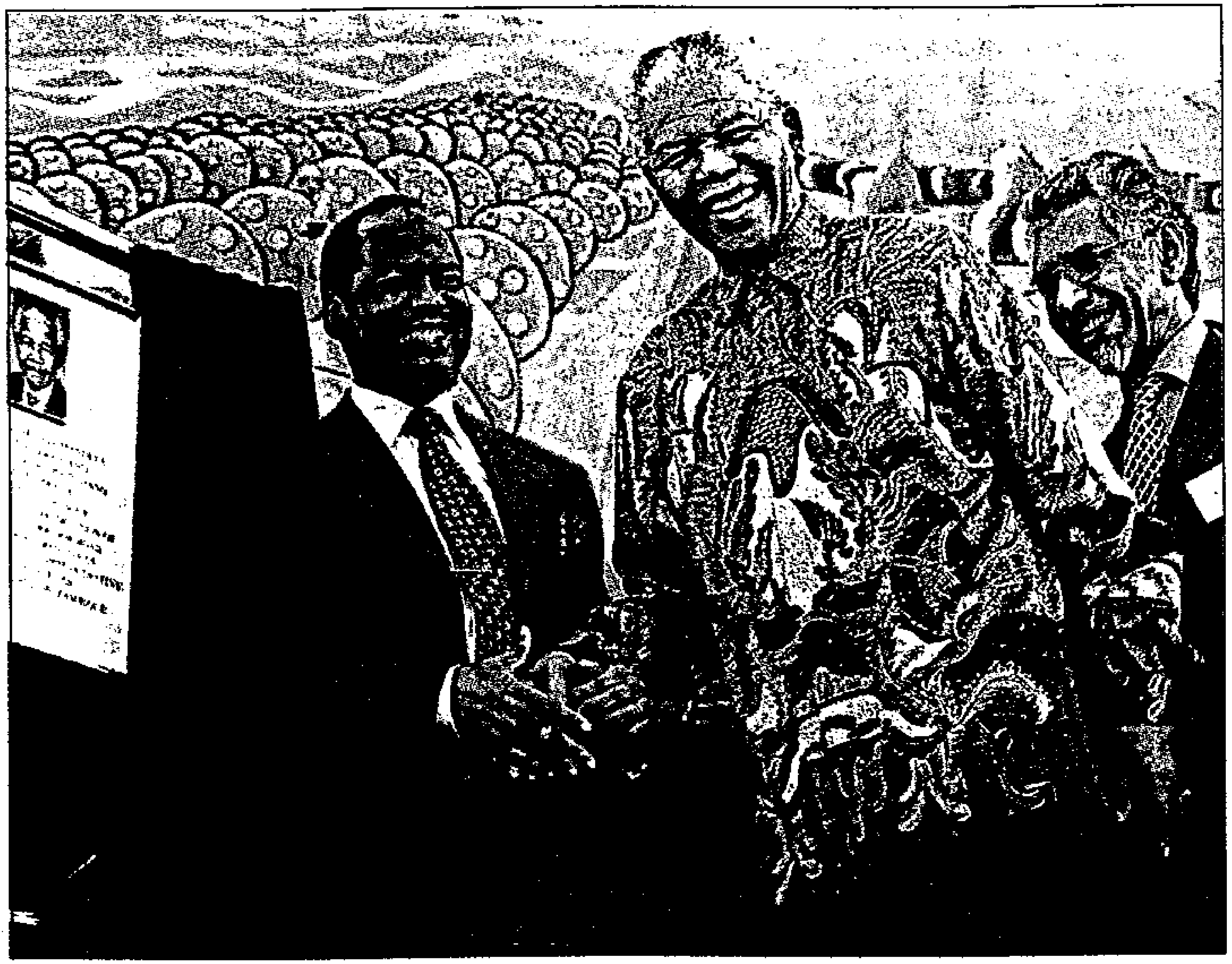
This, it said, could be "problematic ... There is little rationale or precedent for a central government tax on local government's services. Moreover, selective taxation of Eskom's profits and not local authorities' profits would introduce further distortions into an already problematic market," it said.

"Finally, the application of income taxation to the industry could change the incentive structure facing utilities, who could increasingly seek to maximise after-tax returns, which might be in conflict with public interest or other economic goals."

The white paper concluded: "Government will systematically investigate the implications of taxing the electricity industry." So Eskom might yet get the breathing space it wants before having to become a full taxpayer.

On Wednesday, Shell could have its chance to air its view on the energy white paper when it briefs the portfolio committee on transport, even though it is supposed to talk mainly about transport-related matters.

Also, the portfolio committee on trade and industry will be briefed today by the trade and industry department on its draft competition bill, which has raised mixed feelings in the business sector. Many are relieved that it is not as "anti-big business", as had been feared, but others still see all sorts of bogies lurking in vague clauses and phrases that still wait fleshing out.



THE ROAD AHEAD: Mozambican President Joaqim Chissano (left) and President Nelson Mandela met in the border town of Ressano Garcia on Saturday, to launch the toll road linking Maputo and Witbank. PICTURE: AP

DRAFT ENERGY POLICY UNVEILED

Proposal to scrap massive aid for synthetic fuel sector

55

THE MINISTER of Energy Affairs proposes to restructure the distribution of electricity and allow municipalities to tax this service. JOVIAL RANTAO of our Parliamentary Bureau reports.

CT 8/6/98

THE multibillion-rand subsidies paid to the synthetic fuel industry should be phased out, according to the first policy paper on energy affairs in 13 years, published on Friday by Minister of Mineral and Energy Affairs Penuell Maduna.

It also calls for the scrapping within three to five years of prohibitions on self-service stations, wider access to energy for rural communities and better management of the sector.

Hailed as a key component of the government's attempts to transform the economy, redistribute wealth and stimulate growth, the draft White Paper contains key proposals to change a sector steeped in monopolistic practices and secrecy.

These include ending the huge subsidies paid to the synthetic fuel industry, restructuring state assets, lowering the cost of diesel, developing a competitive gas industry and alternative energy sources, establishing an Energy Efficiency Agency, and encouraging small and black business involvement.

Mossgas has cost the government R12 billion in start-up capital and subsidies, the nuclear industry R40bn, four oil refineries R6,5bn and Sasol plants R40bn.

The paper proposes that regional electricity distributors be set up and that consumers be allowed a choice of services, with differing tariffs.

As local authorities determine charges, there are more than 1 100 tariffs. The draft White Paper also proposes that municipalities tax electricity and that the state subsidise connection fees.

Maduna said the government was committed to promoting access to affordable energy by small businesses, disadvantaged households, schools, clinics and rural areas.

"This draft White Paper has been written to clarify government policy (on) the supply and consumption of energy for at least the next 10 years," Maduna said.

The energy sector contributes about 15% of the gross domestic product and employs 250 000 people.

There have been fears that deregulating the fuel industry would cause severe job losses. Allowing self-service stations would affect at least 50 000 attendants.

Energy to be made more accessible to rural communities

(55) Star 9/6/98

White paper contains key proposals aimed at transforming sector still steeped in monopolies

By Jovial Rantao
Political Correspondent, Cape Town

Minerals and Energy Affairs Minister Penuell Maduna has unveiled South Africa's first policy paper on the energy sector in 13 years which, among other things, argues for the increased access to rural communities and improved governance of this complex and lucrative sector.

The draft white paper – hailed as a key component in the Government's bid to transform the economy, redistribute wealth and stimulate growth – contains key proposals aimed at transforming a sector still steeped in monopolistic practices and secrecy.

Key proposals contained in the white paper include the termination of the huge multibillion-rand subsidies paid to the local synthetic fuel industry, the restructuring of state assets, the lowering of the relative cost of diesel, the development of a competitive gas industry and alternative energy sources, the establishment of an energy efficiency agency and the encouragement of small and black business involvement in the energy sector.

Sector contributes 15% of SA's GDP

Maduna said the Government was committed to the promotion of access to affordable and sustainable energy services for small business, disadvantaged households, small farms, schools, clinics, rural areas and a wide range of community establishments.

"This draft white paper has been written so as to clarify Government policy regarding the supply and consumption of energy for at least the next 10 years. The proposed policy strengthens existing energy systems in certain areas, calls for the development of under-developed systems and demonstrates resolve to bring about extensive change in a number of areas," Maduna said.

The energy sector – through its component parts of electricity, oil, petrol, coal, gas and nuclear power – contributes around 15% of the country's gross domestic product, employs 250 000 people and provides the lifeblood of industrial, commercial and social activities.

Massive state subsidies and payments to establish the sector include R12-billion on Mossgas, R40-billion on the nuclear industry, R6,5-billion on four crude oil refineries, R40-billion in Sasol plants and R8,2-billion on the distribution, wholesaling and bulk depot assets of the oil industry.

The draft white paper proposed the scrapping of rules prohibiting the introduction of self-service stations within a period of three to five years. The move would affect at least 50 000 pump attendants, whose jobs would be at risk and would be opposed by Cosatu.

The South African Chamber of Business has welcomed the white paper, but expresses concern about the long lead-in period to the deregulation of the fuel industry and, in particular, the remaining moratorium on self-service stations and the integration of smaller businesses into the fuel sector.

On the restructuring of the electricity industry, the white paper suggests that the distribution industry should be restructured into regional electricity distributors, with a transformation team to prepare detailed policy recommendations.

With local authorities setting electricity tariffs, some 1 100 different rates are applicable across South Africa.

The white paper has recognised that the distribution industry is not meeting the objective of providing low-cost and equitably priced electricity to all its customers.

It also noted that the financial health of the sector was deteriorating rapidly and the aggressive goals of the electrification programme might not be met in the areas that needed it most.

Caution urged on state's energy plan

CT (MR) 9/6/98 (54)

Lynda Loxton

Cape Town — The minerals and energy department's proposals to fully deregulate the liquid fuels industry were "breathtaking", given the many vested interests that could potentially be adversely affected, Mbendi Information Services said yesterday.

"However . . . full deregulation is the only alternative to the existing logjam and should deliver fuel to the market at lower prices than at present, with the benefits to the regional economy outweighing any suffering in the industry," the oil information service said in its commentary on the government's draft energy white paper.

The proposal to deregulate the downstream oil industry marked "a bold change from the past and will bring South Africa into line with first world international practice," it said. "However, it should be noted that the existing environment is a product of both regulation and legal agreements, and the latter will need to be renegotiated or terminated to give full effect to the objectives of the minister (Penuell Maduna).

"This is in addition to the process of moving from a white paper to approved legislation, with all the potential for compromise and watering down along the way."

A more efficient and streamlined industry, which delivered fuel at a lower price to consumers, should stimulate the economy, which would increase employment in other sectors.

"However, employment throughout the industry is likely to drop as the sector becomes more efficient," Mbendi said.

Department promises action on Mossgas policy

CT (BR) 9/6/98 (189) (64)

Lynda Loxton

Parliamentary Correspondent

Cape Town — Duma Nkosi, the chairman of the portfolio committee of minerals and energy, yesterday pledged to take up the drive to resolve the government's policy vacuum on Mossgas, the state-owned oil-from-gas producer.

He told a special sitting of the standing committee on public accounts (Scopa) that he would be helped by the long-awaited release of the draft energy white paper and his committee's planned hearings during the third parliamentary session starting at the end of next month.

But he warned that, because of the long policy-making hiatus in the minerals and energy department until last week, he had several pressing issues to deal with, including the pricing of jet fuel.

Scopa had called the meeting after the lack of any official response to its repeated resolutions that Mossgas should resolve its pricing impasse with the oil industry and that the government should commission an independent verification of the viability of further investments in Mossgas.

Ken Andrew, the Scopa chairman, told the meeting the future of Mossgas had now become a policy issue needing urgent resolution, and that the portfolio committee would be best placed to push the process through.

Chris Stephen, a consultant to the office of the auditor-general, said the office was particularly concerned about the fact that Mossgas continued to receive about R12 million a month in synthetic fuel subsidies because of its pricing disagreement with the oil industry.

Sasol's R7bn share plunge 'fuelled by white paper'

CT (MR) 9/6/98 (99)

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — The share price of Sasol, the synthetic fuel producer, has fallen 23 percent over the past two weeks, reducing its market capitalisation by more than R7 billion.

Expectations of lower earnings, competition-related difficulties over its planned acquisition of AECI and government-inspired uncertainty over the future of its tariff protection have hit the share price hard.

Analysts now place the blame for last week's fall, in which Sasol shares shed 450c, largely at the feet of the government's new white paper on energy policy.

'Government's intention to phase out subsidies was weighing down shares'

At present, Sasol receives a subsidy if the oil price falls below a floor of $17 a barrel.

The white paper says subsidies to the synthetic fuel industry will be progressively lowered to level the playing field between the oil refining and synthetic fuels industries.

"It is expected that these subsidies will be phased out by 1999," the paper states. On the very next page, when talking about a phased approach to deregulation, it says: "It is foreseen that the duration of the first phase will be approximately three years and will end with the termination of subsidy payments to the indigenous synthetic fuels industry".

In its response to the white paper, Sasol welcomed government's decision to phase the deregulation process over three years "to coincide with the target date of June 2000, set by Cabinet in December 1995, for the review of the synthetic fuel industry's tariff protection structure".

Analysts said that uncertainty over the government's intention to phase out subsidies was weighing down the share price.

Meanwhile the board of AECI, the Anglo American-controlled chemicals producer, advised shareholders to accept a takeover offer by Sasol at R30 a share. The board said its own restructuring proposal, which would entail selling off AECI's commodity chemicals businesses, could release value of more than R30 a share.

It said shareholders holding about 75 percent of the group had already decided in favour of the takeover bid. Sasol's shares closed 50 cents higher at R35,90 on the JSE yesterday.

Battle lines drawn over Eskom

CT (BR) 11/6/98 (65)

FRANK NXUMALO AND THABO LESHILO

Johannesburg — A battle was looming between the government and Cosatu over the corporatisation of Eskom ahead of the matter being discussed by the parliamentary portfolio committee today, the National Union of Metalworkers of South Africa (Numsa) warned yesterday.

The union said a delegation from Cosatu was scheduled to meet Stella Sigcau, the public enterprises minister, last night in a last-ditch effort to find common ground before the bill was submitted to the portfolio committee.

"Eskom must remain in state hands. We are bracing for a major battle with government over this issue.

"Numsa rejects privatisation as the single answer to the problems of state assets. Our priority is to identify and defend those state assets which are critical for the delivery process of basic services to the poor," said Numsa spokesman Dumisa Ntuli.

But Wandile Zote, a spokesman for the ministry, said the bill would be tabled today as planned and expected it to be passed, without hassles, into law this year.

"Contrary to what has been said, having Eskom pay a dividend will not have a negative effect on the electrification programme in terms of the reconstruction and development programme, but means more money into the fiscus," said Zote.

Ntuli said assets already in state hands should be defended and "if not, they should be nationalised".

He said this meant a strategic withdrawal was possible in areas not critical to basic delivery.

Cosatu is concerned that the corporatisation of the public utility will undermine its ability to provide electricity, especially to formerly disadvantaged communities.

"Most disturbing is the possibility that the proposed legislation opts for this particular form of corporatisation in order to prepare the way for privatisation," Cosatu says in its submission to parliament.

The National Electricity Regulator (NER) said in its submission that corporatisation would not have a negative effect on Eskom's ability to meet its target of electrifying 1,75 million homes by 2000.

"The cost and dividend issue is not a cost driver. What causes tariffs and costs to go up is the financial structure of the organisation," said Magate Sekonya, the head of the NER.

ENERGY WHITE PAPER

Two roads to Damascus haven't been converted into a working policy

CT(BR) 11/6/98 (56)

JONATHAN ROSENTHAL

Penuell Maduna, the minerals and energy minister, has passed close to Damascus twice on the road to the energy white paper. On taking office two years ago Maduna trumpeted the wonders of deregulation and promised to get the state out of the liquid fuels sector.

His first Damascene conversion took place within weeks of his appointment as minister when he became enamoured with state intervention, reregulation and the leveraging of state assets to encourage black empowerment. In his second Damascene conversion, which seems to have taken place just weeks before the release of the white paper, Maduna has again seen the light of the free market and deregulation.

In essence the paper, released last Friday and almost three years late, aims to encourage competition in energy markets, remove distortions and only intervene where market failures are identified. The effects of this, it is hoped, will be to stimulate investment and economic development while making basic energy affordable to poor households.

In breadth it touches on a wide range of energy issues, from looking at more efficient animal traction in the rural areas to nuclear fuel enrichment for the country's two nuclear rectors, from restructuring the electricity sector to making paraffin stoves safer.

The energy white paper in most respects follows a fairly standard liberalisation model for opening South Africa's tightly regulated and historically closed energy markets, which account for about 15 percent of South Africa's gross domestic product.

In light of the government's commitment to the growth, employment and redistribution strategy (Gear), this basic approach to energy markets should not be surprising. But the paper also wishes away many of the stumbling blocks that have bogged down previous attempts to deregulate the industry.

A case in point is the liquid fuels sector. As far back as 1995, the liquid fuels industry task force, a forum between labour, business and government, bogged down on the questions of deregulating the price of fuel and the retail marketing industry. So extreme were the differences of opinion that the only compromise reached in the task force was to publish a

report detailing the different views of all three parties.

A key stumbling block was labour's view that in a deregulated market full-service petrol stations would go the way of the long-playing record and put more than 50 000 pump attendants' jobs at risk.

Another long-running concern of both labour and government is that although deregulation is expected to reduce petrol prices in the competitive urban markets, it could lead to massive price hikes in the less competitive rural areas.

A third concern over the deregulation of petrol retailing is that a competitive environment will favour the big and effectively block any attempts at market entry by black empowerment companies. It was argued that the larger oil companies would vertically integrate by buying up service stations and squeezing out the independent owners and operators.

In a 1995 green paper, produced by Maduna's predecessor Pik Botha, the government said it wished to replace fixed prices with a system of maximum prices and a period of minimum prices so vulnerable service stations could be restructured.

At the time it proposed lifting restrictions on market entry to the retail sector but warned there should be a moratorium on self-service stations, that a social plan should be drawn up to deal with retrenchments and that independent operators should have their supplies of petroleum products assured.

At the time Gert Venter, the then director-general in the department of mineral & energy affairs, said he expected to resolve the conflict between labour, business and government within weeks. Three years later and the conflicts that bedevilled the liquid fuels industry task force have simply been swept under the carpet.

The new white paper proposes phasing out price control within three to five years but makes scant mention of how rural consumers in areas with little competition will be protected from exorbitant fuel prices. On retailing, the white paper proposes phasing out the rationalisation plan that currently controls entry to the market.

Other than rehashing a proposal for a temporary moratorium on self-service and vertical integration, the white paper goes no further than the 1995 green paper on plans to protect jobs and small businesses.

And while the new white paper is filled with the rhetoric of black economic empowerment, there are no concrete plans to make it work. The only concession to black economic empowerment would seem to be the three-to-five-year transitional period in which black market entrants are expected to dig their trenches in anticipation of the market shakeout that will follow full deregulation.

Unfortunately, it's not just on liquid fuels that Maduna seems to have done a rush job.

In 1995 a department of mineral and energy affairs report into the nuclear fuel industry urged that urgent steps should be taken to formulate a viable strategy for the long-term disposal of high-level nuclear waste, including spent fuel from Eskom's Koeberg nuclear power station.

The report argued that "South Africa does not have a national radioactive waste management strategy", and urged that steps be taken to investigate whether the Vaalputs site in the Northern Cape could be used as a repository for nuclear waste.

Take a look at the white paper and one has to ask what the department of minerals and energy has been doing for the last three years when it states: "At present no national radioactive waste management policy exists, nor has the suitability of Vaalputs for long-term disposal of spent fuel from Koeberg been investigated".

In light of the pressing questions in the white paper, as well as the baffling policy signals sent out by Maduna over the past two years, one is tempted to say that much of the hard work on the white paper will still have to be done before it reaches parliament. Three more years?

Parliament passes Eskom bill depite labour threats

55

DD 12/6/98

Linda Ensor
and Reneé Grawitzky

CAPE TOWN — The Congress of SA Trade Unions' (Cosatu's) opposition to the corporatisation of Eskom and its threats of industrial action did little to stop Parliament adopting the Eskom Amendment Bill yesterday.

All parties, except the Freedom Front, which saw it as nationalisation, supported the bill, which cleared up an anomaly in the existing legislation.

The passage of the bill could lead to a showdown between government and labour as Cosatu viewed the incorporation of Eskom under the Companies Act as the first step to privatisation.

The dispute declared against government will be referred to the National Economic, Development and Labour Council (Nedlac) for resolution and if that fails, national protest action will be embarked upon.

Cosatu lashed out at government and Public Enterprises Minister Stella Sigcau for by-passing Nedlac in the drafting of bill and ignoring the existence of the tripartite alliance. The passage of the bill could further strain the alliance.

Finance Minister Trevor Manuel was accused of failing to participate in any discussions despite his central role in the process. He allegedly handed instructions to Eskom to pay taxes from January 1999.

Sigcau said the bill settled the question of Eskom's ownership. It vested the ownership of Eskom's reserves and other assets valued at R90bn in the state and removed its exemption from the payment of income tax, stamp duty, levies or fees.

She said steps had been taken to ensure that Eskom's liability for tax would not disrupt the electrification programme. To those who feared job losses and a rise in electricity prices, Sigcau said the government was a people's government which would strive for the improvement in the conditions of the people.

MPs stressed that there had been wide consultation during public hearings on the bill. However, Democratic Party MP Mike Ellis said there was concern among most stakeholders that no study had been undertaken into the effects on pricing and electrification if Eskom paid tax.

National Union of Mineworkers general secretary Gwede Mantashe warned that the passage of the bill through parliament would usher in a long battle if Eskom became privatised. "There will be blood on the floor," he said.

Sapa reports that Cosatu deputy secretary general Zwelinzima Vavi said the union had argued that Eskom should be registered under the Public Entities Reporting Act instead of the Company Act.

He said that if Nedlac failed to resolve the dispute "we will take action to defend Eskom... The strike is looming."

Bombshell rocks CEF inquiry

CT(AR) 12/6/98 (55)

NCABA HLOPHE

Johannesburg — Brian Cassey, the acting general manager of the Strategic Fuel Fund (SFF), yesterday confessed that the SFF had sent Penuell Maduna, the minerals and energy minister, an incorrect report which was intended to mislead him.

He told the public inquiry into the alleged cover-up by the auditor-general of millions of rands missing from the Central Energy Fund (CEF) that the SFF management, headed by Kobus van Zyl, SFF's suspended general manager, had sent an incorrect report about the value of a contract between the SFF and an Egyptian oil agent.

A minerals and energy department statement said that Cassey's legal team requested a postponement before he could elaborate on details of the report. His counsel told Selby Baqwa, the public protector, there was a potential danger to Cassey's personal safety if he continued his testimony. The legal team also cited fears of Cassey's self-incrimination if he spoke further.

"They feared Cassey (would incriminate himself) and the possible disclosure of sensitive information before consultation with his legal representatives," said a spokesman for the department of minerals and energy.

"After questions posed by (Baqwa), permission was granted for the SFF team to advance their reasons in camera," the department said.

Baqwa also agreed to postpone the inquiry until next Wednesday so that Cassey could consult his counsel further.

Cassey was the second person this week to take the witness stand after Howard Roberts, the acting general manager of CEF, who was cross-examined last week. Van Zyl and Maduna are also expected to testify.

The inquiry was established at the behest of parliament last year after Maduna accused Henri Kluever, the auditor-general, of failing to disclose that R170 million was missing from the CEF.

He implied that Kluever might have played a part in the cover-up by not disclosing this in his annual report, but Kluever responded that the R170 million was merely a book loss entry from the devaluation of stock.

ST(BT) 14/6/98 (55)

Eskom reclassification sparks trouble

CORPORATISATION

By SVEN LUNSCHE

ESKOM will apply to the government to be classified as a manufacturer to benefit from tax concessions available to the industry, says CE Allen Morgan.

Parliament voted this week to change Eskom's status into that of a company, requiring it to pay taxes and dividends.

The passage of the Eskom Act amendments came despite fierce resistance by the trade unions who view it as a first step towards Eskom's privatisation.

Cosatu has threatened industrial action and declared a dispute with government for not consulting it in agreed negotiation forums. The matter has been referred to Nedlac.

There are widespread fears that taxes and dividends will constrain Eskom's ability to deliver cheap electricity as well as continue its electrification programme. Morgan says the new status has "levelled the playing field in terms of competitors and the World Trade Organisation". The WTO could rule SA exports uncompetitive if electricity was found to be subsidised.

Morgan says government understands the overriding economic priorities of cheap electricity and electrified homes. "They are only too aware that we offer competitively priced electricity that makes investment in SA and the region more attractive and our exporters competitive," he adds.

Morgan says Eskom and government would work out what the tax framework and the dividend cover will be.

While Eskom is likely to pay normal corporate tax rates, Morgan says classification as a manufacturer would enable it to claim significant tax concessions, such as 6-year tax holidays on new investments.

Morgan says government could decide to hold dividend payments until the electrification plan is complete. If they are not withheld, he says, the likely scenario is that Eskom will have to ask for finance from a new electrification fund established with dividends.

Eskom has electrified almost 1.5-million homes since 1994 — mostly in black urban and rural areas and is well on track to meet its 1.75-million homes RDP target by 2000; this means that well over 60% of SA households will have electricity by then, compared with 33% in 1992.

The yearly cost of electrifying 250 000 houses is about R1.35-billion, compared with Eskom's net income of R3.1-billion — roughly in line with what Eskom would have had to pay in taxes had it been taxed last year.

Eskom's corporatisation is the first step in the complete restructuring of SA's electricity industry. Government proclaimed last week that Eskom would be divided into separate generation and distribution entities.

CONFUSION, ERROR IN MOCK NUKE ACCIDENT

Koeberg plan 'a disaster'

(55) CT 16/6/98

HEAVEN help us all if last year's simulated nuclear accident at Koeberg — a melt-down more severe than Chernobyl — had been real, reports Metro Editor **CLAUDIA CAVANAGH.**

A REPORT recently released by the Council for Nuclear Safety which monitored last year's simulated nuclear accident at Koeberg highlights a comedy of errors and asks Eskom to address the "deficiencies as a matter of urgency".

It reveals how the direction of the simulated nuclear plume was initially plotted 180° off course by staff in Atlantis, so that instead of emergency teams kicking into action in the Atlantis area, they set to work in the direction of Cape Town, which was at that stage not under threat.

"This meant that all pre-planning was for nothing and the whole strategy for managing the disaster has to be changed," explained Cape Metropolitan Council regional officer for disaster management, Geoff Laskey.

He believes the error occurred when a "visual" of the plume was not faxed through to the relevant office fast enough.

But that's not all that went wrong. According to the report tabled in a CMC executive committee meeting yesterday:

- Only one of the many telephones in the vitally important Central Alarm Station could dial the cellular phones used.
- When, during the incident, another department tried to contact the Council for Nuclear Safety in Pretoria, it discovered a block on the line preventing any calls to be made outside Cape Town
- Personnel contamination checks were not performed or performed inadequately.
- Eskom declared a general emergency nearly an hour after it was expected to. Even though Atlantis was potentially affected at 5.18pm, nothing was done until 6.02pm.
- Some outgoing emergency control centre staffers left their posts before they were relieved by the Emergency Controller.
- Metro ambulances arrived on the scene ready for a medical emergency — 39 minutes after being called — but without any gear for contaminated patients. Medical staff at Tygerberg Hospital were also not ready to handle a "contaminated case".
- After a general emergency had been declared, instructions given to staff members caught in the plume were unclear.
- At one stage, both mass care centres, close to one another, were enveloped by the "plume".

"This leaves no alternative mass care centre for personnel to evacuate to," points out the report.

- The disaster was reported by fax to the SABC but reached the news editor only two hours after it was sent.

Despite all this, the Centre for Nuclear Safety (CNS) says the exercise revealed "no major shortcomings".

Spokesperson Tienie Fourie told the *Cape Times* yesterday that most of the confusion and error could be ascribed to the transfer of responsibility for the emergency plan from the Cape Metropolitan Council to the newly formed Blaauwberg Municipality.

"Remember we're dealing with a completely new bunch of people and an exercise like this is conducted to show up shortcomings so they can be corrected," said Fourie.

"All the things that were wrong have been taken up with people concerned and the plan is being jacked up."

Laskey agreed that the errors were "not significant" and largely due to the change of staff.

"It's the first time they've been exposed to an exercise of this scale. We need as few errors as possible and those made must be attended to," he said. "But once again it's a matter of experience."

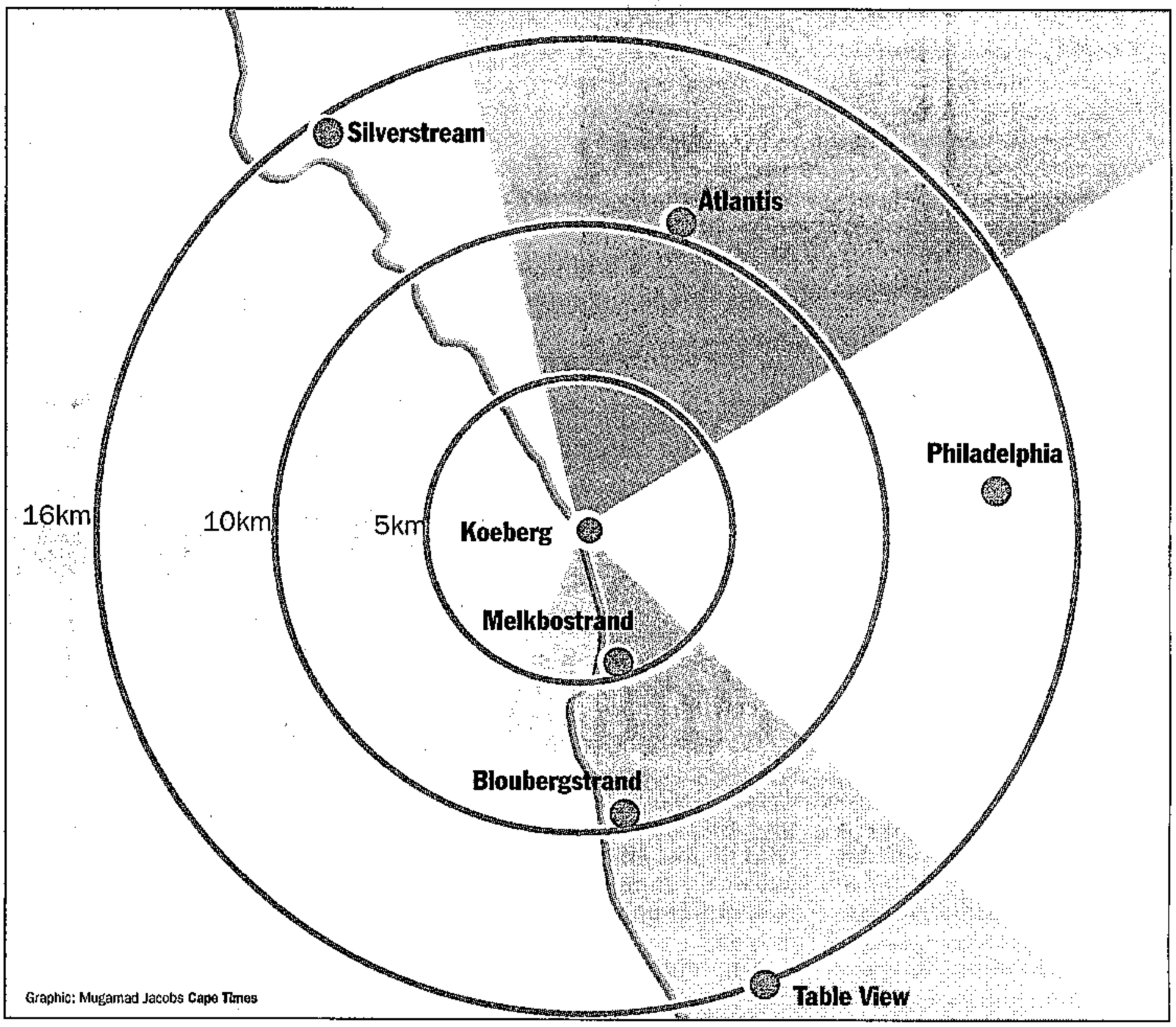
Veteran anti-nuclear lobbyist Mike Kanty was less forgiving.

"This is nothing new. The authorities just can't admit that it's all an impossible affair. The notion of planning for a nuclear emergency is laughable. The only thing the people of Cape Town could do in the event of a nuclear disaster is shelter in their houses. And what about the people living in shacks?

"Had the October 15 incident been real, we'd all have been badly exposed to nuclear fallout and the chances of us surviving to the next millennium would be severely reduced," he said.

Eskom was silent on the matter.

"We are still studying the report and discussing it with the CNS, so we can't comment now," said spokesperson Tony Stott.



SERIOUS SLIP: During a simulated nuclear disaster exercise at Koeberg last year, staff members in Atlantis initially plotted the plume 180° off course. This meant that although the plume was moving northward (the area coloured in red in the diagram) emergency plans were made for the area in green, which was not at that stage in immediate danger.

ESKOM

MEETING THE POWER NEEDS OF THE NEW MILLENNIUM (55)

Even the nuclear option should be considered FM 19/6/98

Electricity utilities have to think, in a sense, like elephants — 20 years into the future. SA sits with an embarrassing surplus of generating capacity, but the day will dawn when new power stations will be required. On the assumption that demand for power grows at the modest rate of around 3%/year, that day will be in the year 2007. What is Eskom's vision of how to meet these future needs?

Domestic demand for electricity varies greatly through a daily cycle. Eskom energy management manager Brian Statham says SA's power consumption pattern will become peakier in the future, as more households switch to electricity. This has important implications for forward planning. Initially, it is growth in demand for peak power that will have to be met — from 2007 onwards. Only in 2012 will base load capacity also need to be increased.

The date for more power stations could, however, be deferred as late as 2012, depending on the precise rate of growth in demand and the extent to which Eskom could stretch the availability of generating plant above the present (highly commendable) level of 90%.

Electrical engineers divide demand into a round-the-clock segment (base load) and intermittent segment (peak load). This has practical implications for the types of generating plant to be installed. Large, coal-fired boilers are relatively cheap to run, but power stations reliant on them can't be switched on or off quickly. These make up base load capacity. So also does a conventional nuclear power plant such as Koeberg.

For a power source to be appropriate for peak load, it must be capable of quick, easy start-up. But this characteristic is bought mostly at a higher operating cost. Hydro-electric power is exceptionally convenient for peak operation and Eskom makes great use in particular of its two pumped storage stations in this way.

Statham describes conventional, coal-fired power plants and conventional hydro-electricity as "category 1" of power sources. If these have a total (capital plus operating) cost index of 1, then conventional nuclear power stations and combined cycle gas turbines (a modern fossil-fuel based system) are "category 2" — with a total cost about 1,5 times that of category 1. Category 3 of power sources — for peaking or emergency generation — consists of pumped storage (costing 1,5 times that of category 1); gas-fired gas turbines (2,5 times the cost); and oil-fired gas turbines (6 times the cost).

Now, however, an innovative alternative has entered the calculation. This is a failsafe, flexible, small-scale, nuclear power reactor — the "pebble-bed reactor". Statham says it will eventually be available in modules of 100 MW (compared with Koeberg's twin 910 MW nuclear reactors). Its total cost structure puts the pebble bed firmly into category 1, while its modest size and innovative nuclear engineering make it most suitable for peak demand.

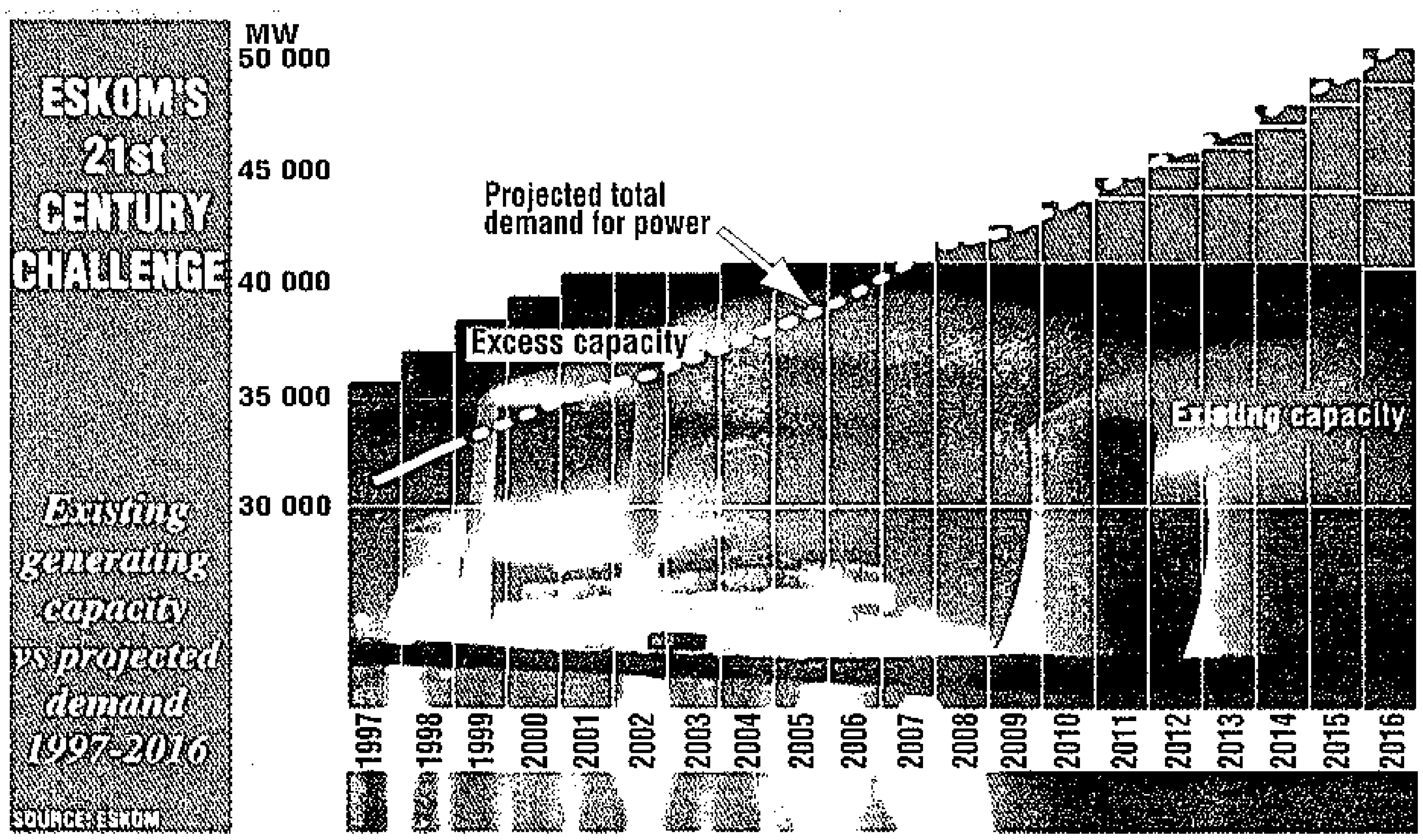
Eskom long ago gave backing to German research firms to develop the pebble bed and it is now licensed to use the technology. Statham claims Eskom could build a prototype within four years — a remarkably short lead time compared with conventional nuclear plants. The flexibility of the pebble bed reactor could lead in turn to many export orders as well as opening for Eskom the option of including the plants in the mix of the next wave of generating capacity.

Eskom has done some original research of its own on turbine and generator technology to use in conjunction with the pebble bed — creating an innovative combined unit capable of international exploitation.

The only trouble with the grand idea of manufacturing pebble bed reactors as well as using them is that SA simply does not have a nuclear manufacturing industry. Worse still, SA has run down its nuclear establishment aggressively in recent years. The potentialities of the pebble bed reactor suggest it was wrong to let go of nuclear technology. To manufacture the reactor would require the refounding of SA's nuclear industry.

Disregarding the pebble bed's potentialities, SA still has many options within the long planning horizon available. What about a mix of more coal-fired plant plus more hydropower from the Zambezi (a new dam at Mapanda Uncua downstream from Cahora Bassa)? This option would fit in well with regional economic policy.

Regionally speaking, gas — especially from Mozambique — could also play a role in the long term. But combined cycle generation applied to coal is much cleaner and more efficient than conventional boilers, though with higher capital cost.



It's also too glib to emphasise the environmental problems associated with fossil fuel generation and transmission. SA is a poor, developing country and must apply realistic and affordable environmental policies.

However, the prospect of large export orders for failsafe, medium-sized nuclear reactors could reshape policies and priorities. Government, please note.

Robin Friedland

Inquiry told of GM's secret meeting with Maduna

BD 19/6/98 ~~(192)~~ (55) ~~(183)~~

Louise Cook

PRETORIA — Minerals and Energy Minister Penuell Maduna had a secret meeting with Strategic Fuel Fund acting GM Brian Cassey and colleague Mark Buncomb in 1996 when Maduna told Cassey not to keep records of their meetings.

Cassey said yesterday at the public protector's inquiry into the fund that Maduna had told him to "keep a low profile, be careful".

Cassey said under cross examination that the secret meeting had been arranged by Nico Schaeffer, a businessman who "came to the fund with a very complicated bond scheme" and that he had understood the minister's comments to mean that he should "not assume a new posture" and not "look as though I know him (Maduna)".

Cassey said that the purpose of the meeting was to give him — in his capacity as deputy GM of the fund's crude oil department in September 1996 — and Buncomb an opportunity to raise concerns about what they regarded as money wasted on nondirect crude oil contracts.

He conceded that he never made a formal submission to the fund's board of directors to raise his concerns.

Cassey told Eberhard Bertelsmann, the advocate for the auditor-general, that he was told by his superior Kobus van Zyl to "keep your mouth shut" when he tried to talk to him about direct contracts which would have boosted the profitability of the fund.

Van Zyl was suspended by Maduna as MD of the fund some time ago pending the outcome of a disciplinary hearing.

Cassey told the inquiry that because he was told to "take care" by Maduna and realised that he would have to disclose details of the "continuing stream of payments to Interstate", a US crude oil company, he became concerned for his safety and that of his family. Last week part of an application for a postponement was held in camera owing to a potential threat to Cassey's safety.

Yesterday Bertelsmann told public protector Selby Baqwa that to hold a meeting in camera was "no small matter" and suggested the request for a postponement was made only when it became apparent that Cassey's "double role" and contact with Maduna "outside company structures" would be disclosed.

The inquiry continues today.

Soekor signs deal with three foreign oil companies

Amanda Vermeulen

BD 19/6/98 (55)

STATE-owned oil company Soekor has entered into prospecting and exploration agreements with three major foreign oil exploration companies: Petroleum Limited, Pioneer Natural Resources and Anschutz.

The agreements give the companies — all of which are registered in the US — the right to prospect for natural oil and gas. Anschutz will conduct its exploration activities in Block 2 off the Cape west coast, while Petroleum and Pioneer will operate in Block 9, an offshore tract near Mossel Bay.

SA's Energy Africa has also been awarded a concession to explore and drill for oil next to Soekor in Block 9.

SA has about 100-million offshore acres which, in exploration terms, is described as a high-risk frontier area. Minerals and Energy Minister Penuell Maduna said at yesterday's news briefing that current geological evidence indicated the potential for further gas and oil discoveries.

All three of the foreign companies had proven track records in the exploration of frontier areas, said Maduna.

All the agreements allow for a 9% participation by black empowerment companies.

Soekor CE Joggie Heuser said yesterday Soekor held a conference last year to invite black business to participate in offshore oil exploration deals.

A number of parties had expressed interest.

Minister Maduna at a briefing in Pretoria yesterday where he announced that Soekor had entered into prospecting and exploration agreements with three major foreign oil exploration companies. Picture: TREVOR SAMSON

Sigcau agrees to delay of Eskom bill

BD 19/6/98 (55)

Reneé Grawitzky

PUBLIC Enterprise Minister Stella Sigcau is to consider amendments to the Eskom Amendment Bill and has agreed to delay tabling it in the National Council of Provinces pending further discussion with labour.

This emerged yesterday during a meeting between labour and Sigcau in the National Economic, Development and Labour Council (Nedlac).

The Congress of SA Trade Unions (Cosatu) and its two affiliates, the National Union of Mineworkers and the National Union of Metalworkers of SA, declared a dispute against government after the bill was approved by the National Assembly last week.

The unions submitted a notice to Nedlac advising of their intention to start protest action in terms of section 77 of the Labour Relations Act.

The dispute was considered by Nedlac yesterday. If it remains unresolved, the unions can submit a further notice 14 days prior to the commencement of the planned action.

Nedlac said yesterday that during the discussion Sigcau had agreed to consider amendments to the bill in line with labour's concerns. However, labour has requested a meeting to discuss such amendments prior to the start of Cosatu's central committee meeting on Monday.

Sigcau indicated that this could prove problematic as she was about to go abroad.

In view of the parties' failure to agree on a date for the meeting to discuss amendments, labour reserved its right to submit a further notice of pending protest action.

Cosatu's main concerns are that the bill will ensure Eskom becomes a limited liability company in terms of the Companies Act, which would lay the basis for privatisation and corporatisation.

In the long term this would weaken government's hold as owner, Cosatu said.

The Companies Act would lead to the state's control being diminished because the fiduciary duties of directors would not compel them as individuals to report to Parliament.

Cosatu proposed that government should rather use the Reporting by Public Entities Act of 1992 as amended last year.

This would ensure that the board was accountable to Parliament and Eskom's affairs would be reported to Parliament as a statutory requirement.

In addition, Cosatu said Eskom should be exempted from the payment of tax and dividends in terms of section 24 of the Eskom Act. The federation believed the payment of tax could lead to an increase in the price of electricity and the "state will no longer provide electricity but will regulate or make the laws that govern electricity. We view this as the biggest change of heart from the government", the federation said.

ENERGY *Maduna implicated in allegations*

Spying claims emerge at SFF inquiry

CT (BR) 19/6/98 (55) (183)

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — Penuell Maduna, the minerals and energy minister, had asked an employee of the Strategic Fuel Fund (SFF) to spy on his superiors, an inquiry headed by Selby Baqwa, the public protector, heard yesterday.

After last week's bombshell in which Brian Casey, the acting general manager of the SFF, told the inquiry the fund had sent Maduna an incorrect report intended to mislead him, Casey introduced new evidence distancing himself from any effort to mislead Maduna.

Casey said he had met Maduna in September 1996 and raised his concerns over the payment to a middleman of a $0,075 commission on oil purchases from Egypt.

He said Maduna had asked him to dig deeply for further evidence of an irregularity and to keep his investigation secret.

Casey said he had attempted to keep his role as an informant to Maduna secret as he had concerns for his safety.

He told the inquiry that the addition of $0,075 to the cost of a barrel of oil could add up to $100 000 on a shipment of oil.

Casey said he was alerted to the issue of the overpayment when he met two representatives of Amoco, an oil company producing oil in Egypt, who told him that South Africa could deal directly with Egyptian producers and cut out the middlemen.

In his evidence, Casey said he had previously raised his concerns with Kobus van Zyl, the then general manager of the SFF, and on two occasions with Roy Pithey, the then chairman of the Central Energy Fund (CEF).

Casey claimed he was forced to take his concerns to Maduna after Pithey and Van Zyl failed to halt the payments.

Early last year Van Zyl was suspended by the CEF board at the urging of Maduna, ostensibly over his role in authorising the payments.

Van Zyl has never been formally charged or disciplined by the company and remains suspended on full pay more than a year later.

At the Baqwa inquiry yesterday, counsel for Henri Kluever, the auditor-general, and for Van Zyl questioned Casey's version of events and asked why he had not informed the inquiry of his role as an informant to the minister.

In addition, Van Zyl's counsel went so far as to say that Casey's introduction of new evidence was a further attempt to deceive the inquiry.

"He (Casey) chose to use these documents in the attack he launched against my client ... He chose not to disclose his relationship with the minister and continued as it were his role of deceiver as far as Mr van Zyl was concerned," Van Zyl's lawyer argued.

The Baqwa inquiry is investigating allegations that the auditor-general covered up the alleged disappearance of R170 million from the SFF.

Inquiry hears fuel fund MD 'horrified' by bribe he did not report

BD 23/6/98 (55)

Louise Cook

PRETORIA — Strategic Fuel Fund acting MD Brian Cassey said yesterday he was "horrified" by a bribe offered to Minerals and Energy Minister Penuell Maduna and other individuals in the crude oil business in 1996, but failed to report the incident to the fund's board of directors.

Stating his reason for not reporting it, Cassey told the public protector's inquiry into aspects of the fund that when Interstate chief Fakhry Abdelnour said at a lunch in 1996 "tell Emmanuel there is enough for everybody — and get Maduna lined up", he kept the information from the board and his former superior, Kobus van Zyl, because he was acting under the minister's instructions.

He said Abdelnour was referring to Emmanuel Shaw, an oil expert whose company Inspectorate M&L had done a quality and quantity audit of the fund in 1995.

Interstate is an oil company particularly involved in supplies of crude oil to SA during the sanctions era.

Cassey said when he reported the incident to Maduna, he was told to "continue as before" and "carry on as discussed".

He understood this to mean he should withhold the information from the board and continue with his "September stance" when Maduna told him to "keep a low profile; be careful".

He said under cross-examination once he had reported the proposed bribe to the minister, he was happy to let it rest, as "the matter was in capable hands", and he maintained "the role required by the minister".

Cassey and colleague Mark Buncombe, had a secret meeting with Maduna in September 1996. The purpose was to raise concerns about payments to intermediaries like Interstate, in crude oil transactions for which the fund was not getting any significant value.

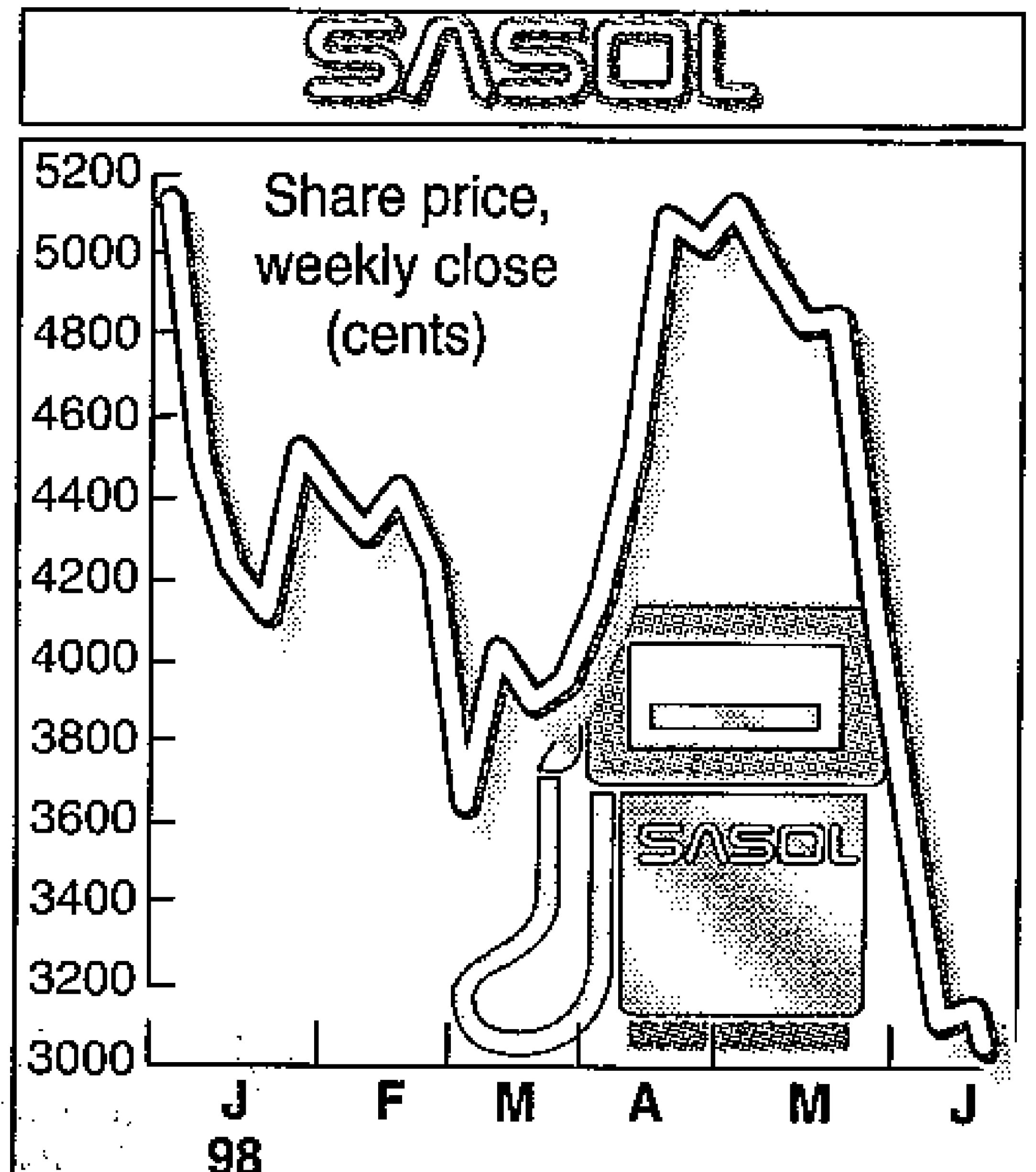
The meeting was held at the house of Bryanston businessman Niko Shefer who is now on bail on charges of fraud of R116m. Shefer's mining company, Tandan SA, provided the cellphones used to keep up the secret contact with Maduna.

Cassey said last week he feared the fund phones might have been bugged.

Yesterday Cassey testified that Shaw confirmed he (Shaw) had received $10 000 from Abdelnour to alleviate temporary cash-flow problems.

Public Protector Selby Baqwa put it to Cassey that it was "within his means" to find out what Abdelnour had meant by "enough for everybody", but Cassey said Abdelnour had been "very agitated" and did not explain the matter further.

The inquiry by the public protector was set up to probe various aspects of the fund and a possible cover-up by the auditor-general of R170m which disappeared from the fund. Parliament requested the inquiry after Maduna accused Auditor-General Henry Kluever of "nimble footwork" regarding the R170m.



Graphic: KAREN MOOLMAN Source: INET-BRIDGE

Sasol to push for protection beyond 2000

(55) BD 22/6/98

Reinie Booysen

SASOL, the oil and chemicals group, will insist on continued protection for its synthetic oil output beyond 2000, says CE Pieter Cox.

Sasol will challenge any attempt by government to renege on its "binding agreement", which guarantees the group a minimum price equivalent to $17 a barrel of good quality crude oil, against Friday's price of just under $13.

The white paper on energy policy recently released by Minerals and Energy Minister Penuell Maduna suggests that Sasol's subsidy protection will end next year, although this is also contradicted twice. The paper says the subsidy should end once Sasol has established its own retail network, and that the subsidy should end in the year 2000.

Sasol would negotiate with government about the new protective regime after the year 2000. "There may be a simpler way of structuring it," Cox said at the weekend.

He said it was clear the "spirit and intent" of the subsidy agreement reached with government in 1995 contemplated continued protection for Sasol after 2000. From July 1 1999, the minimum crude oil equivalent price that Sasol is guaranteed drops from $17 a barrel to $16. Cox said the guaranteed minimum price would remain at $16 after the year 2000.

"That is the basis upon which investments have been made by Sasol," Cox said. Sasol nonetheless agreed with "much of the intent" of government's energy policy white paper.

"It sets out a process for moving from the current dispensation towards deregulation," said Cox.

"It spells out the challenges facing the industry with regard to maintaining quality standards, and the labour and social issues involved in deregulation. And instead of a big bang approach, government has elected for a process.

"We realise that this is inevitable, and provided it happens in an orderly manner we are in support of it."

Meanwhile, Sasol has cautioned shareholders that the group is unlikely to repeat the record profit level of the 1997 financial year, in view of the slump in international oil prices.

In a cautionary announcement on Friday, the company said earnings for the second half of the current financial year were expected to be lower than in the first half, although it anticipated that the dividend would remain unchanged.

"In the medium and longer term, the significant investments made in both existing and new businesses will continue to improve profitability materially, and real profit growth is expected," said Sasol.

Maduna named in 'phone bug' fears

Louise Cook

(553)

(55)

BD 22/6/98

PRETORIA — Two cellular phones belonging to Bryanston businessman Niko Shefer's mining firm Tandan SA were used in secret communications with Minerals and Energy Minister Penuell Maduna, acting GM Brian Cassey told the inquiry into the Strategic Fuel Fund (SFF) on Friday.

He said using the cell phones was Maduna's decision as the SFF phones may have been bugged. He said he had no proof the phones were in fact bugged.

Shefer, who has been charged with fraud involving R116m and linked to the SFF, is currently out on bail.

He called Business Day on Friday to confirm he had loaned two cellular phones to Cassey. He said he had no knowledge of what was discussed by Maduna, Cassey and a colleague, Mark Buncombe.

Cassey testified earlier that the meeting was arranged to raise concerns with Maduna about payments to intermediaries in crude oil transactions as the SFF GM at the time, Kobus van Zyl, told him to "keep your mouth shut" when he tried to raise the issue.

State fuel fund 'a party to oil fraud'

CT (BR) 23/6/98 ( )(56)

Jonathan Rosenthal
Industrial Editor

Johannesburg — The Strategic Fuel Fund (SFF), the government's oil trading arm, was party to a conspiracy to fraudulently purchase oil from Egypt at lower prices than it had contracted to, the public protector's inquiry into alleged irregularities at the SFF heard yesterday.

Brian Casey, the acting general manager of the SFF, told the inquiry the fund had contracted to buy a shipload of Egyptian crude oil, to be loaded in late June 1996, at a price linked to that of Brent oil, an international benchmark.

But in the middle of the month the Egyptian authorities had reduced the price, relative to the Brent benchmark, that would be paid for oil that July, he said.

Under cross-examination by counsel acting for the auditor-general, Casey described a sequence of events during which the SFF was led by its intermediary to believe that if the ship could somehow be delayed as if "by an act of God" and only load in July, the SFF would save $1,2 million on the deal.

Casey said he had discussed this possibility with Fakhry Abdelnour, a European oil trader who acted as the go-between on the oil deals between the SFF and Egypt and received a commission of $0,075 on every barrel of oil bought from the Egyptian General Petroleum Corporation. Casey said Abdelnour had said he could arrange the delay.

Casey said that at the time, he "believed he (Abdelnour) played a role that gave us something that we were not entitled to in the normal course of events".

But he testified that he later discovered that the ship had experienced genuine mechanical difficulties and that the delay had nothing to do with Abdelnour's intervention.

"There was not a contrived late arrival," Casey said. "The vessel actually broke down."

In his testimony Casey also said he had informed Penuell Maduna, the minerals and energy minister, in 1996 that Abdelnour had hinted he would be willing to pay bribes to retain his lucrative commission on the Egyptian oil purchases.

Casey said that days after Abdelnour had paid $10 000 to Emanuel Shaw, an oil consultant who reportedly told Abdelnour he could influence Maduna, Abdelnour had met Casey for lunch and told him to "tell Emanuel there is enough for everybody, get Maduna in line".

Casey said he reported this to Maduna but did not tell the board of the SFF, his superiors or the police because he had believed Maduna wanted him to keep it under wraps. Last week Casey revealed himself as Maduna's spy in the SFF.

Maduna's lawyer concedes there was no R170m loss from fuel fund

Louise Cook (55) BD 24/6/98

PRETORIA — Legal counsel for Minerals and Energy Minister Penuell Maduna conceded yesterday that there had been no loss from the Strategic Fuel Fund, as claimed by Maduna.

In Parliament in June last year Maduna accused Auditor-General Henry Kluever of "nimble footwork" in covering up an alleged loss of R170m. He repeated the allegations outside Parliament in August.

Eberhard Bertelsmann, counsel for the auditor-general, said at the public protector's inquiry into the affair that Strategic Fuel Fund acting GM Brian Casey told Maduna within a few days of Maduna making the allegations in Parliament that there was no theft or loss of R170m from the fund. Maduna's legal counsel, Kessie Naidu, conceded that it was "common cause" there had been no theft.

Naidu said accountant Barend Petersen's report confirmed there was no theft of R170m or stock. "The minister's statements (last year) are significant, but Bertelsmann is trying to show the minister in a bad light," he said. Maduna appointed Petersen, a chartered accountant from Nkonki Sizwe Ntsaluba, to probe SA-Egyptian crude oil deals.

Public Protector Selby Baqwa said the minister had made either a justifiable or an unjustifiable error. The reason for his lack of an apology to the auditor-general up until now would be made clear when the minister testified.

Bertelsmann said it was the first time the auditor-general's innocence regarding the R170m had been placed on record. "The minister's statements (last year) led to grave prejudices against the auditor-general that were heightened because it was left there," he said.

Casey's statement under cross-examination indicated that within days of Maduna making the allegations, Casey tried to set up a meeting between the minister and Kluever's office to "put an end to this speculation". The meeting did not take place, but about two months later Kluever submitted a special report to Parliament denying any cover-up or loss.

"To my mind there never was a theft of R170m. Those aware of how the R170m came into being knew it was the result of a very complicated accounting calculation," Casey said.

Casey's cross-examination will continue today.

SA not ready for

ENERGY *There never was a theft or loss of R170m worth of stock, inquiry told*

Mystery of fuel fund millions 'solved'

(55) CT (MR) 24/6/98

Ncaba Hlophe and Jonathan Rosenthal

Johannesburg — The R170 million which "disappeared" from the Strategic Fuel Fund was never missing and all parties involved in the furore knew this all along, the Public Protector's tribunal heard yesterday.

Brian Casey, the acting general manager of the SFF, made the startling revelation, adding that Penuell Maduna, the minerals and energy minister, and Nkonki Sizwe Ntsaluba (NSN), the auditing firm that blew the whistle, last year accepted there was never such a loss.

Observers believe the costs of the tribunal could total R10 million.

The issue blew up when Maduna accused Henri Kluever, the auditor general, of "hiding" the fact that the money was missing.

But Casey said the auditor-general's (A-G's) explanation of the "missing" R170 million had been accepted by NSN and was also conveyed to Maduna.

"I told the minister that there was nothing untoward about the R170 million as it had been as a result of a change in accounting policy and strategic stock transfers. The minister also accepted the explanation," Casey said.

However, this was after Maduna had made the initial allegations in parliament on June 18 last year that Henri Kluever, the A-G, had "done some nimble footwork" and had failed to disclose the loss of the R170 million.

"They (the A-G) will have to say exactly what happened to our money in the fiscus," Maduna charged last year. "They still have to come up and say how, short of a big fire, they lost stock to the tune of R170 million. They have not accounted for that as yet."

Several parties to the inquiry believe the legal costs could well exceed R10 million, much of which will be borne by the taxpayer. The auditor-general's office said last night it had budgeted to spend R2,5 million on the case to the end of June. This includes costs for senior counsel as well as fees to Price Waterhouse, the auditor that performed the SFF audit, and Deloitte & Touche, the new employer of Bertie Loots, the deputy A-G at the time of the audit.

The SFF is paying not only the costs of its counsel but also the legal fees of two former chairmen of the board and of Kobus van Zyl, the suspended general manager of the SFF.

Maduna has senior counsel present while Shell, the multinational oil company, has a legal team watching the proceedings lest its name comes up.

Advocate Kessie Naidu, Maduna's counsel, concurred last night that the R170 million was never missing. Instead, he argued that the nub of the inquiry has been into the way the A-G had reported to parliament about the R170 million.

"The minister agreed to such a meeting but requested that the A-G's office write a letter to confirm to attend such a meeting. But the office of the A-G turned down such a meeting. And I was disappointed," Naidu said.

Casey said after all the parties had realised the mistake about the loss, he had volunteered to arrange a meeting between Kluever and Maduna to sort out the "problem".

Advocate Bertelsman, Kluever's counsel, argued that the proposal suggested that the A-G's office had to request such a meeting, which Loots, the deputy A-G, was not welcome to attend. Casey denied creating such an impression or stipulating any condition when proposing the meeting.

□ Business Watch, Page 2

FACE-OFF *Penuell Maduna, left, accused Henri Kluever, right, of "some nimble footwork" over the R170 million* PHOTO: JOHN WOODROOF

Fuel fund investigation cost estimated at R10m

BD 25/6/98 (56)

Stephané Bothma

PRETORIA — The estimated cost of R10m for an inquiry into the affairs of the Strategic Fuel Fund was justified despite a concession this week by Minerals and Energy Affairs Minister Penuell Maduna that his earlier claims of a R170m loss to the fund were unfounded, public prosecutor Selby Baqwa said yesterday.

The inquiry would focus its investigation on other claims of irregularities totalling millions, Baqwa said.

The inquiry was ordered after Maduna accused auditor-general Henry Kluever last year of covering up a R170m theft from the fund.

Lawyers representing Maduna at the inquiry conceded for the first time this week that it was common cause that the loss had not occurred.

"The fund is a wholly owned state company dealing in oil worth billions of taxpayers' money. We must test the correctness of the propriety of the auditor-general's report because allegations of irregularities have been made," Baqwa said, adding that his mandate included a wider investigation.

The other issues under investigation included the R7m so-called Salem ship scandal; a R1,45m payment by the fund to the former government in 1992/93 and allegations of irregular payments regarding SA's oil deals with Egypt.

"At the end of the day, we must be able to say to the taxpayer that the fund has a clear bill of health or we must take action if irregularities occurred. We will spend a few million to save billions," Baqwa said.

He said the exact costs of the inquiry had not yet been calculated, but he did not dispute the early estimation of about R10m. The inquiry's work will continue until October, but Baqwa could not say when he expected to release his findings.

"We are not unmindful to the costs of this exercise, but we are trying to save the taxpayer a much bigger amount than the costs involved," he said.

Meanwhile, acting fund GM Brian Casey, who had alerted Maduna to the payments of 6 US cents for each barrel of crude oil purchased by SA from Egypt, to Fakhri Abdulnour, based in Geneva, Switzerland, said he had been aware of the payments for several years.

Casey said Abdulnour added no value to the crude oil deals and therefore should not have received compensation. SA could have dealt directly with Egypt.

Casey had, however, never informed former Energy and Mineral Affairs Minister Pik Botha about the "problem".

"It did not cross my mind to do so," Casey told the inquiry.

Casey said Abdulnour was a personal friend and also a business acquaintance. He testified that Abdulnour believed he was entitled to the payments for adding value to SA's oil deals with Egypt. "He said he was responsible for arranging direct access for the fund to the Egyptians and also to that country's pricing committee. He also explained his historic role in obtaining oil for SA," Casey said.

Abdulnour had been acting as middleman for SA in sanction-busting oil deals since the 1980s. Casey also had not informed Abdulnour of his intention to raise the payment issue.

Eddie Bruwer, representing suspended fund GM Kobus van Zyl at the inquiry, said the Egyptian oil contracts favoured SA. "The supply is very reliable and the quality of crude is very desirable," Bruwer said, which was not the case with other potential suppliers such as Saudi Arabia, Iran, Iraq or Dubai.

The inquiry continues today.

NEWS

ENERGY *Witness disagrees that value was derived from Interstate's intervention*

Fuel fund 'benefited' from Egyptian agent

(1997)(55) CT(MR)25/6/98

NCABA HLOPHE

Johannesburg — The Strategic Fuel Fund (SFF) had benefited from the intermediary role played by Interstate, the oil agent that facilitated trade between South Africa and Egypt, the inquiry by the public protector heard yesterday.

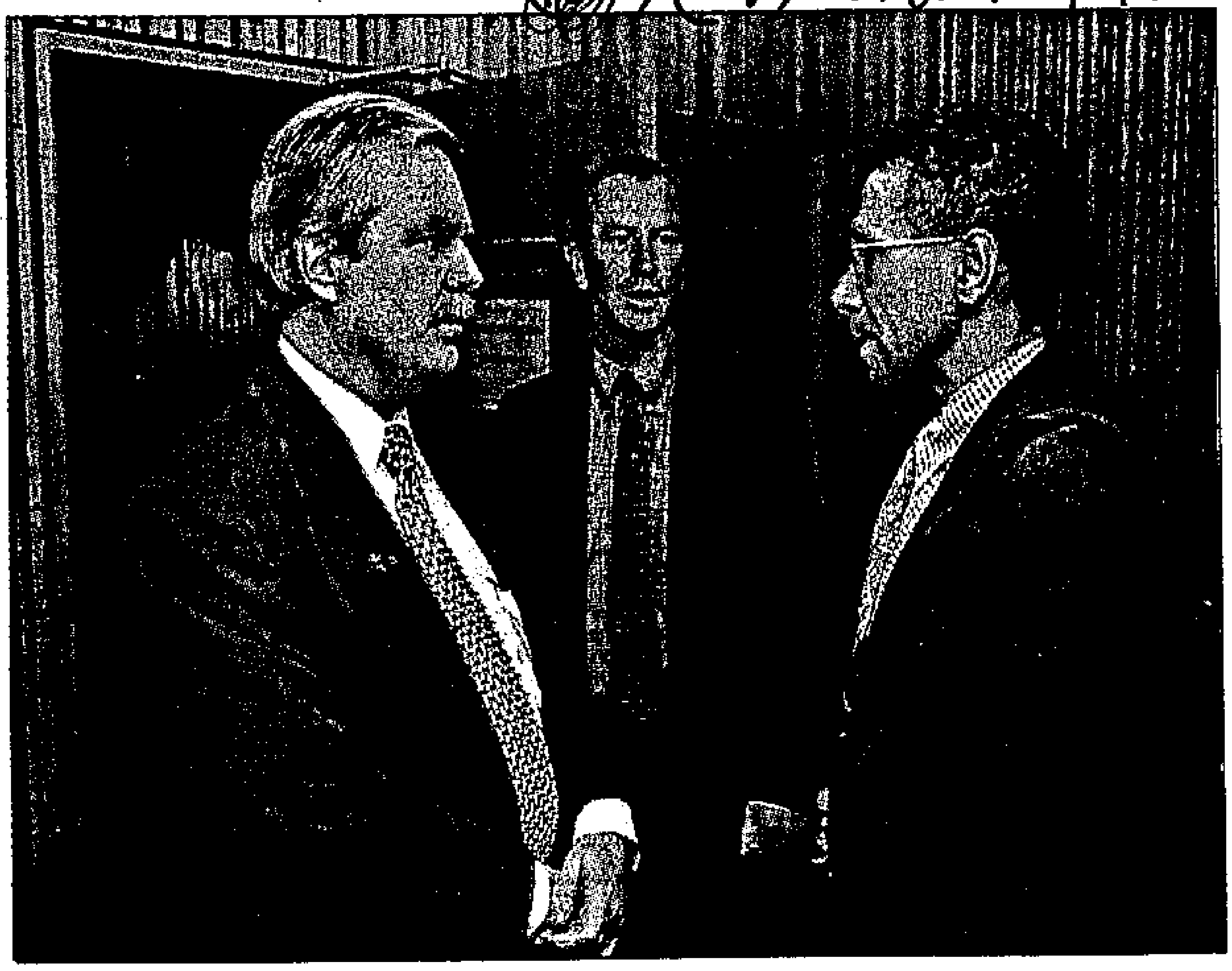
Interstate is owned by Fakhry Abdelnour, the European oil trader who allegedly received 6c a barrel for rendering logistical service in the purchase of crude oil from Egypt.

Advocate Edward Bruwer, counsel for Kobus van Zyl, the suspended general manager of the SFF and Central Energy Fund, said Interstate had assisted the SFF to gain access to the Egyptian Pricing Committee, helped the SFF to charter ships, and performed other trouble-shooting functions.

Bruwer intended to emphasise that the SFF had been justified in dealing with Egypt because there was no other viable oil provider in the Middle East.

However, Brian Casey, the acting general manager of the SFF and the witness under cross-examination, argued that no value was derived from the intervention of Interstate in chartering ships and influencing the pricing on the Egyptian committee.

Casey said the minerals and energy minister had intervened in 1996 and cancelled the Interstate contract. It entered into a direct contract with the Egyptian General Petroleum Corporation (AGPC). "Mr Abdelnour said or threatened that chaos would ensue after we had cancelled the contracts. He created the impression that he was indispensable. But no trouble occurred."



COUNTER TESTIMONY *Brian Casey (left) with his legal team, Gerhard Johannes and Timothy Bruinders* PHOTO: SELWYN TAIT

The SFF was paying the 6c to Abdelnour and an additional 1,5c to AGPC for an average of 1,8 million barrels of crude oil for each transaction. At today's prices this would amount to over R500 000.

Meanwhile, Advocate Kessie Naidu said emphasis should not placed on the "missing" R170 million, as it was not the sole issue to be investigated by the public protector. The parliamentary inquiry had not even specified the R170 million in its terms of reference for the inquiry.

"We have to dispel the notion that the R170 million had been the sole crucial issue. The crux of the matter relates to the way the auditor-general reported about the money to parliament and other irregularities in the SFF."

Fund's profit fell after it cancelled deal with agent

(55) ~~(183)~~

Stephané Bothma

BD 26/6/98

PRETORIA — The Strategic Fuel Fund's profit fell from R200m in 1996 to R50m in 1997 after it cancelled a deal under which it paid an agent $0,06 a barrel of oil, a lawyer for suspended fund GM Kobus van Zyl told an inquiry into the fund yesterday.

The agreement between the fund and Fakhri Abdulnour was cancelled at the end of 1996 after complaints by acting fund GM Brian Casey that Abdulnour and his Swiss-based company Interstate were not adding value to SA's crude oil deals with Egypt.

The payment of $0,06 a barrel to Abdulnour is one of the alleged irregularities in the fund's affairs being investigated by Public Protector Selby Baqwa. Other issues to be investigated include the R7m Salem ship scandal and a payment by the fund in 1992/93 of R1,45m to the previous government.

Under the deal between the fund and Interstate, the fund would pay the official selling price for oil plus $0,06 for all oil bought from Egypt, while Interstate would buy crude not used by the fund for SA's needs at the official price plus $0,05.

During cross-examination by Eddie Bruwer, representing Van Zyl, Casey said there were several reasons for the decrease in profits in 1997.

He maintained that Abdulnour's involvement in the fund's crude oil purchases added no value and that the fund saved 6c a barrel by dealing directly with the Egyptian oil authorities.

"The Egyptian authorities expressed no problem with dealing directly with the fund and there was also no other negative fallout whatsoever after the cancellation of the Interstate contract," he testified.

Casey, who informed Minerals and Energy Minister Penuell Maduna about the margin being paid to Interstate, told the inquiry that he had raised his concerns with Van Zyl and fund chairman R Pithey on several occasions. However, they had done nothing to rectify the situation, he said.

He was not the first person at the fund to express concern about the agreement, Casey said. A document drafted in 1992 by the fund's former crude oil deputy GM Johan de Jager said the payment of additional margins to intermediaries must be stopped when sanctions against SA were lifted.

C asey admitted that he never raised the issue at a board meeting, although the subject of the $0,06 payment was discussed at board level.

Opposition parties call on Maduna to quit

55 (1838) Star 26/6/98

POLITICAL CORRESPONDENT

New information that the R170-million which "disappeared" from the Strategic Fuel Fund was never missing has led to renewed calls from opposition parties for the resignation of Mineral and Energy Affairs Minister Penuell Maduna.

It was revealed at the Public Protector's Tribunal in Pretoria that Maduna and the auditing firm that blew the whistle on the "missing" millions had accepted that there was never such a loss.

The tribunal was established after Maduna accused Auditor-General Henri Kluever of misleading Parliament. He made the allegation during an interpellation in the National Assembly on June 18 last year.

The DP said Maduna's attack on Kluever was in breach of the Constitution and called on him to resign, or for President Mandela to fire him. "The Constitution requires Government functionaries such as Maduna who exercise power in terms of the Constitution, to assist and protect the A-G and ensure his independence, impartiality, dignity and effectiveness. Maduna did not do this," said James Selfe, the DP's spokesman on mineral and energy.

The Freedom Front said Maduna owed Kluever a public apology for having made false accusations against him. Spokesman Dr Willie Botha said Maduna should testify at the hearing chaired by Public Protector Selby Baqwa.

Shaw haunts Maduna

M+G 26/6-2/7/98 (55)

Mungo Soggot

Penuell Maduna's efforts to distance himself from Liberian consultant Emanuel Shaw II have been undermined by testimony from his own confidant at the state oil company.

The minister of minerals and energy's main contact at the company, Brian Casey, has given Public Protector Selby Baqwa's inquiry into the Strategic Fuel Fund (SFF) detailed evidence of Shaw's close association with Maduna as an unofficial adviser.

Casey's testimony helps to explain some of the mysteries surrounding Shaw's key role in the state oil industry.

Casey has outlined the controversial Liberian's duties as middleman between himself and Maduna while the three collaborated on information that was eventually used to justify the ousting of Casey's boss, Kobus van Zyl.

Casey has hinted that Shaw could have exaggerated his relationship with the minister, — "I was led to believe by Mr Shaw that he was doing various research projects on behalf of the minister" — but he also testified that Shaw clearly had a direct line to Maduna.

Casey opened the door this week to the sensational concession by Maduna's counsel that there was never a R170-million theft of oil — supposedly the main focus of investigation by the public protector.

The concession prompted many participants at the probe to mutter there was no point in continuing, but Baqwa pointed out there were other matters that still require investigation.

Kluever said he felt that as far as his office was concerned, the concession "more or less wraps it up".

He said there were nevertheless still matters at the SFF Baqwa had to explore. The taxpayers' legal costs for six legal teams at the inquiry are expected to exceed R10-million.

Apart from discussion of his relationship with Shaw and Maduna, Casey's testimony has concentrated on a questionable commission of six United States cents a barrel the SFF paid to Interstate, a "middleman" company that continued to help the SFF buy oil from Egypt after the oil boycott was lifted. Casey said there was no need for Interstate — South Africa could have bought directly from Egypt. But he admitted the commission was no secret at the SFF.

It was this commission that Maduna used to justify his suspension of Van Zyl last March. Four months later, Shaw was sitting in Van Zyl's office on a R3-million consultancy contract, which was arranged by the state oil company's chair, Don Mkhwanazi.

Mkhwanazi was forced to resign this year in the wake of the scandal surrounding Shaw's appointment.

Casey was initially reluctant to disclose to the Baqwa panel his close association with the minister — an association that has exposed him to a blunderbuss cross-examination by Van Zyl's counsel. "You worked in the coal industry for seven years. And then you became a spy for the minister," was Eddie Bruwer's opening growl to Casey this week.

Under cross-examination last week by Kluever's counsel, Eberhard Bertelsmann, SC, Casey testified he had co-operated with Maduna in late 1996 while Maduna prepared his attack on Van Zyl and commissioned his own auditors, Ntasalu-ba Nkonki Sizwe, to probe the SFF's books.

Casey said he fed information to Shaw, who reported to the minister. "I could clearly see that a chain reaction had been set in place." Casey also said Shaw advised him to play a low-key role and that he had been provided with a special mobile phone to communicate with both Shaw and the minister.

Maduna repeatedly tried to distance himself from Shaw when the *Mail & Guardian* ran a series of articles about the Liberian — particularly when it reported how Shaw had allegedly extorted $10 000 from Fakhry Abdelnour, the Egyptian oil trader who was getting the 6c commission. He denied that Shaw was his adviser, but talked of how, for example, Shaw had helped him with computer problems while was writing his doctoral thesis.

After the *M&G* reported Maduna had asked another businessman to repay Abdelnour, the minister angrily promised to resign if it could be proved he knew of the bribe.

Casey said on Monday both Shaw and Abdelnour had informed him of the R10 000 transaction, which he understood was supposed to alleviate Shaw's "cash-flow shortages".

Casey also said Abdelnour appeared to believe Shaw was the key to furthering his business interests with the minister, who had by then said he wanted to end the 6c commission.

Casey claimed Abdelnour said there were more bribes on tap for Shaw and Maduna. He also said he reported Abdelnour's alleged words to Maduna, but did not specify whether this included a mention of the $10 000. Casey said he was "horrified" by the idea of this bribery, but remained tight-lipped because of the minister's and Shaw's instructions to lie low.

The next day Casey opened the door to the R170-million concession. Although Maduna's counsel, Kessie Naidu, SC, sought to downplay the concession by claiming it was "common knowledge", one of Baqwa's assessors indicated it was not trite.

"Am I correct in understanding that at present, whatever the reasoning behind it, it is common cause between all the parties that there was no theft or loss of stock to the tune of R170-million ...? Is that what you say?" asked J Record, an auditor.

Shaw worked on a management audit at the state oil company in 1995, after which he developed his unofficial position as Maduna's access man. Casey said in 1995 Shaw had a mandate from the deputy president, and Casey was instructed to let Shaw see anything he wanted. Casey said one of his meetings with Maduna took place at the house of Essop Pahad, deputy minister in Thabo Mbeki's office.

Shaw is suing the *M&G* for R7-million.

A track record worse than Troussier's, PAGE 22

M&G cover-price rise

Despite efforts over the past year to keep the cover price down, rising costs have finally forced the *Mail & Guardian* to increase the cover price to R4,50 from this week. The *Mail & Guardian* is still among the lowest-priced national weekly newspapers.

But we are pleased to say that we are keeping our subscriber price down, which means that you can save 33,3% by subscribing.

Fuel fund boss 'tried to destroy evidence'

BD 30/6/98 (55)

Stephané Bothma

PRETORIA — Strategic Fuel Fund GM Kobus van Zyl told his secretary to destroy evidence that he had faxed a confidential document to an outsider the day he was suspended, the public protector's inquiry into alleged irregularities at the fund heard yesterday.

Minerals and Energy Minister Penuell Maduna was, at the time, asking questions about the payment to a Swiss-based intermediary of $0,06 for each barrel of oil bought from Egypt.

Van Zyl's former secretary, Bets Niewoudt, stated in an affidavit that while she was on leave from December 10 1996 to January 10 last year, three files and documents that were kept in Van Zyl's desk drawers disappeared.

Acting fund GM Brian Casey told the inquiry he had spoken to Van Zyl on March 26 last year — the day Van Zyl was suspended. According to Casey, Van Zyl said: "I've already cleared out my files in December."

The payment of $0,06 a barrel to oil trader Fahkri Abdulnour since 1992 was one of several alleged irregularities under investigation by Public Protector Selby Baqwa and two assessors.

In her affidavit, read out by Kessie Naidu, counsel for Maduna, Niewoudt said Van Zyl had faxed Abdulnour a letter from Maduna in which the payments were questioned.

On the day of his suspension, Van Zyl telephoned Niewoudt and asked her to destroy any evidence that he had faxed the document to Abdulnour. Niewoudt did not follow Van Zyl's orders. Van Zyl told his secretary he was suspended because he had sent the fax and had approved payment to Abdulnour after Maduna had ordered the payment to be stopped.

Naidu told the inquiry he would prove that a conspiracy existed deliberately to defraud the fund. The conspiracy involved Abdulnour and "other people at the fund. But at this stage it is not permissible for me to state who from the fund was involved in the fraud. It is, however, very clear that Abdulnour was involved."

Continued on Page 2

Van Zyl

Continued from Page 1

The inquiry heard that Abdulnour had been buying oil for SA in sanctions-busting deals in the 1980s. Intermediaries who were prepared to bust sanctions to purchase oil for SA were paid up to $0,50 a barrel.

In the mid-90s, SA could have entered into a government-to-government contract with Egypt, thereby cutting costs by not having to pay an intermediary. Despite this the fund continued to pay Abdulnour although he was not adding value. "A misrepresentation was made to the fund by Abdulnour which resulted in prejudice to the fund. It was more than a case of Abdulnour simply not adding value; it was deliberate fraud," Naidu said.

The hearing continues today.

Spate of resignations hits regulator

(55)

Robyn Chalmers

THE National Electricity Regulator has been hit by the departure of 15 officials — notably top and middle managers — over the past few months.

The exodus has raised fears about its ability to regulate the R25bn electricity supply industry.

There are also concerns that the long-awaited restructuring of the electricity supply industry, which has been largely driven by the regulator, will be further delayed.

Magate Sekonya, appointed as the regulator's CEO last September to replace Ian McRae, and more recently as chairman, has embarked on a significant transformation drive at the organisation. Sekonya said yesterday that 10 employees had resigned and five consultants had their contracts terminated this year.

The regulator had, however, been able to attract well-qualified staff with relevant experience and the right demographics.

"While they do not necessarily have the same experience in the electricity industry as previous employees, they have good managerial experience and are quick learners. They have contributed substantially to the more efficient and effective operation of the electricity supply industry," he said.

Sekonya shrugged off concerns about the resignations, saying the regulator was performing its functions and had even taken on new roles. This included advising government on matters such as the corporatisation and taxation of Eskom.

"Staff turnover is natural in any organisation in transformation. My responsibility is to ensure the (organisation) is able to meet the demands of its statutory mandate ... (and) it is certainly doing this," he said.

Those who have left include technical services GM Willie Boeije, financial pricing and tariffs GM Randall Forbes and customer support services GM Johan du Plessis.

Legal services GM Kevin Morgan has resigned.

A host of other employees including financial analysts, administrators and statisticians have also quit.

"These are people with decades of experience in the electricity industry and most have been replaced by employees with considerably less industry experience," said one source.

The regulator plays a pivotal role in the electricity industry. It issues electricity supply licences to distributors, approves tariff hikes and is a consumer watchdog body. It has also undertaken to reform the inequitable tariff system, which has about 2 000 different tariffs, and transform the generation and transmission sectors.

BD 30/6/98

Fuel fund boss 'tried to destroy evidence'

BD 30/6/98 (55)(183)

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Continued on Page 2

Fuel fund denies fraud innuendo

(1973) (55)

JONATHAN ROSENTHAL

INDUSTRIAL EDITOR

LT (AR) 30/6/98

Johannesburg — The Strategic Fuel Fund yesterday dismissed suggestions it was party to attempts to fraudulently purchase oil from the Egyptian General Petroleum Corporation (EGPC) at better prices than those it was contractually obliged to.

The issue arose out of testimony before the Public Protector's inquiry into alleged irregularities at the fund.

Last week Brian Casey, the acting general manager of the fund, told the inquiry that the fund had been led to believe that Fakhry Abdelnour, a European oil trader who acted as a go-between on oil deals between the fund and the EGPC, had engineered to delay a ship to take advantage of an increase in the discounts offered by the Egyptian corporation. These were to take effect days after the ship was to dock.

Casey testified that at the time he "believed that (Abdelnour) played a role that gave us something that we were not entitled to in the normal course of events".

Sasol's Chemcity project to boost SA's energy supply

CT(BR) 30/6/98

(55) (83)

One of the great success stories of the South African chemical industry and its offshoots has been the emergence of Sasol.

In the field of synthetic fuels and chemicals, Sasol has realised the visions of scientists and industry leaders who were generations ahead of their time.

Started as South African Coal, Oil and Gas Corporation with venture capital provided by the Industrial Development Corporation, there are now six divisions - Sasol (Pty), Sasol Synthetic Fuels, Sasol Petroleum International, Sasol Chemical Industries (SCI), Sasol Oil and Sasol Mining.

It is through SCI that Sasol has seen some of its greatest developments. The company's ability to manufacture synthetic fuels contributes significantly to South Africa's energy supply needs and the economy.

This is likely to continue well into the future with the planned Chemcity project at Sasolburg.

This initiative aims to facilitate and increase growth and strengthen Sasol's place in the world's chemical commodities markets.

It also involves the creation of new opportunities for core business interests in the fields of small business development, education and training, and environmental conservation and management.

The original idea of a chemical industrial park has grown in scope and concept. It aims to house many of the chemical industry players on prime land owned by SCI.

This development will enable a wide range of chemical raw materials from Sasol and other Sasolburg producers to downstream main businesses to be available on site and at market related prices.

There will also be a range of on-tap utilities like water, steam, gas and oxygen.

Professional technical services and skills, including engineering, research and development, health, safety, management, site establishment and other business assistance will be offered along with on-site services such as fire protection, effluent removal, treatment and management training.

Sasol recognises its responsibility to the environment and the community and is applying the Responsible Care value system as an integral part of its business. The value system and ISO 14000 standards encourage communication with the public and responsiveness to their concerns.

Taxpayer faces R20m bill for 'Maduna' probe

BD 1/7/98 (55)

Stephané Bothma

PRETORIA — The inquiry by Public Protector Selby Baqwa into the affairs of the Strategic Fuel Fund was running behind schedule, forcing Baqwa to make an additional month available for testimony.

The extended lifespan of the probe will see the taxpayer footing a bill of an estimated of R20m.

The probe was ordered after Minerals and Energy Affairs Minister Penuell Maduna accused Auditor-General Henri Kluever of covering up a R170m theft from the fund.

However, during a sitting of the inquiry last week, Maduna's lawyer, Kessie Naidu, placed on record for the first time that Maduna had conceded that the loss never occurred.

Maduna, who made the allegations against Kluever in Parliament and at a media conference later, has refused to apologise to Kluever to date.

Responding to media queries last week about why the costly inquiry continued despite Maduna's concession that the theft never occurred, Baqwa said a number of other allegations of irregularities at the fund needed to be probed.

These included the payment of $0,06 to an intermediary for every barrel of oil purchased by the fund from Egypt; the R7m Salem ship scandal; and a payment of R1,45m by the fund to the previous government in 1992/93.

Baqwa again defended the cost of the inquiry yesterday, saying that billions of taxpayer rands were being handled by the fund each year and that the public, therefore, had a right to know whether or not irregularities had occurred.

Asking lawyers to find additional time in their diaries for the inquest, Baqwa said "not much progress had been made in terms of the number of witnesses called".

He said that the month set aside from October 19 to November 19 would not be sufficient.

More than 16 people appear on the witness list and to date — despite sitting for several weeks — the tribunal has heard only three.

The rest of the inquiry would now be heard from October 19 to December 18, Baqwa said.

Electricity regulator to introduce poverty tariff

(55)(89) CT(BR) 2/7/98

NCABA HLOPHE

Johannesburg — The National Electricity Regulator would introduce a poverty tariff by the end of the year as part of the government's programme of poverty alleviation, Magate Sekonya, the chief executive officer, announced yesterday.

Sekonya said the poverty tariff, which would in effect give poor people a discount, would be implemented in line with the restructuring of the electricity distribution industry, which was already under way.

"The strategy would be supported by proper rationalisation, which would ensure reduction of distributors to create a mix of both poor and affluent communities," Sekonya explained.

He said the strategy would be supported through a cross-subsidisation by all users of electricity to boost the electrification programme of indigent communities.

"The best way to use the electricity surplus that we have is to give more people access to electricity, by giving them lower tariff charges as they use very little electricity," he said

Sekonya said the regulator was also investigating alternative sources of energy and would table a study detailing which energy sources were suitable for which communities.

It had ascertained that the proposed Eskom Bill, which has been opposed by labour, would not have any negative effects in the short term, he said.

"Now ownership matters will be sorted out and leadership and management will be streamlined to the national interest," Sekonya said.

The government-driven restructuring of the distribution industry hit a snag earlier this year when stakeholders failed to agree on the final model of the distributors.

Union federation has variety of targets in an intensive campaign

CT (PR) 2/9/98

Cosatu plans series of mass action protests

(55)

FRANK NXUMALO
LABOUR EDITOR

Johannesburg — Cosatu said yesterday that it would embark on a series of mass actions and campaigns from now until October against the Reserve Bank, the commercial banks, demutualisation, privatisation of local government services and the Eskom Bill, and in support of job creation and preservation, and the forthcoming general elections.

It said the "campaign on business" would consist of "marches on Old Mutual and Sanlam to oppose the unilateral demutualisation process they have embarked on, and their use of workers' money to fund it".

The campaign would be extended to "action against the banks and the South African Reserve Bank to protest against their irresponsible handling of interest rates and monetary policy, excessive profiteering and abuse of consumers".

In the weeks leading to the jobs summit, Cosatu said there would be "marches of the employed and unemployed for job creation and in defence of our jobs" that will "culminate in a big march the day of the summit in the region in which it is held.

"These marches in different regions will collect demands of the employed and the unemployed," the federation said, which would be handed to the summit participants.

In the action against the Eskom Bill, Cosatu said it would oppose "proposals for corporatisation and taxation, and to defend the public provision of affordable electricity to all.

"Similarly, action will be embarked on against the privatisation of municipal services, and other areas of unilateral privatisation, the proposed deregulation of the liquid fuels sector, and its implications for an effective state-led energy programme, as well as massive job losses," said Nowethu Mpati, the spokesman for Cosatu.

There would also be mass action against pharmaceutical companies which opposed measures to make medicines more affordable.

Mpati said preparations for regional congresses to coordinate the planned mass action campaigns had already started.

Mossgas row 'turning nasty'

CT 2/7/98 (55)

Lynda Loxton
Parliamentary Correspondent

Cape Town — The pricing row between Mossgas, the state-owned oil-from-gas producer, and the oil industry appeared to be coming to a head yesterday, with sources saying the finance department might be called in to sort it out.

The argument, which is costing the state up to R15 million a month in subsidies to Mossgas, is understood to have turned nasty in recent weeks.

Mossgas allegedly made "irresponsible allegations" about the oil industry and its willingness to settle the dispute.

The sources said that although the two sides were closer than ever to an agreement, a major sticking point was still whether the oil industry should pay the higher landed cost for all of the oil Mossgas plans to produce from semi-processed, imported crude oil as part of its bid to increase output.

"There has to be some give and take now," one source said.

"If nothing is agreed on within a week or two, then someone will have to be brought in from the finance department to act as a facilitator."

Gordon Sibiya

But Gordon Sibiya, the deputy director general in the minerals and energy department, said yesterday that he did not believe such a facilitator could achieve anything until the new policy on the synthetic fuels industry had been finalised.

He said any new policy on synthetic fuel subsidies would be finalised only later in the year.

This scenario is unlikely to go down well with the office of the auditor-general or the finance department, given the cost to the state of the continued dispute.

Although the cost is technically being met by the Equalisation Fund, this is said to be running dry because of the continued subsidy payments to Mossgas and Sasol, and alternative funding will be needed.

Sibiya acknowledged that the fund would need to be replenished soon. He said discussions were under way on how this problem could be resolved.

Duma Nkosi, the chairman of the portfolio committee on minerals and energy, said yesterday that he planned to hold a special hearing on the Mossgas issue on July 29, after being asked by the standing committee on public accounts to help resolve the long-standing dispute.

The committee made the request out of desperation after receiving no official response to its repeated resolutions that Mossgas should resolve its pricing impasse with the oil industry and that the government should commission an independent verification of the viability of further investments in Mossgas.

□ Business Watch, Page 2

Bungled Mossgas sale cost SA R11m

eT(BR) 3/7/98(55)

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — The government's bungled attempt in 1996 to sell Mossgas, the synthetic fuel-from-gas producer, cost the taxpayer more than R11 million in fees paid to consultants and merchant bankers.

And it paid another R7,3 million to a group of consultants investigating the viability of further investments in Mossgas during the same period.

The latest financial statements for the Central Energy Fund, the state's holding company for many of its liquid fuel assets, show that in the two financial years to 31 March, 1997, the fund paid R11 million in consultancy fees relating to the aborted sale of Mossgas.

At the time, well informed sources said the sale was botched through political interference and that the government had approached the sale as a "market testing exercise", with little intention of actually concluding a deal with a genuine buyer.

The biggest beneficiary of the R11 million in fees is believed to have been Rand Merchant Bank, the institution brought in to handle the sale.

Others believed to have been richly rewarded were two consultancies, Arthur D Little and Chemsystems.

Charles Stride, once described as the highest-paid civil servant in the country, received several hundred rands an hour for his contribution to the bungled sale.

The financial statements reveal that the companies that were paid R7,3 million were hired at the insistence of parliament's public accounts committee to independently verify whether further investments in Mossgas were financially justified.

A source close to the process at the time said the committee delivered little and, when the time came, it was unable to provide an unequivocal answer to Pik Botha, then the minister of minerals and energy, as to whether further investments were justified.

The latest financial statements did not include reports on the fund's subsidiaries, in particular the Strategic Fuel Fund, because of an investigation by the public protector into alleged irregularities there.

ENERGY WHITE PAPER

(55)

TECHNICAL PROBLEMS ARE POLITICAL PROBLEMS

FM 3/7/98

Good plan. Government needs willpower to carry it out

Government's draft White Paper on Energy shows great concern about the organisation of electricity distribution to the final consumer. Not surprising when you consider Eskom's latest annual report — which shows that the figure for "accounts receivable" rose in the course of 1997 from R1,905bn to R2,221bn.

Today, the distribution of electricity is performed by local authorities — large and small — and by Eskom itself. The White Paper proposes a drastic rationalisation — both administratively and price-wise.

The first step is already in place — the National Electricity Regulator, with the functions of licensing electricity distributors and regulating the retail pricing of electricity. But this only exists in principle, as statutory regulations still have to be promulgated. This will be done in an Electricity Supply Industry Bill still to be introduced. Further, the Regulator's administrative capacity to play a major role must be beefed up.

Electricity distribution is fragmented between more than 400 local authorities. This results in low efficiencies, high costs, wide disparities in tariffs and weak finances (the last particularly hitting municipalities' own electrification programmes) — and continued high levels of electricity theft and nonpayment.

Councils are often also guilty of unsound pricing policies, charging commercial and industrial users monopoly prices. Tariff structures often provide no incentive for more efficient use of electricity. The price of power for domestic use often varies widely between different distributors, so providing an excuse of a sort for continued nonpayment.

The White Paper deplores the failure of the Regulator to rationalise the distribution industry in its first licensing round. Further discussions between government and other interested parties have led to the latest proposals, intended to cut radically the number of distributors. Today, four municipalities earn half of the total surpluses on distribution. A further 18 earn another 25%. The lowest 25% lose money on their electricity sales.

There is also a wide disparity — unrelated to costs — in the prices paid by various end-users. Mining customers pay 9c-17c/kW/h in Gauteng and 23c-32c/kW/h in Mpumalanga. Average distribution costs, including the cost of buying electricity in bulk, range from 13,4c-23,9c/kW/h.

The White Paper proposes a full-time transformation team to implement these rationalisations. Distribution should be consolidated into the maximum number of viable independent regional distributors. This number is judged to be five, so provincial boundaries can't be fully respected.

The future regional distributors will have — as beneficial owners — munic-

P.T.O.

ipalities and Eskom. Control of all distribution assets will pass to the new entities by legislation, preferably companies registered under the Companies Act. They should co-ordinate on planning, tariffs and centralised bargaining. Government should hold a veto on the sale of their shares. The majority of the directors of the new distributors should be appointed by customers, unions, national, provincial and local governments and Eskom. There could be a two-tier supervisory structure similar to Eskom's.

This arrangement should enable municipalities to continue to raise funds against the security of their existing electricity assets. But if there's a problem with existing security for loans, assets could be leased instead.

To re-establish finances, the distribution industry must move to cost-reflective tariffs, with separate, transparent funding for electrification and other municipal services, which implies new arrangements for financing electrification.

To protect power-intensive industries, large industrial customers should have the right to purchase their electricity either from the regional distributors or direct from Eskom. About 60 customers are judged to be in this category.


Robbie Tshabalala

***New electricity users**. . . government is attempting to encourage a culture of payment*

To its great credit, the White Paper emphasises reviving a culture of payment — for which government, at all tiers, will take responsibility. Distributors themselves "should establish and implement sensitive but firm strategies to deal with nonpayment and energy theft."

There are good intentions aplenty. But these don't wash away the problems.

For one, further key input from government is needed — in the form of vigorous criminal prosecution of thieves of electricity and full support for civil action through the courts against those consumers who are simply refusing to pay. The government would have to face the fact that implementing a new culture of payment can't be done by consensus. This means coercion — regardless of political consequences.

Another problem lies in the "capacity" (government's word) for implementation. Don't dilute the skills available in the efficient metropolitan local authorities. That's levelling down, not levelling up.

We should also want to avoid the risk of political appointments of individuals lacking the necessary technical skills to run the putative new regional distributors. If reforming intentions create a new source of political patronage rather than the stated goals, then the last state would be worse than the first.

As ever, the technical problems translate ultimately into political ones: to implement this intelligent document will require more political will than has been shown in the past.

Robin Friedland

FM FOCUS

Edited by Sharon Wood

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SFF VERSLAG

U faksimilie aan Mnr. Pithey van 23 Februarie 1995 verwys. Ek stel voor dat die aanhef tot die lys as volg verander word:

"e ouditering van die volgende filiale in die SEF Groep soos aangedui is nie aan my opgedra nie en geen verslagdoening deur my is derhalwe nodig nie. Die maatskappye word deur eksterne ouditeure geoudit. Ek het myself vergewis van die doel waarvoor die maatskappye gebruik word en het geen rede om enige addisionele inligting hieromtrent aan die Parlement voor te lê nie."

AUDITOR-GENERAL

AG 55

YEBO MINISTER, OIL'S WELL

Minerals & Energy Minister Penuell Maduna made an ass of himself when he accused Auditor-General Henri Kluever of covering up the "theft" of R170m by the Central Energy Fund (CEF). The money wasn't missing, but hidden by an obtuse entry in the books.

FM 3/7/98

But Maduna may have been in the right company. Documents and letters in the *FM*'s possession throw into sharp relief a close and even conniving relationship between the AG's office and the CEF. This raises serious questions about the judgment and loyalties of the AG's office.

Just before the first democratic election, on February 9 1994, a meeting takes place in the office of the then deputy AG, Prof J A "Bertie" Loots, between Loots and senior officials of the CEF. Minutes of the meeting record agreement that *"in the light of the current circumstances* (the end of apartheid) *the CEF is requested to suggest reasons why the* (CEF income) *statements may not be published or to create alternative statements that can be published"*.

This is interesting! Remember, the AG's client here isn't the CEF, but parliament. Yet the AG's office is assisting the CEF to find a way around the inconveniences of transparency about to be thrown up by the advent of democracy.

Even more amazing, this meeting takes place two days after Price Waterhouse, agents for the AG and auditors of the CEF, officially sign off the 1993 accounts in which R170m is shown as a loss.

A few days later, on February 17, the CEF sends Price Waterhouse a revised income statement and balance sheet (newly created as per understanding with the AG), in which the R170m no longer appears, let alone as a loss. Instead, it has become part of an item called net trading income from strategic and commercial crude oil transfers, worth R660m.

Back to the official audit, which wasn't presented to parliament by the AG, and that number can be arrived at by adding trading income of R797m and a R42m transfer from deferred income and then subtracting the R170m (allow for rounding out).

Confused? So, probably, was Maduna when he decided the R170m was missing and hit the Kluever abuse button.

Why the official trading loss was later hidden remains unclear. Why Kluever presented the revised accounts, and not Price Waterhouse's official originals, he has yet to explain to the Public Protector's hearing on the dispute between him and Maduna. That the relationship between the CEF and the AG's office worked to the detriment of parliament seems undeniable.

A year later, in March 1995, the CEF sends a suggested "explanation" to the AG of how the AG can get around reporting to parliament on the finances and activities of a host of CEF affiliates, most of them incorporated in foreign tax havens. The document reads: "I suggest the annex to the list be changed as follows: 'I was not instructed to audit the following affiliates of the CEF group as indicated and no report from my office is therefore required. The companies are audited by external auditors. I have ascertained for myself the reasons for which the companies are used and have no reason to present any additional information regarding this issue to parliament.' "

...e state nie gepubliseer kan word nie.

Aangesien dit in terme van artikel 1E(5) van die SEF Wet, die keuse van die Ouditeur-generaal is om state en paragrawe na oorleg met die Ministers van Mineraal- en Energiesake en Finansies asook met die Staatspresident, te publiseer, is SEF (Edms.) Beperk gevra om in die lig van die huidige omstandighede redes aan te voer waarom die state nie gepubliseer mag word nie of om alternatiewe state op te stel wat wel gepubliseer kan word.

...alifikasie van die finansiële state van SEF...

The subsequent report by the AG to parliament accepts this helpful suggestion almost entirely and repeats it.

Maduna's intemperate outburst against Kluever has probably poisoned any chance of a proper investigation into the apartheid oil trade. Maduna must therefore carry responsibility for a monumental mistake.

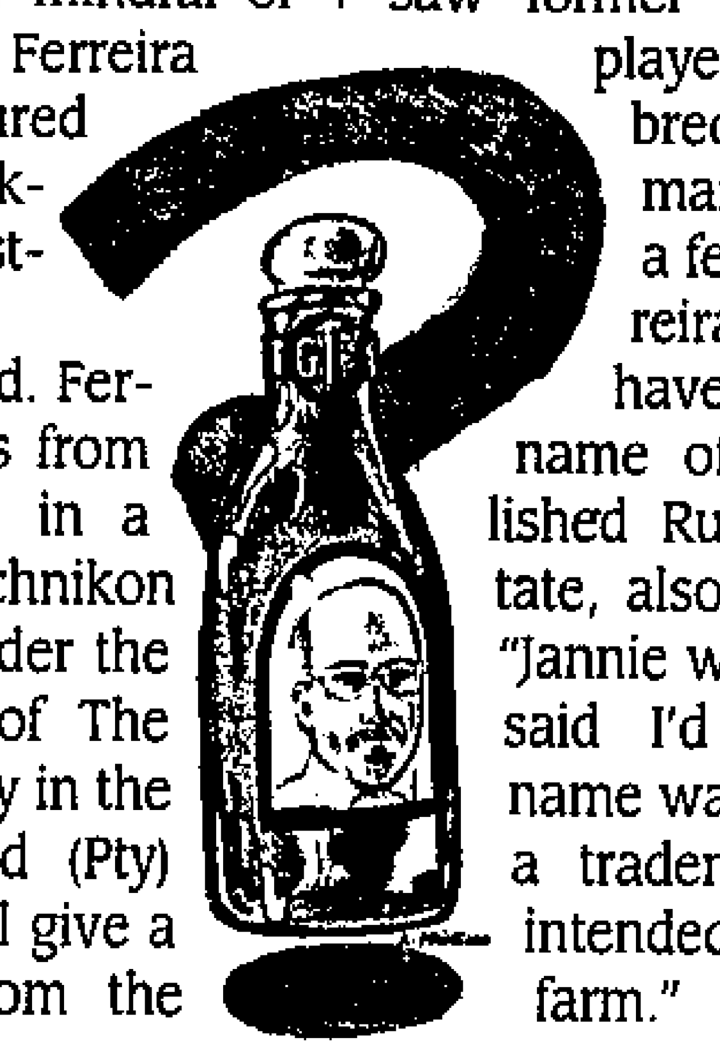
But is Kluever the angel we established media have made him out to be? Certainly, the documents in the *FM*'s possession, which we will continue to publish, reek of a patronising disrespect for parliament and the people on the part of the AG's office.

Public Protector Selby Baqwa is right to continue his inquiry despite Maduna's team having conceded that the R170m has not been stolen. **Peter Bruce**

WINE FARMS

NAME SEARCHING

FirstRand chairman G T Ferreira (see *People*) is looking for a name for his wine farm, which, propitiously, lies between Thelema and Rustenburg. One person, mindful of the millions that Ferreira has already poured into the farm, cheekily suggested "Last-Rand".



That was rejected. Ferreira now operates from a suite of offices in a converted old technikon in Stellenbosch under the irresistible name of The Best Little Company in the Whole Wide World (Pty) Ltd. He says he will give a barrel of wine from the farm's maiden vintage to the person who comes up with a name.

"In researching the history of the farm, the first portion of which was set out in 1692, I discovered that part of it was called Rust en Vrede," says Ferreira. Being of a mischievous bent, the next time he saw former Springbok rugby player Jannie Engelbrecht, who was manager of the Boks a few years ago, Ferreira told him he'd have to change the name of his long-established Rust en Vrede Estate, also in Stellenbosch. "Jannie went white when I said I'd discovered the name wasn't registered as a trademark and that I intended using it for my farm." **Linda Stafford**

Maduna hits back at AG

(55)

M+G 3-9/7/98

Mungo Soggot

Minister of Minerals and Energy Penuell Maduna has hit back after his embarrassing concession that the auditor general was not party to the theft of R170-million worth of oil by releasing documents to help explain his attack on the finance watchdog.

Maduna's office handed out the documents at the inquiry into the Strategic Fuel Fund (SFF) on Friday June 26 after Public Protector Selby Baqwa denied the minister a chance to explain himself on the R170-million.

The documents include correspondence between state oil officials and the office of the auditor general which suggests a surprisingly close relationship, considering the watchdog reports to Parliament.

In one memo, an SFF finance official suggests to the auditor general wording for a note explaining why the auditor general should not bother auditing certain state oil subsidiaries.

It appears from the documents that the office of the auditor general was concerned that its agent for the SFF, Price Waterhouse, was too close to the oil company.

Price Waterhouse wrote to the auditor general: "We do not accept the view that we are too close to the client or take the side of the client in dealings with your office."

The bundle also contains correspondence between Maduna and suspended state oil chief Kobus van Zyl over the allegation that the SFF paid an unnecessary six United States cents a barrel to a middleman company in a deal to buy oil from Egypt.

In one letter to the minister, Van Zyl refers to "the distrust shown by you to the management of SFF".

Maduna's correspondence to Van Zyl indicates the minister was consulting closely with the Office of the Deputy President on the matter.

Meanwhile, Baqwa conceded that the R170-million allegation was the trigger which persuaded Parliament to call for his probe. He ducked the question whether he would formally censure Maduna's office for not retracting it earlier.

The hearing resumes in October.

Sasol profits from rand's woes

ST (PT) 5/07/98 (55)

RAND-HEDGE UPSIDE

By SVEN LUNSCHE

AMID the economic chaos in the wake of the plunging rand, there are a number of companies reaping significant benefit from the currency's woes.

Sasol managing director Peter Cox said a sustained R1 drop of the rand's value against the dollar over a year would add R1.7-billion to pre-tax earnings.

He also warned that Sasol would walk away from its proposed R4.6-billion takeover of AECI if the Competition Board imposed "undue" conditions on the deal.

"We believe that at R30 a share we offered Amic (AECI's controlling shareholding) a fair price which includes a premium for control and recognises the benefits that AECI brings to Sasol in economies of scale.

"We expect the Board to add conditions, but if they are too onerous we will walk away from the deal," Cox said.

This would apply if the Board ruled that AECI must sell its fertiliser and/or explosives business before the takeover. The Board has until mid-September to complete its inquiry.

With Sasol's year-end just completed, analysts estimate that the rand was 50c weaker than in the 1996/97 financial year — adding an estimated R850-million alone to pre-tax profit. In the year to end-June 1997, profit was R4.2-billion.

TANKING UP . . . Pieter Cox says Sasol could make R1.7bn

The market on Friday recognised Sasol's rand hedge qualities and pushed the share up by 9% to a close of R40. It reached a R44 high at one point.

Two weeks ago hit a low of R29, almost 50% down from its April high, amid low oil prices and its cautionary announcement warning of lower profits in the 1997/98 financial year.

Analysts said companies like Sasol which made most of their earnings in foreign currency stood to benefit.

"People have woken up to the fact that Sasol is a good rand hedge and it is now looking cheap," an analyst told Reuters. Some of Sasol's petroleum and chemical products are sold for dollars on the world market.

Dealers also said Sasol was benefiting from OPEC's recent decision to restrict oil supplies in a bid to push oil prices up.

Analysts doubt whether the R850-million estimated boon from the weak rand will be enough to offset the impact of lower oil prices and falling exports to the Asian market.

In the six months to December Sasol's attributable earnings fell to R1.1-billion and for the 12-month period they could be down by 10% to R2.3-billion.

□ Sasol launched its R250-million downstream chemical park Chemcity at Sasolburg in the northern Free State on Friday.

Cox said in his opening address the SA chemical industry was now predominantly a commodity industry, exporting chemical commodities without adding value. "By stimulating the development of a downstream industry in SA, at least R6-billion could be saved in foreign currency by replacing speciality chemical imports."

Local power prices set to lose 'cheapest' status

(55) BD 7/7/98

Robyn Chalmers

SA LOOKS set to lose its status as having one of the cheapest electricity prices in the world, with business consumers hit for three years running by the steepest rise in electricity costs out of 16 countries surveyed.

The annual National Utility Services survey showed that a 5,61% rise in electricity prices for business and industrial consumers in the year ended April 1998 left SA second to only Australia as producing the cheapest electricity. But this is unlikely to last for much longer.

Tommy Taylor, sales and marketing manager for the survey, said the Eskom Amendment Bill recently approved by the National Assembly would be a catalyst for price increases.

The bill means Eskom will become a limited liability company paying taxes and dividends — from which it is currently exempt.

Eskom may have to hike prices to help fund its commitment to provide electricity to 75% of the population by the year 2000.

The electricity utility may also have to increase its capital expenditure in the coming years should its overcapacity dwindle in the face of the ongoing expansion of its grid to meet its electrification commitments.

Eskom MD Allen Morgan said earlier that a significant percentage of the utility's sales were under threat as a result of the impact of volatility in commodity markets on business. This could undermine revenue growth, projected at 1,8% in the year to December after a 9,4% rise to R20,4bn last year.

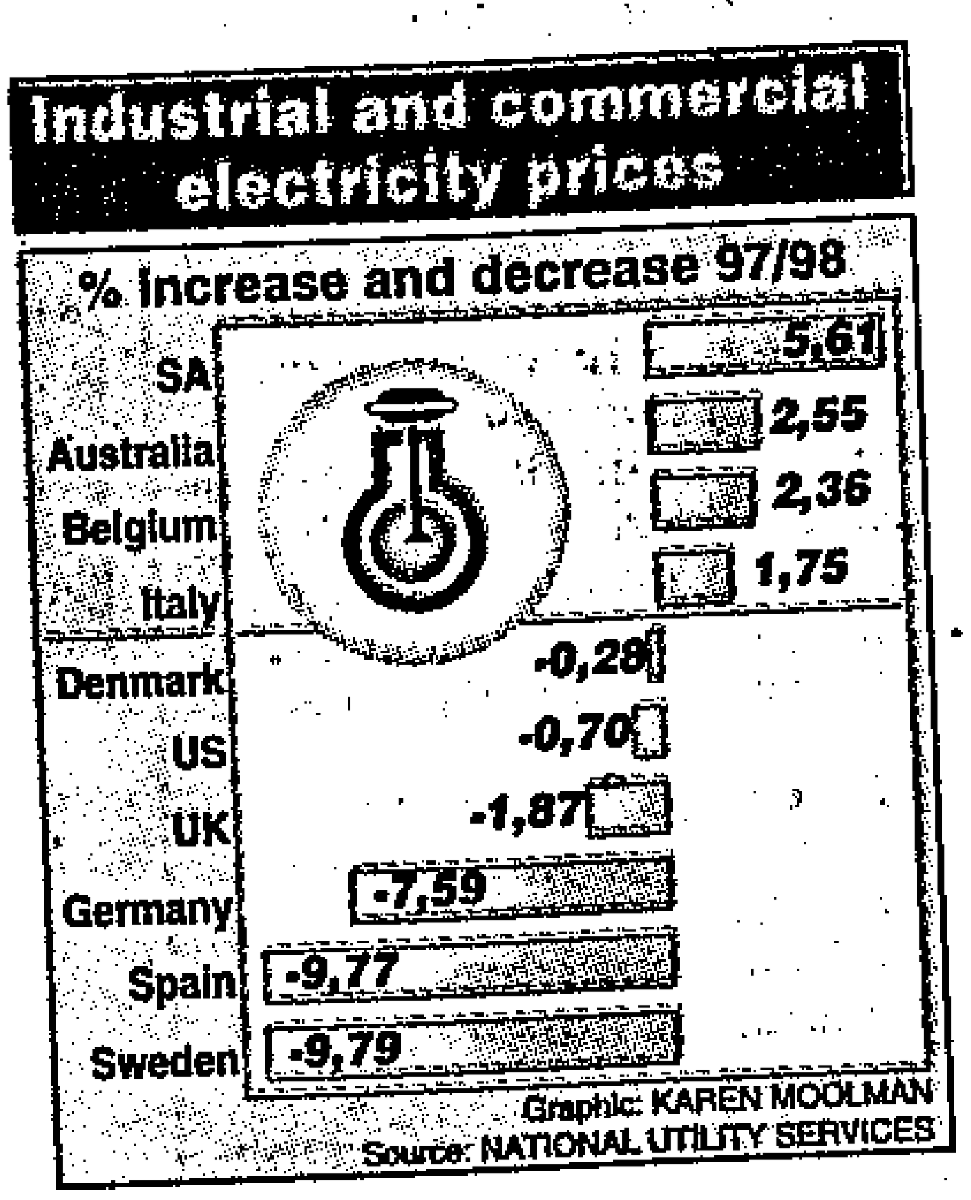
Taylor said government was still talking with municipalities, the national electricity regulator, large users, provincial governments and Eskom on the restructuring of the electricity industry.

"But everything points to much more expensive power," he said.

The survey said the latest price increase could be attributed largely to changes in certain suppliers' tariffs. This was most notable in Durban where bulk tariffs were consolidated and larger consumers offered a "time of use" tariff.

Average price bands are set during usual production hours with peak times in the early morning being more expensive. "It is clear that many industrial consumers will see a rise in average costs because the most favourable tariff will not be available in the early morning when they are most active," he said.

Internationally, the survey shows that 10 of the 16 countries surveyed showed a drop in prices, with Swedish consumers benefiting most with a fall of 9,79%. SA provides the second lowest prices at 17,49c per kilowatt hour.



Graphic: KAREN MOOLMAN
Source: NATIONAL UTILITY SERVICES

Sharp rise in piped gas price forecast

(55)

27/7/98

JOHANNESBURG: The price of piped gas would increase markedly next month, Sasol Gas spokesman André van der Merwe said at a media briefing here yesterday.

Although the exact increase would only be known later this week, the price hike could be as much as 10%, Van der Merwe said. This was due to the unfavourable rand-dollar exchange rate.

A new pricing system for Sasol gas was introduced in February whereby prices are adjusted according to the international market value of gas. This value is determined by equating the price of gas to that of the most logical alternative, according to a Sasol statement.

The market share of Sasol Gas amounted to about two percent, and about 15 000 households in South Africa used piped gas, Van der Merwe said.

Despite the imminent price hike, Van der Merwe was optimistic that gas sales could increase significantly.

The company sells about 33 million gigajoules a year to about 650 customers in industry, among them Iscor and Columbus Steel.

Sasol Gas intended to expand its distribution to more than 50 million gigajoules a year by 2001.

One of the benefits of using gas as an energy source was its on-tap availability.

Sasol gas was also virtually free of sulphur, the principal cause of acid rain.

The expansion of gas supply to households was, however, limited.

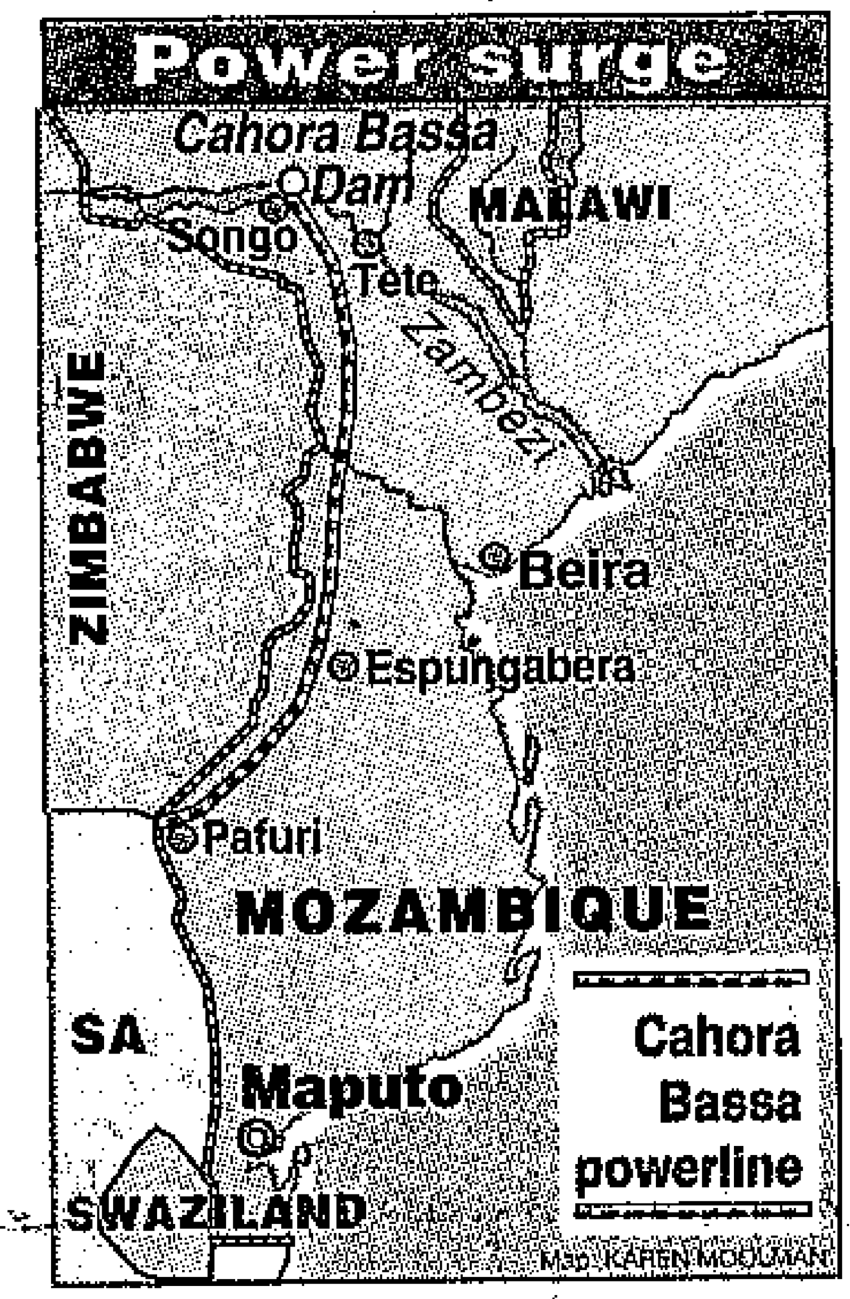
Unlike colder countries where gas was used for space heating, there was not enough demand in South Africa, Van der Merwe said. — Sapa

Cahora Bassa power to flow after 16 years

BD 13/7/98 (55)

Robyn Chalmers

POWER will flow from Mozambique's Cahora Bassa dam to the southern African power grid for the first time in 16 years next month, under a new agreement between SA, Mozambique and Portugal.



This follows a lengthy dispute between the countries after SA's electricity utility, Eskom, refused to bow to pressure to pay substantially more for Cahora Bassa's power. Hydroelectrica de Cahora Bassa (HCB), the dam's operating company, hoped that increased tariffs for Eskom would help pay for the project's estimated $3,2bn debt.

Eskom said a large tariff hike on the 2c a kilowatt hour agreed to last year made little sense as SA could produce its own power more cheaply. It also had surplus capacity. While the new tariff structure was not outlined at the weekend, the parties indicated that a compromise had been reached. The agreement covers only the period from August 1 this year to December 31 1999.

"Due to the current instability of the financial markets, the agreement now reached should not prevail beyond 1999," said Eskom and HCB.

The deal was done by SA, Portuguese and Mozambican delegations represented at the permanent joint commission on Cahora Bassa, which met last week and still has to be endorsed by the three countries' governments. SA will chair the commission's next meeting in August.

A spokesman for the commission, whose tariff review subcommittee negotiated the tariff structure, said the new arrangement coincided with the activation of high voltage lines from Mozambique's Songo to SA's Apollo substation.

Eskom CE Allen Morgan said earlier that one of the main reasons for expanding the transmission grid into southern Africa was to exchange energy.

This ultimately would stimulate the development of hydro generation sites in Mozambique, Angola and the Democratic Republic of Congo as sources of renewable and inexpensive power.

Cahora Bassa has a capacity of 2 000MW — all of which Eskom can contractually buy. However, the contract between HCB and Eskom said Mozambican electricity supplier EDM could acquire 200MW and it had been agreed that Zimbabwe could get 500MW out of Eskom's allocation.

Eskom therefore had access to 1 300MW of which 400MW was considered unreliable, so the parastatal could realistically expect to get about 900MW uninterrupted power.

Three states to approve new tariffs

Gates open on Cahora Bassa power

CT(BE) 13/7/98 (55)

Ncaba Hlophe

Johannesburg — Eskom, the power utility, had reached a landmark agreement with Hidroeletrica de Cahora Bassa to buy electricity once more from the R10 billion Mozambican hydroelectric power station after 16 years of delays, Eskom said at the weekend.

Piet Faling, a member of Eskom's negotiating team, said Eskom offered a "significant increase" from the original 2c a kilowatt hour as part of a long-term framework of co-operation with the Mozambican partners. The power is expected to flow into South Africa from August 1.

Faling would not discuss the tariff structure because it still had to be endorsed by the South African government through the Eskom Electricity Council and by the Mozambican and Portuguese governments.

The project hit several snags, including the recent marathon wrangle over Eskom's refusal to pay more than 2c a kilowatt hour to finance the project's estimated $3,2 billion debt.

The Portuguese government, which shoulders the debt, had proposed a 100 percent increase to 4c a kilowatt hour before the interim agreement.

Peter Adams, Eskom's media manager, said the permanent commission on Cahora Bassa had reached a "satisfactory" agreement on the tariff structure.

However, because of the instability of the financial markets, the agreement would not go beyond December 31 1999, he said.

"The parties confirmed that this will allow sufficient time to formulate the medium- and long-term arrangements to optimise the viability of the biggest Portuguese investment abroad and address the obligations and interest of the Mozambican partners," Adams said.

The agreement coincided with the activation of the high voltage direct current lines from Songo, the Cahora Bassa substation, to Apollo in Kempton Park in South Africa.

Eskom, the second cheapest electricity producer in the world, had protested against an external source more than the estimated 2,5c a kilowatt hour it cost to produce electricity locally.

It had opposed the tariff increase because of the approximately 3 000MW surplus of electricity, sufficient to meet the country's needs to 2006-7.

Faling said Eskom was prepared to pay more for the power as part of its long-term view of its energy supply needs.

"We might have surplus electricity now, but the situation will change in 10 years' time," he said. That's what informed our approach to the negotiations."

Eskom, the only major buyer of Cahora Bassa power, is contracted to purchase 950MW. Mozambique would purchase 200MW, while Zimbabwe is already purchasing 450MW.

The interim agreement expires next December and has to be renegotiated by 2012.

The hydro power station was built during Portugal's rule of Mozambique. Mozambique owns 18 percent of the station.

Power from the dam to South Africa dried up in the early 1980s after sabotage of the powerline in the country's civil war, which ended in 1992.

Policy 'is moving in right direction'

BD 16/7/98 (55)

Robyn Chalmers

ENERGY sector representatives from across the spectrum who were meeting yesterday to discuss government's draft energy white paper expressed general agreement that the proposed policy was moving in the right direction.

However, representatives at the SA Institute of Energy workshop expressed reservations about certain aspects of the bill. These included a lack of detail on black economic empowerment initiatives, limited detail on a proposed environmental levy which was "very sensitive", and a need to explore the sustainability of SA's electrification drive.

There was also general concern about the lack of capacity in government at all levels to implement the white paper proposals.

A submission on comments about the white paper emanating from the workshop will soon be made to Minerals and Energy Minister Penuell Maduna, comprising advice, concerns, support and recommendations for future implementation.

Participants said a clear connection between energy and economic growth had to be established and there had to be synergy between the white paper's short- and medium-term objectives.

Capacity building in all energy sectors should be undertaken in both the short and medium term as did the establishment of woodlands. There was a need to minimise the regulation of the energy sector rather than increase the number of rules and regulations.

There was general agreement on the white paper's proposed deregulation of the liquid fuels industry, which was expected to encourage competition between sectors in the energy market.

The deregulation would see the phasing out of controls on prices and industry margins over the next three to five years. However, concern was expressed about the negative effect this would have on labour and small businesses in the short to medium term, which could increase joblessness.

The white paper suggested the subsidy protection for Sasol and Mossgas would end next year. Sasol, the oil and chemicals group, said recently it would insist on continued protection for its synthetic oil output beyond 2000.

Sasol CE Pieter Cox said the group would challenge any attempt by government to renege on its "binding agreement", which guarantees the group a minimum price equivalent to $17 a barrel of good quality crude oil.

Eskom faces nationwide protest over wage demands

BD 15/7/98

Reneé Grawitzky

ESKOM is facing countrywide protest action today aimed at putting pressure on the company to revise its wage offer as negotiations resume.

The action is intended to kick-start a national campaign against the Eskom Amendment Bill which starts on Monday.

At the same time the National Union of Mineworkers (NUM) said talks with Anglo American Platinum mines (Amplats) deadlocked after it tabled a 3% opening offer in response to a 15% union demand.

The union said tension was mounting at the mines after it accused members of the Mouthpeace Workers' Union of preventing NUM officials from addressing a meeting to give feedback on the negotiation process.

The National Union of Metalworkers of SA (Numsa) said it would participate in the action against Eskom today even though there had been no proper consultation with the NUM.

The NUM said today's action was intended to put pressure on the company to accede to labour's demand for an increase of 13% for the lowest-paid to 10% for the higher-paid workers.

Eskom refused to comment on the talks and the planned action but said it would comment after the resumption of negotiations today. Eskom has offered an increase of 8% to 5,5%.

The NUM will start its demonstrations against the Eskom Amendment Bill on Monday while a joint march with Numsa will be held on Wednesday.

Labour indicated that this action could culminate in a national stayaway, but no final decision had as yet been taken.

NUM deputy general secretary Archie Palane said the union had rejected a 3% offer after the company wanted to deduct 4% which was part of an overall increase granted in terms of last year's agreement. Palane said workers received an 11% increase.

Amplats said the agreement provided 7% for wages and 4% linked to productivity improvements if workers worked an additional six days a year.

An Amplats spokesman said the agreement provided that the 4% would be offset from the new settlement.

Amplats said it had written to the union urging it to continue negotiations. At the same time the company claimed a union insistence that Amplats table an offer of at least 6% before it revised its demand was bad faith bargaining.

Amplats confirmed an incident occurred at Pula hostel in Rustenburg section when a group of NUM officials were prevented by a small group of Mouthpeace members from addressing unionists.

Security stopped a conflict. The matter would be taken up with the union and members could face disciplinary action, Amplats said.

Meanwhile, the strike by SA Clothing and Textile Workers' Union (Sactwu) in the footwear sector has been suspended after the National Union of Leatherworkers signed an accord providing for a 9% package deal. Talks were under way late last night to resolve the 10-day-old strike in the fabric knitting sector.

Riot at Eskom headquarters during pay talks

(56)(2B)

By Tefo Mothibeli

Workers at Eskom's headquarters in Megawatt Park went on the rampage last night, burning part of the main building and destroying several cars.

The 3 000 members of the National Union of Mineworkers, who had been protesting in support of their wage demands most of the day, also shattered windows of buildings.

The employees, who were bused in from Mpumalanga, North West and some parts of Gauteng, arrived at the offices to voice their dissatisfaction about the management's salary increase offer.

They protested on the company's lawns while their leaders were busy negotiating.

At about 5pm things turned violent as workers tried to storm the building and clashed with police and company security officers.

A police spokesperson confirmed the damage but said no injuries had been reported.

Unconfirmed reports said one worker was rushed to hospital after he was hit by a police vehicle, but police denied this.

At around 7pm, union representatives tried to disperse their members but were booed by their members.

The toyi-toying and singing workers said they were going to sleep outside the offices until their demands were met.

A union representative said the violence started when the workers became impatient with the length of time the negotiations were taking.

Eskom's human resources executive director Bongani Khumalo said they were "greatly disappointed" with the workers' violent action because they were not officially told of the rejection of the offer.

"We hope that the union leadership will get their members to act responsibly and that it is not necessary for us to get the police to assist us to disperse them," said Khumalo.

Buildings and cars damaged

He added that negotiations to try to find a solution to the impasse would continue today.

Heavily armed police officers kept a close eye on the situation.

Khumalo said the action was "bizarre" because the Eskom negotiating team was still waiting for an official response on the final offer from the five trade unions, including the NUM.

The company was offering a 12% increase on the minimum salary scale with a guaranteed increase of at least 8% on basic salaries of lower-level grades. In middle management grades, 11% was offered on the minimum salary scale with a guaranteed rise of at least 8%.

NUM spokesman George Molebatsi said the NUM members had lost patience because negotiations had been dragging on since May.

There were also protests yesterday in the Northern Cape, Western Cape and southern KwaZulu Natal.

The NUM has the most affiliated workers at Eskom out of the five unions representing the company's 40 000 employees.

Star 16/7/98

Eskom workers power their protest

CT 16/7/98

(55) (155) (57) (150) (152)

TEFO MOTHIBELI

JOHANNESBURG: Workers at Eskom's headquarters in Megawatt Park went on the rampage last night, burning a section of the main building and destroying several cars.

The 3 000 members of the National Union of Mineworkers, who had been protesting in support of wage demands most of the day, also shattered building windows.

The employees — bused in from Mpumalanga, North West and some parts of Gauteng — arrived at the offices to voice their dissatisfaction with the salary increase offered by management.

They protested on the company's lawns while their leaders were negotiating with management.

About 5pm the protest got violent as the workers tried to storm the building and clashed with police and company security.

Police spokesperson Glenton Swift confirmed the damage, but said no injuries had been reported.

Unconfirmed reports said one worker was rushed to hospital after he was hit by a police vehicle, but police denied this.

Union representatives tried to disperse their members about 7pm, but were booed. The toyi-toying and singing workers said they were going to sleep outside the offices until their demands were met.

A union representative said the violence started when workers became impatient with the lengthy negotiations between the unions and management.

Eskom human resources executive director Bongi Khumalo said they were "greatly disappointed" with the workers' violent action because they were not told of the rejection of the offer by the union.

"We hope that union leaders will get their members to act responsibly so that it may not be necessary for us to get the police to help us to disperse them," he said.

Khumalo added that negotiations will continue today.

Heavily armed police kept a close watch on the situation.

Calm returns to Eskom HQ after pay talks riot

ARG 16/7/98 (55)

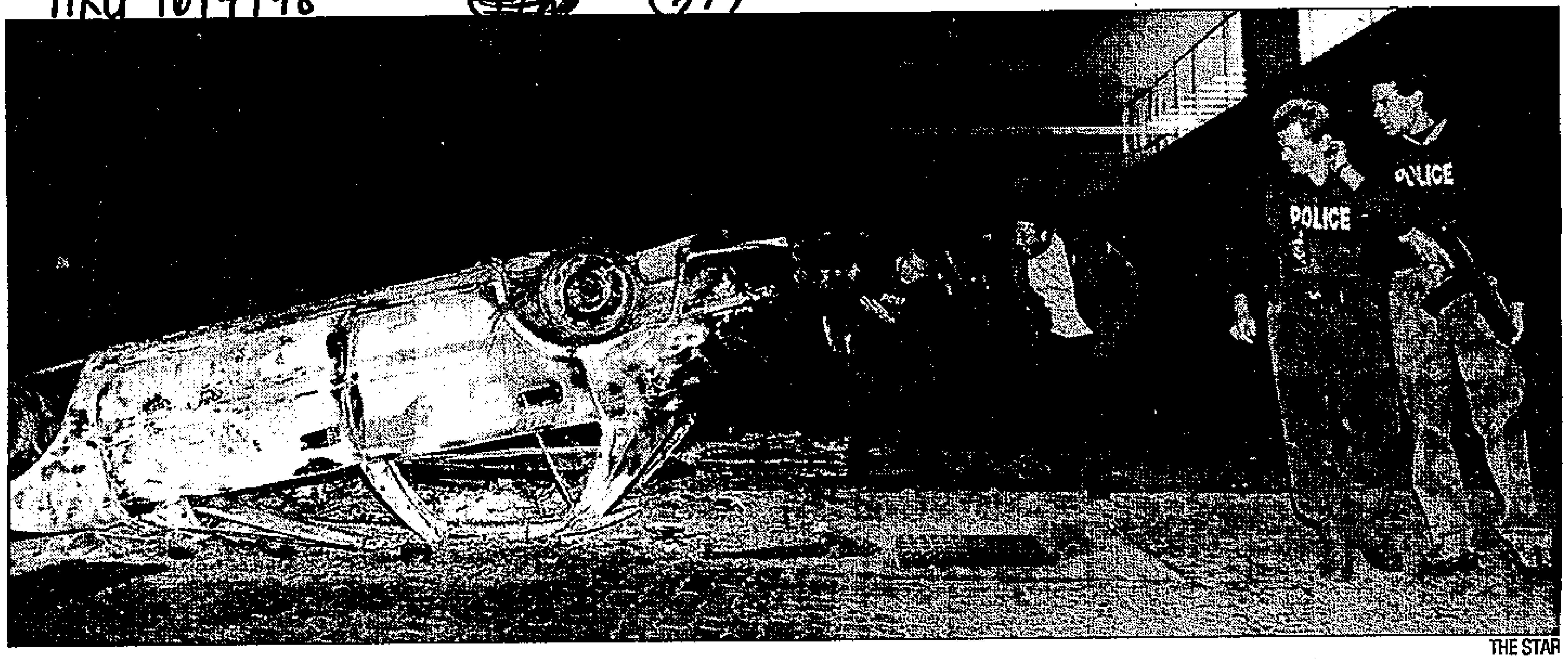
Johannesburg – Calm returned to Eskom's Megawatt Park early today as hundreds of National Union of Mineworkers members dispersed after a protest erupted in violence.

The disturbances have halted NUM wage negotiations at Eskom's conference centre, which was badly damaged when workers went on the rampage yesterday.

Eskom spokesman Bongani Khumalo said the situation had been largely defused after NUM leaders arrived at the company's northern Johannesburg headquarters to talk to their members.

"We have now obtained an interdict to prevent people from coming inside (Megawatt Park), and we are consulting our legal representatives on what further action to take," Mr Khumalo said.

Hundreds of NUM-affiliated members went on the rampage during the talks, smashing windows, burning cars and destroying conference rooms. – Sapa



THE STAR

Pay talks mayhem: police examine a burnt-out car, one of several set alight as protesting mineworkers went on the rampage at Eskom's HQ yesterday

Eskom deal will help keep costs down

Robyn Chalmers

ESKOM had bought hydro power from Mozambique's Cahora Bassa at a "very competitive rate" that would help SA maintain its position of having among the lowest electricity costs in the world, industry sources said yesterday.

The actual tariff has not been revealed, but is believed to be substantially lower than local selling prices. This, together with an expected drop in SA demand due to reduced economic growth, as well as existing overcapacity and mothballed plants, means Eskom can further delay investing huge sums in new power stations. The overcapacity also gives Eskom more negotiating power.

The SA, Mozambican and Portuguese governments must still endorse a recent agreement allowing power to flow from the Cahora Bassa Dam to the southern African power grid for the first time in 16 years from next month.

SA's position as a low-cost electricity producer, second only to Australia, has been threatened by steep rises in electricity costs in the past two years, particularly for business consumers.

Eskom initially said it had agreed to a "significant tariff hike" to secure future supplies of power from Cahora Bassa. This followed a lengthy dispute where Eskom was under pressure to pay up to 4c a kilowatt hour for power, compared with the 2c agreed on last year. Hydroelectrica de Cahora Bassa (HCB), the dam's operating company, hoped higher tariffs would help pay for the project's estimated $3,2bn debt.

However, Mark Davis, an analyst at the Energy and Development Research Centre, said Eskom's average local selling price last year was 11,85c a kilowatt hour.

BD 16/7/98

(55)

Davis said Eskom's short-run marginal costs were close to its coal costs, which were less than 2c a kilowatt hour. "From Eskom's point of view, HCB has to compete with this and so offer a very low tariff," he said.

In the longer term, when Eskom's total power production capacity was used to the full, new production would be far more expensive than present average costs. "From this point of view, Eskom has a strategic incentive to contract power from HCB at anything less than the existing average cost."

National Electricity Regulator CEO Magate Sekonya said yesterday the agreement would not adversely affect SA's relative position as a low-cost power provider. Another benefit of buying hydro power was that it would help safeguard SA's finite coal reserves while diversifying fuel types and power station types.

Election body gears up

(56)

BD 17/7/98

Linda Ensor

THE Independent Electoral Commission (IEC) was financing itself on the assumption that it would get an additional R465m from government this year to lay the foundation for next year's elections, chairman Judge Johann Kriegler said yesterday.

"We cannot responsibly be recruiting people and engaging in contract negotiations for equipment, accommodation and services if there is not a reasonable expectation of our doing the job," Kriegler said. However, the commission was deferring as much expenditure as possible.

He was confident, from talks with government officials over the past few months, that the commission would get the additional sum required. It received only R500m out of the R965m applied for, even though the cost of voter registration alone — quite apart from operational costs — was estimated at R458m.

Employing about 50 000 short-term field workers and 12 000 supervisors would cost R96m and R130m respectively. Then there was R18m required for backup staff, R12m for equipment and R75m for data scanners.

Kriegler was wary of the IEC accepting foreign assistance directly to fill the financial shortfall. Elections were a matter of critical national concern and "there are not many free meals in the donor community", the judge warned. The state would have to take the political decision on whether the national elections should be funded by foreigners.

Responding to suggestions that the IEC had employed a lot of young staff at very high salaries, Kriegler said salary scales were determined by regulation and in close collaboration with the state expenditure department.

"They were designed as the minimum necessary to perform on a permanent basis the administration of all elections in the country. Far from being replete with highly qualified staff, we are concerned that we are not getting the quality of people we need in key areas of activity such as information technology, accountancy, logistics and law, where we are competing with the private sector."

The IEC, now a permanent institution established under the constitution, has embarked on a recruitment drive to fill about 300 posts nationally.

Regarding special provisions for voting by prisoners, Kriegler said this was for parliament to decide, but he believed they were "pretty low on the entitlement list", at the top of which were the handicapped and the aged.

NUM must take responsibility for Eskom rampage, say ministers

Reneé Grawitzky

THREE cabinet ministers demanded yesterday that the National Union of Mineworkers (NUM) — whose members were involved in burning down a building at Eskom's head office on Wednesday — should take responsibility for their actions.

Public Enterprises Minister Stella Sigcau and Minerals and Energy Minister Penuell Maduna launched a scathing attack against those involved, saying government would not tolerate anarchy and criminal acts. They warned that government would not allow anyone to abuse hard-won rights.

More than 3 000 NUM members went on the rampage at Eskom's head office in Johannesburg to put pressure on management to improve a wage offer of between 8% and 12%, as negotiations were continuing. The action was also seen to be linked to the Eskom Amendment Bill which labour opposed as it believed it was a first step to the privatisation of the parastatal.

Sigcau said: "Gone are the days when people can trash property and get away with it." Maduna said government would use this incident to send a clear message to criminals that such action would not be tolerated. They said those involved should be criminally charged.

The NUM said it did not condone acts of violence by its members. NUM general secretary Gwede Mantashe said workers went on a rampage and such action could not be condoned.

Despite such sentiments, attitudes between the union and management appear to be hardening as the union walked out of a meeting yesterday afternoon. The union said Eskom had suspended negotiations and wanted to use the opportunity to give "us a clear message". Mantashe said "we refused to be subjected to this".

Eskom said it had no option but to seek "justice and compensation" while disciplinary action would be taken against those responsible.

Mantashe said the "issue now is not the payment of compensation but to find a solution to the crisis". He said this was an incident in an 11-year-old relationship and "we need to find innovative ways of finding a solution".

Labour Minister Tito Mboweni appealed to the union to take serious disciplinary measures against those involved while the NUM leadership should take responsibility for its members' actions. Safety and Security Minister Sydney Mufamadi would also be approached to determine whether police responded too late.

(55)

BD 17/7/98

Picture: Page 4

Eskom to claim for damages

(260) (152) 55

Sowetan 17/7/98

ESKOM said yesterday it would seek compensation for damage at the company's Megawatt Park headquarters in Midrand on Wednesday by workers affiliated to the National Union of Mineworkers.

Hundreds of NUM members involved in a wage dispute with Eskom went on the rampage on Wednesday afternoon, smashing the conference centre's windows and setting cars alight.

In a statement following a meeting between Eskom and the NUM yesterday, Eskom spokesman Mr Peter Adams said the company as a public utility had no option but to seek justice and compensation through legal channels.

"A preliminary investigation will be conducted to decide whether to seek compensation from individuals responsible for the destruction of property or the union," said Adams.

He said disciplinary action would be taken against workers, and video footage from security cameras, and eye-witness accounts would be used to identify workers who were involved.

Adams said the incident had damaged the good working relationship between Eskom and the NUM. "The strike was unprocedural and therefore unprotected."

It was particularly disturbing that union shopstewards and officials were unable to intervene when strikers went on the rampage, he said.

Public Enterprises Minister Stella Sigcau and Minerals and Energy Minister Penuell Maduna yesterday condemned the action of NUM members.

Speaking after both had viewed the damage at the Eskom conference centre, Sigcau said a strong message was needed to let the public know that such behaviour would not go unpunished.

"Clearly wanton destruction of national assets cannot be tolerated," she said.

Eskom chairman Mr Reuel Khoza said the union's action had sent a bad message to the international community.

"This intolerable and irresponsible behaviour is not in keeping with the democratic ideals for which South Africans have fought for so long," he said.

The NUM yesterday also condemned the destruction of Eskom's property, blaming it on a small group of agitators.

Eskom was negotiating wage increases and a service gratuity with five trade unions, including NUM, at the time of the protest.

The NUM is seeking a 13 percent across-the-board wage increase for the lowest-paid employee grades and 10 percent for middle grades. Eskom is offering a raise of at least eight percent on both scales. – *Sapa*

Criminal destruction of property follows wage deadlock

State slams NUM for Eskom rampage

(55)

CT (BR) 17/7/98

THABO LESHILO
BUSINESS EDITOR

Johannesburg — Two government ministers called yesterday for the prosecution of members of the National Union of Mineworkers for their violent protest at Eskom's Megawatt Park headquarters in Midrand, outside Johannesburg, on Wednesday. The incident had resulted in the destruction of property worth millions of rands.

Jac Messerschmidt, the acting chief executive of Eskom, said that as a public utility Eskom had no option but to seek justice and compensation from those responsible.

Penuell Maduna, the mineral and energy affairs minister, Stella Sigcau, the public enterprises minister, and Tito Mboweni, the outgoing minister of labour, slammed the behaviour of the NUM members. Maduna and Sigcau called for criminal cases to be filed against them.

The workers rampaged on Wednesday, burning three cars and a building because of the deadlock over this year's wage increase. NUM demands a 13 percent increase, while Eskom is offering 8 percent.

"Clearly, wanton destruction of national assets cannot be tolerated," Sigcau was reported as saying.

She said destruction of property was a crime and should be dealt with as such. "What happened here yesterday (Wednesday) was vandalism, and we take strong exception to such behaviour.

"This is the new South Africa. Gone are the days when people can trash property and get away with it," she said.

Mboweni, holding his last press conference as minister of labour before handing over to Shepherd Mdladlana tomorrow, told reporters that the workers' conduct was unacceptable, given the mechanisms available in the Labour Relations Act to deal with industrial relations issues.

His department had worked hard to have labour issues decriminalised, and unions should also do their bit to ensure criminal activities were kept out of labour matters, he said.

The union condemned the violence committed by members. Gwede Mantashe, the general secretary, said NUM took responsibility for their actions but denied they were criminal.

Mantashe called it "a demonstration which went out of control".

He said the union felt badly about the incident and ensured that its shop stewards stayed behind at Eskom until the last of its members had left the premises.

He would not be drawn on whether the union would pay for the damage, and warned Eskom not to use the incident as an excuse to try and destroy the union. "The worst scenario," he said, "would be for Eskom to try taking the position of the Chamber of Mines (in 1987) to try to wipe out the union.

"Parties must find an innovative way to solve the problem," he said. Workers had come to Eskom to demonstrate in the hope that management would accede to their negotiators' demands, he said.

"The demonstration was directed at putting pressure on Eskom to make a move," he said.

Eskom spokesman Bongani Kumalo said contingency plans had been made should workers at any of the power stations decide to go on strike. He said a court interdict had been served on NUM for violating labour agreements.

Allen Morgan, Eskom's chief executive officer, said: "The fact that services have not been disrupted is proof of the strength of our contingency plans."

FINGER OF FATE *Incoming labour minister Shepherd Mdladlana (left) listens as Tito Mboweni addresses his last media function as labour minister* PHOTO: JOHN WOODROOF

NUM critics 'misdirected'

BY ZOLILE NQAYI

66

THE stalemate in wage negotiations at parastatal Eskom is no closer to a resolution than it was at the beginning of last week.

Last week's violent action by members of the National Union of Mineworkers (NUM), which resulted in the gutting of property at Eskom's head offices at Megawatt Park, seems to have widened the gap between union and management attitudes.

NUM has accused Eskom of suspending negotiations and using the outbreak of violence as an excuse not to negotiate.

"I want to make it clear that we did not walk out of negotiations. On Thursday Eskom told us they have a message to convey and we walked out because we were not there for a lecture about our members but wage negotiations," George Molebatsi, NUM's spokesman said.

Molebatsi said the criticism of the union for not controlling its members was misdirected as it did not attempt to solve the problem, but to apportion blame.

CP 9/7/98

The union and its members came under fire from Tito Mboweni (former labour minister and South African Reserve Bank governor-designate), Ministers Stella Sigcau (Public Enterprises) and Penuell Maduna (Mineral and Energy).

Mboweni appealed to NUM to take corrective action against its members.

He expressed concern that NUM did not follow proper procedures for solving disputes as laid down in the Labour Relations Act.

Molebatsi said that union representatives did not control anyone.

"If workers decide to march they do so. It has always been like that in the ANC, PAC and other movements. Workers have always used the power of their numbers."

NUM had called for reason.

"Instead of looking for scapegoats to denounce we ought to be looking for a way to resolve the impasse," Molebatsi said.

The protest action which turned violent followed after eight regions of NUM embarked on a national strike and marched to Eskom offices where representatives were locked in wage negotiations.

The decision to strike was taken after Eskom had made a final wage increase offer of 8%.

The union is demanding a 13% salary increase across-the-board for the lowest-paid workers and 10% for the range of higher-paid workers to management level.

Meanwhile, Eskom has indicated that it may take action against both the NUM and individuals who destroyed property.

According to Peter Adams of Eskom's communications department, "action will definitely" be taken against individuals involved and possibly the union if there are grounds to take such action.

"We have good video recordings of perpetrators of last week's violence," said Adams.

However, he indicated that Eskom hoped that the wage increments negotiations would be resumed soon.

"We have a number of teams working on the cost of the damages to property; we also have another team looking at ensuring that the wage negotiations with NUM continues.

Tough line with labour may just be expedient

FF (55)

Government's harsh criticism of the Eskom riot last week shows a possible change in its stance towards labour, argues labour reporter Reneé Grawitzky

BD 21/7/98

GOVERNMENT has responded differently to two similar incidents in recent months in which workers went on rampages destroying company property.

When thousands of workers at Saldanha Steel on the west coast embarked on such action earlier this year, government (and management) appeared to be embarrassed by the incident and acted defensively without making any official statements.

During a similar incident last week at Eskom's head office in Johannesburg, government adopted a very different stance and came out with guns blazing.

The vigour with which three cabinet ministers attacked the National Union of Mineworkers (NUM), one of the most loyal supporters of the African National Congress (ANC), was surprising.

Government, of course, has every right and responsibility to condemn violence that erupts during industrial disputes. It has not, however, been consistent in condemning violence and supporting management in the private sector when similar events have occurred. One could well ask whether government would have reacted in the same way if workers had trashed the offices of Anglo American Corporation.

The inconsistency can be attributed partly to the fact that Eskom is a state-owned enterprise although government does have a financial interest in Saldanha.

Hence, under the guise of ownership, government could afford itself the opportunity to criticise labour and visibly side with management in condemnation of workers' actions.

Such moves, however, must be seen within the context of the political dynamics in the tripartite alliance and rising tensions around the Eskom Amendment Bill. The bill will transform Eskom into a tax-paying parastatal and will be incorporated under the Companies Act.

People have long believed that government's allegiance to labour, through the alliance, would protect it from attack.

However as the country moves closer to the next election and the economic crisis continues, government (and the future president) apparently feels compelled to show it has a firm hand on the political, economic and labour arenas. Recent events have shown that government and ANC leaders are trying to bring their alliance partners — the Congress of SA Trade Unions (Cosatu) and the SA Communist Party — into line.

This was evident in the challenge thrown out to Cosatu delegates by Deputy President Thabo Mbeki at a recent central committee meeting. Mbeki challenged delegates to examine their "day to day" behaviour and see whether it represented the "true spirit of the congress movement".

Mbeki's challenge to Cosatu was for alliance partners to be responsible and "ready" to enter into open debate and to accept that each party in the alliance could influence the other.

He said members should not fall victim to the "easy temptation to label one another as this or that school of thought" as this prevented dialogue and debate of new and complex situations facing SA.

This raises the question whether government's condemnation of last week's actions by the NUM was an attempt to discredit the labour movement or signal that open hostility to government would no longer be tolerated.

There could be a simpler explanation — that behaviour encouraged by the ANC during the apartheid years is increasingly being considered inappropriate as the country grapples with service delivery and transformation.

A union source said it was becoming evident that there was an emerging intolerance within government towards so-called "militant trade unionism" with attempts to turn Cosatu into a compliant labour movement.

This might be true but government was not the only party to use the incident to its advantage.

The NUM made it clear prior to the demonstration that industrial action — intended to put pressure on Eskom management to change its wage offer — would be used also in preparation for the planned national action against the bill. The action is due to begin this week.

Cosatu and specifically its affiliates, the NUM and National Union of Metalworkers of SA (Numsa), have strongly opposed the bill arguing, among other things, that it amounts to a first step to privatisation.

A source close to the process said Cosatu, in its submissions on the bill, had highlighted some real concerns which government had not addressed. A further concern, the source said, was why government was trying to push the bill through Parliament so quickly when real concerns existed.

Labour's opposition has led to a series of meetings between alliance partners and the relevant ministers, but to no avail

The NUM leadership, ultimately, will have to bear responsibility for the situation getting out of control at Eskom's headquarters. Was it not a recipe for disaster to bus in 3 000 workers, many of whom had just come off night shift, who sat in the sun for eight hours drinking alcohol? With even the best of intentions, the danger of a messy ending was present, especially after the union leadership addressed workers and presented conflicting messages.

At the same time, Eskom management must take some responsibility for what happened as well. Knowing workers were waiting outside, management requested a caucus, despite the fact that parties had had a two-week break in which to review their positions. This lasted six hours but produced no movement on the issue.

Recent events have shown that alliance members are not invulnerable to attack by government and in this case it seems there was more than a little self-interest at stake. Time will tell whether this was not just a once-off attempt to placate foreign investors who claim government is not doing enough to curb labour's actions.

Two gas-fired power stations to be built in SA

Christof Maletsky

WINDHOEK — Plans for southern Africa's first two gas-fired power stations, at Oranjemund and Cape Town, were announced in Windhoek yesterday.

The gas, from the Kudu field off Namibia, will feed the first station at Oranjemund, with half the power exported to the Western Cape. The second phase of the project is to pipe gas to a new power station in Cape Town and for industrial steel production at Saldanha Bay.

Details were announced in Windhoek by Eckart Meyn, the MD of Shell Exploration and Production Namibia. The first phase is expected to be in operation by 2002 and the second a year or two later.

The gas-fired power plants might deal a fatal blow to the plan by the Angolan and Namibian governments for a hydro-electric plant at Epupa in the Kunene region of northern Namibia. The environmentally controversial scheme, if approved, would be ready only a few years after the Kudu developments.

Shell's commercial manager, Martin Solomon, said phase one of the project would encompass development of offshore facilities and a pipeline to Oranjemund, representing a capital investment of about R2,3bn.

The capital investment required for the 750MW power plant, including its associated power transmission connection to the existing Namibian system, is estimated at R3bn. Meyn said the gas supply infrastructure would be financed by a partnership of Shell (75%), Texaco (15%) and Energy Africa (10%).

He said the power station would be financed through a combination of loans covering 75% of total investment cost. The balance of 25% would be provided by the Kudu Power Plant partnership of NamPower, Shell and its upstream partners, National Power and Eskom.

Solomon said that so far exploration results supported confidence that there was much more gas in the Kudu licence area, 170km off the Namibian coast and they were planning to start a second drilling campaign next month.

Shell will make also an estimated investment in phase two which includes R3bn for offshore infrastructure, R2,4bn

(56) BD 22/7/98

for an overland pipeline to the Western Cape and R3,6bn for the power station in Cape Town.

Phase two is planned to be in production towards the end of 2003 or early 2004 and represents significant benefits for Namibia and SA, Solomon said. He described the planned Western Cape development as "particularly exciting ... attractive" because there was no strong primary fuel supply in that part of SA.

Meyn said they had based their decision on "the stated political future of energy" in SA.

Sasol chief defends AECI takeover bid

NCABA HLOPHE ET (BR) 22/7/98

Johannesburg — Pieter Cox, the managing director of Sasol, yesterday defended the R4,6 billion takeover bid of AECI as a positive move to boost South Africa's foray into international markets.

He said the proposed Sasol acquisition should be viewed in the "national interest" because it would create a strong chemicals group with adequate economies of scale to compete with the best in the world.

"Checks and balances are in place to make sure that we do not abuse our position.

" The markets are the first significant check, and the new Competition Bill will entitle government to regulate and intervene when we are seen to be abusing our position," he said.

The deal would give Sasol a dominant position in the fertiliser and explosives industry. It has sparked off concerns on its implications for competition.

The Competition Board has already begun a formal investigation after submissions from the mining, agriculture and chemical industries.

The investigation will take at least three months. Analysts have said the Competition Board could block the deal completely or stipulate conditions.

Cox said Sasol would pull out of the deal if the board attached "onerous conditions" that would affect the value of the acquisition to its shareholder.

AECI has indicated it was already talking to foreign companies about selling its equity stakes should the deal fail.

ENERGY *Demoralised industry strives to define its role in post-apartheid SA*

Atomic Energy Corporation agrees it should be split in two

(5h)

CT (BR) 22/7/98

Lynda Loxton
Parliamentary Correspondent

Cape Town — The Atomic Energy Corporation should be divided into two separate organisations within the next year or two, with the commercial technology side being privatised, a parliamentary committee heard yesterday.

This suggestion was made by several speakers during the first day of the portfolio committee on minerals and energy's hearings this week on the energy white paper. Waldo Stumpf, the chief executive officer of the AEC, supported the suggestion.

He welcomed the release of the white paper and said he hoped this would lead to greater certainty for the nuclear fuel industry, which had been demoralised by its virtual dismantling now that it was no longer needed for strategic and military reasons.

He said significant progress had already been made in restructuring the corporation to meet post-apartheid needs and to ensure it contributed to South Africa.

Any further restructuring of the corporation had to take into account its inherited liabilities. These included its state-guaranteed loans, its decontamination and decommissioning role, and the "extraordinary skewed ratio of pensioners to serving staff" because of retrenchments.

NEW LIGHT *Waldo Stumpf, the chief executive officer of the AEC, reports good progress in restructuring the corporation* PHOTO: NEIL SPENCE

Stumpf said the corporation was working closely with Eskom on plans to increase the country's nuclear energy capacity through the construction of mini power stations, or pebble-bed modular reactors.

Tony Stott, Eskom's manager in charge of nuclear operations, told the committee that a final decision on the building of mini-nuclear power stations to meet future energy needs was still a year away.

He said the concept stage for the pebble-bed modular reactors had been completed as part of Eskom's integrated electricity planning process.

"It looks promising, so we have decided to take it forward," he said.

The next phase would be to undertake the technical design and apply for the necessary licences from the Council for Nuclear Safety and the National Electricity Regulator.

An environmental impact assessment, with full public participation, would also have to be undertaken. Eskom was also looking for foreign investment partners.

He denied reports that Eskom had already received the licences from the government. Gordon Sibiya, the deputy director-general in charge of energy, said Eskom should publicly deny the reports because his office had been "inundated with sometimes positive comments — like one foreign company that wanted to invest in this thing that is still on paper".

Stumpf said the pebble-bed modular reactor was "very promising technology", but would only be introduced if it was commercially viable.

Koeberg 'waste crisis' fear

ARG 22/7/98

Eskom denies storage space running out

(54)

ED WEST
DEPUTY BUSINESS EDITOR

Koeberg is running out of space to store high-radiation nuclear waste and immediate action is needed, an environmental group has charged.

Earthlife Africa was addressing a public meeting held by a parliamentary portfolio committee on the draft white paper on energy policy yesterday.

But Eskom says there is no crisis.

Earthlife Africa spokeswoman Katy Watermeler told the committee the group had received information that the ponds at Koeberg where high-level nuclear waste was stored would be full by August, and that there was currently no other site where this material could be stored.

The Vaalputs nuclear dump site in the Northern Cape was licensed to accept only low-radiation waste. "There is an impending crisis at Koeberg," she said.

The organisation had been alerted to the problem through court papers.

Eskom nuclear power spokesman Tony Stott said there was no impending crisis.

One of Koeberg's nuclear reactors had enough storage capacity until the end of the year, with additional storage space now being put in place, while the other reactor still had enough space to store spent nuclear fuel for a number of years.

A licence for additional storage capacity was being sought from the Nuclear Safety Council, he said.

Earthlife Africa also expressed concern about possible effects on workers and communities during the transport of nuclear waste to the Vaalputs site.

"The urgency is now ... there is technology being placed on the table that is not safe and has already been banned by the German government," said Earthlife Africa spokesman David Chown.

Both environmental agencies at the meeting, Earthlife Africa and the Environmental Monitoring Group, slammed lack of consultation with the public in the formulation of the draft white paper.

Sparks fly in electricity debate

~~(122)~~ (57) BD 23/7/98

Linda Ensor

CAPE TOWN — Business and labour clashed in Parliament yesterday over government proposals to restructure the electricity industry, with the Congress of South African Trade Unions (Cosatu) emphasising job protection and mass electrification while business highlighted the need to reduce tariffs and heighten competition.

At issue was the balance between social and economic imperatives and within this, the appropriate determination of tariff structures.

Cosatu came out forcefully against privatisation and deregulation, while National Union of Metalworkers of SA organiser Steven Nhlapo said: "No private sector participation in the industry must be allowed."

Instead of Eskom's aim being the creation of a competitive electricity market, as proposed by government's energy policy white paper, its role should be to provide universal access to affordable electricity.

The Chamber of Mines, Sasol and the Afrikaanse Handelsinstituut (AHI) supported the industry's restructuring, even if this meant job losses.

Eskom and the University of Cape Town's Energy and Development Research Centre, however, did not believe that the achievement of competition should be the primary goal of the exercise.

"Competition should be regarded as a means to achieving stated policy objectives," Eskom argued.

In its submission the centre also noted that the introduction of competition was likely to lead to upward pressure on prices, at least in the medium term.

"To create a 'level playing field' Eskom or its successors would have to earn a market related return on equity, which would lead to medium-term price increases. We would like to see competition viewed as a means to an end, rather than an end in itself."

Cosatu and big business also came to loggerheads about tariff structures, with Nhlapo supporting cross subsidisation and rejecting cost-reflective tariffs which would hit the poor hardest and result in job losses. Cosatu also rejected the proposal that large industrial consumers be allowed to purchase electricity directly from Eskom.

The Chamber of Mines, the AHI and Sasol, however, opposed cross subsidisation in favour of cost-reflective tariffs based solely on the cost involved in the generation, transmission and distribution of electricity. They were also against the imposition of a municipal tax on industrial electricity consumers. Eskom did not believe cost reflective tariffs were appropriate in a competitive environment as the market would determine the price to be paid.

Cosatu urged a change in ownership patterns within the energy sector, not to enrich a few blacks but to promote democratic control through the state.

Power station project hinges on govt

Samantha Sharpe (55)

BD 23/7/98

CAPE TOWN — Plans for the development of a N$3,5bn gas-fired power station in Cape Town would hinge largely on the SA government's acceptance and co-operation in this regard, Eckart Meyn, Shell Exploration & Production Namibia MD, said yesterday.

The firm outlined plans earlier this week for development of the second phase of the Kudu gas field offshore Namibia, comprising the building of 1 000MW gas-fired power station in Cape Town in a bid to capture the Western Cape market.

Phase one of the project focused on development of the Namibian market and included a planned 750MW power station near Oranjemund. Meyn said while the group felt very confident about the field's second phase development, the gas-fired plant for Cape Town would depend on government's acceptance of the project.

It was thus difficult to put a timetable to the proposed plant.

The total capital investment in the second phase development of the Kudu gas fields was about N$9bn, of which the gas-fired plant comprised about 25%, he said.

Avoid energy disaster

The recent public hearings on the future of the electricity sector is aimed at realising proper management of the energy industry, explains **Dumisa Ntuli.**

(55) Sowetan 23/7/98

Yesterday the Portfolio Committee on Minerals and Energy hosted public hearings on the future of the electricity sector.

This is part of a broader programme to canvass public opinion on the Energy White Paper released by the Government in May.

The hearings, which started on Tuesday, have not captured news headlines in the same way as last week's events, when Eskom's property was damaged by trade union members.

But, as the union movement, we see the process of the hearings and White Paper on Energy Policy as important.

Our acknowledgement of the importance of the hearings is not motivated by the fact that we have members in the sector, but by a broader recognition of the role of the energy sector in industry, households and the national transport system.

We are also conscious of the fact that if not managed properly and efficiently, the energy sector can prove disastrous for society and the environment.

Of particular concern is the White Paper's proposals on the electricity sector. Not acceptable is the view that the Government would embark on measures "to support gradual steps towards a competitive electricity market".

A key step in this regard is splitting Eskom into two companies – one that transmits electricity and one that generates electricity.

Also proposed, in line with the principle of allowing market forces to operate within the sector, is the separation of power stations into a number of competing companies, the establishment of five independent regional distributors and transmission companies and the use of the Companies Act in the electricity supply industries for purposes of dividends and tax payments.

Also unacceptable to us is the proposal that large industrial consumers be allowed to purchase electricity directly from Eskom.

We believe that these proposals have the potential to undermine some central objectives of the White Paper. This includes a progressive realisation of universal household access to electricity. It also has the potential to change the country's status as one of the cheapest producers of electricity.

Allowing industrial consumers to purchase directly from Eskom, for example, will reduce revenues of distributors. And that will undermine the campaign to reduce the price of electricity for domestic consumers.

Proposals in the White Paper which recommend that Eskom pay taxes like any other private enterprise can, over time, result in higher electricity costs.

It has been labour's position that a decision to have Eskom pay tax and dividends must await a thorough investigation of the possible effects on the electrification programme, electricity prices and general tariff levels.

> **"Our position on public ownership of the industry does not imply that we are oblivious of the need to deal with problems of inefficiency"**

Labour's proposal is that the whole electricity supply industry should be governed by a single structure and be subject to public sector ownership and control.

The private sector may take part through financial investment instruments such as Eskom bonds. This is the only way to ensure that the electrification targets are met and the objectives in the Reconstruction and Development Programme (RDP) are realised.

Our position on public ownership of the industry does not imply that we are oblivious of the need to restructure the industry and deal with problems of inefficiency.

Two public utilities

We believe the industry should be restructured into two public utilities established in terms of special acts of Parliament. Eskom would remain responsible for all generation and transmission.

But a National Distributor should be established to consolidate all electricity distribution. This distributor would have the power to set up regional and district distributors of electricity to ensure efficient distribution.

Local government structures will be represented in the regional and local distribution structures.

Eskom must remain responsible for providing future expansion of capacity and maintaining cheap electricity supply at its lowest possible cost. That, however, raises the thorny question of funding.

As far as we are concerned, the electricity supply industry must be self-funded. Retained profits and capital raised on the money market through Eskom bonds and government bonds should be used.

Labour supports the proposal in the Energy White Paper to introduce "cost reflective tariffs" in line with the principle of self-funding.

But we disagree with the White Paper's proposal that the Minister of Minerals and Energy and the Minister of Finance will together "establish rolling five-year national electrification targets on an annual basis".

The targets must not be left to the Ministers, but be subject to negotiation by all stakeholders.

As labour we also propose that a special lifeline domestic tariff be introduced for the poor. There must be a transparent cross-subsidisation for the rural poor too.

It is only in this way that we can ensure that the dream of connecting up every household will be realised and that Eskom as a publicly owned utility can be defended.

The White Paper is also full of references to black economic empowerment. The problem is that this is not adequately elaborated or defined in the document.

Clearly no one can deny the need to deal with ownership patterns within the energy sector. The ownership by whites and multinational companies must be dealt with.

But our experience has taught us that for empowerment to be real, initiatives aimed at dealing with ownership patterns within the energy sector must be mass-based.

The Congress of South African Trade Unions (Cosatu) is opposed to the enrichment of a few blacks in the name of "black economic empowerment". We also feel that public ownership under democratic control is the best form of ownership.

As a strategic sector, energy needs the participation of all stakeholders in policy formulation. This is what the RDP said when it raised the idea of an Energy Policy Council.

It is our view that this idea has been watered down in the White Paper by proposing the establishment of a National Energy Policy Advisory Board. Needed in the industry is not a toy telephone, but a body to negotiate energy policy.

Cosatu feels that we should revert to the idea in the RDP Base Document of an Energy Policy Council. This should fall under the auspices of the National Economic, Development and Labour Council.

In terms of our conception, any policy change within the energy sector will have to be brought to this forum for discussion.

(The writer is information officer of the National Union of Metalworkers of South Africa.)

Eskom opposes planned unbundling

CT(BR) 23/7/98 (56)

LYNDA LOXTON

Cape Town — Eskom, the state-owned electricity utility, yesterday strongly opposed the planned unbundling of its generation units to increase competition in the electricity sector.

Reuel Khoza, the chairman, and Allen Morgan, the chief executive, told the portfolio committee on minerals and energy that unnecessary unbundling would weaken Eskom's balance sheet, damage its credit rating with international institutions and affect its ability to be a driving force in the planned African renaissance.

Khoza criticised the energy white paper released earlier this year by the minerals and energy department for dwelling on detailed operational strategies to achieve cheaper electricity rather than focusing on the kinds of policies the government wanted in place.

"Eskom is currently performing near optimum in respect of our financial and technical performance, as well as acting as a catalyst for economic development," said Khoza.

"As such, any policy should not compromise this performance but rather enhance it. The assets of Eskom must be retained intact."

Khoza urged the government to "be circumspect by avoiding fragmentation of generation in the name of unbundling".

Morgan said he was not opposed to the phased introduction of greater competition, but was against breaking down Eskom's strengths.

NEWS

NUM, Numsa march in Pretoria today

Eskom protest at Union Buildings

(97) (Ab0) ET (AR) 24/7/98 C

THABO LESHILO

Johannesburg — The week-long protest by the National Union of Mineworkers (NUM) and the National Union of Metalworkers of South Africa (Numsa) against the privatisation of Eskom is to culminate in a march by thousands of union members at the Union Buildings in Pretoria today.

NUM and Numsa, the country's biggest trade unions, said thousands of their supporters would protest at the seat of the government in a bid to stop the state from corporatising Eskom.

The two unions, supported by the Congress of South African Trade Unions, their federation, said turning the utility into a private company would jeopardise its mass electrification obligations in terms of the reconstruction and development programme (RDP).

The Eskom Amendment Bill, which requires Eskom to pay dividends and taxes to the government, was passed by the parliamentary committee last month, paving the way for its passage to law.

"When Eskom becomes a private company with shareholders, under the Companies Act of 1973, it will be a step towards its privatisation," said George Molebatsi, NUM's spokesman.

"Eskom is number one in terms of RDP delivery ... Its ownership should stay in the hands of the state. A private company does not work for the upliftment of the community," Molebatsi added.

Stella Sigcau, the minister of public enterprises, denies the mass electrification programme is in danger because of the change to Eskom's status.

Since Monday, the two unions have been holding lunchtime demonstrations and handing out memorandums of their complaints at the offices of the ministries of public enterprises and of minerals and energy.

Dumisa Ntuli, Numsa's spokesman, said labour also opposed changes envisaged in the government's white paper on energy to turn Eskom into two companies, for transmission and generation.

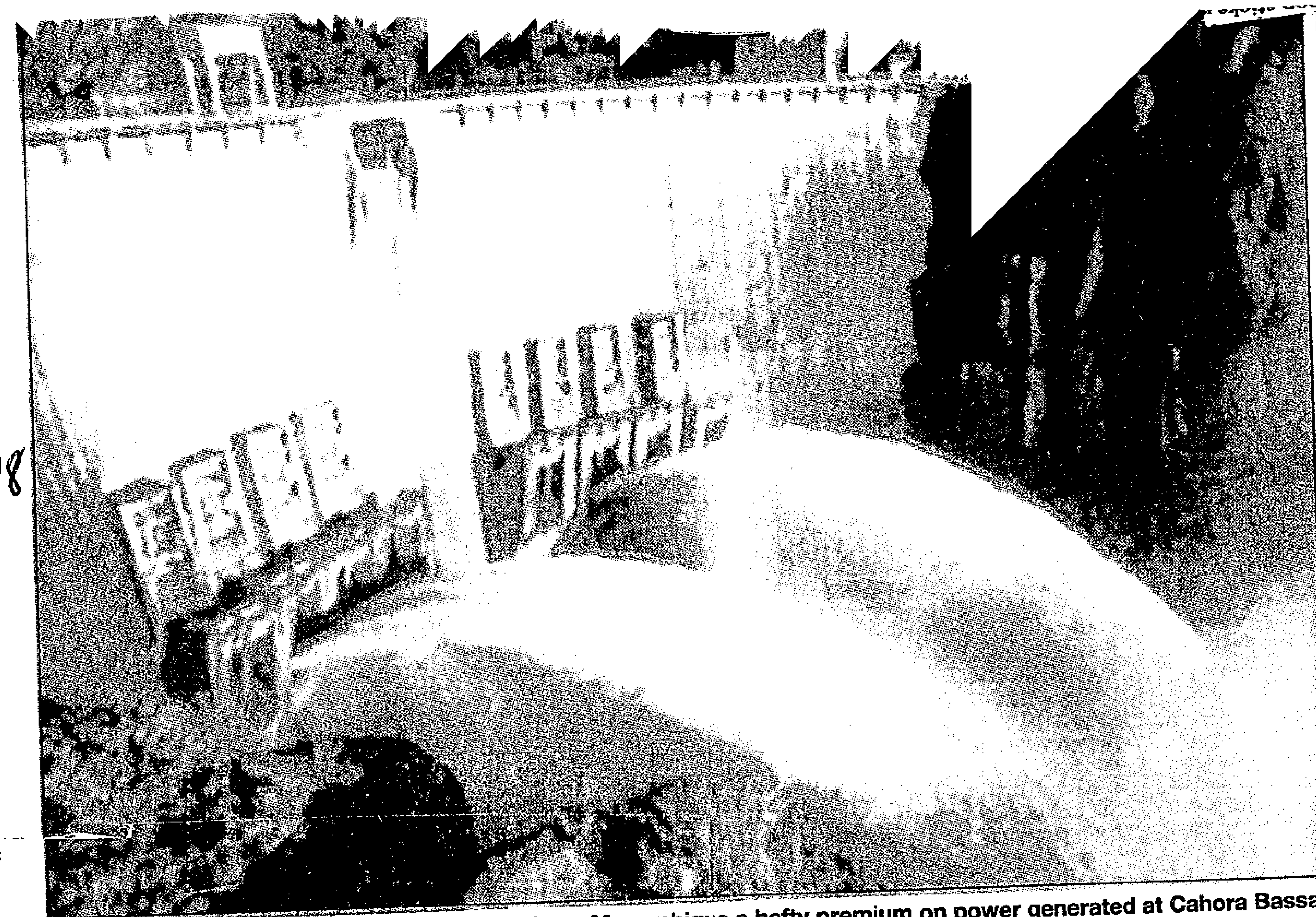
Eskom's management also opposes the planned unbundling of its generation units to increase competition in the sector. This week, the utility said the move would weaken its balance sheet and hurt its international credit rating and ability to contribute to the development of the continent.

SA to pay 60% more for Cahora electricity

ST(MT) 26/7/98

(11)

Power agreement is based on more than economic and commercial reasons, writes SHERILEE BRIDGE



FOUNTAIN OF PLENTY . . . South Africa will pay Mozambique a hefty premium on power generated at Cahora Bassa

SOUTH Africa has agreed to pay about 60% more to import power from Mozambique than it costs to produce energy locally.

The new agreement with Mozambique and Portugal, in terms of which Eskom will pay 4c a kilowatt hour from next year, will see South African taxpayers paying for the Cahora Bassa project's $3.2-billion debt burden, economists said this week.

Under the agreement, Eskom will pay 3c a kw/h for Cahora Bassa power from the start of flow next month until the end of the year.

Anna Zoppo of the permanent joint committee on Cahora Bassa said the agreement was driven not only by commercial and economic reasons, but was a "very political scenario involving the relationships of the three countries".

The agreement followed a lengthy dispute fuelled by Eskom's continued refusal to give in to the project owner's pressure to pay substantially more than the 2c it had agreed to pay for the power in 1988.

Hydroelectrica de Cahora Bassa (HCB), the dam and station operating company, had insisted on 4c.

"The agreement, although representing a compromise, is not set in stone since it is still subject to the approval of the Minister of Minerals and Energy and the Electricity Council. Without these approvals we can expect to go straight back to the negotiating table," said Zoppo.

Resistance is expected from the Electricity Council, which could cling to the original 2c a kw/h offer, she said.

The deal has also been frowned upon by economists and industry watchdogs, who felt it made no sense for Eskom, the world's second cheapest electricity producer, to pay an external source more than the average 2.5c a kw/h it costs to produce power locally.

Eskom also has an estimated 5 000Mw surplus of electricity, more than double that of Cahora Bassa's total 2 000 Mw output, and enough energy to meet the country's demands to 2 007.

Operating costs of the hydroelectric power station were high at $10-million a month compared with the R15-million needed to run SA's Drakensberg hydroelectric operation, which has a 1 000Mw capacity.

Eskom is the only major buyer of Cahora Bassa power, contracted by a 35-year take-or-pay contract to buy 1 400Mw of which 500Mw would be forwarded to Zimbabwe.

Mozambique's electricity utility, Electricide de Mocambique, is expected to buy the balance.

The Cahora Bassa project was started when Mozambique, which now holds an 18% stake in the venture, was a Portuguese colony. Most of the debt burden rests on Portugal as an 82% shareholder.

Eskom, which claims it is being held to secrecy agreements and cannot divulge the price it will pay HCB, defended the deal, saying it is thinking of a longer-term vision.

It sees the exchange of energy as one of the main reasons for expanding the transmission grid into southern Africa, and says it will ultimately aid regional development, particularly that of Mozambique, which is expected to become home to major capital-intensive projects.

Magate Sekonya, chief executive officer of the National Electricity Regulator, said the agreement should not adversely affect South Africa's position as a low-cost electricity producer.

The implications for the electricity market and regional co-operation were good and the deal could serve as a reference price for future southern Africa deals.

Eskom said on Friday it had also just signed a contract to buy power from Zambian electricity utility Zesco for an undisclosed price.

Cosatu revs up on fuel deregulation

UP TO 80 000 jobs could be lost if government goes ahead with the deregulation of the energy industry as proposed in the draft white paper on energy, according to the Congress of SA Trade Unions.

Cosatu told the parliamentary portfolio committee on minerals and energy on Friday that the planned phasing out of the Rationalisation Plan and the introduction of self-service could lead to major job losses and create obstacles to entry for black business.

EMPLOYMENT FEARS

By THABO KOBOKOANE

The paper, released in June, proposed complete deregulation of the liquid fuels industry, including the phasing out of price controls and industry margins in three to five years.

The document also proposed the termination of Mossgas and Sasol subsidies by next year.

In its submission to the committee, the SA Petroleum Industry Association said it was concerned about the lack of time frames on deregulation and the absence of detail on government thinking regarding black economic empowerment.

Colin McClelland, director of Sapia, said there was no indication of the nature of the measures that could further black empowerment.

"We need to know what actions the new government will take to further its national strategic objectives of black economic empowerment and reconstruction and development," said McClelland. The state should use the subsidies that Sasol enjoyed to enhance black business entry into the oil industry, he said.

The African Mineral and Energy Forum said the planned phase-in period of three years suggested in the paper was too short to facilitate the effective entry of black economic empowerment.

It said deregulation should commence only after certain targets were met, such as a 20% minimum market share for black oil companies.

ST (BT) 26/7/98

Energy sector divided over white paper

BD 27/7/98

Linda Ensor

CAPE TOWN — A quagmire of conflicting interests from petrol retailers, labour, the oil industry, emerging oil companies and Sasol was brought into focus during a parliamentary hearing on the draft energy white paper last week.

There was broad consensus, however, that any deregulation of the industry should be phased in to allow industry players to adjust to market forces.

The Congress of SA Trade Unions is against any form of deregulation. It believes that the withdrawal of state intervention will leave business to pursue profits and hinder social and development goals such as job creation.

The proposal to introduce market forces in the pricing of products was "arbitrary and dangerous", Cosatu argued, as it could lead to job losses, the emergence of monopolies which would keep out new entrants and an immediate increase in the price of petrol.

The Fuel Retailers' Association argued for the retention of protection to ensure the survival of retailers and to prevent their domination by big oil corporations. A completely free market was not achievable, it suggested, as this would merely open the way for the oil companies.

Retail price maintenance must be retained, at least until the restructuring process and the service station rationalisation plan was completed.

Sasol supported minimum intervention and a free market, but insisted that the regulatory system be maintained while the playing fields were levelled between synfuels and the crude oil refining sector.

Sasol argued that its protection by government continue until June 2000 and proposed that import duties be imposed on crude oil and liquid fuels as an alternative way of achieving quantitative import control, which was compatible with World Trade Organisation rules.

However the SA Petroleum Industry Association called for an early termination of Sasol's "immoral" subsidies and was "adamantly opposed" to the imposition of an import duty on crude oil. Association executive director Colin McClelland said this would raise the cost structure of the industry. He called for clarity on the way forward as oil companies and prospective investors needed to know how margins would be regulated during any remaining period of regulation.

The African Mineral and Energy Forum complained that the draft white paper did not establish black economic empowerment as a priority in the restructuring of the oil industry. It wanted a longer phase in period, with deregulation only being initiated when black business held at least 20% of the market share.

The Chamber of Mines welcomed the intention to introduce a tax differential between petrol and diesel but objected to the high level of taxes imposed.

Cheap crude may impel an 8c/l oil increase

Sasol raises hackles on fuel price

(56)

CT (MR) 29/7/98.

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — Sasol, the listed synthetic fuel company, came under fire in parliament as concerns grew that the fuel price might have to be increased by a further 8c a litre to fund the state subsidies it enjoys.

This would be over and above the 10c rise expected next month because of the weak rand.

During the last day of their hearings on the energy white paper on Friday, several members of the portfolio committee on minerals and energy strongly objected to statements by Ernst Oberholster, Sasol's refining and planning manager.

Oberholster said that if crude oil prices hit $9 or $10 a barrel by the time the subsidies were up for review in 2000, the government would either have to continue paying the subsidies "or close down Sasol and count the cost to the economy".

He confirmed calculations made earlier by Colin McClelland, the director of the South African Petroleum Industry Association, that the equalisation fund levy would have to be increased by 8c a litre soon.

He said the current levy of 0,5c a litre was "not enough to fund the protection required today at these extremely low crude oil prices (of around $12 a barrel). So we would require the equalisation fund (levy) to increase by 8c a litre in the future to enable it to fund the protection to Sasol."

Committee members said Sasol, which received R500 million in subsidies (synfuel protection) last year, could operate more efficiently so that it did not need subsidies no matter what the oil price was.

Sasol used to get synfuel protection as soon as the oil price dropped below $23 a barrel, but this has gradually been reduced to the current $17 and is due to go down to $16 in July next year.

The white paper made conflicting statements about what would happen after that, but Oberholster said the minerals and energy department had confirmed that the price where protection takes effect would only be reviewed in July 2000.

Meanwhile, Petronet, Sasol and the oil industry hammered out an agreement last week to cut the cost of jet fuel at Johannesburg International Airport by 3c a litre.

Charl Moller, the chief executive of Petronet, told the portfolio committee on minerals and energy that the cost of the cut, which went into effect yesterday, would be borne equally by the three parties.

It would mean a saving of R36 million a year by the South African airline industry alone, although it would apply to all airlines using the airport. The high cost of jet fuel at the airport has been raising hackles in the airline industry, with many applying in vain for permission to import their own fuel.

Moller said the cut had been made possible by applying a pipeline tariff to the jet fuel sold at the airport instead of a tariff based on railing fuel to Johannesburg from Durban, as had happened in the past. In a presentation to the committee Shell recently took a lead in objecting to this method of pricing the fuel.

Real power is economic

Petrol firms hoard supplies for strike

THE fuel industry has been stockpiling supplies in anticipation of a strike next week by chemical workers demanding a wage increase, Fanie Herbst, negotiator for the employers, said yesterday.

This followed Friday's announcement by the Chemical and Industrial Workers Union (CIWU) that workers would protest on tomorrow.

If their demands were not met, at least 40 000 chemical workers would strike from next Monday.

"As a contingency, plants have been stockpiling and reorganising their plant processes, making it possible to continue with the remaining workers," Herbst said.

Shell spokeswoman Koosum Kalyan said the company did not expect any problems but as a contingency would make sure its customers received fuel supplies before mid-week.

Beverley Benjamin, manager of the Engen garage on Durban's Esplanade, said she topped up her supplies when she heard about the protest.

Normal trade

By yesterday afternoon filling stations were reporting normal trade.

CIWU general secretary Nelson Mthombeni said yesterday that the union planned marches tomorrow and a memorandum would be handed over to employers asking them to agree to the union's demand for a 10,5 percent across-the-board wage hike.

Employers are offering between 6,5 and eight percent.

Herbst said the employers would wait until they had received the memorandum tomorrow before considering the workers' demands again.

"We don't know yet if they will come with new demands. We will see if we can resolve it before Monday," he said.

The industries affected include manufacturers of industrial chemicals and glassware, fast-moving consumer goods such as detergents, soaps and cosmetics, industrial rubber, plastic converters and pharmaceuticals.

Salary negotiations between the affected industries and their unions started in May.

After arbitration with the Commission for Conciliation Mediation and Arbitration, a deadlock was declared on July 10. – *Sapa.*

Eskom strike averted at 11th hour

CT (BR) 28/7/98 (66)

Frank Nxumalo
LABOUR EDITOR

Johannesburg — A last-minute deal brokered on Sunday night between the government and Cosatu had led to the cancellation of a planned stayaway by more than 19 000 Eskom workers allied to the National Union of Mineworkers (NUM) and the National Union of Metalworkers (Numsa) yesterday to protest against the Eskom amendment bill, the unions said yesterday.

Mbuyiselo Ngwenda, Numsa's general secretary, said that as a result of the deal, public enterprises minister Stella Sigcau would "run with Cosatu amendment proposals to the National Council of Provinces" (NCOP) for debate in September, while "in between there will be (ANC-Cosatu-SACP) alliance discussions on the issue".

The amendment bill seeks the corporatisation of the electricity supplier under the Companies Act. It has already been approved by the National Assembly.

Stephen Nhlapo, Numsa's energy sector co-ordinator, said Cosatu proposals would focus on the legal form of ownership, which in turn was linked to whether Eskom would pay dividends to shareholders and tax.

Whether the alliance discussions will lead to the reversal of the government's proposed form of legal ownership will only be known after the debate in the NCOP.

Ngwenda conceded: "As labour we have no control over government action and can only engage it, using the law to embark on strikes, stayaways and mass action."

Douglas McClure, the department of public enterprises director of parliamentary affairs, confirmed that an agreement had been reached that would "allow discussions between government and labour on issues of mutual interest, the results of which will be discussed by Cabinet".

McClure said the tabling of the bill before the NCOP had been provisionally set for August 19, with discussions set for September 7 to 11.

Cosatu argues that the corporatisation of Eskom under the Companies Act would loosen the grip of the state as the owner and put the price of electricity beyond the reach of the poor.

Meanwhile, Nhlapo said Numsa and the NUM had deadlocked with Eskom over wage increases, with only 0,5 percent separating the parties.

Fuel industry stockpiles for strike

CT 28/7/98 (55)

JOHANNESBURG: The fuel industry has been stockpiling supplies in anticipation of a strike this week by chemical workers demanding higher wages, employers' negotiator Fanie Herbst said yesterday.

On Friday the Chemical and Industrial Workers' Union announced that workers would protest tomorrow.

If their demands were not met, about 40 000 chemical workers would strike from next Monday.

Herbst said: "As a contingency, plants have been stockpiling and reorganising their plant processes, making it possible to continue with the remaining workers."

Shell spokesperson Koosum Kalyan said the company did not expect any problems tomorrow, but would make sure its customers received fuel supplies before then.

The union's general secretary Nelson Mthombeni said the union planned countrywide marches for tomorrow and that a memorandum would be handed to employers calling on them to accede to the union's demand for a 10,5% across-the-board wage increase.

Employers are offering between 6,5 and 8%.

"If this is rejected, there will be a full-blown strike on Monday," Mthombeni said.

Herbst said the employers would wait until they had received the memorandum tomorrow, and would then re-consider the workers' demands.

"We don't know yet if they will come with new demands. We will see if we can resolve it before Monday."

The industries affected included manufacturers of industrial chemicals, fast moving consumer goods that include detergents, soaps and cosmetics, industrial rubber, plastic converters, pharmaceuticals and glassware manufacturers. — Sapa

DP accused of distorting facts

(55) ([illegible]) BD 29/7/98

Deborah Fine

THE African National Congress (ANC) in the Johannesburg metropolitan council has accused the Democratic Party (DP) of "deliberately distorting the facts" about the city's electricity services.

Council deputy chairman Kenny Fihla was responding yesterday to claims by the DP that R50m could have been saved for ratepayers if the city's local authorities had opted to buy electricity from Eskom for redistribution to residents rather than generating it themselves via old and less efficient municipal power stations.

DP councillor Mike Moriarty said that it cost the municipality 15,9c per kilowatt-hour to generate electricity, while electricity could have been purchased from Eskom for 14,9c per kilowatt-hour or even lower at 12,75c per kilowatt-hour if the council had entered into an electricity supply agreement for all the city's power requirements.

Fihla said yesterday that Eskom had a surplus power generation capacity.

In order to prevent this electricity surplus from being wasted, local authorities with their own power stations were offered electricity by Eskom at lower rates in order to secure municipal purchases.

If municipalities did not have their own power stations with which to compete against Eskom, the parastatal would probably charge far more expensive rates, he said.

He also pointed out that Johannesburg residents who received electricity from the council paid less for the service than residents in Sandton and Soweto who purchased electricity directly from Eskom.

Oil group Engen fuels African drive

BD 29/7/98 (55)

Samantha Sharpe

CAPE TOWN — Oil group Engen has extended its African operations into the Democratic of Congo, Rwanda and Burundi through a series of deals with Brussels-based oil company PetroFina and British Petroleum (BP).

The move is in line with Engen's strategy to increase its market presence in sub-Saharan Africa and comes after the acquisition of a major oil storage terminal in Dar es Salaam and satellite depots in Isaka and Kigoma.

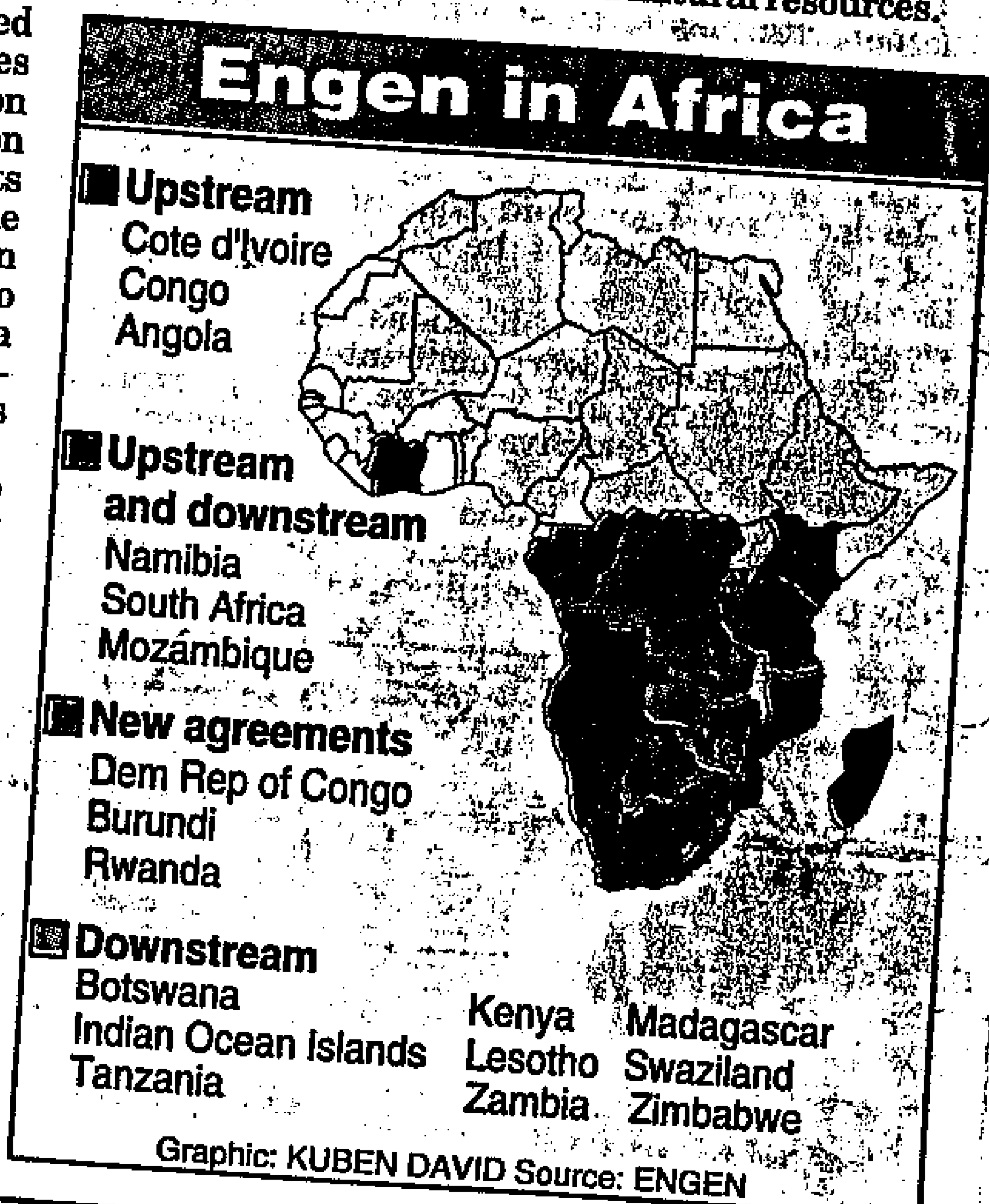
Engen CEO Rob Angel said yesterday the first of the deals was a joint venture with PetroFina in Congo, which included a marketing and sales network, distribution and land transportation assets, storage depots and a twin pipeline stretching more than 350km from Ango-Ango to Kinshasa. PetroFina would retain operatorship and the products would be co-branded.

The group had also acquired the marketing and distribution activities of PetroFina and BP in Rwanda and Burundi where the two had previously operated as partners. Engen would assume both operatorship and management of the operations under the Engen brand.

Declining to put a rand amount to Engen's investment, Angel said the venture would give the group an approximate 30% market share in Congo and Burundi and a 25% market share in Rwanda. It would add 15c to earnings a share this financial year (5% to 6%) representing a R27m earnings contribution on a net basis.

Angel said Engen's performance for the six months to August was expected to be "significantly" better than the first half when earnings rose 34,4% to 121c a share, following improved refining margins, tight cost controls and the benefits of the weaker rand.

He said the countries in which Engen had invested were of particular strategic importance because of their vast mineral and natural resources.



Graphic: KUBEN DAVID Source: ENGEN

Mossgas CEO requests R2,4bn more for exploration of new oil field

BD 30/7/98 (55)

Linda Ensor

CAPE TOWN — Mossgas CEO David Day made an impassioned plea in Parliament yesterday for an additional R2,4bn investment to enable the fuel-from-gas producer to explore a new oil field in the Bredasdorp Basin.

The application for approval for the investment is being considered by government and the parliamentary committee on minerals and energy.

Day said the EM field in the Bredasdorp Basin not only had confirmed reserves that would last for five years, but there was a possibility of additional reserves of 14 years. There could also be more gas as Soekor and international companies estimated that there were 30 years worth of recoverable reserves in the basin, he said.

Surrounding fields could be tapped at a reasonable cost once the EM field was developed. Every additional year of production meant R500m profit for Mossgas, even at the present low oil prices, Day said.

Assuming the best possible oil prices, the project could provide Mossgas with a total revenue of R10bn, a net profit of R5,6bn, save foreign exchange of R7,1bn for crude oil and R13bn for imported refined products.

A production and exploration plan for the EM field should be finalised by September. Once given the go-ahead, the exploration would last from October to December with the first phase of drilling from February to August 1999 and the second from July to December 2000, when it should be known whether it had a 20-year lifespan.

Day said the money for the project would be raised through foreign government-guaranteed loans to ensure little disruption to the flow of earnings to the state which would be lessened only by debt-servicing costs. The capital could be paid back once the project began generating profit.

He said Mossgas was exploring exciting possibilities by producing chemicals and exporting alcohols in purer form. However, to undertake this it would first have to be freed from a condition in its licensing agreement with Sasol which limited it to fuel production. Sasol would require compensation. Talks on the issue had begun.

Another possible project was to sell gas, carried by pipeline to the Cape, to the industrial market.

Day said afterwards that Mossgas expected a R600m profit this year despite the low price of oil. While the price would affect the synthetic fuel producer's profits, this would be offset by the depreciation of its rand costs.

R150m saving: Page 3

R150m saving of no benefit to motorists yet

Linda Ensor

CAPE TOWN — The subsidisation of Mossgas by motorists, which amounts to about R150m a year, is to come to an end, following an agreement between government and the oil industry.

However, motorists will not benefit immediately from a lower petrol price as a result of the abolition of the synfuel levy — 0,4c a litre on petrol and 0,5c on diesel — as the R150m saving by the Equalisation Fund will be used to provide tariff protection for Sasol.

The Equalisation Fund has experienced a negative cash outflow over the past few months because of the low crude-oil price.

Details of the package deal concluded last week and likely to take retroactive effect from July 1, were revealed by minerals and energy affairs director Theunis Burger at a meeting of the parliamentary portfolio committee on mineral and energy affairs.

In terms of the agreement, reached after years of dispute, the oil industry will pay R150m more for Mossgas products. Instead of the lower export-related price that they paid in the past, oil companies have agreed to pay the higher in bond landed cost, or import parity price, for all Mossgas's indigenous production. This would make it unnecessary for the Equalisation Fund to "top up" the price paid to Mossgas.

The industry agreed, after lengthy and difficult negotiations, to pay this price for a rising proportion, capped at 25%, of the volumes produced from imported feedstock which would be phased in between 2000 and 2004.

Meanwhile, a bullish Mossgas CEO David Day informed the committee that the fuel-from-gas producer could justify a further R2,4bn investment in the EM field on the basis of firmly proven reserves for five years, 6,5 years from now. However, there could be an additional 14 years.

BD 30/7/98

A drain on equalisation fund plugged after Mossgas and the oil industry reach agreement on subsidies

Bitter fuel pricing impasse ends

(FM)(BO)

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — Mossgas, the state-owned oil from gas producer, and the oil industry had ended their sometimes bitter pricing impasse, the portfolio committee on minerals and energy heard yesterday.

But, at best, this is likely to mean only that motorists will not have to pay as much extra for petrol as feared to provide Sasol, the oil from coal producer, the subsidies due to it because of the low price of oil.

Theuns Burger, the director of transport energy, told the committee that after lengthy and sometimes difficult negotiations, Mossgas and the oil industry had reached agreement in principle that the industry would pay Mossgas the higher price in bond-landed cost for its synthetic fuel instead of the current, lower export-related price.

The agreement would be retrospective to July 1 and would include a certain proportion of the petrol that Mossgas planned to make from imported light crude to compensate for its drier gas reserves.

The South African Petroleum Association said later that it had agreed to this compromise "in the interests of an overall settlement, and in recognition of Mossgas's need to optimise the use of its plant".

Colin McClelland, the association's director, said the finalisation of the agreement would mean that Mossgas would no longer have to be paid about R150 million a year in subsidies from the equalisation fund.

A precedent would be set for the end of payments from the equalisation fund

"This would set a precedent for the cessation of all payments from the equalisation fund to all parties, including the Sasol subsidy," he said.

The committee heard on Friday that the equalisation fund might have to be raised by up to 8c a litre to pay the Sasol subsidy because of the weaker oil price.

Asked yesterday what effect the dropping of the Mossgas subsidy would have, Burger said it would "improve the cash flow of the equalisation fund and would probably avoid a higher increase if it is so decided".

The committee, which had been called in by the public accounts committee to help resolve the impasse, welcomed the move, but Duma Nkosi, committee chairman, wanted written confirmation of the agreement within 14 days.

Dave Day, the Mossgas chief executive, told the committee that Mossgas was "practically worthless as it stands at the moment" and the only way to get value out of it was to invest up to R2 billion to extend its life.

CT (MR) 30/7/98

ELECTRICITY

Great debate suggests energy fuel of future is — coal

CT(MR) 30/7/98 (55)

LYNDA LOXTON

Cape Town — While politicians bicker about the future structure of the electricity industry, attention is increasingly focusing on where we will source our electricity in the 21st century.

Although South Africa has about 100 years' supply of coal left in the ground, there are growing calls for more coal to be used to make value-added chemicals for export while other sources of fuel are tapped for electricity.

At a time of balance of payments constraints, that makes a lot of sense, but switching from one energy source to another is no easy or cheap option — as the portfolio committee on minerals and energy heard during its recent hearings on the energy white paper.

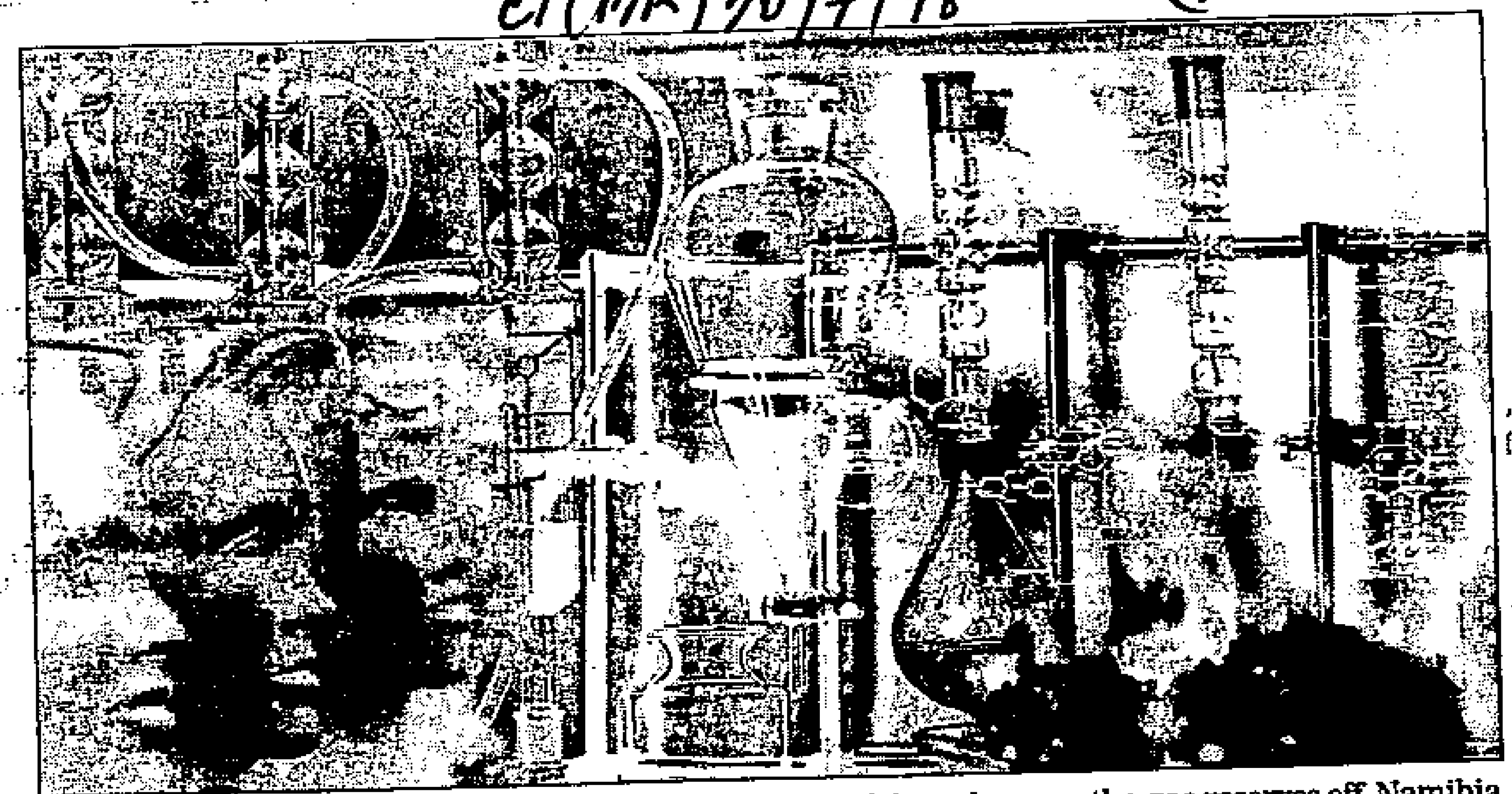
According to the white paper, South Africa has a coal resource of about 121 billion tons, of which about 55 billion tons are classified as economically recoverable reserves. Although coal's contribution to South Africa's total primary energy supply has declined slowly, at the current level of about 70 percent it still dominates the energy sector.

Approximately half the coal consumed in South Africa is used for the generation of electricity, and a quarter for the production of synthetic liquid fuels. A large number of urban households in the central industrialised area still burn coal, even after electrification.

During 1996, total national coal consumption was about 154 million tons, and coal exports totalled 60 million tons. The production of discard coal during 1996 was about 53 million tons, mainly as a waste product of coal beneficiation.

It is estimated that 550 million tons of discard coal is stockpiled above ground, which can be regarded as a future reserve of low-grade coal.

The coal production and beneficiation industry is wholly in the hands of the private sector, with the industry being com-



pletely deregulated during 1992.

As the committee was told during its hearings on the white paper, the alternatives to coal-based power supplies include nuclear energy. But this is still far too emotive an issue among many to become widely used, while the technology for the new pebble-bed or "pocket" reactors being considered by Eskom is largely untested, although Eskom has reported it was "promising".

Then there is a whole range of so-called "renewable" energies such as solar and wind power, which have potential in some parts of the country, although the technology is generally expensive.

Further down the line, there are the gas reserves off Namibia and Mozambique, which some observers believe could be piped into South Africa. Here it could possibly link up with pipelines from Mossgas to the Western Cape to power industries, including commercial power stations. It is early days yet for all these programmes.

The white paper was criticised for not paying enough attention to the potential of large-scale hydro power, which is seen as particularly attractive if undertaken on a regional basis, tapping into some of the mighty rivers to the north of the country.

The net result is that coal will remain a major source of electricity for the foreseeable future, particularly as it currently enables Eskom to be a low-cost producer. Gordon Sibiya, the deputy director-general overseeing the energy sector, said it was highly unlikely that large quantities of coal would be hived off for processing into chemicals and synthetic fuels because of the need to provide affordable energy.

The focus then turns on making the best use of the coal we have left. In this respect many see scope for greater energy efficiency in South African homes and industries.

The white paper speaks of government playing a role in "the establishment of voluntary guidelines for thermal performance of low-cost housing".

But it has been pointed out that, if these guidelines increase the cost of building houses, no developer or contractor would rationally adopt them unless there was some incentive to do so. This implies either making the guidelines compulsory or providing economic incentives for their adoption.

More controversially, it has been pointed out that one of the biggest barriers to better energy efficiency in South Africa is the low price of electricity. But with many South Africans unable to pay even ruling low electricity prices, higher prices seem to be decidedly not on. Energy-efficient appliances are also beyond the reach of many South Africans.

The department of housing has established a task team to promote energy-efficient low-cost housing, and the department of minerals and energy has been urged to liaise with it on this more closely than appears to be the case now.

Eskom deals could stave off price hikes

BD 31/7/98 (56)

Robyn Chalmers

ESKOM's deals to import power from Cahora Bassa in Mozambique and from Zambia will not affect adversely the local price of electricity and could stave off price hikes in the medium term.

Eskom senior transmission GM Solly Moloko said yesterday both deals reduced the pressure on Eskom to build new power stations. The amount of power being imported was comparatively small in terms of Eskom's total capacity of nearly 40 000MW.

This follows indications that Eskom bought 900MW of uninterrupted power from Cahora Bassa at 3c a kilowatt hour for this year and 4c for 1999. After that the deal would be revised.

The agreement with Zambia's electricity utility Zesco is understood to be similar, but involving only 120MW.

Concern was expressed that Eskom was to import power at a higher price than it cost to produce locally. Eskom's raw material cost is estimated at 2,5c, although it sells electricity at 20c-30c to retail consumers after provision for overheads and growth. The price to large users varies according to the time of day, load factor and other variables.

Eskom uses its raw material cost as a benchmark to evaluate costs from other suppliers selling it power.

Industry observers believe Portuguese and Mozambican officials may have used diplomatic channels to put pressure on SA to pay more for power from Cahora Bassa. Mozambique was one of the world's poorest countries and, being SA's neighbour with porous borders, it was in SA's interests to help strengthen Mozambique's economy.

Charges against Van Zyl slashed

(55) MtG MtG 31/7 - 6/8/98

Mungo Soggot

The state oil company has slashed the number of charges and dropped all fraud allegations against suspended chief oil trader Kobus van Zyl, who is due to be disciplined in the next few weeks.

Van Zyl was publicly ousted in March 1997 by the Minister of Minerals and Energy, Penuell Maduna, triggering the controversy about the state oil accounts which is currently being explored by the office of the public protector. Since then, Van Zyl has been at home on a full salary, awaiting his disciplinary hearing.

There are now five counts against Van Zyl, compared with the 162 drawn up about a year ago by the auditors Maduna appointed to explore the Central Energy Fund's accounts.

The new sheet includes charges of insubordination, undermining Maduna, dereliction of his duties, misleading the minister and the state oil company, and failing to act in the best interests of the company and the country.

But there are no allegations of fraud or of contravention of the Central Energy Fund Act, both of which peppered the original charge sheet. The original sheet, which was distilled to 80 charges, was drawn up by Maduna's accountants, Ntsaluba Nkonki Sizwe.

The changes to the case against Van Zyl — and the extraordinary delay over his hearing — cap a string of setbacks for Maduna in his quest to transform the state oil company and delve into its sanctions-busting past.

In June 1997 the minister accused Auditor General Henri Kluever of helping to mask the theft of R170-million of oil from the state oil company. Parliament called in Public Protector Selby Baqwa to investigate Maduna's allegations.

At Baqwa's inquiry last month, which is expected to cost the taxpayer at least R10-million, Maduna's lawyer conceded there was no substance to Maduna's claim. Baqwa will now investigate other allegations about the finance watchdog.

Maduna ousted Van Zyl shortly after appointing a new board for the company. The chair of the new board, Don Mkhwanazi, was forced to resign earlier this year in the wake of the row surrounding the appointment of Liberian financier Emanuel Shaw II as a highly paid consultant to the company.

In March, Maduna quashed the findings of an official probe he ordered into Shaw's appointment which recommended he axe both Mkhwanazi and the Liberian.

The original charge sheet against Van Zyl focused on the payment of a $0,06-a-barrel commission to an Egyptian "middleman".

Maduna admitted from the start there was no evidence that Van Zyl enriched himself improperly.

The new charge sheet also covers the commission, accusing Van Zyl of ignoring Maduna's order to freeze payments to the middleman.

Baqwa's inquiry has already heard several days of evidence about the "middleman" commission, which started in the sanctions-busting era. Maduna's team argue the commission was unnecessary and that South Africa could have bought the oil directly.

Van Zyl's disciplinary hearing was at one stage postponed until after the Baqwa inquiry, which is due to close at the end of the year. However, it appears the new board is anxious to bury his case.

Van Zyl said this week he was "glad to see the fraud charges have been dropped and I look forward to the speedy resolution of the matter".

Keith Kunene, acting chair of the Central Energy Fund, said this week the company's lawyers had drawn up the new charge sheet, but he was not aware of any of the details.

Seth Phalatse, chair of the Strategic Fuel Fund, the branch of the state oil operation for which Van Zyl worked, could not be reached for comment.

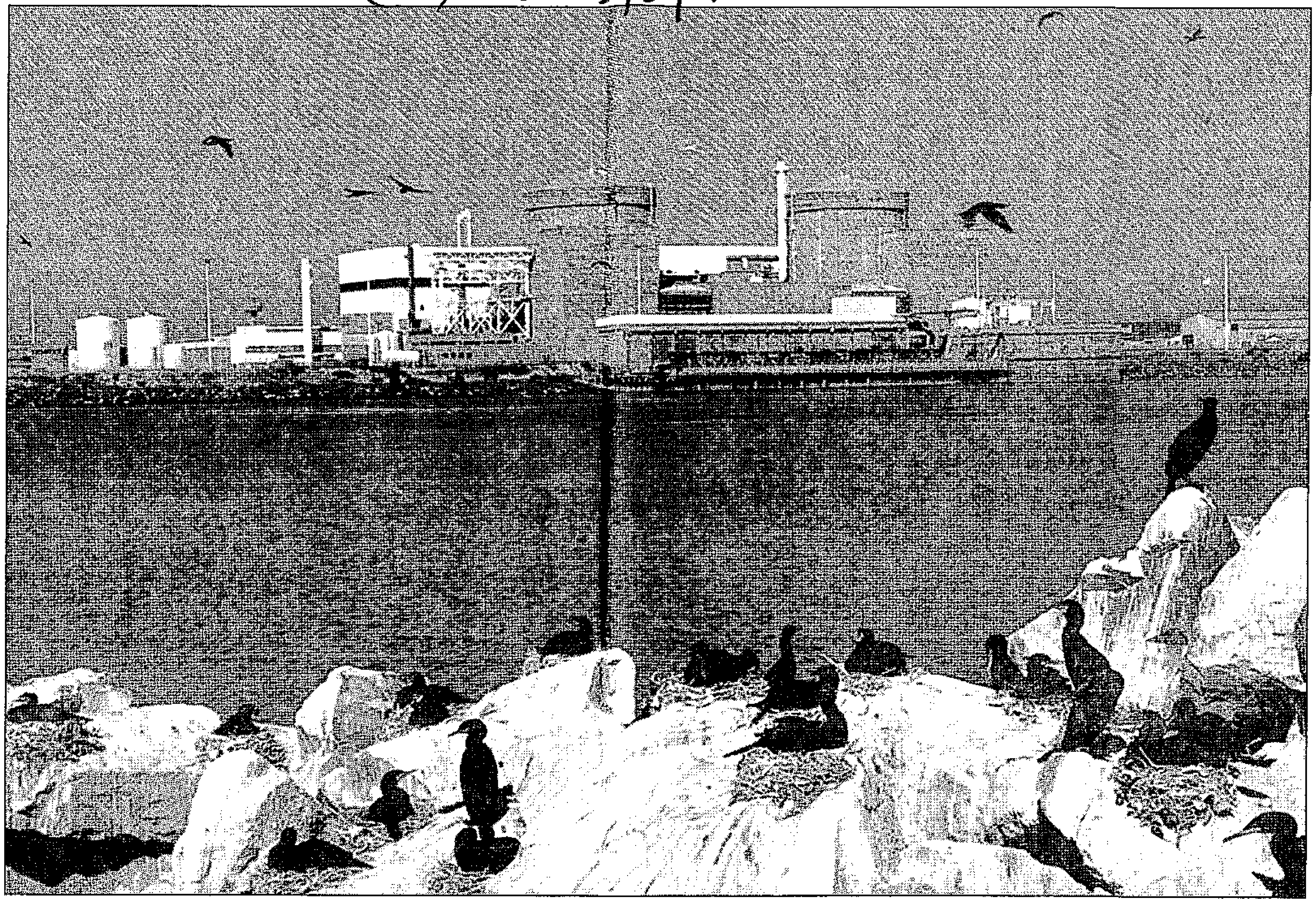
Maduna was in South America this week.

'MONUMENT TO ILL-CONCEIVED AMBITIONS'

Experts: 'Close Atomic Energy Corporation'

(55) CT 3/8/98

AN INVESTIGATION into the Atomic Energy Corporation has revealed it to be a white elephant which has cost taxpayers R21 billion. Environment Writer **MELANIE GOSLING** reports.



OUT OF ENERGY: Experts have recommended that the costly and "wasteful" Atomic Energy Corporation should be wound down. *FILE PICTURE*

THE Atomic Energy Corporation (AEC) has cost South African taxpayers a massive R21 billion since 1971, but the country has received little benefit in return for this vast investment.

It gobbled up 59% of the Department of Mineral and Energy's budget last year — yet its contribution to the country's energy production was almost zero.

A team of independent experts has now recommended that most of the AEC's projects, many of which grew out of the the manufacture of nuclear weapons during the apartheid era, should be closed down and a new private company, AEC Pty Ltd, should be established to run any remaining AEC projects which have a definite commercial future.

This will leave the AEC "a shadow of its former self". The "grandiose and extensive array of buildings on the Pelindaba and Valindaba site will stand as monuments to historic ill-conceived ambitions".

These are the findings of team commissioned by the Department of Arts, Culture, Science and Technology to review the AEC, which forms part of a review of the country's science and technology institutions.

The reviews are geared towards developing a national system of innovation, whose key aim is to ensure that money spent on research and development in science and technology is directly linked to national social and economic goals.

The review report on the AEC, which will be tabled before the mineral and energy portfolio committee this week, states: "Everything about the AEC is big — its property, equipment, staff and strategic plans. But so too are its costs and debts."

The report recommends that:

- AEC's Safari research reactor, which has a R24,7-million a year subsidy, should be closed. This would have a "devastating" impact on the AEC, but is necessary as there is no rationale for the current subsidisation. Safari is under-utilised (68% of its capacity) and not financially viable or internationally competitive.
- AEC's Van de Graaf accelerator, which costs R600 000 a year but uses only seven percent of its accelerator time, should be closed down.
- AEC's conversion plant, built to supply the enrichment plant, should be shut down. The plant was subsidised by R21,3-m last year.
- AEC staff administering nuclear safeguards should be transferred to the Council for Nuclear Safety.
- The cobalt irradiation facility should be privatised.
- AEC should focus on radioactive waste management and decomissioning and decontamination of nuclear plants — "cleaning up the consequences of years of wasteful expenditure".

The report found that after seven years of commercialisation, all the AEC's commercial operations had revealed a loss.

"The big lesson from this sad experience is that future plans should be built not on hope, but on good science and thorough market research," the report says.

While the AEC's products and services were "excellent", their commercial initiatives had been based on trying to persuade markets that they required the products, not on sound market research.

"Their approach appears to have been characterised by 'technology push' rather than 'market pull'." The consequence was a "massive waste of public resources".

The new public company, AEC Technology Pty Ltd, should be created with an independent board and a management team with a "keen sense of markets".

AEC's knowledge of fluorine chemistry is one facet that holds high prospects for commercialisation.

Another huge financial loss was the AEC's molecular laser isotope separation (MLIS) project, in which they invested over R300 million. They set up a joint commercial programme with the French state-owned fuel company Cogema, but the project collapsed when the French pulled out last year.

The report says the original mandate of the AEC, formerly the Atomic Energy Board, was to develop nuclear fuel for power generation and weapons. This mandate was shaped in a context of an apartheid political-economy confronted with internal resistance and constrained by international sanctions.

"Its operations were characterised by secrecy and an absence of public scrutiny. It was also favoured with generous public resources. It had a mission to fulfil ... and costs were of secondary importance. The government would pay for what was required."

While the AEC contributed to scientific innovation substantially, the motive for this work was political. It had "embarked on a mission of producing highly enriched uranium for making nuclear bombs" and made enough for six or seven bombs. This had left the corporation with a legacy of public distrust.

The AEC declined to comment until after the report has been discussed by the portfolio committee.

Electrification fund planned

Robyn Chalmers 55

BD 3/8/98

THE establishment of an electrification fund to finance linking underdeveloped areas to the power grid was a key topic at a workshop on the new electrification strategy last week.

The need for the fund arose after government decided to make Eskom, the main financier of the programme, pay tax and dividends.

Deputy minerals and energy minister Susan Shabangu said financing would probably come from sources including the fiscus, levies on generation and consumption and fiscal grants.

She said a number of factors were likely to have a temporary negative effect on the programme. Industry had "cherry-picked" projects with high consumer densities and related lower connection costs a unit, rejecting projects in rural areas and informal settlements.

While the purpose of the proposed national electrification strategy was to address a backlog of 4,5-million households, provision had to be made to electrify newly built houses.

The SA Local Government Association said many local government distributors found it difficult to deliver electricity and some had to burden business and industry within their area with extra costs.

The constitutional development department said the fund should be generated by a small levy on the bulk sale of electricity. Funds should be disbursed to municipalities in line with government's policy to subsidise the capital cost of basic services for poor households.

Delays anger members of Maduna inquiry

(55) CT(BR) 5/8/98

Lynda Loxton
Parliamentary Correspondent

Cape Town — Frustration at continued delays in the inquiry by an ad hoc committee into comments made more than a year ago by Penuell Maduna, the minerals and energy minister, boiled over in parliament yesterday.

After struggling for over five months to get Maduna to explain his allegations last year that Henri Kluever, the auditor-general, had covered up an alleged loss of R170 million from the Strategic Fuel Fund (SFF), the committee yesterday came up against yet another delaying tactic.

Kessie Naidu, Maduna's legal counsel, said Maduna wanted members of the Democratic Party, the National Party and the Freedom Front to be recused from the inquiry because some of their members had been quoted in newspapers calling for Maduna's resignation.

This argument came after SFF officials said the R170 million had never disappeared.

Committee members finally agreed they needed more time to consider Naidu's legal argument.

Naidu then tried to submit a fresh argument and an affidavit from Maduna by Monday, but committee members objected to being snowed under by more untested evidence.

Naidu said the committee could not prevent Maduna from submitting whatever he wanted.

Maduna and Naidu could not agree on a date to see the committee again, incensing members.

□ Business Watch, Page 2

Control of nuclear industry a concern

David Greybe BD 6/8/98 (57)

CAPE TOWN — Parliament is concerned that both promotion and regulation of nuclear and radiation-related technologies fall under the control of a single department, minerals and energy, in SA — unlike in other countries.

The Council for Nuclear Safety shares this feeling. It polices the Koeberg nuclear power station, the Atomic Energy Corporation and the mining sector.

The council's desire to have its independence guaranteed by SA adopting the US model whereby it would report directly to the president, instead of the minerals and energy minister, found favour with members of the environmental affairs and tourism committee yesterday.

Council deputy GM Phil Metcalf said there was the potential for a conflict of interests in the current set-up, particularly regarding the mining sector.

For instance, Metcalf said, the council had come under "enormous pressure" from the mining industry to compromise on safety standards, while the minerals and energy department also had to develop and promote the industry. "That is why it would be better to have an independent body subject to public scrutiny and accountability," he said.

Another area of concern raised yesterday was the draft Nuclear Safety Bill, which was presented to the council last month for comment. Metcalf listed eight areas that were flawed and that, if implemented, could seriously undermine nuclear safety in SA.

These were: safety standards; radioactive waste; regulation of mining and minerals processing activities; the council's independence; representation from interested and affected parties; liability and financial security; compatibility with current international standards of regulatory control; and, rights of access to information.

Committee chairman Gwen Mahlangu described the council's comments on the bill as "quite shocking". The committee would soon meet the minerals and energy portfolio committee to discuss the matter.

AEC slams 'inaccurate' press

18 (55)

Lynda Loxton
Parliamentary Correspondent

Cape Town — Waldo Stumpf, the chief executive of the Atomic Energy Corporation (AEC), yesterday lashed out at "inaccurate" press reports that had put in jeopardy a potential R10 million export order to Britain.

He told the portfolio committee on minerals and energy that the reports — claiming the department of arts, culture, science and technology (DACST) had called for the closure of the parastatal AEC and its Safari reactor — were "damaging our commercial prospects".

A British company which was thinking of placing a major order for isotopes had put it on hold until there was greater clarity about the future of the AEC.

A cabinet decision on the parastatal's future is expected soon. Although the DACST report did not call for AEC's closure, some officials have been quoted as saying the government should seriously consider an independent investigation into whether it was worthwhile keeping it afloat.

Committee members were unimpressed, saying that "no company worth its salt" would base a major order on newspaper reports, adding that the AEC had consistently been unable in the past to prove that it could live without government subsidies.

CT (BR) 6/8/98

Row over nuclear sector revamp may cause fall-out

BD 7/8/98 (55)

Linda Ensor

CAPE TOWN — A war of words over the proposed restructuring of the nuclear industry could end up in court with the minerals and energy department accusing the Council of Nuclear Safety of acting unconstitutionally by undermining the process.

The mining industry was also said to be upset over the "internationally wayward" standards for radiation imposed on it by the council, while deputy director-general Gordon Sibiya accused the council's leadership — all white males — of resisting change to feather their own nests and protect their own "grandiose powers".

"The CNS is a nuclear gravytrain. Two months ago, three CEOs were effectively appointed without permission just when the council is due to be restructured," Sibiya fumed. "Have you ever heard of a company with three CEOs?"

Council spokesman Bert Winkler declined to comment, saying the council did not wish to discuss its concerns through the press. However, this should "not be construed as an acceptance by the CNS of the correctness of the allegations", he said.

One of the key issues of dispute, said Sibiya, was the CNS views on the proposed Nuclear Safety Bill, which has passed through the cabinet.

The council believed that flawed proposals would undermine nuclear safety in SA. It was also concerned that a single department controlled both the regulation of the industry and its promotion, and urged that its independence be guaranteed so that it reported directly to the president rather than to the minerals and energy minister.

Council deputy GM Phil Metcalf told Parliament's environmental affairs and tourism committee this week that the council had come under "enormous pressure" from the mining industry to compromise on safety standards that were below international norms. The committee felt the conflict of roles within the department was the main reason for this information being suppressed, and has called for an urgent meeting with the minerals and energy portfolio committee to discuss the issue.

Sibiya objected to the fact that the council had unilaterally drawn up its own draft legislation, which it had distributed publicly for comment, saying Minerals and Energy Minister Penuell Maduna had strongly admonished council officials for doing this. He also accused the council of having discredited government by inciting mineworkers at Harmony gold mine to resist the proposed legislation.

Sibiya, a qualified nuclear reactor physicist, said the council had imposed radiological standards on SA industry that were four times stricter than those set by the International Council on Radiological Protection and the International Atomic Energy Agency, of which SA was a member. It had also threatened to force mines to incur huge expense by covering all mine dumps with protective materials.

While the council was legally entitled to prescribe standards, this could be done only after consultation with the department and the public and had to be within international norms.

The council was motivated by the financial desire "to extract more fees from the mining industry", he said.

In terms of the proposed bill, government representatives would not sit on the board of the council, which would have a chairman and CEO and be subject to the rules of corporate governance.

Eskom's nuclear project draws flak

(65) CT(BR) 12/8/98

JONATHAN ROSENTHAL

INDUSTRIAL EDITOR

Johannesburg — Eskom, the publicly owned electricity utility, planned to complete an inquiry into the environmental effects of a new R400 million nuclear reactor by the middle of next year, Peter Adams, an Eskom spokesman, said yesterday.

But Gordon Sibiya, the deputy director-general in the minerals and energy department, questioned the wisdom of embarking on the project. He said South Africa neither needed nor could afford to develop the necessary technology for new reactors.

At the weekend, Eskom advertised a tender process inviting consultants to apply for prequalification on a tender to conduct an impact assessment and environmental management plan for a 110 megawatt Pebble Bed Modular Nuclear Reactor.

The output of the reactors would be about one-tenth of the conventional pressurised water reactors used at Eskom's Koeberg nuclear power plant in the Western Cape. They would cost about R300 million each if put into series production with an initial order of 10 units.

An Eskom document produced by David Nicholls, Eskom's project director, says the reactor is inherently different to pressurised water reactors.

"It uses helium to cool the reactor core and drive turbines," the document reads. "The fuel is based on a ceramic coating of very small enriched uranium dioxide fuel particles embedded in a graphite matrix. (It) is proof against damage ... The plant is considered 'walk away' safe."

Adams said Eskom had bought a production licence from the reactor's developers. He said series production of the modular reactor for export could generate billions in export earnings and create manufacturing jobs.

But Sibiya, who holds a doctorate in nuclear physics, said affordability and not safety was the real issue, in light of South Africa's surplus generating capacity until 2005.

"The fact is South Africa does not need another nuclear reactor, so there is almost no way the government will approve 10 nuclear reactors," Sibiya said.

"I am not cutting the project down, but there has to be more justification on the need and the affordability."

Legislation would make quick decisions impossible

AEC slates nuclear bill

CT (BR) 13/8/98 (56)

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — The Atomic Energy Corporation yesterday slated the Draft Nuclear Energy Bill, saying it could hobble its ability to make quick decisions on new commercial ventures.

In a submission tabled by Waldo Stumpf, the chief executive, to the portfolio committee on minerals and energy, the AEC was particularly critical of the fact that Penuell Maduna, the minister, had to approve patents, licence grants and royalties.

This called for "quick access" to Maduna on highly technical issues, but it could not always be guaranteed because of the minister's "demanding political and government responsibilities".

Stumpf said he believed Maduna should only be involved in setting overall policy guidelines while leaving operational issues to the AEC's directors.

"Many of the emerging commercial ventures of the AEC are based on a very limited window of market opportunity to be exploited," he said. "These fast-track projects operate in volatile markets where time pacing and rapid action are the true determinants of competitive edge."

He said the AEC's recent failure to establish a surface fluorination plant for polymer-based petrol tanks with a European-based partner in Belgium was a typical example of "where a lack of fast decision-making within the department and ministry resulted in the withering of this promising opportunity".

The AEC also faced increasing pressure to structure its commercial operations in legal entities such as subsidiaries so as to avoid unlimited liability. This could make potential partners unwilling to co-operate with the AEC in commercial ventures.

Stumpf repeated his call for the AEC to be divided into two entities, one dealing with the management of radiation technology and the other with the management of commercial activities. The bill did not make provision for this, he said.

SA 'pocket nuke' plan could blow billions

(55) CT 14/8/98

MELANIE GOSLING
ENVIRONMENT WRITER

ESKOM's plan to build 30 "pocket nukes" at a cost of R365 million each for the local and export markets could take South Africa down a nuclear dead-end street which will cost the country billions.

Experts say the small nuclear power stations, called pebble bed modular reactors (PBMRs), were developed in the US, Germany and the UK years ago, but were dumped because they were uneconomical.

Now Eskom hopes to build 10 pocket nukes dotted around the country for domestic power generation, and to sell another 20 overseas.

If the project goes ahead, they will build a pilot plant, probably on the coast, in about two years' time.

A major reason for the project is to earn the country foreign exchange by exporting the nukes.

But overseas energy policy expert Steve Thomas, a consultant to the International Atomic Energy Agency, says no one will buy them.

"With due respect, there is not the slightest chance that anybody in the world will buy these plants from South Africa," he says.

This comes in the context of:

- Most overseas countries slowing down or ceasing to build nuclear power plants altogether.
- South Africa having no radio-active waste management policy.
- Disclosures that Koeberg staff have been exposed to radiation levels higher than the safe limit.
- Koeberg admitting that they are running out of space to store spent radio-active fuel on site.
- An investigation into the Atomic Energy Corporation (AEC), which revealed that the organisation had cost R21 billion since 1971, for which the country had received little benefit in return.
- The AEC consuming 59% of the Mineral and Energy Affairs budget, yet contributing almost nothing to the country's energy production.

Eskom says it is too early to speak about export orders for the pocket nukes, but they are in discussions with overseas countries and believe there is a "commercial competitiveness" on the international market for the plants.

Thomas said: "The design is nice in theory, but a lot of smart people have looked at it, some have tried it and all have failed. The only thing that seems proven is that no one can make the wretched things work."

Why should Eskom succeed, he asks, where everyone else in the world has failed?

Eskom bought the technology for the pocket nukes from Germany for about R30m. They are involved in pre-feasibility studies which have cost R9m so far. The pilot plant will probably cost R475m.

Eskom's project manager of the PBMR plan, David Nicholls, is confident they can make it work.

He says they have established that the small plants are technically viable, safe and economical.

"The project is not driven by a desire to be technically gung-ho, but by the need to create a cost-effective power system in South Africa. They make very good commercial sense to the country," says Nicholls.

Apart from the PBMR's inherent safety features, Eskom says

❑ Turn to Page 17

Pocket nukes blowing billions

❑ From Page 1

other advantages are that the PBMRs can be built close to centres where power is needed, they can help Eskom match electricity demand cost-effectively and they take a relatively short time to build.

They say the PBMR project is part of their integrated electricity planning, which looks at what electricity generating technologies will be available in the future.

Said Eskom's public relations officer, Peter Adams: "This project will also create jobs for South Africans, and through our proposed exports of the PBMRs, will bring in much-needed foreign exchange."

Another strong critic of Eskom's PBMR project is the team commissioned by the Department of Arts, Culture, Science and Technology to review the AEC as part of a national review of science and technology institutions.

The team looked at the PBMR project because it was envisaged that the AEC might be involved in development work for the helium turbine technology.

While they concede that this type of reactor has potentially better safety features than conventional nuclear plants, there is still not enough proof of this under operating conditions.

The report states: "(We) are concerned about the high risks of South African involvement in an unproven nuclear power technology whose development cost will be enormous.

"We are further concerned that Eskom is proceeding with the project without close involvement of South Africa's national nuclear authority, and largely on the basis of unscrutinised use of public resources."

If PBMRs are as good as Eskom makes out, why is the rest of the world not scrambling to build them?

Nicholls believes it is partly due to politics.

"In the US, for instance, it take a great deal of time to get new nuclear projects agreed to by the government and other parties such as the anti-nuclear lobby — so long that it becomes uneconomical.

"But we're producing a design which undercuts the current generation of nuclear plant in terms of cost and acceptability," Nicholls said.

Thomas says Nicholls' argument that the Western countries are bogged down by political process and the anti-nuke lobby would apply to any nuclear plants.

He said if the nuclear industry thought the PBMRs undercut conventional nuclear plants in safety and costs, then why wasn't the industry "breaking its neck to get hold of it?"

Eskom has made a presentation on the pocket nukes to Deputy President Thabo Mbeki, who described it as "very interesting" and has asked to be kept informed.

SECOND SECTION

CAPE TIMES INSIGHT

★ FRIDAY AUGUST 14, 1998

Koeberg plant still powering its way to nowhe

(65) CT 14/8/98

A REPORT by an international energy policy expert says the Koeberg power plant is under-performing. Environment Writer MELANIE GOSLING reports.

KOEBERG nuclear power station has operated for most of its life at about half of its capacity — and could be one of South Africa's most expensive white elephants.

It has been plagued by lengthy shutdowns for maintenance and repairs, and its operating performance has been well below international standards, an overseas energy expert has found.

International energy policy expert Steve Thomas of the University of Sussex, a consultant to the International Atomic Energy Agency on nuclear power plant performance, was commissioned by UCT in 1995 to look at whether Koeberg's performance was economical.

He found that the power station had on average operated for most of its life at just over half of its capacity.

Koeberg's poor performance meant it was unlikely to provide a large income to repay the cost of building it.

Koeberg's poor performance meant is was unlikely to provide a large stream of income, as was originally expected, to repay the cost of building the power station or for its eventual decommissioning — about 25% of what it cost to build.

There was also a strong indication that the cost of electricity to consumers would be reduced if the plant was closed — mainly because of the easy availability of alternative power from South Africa's mothballed coal-fired plants.

Thomas said Koeberg's poor performance raised questions as to why a large, technically powerful organisation such as Eskom could not emulate the standards set in other countries.

He examined Koeberg's load nuclear plants overseas were 86% in South Korea, 69% in France and 90% in Germany.

Load factors of 75% to 85% are assumed in investment appraisals for nuclear power plants. If a plant achieves only a 50% load factor, the cost of power generation will be a third higher than forecast.

The study also found that a large amount of Koeberg's potential operating time during the same period was lost through planned and unplanned shutdowns.

It shut down on average for 2 000 hours (83 days) for maintenance and refuelling out of every 7 000 hours on-line. This is twice as long as comparable plants in France and South Korea, and three times as long as German plants.

Koeberg's unplanned shutdowns (on average 240 hours for 7 000 hours online) were most commonly caused by equipment failures in the electical power supply systems. Another 80 hours per 7 000 hours online were lost because of problems with the turbine generator. "This pattern of break-downs is very different from that of Germany, South Korea and France, where equipment failures result in few immediate shutdowns and where problems with electrical systems and turbine generators are much less common," the report said.

Koeberg's poor performance was only partly accounted for by the need to reduce its output occasionally to match periods of low electricity demand. A more important explanation was the long maintenance and repair periods and persistent technical problems

TURBINE HALL: Problems with Koeberg's turbine generator have contributed to the plant's high shutdown time — higher than comparable nuclear plants overseas, a report has found. FILE PICTURES

supply peak demands; they're built to supply base load demands.

Eskom says there has been a "dramatic" change in Koeberg's shutdown times for maintenance and refuelling since 1995. The average shutdown time dropped from 83 to 51 days in 1996 and 47 in 1997.

Koeberg's forced shutdown rate had also improved. The plant's average performance was better than the average performance of nuclear power sta-

Cape Town was a silly place to put a nuclear power plant. There's just not a big enough

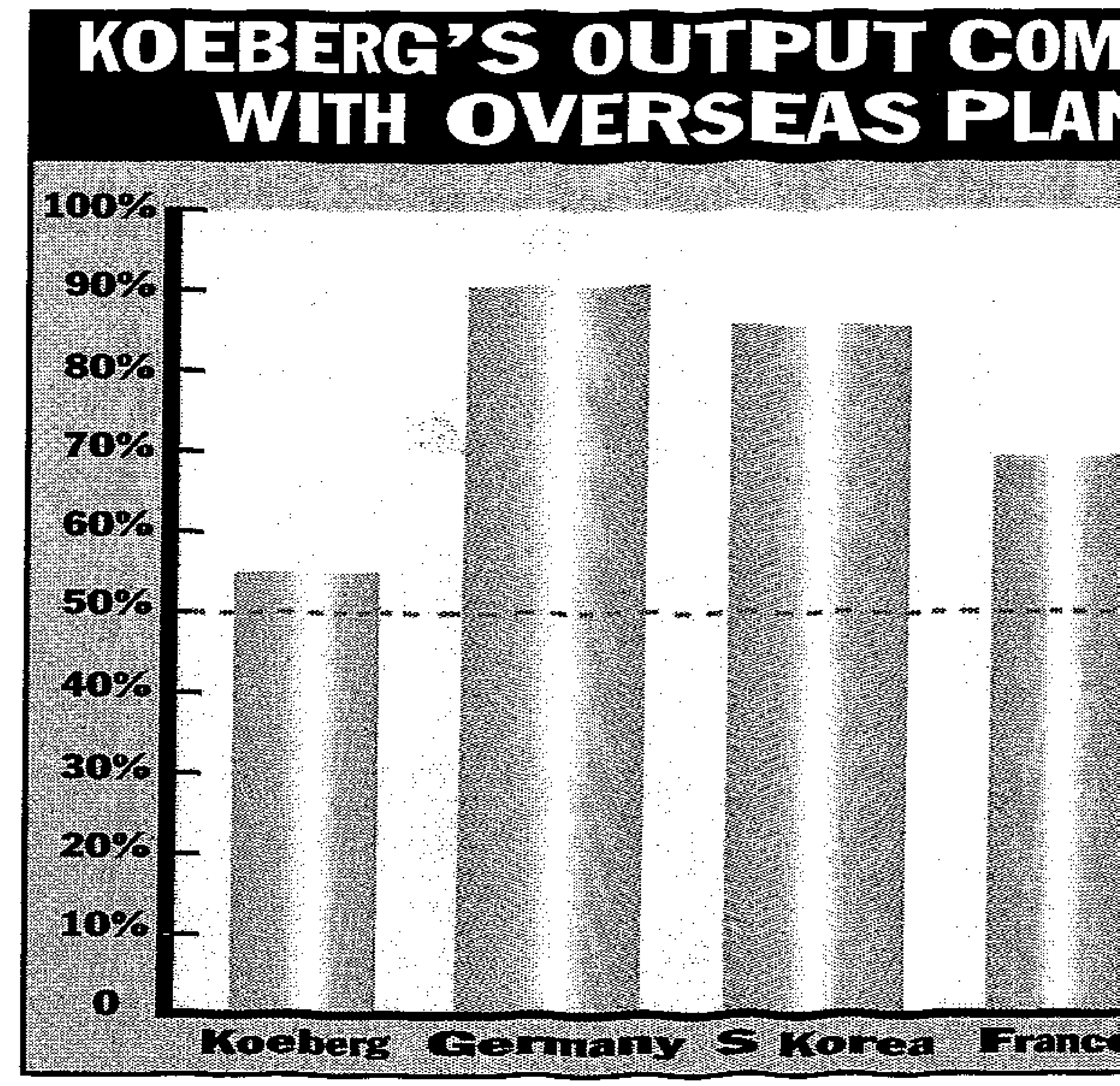
a political move made in the apartheid era against a background of the threat of sanctions, the oil crisis and South Africa's secret mission of producing enriched uranium for nuclear weapons.

Political analyst David Fig of the University of the Witwatersrand said in the '50s, South Africa made a secret deal to supply uranium to the Cold War bomb programmes of the US and Britain. This was the start of our nuclear

Cape was "the obvious choice" for a nuclear power station. Some experts say this decision was made partly to justify, or even disguise, South Africa's other nuclear developments, especially the development of nuclear weapons.

In 1971 Eskom bought the Koeberg site, but Fig said it was only when the oil crisis broke in 1973 that Eskom could justify the huge cost of building a nuclear plant.

Thomas said this week Eskom had been landed with Koeberg as a result of a political and not an economic decision. While he accepted they had made efforts to improve



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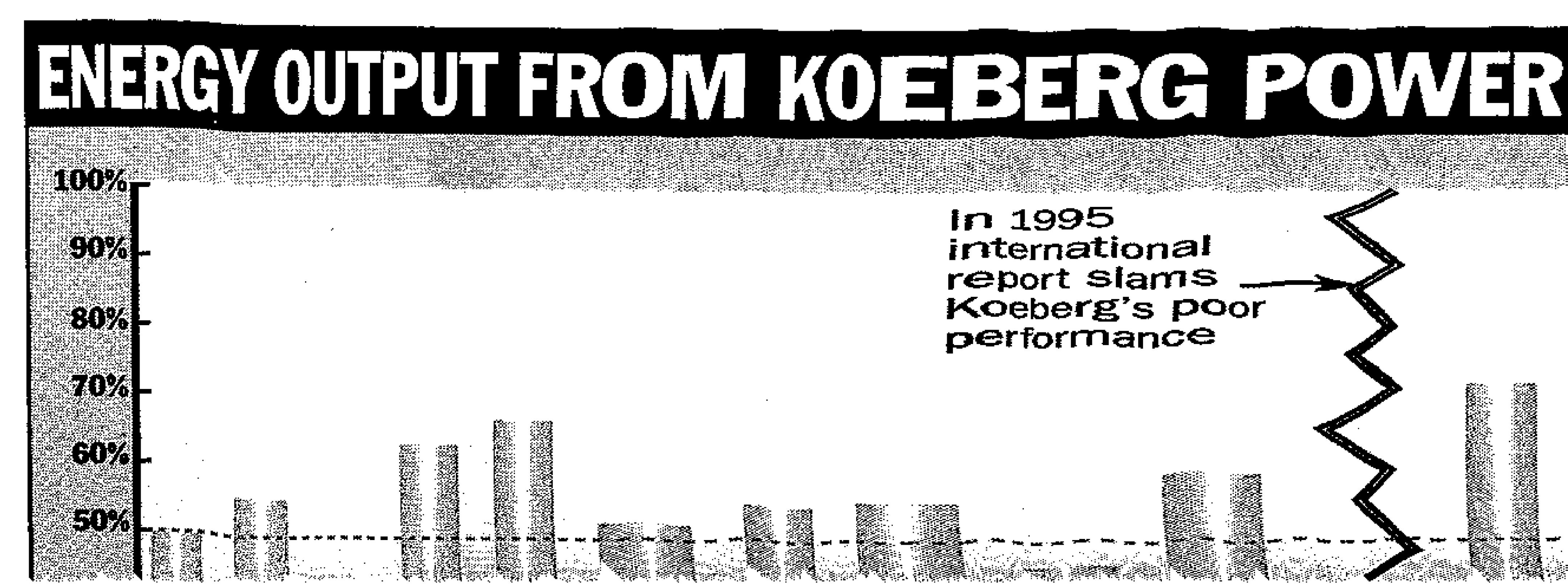


... that the low output was ... use of inefficiency, but was ... nal as Koeberg's full capaci... ot needed to supply the ... electricity grid all the time. ... raises the question of why ... was built if its full capacity ... needed. Nuclear power is ... e, and experts say nowhere ... ear power stations used to

and US, but not as ... Germany ... good as Germany and Finland, Eskom said.

They say Koeberg's load factors have also improved — 72%, 75% and 75% for 1995, 1996 and 1997 respectively.

If Koeberg has been a flop, why was it built?

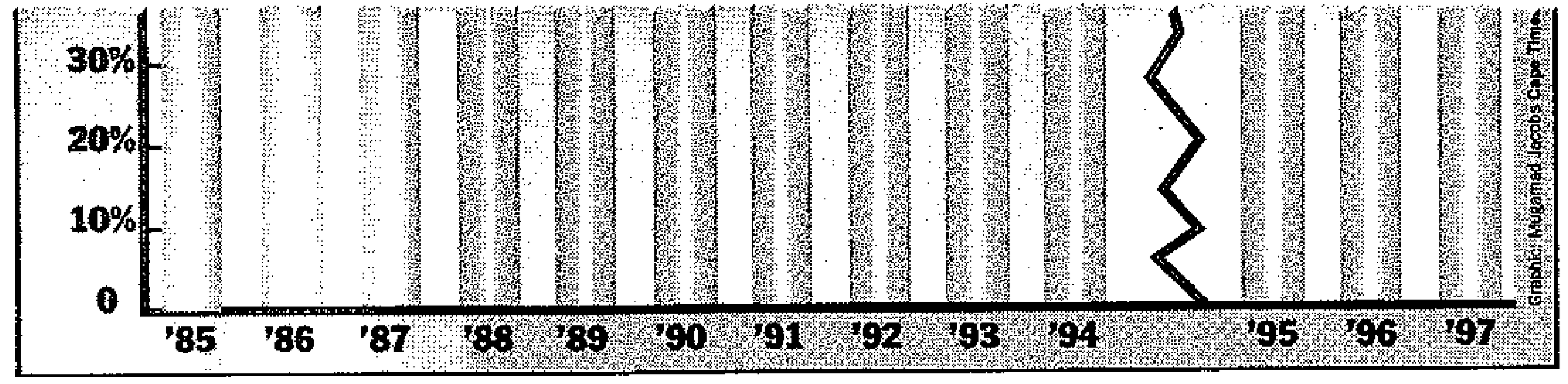
Experts say it should be seen as

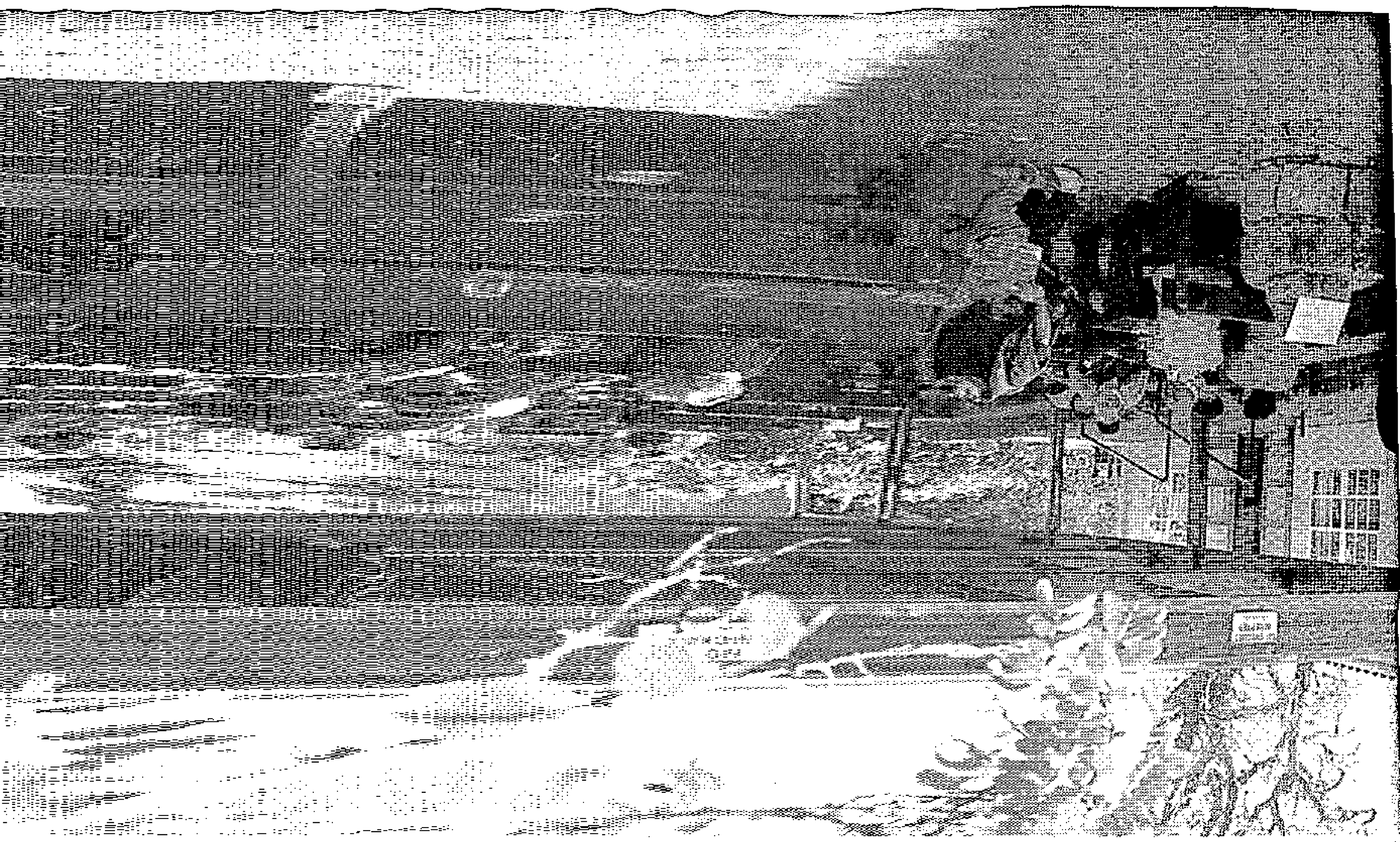
In 1961 the Forsyth Commission was appointed to look at the application of nuclear power in South Africa, but found that there would be "no economic advantage" from building a nuclear power plant in the Western Cape.

But in 1968, the Atomic Energy Board concluded that the Western

report, they were having to put "the best gloss on a bad position".

"Cape Town was a silly place to put a nuclear power plant. There's just not a big enough demand. And with the coal price as low as it is in South Africa, there is not the slightest chance that a nuclear power plant could be economically competitive with a coal-fired plant."





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Eskom claims this means a melt-down is a "physical impossibility", because these materials have much higher melting points that the reactor could ever achieve. If anything does go wrong, they say the reactor will "simply switch off and cool down".

Eskom calls this the PMBR's "walk away safety".

Because of this, they need only a 400m safety zone around them compared with a 16km safety zone of conventional nuclear installations like Koeberg.

The ultimate disposal of the spent fuel is safer, they say, because the ceramic material encasing the fuel has an extremely low corrosion rate.

The design of the reactor means it can produce very high temperatures and is thus more efficient than conventional power stations.

Before Eskom can build the pocket nukes, they have to do three things: Obtain a licence from the Council of Nuclear Safety (CNS), conduct an environmental impact assessment and get authorisation from the National Electricity Regulator.

The CNS said they had received an official request from Eskom two weeks ago asking if they regarded the PBMR concept as one for which a licence could be granted.

Eskom has to supply scientific data demonstrating that the pocket nukes are safe. The CNS will also conduct its own assessment, using independent consultants with a knowledge of this technology. This could take up to 18 months.

LETHAL GLOW: Koeberg is running out of on-site storage space for spent radioactive fuel, and has applied to be allowed make changes in the way it is packed.

Nuclear workers contaminated by excess radiation

***WORKERS AT** Koeberg have been contaminated in two separate incidents at the plant — facts which have been kept under wraps until now.* ***CLAUDIA CAVANAGH** reports*

WHEN three men reported for duty on a May morning last year they were perfectly healthy men. By the time the sun set their lives had changed forever through a crazy blunder which left their unprotected hands and eyes exposed to excessive levels of radiation.

The *Cape Times* managed to piece together the story which has been kept under wraps until now, although the actual people involved are bound by their contracts to remain silent.

But Eskom has confirmed the incident. It happened like this:

Before the men were sent in to change a water filter in the station's spent fuel storage pool, a radiation protection monitor took a reading off the filter to see how radioactive it was.

The monitor's readings would determine the type of protective clothing required by the workers.

According to several reliable sources, the monitor under-read the levels by a factor of 1 000 and the three were sent in to clean the filters with their bare hands.

"After a period of time, one of the employees routinely inspected his direct reading personal radiation dosimeter, and found it indicating a high dose," said Eskom spokesperson Tony Stott.

"He immediately approached his two colleagues and inspected their dosimeters and confirmed that they too had received a high radiation exposure."

The three immediately withdrew from the area, which had been secured by then.

The annual statutory limit for radiation exposure set by the Council for Nuclear Safety is 50 milliSieverts. These men received radiation doses of 91,54, 72,79 and 41,33 milliSieverts respectively.

Within two minutes, experts say, they were exposed to the same level of radiation they would have normally been exposed to over eight to 10 years at the plant.

Eskom says the doses were small enough not to affect the men's health in any way. The three were, however, sent to work in other parts of the power station.

"As with all other radiation workers, the three employees will continue to receive regular medical examinations, even though no long-term health effects are likely or expected."

According to sources close to the workers, those who were exposed are terrified about what happened.

Although they have been assured that the incident will not affect their health, they wonder whether they will be affected in the long-term.

But that was not the first time workers were contaminated at Koeberg.

Just two months before, during routine maintenance, the other employees apparently contravened procedure, entered a high level radiation area and received "unplanned doses of radiation".

"The highest dose of 32 milliSieverts received by one employee is appreciably less than the annual limit of 50 milliSieverts set by the CNS," said Stott.

White paper fuels fiery debate

(55) CT(BR) 14/8/98

THABO LESHILO

The critical importance of energy to the economy is bound to make any planned changes to policy a political hot potato.

The basic industries such as steel and engineering need large amounts of energy, be it coal, electricity, nuclear power, gas or oil. Small wonder, then, that Susan Strange, the political scientist, considers energy the fifth factor of production — after land, capital, labour and technology.

It is against this background that the government's proposed new energy policy, laid out in the white paper, should be debated.

The key envisaged policy changes include creating an efficient and internationally competitive industry, and ensuring the stable and continued availability of quality energy products at fair prices.

The white paper wants an environment conducive to investment in the liquid fuels and petrochemicals industries. The government also wants the industry to support social upliftment and economic development goals.

The proposed policy touches a raw nerve where it advocates minimum government intervention in these goals. Predictably, Cosatu objects, fearing the change will cause job losses.

Dumisa Ntuli, a spokesman for the National Union of Metalworkers of South Africa, a Cosatu affiliate, says the challenges identified by the government do not reflect a progressive and developmental approach. Relying on competition to set the price of fuels and encourage investment would favour capital over labour.

"It is important to ensure a supply of liquid fuels that will be affordable to and reach the majority of the South African population. Ensuring people have access to affordable energy should be the prime focus — not the pursuit of profits and investments."

Cosatu needs government intervention "if a progressive and developmental approach is to be implemented and if the needs of workers and the working class in both rural and urban areas are to be met".

Cosatu applies similar logic in its opposition to the corporatisation of Eskom envisaged in the Eskom Amendment Bill. It says changing the electricity utility's status to a tax- and dividend-paying company is anathema to its mandate of bringing electricity to the poor.

The federation argues that because capitalists could not be bothered with social upliftment, a strong government is needed to drive development and create sustainable employment.

Cosatu is not alone in its criticism of the government's proposed policy. Other bodies have also blasted it for not taking a holistic view of the industry.

Environmental groups have accused the government of not being serious about renewable energy. They say it has no strategy to prepare for the shift from fossil fuels to renewable energy sources — including wind power, which the Wind Energy Association of Southern Africa says is the fastest-growing source of energy globally.

Earthlife Africa and the Environmental Monitoring Group told parliament that though the white paper recognised the global problems with the sustainability of fossil fuels, it did not lay the foundation for the overall shift to renewable energy.

But South Africa is not unique in its inertia in seeking alternative sources of energy. Governments do not seem particularly keen to spend money developing alternative fuels if they can still buy oil cheaply.

"When oil gets dearer, or its supply uncertain, state policies smile on coal or nuclear power; but when oil looks plentiful and cheap, those policies tend to cool," Susan Strange wrote in 1994.

Cosatu said whereas Penuell Maduna, the mineral and energy minister, had committed himself to developing a national oil company, the white paper made little mention of that.

"The government seems bent on deregulating the liquids fuels industry in such a manner that it would be difficult if not impossible to explore the option of a state-owned oil company," said Ntuli.

Cosatu insists the government should hold its fire on restructuring until it spells its vision for the envisaged National Oil Company. "Selling off state assets and retrenching workers now will leave the state with only an empty shell to try and form a National Oil Company," said Ntuli.

He said Soekor's role must not be limited to licensing and maintaining a regulatory framework. It should, as part of a newly formed National Oil Company and be involved in limited exploration and production activities.

Cosatu wants an official government body to monitor crude transactions and conduct random investigations to prevent transfer pricing. The Strategic Fuel Fund (SFF), as part of the integrated National Oil Company, could still procure crude to manage its stockpiles and trade.

The white paper says the government will determine the country's strategic crude oil requirements and ensure they are maintained at a three-month total consumption level.

Labour wants the SFF to retain responsibility for managing and retaining crude stockpiles. It should, therefore, still be able to buy crude oil for this purpose

Ntuli says labour believes the government has a vital role in regulation of the crude oil refining industry.

Labour does not support the proposal that synfuel subsidies be phased out by 1999. "While we remain opposed to the burden of protecting the synfuels industry being borne by consumers, the phasing out of subsidies should be renegotiated in the Energy Policy Council under the auspices of Nedlac," says Ntuli.

Cosatu says the state seems to be abandoning synfuels. "Massive state investment in synfuels needs to be protected," says Cosatu.

It urges the government to support Mossgas's attempts to find more feedstock and develop gas fields. Synfuels, as part of the National Oil Company, should have access to the retail market.

Ntuli says a strong player in the form of a state-owned oil company must be the vehicle for restructuring. It sees this as the best mechanism for promoting empowerment.

"The existence of an integrated National Oil Company also holds economic benefits for the country.

"Its size and involvement in exploration, production and distribution of oil and petroleum products would ensure it benefits from economies of scale. Furthermore, large vertically integrated oil companies are able to cross-subsidise their divisions, giving them a high degree of overall flexibility," says Ntuli.

Petronet, the state-owned fuel pipeline operator, can be an important building block in the establishment of a National Oil Company.

Cosatu doubts the assertion in the white paper that the restructuring of Central Energy Fund would be done according to the National Framework Agreement on the restructuring or privatisation of state enterprises. It wants an "Energy Policy Council" established under the auspices of Nedlac, where the regulation and restructuring of the sector would be negotiated.

Maduna application for opposition parties' recusal is unanimously rejected

BD 18/8/98 (66)

Linda Ensor

CAPE TOWN — Minerals and Energy Minister Penuell Maduna has failed in his attempt to reconstitute the parliamentary committee which will decide whether he followed parliamentary procedures when he made damaging allegations against auditor-general Henri Kluever.

A closed meeting of the ad hoc committee established to decide whether Maduna's statements about Kluever were unparliamentary decided unanimously yesterday to reject the minister's application for the representatives of the Democratic Party, the National Party and Freedom Front to recuse themselves.

Maduna will be informed of the decision at today's meeting of the committee which is likely to proceed to consider the merits of the case. Sources believed Maduna would apply to the High Court for a review should the committee find, as was probable, that he contravened Rule 99.

His counsel, Kessie Naidu argued at the last meeting that press statements made by members of the three parties at the time of the public protector's hearing into the truth of Maduna's accusations against Kluever showed the parties were "institutionally" biased against him and should therefore recuse themselves.

However, sources said these arguments were rejected in the legal opinion obtained by the committee from senior counsel.

Counsel's view was that the Maduna case differed from that of Pan African Congress MP Patricia de Lille who succeeded in having her suspension from Parliament overturned by the Cape High Court.

The matter before the "Maduna committee", however, was of an entirely different nature which did not allow for the possibility of bias, counsel said. The committee simply had to determine whether Maduna had followed the rules of Parliament which stipulated that criticisms of institutions established by Parliament, such as the office of the auditor-general, could only be made by way of a substantive motion.

The committee did not have to decide on the truth or otherwise of the minister's allegation that Kluever had failed to reveal that R170m was missing from the Strategic Fuel Fund as this was the task of the Public Protector, Selby Baqwa.

Regarding the argument that statements made by party spokesman bound all members to that position, the legal opinion stated that party discipline required that members bind themselves to caucus decisions. This did not mean that members of a party could not take decisions as individuals on issues on which the caucus had not taken a prior position as was the case in the Maduna matter.

Ill-matched bout with A-G leaves Maduna on ropes

Energy minister in deep trouble as 'missing millions' claim shot down

ARG 19/8/98

As a former amateur boxer, Penuell Maduna must know the risks of an ill-matched bout, but the mineral and energy minister's blustering political pugilism appears finally to have earned him rather more than an embarrassing black eye.

POLITICAL ANALYSIS

MICHAEL MORRIS

An ad hoc parliamentary committee's finding yesterday that Mr Maduna broke the rules of Parliament by making "inappropriate statements" about Auditor-General Henri Kluever – accusing him, wrongly, of failing to reveal that R170-million was "missing" from the Strategic Fuel Fund – casts doubt on his fitness to serve in the Cabinet.

Will he get away with merely having to retract his remarks in the House and tough it out thereafter?

Or are there any punches left in a man whose belligerence, essentially, is his most sapping flaw?

The really pressing question is whether or not the African National Congress can possibly afford to defend, and retain, a minister reckless enough to harm South Africa's constitutional fabric in what appears to have been merely a fit of pique.

Of course, there's no discounting the resilience of politicians ... or the willingness of parties as powerful as the ANC to brazen out critics' fury in the knowledge of being unassailable.

Even so, the record of Penuell Maduna's ill-advised clash with Henri Kluever is unflattering at best, revealing an astonishing disregard of political and constitutional risks.

And the costs. The legal expenses associated with the possibly unnecessary inquiry spawned by his outburst are expected to exceed R10-million, much of it borne by taxpayers.

The trouble began on Wednesday, June 18, last year. Mr Maduna stood to field a question in Parliament on behalf of Deputy President Thabo Mbeki about alleged secret oil deals and missing millions from the Central Energy Fund.

Mr Maduna claimed R170-million was unaccounted for and that the auditor-general might, by "some nimble footwork", have had a part in a cover-up.

The minister blustered on: "Is Parliament expected to have full confidence in an office which may be tempted to think that it has a discretion to selectively disclose matters, and yet not present such matters to Parliament as though they are complete, accurate and flawless?

"Why did the auditor-general's office deem it fit, at that time, not to disclose this so-called loss to Parliament?"

This attack had two consequences. The first was a parliamentary request to Public Protector Selby Baqwa to investigate the substance of the claims.

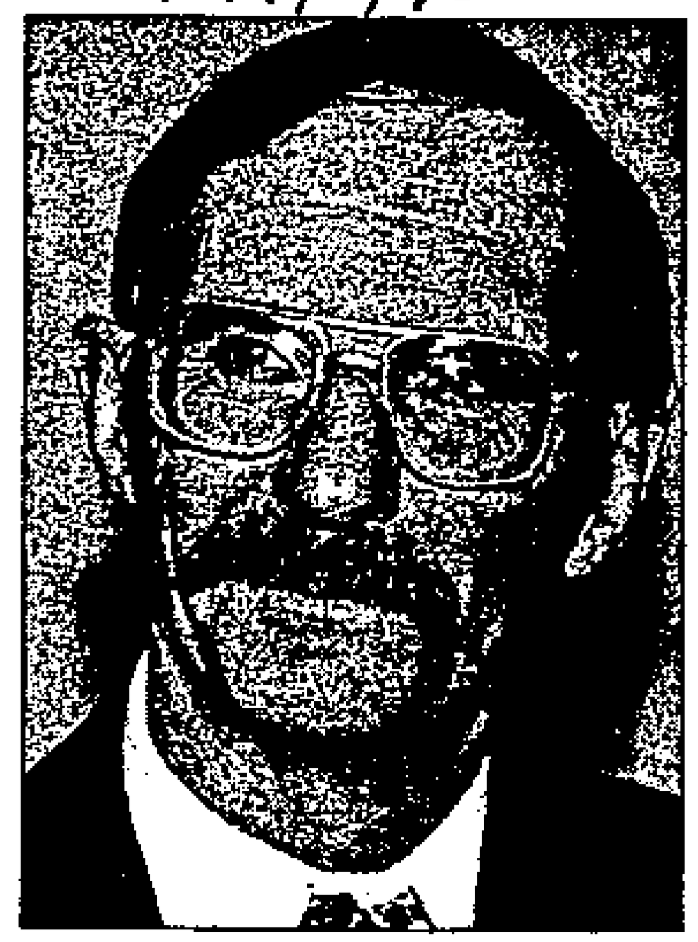
Damningly for Mr Maduna, it has since emerged that the R170-million which "disappeared" from the Strategic Oil Fund was never missing, and, worse, that all parties involved, including Mr Maduna, knew this all along, from as early as June last year when the claims were made.

It has also transpired that Mr Maduna was told three times, from three different sources, that his claims were wrong, and did nothing about it.

The second consequence, immediately after his original outburst, was a realisation by Speaker Frene Ginwala that the attack on the auditor-general's office was a significant constitutional breach.

The "mistake", as it has been described, was twofold.

First, according to parliamentary rule 99, no member "shall reflect upon the competence or honour of a judge of a superior court, or of the holder of an office ... whose removal ... is dependent on a decision of the House".



Falsely accused: Henri Kluever

It is one of the oldest rules, yet applies to – in addition to the Auditor-General post – such post-1994 institutions as the Public Protector, the Truth and Reconciliation Commission and the Human Rights Commission.

Chiefly, the reason for the rule is that representatives of these bodies have no right of response to allegations against them in Parliament, and, anyway, should not become the subject of unseemly, party-political point-scoring that could undermine their status and function.

Secondly, and for similar reasons, the constitution says that "organs of state, through legislative and other measures, must assist and protect these (state) institutions to ensure their independence, impartiality, dignity and effectiveness".

In the light of these things, Mr Maduna was told of the error, but did not retract or apologise ... and the multi-party ad hoc committee whose finding was announced yesterday was formed.

What was the constitutional fuss about?

Wilmot James, executive director of the Institute for Democracy in South Africa, warned at the outset – a year ago – that Mr Maduna "has embarked on what appears to be a high-risk strategy" that risked "bringing down not just Henri Kluever, but the credibility of the entire institution".

Echoing the concerns of many, Dr James noted: "It would be regrettable to say the least if the body (auditor-general's office) whose purpose is to legitimate the very functioning of government is called into disrepute.

"Anybody who therefore questions the quality of the Auditor-General's work better know what they are talking about."

Selby Baqwa's inquiry is still under way and the outcome is being awaited with great interest within and outside Parliament.

What is clear from yesterday's finding is that for all the punchy style of his politicking, Penuell Maduna was definitely not boxing clever on that Wednesday last June.

Minister rapped over 'damaging' remarks

(55)

Sowetan 19/8/98

By Joe Mdhlela

THE year-long dispute between Mineral and Energy Affairs Minister Mr Penuell Maduna and auditor-general Mr Henri Kluever entered a new phase yesterday with the minister being found guilty by a parliamentary committee of using damaging remarks about Kluever.

At the centre of the controversy was a claim that Maduna accused Kluever of having misled Parliament about the alleged theft of R170 million from the Strategic Fuel Fund (SFF).

Maduna also accused Kluever of not being transparent and "sloppy" during auditing procedures in relation to the books of the SFF and the Central Energy Fund (CEF) in 1994.

Part of the controversy included the loss of R5,2 million in a crude oil freight-hedging contract that was in contravention of SFF regulations.

Yesterday, an *ad hoc* parliamentary committee found that Maduna had unjustifiably made "inappropriate statements" that were offensive to Kluever.

The committee also established that Maduna had contravened the rules of Parliament, in particular Rule 99, which stipulates that criticisms of institutions created by Parliament, such as the office of the auditor-general, could only be made by way of a substantive motion.

The committee did not investigate the truth or otherwise of Maduna's allegations, as this is being handled by the public protector.

The committee rejected argument by Maduna's counsel, Mr Kessie Naidu, that the rule regulated the conduct of MPs only during debate and not during question time.

Earlier Maduna had sought to have the Parliamentary committee reconstituted, but the request was rejected.

During the hearing Maduna wanted representatives of the Democratic Party (DP), the National Party NP) and Freedom Front to recuse themselves.

Maduna's lawyers argued that the presence of members of DP, NP and FF had shown that during the public protector's hearings "the parties were institutionally biased against Maduna".

After lengthy deliberations the committee unanimously resolved to recommend to Speaker Dr Frene Ginwala that Maduna be ordered to withdraw the remarks in the House.

After the committee's decision was announced, Naidu said Maduna had accepted the decision. The committee had the support of the African National Congress (ANC). It was set up in August 1997.

Maduna had also charged that Kluever was not a qualified accountant, to which the auditor-general responded saying that the criteria for his office had been set out in the Constitution, which among other things demanded that the incumbent should have a thorough knowledge of state finance and administration.

The ANC also requested that public protector Mr Selby Baqwa investigate the auditor-general's SFF reports.

The parliamentary committee's decision means Maduna will be forced to withdraw the allegations but this will not stop the investigation by Baqwa.

During the hearings chaired by Baqwa over a month ago, Maduna's lawyers accepted that the allegation was false and that no evidence existed that the R170 million referred to by Maduna was nothing other than a mere book entry.

Maduna suffers another setback

BD 19/8/98

(56)

Linda Ensor

CAPE TOWN — Minerals and Energy Minister Penuell Maduna suffered a further political setback yesterday when a multiparty parliamentary committee recommended that he withdraw damaging remarks he made about Auditor-General Henri Kluever.

In another of a series of embarrassments for Maduna, the committee unanimously found that he had contravened the rules of Parliament in June last year by making "inappropriate" statements about Kluever. He accused Kluever of failing to disclose a R170m "loss" from the Strategic Fuel Fund (SFF) in an audit.

After the committee hearing Maduna refused to accept that he had made a mistake in attacking Kluever's integrity and said he would discuss the matter with the African National Congress and his lawyers before agreeing to withdraw the statements.

"I have nothing to withdraw. The documents speak for themselves. The country needs to know the context (in which the statements were made) and the documents at my disposal."

But Kluever, who previously explained the "loss" in terms of accounting procedures, said he had not found anything compromising in the documents which Maduna has handed over to Public Protector Selby Baqwa. He expressed dismay that the whole process of clearing his name was taking so long and was costing such a lot of money. He hoped the committee's finding would hasten the proceedings.

Maduna, having barely emerged from a controversy surrounding the board of directors of the Central Energy Fund, was dealt another blow earlier this year when his legal adviser conceded that the R170m which Maduna had alleged was "missing" from the fund in fact was never missing. The adviser was testifying at a public protector's inquiry ordered by Parliament into the truth of the statements made about Kluever.

A parliamentary committee has recommended that Penuell Maduna withdraw damaging remarks made about Auditor-General Henry Kluever. Picture: TYRONE ARTHUR

The ad hoc committee recommended that the National Assembly ask Speaker Frene Ginwala to order Maduna to withdraw statements suggesting that Kluever had concealed crucial facts about the SFF from Parliament. If Maduna refused Ginwala could "sentence" him, perhaps ordering him to leave the assembly for a day, chairman Lindiwe Ngwane said.

Maduna was found to have contravened Rule 99 which requires that criticisms in Parliament of institutions such as the auditor-general's office and the courts be made only by way of substantive motions. This was to protect the dignity of these institutions.

The committee, which did not consider the truth or otherwise of Maduna's statements, rejected the argument of his legal counsel, Kessie Naidu, that Rule 99 was not applicable to question time and interpellation debates. This view, members said, would legitimise all kinds of offensive statements during these proceedings.

Ngwane said if Maduna persisted in maintaining the truth of his statements, he could repeat them in Parliament by way of a substantive motion. The committee would compile a report to be tabled in Parliament.

The controversy over the Central Energy Fund involved the appointment by the fund of International Advisory Services, headed up by Liberian Emmanuel Shaw, as personal adviser to former fund chairman Don Mkhwanazi on a R3m-a-year contract.

State funds gas reserves for 5 more years

Mossgas gets new R2,2bn fuel lifeline

ET (MR) 20/8/98

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — Mossgas, the R12 billion state-owned fuel-from-gas producer, had been given government approval to borrow R2,2 billion to extend the life of its gas reserves by another five years, Keith Kunene, the chairman of Mossgas, said yesterday.

In 1996 Mossgas received approval to spend R910 million on new compressors and pipeline extensions to stretch out the life of Mossgas to 2001.

Also in 1996 the government conducted a costly "market testing" exercise to sell off the plant, which is believed to have cost taxpayers more than R12 billion since its construction in the late 1980s.

CONTROVERSY
Energy's Penuell Maduna

Earlier this year Thulane Gcabashe, a top adviser to Penuell Maduna, the minerals and energy minister, said Maduna had suppressed alternative private sector proposals for Mossgas that could have saved taxpayers R985 million.

After an acrimonious parting with Maduna, in which the minister demanded Gcabashe's resignation, Gcabashe went public with allegations that the Mossgas proposal "was very misleading, in that it was likely to lead the Cabinet to believe that it only needed an initial R180 million.

"If the Cabinet approved the R180 million, it would actually be committing to what appears to be a flawed project requiring a total of R1,9 billion," Gcabashe said at the time.

Kunene justified the expenditure yesterday, saying the development of the new offshore gas fields would save South Africa more than R1,5 billion a year in imported fuels.

He said independent experts had verified the commercial and technical viability of the project, which is expected to earn a net cash surplus, in nominal terms, of R4,36 billion.

Mossgas said it had approximately 8 percent of South Africa's petrol and diesel refining capacity.

It said because it used indigenous raw materials, it saved more than R1 billion a year in foreign exchange through import replacements and exports.

Over the past two financial years, the company earned a net operating surplus of R1 001 million, excluding tariff protection.

Mossgas has previously said that it employed 8 000 people directly and indirectly.

In lobbying for the funds, Mossgas told the parliamentary minerals and energy committee in February that the loan would extend Mossgas's life by up to 30 years, rather than the five years it now claims will be achieved through the expenditure.

New Eskom appointments will oversee restructuring

BD 25/8/98 (55)

Robyn Chalmers

ESKOM is to appoint two deputy chief executives as part of an overall restructuring exercise which will see the number of portfolios at the electricity utility shrink from 10 to seven.

Eskom CE Allen Morgan said yesterday the aim was to have a black businessman heading the organisation within the next few years.

A decision on the new CE will be made by Public Enterprises Minister Stella Sigcau, who is liaising with Eskom chairman Reuel Khoza on the issue. A number of candidates holding high-level positions in local organisations and within Eskom are understood to have applied for the positions. An announcement is likely before the end of this month.

Morgan said the idea was to appoint two deputy chief executives, one of whom would become his successor. This would happen after the successor was fully introduced into the business and knowledge transfer had taken place.

He said Eskom was undergoing a transformation exercise and, in accordance with instructions from government, the number of portfolios was being reduced. This involved downsizing the existing 10 management board portfolios to seven along with a separate corporate affairs and company secretariat portfolio.

This separate portfolio would help prepare Eskom to meet the demands of the draft Eskom Amendment Bill in terms of which it would become a limited liability company paying taxes and dividends.

The services portfolio, which dealt with business services such as catering, properties and information management among others, would be repacked into other portfolios. Catering, for example, would be decentralised and fall under individual power stations. The portfolio overseeing new business development would be collapsed into the marketing and communication portfolio and renamed marketing and new business.

Government has repeatedly allayed labour fears of Eskom being privatised in the short term, although Khoza has previously said that some form of privatisation was inevitable in the longer term.

This was most likely to take the form of unbundling, with competition being introduced first to the electricity distribution industry, which is long overdue for extensive restructuring.

exercise

MOSSGAS

Race is on to save a costly white elephant

(56) CT(BE) 27/8/98

LYNDA LOXTON

After a lot of hard lobbying, Mossgas, the state-owned oil-from-gas producer, won a reprieve from imminent closure last week when the government approved its plans to borrow R2,2 billion to extend its life.

Whether this was the best course of action will remain contentious, not least because Mossgas's apartheid-era past arouses strong feelings in many parliamentarians. Most would be quite happy for it to be shut down but Dave Day, its chief executive, has often told them: love it or hate it, Mossgas exists. The question now is: what are you going to do with it?

Day is the first to admit that the development of Mossgas was "very helter-skelter and very rush-rush", and when it started production in 1993 it soon became clear it was a misguided project.

According to the International Energy Agency, part of the blame for this lay in the fact that during the design stage it had been decided to use Sasol technology. This meant that the processing rate was increased to 45 000 barrels a day compared with the originally planned 25 000bpd.

That was great in theory at a time of oil sanctions when South Africa needed to make as much synthetic fuel as it could. But the problem was that the gas reserves it was tapping into off Mossel Bay did not have enough pressure to support the higher plant rate.

The government was then virtually forced to approve the investment of another R443 million to extend the life of the plant by putting in compressors and additional underwater equipment. But that only extended the life of the plant to 2001, "in which case the last person to leave switches out the lights", Day recently told the portfolio committee on minerals and energy.

"If there is no gas, Mossgas shuts down or gets used for some other purpose, or is sold as scrap. So Mossgas is a white elephant; it is practically worthless as it stands at the moment."

To get value out of this state investment, which has gobbled up R10 billion to date, Day and his team have been looking at the alternatives.

"We have proven gas reserves for six years," Day said. "It is out there in the EM field; the question is spending money to take it out. But we also have prospects which could add on another 14 years, and there could be additional gas after that."

The EM field is 49km west of the FA field, which is situated off Mossel Bay on the east coast. If the EM field could be tapped, that gas could be used to continue making synthetic fuel, saving the country some R1 billion a year in foreign exchange for imported oil.

It could be used to make chemicals, which would earn the corporation more, but Mossgas would have to reach an agreement with Sasol and pay it compensation for competing with it in this market.

Another option would be to supply gas to the industrial market, mainly via a pipeline to the Western Cape.

"That could be a lucrative business, not as an alternative to Mossgas but in addition to Mossgas," said Day.

Day and his team, meantime, have developed their own scenario of the future — which they have spent the past year lobbying for.

Their plans include a 55km undersea 18-inch pipeline to the EM field from the platform at the FA field. But there are risks involved. This pipeline will be the second longest in the world, after a 60km pipeline off the north coast of Australia. The pipeline will be controlled by satellite from the FA platform.

"It is sophisticated technology and state of the art," said Day. "Five years ago this would not have been possible, but technology has advanced tremendously fast, with developments in the North Sea and off the coast of Australia. So we are now in the position where we can develop this EM field without having to put in a new platform, which would make it even more expensive."

The new gas reserves will also be tapped by drilling up to 2km horizontally under the seabed to get at a seam of gas-bearing sandstone. This is also new technology — until two years ago the longest horizontal drilling was 500m.

Drilling at such depths has its own dangers, including the fact that the consistency of both gas and materials used changes considerably under such pressure. This could increase the costs of the project. The project is now expected to cost R2,2 billion over six-and-a-half years and could earn an additional R10 billion, with a positive cash flow of R5,6 billion.

"But the exciting part is what else is out there," said Day.

In conjunction with a Norwegian company, Mossgas has been dong some more exploration and development in the area. It has found several promising new gas fields, which could all be linked by the planned pipeline to the existing platform.

"We think that for a very marginal additional cost we could then increase six years of gas in EM, which will confirm that we can get up to 20 years of gas out of this area," said Day.

"It might not be 20, it might be 16, but everybody is very confident there is a lot of gas.

"We should know what this area really looks like in the first quarter of 2000."

The findings will answer the question whether the government's R2,2 billion gamble has paid off. For Day and his team that would be a gas.

Focus on SA's nuclear industry as it moves into a new era

Star 31/8/98 (53)

By Adrian Hadland
Parliamentary Correspondent

Outside looking in ... a view of Pelindaba Nuclear Station. It has been said that the lack of representation in the current debate by black people is an undesirable legacy of apartheid.

Government reluctance to intervene in the management of South Africa's nuclear industry has resulted in significant costs to the country and a range of urgent problems, according to nuclear policy expert Thomas Auf der Heyde.

In a paper which was presented this weekend at the National Nuclear Technology Conference in Mafikeng, Auf der Heyde argues that since 1993 an "almost complete lack of co-ordination on nuclear technology matters" within government has caused a policy vacuum which has dire consequences for the country.

The department of mineral and energy affairs, which is responsible for the planning and management of the nuclear industry, has "little or no capacity" to fulfil its mandate while government itself has been reluctant to intervene in the management of the sector, says Auf der Heyde.

The opinion of the Technikon Witwatersrand academic is one among many presented by 200 local and international experts at a conference designed to drag South Africa's nuclear industry into the post-apartheid era.

Observers believe the conference will play a critical role in determining the future of the industry which has cost the South African taxpayer in excess of R10-billion over the last 20 years.

Says conference organiser Mojalefa Murphy: "The lack of a coherent policy threatens not just nuclear power generation but all the associated applications of nuclear technology including agriculture, medicine, water provision, food security, research and education."

But the conference, which was to map out South Africa's future relationship with the International Atomic Energy Agency (IAEA), has itself been the subject of almost a year of wrangling between government departments, the Atomic Energy Corporation (AEC) and local nuclear scientists and researchers.

The battle over who should host and organise this weekend's proceedings formed part of a case in the Transvaal High Court in November last year and had a bearing on the suspension of one of the AEC's top black managers.

At present, all applications for the funding of projects and technical assistance from the IAEA have been channelled through the AEC which pays the R5-million a year membership fee. This has led to consistent claims from applicants that AEC decisions on IAEA grants, such as a current project on the Cape fruit fly, have borne little relation to current needs and objectives in a post-apartheid society.

The department of arts, culture, science, and technology was forced to intervene in March this year when a group of researchers from the University of the Witwatersrand and the National Accelerator Centre in Faure complained that the AEC was not only operating under an unacceptable apartheid framework, but was also professionally incapable of prioritising and selecting projects for IAEA funding.

While the department of mineral and energy affairs has largely declined to participate in preparations for the conference, it was left to the department of arts, culture, science and technology to resolve the dispute and appoint a panel of experts to draw up a draft IAEA policy.

In a paper on radioactive waste management, three researchers from the AEC claim South Africa has done little about planning a long-term solution to the disposal of an increasing stockpile of radioactive waste.

"The permanent solution to the spent fuel issue has not been debated to any extent in South Africa and the danger is that the problem could be left for our future generations to solve," the paper says. "This violates one of the fundamental principles of radioactive waste management.

"The public must receive assurance that the nuclear industry has, or is working towards, the answers for the cradle-to-grave approach to the long-term safe disposal of the total spectrum of radioactive wastes.

Public confidence levels cannot be built on the basis that spent fuel high-level waste (HLW) disposal will only be dealt with in the next century, implying that the industry does not have the answers.

"South Africa must be proactive and undertake studies to determine long-term disposal options for spent fuel and HLW to allay public fears."

In another paper, Lars Melin from the Millennium Think Tank argues that the development of South Africa's nuclear industry is of vital importance to the country's ability to remain at the cutting edge of technology.

"The rapid growth of technology, especially in the nuclear field, is of the utmost importance to a nation wishing to maintain a competitive edge in the future globalised economy of the world and a reputation for technical competency. This is vital if we are to increase exports of our raw materials in a beneficiated form.

> **"SA must be proactive and undertake studies"**

"South Africa has a daunting task ahead in the new millennium in providing even the basic needs of a growing population.

"To achieve this, every opportunity must be exploited to build our gross domestic product and our foreign earnings."

Visiting British professor John H Gittus points out that after a promising start, in which nuclear power was expected to become a critical source of electricity worldwide, the industry has "reached a crossroads".

"Earlier forecasts of continued expansion in nuclear generating capacity have proved to be over-optimistic and presently it is only in China, Japan and South Korea that significant expansion in nuclear capacity is actually occurring," he says.

"The pace of new nuclear power construction is in fact about equal to the pace of plant closures worldwide and so world nuclear capacity has reached a plateau."

Gittus concludes that the Pebble Bed Modular Reactor developed with South African enterprise has the potential to relaunch nuclear power.

Murphy says government's declaration of 1998 as the Year of Science and Technology (Yeast) has presented an ideal opportunity for concerned stakeholders to put nuclear science and technology on the national agenda.

"The historical developments in South Africa's nuclear industrial domain have undermined the credibility of nuclear science and technology," he said.

"This is particularly pronounced among black people whose lack of representation in the current debate is an undesirable legacy of their deliberate exclusion during the era of apartheid.

"It is for this reason that the South African nuclear community has consciously seized the opportunity to celebrate Yeast with humility and frank deliberations.

"These are underpinned by a genuine quest to raise nuclear technology consciousness and to develop technical capacity, particularly among the traditionally disadvantaged communities," he says.

SOWETAN Thursday September 3 1998

Nod for SADC pacts on energy

Sowetan 3/9/98

(55)

By Pamela Dube

MEMBERS of the portfolio committee on mineral and energy affairs had no intention of opposing the ratification of the Southern African Development Community (SADC) protocols on mining and energy – signaling a likely approval from Parliament.

Following a convincing presentation by the director of international affairs in the Ministry of Mineral and Energy Affairs Sandile Tyatya, the portfolio committee agreed that they would not object to the two protocols being passed by Parliament for ratification.

The two protocols speak of greater cooperation in policy development and information and research in the energy and mining sectors.

When first presented before the SADC meetings, the two agreements were received favourably by member states as a positive development towards economic cooperation in the region.

The energy protocol, signed by the heads of states in Maseru, Lesotho, in 1996, strives for greater cooperation in the use of energy to support economic growth and development; alleviation of poverty; and the improvement of the quality of life throughout the region.

The protocol also seeks to promote research in the development and transfer of science and technology in the field of energy.

In addition to the same principles of cooperation and development, the mining protocol – signed in Blantyre, Malawi, last year – member states bound themselves to working together towards developing competitive small-scale mining.

Greater participation

Also, the protocol calls for greater and continuing participation of the private sector in the exploration for and commercial exploitation of mineral resources.

Training of specialists in both energy and mining fields is also covered extensively in the two treaties.

The protocols also recognise the glaring differences in labour policies in the sectors in different countries in the region.

They commit member states to creating uniformity in labour-related policy matters.

Tyatya told the committee that in recognition of the fact that "there are some countries in the region whose history of labour activism is non-existent, there is general understanding that the protocols strive towards bringing about uniformity in remuneration and working conditions".

In harmony

The protocols specifically commits members states to "ensure that sectoral and subsectoral regional (energy and mining) policies and programmes shall be in harmony with the overall policies and programmes of SADC and with strategies and programmes of other SADC countries".

Tyatya said the ministry had hoped that before the SADC conference (in two weeks time), South Africa would have ratified the agreements. "It's obvious now that time does not permit us, we just hope Parliament will pass them before the end of this year."

NER dismisses another top manager

BD 11/9/98 (55)

Robyn Chalmers

A TOP official at the National Electricity Regulator (NER) has been dismissed, raising the number of people who have left recently to almost half of the original 40 employees.

Technical services GM Zakes Ndimande was dismissed last Friday for allegedly falsifying his résumé, a claim he has denied. All four GMs at the NER have been replaced.

The exodus, which follows the implementation of a transformation exercise by CEO and chairman Magate Sekonya, has raised fears about the NER's ability to regulate the R25bn electricity supply industry.

Minutes of a special board meeting held on July 28 point to some tension within the board, particularly between certain board members and Sekonya.

The minutes refer to "a board decision" to place a moratorium on hiring, firing, resignations and disciplinary action, although Sekonya said in the minutes that the "moratorium (on hiring and firing) was wrongly placed by board members".

Questions were raised in the minutes about why the moratorium was not complied with. "The chairman (Sekonya) responded that it was going to be impossible for him to comply with the moratorium (as) he had to see to it that the NER continued its work."

NER financial services GM Terrance Naidoo said yesterday that Ndimande was dismissed as he was unable to perform at a level consistent "with the apparent qualifications alleged in his résumé". This was having a direct negative effect on the NER's organisational performance.

Naidoo said allegations that Ndimande had falsified his résumé were corroborated by a human resources consultant appointed by the board.

Ndimande said he had informed the board and Sekonya that he did not accept his dismissal and was investigating taking legal action.

Naidoo said there was no minuted board decision on the matter of a moratorium. The NER's human resource practices were established and in accord with sound labour relations.

Earthlife demands details of Koeberg's double shutdown

(55)

SHARKEY ISAACS, LINDSAY BARNES AND SAPA

ARGT 16/9/98

The Council for Nuclear Safety is monitoring an investigation into faults which have resulted in the shutdown of both turbines at Koeberg nuclear power station.

This is the first time the power station has been forced to shut down both units simultaneously.

Eskom spokesman Peter Adams said there was "not the slightest danger" to anyone inside or outside the power station, and that the Council for Nuclear Safety was monitoring the investigation.

Earthlife spokesman Davin Chown expressed concern that Cape Town residents could be in danger in spite of the assurances from Eskom.

Calling on Eskom to release details of the "technical faults" that affected the turbines, Mr Chown said: "People cannot be sure safety measures were strictly adhered to unless Eskom is more specific about what actually happened."

Brian Statham, national energy manager for Eskom, said yesterday that the shutdown of two units was done under standard safety procedures.

"It is perfectly safe, and there is no question of meltdown or anything like that," he said.

The first fault in unit two occurred on Sunday morning during routine testing, said Mr Adams. An "unexpected vibration" was found and the cause was still being investigated.

Unit one tripped at 3am yesterday because of a fault unrelated to the fault in unit two, while technicians and engineers were still struggling to repair the first turbine.

There had been no problems with either nuclear reactor during the close-down, Mr Adams said.

The plant should be up and running "within a day or two", he said.

Replacement power to the Western Cape is currently being supplied from conventional, coal-fired generators and hydro-powered units in the north, he said.

The rerouting of power to the Western Cape from the national grid - a network of high-voltage power lines covering the country and connecting all the power stations in the country - meant a shutdown of power to parts of the Western and Eastern Cape for an hour yesterday.

Two provincial pump-storage hydro turbines at Palmiet and Steenbras dams as well as the Peninsula's only remaining conventional power station at Athlone also had to tap into the grid to generate additional power during peak demand.

Environmentalists concerned over Koeberg stoppage

(55) ([redacted]) BD 17/9/98

CAPE TOWN — Earthlife Africa called on Eskom yesterday to release details of the technical problems which led to the shutdown of Koeberg nuclear power station.

Earthlife spokesman Davin Chown said they were concerned that Cape Town residents were in danger despite assurances from Eskom that the shutdown posed no danger.

"People cannot be sure safety measures were strictly adhered to unless Eskom is more specific about what actually happened," Chown said.

Eskom national energy manager, Brian Statham said on Tuesday that the shutdown of two units, within 48 hours of each other, was done under standard safety procedures. "It is perfectly safe, and there is no question of meltdown or anything like that," he said.

The breakdown of the Koeberg turbines was compounded by another breakdown at a coal-powered station at Tutuka, Mpumalanga, which also fed the Western and Eastern Cape. He said engineers and technicians were struggling, as it was not known when the two turbines would be back on stream.

At the Koeberg station the first fault in unit number one occurred on Sunday and the second in unit number two was discovered on Tuesday morning, while technicians and engineers were still struggling to repair the first turbine.

It was the first time in the history of the power station that both units were shut down simultaneously. — Sapa.

Koeberg shuts down power

(56)

SHARKEY ISAACS
STAFF REPORTER

ARG 15/9/98

Koeberg Nuclear Power Station has "temporarily" shut down after technical faults were discovered in both its turbine units.

The shutdown of the two units within 48 hours of each other was enforced as standard safety procedures, said Brian Statham, national energy manager for Eskom.

The rerouting of power to the Western Cape from the national grid meant the shutdown of power to parts of both the Western and Eastern Cape today. Areas affected included Goodwood, Elsies River, Parow, Strand, Somerset West and Wellington.

Mr Statham stressed the breakdown did not in any way pose a danger to Cape Town.

To page 3

Koeberg shuts down power

(56)

From page 1

ARG 15/9/98

"It is perfectly safe and there is no question of a meltdown or anything like that."

All power in the Western Cape is now being supplied from conventional generators in the north.

The breakdown was compounded by another major breakdown at a coal-powered station at Tutuka, Mpumalanga, which also fed the Western and Eastern Cape.

The shutdowns occurred simultaneously. At Koeberg the first fault occurred on Sunday and the second was discovered at 3am today while technicians and engineers were still struggling to repair the first turbine.

It was the first time both units had shut down. When one had shut down before, the second was able to to generate at half-strength – about 900 megawatts.

New unit to crack down on Cape gangs

BD 18/9/98

David Greybe

CAPE TOWN — Government announced the establishment yesterday of a "gang-buster" unit in the Western Cape, made up of 30 top prosecutors, police investigators, lawyers, tax collectors and chartered accountants.

The "investigating directorate on organised crime and public safety" is the first major anticrime initiative of the new national director of public prosecutions, Bulelani Ngcuka.

Justice Minister Dullah Omar told a media briefing the unit would remain outside the normal chain of command to ensure it remained "untainted by the stigma" attached to other police units working on gang-related activity in the Western Cape.

It would be led by Western Cape deputy attorney-general advocate Percy Sonn. Omar said Sonn had monitored gang activity in the province for the past year and had visited the US to study responses to illicit drug trafficking and gang violence there.

Omar said the team would muster all legal resources at its disposal to hit the gangs "where it hurts most" — their financial transactions.

Individual high-profile gangsters would be targeted "in a sustained manner. Every breach of the law, no matter how minor, will be followed up."

Ngcuka said: "The time has come to adopt extraordinary measures." He said he and national police commissioner George Fivaz, who was also at the briefing, "accept that the buck stops with us". Fivaz said the unit was an appropriate response to the ever-increasing global "sophistication of crime. If we do not react in kind we will not break its back."

Omar said tax collectors seconded from the SA revenue service, together with chartered accountants made available by Business Against Crime, would focus on the financial transactions of gangs. "The asset seizure provisions of the Drug Trafficking Act and the Proceeds of Crime Act will be extensively employed to cripple the gangs financially," he said.

Deputy Justice Minister Joe Matthews pointed to the imprisonment of notorious US gangster Al Capone in 1931 for tax evasion as an example of how the unit would operate.

Omar said cases would be "fast-tracked" through the courts. A source said that cases would be prosecution-driven to ensure success. Sloppy police work which had previously resulted in gangsters walking free would end.

The unit's work would be monitored at a national level by a "control board" comprising the national police commissioner, the commissioner of the revenue service and the director-general of the National Intelligence Agency.

Eskom to sue union for damages to office

BD 18/9/98 (57)

Reneé Grawitzky

ESKOM is to sue the National Union of Mineworkers (NUM) for R8m in compensation and loss of earnings resulting from damage to its head office in Johannesburg caused when striking workers went on a rampage in July and burned the building down.

The union met Public Enterprises Minister Stella Sigcau earlier this week to discuss its concerns over Eskom's plans.

Union sources said Eskom's plans could damage relationships between the two parties and were seen as an attempt to destroy the union.

It is believed the union is being sued for R4m in damages and an additional R4m for lost profit and income.

At the time of the incident, Sigcau and Minerals and Energy Minister Penuell Maduna warned that government would not tolerate anarchy and criminal acts. They said the union should take responsibility for the actions of their members. "Gone are the days when people can trash property and get away with it," Sigcau said.

Union sources said that during yesterday's meeting Sigcau requested another meeting today to discuss the possible appointment of two deputy CEOs at Eskom, a move which has led to tension within the organisation.

Eskom management confirmed that it would meet Sigcau before she met organised labour.

Speculation has surrounded these appointments, which were supposed to have been announced some time ago. Union sources said the speculation had resulted in a power struggle between contenders. At the same time, the appointments had raised racial tensions, with white employees claiming white candidates were being sidelined.

There are said to be two internal candidates — Bongani Khumalo, Eskom's human resource director, and Dolly Mokgatle, who heads the corporate affairs division.

Eskom had also approached a number of outside candidates.

Electricity subsidy to save millions

(55) MtG 25/9-1/10/98

Ann Eveleth

Almost four million households could soon benefit from subsidised electricity in a move expected to save hundreds of millions of rands in health costs associated with the use of inferior fuels.

The National Electricity Regulator told Parliament last week it plans to introduce a subsidy, or poverty tariff, to reduce basic cooking and lighting electricity costs for the poorest 60% of the population from early 1999. This could save the country's overstretched health services more than R750-million each year.

At least 16 000 South African children are hospitalised each year as a result of paraffin poisoning. A recent Medical Research Council study also shows that 86% of children who burnt to death suffered their injuries from alternative fuel sources, including boiling water, paraffin lamps and heaters and cooking fires.

Eskom's rapid progress on the national electrification programme since 1994 has done little to reduce the pall of black smoke that rises each night over most townships and informal settlements as residents burn coal to cook their food and warm their homes.

The regulator says this is because many newly electrified households simply cannot afford to abandon cheaper fuel sources like coal and paraffin.

These cheaper fuels increase indoor pollution, which in turn increases the incidence of lung disease, particularly among children.

The same fuels also leave thousands of families homeless each year as unnecessary fires raze informal settlements to the ground, often killing sleeping residents.

The Medical Research Council study says that 83% of burn incidents nationwide take place in informal settlements.

The council predicts that if 54% of South African households switch completely to electricity, the country could save R762-million in health costs associated with respiratory disease, burns and paraffin poisoning.

The regulator says this is equal to half Eskom's annual electrification programme costs. Eskom currently spends R3 000 per new household connection, and has kept pace with its annual target of 450 000 new connections each year. At least 62,4% of households are expected to be electrified by the end of 1998.

But the regulator says much of this investment is wasted as long as newly connected households can't afford to pay for electricity and continue to use alternative fuels instead.

"The government ... is going ahead with the electrification process to ensure the majority of households have access to electricity, but ... the provision of electricity does not automatically result in its use as the sole domestic energy carrier. In certain electricity regions (for example Soweto), high levels of coal use have persisted," says the regulator.

The poverty tariff marks an attempt to bridge this gap — and encourage more efficient use of existing electricity infrastructure — by offering poor families a minimal, basic electricity quota at a reduced price.

The regulator plans to subsidise between 50% and 60% of the costs associated with lighting four bulbs per household for five hours daily and two hours of cooking costs on a two-plate electric stove.

Pensioners, unemployed and disabled people and indigent South Africans who are "unable to make any monetary contribution toward basic services" will receive a 60% subsidy on the total costs of these minimal lighting and cooking needs, or the first 162kWh of electricity used.

Impoverished individuals, households or entire communities which are "unable to command sufficient resources to satisfy their basic needs" will receive a 50% subsidy on their cooking costs only, or the first 124kWh of electricity used.

Consumers will have to apply to local authorities to qualify for the poverty tariff, but this will depend on household income levels which are still to be determined.

The regulator says it has not yet finalised cost projections for the subsidy, but points out that South Africa's electricity transmission network was designed to accommodate the full use of its generation capacity.

"On increasing the amount of energy transmitted across the network, there would not be any additional costs other than transmission losses and slight increase on the maintenance side," says the regulator.

It says financing options for these and other costs associated with the installation of pre-paid meters in poverty tariff households include channelling a portion of Eskom's prospective tax bill back into the industry, or cross-subsidisation of these costs by wealthier consumers.

Wealthier consumers tend to consume high levels of electricity, requiring expensive high-capacity connections, and can generally afford to pay full connection costs in addition to contributing towards the subsidisation of low-consumption households.

"South Africa is renowned as one of the cheapest providers of electricity in the world, but the majority of its inhabitants still do not believe it is cheap in real terms," the regulator adds.

Koeberg's spent fuel is kept on site, hearing told

ARG 2/10/98 (55)

SHARKEY ISAACS
STAFF REPORTER

Concerns about safety and evacuation measures in the event of an accident at Koeberg nuclear power station were highlighted at a public inquiry into the plant.

It was also disclosed at the hearing that no spent enriched fuel had been removed from Koeberg in the 14 years since it was commissioned and that only low-level radioactive waste had been taken to the dump site near Springbok in Namaqualand. A proposed extension would be solely to create extra storage space for spent fuel.

The hearing on safety, extensions and the proposed introduction of prototype pebble-bed modular reactors was chaired by Martha Olckers of the Western Cape legislature's standing committee on agriculture, environment affairs, tourism and gambling.

Eskom's manager of nuclear assurance and environmental affairs Tony Stott, confirmed that spent fuel was stored on site and the envisaged extensions were for additional storage space.

Stephen Law, director of the Environmental Monitoring Group, said the province should play a much more active role in evaluating the emergency response plan which should be debated routinely by the legislature.

He recommended that the provincial government insist on clear plans for the final decommissioning of the plant and any development for the future.

Further nuclear developments at the site, such as the prototype pebble bed reactor, would have a further impact on land use options, he said.

Mike Bell, who lives near the station, told the inquiry that Koeberg presented a twofold danger: the possibility of nuclear meltdown and the large quantities of radioactive waste stored there. He said he had lived for three years near the plant and had not once had any instruction on evacuation or safety.

Ian Nielsen of Blaauwberg Council's executive committee said the 40-year lifespan of Koeberg was barely acceptable and the municipality could not envisage its continuing beyond 2020.

"I believe the level of risk associated with the power station cannot be allowed to increase and that it cannot have an infinite lifespan," he said.

Sibiya quits post, citing frustration at 'dirty tactics'

BD 6/10/98

Linda Ensor

CAPE TOWN — Gordon Sibiya, an outspoken campaigner against what he believed were wrongful practices in parastatals, has resigned as minerals and energy deputy director-general to pursue interests in the private sector.

Sibiya said yesterday he had "had enough" of the resistance to change he experienced in the energy sector.

In his letter of resignation handed in last week, Sibiya said that in the restructuring of state assets, those who wanted to keep their jobs would resist change and the whole process would be long and painful. Dirty tactics would be employed to prevent government from achieving its goals.

"I have been fighting wars that should be fought by bigger people," Sibiya, who was also director of energy, said yesterday. "I am sick of the personal mudslinging and want my life back. I am intellectually and spiritually weary and do not want to have to face up to any more disputes alone."

Sibiya, who joined the department last March, criticised the Central Energy Fund's appointment of Liberian Emmanuel Shaw as personal adviser to former CEF chairman Don Mkhwanazi on a R3m-a-year salary.

His latest skirmish was with the Council for Nuclear Safety over proposals to shift the regulation of radiation in the mining industry from the council to the department and to lower the standards applied to what he believed were international norms.

His detractors have accused him of trying to further the interests of the mining industry because he was a nonexecutive director of Randfontein Estates, a claim he has hotly denied.

Sibiya oversaw the drafting of the energy white paper and brought the Nuclear Energy Bill, the Nuclear Regulatory Bill and the Gas Bill to completion. He now wants to re-establish his private firm of electrical engineering consultants. Sibiya has a doctorate in nuclear reactor physics from a German university as well as a master's degree in electrical engineering from Nottingham University in the UK.

Sasol

BD 6/10/98

Continued from Page 1

past financial year.

Analysts said offshore institutions viewed SA's country risk as high and as Sasol was one of the most liquid counters, it tended to be one of the main stocks sold by overseas funds. If Sasol listed offshore and increased its foreign earnings by diversifying its foreign asset base, the group could be rerated, offsetting the effects of large volume and price movements in its locally-listed counter. Having hard currency raised on a foreign exchange would allow it to explore offshore opportunities in chemicals, explosives and further upstream projects.

One analyst cautioned that government, which provided Sasol's synthetic fuel business with tariff protection funded by the Equalisation Fund levy on petrol, might take a dim view of the group seeking a listing elsewhere. Any potential offshore listing would probably take place only once Sasol's tariff protection ended in 2000.

Personal attacks force Sibiya out

CT(MR) 6/10/98 (55)

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — Gordon Sibiya, the outspoken deputy director-general of the department of minerals and energy, yesterday resigned from his post, saying personal attacks on his character by parastatals resisting transformation had become unbearable.

Sibiya is widely acknowledged as the driving force behind the government's energy white paper, which proposes the complete deregulation of the liquid fuels industry.

Last December, he clashed head on with the board of the Central Energy Fund (CEF) over the award of a R3 million consultancy contract to Emmanuel Shaw, a former Liberian finance minister.

Shaw reportedly accepted a $10 000 bribe from a Geneva-based oil trader to promote his interests with Penuell Maduna, the minerals and energy minister.

Gordon Sibiya, the minerals and energy deputy director-general

Sibiya resigned from the CEF, but his resignation was not accepted. He never returned to the board after Maduna rejected an inquiry into the Shaw affair.

In the past month Sibiya clashed with the Council for Nuclear Safety (CNS) over radiation safety in mines. The CNS argued that Sibiya was attempting to water down radiation-safety regulations in mines.

In a move Sibiya said prompted his resignation, the National Party called for his dismissal, arguing there was a conflict of interest between his position in the department and his non-executive post on the board of a mining company — a charge Sibiya denied.

The director-general of department of minerals and energy yesterday issued a statement saying Sibiya would be sorely missed. He is the second top official associated with the department to have resigned this year.

In March, Thulane Gcabashe, a former top aide to Maduna, was forced to resign amid allegations of misconduct and counter-allegations that he was forced out for speaking against further funding for Mossgas and the continuation of Sasol's tariff protection.

Sibiya yesterday said the transformation of the energy sector would take several terms of government but would continue.

"If they think by me being out the government is going to stop they are very myopic," he said.

More than 50 000 rural homes to benefit from solar-power electrification project

Star 7/10/98 (123) (55)

By Khanvisile Nkosi
and Melanie-Ann Feris

One of the largest pioneering rural electrification projects in southern Africa will see the light of day soon with the launch of a R150-million initiative that will harness solar energy to electrify more than 50 000 homes in the country.

The project, a Shell and Eskom joint venture, will benefit rural residents still dependent on candles and paraffin for heat and electricity.

Launched in Johannesburg yesterday, the project will get off the ground before the end of the year but will start in earnest in 1999. Project co-ordinators have identified three remote rural areas in the Eastern Cape as a starting point and will move on to areas in Northern Province and KwaZulu Natal.

About 6 000 homes will be electrified in the initial phase at a cost of R22-million, Eskom's Rodney Buttle said.

Both companies view the project as the largest commercial solar electrification project ever launched in Africa.

The project introduces a power supply regarded superior in terms of quality, health and safety and is seen as a viable solution to the problem of providing power to remote rural areas.

Installation will cost about R180 and consumers will pay R47 a month.

Shell, Eskom launch solar power project

(65)

Sibonelo Radebe

BD 7/10/98

SHELL International Renewables and Eskom have jointly launched a R130m solar-power project that will extend electricity to 50 000 rural households in SA in two years.

The project was launched by minerals and energy minister Penuell Maduna in Johannesburg yesterday.

He said Shell and Eskom would set the standard for rural electrification beyond 2000 and help government to achieve its 72% electrification target by that year.

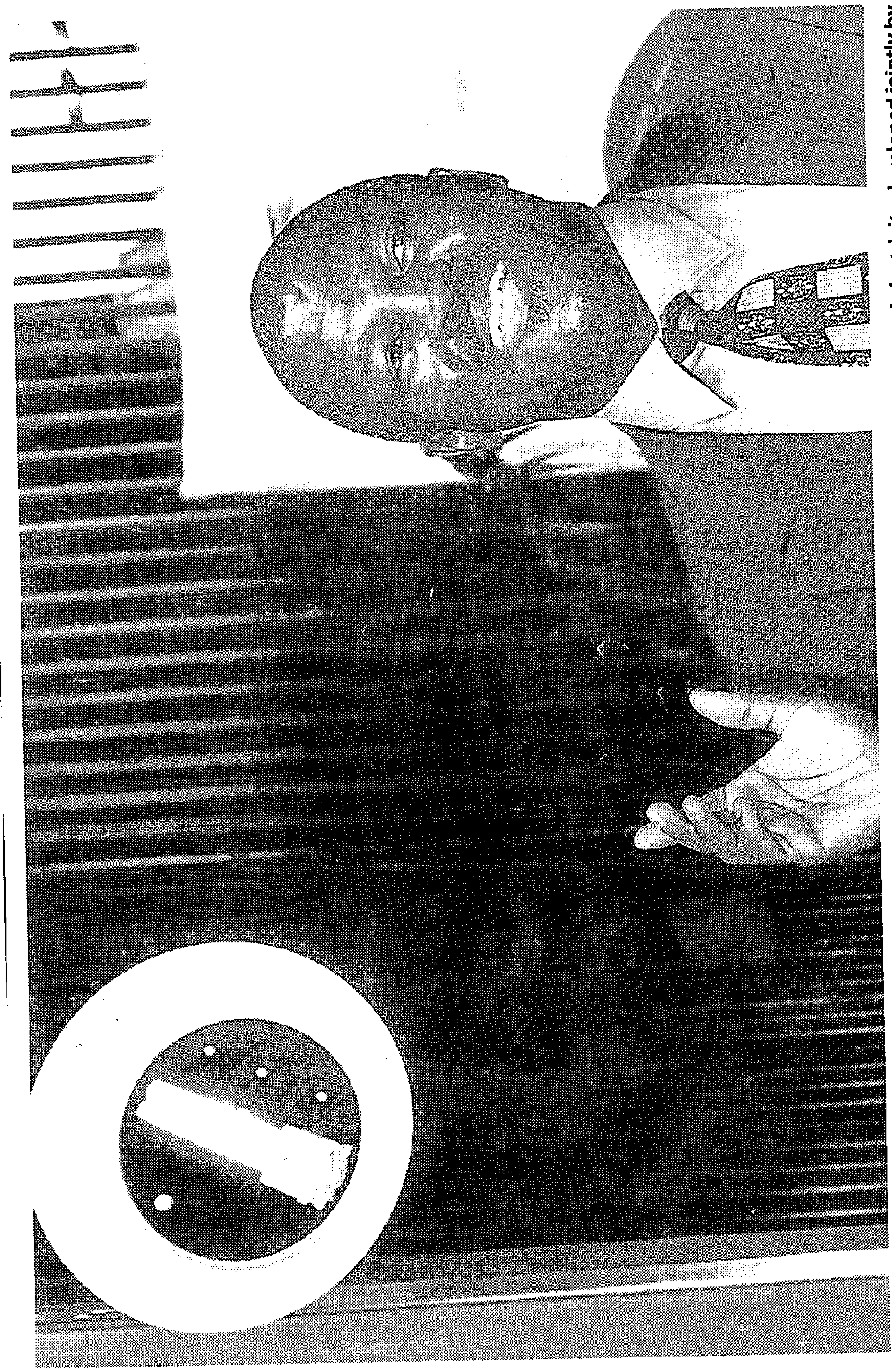
Customers would initially pay about R180 for the system's installation and a R48 monthly fee for a magnetic card that stores power credit for 30 days.

Shell and Eskom said they would help establish the required infrastructure, including setting up community-owned and operated marketing, installation and maintenance companies.

Maduna said the project would have many other benefits for rural communities, over and above supplying electricity. It would provide thousands of technology-based jobs and facilitate skills development.

Shell International Renewables president Jim Dawson said the project would help overcome the problem of supplying electricity to remote areas.

Solar-generated electricity could supply 30% to 50% of the world's energy requirements within 20 years, he said.



Picture: TREVOR SAMSON

Minerals and Energy Minister Penuell Maduna at the launch yesterday of a project involving solar-generated electricity developed jointly by Shell and Eskom.

OIL *Global competition will shake up industry*

(55)

Sector can expect changes

CT (MR) 9/10/98 (193)

LYNDA LOXTON

Cape Town — South Africa was fast becoming part of the international oil and chemicals market and major shake-outs and restructuring were likely in the months ahead, Brian Paxton, the managing director of Mbendi Information Services, said yesterday.

Mbendi is an Internet news service.

In his latest oil and chemicals newsletter, Paxton said companies such as Sentrachem, Hoechst and Engen were being delisted and becoming part of international groups.

"International parents/partners can provide technology and international synergies but require that local operations are focused and ruthlessly efficient," he said.

"Unless the Sasol/AECI merger can be resuscitated, it is going to be difficult for Sasol to become a world player and for AECI to survive as a regional player."

Paxton said it was not clear whether proposed black empowerment deals met the criteria of providing the black investor "with a decent return on investment, particularly if funded by borrowings at high interest rates".

Paxton said Sasol had conducted a series of roadshows for UK investors, but it would "be interesting to see how international investors view a listed company receiving the levels of tariff protection given to Sasol".

He said South Africa had not yet been significantly affected by the international corporate alliances involving Mobil, BP, Arco, Amoco, Shell, Chevron, Caltex, ICI, RTZ and others, but this could be expected in the months ahead.

"In short, interesting days are ahead and only the best are going to survive and profit, most probably as part of international groups."

Koeberg to double radioactive store

ARG 70/10/98 (55)

SHARKEY ISAACS

In a controversial move the Council on Nuclear Safety has announced plans to double the storage facilities for highly radioactive spent nuclear fuel at the Koeberg nuclear power station.

This means that more than 1 500 highly radioactive spent fuel rods will be stored at the power station.

Phil Metcalf, deputy general-manager of the Council on Nuclear Safety, announced the controversial plans to store the spent radioactive fuel at Koeberg power station during a public hearing held in Cape Town yesterday.

Mr Metcalf said there was a need to store spent fuel element rods on site to ensure the fuel lost some radioactivity before attempts were made to chemically recycle the rods.

He said existing storage rack facilities only had sufficient capacity to store 720 spent nuclear fuel element rods and this capacity would be used up by the year 2000.

The need to add more facilities had now become imperative. The extra storage rack space would extend the total storage capacity to 1 538 spent radioactive fuel rods.

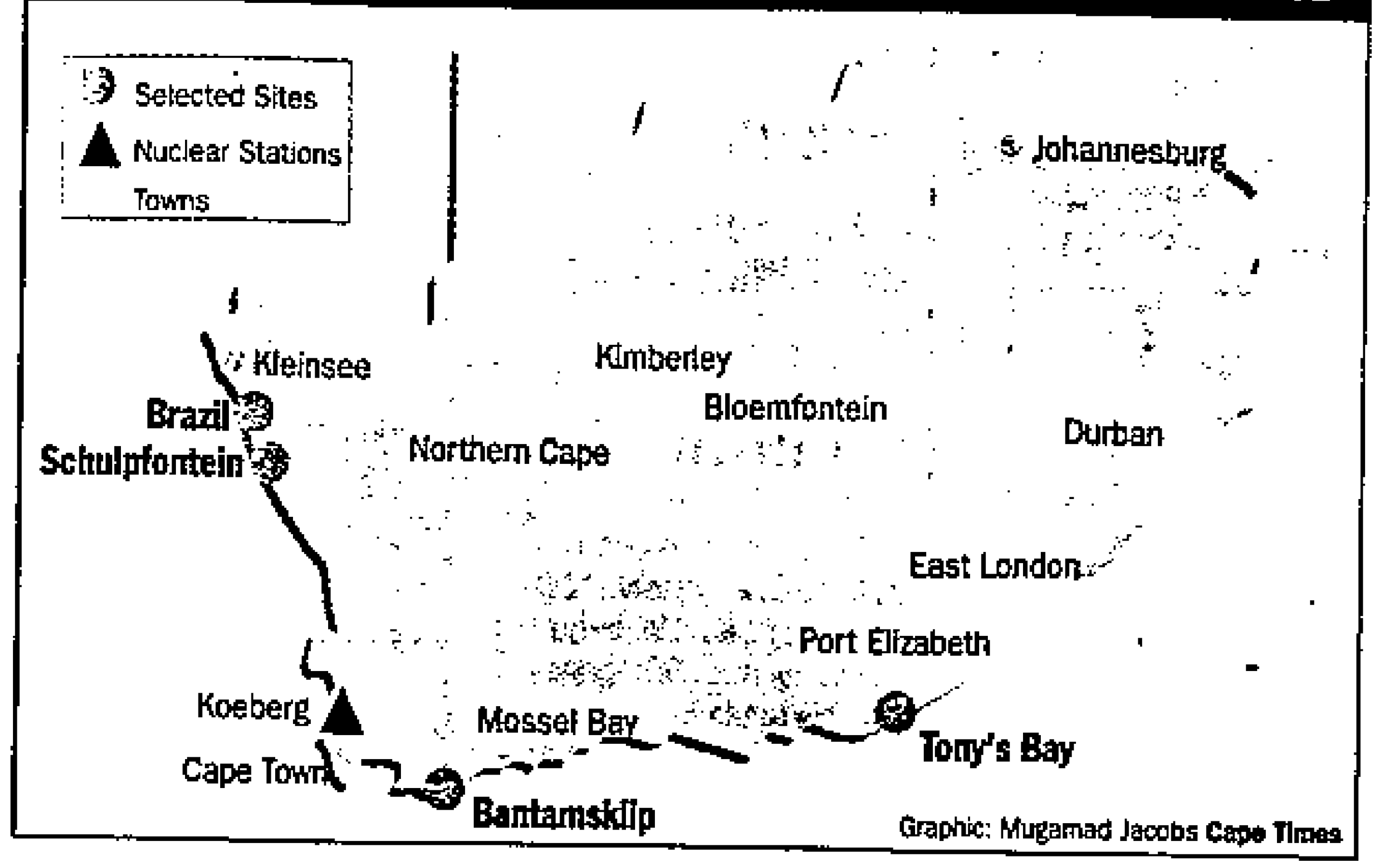
The council had approved the step because the spent fuel was stored behind safety barriers in racks submerged in water.

Role-players will visit Koeberg next week to access the situation for themselves.

Cry of 'No nukes!' greets Eskom plan

CT 13/10/98 (55)

LOCATION OF SELECTED NUCLEAR SITES



Graphic: Mugamad Jacobs Cape Times

THANKS, BUT NO THANKS: Residents from Kommagas in Namaqualand, who met last week to hear Eskom's proposal to buy land near their town for a "potential nuclear site", say they don't want one there. PICTURE: WAYNE CONRADIE

WHILE most countries are scaling down nuclear power generation, Eskom is looking at expanding nuclear power in the future. But there is strong opposition to new atomic plants. Environment Writer **MELANIE GOSLING** *reports.*

ESKOM is negotiating in the face of strong public opposition to buy up land on the West Coast as a "potential" nuclear power station site that would be capable of carrying three power stations the size of Koeberg.

The land in question consists of two farms on the Namaqualand coast south of Kleinsee, one of which is owned by De Beers and the other by the government.

If Eskom is successful, it would own four coastal sites that it has earmarked as "potential nuclear sites":

- Bantamsklip between Gansbaai and Cape Agulhas, which Eskom bought in the 1980s.
- Tony's Bay near Cape St Francis, where Eskom has already bought most of the land it needs for a nuclear site and is negotiating to include the final sections it wants in the site.
- Duinefontein north of Cape Town, site of the Koeberg nuclear power station and the place most likely to be used to build the first of Eskom's proposed "pocket nukes" if the project is given the go-ahead by the authorities.

Communities in Namaqualand and the Eastern Cape are strongly opposed to having nuclear power stations in their areas, and have recently held meetings with Eskom and local authorities to voice their objections.

Eskom says the public is overreacting because it is buying the land only to "keep options open" for future energy supplies, one of which may be expansion of nuclear power generation.

Eskom says that if it does decide to go the way of more nuclear power, it will be many years before any power stations are built, and it will have to get the nod from the government first. It would also do environmental impact assessments that would involve the public.

But these promises haven't placated the people living near the sites earmarked for future nuclear plants.

The people of Kommagas in Namaqualand, the town nearest to the two farms Eskom wants to buy on the West Coast, met Eskom officials last week to "establish the facts" about the possibility of a nuclear power station being built on their doorstep.

Spokesperson for the community Andy Pienaars said: "Eskom says it won't be a big power station, just a small pebble bed modular reactor, but we say we don't want any, big or small.

"It's unfair for us to have one near us, with all the safety risks, when we have such a low population here, and the power will be used by people far away who don't have to share the risks.

"Eskom says if it builds a nuclear power station it will provide work opportunities and infrastructure for us, but we don't want to sell off our future for jobs and infrastructure."

Bokka du Toit, spokesperson for the Kouga Nuclear Concern Group at Jeffreys Bay, said the group had called on the local authority not to approve the new structure plan, paid for by Eskom, which identifies Tony's Bay as a site suitable for the production of nuclear energy.

Du Toit said Eskom officials had met the community about a year ago to tell it that Tony's Bay was a potential nuclear power station site.

"Then they presented it as a sort of 'never-never', as a remote possibility. This year we have a new structure plan for the region which says it is imperative to maintain that area for a nuclear power station," Du Toit said.

"The community forum picked this up and we held public meetings to tell the people about it. Who says we need nuclear energy anyway? This area is on the cards to become a biosphere reserve and we've polled international tourists in Jeffreys Bay who say if a nuclear power station is built here they'd rather not come here."

Du Toit said Eskom told the community that its fears were unwarranted because there was no certainty that it would build a nuclear power station near Cape St Francis, and if it did, it would be years in the future after an extensive environmental impact assessment.

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Hermann Röhm, who heads Eskom's site selection programme, said the first step of buying land to use as a potential nuclear power station site was "far removed" from the final step of deciding to build one.

"We have to ensure we have the option to choose the most cost-effective generation of power in the future. We don't want to close the nuclear option now, as future generations may decide they need it and then find they don't have suitable sites on which to build nuclear power stations.

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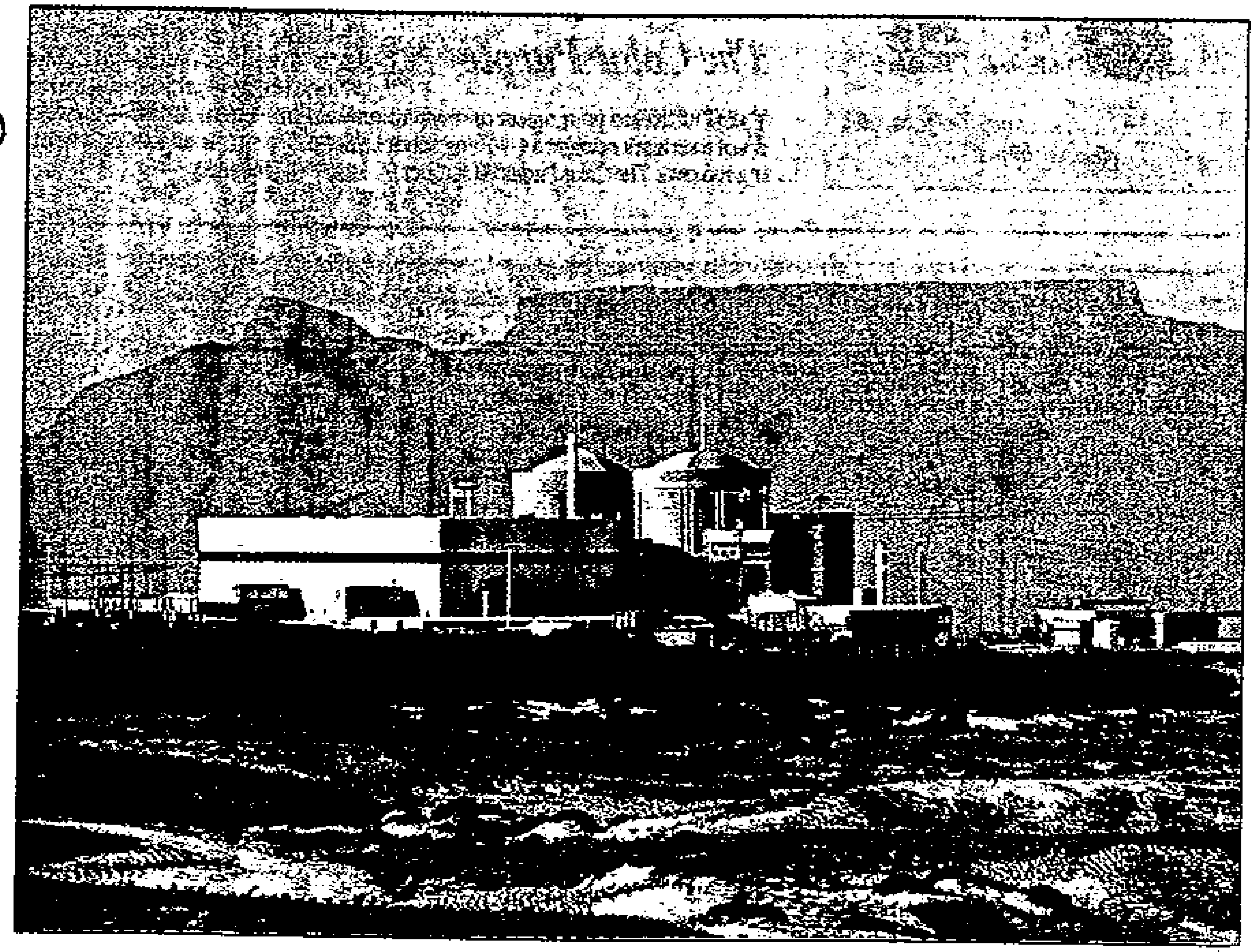

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It needed to own all the land in a two-kilometre radius from a proposed nuclear power plant to meet safety requirements.

In the study to find suitable sites, the Transkei coast was excluded because in the apartheid days it was regarded as being across a "national" border, and was therefore a security risk.

The KwaZulu-Natal coast was also excluded because the level of seismic activity was too high and the population density along much of the coast was too high.

Other sites were eliminated for various reasons, from water supply to the feasibility of erecting transmission lines.

Eskom has said it is "highly unlikely" that nuclear power stations similar to that at Koeberg — a pressurised water reactor — will be built in this country. Any future nuclear power plants will probably be pebble bed modular reactors, which Eskom says are far smaller, safer and more economical.

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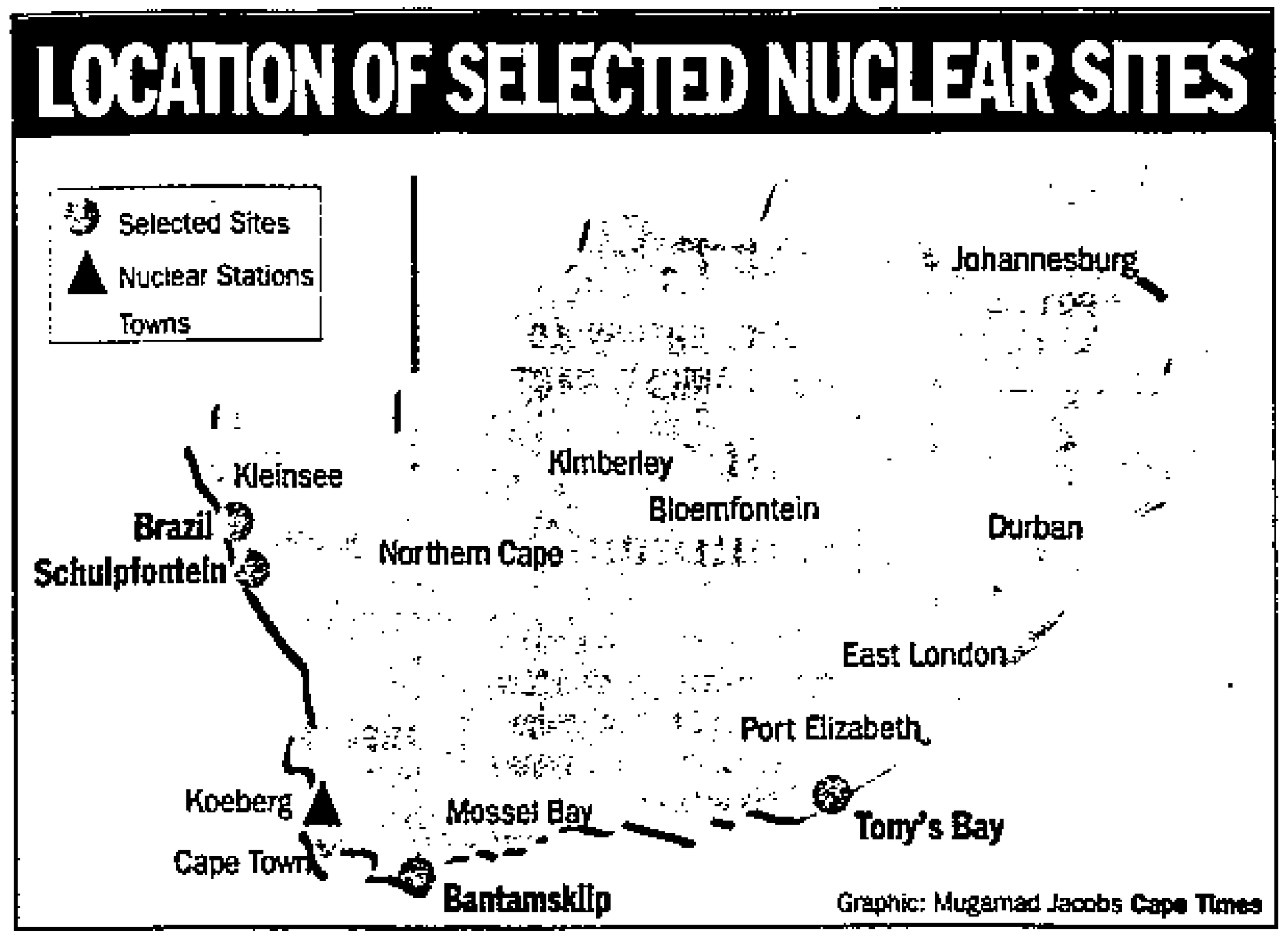

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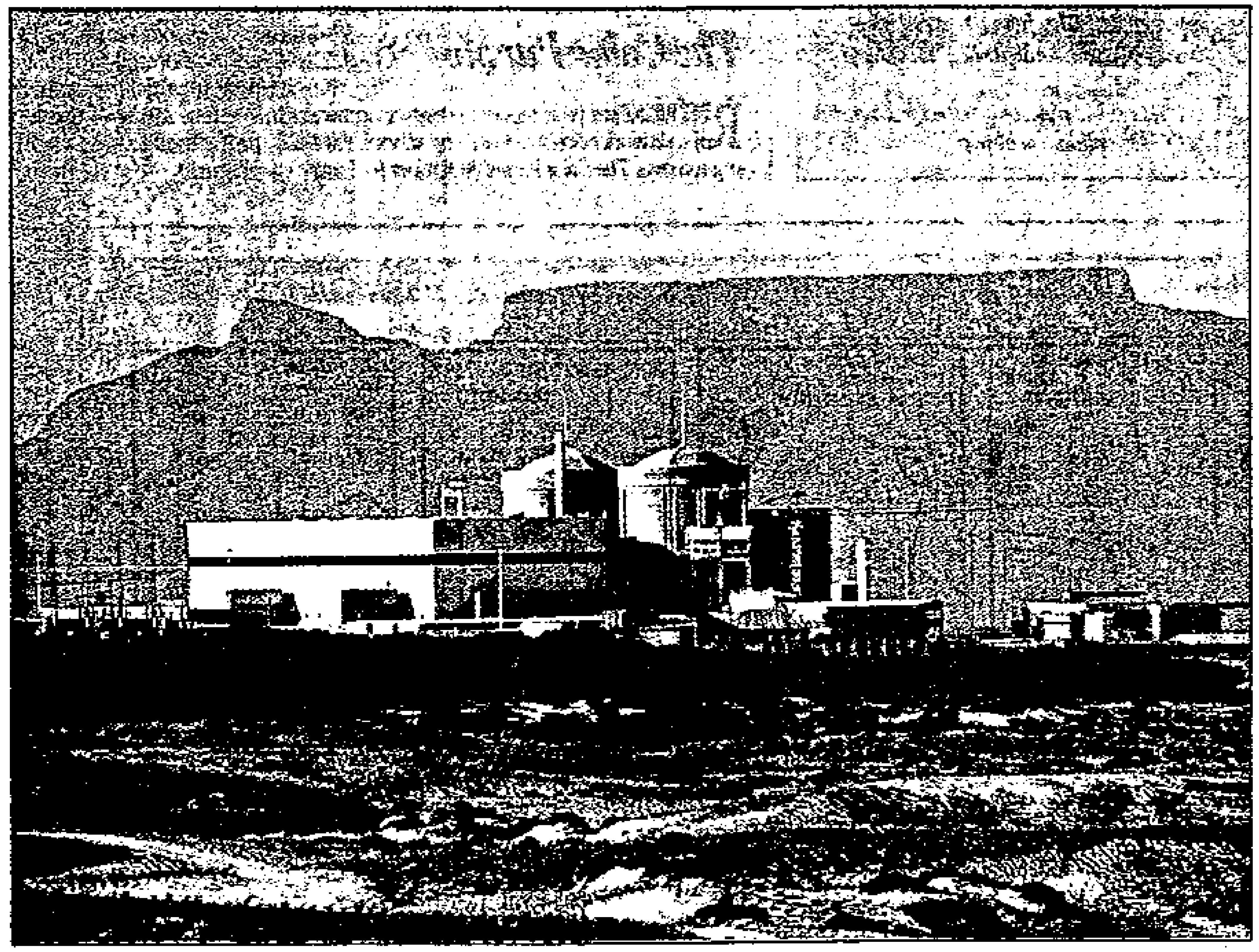

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Sasol's earnings to grow by 55% due to tariff protection

BD 16/10/98

(55)

Tim Cohen

LONDON — Sasol's earnings for the next financial year will grow 55% mainly because of increased government-sponsored tariff protection which could cost motorists about R1,2bn.

ING-Barings analyst Gerhard Engelbrecht has estimated that the tariff protection will constitute 23% of Sasol's total earnings for the year.

The estimates follow government's controversial decision to increase the Fuel Equalisation Levy from 0,4c/*l* to 8,0c/*l* with effect from Wednesday last week.

This effectively cancelled what would have been an 11c/*l* petrol price decrease.

Engelbrecht said that at an exchange rate of R6,36 to the rand and an oil price of $12 per barrel, it was estimated that Sasol would receive tariff protection of R1,2bn for the upcoming financial year.

This represented an increase of 140% over the R500m tariff protection Sasol received this year.

The increase is caused by the fact that Sasol tariff protection is set in dollars per barrel and therefore any depreciation in the rand boosts the level of protection provided.

Sasol's profit after tax would increase by about R76m for every 10c depreciation of the rand against the dollar from the level of R6,36 to the dollar. At current rand levels the tariff protection would be about R400m less than the R1,2bn estimate.

Sasol recently announced a sharp fall in earnings, its first for several years, which was blamed on poor trading conditions.

Koeberg under a microscope

Exporting radioactive spent fuel is too costly, Eskom tells inquiry

(55) ARG 17/10/98

SHARKEY ISAACS

Eskom wants to store more radioactive spent fuel at Koeberg because sending it out of the country would be too costly.

Peter Stott, Koeberg's public relations officer, said this week that nuclear power plants in other countries sent their spent fuel to reprocessing plants, usually in France, but Eskom had ruled that option out because of the cost.

Because Koeberg did not have the capacity to recycle spent radioactive fuel, the cheaper option would be to store it on site.

Mr Stott was giving evidence before Western Cape's standing committee on agriculture, environment affairs, tourism and gambling, which inspected the Koeberg plant at Duinefontein near Melkbosstrand.

The committee, chaired by Martha Olckers, is conducting a public inquiry into safety at the plant, the proposal to double the storage capacity for radioactive spent fuel and the introduction of prototype pebble-bed modular reactors.

Plant manager Peter Prozeski said spent enriched uranium dioxide fuel was at present stored in submerged stainless steel racks in two 20m-deep pools.

The storage capacity of the racks would run out in about 18 months' time and steps would have to be taken to increase the capacity. All the work would be done underwater.

Russell McGregor, an African National Congress committee member, questioned the adequacy of on-site storage facilities for highly radioactive material.

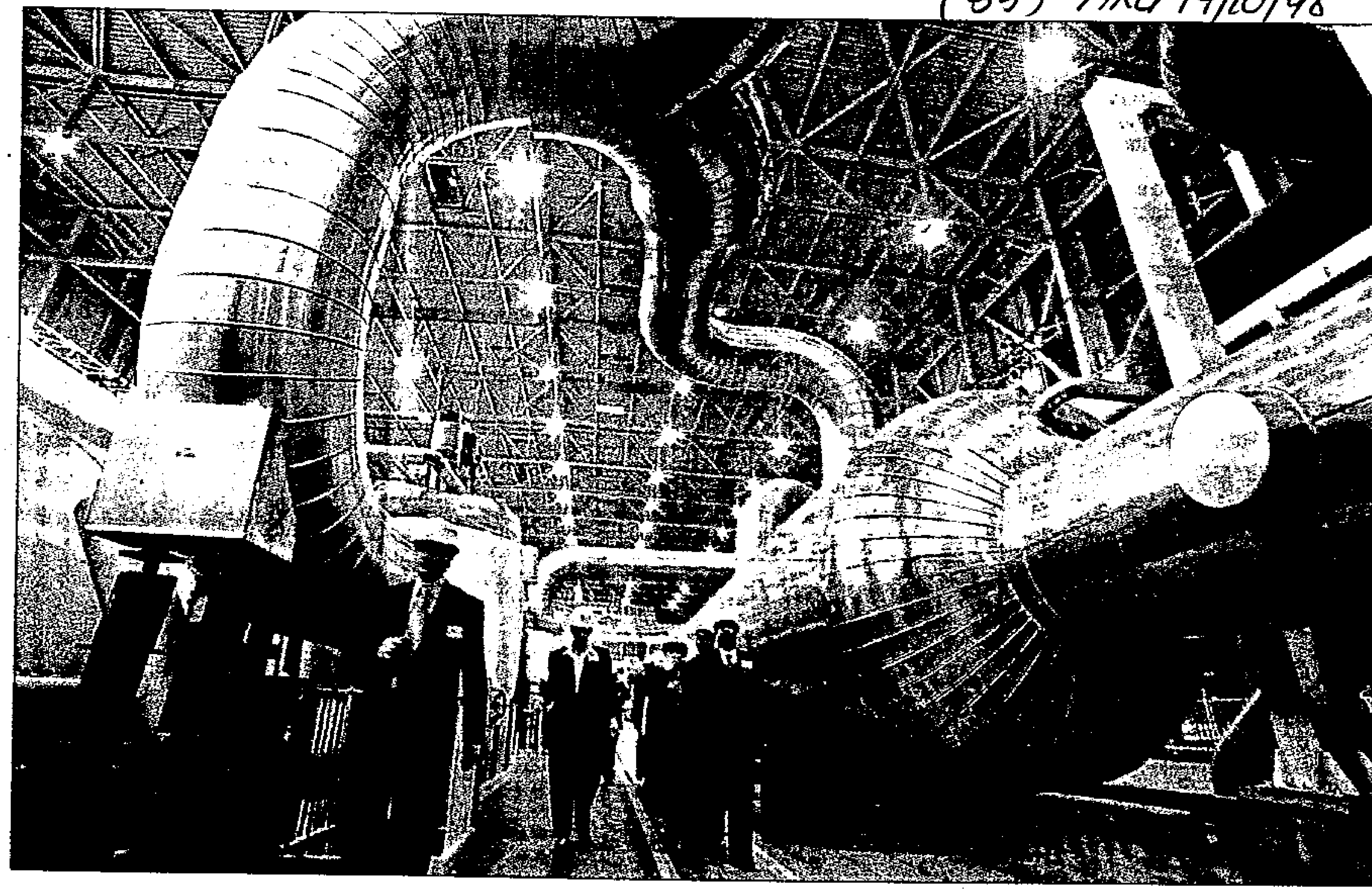
He said he found it difficult to imagine how the Koeberg plant, designed and constructed by a French consortium with vast nuclear experience, could have been built without adequate storage space. He said he would initiate a move for greater independence for the Nuclear Safety Council, which at present fell under the portfolio of the Minister of Mineral and Energy Affairs.

Michael Deats, Eskom's senior general manager for fuel and technical services, said the public hearing would highlight misconceptions about Koeberg. Eskom welcomed the transparency and any move to create more autonomy for the Nuclear Safety Council.

Peter Wakefield, Eskom's safety and assurance manager, stressed the importance of storage management of spent fuel, saying there was an extremely low probability of a disastrous nuclear accident.

Increasing the quantity of nuclear waste stored at the power station would not expose people in the vicinity to greater potential risk.

Mrs Olckers said the inquiry had emphasised the Government's stand with Blaauwberg municipality against any housing development that would increase the population near Koeberg.



DRAGON'S LAIR: Koeberg nuclear power station manager Peter Prozesky leads provincial VIPs including former MEC Martha Olckers through the station with its weird dragon-like formations

Picture HANNES THIART

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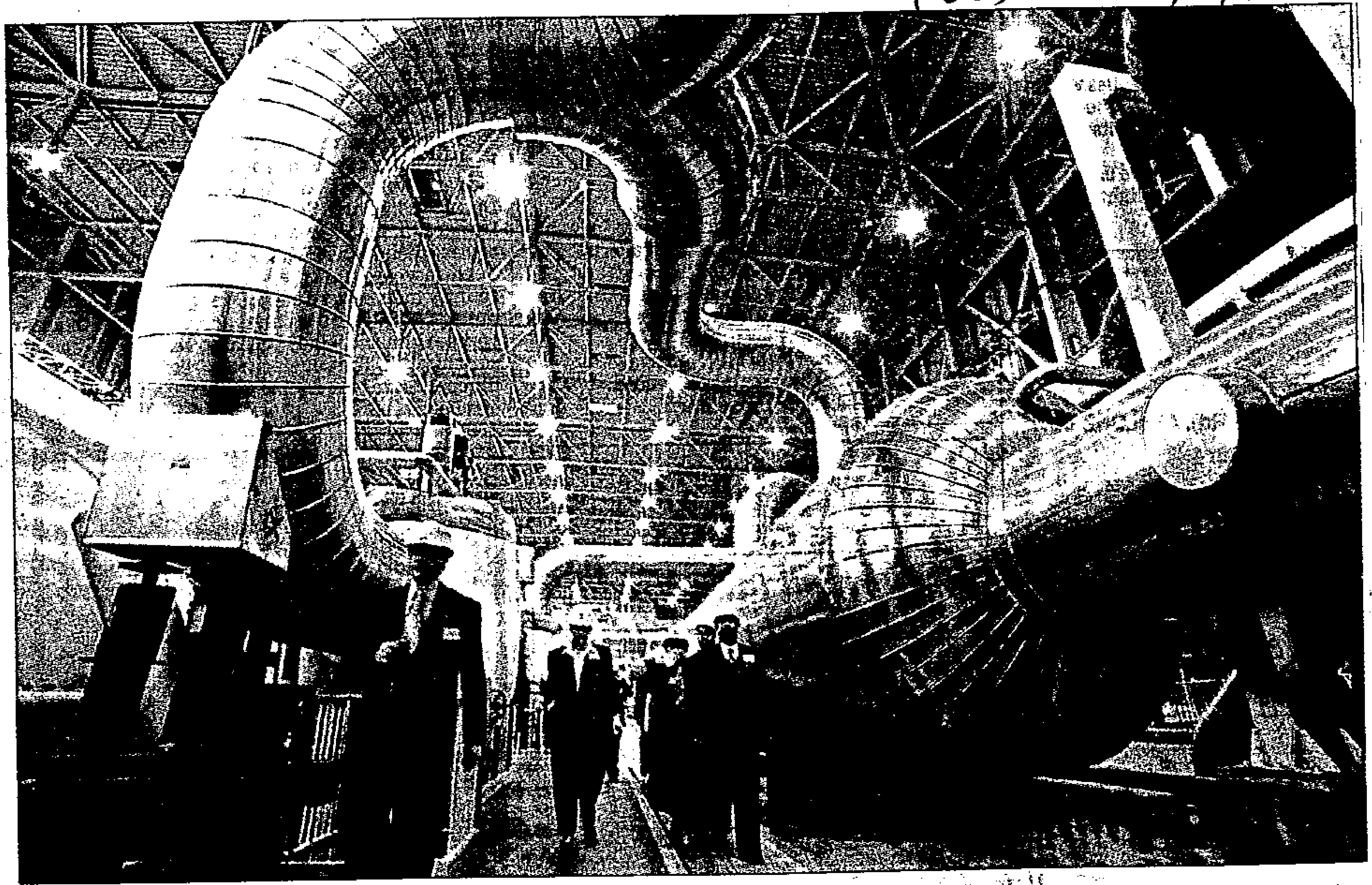

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Picture HANNES THIART

Sasbo decides to remain under Cosatu umbrella

(59)

Reneé Grawitzky

BD 20/10/98

FINANCE union Sasbo resolved at its national congress at the weekend not to disaffiliate from the Congress of SA Trade Unions (Cosatu) ahead of next year's elections, Graham Rowan, the union's general secretary, said yesterday.

There had been a call by some members to suspend Sasbo's affiliation from the federation after Cosatu resolved that all affiliates should make financial contributions to the federation to fund activities such as voter education.

Union sources said there were heated discussions on the matter at the congress, with some delegates threatening to walk out.

However, Rowan said the union obtained legal opinion which found that the contributions would not result in direct support for the African National Congress (ANC).

The contributions would not, as such, contravene the union's constitution which provided that the union should not belong to or support any political party.

Rowan said the legal opinion "left the door open for delegates to vote in favour of remaining affiliated to Cosatu".

A motion calling for the election, as opposed to the nomination, of office bearers, was defeated. However, the president's post has always been an elected position. George Selebi was elected president with Jan Scheepers his deputy.

A resolution calling for the establishment of a bargaining council in the banking sector was rejected, but delegates voted in favour of agency shop agreements in companies in which the union operated.

Last week Sasbo was involved in a dispute with the state-owned Land Bank over wages and the restructuring of the institution.

GRAPHIC: JASON ASKEW

Sasol defends alcohol in fuel

Star 21/10/98

'It should even improve engine performance and fuel efficiency in Gauteng'

By Cathy Powers

Gauteng motorists could be getting higher-performance fuel and increased fuel efficiency for the same price per tank when alcohol is reintroduced into petrol in December, but the decision is not without controversy.

Sasol Oil, South Africa's biggest synthetic fuel producer, is reintroducing alcohol into all brands of petrol from December 1 at most of Gauteng's commercial and retail outlets. No alcohol will be introduced into unleaded petrol.

Sasol supplies all the fuel inland, so all the leaded fuel sold inland will contain alcohol.

Responding to repeated criticism of the decision, Sasol explained that its research showed that petrol with 12% alcohol will improve engine performance and increase fuel efficiency in some engines. Sasol Oil's technical manager Johan Botha said, however, it was unlikely that motorists would notice a significant difference.

The reintroduction of alcohol into petrol is a contentious issue, which raised the concern of car manufacturers in the past. There had been isolated problems of corrosion and degradation of fuel systems, said Nico Vermeulen, spokesperson for the National Association of Automobile Manufacturers of SA (Naamsa).

Improved blend and corrosion inhibitor may silence critics

But Sasol has improved the alcohol blend, which is a co-product from its oil-from-coal process, added a corrosion inhibitor and has done extensive tests into the effect of alcohol-blended petrol on car engines since then, Vermeulen said.

Botha said there would be no need for vehicles to be adjusted.

Sasol, in an agreement with car manufacturers, has undertaken – "in the unlikely event of damage" – to compensate all motorists for replacing parts adversely affected by the re-introduction of alcohol.

"They've done their research. We believe the motorist has little to fear," said Vermeulen.

A big plus is that harmful exhaust emissions such as carbon monoxide, sulphur oxides and hydrocarbons should also be reduced.

The snag is that, as alcohol tends to loosen dirt and rust, filter blockages may occur more quickly.

Once the system is clean, there should be no further problems, Botha added. The fuel will comply with SABS specifications for petrol.

Blending alcohol with petrol is a worldwide trend accepted in Europe and mandatory in some states in America, said Botha.

In South Africa, petrol was blended with alcohol from the late 80s until 1994 when alcohol was withdrawn and instead exported to Brazil for valuable foreign exchange.

Changes in Brazil's needs have resulted in a surplus of alcohol locally, which either had to be stored, destroyed or used.

Using it is obviously the most economic and profitable option, with millions at stake for Sasol if alcohol is not reintroduced into petrol.

ALCOHOL WILL BE REINTRODUCED INTO ALL BRANDS OF LEADED 93 OCTANE PETROL AT MOST RETAIL AND COMMERCIAL SITES IN GAUTENG FROM DECEMBER 1

- Alcohol will be initially added to a maximum of 12% by volume, conforming to SABS specification
- The performance of certain vehicles should improve slightly
- The inclusion of alcohol in petrol should reduce harmful exhaust emissions
- Filter blockages may occur more rapidly
- No adjustments to your car are necessary

FOR FURTHER INFORMATION DIAL SASOL'S TOLL-FREE NUMBER 0800-11 4441

Sigcau denies a lack of consultation on Eskom restructuring

Pearl Sebolao 55 22/10/98

PUBLIC Enterprises Minister Stella Sigcau denied allegations yesterday that she had unilaterally imposed her recommendations on the restructuring of Eskom, saying that there had been proper consultation on the matter.

Both Sigcau and Eskom rejected claims that 5 000 people would be axed as a result of the winding down of the services department at the electricity utility.

The claims were made by the National Union of Metalworkers of SA (Numsa).

Numsa has declared a dispute with both Eskom and Sigcau over the establishment of a marketing and new business department, as well as the closure of the services department, which includes catering, security and information management.

Eskom's restructuring and transformation committee chairman Bob McIlwaine confirmed that Numsa declared a dispute at the last committee meeting on October 14.

Numsa spokesman Steven Nhlapho said the fact that "a social plan" had been tabled for discussion at the last meeting indicated that there would be retrenchments.

The union intended to formally refer its dispute with Eskom and Sigcau to the National Framework Agreement's six-a-side structure, Nhlapho said.

Eskom CE Allen Morgan said Numsa's reference to surplus staff who would be retrenched was "both a distortion of fact and mischievous", and was creating unnecessary stress among employees.

Morgan said that in terms of the National Framework Agreement no restructuring of state assets could take place without consultation with organised labour.

Input from all the participants, including Numsa, had been given due consideration. "The fact that Numsa's proposal was not government's preferred option does not give them the licence to distort facts."

Sigcau said it had been agreed with unions that the number of management board portfolios at Eskom would shrink from 10 to seven. No agreement had yet been reached on which portfolios would go.

Widespread approval for electricity subsidy

(55) Star 27/10/98

Power regulator announces poverty relief policy for poor

By Cathy Powers

A Government plan to subsidise the electricity of almost 4 million households, identified as indigent, has been widely welcomed by consumer organisations and political parties.

The National Electricity Regulator (NER) announced the poverty tariff policy, to be implemented on January 1, at a press conference in Johannesburg yesterday.

According to the scheme, the Government will subsidise more than half of South African households that have access to electricity by the end of next year. Those earning under R1 500 a month (30% of South African households) and those earning under R500 a month (32% of households) would qualify for the poverty tariff. This amounted to a total of 3,9 million households in 1999 – the date when the Government aimed to give a total of 6,3 million households access to electricity, according to the NER.

The body also plans to give 66% of South African households access to electricity. At the moment 60% of households have access to electricity.

Eskom, which reaped profits of R3,08-billion last year, will absorb the costs through a "reprioritisation of funds" within the company, according to Terence Naidoo, NER's general manager financial services.

He did not disclose the projected cost of the poverty tariff Eskom would have to bear. But Magate Sekonya, CEO of NER, said the normal energy requirements for poor households amounted to R30 to R100 a month – resulting in a minimum of R117-million Eskom would have to absorb.

Other consumers, would not, however, have to foot the bill for the subsidy. Next year's increase would be well below the inflation rate, Sekonya said.

He said consumption patterns of recipients would be monitored closely throughout the year to prevent abuse.

Democratic Party leader Tony Leon said the poverty tariff scheme had merit if authorities ensured that those undeserving did not take advantage.

PAC secretary-general Ngila Muendane said of the move: "We welcome it, but it isn't enough."

The PAC has been calling for the Government to give free electricity to the handicapped, pensioners and those earning less than R800 a month.

Sally Motlana, president of the Black Housewives' League, agreed that the policy was a good move but said it was "a pity that the Government can't abolish the cost of services altogether" for indigents.

NP spokesperson Wally Labuschagne said the party hoped the Government would implement poverty tariffs on water and other services.

Spin-offs will light up lives

By Cathy Powers

The Government's electricity subsidy for indigent consumers – and the mass electrification programme that would accompany it – would have huge spin-offs for health, the environment, education and the sale of appliances.

"We hope that over the next three to five years we will see more kids being educated," said National Electricity Regulator CEO Magate Sekonya.

By making electricity more affordable and available to more people, more children will have access to computers and other technology required for education – apart from just basic lighting, which many rural schools do not have.

Access to electricity also freed people, from subsistence farming and energy-resource collection, to other wealth-enhancing activities, said NER's general manager financial services Terence Naidoo.

According to research done by Eskom, rural women spend 37% of their time collecting firewood.

Privatising Eskom 'not opportune'

CT (BR) 23/10/98 (55)

JAMES LAMONT

Johannesburg — The government was not considering the privatisation of Eskom, Stella Sigcau, the minister of public enterprises, said this week.

"If I was to privatise Eskom, I would have a first-class privatisation on my hands. But the time is not right for Eskom and, after all, we don't even own it," she said. "It's doing a lot that is good. But Eskom is really not on the table for sale."

Although a decision to corporatise Eskom has sparked union opposition, Sigcau said the Eskom Amendment Bill currently in parliament sought to clarify the electricity utility's ownership structure.

Sigcau said her ministry was examining private sector participation in the distribution of electricity, but was not considering private electricity generation. She said advertisements last year for the sale of mothballed power stations, including Majuba, had been premature.

The National Union of Metalworkers of South Africa (Numsa) declared a dispute this month with Eskom over its restructuring. The union has said that restructuring would cost 5 000 jobs at Eskom.

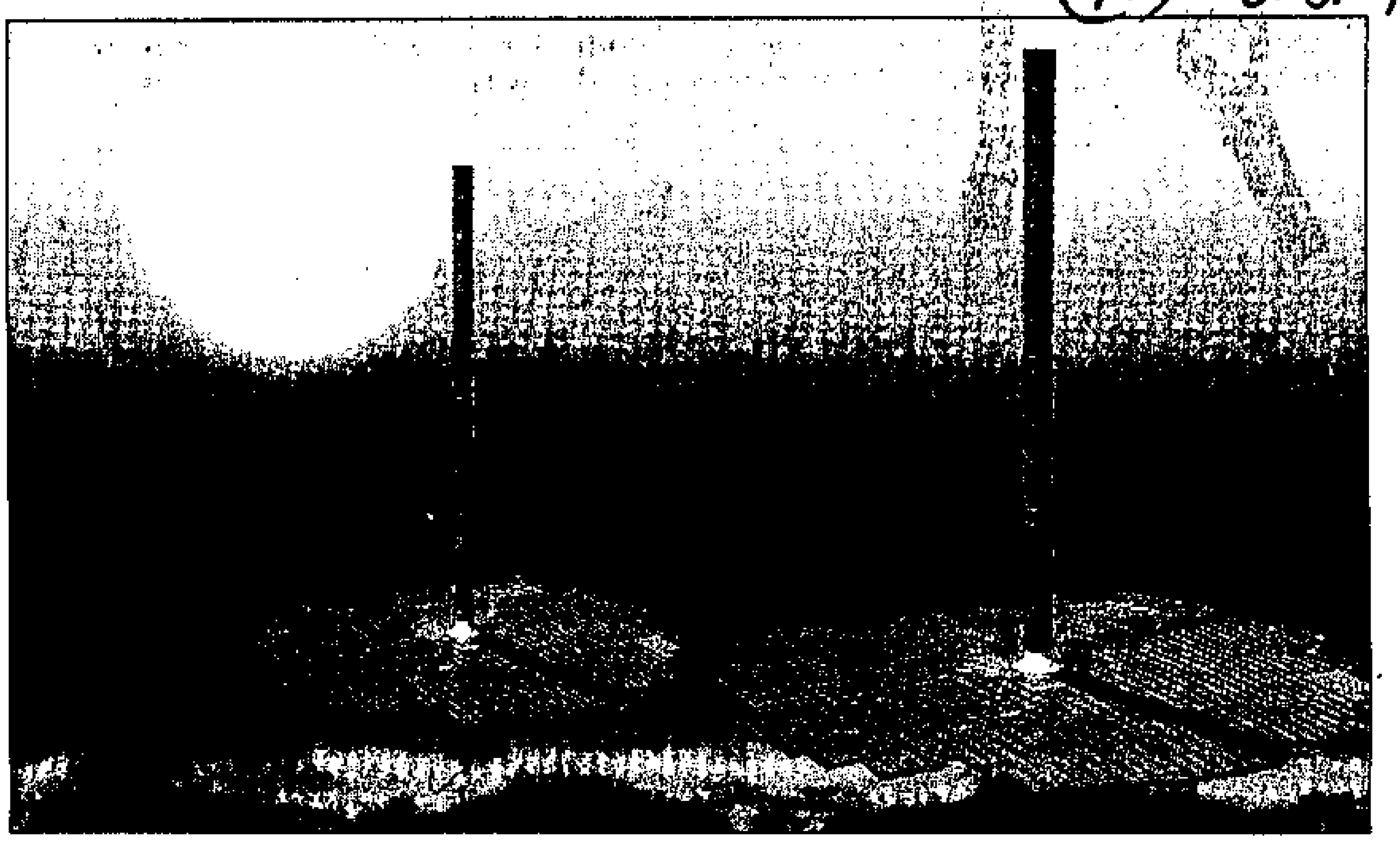
But Jac Laubscher, chief economist of Gensec Asset Management, said the government had to privatise Eskom to reduce government debt and maintain its macroeconomic policy aims.

The aim should be to raise at least R100 billion as quickly as possible, which inevitably means that Eskom will have to be included in the exercise and that partial privatisation is no longer an option," he said.

Eskom's holy grail may contain a drop of sun

(55) ET(BR) 27/10/98

JONATHAN ROSENTHAL



Wolf-Walter Stinnes is in training for the fight of his life. His slides are ready, his calculations checked and rechecked, for tomorrow he goes head-to-head with engineering orthodoxy.

He will have little more than 20 minutes to convince his peers at the first annual conference of the Industrial Development Engineering Association that the impossible can be done: the future is now.

Stinnes is not proposing an incrementally better bridge or a marginally taller office tower but an idea so preposterous, so grandiose that history will judge him only a genius or madman.

Stinnes, a consultant to the Northern Cape government, believes he has found the solar-power industry's holy grail: electricity from the sun that is cheaper than that from burning fossil fuel. And his idea is so simple in conception that he may well be right.

Trying to make electricity from the sun is not a new idea; millions have been poured into developing the technology since the oil-price shocks of the 1970s.

Photovoltaics, or solar cells, are already a mature commercial technology. But they only compete on cost in isolated, off-grid installations where the cost of getting electricity is greater than the high cost of making it directly with solar cells.

The next best ideas revolve around concentrating the sun, through mirrors or dishes, to heat steam that then generates electricity through turbines. A variation on the theme is heating helium gas, which then drives a stirling engine.

But so far, few have proved able to compete on cost with traditional fossil fuel burning, mainly because electricity demand does not stop when the sun goes down.

Stinnes, however, has an idea to make solar electricity even at night, and on a scale so large that real economies of scale can be achieved.

Think of what a heat trap your car is when it is parked in the sun. Then imagine how much more heat you could collect if your trap had a glass roof several kilometres across.

Next, picture a chimney and how it sucks up hot air from your fireplace. Now put a 1,5km high chimney on top of your 45km² heat-trap, drop a wind turbine into the chimney, put all of this in a nice sunny place like Sishen in the Northern Cape, and plug it into the grid.

There we have it, 200MW of electricity as long as the sun shines. Putting a heat store in the greenhouse, even something as low-tech as water-filled plastic piping, allows it to continue generating electricity at night using heat collected during the day.

Simple, eh? Not quite.

For starters, no one has built a chimney, or anything for that matter, 1,5km high. That is more than double the height of the tallest structures ever built.

According to one foundation specialist, the weight of concrete in the chimney would be enough to crush the concrete at the bottom.

Which is not to say it cannot be done. Stinnes has preliminary quotes from several large construction companies who seem willing to be the first to build a chimney of that size.

The next risk relates to the greenhouse. Building the whole greenhouse would consume the entire output of a glass factory for about three years. The plan calls for it to be built in a place like Sishen, where there is little chance of hail.

But the real risks boil down to two factors. First, if the whole kaboodle is built, will it work? Second, how will it be financed?

Stinnes points to more than eight years practical experience on a pilot plant in Spain. The plant proved to be immensely reliable, resistant to hail and invulnerable to dust on the glass.

But even Stinnes is happy to point out that moving from a 50Kw pilot plant to a 200MW commercial plant is a huge jump.

And getting investors to have the faith to make that leap could take some doing.

Building the power plant would cost about R2,5 billion, with most of the cost going into the greenhouse collector. Since the plant would have minimal operating costs, the electricity it produced would be virtually free, but for the cost of the capital sunk into the project.

Reducing this would play a major role in making the electricity competitive with Eskom's coal-burning stations in Mpumalanga, already among the world's cheapest electricity generators.

Working off prices quoted by the construction companies and an assumption of real interest rates of just under 4,5 percent on the capital borrowed, Stinnes calculates that electricity could be produced at 12,5c a kW/hour (kW/h).

This is higher than the 7,1c a kWh average generating cost of Eskom electricity, but Stinnes believes that several savings could cut the cost to 5,1c — a figure that impresses even Eskom.

The most significant of the savings would come from sharing the cost of the greenhouse collector with people who want a greenhouse to grow plants.

Up to one third of the greenhouse could be used for high-intensity, irrigated agriculture by small-scale farmers. The greenhouse could even increase the efficiency of the generator — a theory that has not yet been tested.

If Stinnes has indeed found a way to produce electricity at below the cost of that produced in coal-burning stations, he will have found the industry's holy grail. Acid rain and pollution on the Mpumalanga highveld will no longer be the inevitable consequence of electrification, but a costly and archaic way of powering our society.

Peter Adams, an Eskom spokesman, says the corporation is looking at a range of solar technologies, including the solar chimney. In jest, perhaps, he says that should Stinnes be right on the costs, Eskom would be happy to stop burning coal and start building chimneys.

But he says Eskom's studies into four solar generation technologies are not yet complete.

Stinnes will be approaching several potential investors, including the mining houses who would be the end users for much of the electricity, to pull together a private sector initiative. Yet it is clear the people he really wants to convince are in Eskom.

On Friday, at a preconference dinner, Stinnes was in good form — confidently working the tables, talking numbers, refining his pitch for tomorrow's showdown.

"I hope they (Eskom) come," he says. "I am ready for a good argument."

Poor to get affordable electricity

(55)

Sowetan 28/10/98

By Mzwakhe Hlangani
Labour Reporter

THE Government's electrification programme aimed at providing access to 6,3 million households has received a major boost with the introduction of the "poverty tariff" to ensure an affordable electricity price for the poor.

National Electricity Regulator (NER) chief executive officer Mr Magate Sekonya described the new poverty tariff system as a milestone in the socio-economic transformation of the country.

"The system will touch the lives of all South Africans," he said.

The planned cost impact to the rest of the electricity distribution industry arising from the implementation of this tariff will be borne by Eskom.

Eskom spokesman Mr Peter Adams said a statement would be released soon on the financial impact of this cost absorption factored into the price increase, which NER has approved for Eskom in 1999.

"The price increase is below inflation and does not place an additional burden on the rest of the electricity users. A mechanism will be set up to ensure the necessary flow of funds from Eskom to all the distributors implementing this tariff.

"The target date for implementation of the new tariff will be early next year," Sekonya said.

ELECTRICITY TARIFFS

ESKOM POWER STRUGGLE (55)

Cross-subsidy for poor at issue

FM 30/10/98

A row is brewing between Eskom and the National Electricity Regulator (NER) over the feasibility of cross-subsidising the power costs of poor households.

At the heart of the dispute is the NER's decision to grant Eskom its requested 4,5% tariff increase for 1999, on condition that the electricity supplier implements a differentiated tariff by the end of that year. But an industry source says Eskom isn't geared to meet the NER's requirement.

Despite Eskom's track record in uplifting deprived communities, the source says the electricity utility will not be able to administer such a large-scale social welfare undertaking. The utility would in effect be required to conduct a means test for the vast majority of its 2,44m customers who are mostly domestic consumers.

If the dispute is not resolved next year, the NER will have the right to roll back the 4,5% increase. This could also block the tariff increase for 2000, with dire consequences for Eskom's finances.

Eskom's executive finance director, Willem Kok, says the parastatal ensures its financial viability in the long term by recovering the real (inflation-adjusted) cost of supplying electricity. The annual price increase is determined objectively by the cost of supply, future expansion requirements and any need to adjust the financial position. This ensures price changes are gradual, predictable and stable.

Ironically, the finances of the idea — usually the issue under present circumstances — look manageable. Eskom's revenue from the residential sector — from direct sales — was about R1,1 bn last year, out of total revenues of R20bn. If one half of this domestic market needs subsidising, it would mean a discount on revenues of R500m at full tariff. Suppose the subsidy were 40% of present tariffs, this would involve a cost of about R200m, or 1% of revenues. Though a rough calculation, it suggests finance is not the problem.

The source says Eskom is treating the issue seriously, and could either appeal to the courts or throw it into government's lap, whichever is more prudent.

The NER's financial services GM, Terrance Naidoo, says it is premature for Eskom to say it cannot introduce cross-subsidies, because the country already has a differentiated tariff system — for example, for large industrial customers and local authorities. There are already about 2 000 different tariffs at municipal level.

He accuses Eskom of creating a red herring to divert attention from the real issue of how to achieve affordable electricity. He says the NER has received communications from Eskom executives who did not indicate any fundamental objection to introducing the differentiated tariff.

Further, the basis for a means test has already been established by the national Departments of Welfare and Constitutional Affairs. The NER itself is ready and willing to co-ordinate the efforts of the parties in relation to Eskom's tariffs.

With 1999 being an election year, cynics regard the NER's move as reflecting the ANC government's anxiety about slow RDP service delivery. They suggest the NER is trying to make Eskom a scapegoat for government's own shortcomings and underestimates of administrative obstacles to delivery.

Robin Friedland

Mbeki calls for energy co-operation

(ST) (30/10/98)

LYNDA LOXTON

ST (MR) 30/10/98

Cape Town — Deputy President Thabo Mbeki called on the international oil industry yesterday to help ensure that the benefits of increased oil production in Africa filtered down to ordinary Africans.

Officially opening the Sixth International Energy Conference, Mbeki also called for greater regional co-operation in southern Africa, to meet future refinery capacity demand and to develop petrochemical industries.

Mbeki said he hoped delegates would address the issue of technology transfers to less developed countries.

He said it was ironic that many rural communities in Africa watched gas being flared from oil rigs while they used firewood and contributed to the problem of deforestation.

Thanks to new technology, Africa faced a new round of exploration for oil and gas and it had to be asked how the new wealth created could be "harnessed to uplift impoverished people".

Attention should also be paid to the more efficient use of hydrocarbons and how to limit their effect on the environment.

In southern Africa, Mbeki said, it was clear that new refining capacity would soon be needed. He urged countries in the region to carefully consider how this could be done in an integrated way that would benefit the economies of all the countries in the region.

Some existing refineries were old and inefficient and might have to be closed down or used for viable alternative projects.

"Any decision will have to be carefully scrutinised to take into account national pride," he said.

Eskom, unions clash over pensions

By Mzwakhe Hlangani
Labour Reporter

55

A BITTER wrangle over the transformation and administration of the R11 billion Eskom pension fund has led to the disbanding of the trustees board by the National Union of Metalworkers of South Africa.

Numsa and the the National Union of Mineworkers, which represented about about 39 000 fund members, broke up the board meeting, criticising the management's lack of vision and strategy on governance in defiance of the new Pensions Act.

The board's normal activities have been reportedly suspended and the Financial Services Board will establish a special committee to oversee the affairs of the fund in the interim, union spokesman Mr Paul Biyase said yesterday.

Issues of conflict revolved around management's refusal to respect the right of the labour component to choose its own representative to the board, refusal to allow labour representative participation and that management took decisions without consensus.

Sowetan 2/12/98

Biyase said employers took decisions without consulting workers and they allegedly undermined the input from the trade unions representatives.

They continued to act as if the labour force was just a skeleton structure without representation.

Eskom Pension and Provident Fund chairman Mr George Lindeque confirmed that Numsa had declared a dispute with the board of trustees of the fund.

Lindeque said in a statement the allegations regarding the maladministration of the board had been referred by Numsa to the Financial Services Board for resolution.

The board of trustees meeting yesterday could not resolve the conflict and representatives of the NUM and Numsa left the meeting, while the board decided to continue the meeting, Lindeque said.

Power brought to 5,5-million homes

BD 2/12/98 (55)

Robyn Chalmers

A TOTAL of 5,5-million rural and urban households had been electrified by Eskom and local authorities by the end of last year, bringing the number of homes with electricity in SA to about 59%.

The 1997/98 National Electricity Regulator (NER) annual report showed Eskom had narrowly missed its 1997 electrification target of 300 000 new connections with a total of 274 345 residential connections.

Local government distributors made 184 217 new connections and 11 198 farmworker houses were connected. The number of new connections last year totalled 469 760.

"The (electricity supply industry) has proven that with sound planning, effective organisation and efficient deployment of resources, it is possible to achieve and exceed the RDP (reconstruction and development programme) target of 450 000 new connections a year."

Outgoing executive chairman Magate Sekonya, who recently resigned, said in the chairman's statement the industry was waiting for several policy changes to the structure of the industry. This had to be led by government.

Sekonya said the NER was mandated to initiate industry restructuring through the licensing process. "This we have to unfortunately accept was not done. It is not clear as to why it was attempted," he said.

Lack of progress in defining and initiating restructuring could be blamed for the current crises in industry capacity and performance. It was, however, clear that stakeholders were not the best qualified to move the process forward, he said.

The first NER board, which was based on stakeholder representation, failed to restructure through the licensing process and the process initiated last year had not even managed to agree on some fundamental issues.

"It is our view that those with responsibility to ensure order and efficiency are best qualified to continue the process. The problem at present is that (it) has been politicised. This requires government to take a leadership role from now on."

On electricity generation, Sekonya said many international utilities had shown interest in the sector throughout southern Africa, based on the SA market being the biggest in Africa. The NER believed that with current excess capacity, any major investments in further generation capacity in this region would be to the detriment of the region's consumers and economies.

Eskom unions want board disbanded

(55)

Reneé Grawitzky

ESKOM unions have approached the Financial Services Board to disband the company's pension fund board of trustees amid allegations that the management appointees to the board were undermining their labour counterparts.

Eskom pension and provident fund chairman George Lindeque said the dispute arose after the National Union of Metalworkers of SA (Numsa) made a proposal to appoint an alternate trustee in terms of the fund's rules.

Lindeque claimed the proposed appointee Jerry Masereka, a shop steward at Eskom, had previously been dismissed from the board after allegedly releasing confidential information. He was acting in his capacity as an alternate employee-elected trustee.

Numsa said the dispute declared this week against the board of trustees centred around a number of issues and was not intended to focus only on the appointment of an alternate trustee alone.

The union claimed that the issues of conflict revolved around the fact that the management appointed trustees were taking decisions without consensus and that they refused to respect the right of the labour component to choose its own representatives.

Lindeque said the operations of the fund would not be affected by this issue.

BD 2/12/98

FSB recommends new board for Eskom pension fund

(55) CT(BR) 3/12/98

Frank Nxumalo
Labour Editor

Johannesburg — The Financial Services Board (FSB) said yesterday that the "present board of trustees (of the Eskom Pension and Provident Fund) has to be dissolved and an interim committee be put in place to oversee the day-to-day affairs of the fund".

The FSB said this move was necessary to meet the requirements of section 7(a) of the Pension Funds Act, which "allows union participation in the fund administration".

'This is just a procedural dispute and we cannot tell the Eskom board what to do'

However, the FSB said this was only a "suggestion", as it was "not in a position to make a decision on behalf of a board of trustees".

Dube Tshidi, the FSB's head of department, pensions, said: "We will only intervene in terms of the act and when the administration of the fund is extremely poor, which is not the case with this fund.

"This is just a dispute of a procedural matter and we cannot tell the board what to do."

The FSB's position comes after the National Union of Metalworkers of South Africa (Numsa) pulled out of the R11 billion fund amid conflict over the funds' management and administration.

"The operations of the board have been suspended," Numsa said. "The FSB will establish a special committee or a third party to oversee the affairs of the fund on the interim basis.

"Future activities cannot be financed and board members cannot be remunerated."

However, Tshidi said: "This statement ... must not be attributed to the FSB.

'The dispute follows Numsa's proposal to appoint an alternate trustee'

"We have given a suggestion, and it is for the board (of trustees) to decide what action to take."

George Lindeque, the chairman of the Eskom Pension and Provident Fund, said: "The dispute arises following a proposal by Numsa to appoint an alternate trustee in terms of the rules of the fund.

"The board of trustees has requested that the proposed reappointment of the alternate trustee should be carefully reviewed.

"However, Numsa is insisting that its nominee be accepted without question."

Lindeque said the fund welcomed the involvement of the FSB and would continue to meet its obligations to pensioners and members in terms of the rules of the fund.

Numsa accused the management of having been against the new Pension Fund Act.

"Numsa's view is that there is no vision and strategy on governance of the board," Lindeque said. "It is our members' funds that are at stake.

"The board of trustees remains fully committed to the transformation process started in 1994.

"This includes the full compliance with amendments to the Pension Fund Act, which becomes operational on December 15 1998."

OPTIMISM BY THE BARREL... Penuell Maduna foresees a state-based, but not state-controlled, oil company

SA on track for first national oil company

ST(BR)6/12/98 (55)

OIL INDUSTRY

By SHERILEE BRIDGE

SOUTH Africa's first truly national oil company, as proposed by the minerals and energy ministry, is likely to be listed on the Johannesburg Stock Exchange as part of government plans to play a minor role in the industry within five years.

A national oil company, likely to be formed out of a restructuring of the government's existing oil assets such as Mossgas, Soekor and the Central Energy Fund, could be a reality by as early as mid-1999.

The potential listing is in line with Minerals and Energy Minister Penuell Maduna's vision of a state-based, but not state-controlled, oil company that would make a profit and run on sound business principles, with broad public and private sector participation.

Formalisation of the national oil company will be discussed more fully once the state-owned assets have been commercialised.

Soekor spokesman Marcus Banga says that the transformation is more a normalisation than a commercialisation, giving shape to the thinking about a national oil company able to compete in an international arena.

Commercialisation would include the reduction of debt, removal of subsidisation and the shuffling of shareholding to create a viable company that could be partially privatised or run within the structure of the national company.

State assets are a good starting point for the envisioned oil company, which would be involved in all stages of the liquid fuels supply chain: exploration, procurement of crude oil, refining, storage, transportation and distribution, and wholesale and retail marketing.

Soekor is involved in oil and gas exploration, Mossgas is in gas-to-petrol production and the Strategic Fuel Fund manages oil stocks. Government, through Transnet, owns pipeline company Petronet.

Banga expects the commercialisation of all the state assets to be complete towards the end of the second quarter of next year.

State shareholding in the new company is still to be decided but the initiative is expected to encourage black empowerment.

Banga says the listing of the company will open it to local and foreign investors, raise capital and add value. The creation of the company has been a point of controversy for SA's deregulating oil industry, with concern about ongoing state involvement in a reformed industry.

□ In more oil industry news, the Kudu gas partnership of Shell, Texaco and Energy Africa said last week it had successfully completed drilling and testing the Kudu-5 well offshore Namibia.

The completion indicates a large increase in the gas potential of Kudu, reinforcing confidence in the long-term availability of gas and supporting the pursuit of a regional gas industry for Namibia and SA.

Sasol to end supply deals

BD 10/12/98 (55)

Fuel and chemicals company pre-empting government plans to deregulate energy sector, say analysts

David McKay

FUEL and chemicals group Sasol is to end its compulsory fuel supply agreements with multinational oil companies.

Analysts said this effectively pre-empted government's own five-year ambition to deregulate SA's energy sector in which it would institute competitive pricing of petrol and remove restrictions on the number of outlets selling fuel.

Sasol said yesterday it was to spend R14bn over the next five years increasing its production of chemicals and fuels. The increase in crude oil, from the Natref refinery where a 30% increase in volumes was planned and synthetic-derived fuel from Secunda where a 15% volume increase was planned, were the driving force behind its need to change the supply agreements, it said.

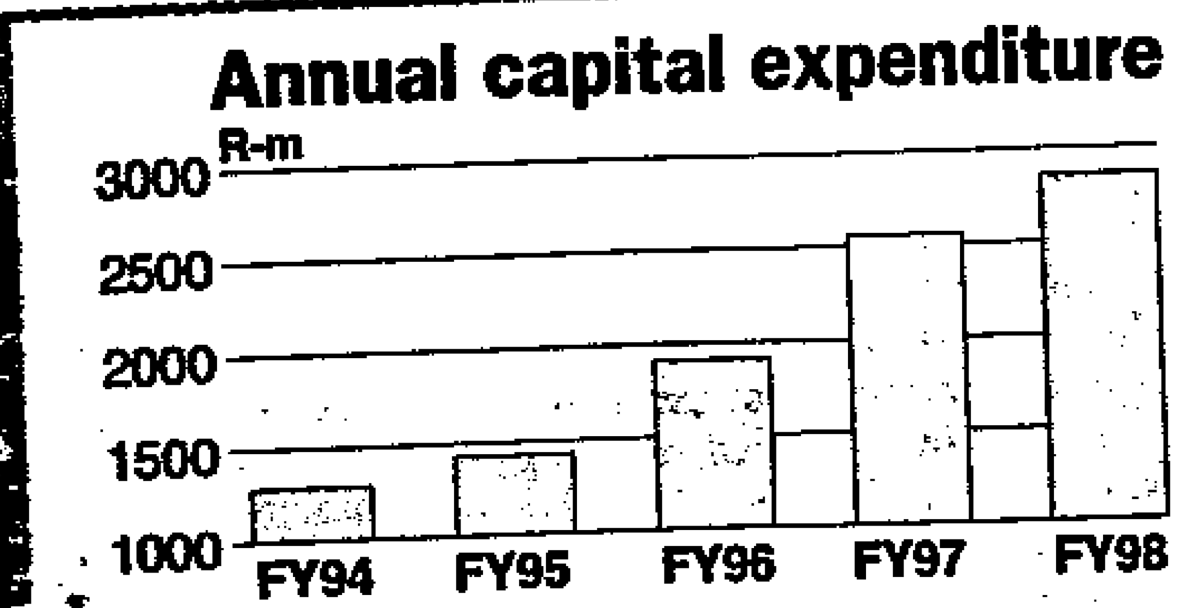
The supply agreements with oil companies such as Caltex, Engen, Shell and BP date from the 1970s and 1980s and require the oil companies to buy a defined volume of Sasol's fuel production on a wholesale basis.

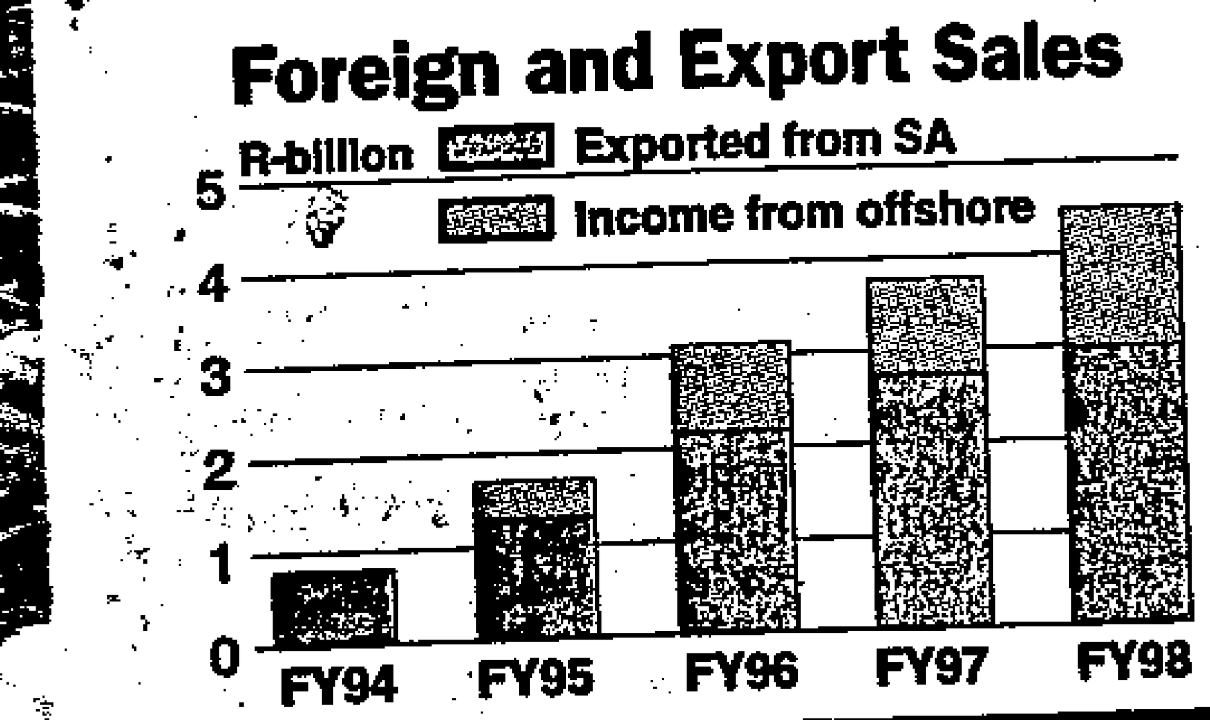
But Sasol MD Pieter Cox said the agreements were outdated and capped Sasol's growth ambitions. Sasol produced about 7,7-million cubic metres of fuel a year from Secunda and Natref — the bulk of which the other oil companies were required to buy.

It could produce more and in negotiating new supply agreements, Sasol said it was considering increasing its presence at the forecourts of oil company stations. One option was to buy service stations and sell the fuel under its own logo.

Analysts said renegotiating the agreements could lead to a more competitive and liberal fuel sector akin to what government intended in its deregulation proposals. But Sasol spokesman Alfonso Niemand said Sasol's decision to negotiate new supply agreements was driven by commercial needs and not linked to the deregulation debate.

Sasol Synthetic Fuels' production facility at Secunda





Graphic: MATTHYS MOSS

Nonetheless, Sasol's plans drew criticism from analysts who labelled the move as window dressing. One said Sasol's announcement merely regurgitated government's deregulation plans. "Quite frankly, this is a disappointing announcement by Sasol. It is a damp squib."

Analysts said new fuel supply agreements could open doors for Sasol, however. Sasol has already been linked in a possible joint venture to Engen whose major shareholder, Petronas, was interested in Sasol's gas technology research.

Of the R14bn which Sasol intends to spend, about R1,5bn has already been approved for five new projects aimed at driving its chemicals sector. Analysts said this expenditure was overdue as Sasol had long identified the premium it placed on this business over its fuels business. "Sasol's intention to spend this much money was well known," one said.

However, the market took a shine to Sasol's announcement with its share price gaining R1 or 4,3% to end at R24 on the Johannesburg Stock Exchange.

Cox said that in addition to the R1,5bn already approved, further projects valued at R2bn, mainly in the solvents and alpha olefins divisions of Sasol Chemical Industries, were at "an advanced stage of planning". Sasol Solvents, a division of Sasol Chemical Industries, marketed about 450 000 tons a year of solvents. This would increase by 280 000 tons a year over the next five years.

Consideration was also being given to pursuing offshore plans in the longer term. The group has been linked to a secondary listing, possibly in London.

Cox said renegotiating the supply agreements would boost Sasol's bottom line and bring the company into line with government's future competition and energy policies. "This must not be viewed as an aggressive step by Sasol. The company intends to look afresh at the needs of the industry. In addition, Sasol intends to move closer to the consumer. In not just being a wholesaler of fuels, the group will be able to participate across the whole spectrum," he said.

Sapia, the organisation which represents the oil companies excluding Sasol, declined to comment. "I have no mandate to comment on a commercial matter," spokesman Colin McClelland said.

Picture: Page 4

PETROLEUM *End of mandatory Blue Pump era spells more intense competition*

Sasol terminates supply pact

CT (PM) 10/12/98 (55)

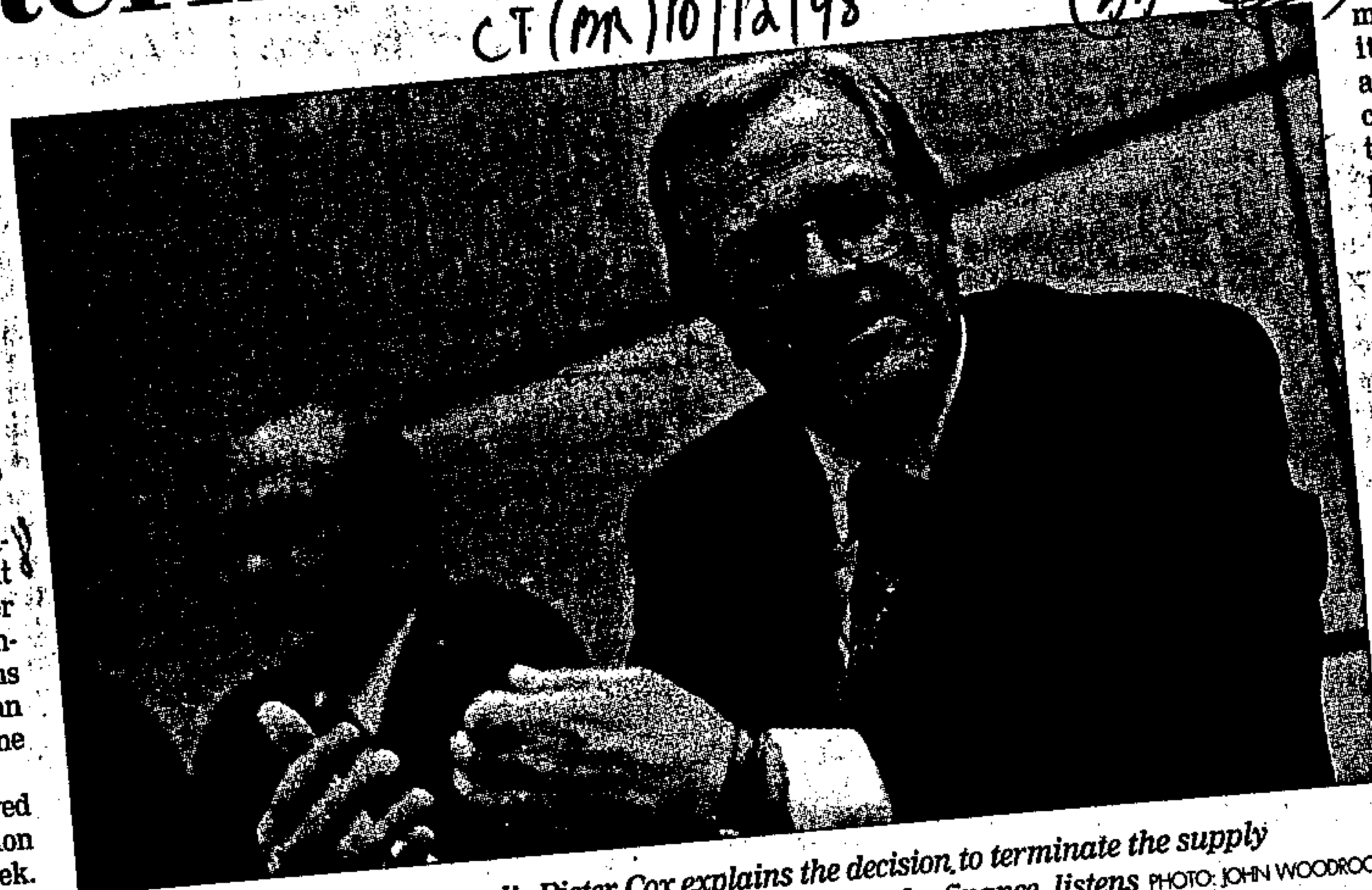
JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — Sasol, the synthetic fuel producer, served notice on its competitors yesterday that it was terminating a controversial supply agreement that for the past two decades required them to buy Sasol synthetic fuel worth an estimated R5 billion to R7 billion a year.

The notice was hailed by industry insiders as an important step towards introducing greater competition in the liquid fuels industry, but enthusiasm remains tempered because Sasol has an effective supply monopoly in the Gauteng market.

Sasol also said it had approved capital projects worth R1,5 billion at its board meeting last week. The projects are focused on increasing its production of solvents and other higher value chemicals. It also said it planned to invest R14 billion over the next five years in a range of projects that would include expanding its fuel production capacity.

The agreement between Sasol and its competitors, which has never been signed because of an almost continuous stream of disagreements, disputes and allegations of breach of contract, requires Sasol's competitors to buy little more than 5 million cubic metres of refined Sasol fuel a year at an import parity price. In exchange, Sasol agreed at the time to a restraint of trade that prevents it from directly marketing its products to the public except through Blue Pumps in its competitors' service stations.



WASHING HIS HANDS *Sasol's Pieter Cox explains the decision to terminate the supply agreement, while (left) Russell Kennedy, the general manager for finance, listens* PHOTO: JOHN WOODROOF

Pieter Cox, the managing director of Sasol, said he had given notice to overcome the capacity constraints contained in the agreement in the light of a planned 15 percent increase in synthetic fuel production and a 30 percent increase in the capacity of the Natref refinery. The refinery is a joint venture between Sasol and Total.

"Termination of the agreements will give Sasol the flexibility to enter into new supply agreements with one or more oil companies for its synfuel production and to put structures in place to facilitate the direct marketing of its fuels derived from crude oil. This will result in increased volumes and better margins," Sasol said.

A Shell spokesman confirmed his company had received the notification and said it had come as no surprise in light of Sasol's previous attempts to have the agreement declared a nullity in litigation and arbitration proceedings.

The South African Petroleum Industry Association said it had not taken a position on the issue as it was a commercial rather than policy matter.

But industry insiders said this would bring the question of Transnet's rail and pipeline tariffs to the fore. They argued that transport tariffs would have to be reduced to introduce competition in the inland market.

Sasol shares firmed 100c to R24 in heavy trade worth R66 million.

☐ Business Watch, Page 2

ALTERNATIVE ENERGY

ET(BR) 10/12/98

Sun peeps out on neglected solar power industry (55)

THABO LESHILO

The sun seems to be finally shining on solar energy after decades of frustration at lack of support for the alternative energy source.

Responsible for the surge in interest is the new, predominantly young management team at the department of minerals and energy affairs, led by Sandile Nogxina, the director-general.

Solar energy lies at the core of the government's new strategy of moving away from grid electricity to providing access to adequate, appropriate and affordable energy services.

Penuell Maduna, the minister of mineral and energy affairs, said the country had limited potential for large-scale hydroelectric power generation, and extensive use of solar energy could make it unnecessary to develop another large and costly power station.

"It is now government policy that non-grid technologies be integrated into the National Electrification Programme as complementary supply technologies to the conventional grid extension," Maduna told delegates at a recent workshop.

"South Africa is blessed with high levels of sunshine all year round, providing us with renewable energy resources second to very few other countries in the world."

The workshop, at the Development Bank of Southern Africa, was called to devise ways to implement the white paper on energy, which allocates a significant role to renewable energies.

The department said solar cell technology, which utilises the photovoltaic effect to convert sunlight into electrical current, had reached a high level of maturity, reliability and cost efficiency.

Senti Thobejane, the department's chief director, energy demand and non-grid electrification, said the use of solar energy was picking up. He predicted 2,5 million households would have non-grid electricity within a decade.

The biggest pilot project to bring solar energy to rural areas was started in Folovhodwe, in the far Northern Province, in October. It involves 582 homes, three schools and a shop.

This, and other projects in the Eastern Cape, KwaZulu Natal, Free State and North West, could benefit up to 2 million people within four years.

"It is clear grid energy is not accessible to every household in South Africa, especially in the remote rural areas where the poorest of the poor are located.

"Even if the grid was to reach those areas, it would be far too expensive, given our current budgetary priorities, and for the end-user," Thobejane said.

He said his department sought to provide a total solution to the energy needs of households, including lighting, cooking and telecommunications.

In some areas, photovoltaic systems would be accompanied by the provision of liquid petroleum gas for cooking, solar cookers and innovative systems for boiling water, using solar energy or paraffin.

"In those areas that can be accessible by grid, there will be consideration for hot water solar systems to compensate for the low usage and high cost of electricity," Thobejane said.

The renewed interest in solar energy is good news for manufacturers of solar energy systems and appliances, who have been frustrated by the lack of support for their industry.

They will also benefit from the plan by the South African Bureau of Standards (SABS) to overhaul electricity installation specifications next year.

Bill Gunnell, manager at the SABS responsible for mechanical and automotive standards, said the standards would cover solar heaters and be compulsory for all installations.

All replacement geysers would have to comply with the new standard, he said.

Energy experts believe affordability is key to promoting solar energy.

Ian Lane, of Energy Efficiency Enterprises, urged that innovative financing means be found to make solar energy affordable. "It is important the man in the street sees the price difference (relative benefit) to electricity."

Lane said because the bulk of electricity used in South Africa — a staggering 35 percent — is spent on heating water at home, solar heating strategy should focus on this area.

He said to promote efficient energy use, 52 000 homes would have to be fitted with solar water heaters every year for 20 years at a cost of R1,3 billion in today's money. The heaters cost about R3 500 each.

Lane said although solar geysers were initially expensive compared with grid electricity geysers, which can be bought for as little as R1 000, they would be more economical over time.

He said the repayments of the low-interest loans for solar water heaters could be 19c a kiloWatt hour over 20 years, compared with the 27c a kiloWatt hour for conventional geysers.

It was also suggested to the department that top-up funding be considered for housing developers in order to popularise the use of solar geysers.

Buy-in by government bodies, trade unions, housing developers, utilities, investors, homeowners and service providers was identified as critical to creating awareness of solar energy.

The labour movement was also identified as a natural ally of the solar energy industry because of the massive job creation potential resulting from the manufacture of 52 000 solar heaters a year.

Industry participants said the government should take action to convince households of the value of solar heating.

They said the government should lead by example and make extensive use of solar energy in public buildings.

Thobejane said the solar energy strategy would be implemented with vigour from early next year.

POWER *Just following directives, say managers*

Suspension row at electricity regulator

ET(pk) 14/12/98 (55)

ZINTLE FILTANE

Johannesburg — Friday's suspension of two senior managers, Gail Mlokoti and Mvuyo Ndziba, by the National Electricity Regulator (NER) opened a can of worms at the troubled power regulator.

Andreas Gamede, an NER board member, said they were suspended with full pay pending investigations. But outgoing NER chief executive Magate Sekonya said Gamede was not empowered to suspend anyone. "As far as I'm concerned, I expect them to report for work on Monday."

According to the two, their suspensions were verbal.

Among other things, Mlokoti, the general manager of corporate affairs, was charged with initially appointing Ndziba as a senior financial analyst at a higher salary than other analysts.

Mlokoti said NER board minutes for August 21 1997 stated that to attract more qualified and experienced personnel, the salary budget would have to be exceeded. She was also charged with awarding members of staff higher salary increases to than the board approved.

Mlokoti said most black employees' salaries were below those of their white counterparts. She was implementing board decisions on that.

IN HOT WATER *Executives Gail Mlokoti and Mvuyo Ndziba say they operated in line with board decisions* PHOTO: JOHN WOODROOF

Ndziba, the general manager of legal services, was suspended for bringing the regulator into disrepute and threatening on television to sue the board.

He said as principal legal adviser he had a right to reply to defamatory statements of board members in the media, on misappropriation of funds and corruption by management.

He said he told the public broadcaster that management would look at the serious allegations, which could give rise to legal action.

He was also suspended for cancelling a contract with Data World, a company that was to provide services for electrification projects, without board approval. Sekonya said one of the fundamental flaws with the contract was that no one knew how much the contract would cost the NER.

"This company came out of nowhere and management took a decision not to approve the contract, only to find that work had started," Sekonya said.

Ndziba said: "I'm not administratively responsible directly to the board. I take my instructions from the CEO, that is how I discharge my duties."

General managers suspended

Samantha Enslin (57) BD 14/12/98

THE National Electricity Regulator has suspended two general managers responsible for legal and corporate services, the body said at the weekend.

National Electricity Regulator board member Andries Gamede said the suspension, on full pay, of advocate Mvuyo Ndziba, legal services GM, was due to Ndziba "putting the board (of the regulatory body) into disrepute and threatening to sue the board".

The suspension of Gail Mlokoti, GM of corporate services, was due to alleged incompetence, Gamede said. However, he would not elaborate because a formal hearing into the suspensions has yet to be held. Gamede expected the hearings to be conducted within three weeks.

The suspensions follow the resignation of CEO and chairman Magate Sekonya and financial services GM Terence Naidoo last month. The electricity regulator said the resignation of Sekonya and Naidoo had allowed it to initiate investigations into allegations of financial irregularities, poor human resources practices and unauthorised policy interventions. The position of CEO and chairman has now been separated.

The regulator also initiated an investigation into the possibility that its offices and telephones were bugged.

The latest suspensions follow a spate of resignations and dismissals this year, with staff turnover approaching 50%.

Early last month several board members expressed concerns about management practices at the regulating body, including management's handling of the electricity regulator's finances and electrification funds and its human resources practices in light of the high turnover of staff.

Three weeks ago the Development Bank of Southern Africa gave notice on its contract to manage the R1bn electrification fund, saying the National Electricity Regulator had indicated it wished to take over a number of functions handled by the bank.

The electricity regulator said it was now working with the Minister of Minerals and Energy, Penuell Maduna, and his department to restore leadership to the body urgently.

Strange NER requests arouse suspicion of auditor-general

(55) CT (BR) 14/12/98

Zintle Filtane

Johannesburg — An official of the National Electricity Regulator (NER) approached a commercial bank to open a bank account and deposit R7 million in cash and inquired about closing the NER's account administered by the Development Bank of Southern Africa (DBSA), a letter from the auditor-general dated October revealed this weekend.

The official also asked about halting audits by the DBSA into the use of NER money allocated to municipalities.

The DBSA has given notice that it will cease to conduct the NER's treasury operations early next year.

In a letter to Magate Sekonya, then chairman of the NER, the Gauteng auditor-general said these allegations had been made to him by officials of the DBSA, which administers the R300 million a year National Electrification Fund for the NER. The funding is used for electrification projects.

"An NER official ... approached a commercial bank to invest funds, amounting to R7 million in cash, to be collected from the residence of the official. The official mentioned that this amount may be increased to R25 million," the auditor-general wrote.

Sekonya, who is the outgoing NER chief executive, told Penuell Maduna, the minerals and energy affairs minister, in a letter last week that his efforts to investigate the matter had been frustrated by DBSA officials.

Sekonya said the DBSA had a tape-recording of a commercial bank dealer explaining the matter and inquiring about the allegations to a DBSA treasury official. "All efforts to get a copy of the tape and/or the transcript thereof have been frustrated by the officials involved", wrote Sekonya.

Goldin, the chief executive of the DBSA, said he was not aware of the existence of the disputed tape, though treasury conversations were routinely recorded.

He said the DBSA had not obstructed investigation, but had tried to bring shortcomings relating to the NER's corporate governance light.

Regulator's cash lost in paper trail

ET (BR) 17/12/98 (55)

Zintle Filtane

Johannesburg — Lack of accountability on the R300 million a year electrification fund account has kept the disadvantaged communities to which it was meant to bring electricity in darkness, an audit report by Gounden & Company and Gobodo, the auditing firm, revealed this week.

"At the moment one is not even sure whether the people who are meant to benefit from these projects have any electricity," said Sathre Gounden, a partner with the firm.

"There's only a paper trail of money, and the National Electricity Regulator (NER) was not monitoring its own conditions. Too few people are responsible for too much money, creating opportunities for irregularities."

Two members of the NER's management were suspended last week on suspicion of administrative irregularities.

The audit on the transactions of the electrification fund, from its launch until March 1998, was commissioned by the NER. The fund was administered by the Development Bank of Southern Africa (DBSA) on behalf of the regulator for the electrification of disadvantaged communities countrywide.

The DBSA has given notice that it will no longer carry out the NER's treasury operations from next year because of concerns over its corporate governance. But Ian Goldin, the chief executive of DBSA, said the bank would reconsider its decision if approached by the NER.

The auditor's report showed that claim forms received from local councils had no supporting documents such as invoices or proof of expenditure. This resulted in some councils inflating their claims and others overpaying. The 1997 Monte Bertha Phase 3 project by the Porterville Municipality was approved for R151 300 but paid R204 000, said the report.

Other claim forms were not approved by the NER but paid by the DBSA on the strength of attached letters, resulting in unauthorised payments by the DBSA, said the report.

Piet Retief Municipality sent claims for a 1997 project using a 1998 rate, resulting in a R13 100 plus VAT financial loss for NER.

According to the report, there was no adequate cancellation of paid claims, resulting in multiple submissions for the same payment.

Gounden said that most of the projects were approved in the Gauteng and Mpumalanga areas. For more than half the payments made, improper or no technical audits were carried out.

(55) CT (PR) 17/12/98

Empowerment key in new energy policy white paper

Lynda Loxton
Parliamentary Correspondent

Cape Town — The energy policy white paper expected to be released today had been "fairly radically" rewritten to make black empowerment key to any deregulation of the oil industry, parliamentary sources said yesterday.

They said that while the draft white paper had said deregulation would be over three to five years, the final version did not set a timetable but instead made deregulation dependent on the industry meeting milestones.

These included reaching the target of 25 percent of the industry being owned by empowerment groups; "mutually acceptable arrangements" between synthetic fuel producers Sasol and Mossgas and the oil industry; and the phasing out of the rationalisation plan for service stations, with an initial ban on self-service.

Sources said the white paper also made provision for the phasing out of quantitative import and export controls on oil products, and said that duties on refined products could be introduced where justified by economic and socioeconomic considerations. This was aimed at preventing cheap imports undercutting local petrol sources to the detriment of jobs and investments already here.

The white paper also signalled an end to the monopoly over pipelines by Petronet, Spoornet and Autonet and said that when price controls over petrol were removed, transport costs would not be built into the petrol price.

Tariff protection for the synthetic fuels industry would be progressively lowered and reviewed before mid-2000.

The white paper envisaged deregulation taking place in three stages. The first phase would allow for interim adjustments to the fuel price and the renegotiation of agreements to buy synthetic fuels. The second phase would focus on allowing market forces to set prices, while the third would see government monitoring developments and taking corrective action where needed.

It said that while there was no immediate need for new refining capacity, the government was keen to promote the development of a refining and petrochemicals hub on the coast, possibly in co-operation with other Southern African Development Community countries.

The Central Energy Fund group of state-owned companies would be restructured to separate strategic, regulatory and commercial activities. A petroleum licensing unit in oil and gas exploration would be established, relieving Soekor of its regulatory role so that it could concentrate on commercialisation.

Govt steps in at power regulator

BD 18/12/98 (57)

'Temporary arrangement' hoped to solve crisis

Robyn Chalmers

THE minerals and energy department has been forced to step in and bolster the management team at the leaderless National Electricity Regulator (NER) and has also placed the controversial poverty tariff on hold.

Senti Thobejane, chief director of energy demand and nongrid electrification at the department, will take over as acting CEO. Wolsley Barnard, director of electricity, will act as technical GM while Ria Govender, legal administration officer, will take over as corporate and legal GM.

Minerals and Energy Minister Penuell Maduna said government had taken active steps to halt the crisis at the regulator, including separating the posts of CEO and chairman.

Sandile Nogxina, minerals and energy department director-general, stressed yesterday that this was a temporary arrangement. He hoped the positions of CEO and finance GM in particular would be filled by February. "We need to secure the smooth running of the NER ... to ensure that it fulfils its functions."

This follows a spate of resignations and suspensions which have effectively left the regulator without any top managers. Staff turnover for this year is now more than 50%.

CEO and chairman Magate Sekonya and finance GM Terrance Naidoo resigned last month, effective December 31, but they took leave almost immediately.

Legal services GM Mvuyo Ndziba and corporate services GM Gail Mlokoti were suspended last week while management dismissed technical services GM Zakes Ndimande in October.

Nogxina also said the poverty tariff, introduced by the regulator in October, would be investigated to outline the ramifications of such a tariff.

This was a national policy issue and widespread consultation was required to see if government could come up with a tariff that would address poverty issues.

Analysts said the tariff, when first introduced, was not well defined, and the financial effect on government and Eskom had not been quantified.

Also as a national policy issue, it had not been vetted by government.

Thobejane said the temporary management team planned to build staff morale. Information required by industry would be streamlined and it would assist the board. "The team will not make any long-term decisions that will have a far-reaching effect on industry," he said.

Thobejane said the board had decided to call in the National Intelligence Agency to investigate allegations that regulator's offices had been bugged in an attempt to clear "the smoke around the issue".

Govt maps out energy deregulation

Robyn Chalmers
and Amanda Vermeulen

COMPETITION is to be introduced to the electricity market, while the deregulation of the liquid fuels industry will be pegged to the achievement of targets rather than a fixed timetable.

According to the draft energy law released yesterday, phased deregulation of the liquid fuels industry will put pressure on companies to play their part in the process rather than rely on government to dictate the pace of change. Government says much consultation will take place before the white paper becomes law.

Electricity utility Eskom, which has near monopoly status, has been preparing for competition as pressure builds from international and local players wishing to enter the market.

Minerals and Energy Minister Penuell Maduna said a restructuring of the electricity supply industry into separate generation and transmission companies was on the cards. "This does not mean we will break Eskom up ... the aim is to allow for broader participation in these sectors."

The distribution sector is to be restructured into a small number of regional electricity regulators. Government proposes removing the more than R1bn-a-year burden of funding the electrification programme from Eskom. A national electrification fund will be set up, financed on budget from a dedicated electrification levy to be determined annually.

Minerals and energy director-general Sandile Nogxina said government did not intend downsizing its target of 2,5-million households being electrified by 2000.

In the longer term, the transmission and generation components of the market would be rationalised.

Competition, especially in the generation sector, would be encouraged along with private sector participation in the industry, he said.

The oil sector, which includes the petrol industry, would be deregulated in three phases. The first would set the stage by allowing for interim adjustments to fuel price-setting mechanisms, among others. Crucial to this phase would be the introduction of legislation to protect service station pump attendants' jobs.

One of the key milestones which must be achieved before the second stage — deregulation itself — is the "sustainable presence, ownership or control by historically disadvantaged South Africans of about 25% of the liquid fuels industry".

Deregulation would entail allowing market forces to set prices, followed by the third phase, essentially a period of monitoring all the changes.

The white paper also outlines a plan to restructure the Central Energy Fund, a state-owned group of companies. "Government will consider restructuring existing commercial state assets in the oil industry into a domestic commercial company in which (it) will be a significant shareholder."

The nuclear policy will see a review of nuclear power in the context of an integrated energy planning process and take into account the risks associated with it.

Key to future policy will be government's plan to review proposals to restructure the Atomic Energy Corporation into two separate entities, one focusing on commercial activities and the other dealing with institutional responsibilities on behalf of the state.

Cheaper oil: Page 11

BD 18/12/98

Relief as trade balance bounces back into black

DEREGULATION *White paper on state energy policy obfuscates subsidies issue*

Black ownership is 'first priority'

(77) CT(DR) 18/12/98

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — The white paper spelling out the government's energy policy, released yesterday, firmed up proposals to ensure black business controlled 25 percent of the industry before deregulation could proceed. But it did not clarify previously firm positions on the future subsidisation of synthetic fuels.

Penuell Maduna, the minerals and energy minister, said the deregulation of the liquid fuels industry would start with interim adjustments to the fuel price mechanism. It would not, however, proceed to unregulated pricing until certain objectives had been attained.

"One of the key milestones to be achieved in the first phase will be the sustainable presence, ownership or control by historically disadvantaged South Africans of approximately a quarter of all facets of the liquid fuels industry or plans to achieve this," Maduna said.

But the policy backtracks on previous timetables and commitments to phase out subsidisation of the two synthetic fuel producers Mossgas and Sasol.

The draft white paper, released in June, said the government planned to phase out the subsidy over a period of about three years. The final policy document states that the need for protection will be reviewed before mid-2000.

It also obliges the oil industry to reach a new supply agreement with Sasol, which last week gave notice that it would terminate the existing supply agreement.

The document also commits the government to protecting jobs and small businesses in the liquid fuels industry through providing legislative bans on self-service stations and vertical integration in the industry.

Diesel users are promised price cuts and tax incentives for greater use of diesel fuel. The paper says in some cases diesel is 33 percent cheaper than petrol.

"This price differential thus promotes the use of diesel, which is a more efficient fuel, and also lowers input costs for productive activities."

The document also beefs up the government's commitment to encouraging the use of renewable energy supplies through supporting the development and implementation of both small- and large-scale applications.

"Immediate priorities will be biomass applications ... passive building design, photovoltaic, micro-hydro and wind-based electricity systems and solar water heating," it says.

CLOSE SCRUTINY *(From left) Peter Oppenham, the deputy general manager of finance of the Central Energy Fund; Louis Kinga, a consultant to the fund; and Howard Roberts, the general manager of the fund*

PHOTO: JOHN WOODROOF

Cosatu, state at odds on energy

FRANK NXUMALO
LABOUR EDITOR

Johannesburg — Cosatu had rejected the energy policy paper assumptions that objectives could be realised through deregulation, it emerged yesterday.

"To us, the vision must be informed by what is happening in the country and taking into account the problems created by the past government," Cosatu said.

It also expressed concern with the proposed and existing ownership patterns.

"Clearly, no one can deny the need to deal with ownership patterns within the energy sector. The ownership by whites and multinationals must clearly be dealt with.

"Ownership patterns within the energy sector had to be mass-based as opposed to the enrichment of few blacks in the name of black economic empowerment," Cosatu said.

It wanted a National Energy Policy Advisory Board that fell under the auspices of Nedlac rather than the proposed National Energy Policy Advisory Board.

Union's funds dispute to end

(55) (2000)

By Mzwakhe Hlangani
Labour Reporter

WRANGLING between Eskom pension management and the National Union of Metalworkers of South Africa (Numsa) over union representation on the board of trustees will be resolved soon with the immediate re-election of a new board to manage the R14 billion pension fund.

The chairman of the Eskom Pension and Provident Fund Mr George Lindeque expressed confidence yesterday that the new model would satisfy all concerned parties and meet prudent trusteeship requirements.

Numsa and the National Union of Mineworkers broke up the board meetings recently, criticising the management for lack of vision and strategy on governance in defiance of the new Pensions Act.

The unions alleged that fund management refused to respect the right of labour grouping to choose its own representative and accused management of pushing for implementation of their decisions taken without consensus.

They approached the Financial Services Board to intervene.

Lindeque confirmed that the dispute arose out of Numsa's insistence that an alternate board director who was dismissed two years ago for breach of trust should again serve on the board.

The Financial Services Board did nothing to intervene, Lindeque said, pointing that it had emerged that in terms of the new Pensions Act with effect from December 15 1998, their board, comprising 14 members, was illegal.

In terms of the new Act 50 percent of the board members should be elected, in their case the board had 50 percent appointed employer representatives and only three union representatives and elected pensioners.

Lindeque added that the new board to be appointed should not represent constituencies, turning the board of trustees into "employer-employee sectional group battleships".

He also reassured about 60 000 fund pensioners and members that the operations of the fund were not affected by the dispute.

Competition bid will give Eskom a boost

Proposed national electrification fund might remove some of the strain on the utility

BD 28/12/98

Robyn Chalmers

THE recently released energy white paper will have a significant, largely positive impact on electricity utility Eskom, say analysts.

The introduction of competition into the electricity supply sector, along with restructuring, would help streamline the troubled market and could lead to greater efficiencies and further price reductions, according to analysts.

The white paper proposes setting up a national electrification fund, to be financed on budget from a dedicated electrification levy. This is particularly welcome to Eskom which has been financing investment in electrifying households to the tune of more than R1bn a year.

The draft law also indicates that the supply industry will be restructured into separate transmission and generation companies. Minerals and Energy Minister Penuell Maduna said this did not mean Eskom would be split into smaller entities but rather aimed at broadening participation in the sector.

In the longer term, the paper proposes introducing competition into the industry, particularly the generation sector, and encouraging private sector participation.

Eskom officials said the utility welcomed the white paper as it provided a framework within which it could continue to do business.

"The vision is to create an electricity supply system that is financially viable, technically healthy and well managed. It means that the industry should be capable of supporting growth (and) development ... for SA at the least cost to the consumer and country."

The white paper also dealt with the oil and gas industries, with restructuring proposals supported by Mossgas CE David Day. Mossgas is a state-owned entity within the Central Energy Fund (CEF) which extracts gas from offshore fields and converts it into petrochemicals.

Day said Mossgas had long been preparing for a regulated environment. Mossgas had generated a healthy cash flow since its second year of operation and was keen to compete, on an equal footing, with other players in the refining, marketing and petrochemical sectors.

Maduna indicated that the CEF could be partially privatised in future with a focus on black economic empowerment. Day said that Mossgas associated itself with achieving meaningful black participation in SA's oil industry.

"The envisaged restructuring of the CEF group of companies, coupled with the removal of existing barriers to entry into the market, will create significant opportunities in this regard," he said.

ENERGY

1998 - 1999

Oil ministers call for co-operation

CT(BR) 2/11/98

Lynda Loxton (99)
Parliamentary Correspondent

Cape Town — Humbled by low world oil prices, international oil ministers sent out a clear signal last week that they wanted to end the "them and us" relationship with non-Opec (oil and petroleum exporting countries) producers and consumers and get them on board to stabilise the oil market.

This desire emerged in speech after speech at the Sixth International Energy Conference.

Ali Al-Naimi, the petroleum and mineral resources minister of Saudi Arabia, said it was now clear that "Opec alone cannot stabilise the market without the co-operation of other producers and awareness by consumers.

"While the role of Opec is still central to market stability, there is room for other means to supplement its efforts."

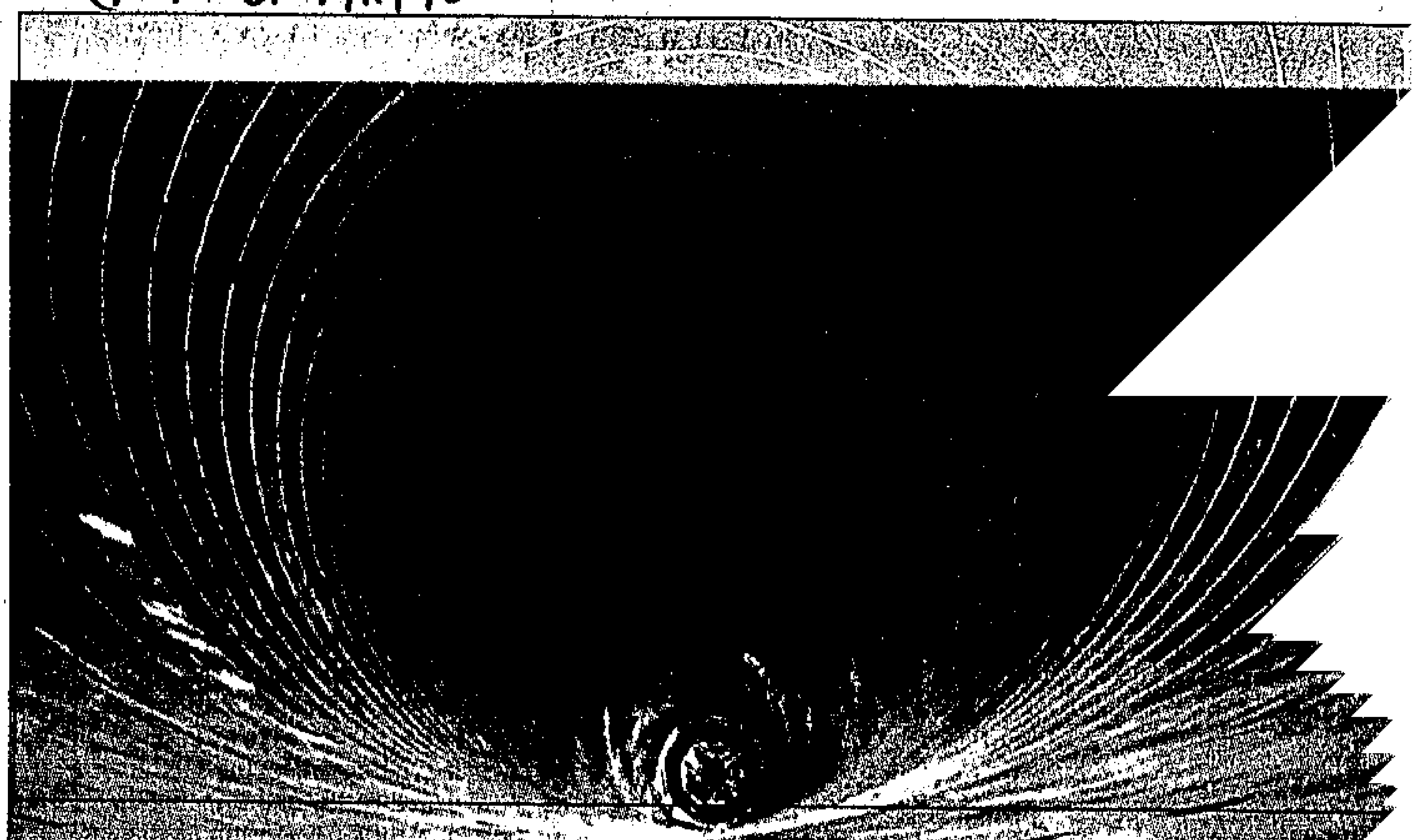
He called for a co-ordinated, ad hoc effort by key oil producers both within and outside Opec to "anchor the market and lessen the impact of its absolute swings".

These swings made investment decisions difficult in this high-risk, high-investment business and threatened the future security of oil supply, he said.

Power plan reaches for the sky

(55) CT 5/11/98

***THE GLOBAL** energy debate has been renewed as the Green Party in Germany is pushing for the abolition of nuclear power early in the next century. South Africa, with its abundant sunshine, could lead the way if the Northern Cape builds a power-generating solar chimney in its desert region, reports Environment Writer **MELANIE GOSLING**.*



HIGH AND MIGHTY: The solar-powered power station's chi... wind turbines. The chimney, planned by the Northern Cape government would be 1,5km high — the tallest building in the world and dwarfing Toronto's 600m television tower.

THE Northern Cape government is chasing international backing for a revolutionary solar-powered power station that would be 1,5 times as high as Table Mountain — and taller than the highest building in the world.

The power station, planned for the Northern Cape near Sishen, would cost R2,4 billion and, if funding becomes available, would be up and running in about five years.

It would generate about 200 megawatts of power, about twice as much as the "pocket nuke" power stations that Eskom plans to build in SA.

It would have a circular glass "roof", about four kilometres in diameter, near the base of the chimney.

The Northern Cape government has given a consultant, Wolf Stinnes, the go-ahead to do a full feasibility study based on the findings of his preliminary study.

Stinnes will work with the University of Stellenbosch's department of mechanical engineering on the project, which will be led by Detlev Kröger.

The Northern Cape government intends to raise international funding, especially from Germany, to finance the project, a spokesperson for the province has confirmed.

Thomas Harms of the University of Stellenbosch's thermodynamics division, who will also be working on the project, said the tower was designed by a German civil engineering company, Schlaich-Bergermann and Partners.

"The company is confident that it can guarantee the structure. At the university, our new studies can guarantee that the thermodynamics will work. With these two guarantees, international funding can be raised.

"Also, internationally, there is a need to look at alternative energy sources. One reason is that fossil fuels are a finite resource and therefore have a limited lifespan. Another is the resistance to nuclear power. The Green Party in Germany now wants to decommission nuclear power plants.

"But probably the most important reason is the scientific view about the effects of carbon dioxide emissions, which result from burning coal and oil. Carbon dioxide is a greenhouse gas that contributes to global warming.

"Solar energy has no carbon dioxide emissions.

"These factors mean there is international interest in getting a full-sized solar plant up and running."

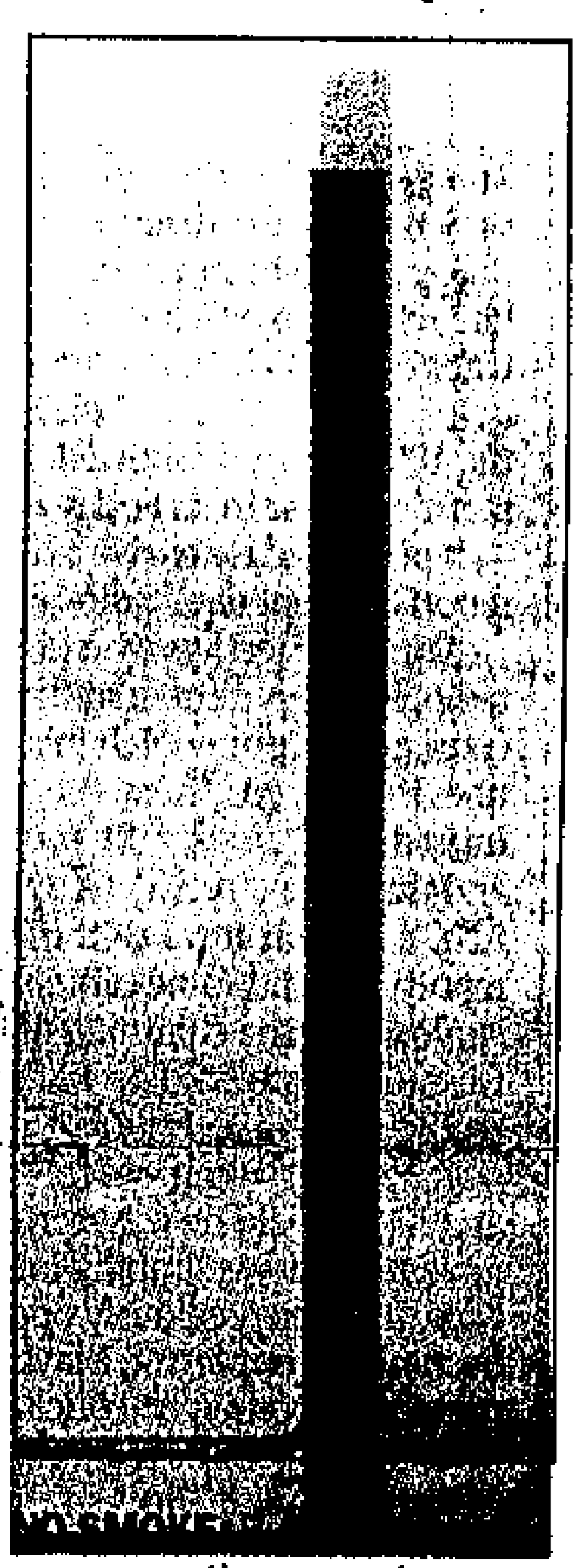
A solar power station designed by Schlaich-Bergermann and Partners has been in use in Manzanares, 150km south of Madrid, Spain, since 1982.

It is fairly small, with a chimney of only 195 metres, and generates only 50 kilowatts.

It was built as a research station to test the efficacy of solar power and to verify the performance of the solar power design.

So successful has this research project been that the designers, Schlaich-Bergermann, have distributed a booklet to various countries in which they say: "What is there to stop us doing it now?"

They say that although the construction costs are high, the running costs are extremely low. The solar power station in Spain has a staff of only two people, so staff costs are low compared with those of nuclear or coal-fired power stations.



AS SMOKE... many questions remain.

Also, unlike conventional power stations, solar power stations do not have to buy fuel or pay for the disposal of waste.

The sun's energy is free and leaves no waste to clean up.

"Virtually all the cost of the solar plant is in the construction," says Harms.

"It is run cheaply with only a few operators — compared with hundreds at coal or nuclear power stations.

"According to calculations by Stinnes, it will be cheaper than coal-fired power stations in the long run.

"One of the reasons for this is that it has a long lifespan — about 100 years, compared with about 50 years for a coal-fired power station."

The solar power energy station consists of a long chimney, in which there are wind turbines, and an enormous glass structure that surrounds the chimney and stands about six metres above the ground.

This glass roof "collects" the sun's radiation. The effect is rather like a garden greenhouse. The short-wave radiation penetrates the glass, which traps long-wave radiation emitted from heated ground.

When the ground under the gl[...] roof heats up, its heat is transferre[...] the air above it. This hot air rises, flow[...] a current up the chimney and drives [...] wind turbines.

The Northern Cape's solar power s[...]tion would have a chimney 1 500m h[...] and 160m in diameter. The glass ro[...] around the base of the chimney wo[...] be four kilometres in diameter.

Rodney Buttle, who heads Eskom [...] renewable energy research division, s[...] Eskom had initially worked on the p[...]ject with the University of Stellenbos[...] and the Northern Cape government.

"Eskom is still evaluating four typ[...] of solar power, one of which is the chi[...]ney. We don't believe we're in a positi[...] to elect one technology above the ot[...]ers. But the others have run ahead w[...] this chimney technology.

"We're still participating in the se[...] that we're sharing knowledge, but [...] believe their project is over-ambitio[...] and that there are a lot of questions t[...] remain unanswered.

"Eskom is not opposing the proje[...] but the scheme has the potential not [...] meet expectations."

Stinnes says Eskom was meant to [...] the pre-feasibility study, but becau[...] they dragged their feet, the Northe[...] Cape appointed him instead.

"Eskom's chairman has said there [...] no future for solar power generation [...] South Africa, yet this is one of the faste[...] growing areas of power technology [...] the world. This design will be a wor[...] first because it will be able to genera[...] power 24 hours a day.

"We're still happy for Eskom to com[...] on board, but they've got a lot of catc[...]ing up to do," Stinnes said.

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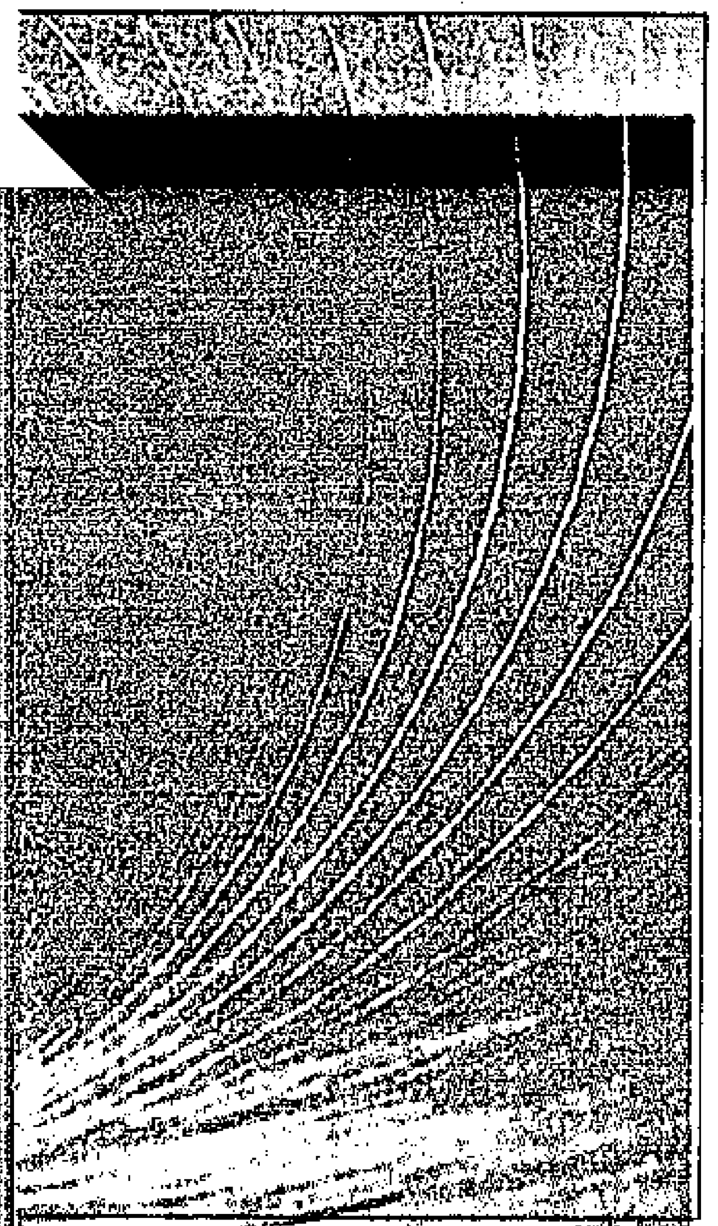

es. The chimney planned by the North g Toronto's 600m television tower.

ion penetrates the glass, which traps the ong-wave radiation emitted from the heated ground.

When the ground under the glass oof heats up, its heat is transferred to he air above it. This hot air rises, flows in current up the chimney and drives the vind turbines.

The Northern Cape's solar power staion would have a chimney 1 500m high nd 160m in diameter. The glass roof round the base of the chimney would e four kilometres in diameter.

Rodney Buttle, who heads Eskom's enewable energy research division, said skom had initially worked on the proect with the University of Stellenbosch nd the Northern Cape government.

"Eskom is still evaluating four types f solar power, one of which is the chimey. We don't believe we're in a position o elect one technology above the oth-s. But the others have run ahead with is chimney technology.

"We're still participating in the sense iat we're sharing knowledge, but we elieve their project is over-ambitious id that there are a lot of questions that emain unanswered.

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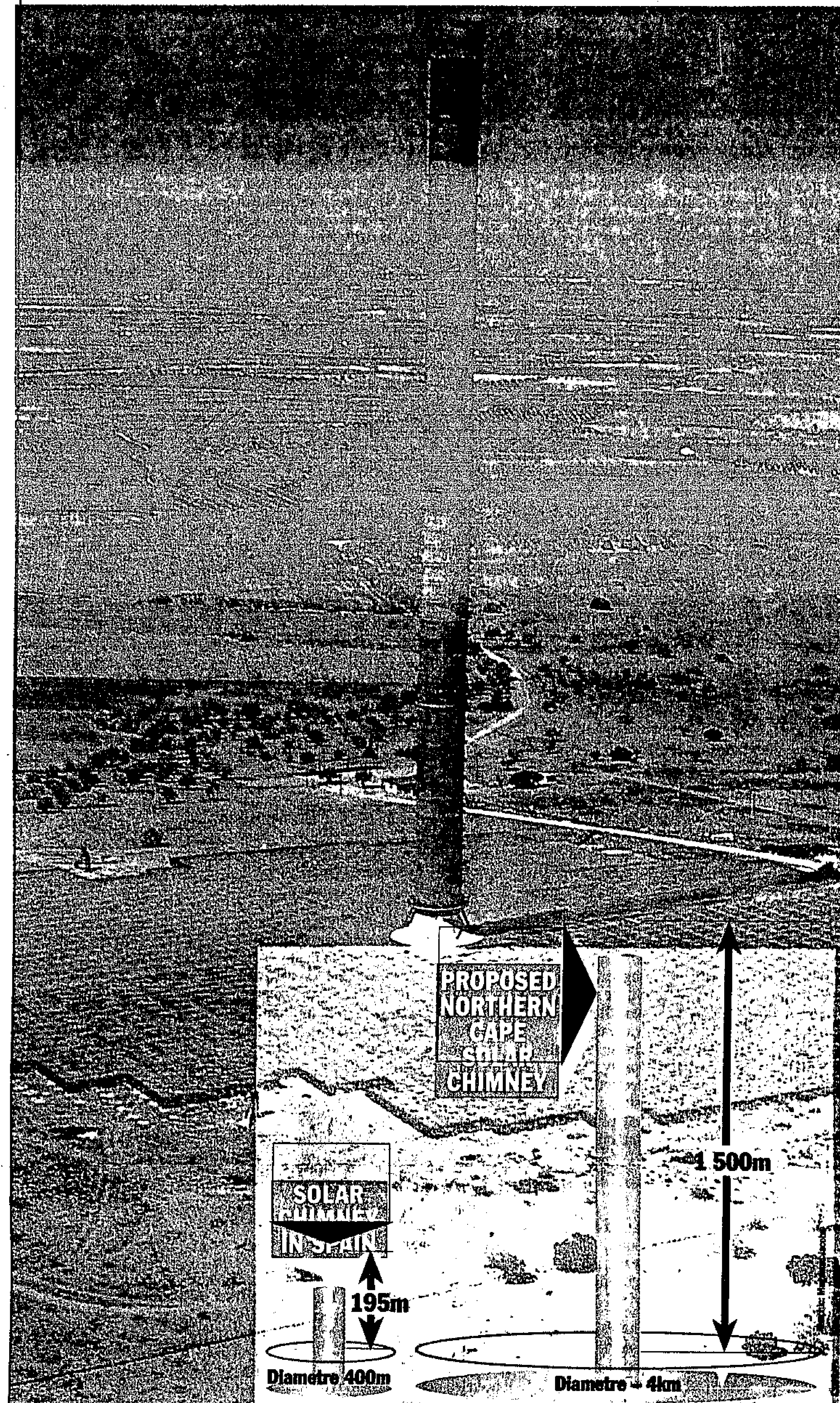


SOLAR POWER TOWER: This solar-powered power station in Spain has been in use since 1982. Its chimney is 195 metres tall, a fraction of the 1 500-m chimney that the Northern Cape government wants to build.

CEF dismisses suspended Van Zyl

BD 5/11/98 (55)

Samantha Sharpe

CAPE TOWN — The Central Energy Fund (CEF) has dismissed suspended GM Kobus van Zyl following the outcome of an internal disciplinary inquiry into activities related to CEF subsidiary, the Strategic Fuel Fund (SFF), the CEF said yesterday.

Van Zyl, who had twenty four hours to appeal against the inquiry finding with either CEF chairman Keith Kunene or SFF chairman Seth Phalatse, has taken up neither option.

According to CEF public affairs manager Phil Mdlalose a letter was handed to Van Zyl on Monday indicating that the inquiry — originally intended to be an independent hearing — had determined Van Zyl guilty of four out of five charges. When he was suspended in March last year, Van Zyl was facing more than 180 charges — which were later reduced to 80 and then to five when the inquiry became an internal CEF matter.

Mdlalose said the charges included insubordination and the undermining of the authority of Minerals and Energy Minister Penuell Maduna in 1996, when Van Zyl defied instructions to stop SFF commission payments to Interstate Petroleum.

The SFF was involved in building up SA's oil reserves between 1979 and 1993 — a time when the country faced a United Nations oil embargo.

Interstate facilitated arrangements between the SFF in its dealings with Egyptian oil company EGPC and US-based Amoco, which dealt in Egyptian crude oil.

Although the SFF board had decided at the end of 1996 to end its relationship with EGPC, Van Zyl authorised payment to the company early in the year, effectively acting against Maduna's instructions.

Mdlalose said that although the decision had been taken to remove Van Zyl of his GM status, it would be premature to comment on a potential replacement for him. Van Zyl was originally responsible for both the CEF and the SFF, but these were now under the control of two separate acting GM's.

Both the boards of the CEF and SFF would have to meet to decide a way forward following the dismissal, with any details about the position of Van Zyl to made at that time, Mdlalose said. Van Zyl could not be reached for comment.

(155)

CENTRAL ENERGY FUND

CURTAIN COMES DOWN ON ONE CEF DRAMA

Inquiry finds against GM Kobus van Zyl

FM 6/11/98

The Central Energy Fund fired its suspended general manager, Kobus van Zyl, this week after an internal disciplinary inquiry found him guilty on four of five charges, including dereliction of duty and undermining the authority of Mineral & Energy Affairs Minister Penuell Maduna.

The CEF is a holding company of all State petroleum assets.

The finding marks an end to yet another episode in the dramas surrounding the CEF. It should end 20 months of uncertainty by opening the way for the permanent appointment of a GM.

The disciplinary inquiry was chaired by Eastern Cape attorney Themba Sangoni, who is also a director of Soekor, the oil and gas exploration subsidiary of the CEF.

The decision to fire Van Zyl was made on Monday after the inquiry had heard evidence for six days. A letter informing him of the decision was hand-delivered to him on Tuesday.

Van Zyl was suspended on full pay in March 1997. However, the matter could not be resolved for almost 20 months because the CEF was caught up in a number of controversies, including that of its appointment of former Liberian Finance Minister Emmanuel Shaw as an adviser to its then chairman, Don Mkhwanazi.

Meanwhile, charges against Van Zyl were reduced from the original 185 to 80 in January this year and again to five in June. The latter reduction came about after the CEF board decided to change the nature of the inquiry from an independent one into an internal disciplinary matter.

The Van Zyl chapter opened in March last year when Maduna suspended him after an independent audit unearthed irregularities in the CEF's purchases of crude oil from Egypt.

The five charges against Van Zyl arose from the activities of the Strategic Fuel Fund, a CEF subsidiary involved in procuring and stockpiling oil between 1979 and 1993. During this period, the United Nations enforced an oil embargo against SA.

Van Zyl was charged with defying an instruction by Maduna on November 29 1996 that the SFF stop commission payments to Interstate Petroleum Co.

Interstate, a company owned by Egyptian businessman Fawkry Abdelnour, acted as a go-between for the SFF in its dealings with Egyptian oil company EGPC and US company Amoco, which dealt in Egyptian crude oil.

The board of the SFF resolved on December 3 1996 to end the SFF relationship with Interstate. But Van Zyl authorised a payment of US$61 167,08 to Interstate on January 24 1997.

Van Zyl was also found guilty of dereliction of duty in that in June 1996 he "advised, allowed, ordered and authorised" the inclusion of crude oil that had been bought on the spot market as part of the oil contract with Amoco, thus resulting in the SFF having to pay an additional $82 807 above the spot price.

On count three, Van Zyl was found guilty of knowingly misleading the SFF and Maduna regarding the role of Interstate. In this case, Van Zyl told Maduna that Interstate activities had saved the SFF $1,21m on a particular shipment of crude oil, known as the Easter cargo.

However, the inquiry found that this particular saving had arisen because Amoco had granted the SFF "deferred pricing", which meant that a mechanical breakdown in the ship that was to transport the Easter cargo resulted in the SFF paying a lower price for the oil. This was so because, in between the mechanical breakdown and the acceptance of the oil by the SFF, the monthly official selling price of Egyptian crude oil had been reduced.

Van Zyl was also found guilty of proposing the falsification of company documents in that in a letter dated October 24 1994, he advised that entries in the SFF financial accounts relating to monies received in respect of the "Salem" transaction be changed to disguise the source of the income.

The income arose out of insurance payments in respect of the 1979 sinking of the *Salem* oil tanker, off the coast of Senegal. It was carrying a shipment of 180 000 t of crude oil from Kuwait to Durban. The insurance proceeds were reportedly split equally between Shell and the SFF.

The fifth charge related to Van Zyl's authorisation of the transfer of R1,45bn from the SFF to government in February last year. The transfer resulted in the contravention of SFF procedures which require that sufficient cash be kept by the SFF to match its "hedged positions for return cargo" and to generate interest to pay the costs of forward cover.

Though Van Zyl was found to have contravened this SFF procedure by authorising the transfer, the inquiry found that his action had not resulted in any damage to the interests of the SFF or its shareholder, the government.

Van Zyl was not available for comment. But the *FM* understands he has a right to appeal either to chairman of the SFF board Seth Phalatse, or the chairman of the CEF, Keith Kunene. Thereafter, he can take the matter further to the Commission for Conciliation, Mediation & Arbitration (CCMA).

If Van Zyl chooses to appeal, SA's fuel policy could be bogged down for even longer.

Jabulani Sikhakhane

TRACKING THE CEF'S TROUBLES

February 1997 - Minister Penuell Maduna appoints new Central Energy Fund board, including new chairman Don Mkhwanazi.

March 1997 - CEF GM Kobus Van Zyl suspended after independent audit finds irregularities on CEF's purchases of Egyptian oil.

October 1997 - Van Zyl granted a salary increase

October 1997 - *Mail & Guardian* begins series of articles on Mkhwanazi's 'appointment' of Emmanuel Shaw as adviser to the CEF for R3m/year.

December 1997 - CEF board absolves Mkhwanazi of allegation that he improperly appointed Shaw.

December 1997 - Mineral & Energy Affairs deputy director-general Gordon Sibiya resigns from CEF board over Shaw matter but his resignation is rejected by Cabinet.

March 1998 - Mkhwanazi claims conspiracy to discredit him over Shaw.

March 1998 - Maduna sacks his adviser Thulani Gcabashe.

April 1998 - Mkhwanazi resigns.

April 1998 - Public Protector begins probe of alleged cover-up of missing CEF funds by Auditor-General Henri Kluever.

Electricity body dispute flares into open hostility

(55) BD 9/11/98

Amanda Vermeulen

DISPUTES between the management and the board of the National Electricity Regulator have escalated to the point of open hostility, with board members making accusations of financial irregularities and raising fresh concerns about human resource's practices.

Board members, who declined to be named, said at the weekend the problems being experienced would be aired at a news conference on November 17.

Some of the issues were raised early last week at a parliamentary standing committee meeting. Board members of the electricity regulator hope to meet Minerals and Energy Minister Penuell Maduna before the news conference to brief him on the trouble brewing at the body.

Sandile Nogxina, deputy director for minerals and energy, said the minister was prepared to comment on proposed actions only once he had met with board members.

There are no details yet as to the nature of the alleged financial irregularities. Board members have also raised concerns about the appointment of senior personnel by CEO Magate Sekonya, who is also chairman of the board.

The issue relates to appointments being made against the direct wishes of the board, and also allegedly without advertising the positions or interviewing the successful candidates. One board member said new managers had been hired by Sekonya, while others allegedly had been fired without consultation with or the permission of the board.

It is not clear whether Sekonya will attend the news conference. One board member said: "He is part of the problem, as he is both chairman of the board and part of the management team."

The other major conflict relates to a recent announcement by Sekonya that a poverty tariff would be introduced, the cost of which would be borne by Eskom. Board members said they had no problem with the concept "in principle", but there had been no consultation with industry stakeholders.

Sekonya denied there were any financial irregularities.

He said board members wanted to become more involved with the organisation's operations by approving travel arrangements and financial activities.

Regarding the allegations of improper hiring procedures, he said three of the four recently appointed general managers had been selected after the posts were advertised and the candidates interviewed.

The fourth post was filled internally.

On the poverty tariff issue, he said board members were "overreacting". He said the tariff had been approved at the October board meeting.

"It is nothing new — it has been on the agenda for at least three years," Sekonya said.

Management issues divide electricity board

Robyn Chalmers

10/11/98

SEVEN members of the National Electricity Regulator's nine-member board have outlined their "serious concerns" about management practices at the organisation.

The issues raised relate to management's handling of the electricity regulator's finance and electrification funds and its human resources practices, in light of the fact that staff turnover is approaching 50%.

The group commented also on management's "unauthorised intervention" in national policy issues, which they said had resulted in a loss of credibility among stakeholders.

This follows last week's parliamentary standing committee meeting, where a number of these issues were raised and board members sought a meeting with Minerals and Energy Minister Penuell Maduna.

Board member Obed Mlaba, who is also mayor of Durban, said seven board members had agreed to put their names to yesterday's statement after attempts to deal with the matter internally were unsuccessful. The other members could not be reached yesterday.

Mvuyo Ndziba, legal services GM at the regulator, declined to comment, saying the organisation knew nothing of the matter and was not convinced that all seven were involved in issuing the statement.

De Villiers Botha, senior GM at the Development Bank, said a change in the nature of the contract with the electricity regulator to manage the R1bn fund was behind the bank's decision to give notice on the contract.

Botha said the electricity regulator wished to perform a number of the functions currently undertaken by the bank regarding the electrification fund. "The bank is not a Post Office and if the regulator wishes to perform these functions, then it should do so," he said.

Industry officials said Maduna and his team were well aware of the concerns raised by board members. They believed Maduna might move to split the positions of chairman and CEO, now both held by Magate Sekonya.

Decommissioning of AEC plant to cost R140m

(55)

Linda Ensor

CAPE TOWN — The decontamination and decommissioning of Atomic Energy Corporation's (AEC) nuclear enrichment and conversion facilities would cost about R140m over the next five or more years, chairman Don Ncube said in the AEC annual report tabled in Parliament yesterday

The AEC board decided towards the end of last year to phase out its uranium enrichment activities. The plant would cease production towards the end of this year after all work-in-progress had been recovered.

Ncube said the slump in the gold mining industry last year had led to a further decline in local uranium production levels to below the break-even requirement of AEC's uranium conversion plant. Also, there had been a general decline of about 25% in international prices for conversion services.

The annual report showed a marked decline in AEC's performance, though with new ventures in the pipeline, expectations for the year to end-March 1999 were high.

"The creation of a more focused commercial division in the near future will lead to better efficiencies and higher profit margins," Ncube noted.

In the last financial year AEC consolidated its commercial portfolio of products and services, phasing out uncompetitive product lines. Ncube said that during the last seven years, the commercialisation of AEC's nuclear technological activities had reduced its dependence on the state by 77% (R732m) for operational costs.

Total revenue from products in 1997/98 amounted to R211m, a year-on-year decline of 26%. Of this amount, 43% was earned on the export market. Its accumulated deficit at the end of the year amounted to R607m.

Government gave AEC a grant of R296m but CEO Waldo Stumpf said the requirement that AEC redeem and service its government loans was a heavy financial burden. During the year long-term liabilities to the value of R180m had to be redeemed.

BD 11/11/98

Petrol discounting could close 35% of retail sites

CT(BR) 18/11/98

Oil industry on brink

(99)(100)

LYNDA LOXTON

Cape Town — Up to 35 percent of the nearly 5 000 petrol stations in the country are expected to close as deregulation is introduced over the next few years, high-level oil industry sources said yesterday.

Engen had already set the ball rolling by introducing a "loyalty scheme" which was widely regarded as the beginning of the discounting of petrol, forbidden until now.

Other forms of discounting were expected to creep into the market soon, increasing pressure on margins, the industry sources said.

The details of deregulation are still being negotiated but industry sources reported that many smaller service station owners already saw "the writing on the wall and are selling out".

They predicted high turnover and low costs would become more and more important, especially if supermarket chains started retailing petrol as well. The extent to which there were job losses would depend on whether self-service was introduced.

As competition hots up, some of the large oil companies operating in South Africa may well pull out or join forces with other companies.

Analysts said the government's aim of 25 percent of the market being controlled through empowerment groups could only be successfully realised if existing groups joined forces.

"If they are each going to have only 5 percent of the market, they will be dead in the water," said one analyst. "You need at least 19 to 20 percent of market share to survive."

A 25 percent share of the market would require an investment of at least R3,5 billion.

NATIONAL ELECTRICITY REGULATOR

fm 20/11/98

TIME TO REGULATE REGULATORS

Problems reflect an organisation trying to grapple with the new order (55)

The decision by Mineral & Energy Affairs Minister Penuell Maduna to separate the positions of the chairman and chief executive officer of the National Electricity Regulator (NER) addresses only one aspect of a myriad problems besetting the regulator of the country's electricity industry, whose sales are R25bn/year.

Created in 1995 out of the ashes of the Electricity Control Board, the NER issues licences for the generation, provision and distribution of electricity. It also advises the Minister on any matter relating to the electricity industry.

The problems of the NER are indicative of an organisation attempting to adjust to the new political order. When the regulator was set up in 1995, it was fully staffed by former employees of Eskom, the same organisation that the NER is supposed to regulate. The reasoning was that the regulator needed people with knowledge of the electricity industry.

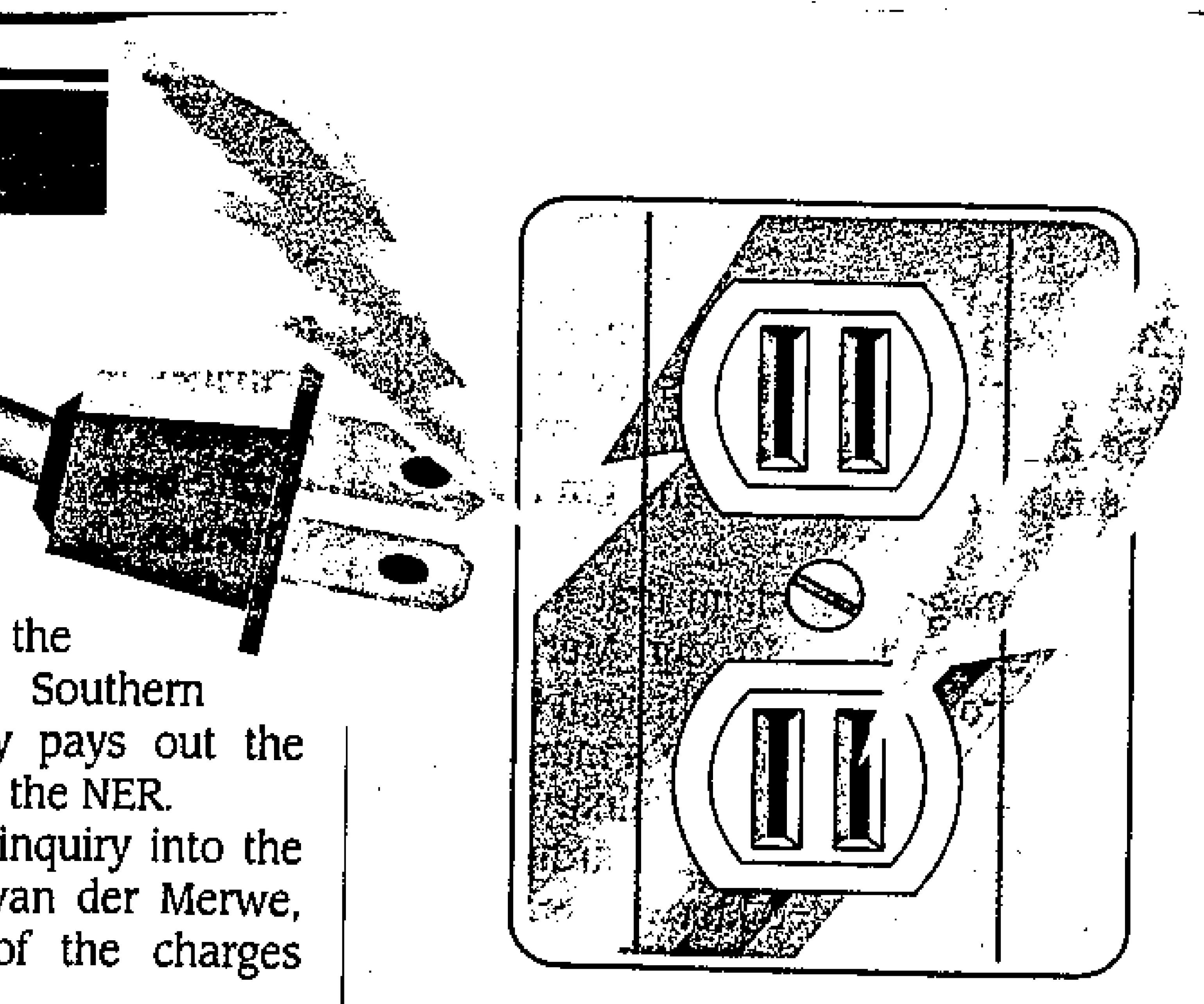
It was the departure of these "ex-Eskomers" over a period of about six months, for a range of reasons, that sparked the crisis within the NER.

Maduna's decision was made after meeting NER directors on Friday November 13. The meeting followed media reports of tensions between the NER's board and its management, and the departure of the majority of the regulator's white management staff.

The meeting was called "to provide a forum for the board members to brief the Minister on some of the issues relating to developments within the NER".

After the meeting, which was attended by eight of the nine board members, including NER chairman and CEO Magate Sekonya, Maduna named Minerals & Energy director-general Sandile Nogxina as acting chairman of the NER pending a new appointment.

Maduna's decision may curtail the power that management enjoyed through Sekonya being both chairman and CEO. But his decision should not be read as a blanket endorsement of the actions of the other board members against Sekonya and his management team.



The fact that Maduna did not appoint one of the existing directors as acting chairman may indicate that he realises there are problems with the current board.

Maduna has also extended the mandate of the investigating team that had looked at governance issues within the NER, to investigate "further pressing matters" that emerged at Friday's meeting.

The *FM* understands these include human resources practices and alleged financial irregularities within the NER.

The latter refers mainly to the mismanagement of the activities of the R300m Electrification Fund, which was set up in 1997 with funds donated by Eskom.

The funds were to be used to pay for electrification projects run by 400 municipalities countrywide.

Following advice from the NER's previous GM for legal services that the NER Act did not mandate the regulator to handle this fund, the NER moved the administration of the R300m to the Development Bank of Southern Africa. The DBSA merely pays out the funds on instructions from the NER.

This led to an internal inquiry into the fund's manager, George van der Merwe, who was found guilty of the charges against him.

Among the irregularities were that the Piet Retief municipality received a double payment one month.

>> **Why is the board not interested in fulfilling its fiduciary duties?** <<
An NER manager

Van der Merwe was also accused of pushing for additional funding for the Northern Pretoria Metropolitan Substructure (NPMSS) while denying similar funding to Tzaneen, an area which in the eyes of the NER management was more deserving than the NPMSS.

In his defence, quoted in the report of the findings of the internal disciplinary inquiry, Van der Merwe said the demand for electrification was higher in Northern Pretoria than in Tzaneen.

The NPMSS electrification project had also "received a special profile and status" after the visit to the area by President Nelson Mandela.

The NPMSS received a grant of R50m from the Electrification Fund, a sum the NER management regards as unjustified, given that the fund has to meet the needs of 400 municipalities out of the R300m pool.

The other irregularity relates to the funds paid over to Transitional Electricity Distributors (TED), a joint venture between Eskom and the 12 local governments of the Lowveld region of Mpumalanga province.

P.T.O.

Because of its part-ownership by Eskom and the fact that Eskom was not supposed to be a beneficiary of the fund, TED was not supposed to receive any grants from the fund.

NER management claim that the board tried to stop the Van der Merwe disciplinary process halfway through it.

They did this by declaring a moratorium on all hiring, firing and disciplinary actions against NER staff. At the time, around June 25, only the Van der Merwe disciplinary inquiry was in progress.

NER management ignored the board ruling and proceeded with disciplinary action against Van der Merwe, who was later fired by the NER.

Management then proposed that the regulator institute a forensic audit of the activities of the Electrification Fund. Such an audit would have unearthed the ultimate beneficiaries of the various projects it funded.

But the NER board would have none of it.

"Why is the board not interested in fulfilling its fiduciary duties?" asks one NER manager.

At the centre of the problems is the issue of governance, relating not only to the combination of the role of the chairman and the chief executive but, according to the general managers, also to the board, which has sought to usurp the powers of management.

The general managers cite the instance when the board called NER staff to the meeting on June 25 where the board announced the moratorium on hiring, firing and disciplinary actions against staff.

"The real problem was precipitated by the board trying to take over control of the executive functions of the NER.

"They wanted day-to-day administrative functions like human resources — who you appoint and why. This followed the departure of white executives. But their departure was because they could not adapt to the transformation of the NER," says one manager.

NER management also claims that some of the decisions of the board are coloured by the conflict of interest that arises from the activities of some of the NER directors and their duties as such.

"The real problem was precipitated by the board trying to take control of the executive functions of the NER" A manager

They cite Anton Eberhard, a director of a consultancy based at the University of Cape Town, the Energy & Development Research Centre (EDRC), which consults to the electricity industry, including Eskom.

The relationship between Eberhard and NER management reached a low point in October this year.

Stung by an article that appeared in the October edition of *Enterprise* magazine, Eberhard wrote a letter to Maduna accusing NER management of having sponsored the article, which accused certain NER directors of having conflicting interests.

Though the article does not mention Eberhard or any of the other directors by name, people familiar with the activities of the NER directors can infer which directors are being referred to.

In his letter, Eberhard also accused NER management of attacking the integrity of NER board members, an allegation that has been denied by NER management.

Eberhard declined to comment on the issue, except to say that the allegations in the *Enterprise* article were "a diversion" from the real issues facing the NER.

Diversion or not, the fracas in the regulator of one of SA's key industries indicates the need for government to speed up the conclusion of a set of governance principles — à la King report on corporate governance — for all State-owned entities and other public institutions. Jabulani Sikhakhane

Electricity regulator's officials quit suddenly

CEO and finance GM say media reports placed them under pressure

(56)

BD 20/11/98

Robyn Chalmers

THE National Electricity Regulator's woes continued yesterday when CEO Magate Sekonya and finance GM Terrance Naidoo resigned suddenly.

Sekonya and Naidoo tendered their resignations at a meeting yesterday, saying recent negative media reports about the regulator had placed them under a great deal of pressure.

But the resignations come less than two weeks after disputes between the agency's management and the board escalated to the point of open hostility.

The board accused management of financial irregularities and raised concerns about human resources practices which resulted in staff turnover approaching 50% this year.

It also questioned management's "unauthorised intervention" in national policy issues, which the board said resulted in loss of credibility within the R25bn electricity industry.

The National Electricity Regulator plays a crucial role in the power sector which is dominated by Eskom. The regulator issues electricity supply licences to distributors, approves tariff hikes and is a consumer watchdog.

Minerals and Energy Minister Penuell Maduna was forced to step into the dispute at the weekend, announcing that the posts of chairman and CEO, both previously held by Sekonya, would be separated.

Sandile Nogxina, deputy director for minerals and energy, said yesterday the board's accusations caused "grave concern" within government.

It was clear the board and management were not working in co-operation.

"We have accepted the resignation of Sekonya and Naidoo, which will be effective from December 31," he said.

Nogxina was to remain as acting chairman and board members would assist with the day-to-day running of the regulatory organisation until early next year, when a new CEO would be identified.

National Electricity Regulator subcommittees would investigate the board's allegations on financial impropriety, and issues relating to human resource practices and meddling in national policy.

Sekonya recently denied there were any financial irregularities and said high staff turnover was the result of a vigorous transformation exercise. He said board members wanted to become more involved with the organisation's operations by approving travel arrangements and financial activities.

Formerly an independent civil and electrical engineering consultant, Sekonya took over as CEO from Ian McRae in September last year. He was subsequently made chairman, holding the two posts concurrently.

Eskom's top rating reconfirmed

CT (BR) 24/11/98 (55)

JONATHAN ROSENTHAL

Johannesburg — Eskom, the electricity utility, is in a far stronger financial position than last year, with an improvement across most key credit ratios, Fitch IBCA, the rating agency, said in its latest report.

The agency reaffirmed Eskom's long-term AAA credit rating, the highest rating possible.

Mike Berry, the managing director of Fitch IBCA, said Eskom remained financially robust, with key ratios, such as interest cover and net debt, improving.

"The trend is upwards and very positive. Interest cover (the ability to pay finance charges out of operating income) is not as high as they want to see it but it is getting there," he said.

He said although non-payment for electricity remained a problem, tighter credit controls and the introduction of incentives had improved payment from local authorities.

Arrears attributable to local authorities in 1997 were less than half the figure in 1995, and total provisions at year-end of R1,6 billion would afford sufficient protection to the income statement, he said.

Net debt fell marginally to R26,9 billion, from the previous year's R27,2 billion, and nearly 80 percent of total debt is in rands.

But Berry warned that in the longer term there were uncertainties over the restructuring of Eskom that could necessitate a lowering of its credit rating.

He said the restructuring of Eskom into separate generating, transmission and distribution businesses could result in increasing the cost of funding, but the group was unlikely to take on significant additional debt to fund new power stations because of excess capacity.

National Electricity Regulator expected to replace poverty tariff

Robyn Chalmers

THE beleaguered National Electricity Regulator (NER) is expected to place the recently announced poverty tariff on hold and launch a full investigation into its implications.

The cost of the tariff is also likely to be delinked from Eskom's 4,5% price increase for next year. The financial effect of the poverty tariff was originally factored into the electricity price increase for next year.

The increase was recently approved by the NER.

Industry officials said yesterday the poverty tariff, aimed at reducing electricity prices for the poor, was a huge social undertaking and had significant implications for Eskom, government and the industry.

The poverty tariff, to be managed by Eskom, was announced last month by former NER chairman and CEO Magate Sekonya.

Eskom was understood to be concerned about the financial and other implications of the tariff and called for an "urgent meeting" with the NER.

The NER estimated that 30% of all households fell within a monthly income range of R1 to R499 and 32% within a range of R500 to R1 399. A total of 3,9-million households would therefore qualify for the tariff.

Sekonya, along with finance GM Terrance Naidoo, resigned from the agency last week, less than two weeks after disputes between the agency's management and the board escalated to the point of open hostility.

The board accused management of financial irregularities, unauthorised intervention in national policy issues and raised concerns about human resource practices. This came at the same time as the Development Bank of Southern Africa gave notice on its contract to manage R1bn electrification fund, saying the NER had indicated it wished to take over a number of functions undertaken by the bank.

The development bank declined to comment yesterday on any possible connection between its decision to cancel its contract and the allegations of financial irregularities.

The bank said the NER wished to perform a number of the functions undertaken by the bank regarding the electrification fund. "The bank is not a Post Office and if the regulator wishes to perform these functions, then it should do so," it said.

DBSA to stay with electrification fund

Robyn Chalmers (55) BD 5/1/99

THE Development Bank of Southern Africa has agreed to continue managing the R1bn electrification fund for three months after giving notice last year on its contract with the National Electricity Regulator (NER).

The decision to give notice came at a time of upheaval at the NER which culminated in the resignation of the MD Magate Sekonya and finance GM Terrance Naidoo. Senior managers Gail Mlokoti and Mvuyo Ndziba were subsequently suspended.

This left the NER without senior management. The minerals and energy department was forced to second three managers to the NER last month with Senti Thobejane, chief director in the department, acting as chief executive officer.

The Development Bank is understood to have given notice after NER management insisted on changes to parts of the contract relating to the bank's accountability in the event of mismanagement.

Management also wished to take on a number of functions being performed by the bank regarding the electrification fund. The bank did not wish to be a post office for the NER.

Bank operations secretariat manager Landiwe Mahlangu said yesterday the Development Bank had been invited by the NER board to continue managing the fund and had decided to extend its notice period by three months.

"We plan to tighten up the contract during this period, after which a final decision will be made on the bank's (continuing) involvement in managing the fund," he said.

Mahlangu said the government-owned bank needed to ensure there was no undue risk involved in managing the electrification fund, regulated by the NER.

At the launch of the energy white paper last month, Minerals and Energy Minister Penuell Maduna said government intended setting up a national electrification fund. The fund was to be financed on budget from a dedicated electrification levy.

Sandile Nogxina, minerals and energy department director-general, said it was unclear where the new fund would be housed. It was possible that the NER could retain responsibility for regulating the fund but this function could also be moved to the department.

Nogxina said government planned to at least maintain Eskom's current level of investment in electrification, which amounted to about R1bn a year.

The reconstruction and development programme's targets indicate that Eskom and municipalities must electrify 450 000 new households a year. A total of 5,5-million rural and urban households had been electrified by the end of 1997.

Former electricity regulator alleges racism

Maduna 'is blind to corruption'

(57)

ET(BR) 11/1/99

ZINTLE FILTANE

Johannesburg — Magate Sekonya, the former chairman and chief executive of the National Electricity Regulator (NER), has strongly criticised Penuell Maduna, the minerals and energy minister, for failing to address continuing corruption and abuse of power at the regulator.

In a scathing report to Deputy President Thabo Mbeki on the troubled power regulator, dated December 31, Sekonya alleges racism, fraud, contravention of the Electricity Act and breaches in corporate governance. He calls for an investigation by the auditor-general and the dismissal of those responsible for "unlawful deeds".

Sandile Nogxina, the minerals and energy director-general, yesterday denied Maduna had failed to act. He said the current management overhaul at the NER was a result of investigations by his department. The changes included the resignation of Sekonya and the suspension of two general managers.

It emerged last month that auditors had found R148 million missing from the R300 million-a-year electrification fund administered by the Development Bank of Southern Africa (DBSA).

Last year the DBSA said it would cease to conduct the regulator's treasury operations early this year. But in an about-face last week, it said it would continue acting for the NER if it was satisfied with its internal controls and corporate governance.

The auditor-general raised the alarm on several irregularities, including claims for payment of more than R80 000 for four months of work by Andries Gamede, a board member of the NER.

Between September and December 1997, Gamede claimed R85 145,89 for preparing for and attending meetings in Johannesburg and Pretoria. He travelled from Piet Retief, where he is the mayor.

The auditor-general wrote there was no effective monitoring of such claims and recommended internal control measures.

Gamede said all his claims were legal. He said they were lodged when he was the acting chairman of the NER and was required to be at the offices about twice a week.

He said the overpayments in his claims which were highlighted by the auditor-general were never brought to his attention.

Sekonya's report to Mbeki says Maduna refused to take action against board member Anton Eberhardt. He believed Eberhardt could be subject to conflicts of interest because he received annual industry funding of between R600 000 and R700 000.

Sekonya said his concerns were dismissed by Eberhardt, who claimed the money was too "insignificant to affect his judgment".

When contacted by Business Report, Eberhardt denied receiving any material benefit from the industry: "There's no substance to any of this, and these allegations by Sekonya were discounted by the minister and the director-general."

Nogxina told Business Report that nobody, including Sekonya, could provide substantive evidence on allegations of conflict of interest.

Electricity regulator staff may face the law

BD 12/1/99 (55)

Robyn Chalmers

GOVERNMENT is prepared to take legal action against the former management of the National Electricity Regulator should the results of the forensic audit into its finances, due for release next week, warrant it.

The forensic audit into the NER's finances and its electrification fund was launched by the NER's board in November last year following board allegations of financial irregularities by the former management team.

The audit decision came at the same time as the resignation of former CEO and chairman Magate Sekonya and former finance director Terrance Naidoo. The board subsequently suspended corporate services GM Gail Mlokoti and Mvuyo Ndziba, the legal services GM.

Minerals and energy department director-general Sandile Nogxina said yesterday government would not hesitate to take legal action against former management should it be necessary.

Nogxina said this would apply to any member of the NER found responsible of irregular activities. Depending on the outcome of the report, it was also possible that no action would be taken.

Acting NER CEO Senti Thobejane said recently he did not wish to preempt the results of the audit. "In the event that laws have been contravened, steps will be taken. If it is found that procedures are inadequate or were ignored, then procedures will be tightened up."

Nogxina also expressed surprise at Sekonya's decision to write to Deputy President Thabo Mbeki criticising Minerals and Energy Minister Penuell Maduna for failing to take action against corruption and abuse of power at the NER.

"Those issues which Sekonya says Maduna did not act on, such as racism, fraud, the contravention of the Electricity Act and breaches in corporate governance, actually fall under Sekonya as CEO. They are management issues (and) at no stage did he raise them with Maduna," Nogxina said.

He said it was unclear why Sekonya, who reported to Maduna, had written to Mbeki on December 31, his last day of office. Sekonya had sent copies to the public protector, auditor-general, Human Rights Commission and the public enterprises ministry, among others.

Nogxina indicated that a new chairman, CEO and finance GM would be appointed to the NER before the end of the month. Maduna appointed Thobejane, a chief director in the minerals and energy department, as acting CEO of the leaderless NER this month along with two other departmental officials.

Their task is to boost flagging staff morale after the loss of the entire management team; forge a strategic vision for the NER and sort out organisational management.

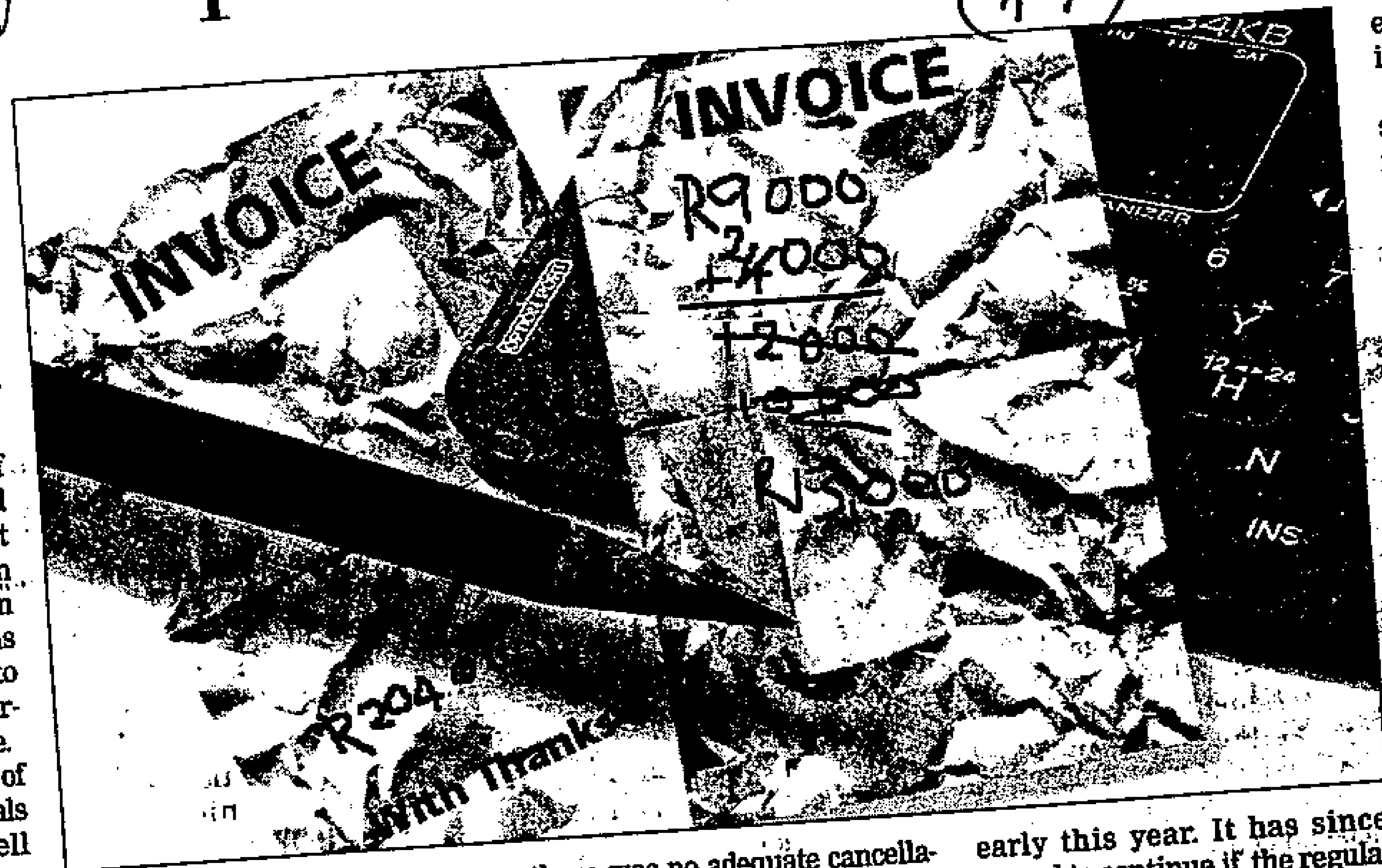
A new chairman is expected to be appointed this month.

CORRUPTION

'Nobody responsible' is NER's true problem

(55) CT(BR) 13/1/99

ZINTLE FILTANE



Finding someone responsible for mismanaging the R300 million-a-year electrification fund of the National Electricity Regulator (NER) should be a new year's priority for the ministry of mineral and energy affairs.

Should the paper chase of unaccounted expenditure and allegations of fraud be left uninvestigated, it will be an open invitation for corruption in the public sector and a serious blow for reconstruction, not to mention the politically important electrification programme.

The task of unravelling one of the biggest public sector scandals since 1994 is tough. Penuell Maduna, the mineral and energy affairs minister, has parachuted an investigation team alongside forensic auditors in the NER and a clean-up operation is under way to restore internal controls and corporate governance.

But the simple lack of records will make singling out corrupt officials difficult. It is a case of closing the stable door once the horse has bolted.

One reason is that the fund, administered by the Development Bank of Southern Africa (DBSA), was audited for the first time in its three-year existence only last year, Senti Thobejane, the NER acting chief executive, revealed this week.

"The fact that this fund was transferred from Eskom to the DBSA, which acts as an NER agent, leaves nobody responsible," he said.

The evidence of financial mismanagement is startling. It threatens to tarnish not just the already-sullied reputation of the NER but also, justly or not, those associated with it, such as the DBSA, Eskom and Maduna.

Gounden & Company and Gobodo, the auditing firm, last year identified irregularities, including payments of more than R148 million made without "supporting/external documentation" between November 1997 and March 1998.

The DBSA's responsibility is to check whether claims are made by authorised signatories and to disperse the funds.

The auditor's report showed that claim forms received from local councils had no supporting documents, such as invoices or proof of expenditure. This resulted in some councils inflating their claims and others being overpaid.

According to the report, there was no adequate cancellation of paid claims, resulting in multiple submissions for the same payment. The report said improper or no technical audits were carried out for more than half the payments made.

The contract between the DBSA and the NER allows for only a face-value check of debits and credits — not whether the claims are legitimate. Thobejane said a new contract being negotiated with the DBSA should allow for a thorough audit by the bank.

Ian Goldin, the chief executive of the DBSA, said the bank had not received a formal request to audit but it would consider such a proposal.

Lack of internal controls and unsatisfactory corporate governance last year persuaded the DBSA to give the regulator notice that it would cease to conduct its treasury operations early this year. It has since agreed to continue if the regulator tightens its internal controls.

Goldin said he was satisfied with the attention the DBSA's concerns were receiving.

Meanwhile, Manase & Associates, the forensic auditors, are burrowing away.

The terms of reference for the forensic audit were to check whether rules and regulations had been followed in all transactions and whether board resolutions had been adhered to in financial matters. Earlier this week, the terms were extended to include an investigation into the fund since its inception and to negotiate the DBSA contract on behalf of the NER.

The extension also includes investigations into the allegations with financial implications made by Magate Sekonya, the former chairman and chief executive officer, to Deputy President Thabo Mbeki.

Sekonya's report on the NER strongly criticised Maduna for failing to address corruption and the abuse of power at the regulator. Sekonya also alleged racism, fraud, contravention of the Electricity Act, breaches in corporate governance and overpayments made to directors.

Sekonya and Terrance Naidoo, then the financial general manager, resigned late last year, but last week Sekonya claimed he was forced out. He took his case to the Commission for Conciliation Mediation and Arbitration, demanding reinstatement or compensation.

Last month the NER board suspended Gail Mlokoti, the corporate affairs general manager, and Mvuyo Ndziba, the legal services general manager, pending an investigation into administrative irregularities. Both have sued for unlawful suspension.

The most colourful chapter in this sorry tale is related in a letter to Sekonya in which the auditor-general inquired about an NER official who had attempted to deposit R7 million in cash in one of the country's commercial banks.

The official also inquired about closing the NER's account administered by the DBSA.

"An NER official ... approached a commercial bank to invest funds, amounting to R7 million in cash, to be collected from the residence of the official. The official mentioned this may be increased to R25 million," the auditor-general said.

A good place to start would be the identity of this official.

NER must regain its spark

Regulating the power supply sector is an immense task, writes Robyn Chalmers

GOVERNMENT has much work to do to rebuild the flagging reputation of the National Electricity Regulator, which has been embroiled in one crisis after another for much of the past year.

The greatest concern, increasingly expressed by industry, is the ability of the depleted NER to regulate the troubled R30bn-a-year electricity supply sector.

The sector is on the brink of huge restructuring, which will have a significant effect on the power industry as a whole.

Proposals contained in the recently released energy white paper will usher in a new era of competition to the power sector. International and local players have been knocking at the door of the sector for some time and electricity utility Eskom will lose its near-monopoly status in the longer term.

The management of the sector's restructuring is over and above the regulator's other tasks. These include rationalising the 2 000-odd electricity tariffs levied by municipalities; issuing licences for electricity distributors; protecting consumers and advising government on matters relating to electricity supply and regulation.

The NER needs to be at its most effective and efficient to oversee and regulate these developments. Even the most optimistic will be hard pressed to describe the body as such at present. It has failed to perform some of its tasks, such as levelling the playing fields and initiating the restructuring process. The management upheaval and infighting has masked any real achievements.

The first indication of problems at the regulator surfaced early last year with news that officials were departing at an alarming rate. By the third quarter of the year almost half of the 40-strong staff had left, many of whom had solid experience in the supply sector.

There was growing evidence of disputes between CEO and chairman Magate Sekonya and his team on one hand, and the board, which is appointed by and answerable to the minerals and energy ministry. Each felt the other was meddling in areas beyond its scope.

By the end of last year, the relationship between management and the board had deteriorated to such an extent that Minerals and Energy Minister Penuell Maduna was forced to intervene. Allegations of financial irregularities are the most alarming of the board's concerns, but further details are only likely to be forthcoming when the results of the forensic audit into the regulator's finances are released, expected next week.

By November, Sekonya and finance GM Terrance Naidoo had resigned while Mvuyo Ndziba, legal services GM and Gail Mlokoti, GM of corporate services, were subsequently suspended. Technical services GM Zakes Ndimande was dismissed by Sekonya in September. This left the body leaderless. Once again, Maduna has stepped into the breach and seconded three departmental staff to run the body in the interim.

Sekonya, who claims he was forced to resign and has taken his case to the Commission for Conciliation, Mediation and Arbitration, argues that transformation at the NER is essential. He has a point.

There is a perception within industry and the public that the regulator is an Eskom creation, manned largely by white, former Eskom employees who wish to ensure its near-monopoly remains intact. In fact, the electricity regulator was not foisted on the public by a power-hungry Eskom. It was a creation of government and a range of stakeholders.

So while transformation and affirmative action was necessary, the rapid replacement of the entire top management structure with people with limited — if any — experience in the power field has proved problematic. This appears to have started with Sekonya, who had limited managerial experience, but appeared determined to stamp his authority on the electricity regulator.

Analysts believe government would be well advised to ensure that the regulator's new management structure has the skills and expertise to undertake the task facing it.

Businessman Enos Banda is new NER chief

Robyn Chalmers

THE cabinet approved yesterday the appointment of businessman Enos Banda as National Electricity Regulator (NER) chairman, and XH Mkhwanazi as the new CEO.

Minerals and Energy Minister Penuell Maduna will give further details today of these and other appointments at the NER. Maduna also plans to comment on the reconstruction of and new appointments at institutions such as Mintek, the Atomic Energy Corporation and the Council for Nuclear Safety.

This comes as acting CEO Sante Thobejane indicated that the NER had dispensed more than 70% of the R300m earmarked last year by Eskom for electrification by municipalities.

Reacting to speculation that the NER had not allocated any of the R300m last year, Thobejane said municipalities had been allocated the full sum and about 70% had been spent.

Eskom started making R300m available annually a few years ago so municipalities could meet electrification targets. The NER had asked Eskom to offer an electrification discount to local government distributors as a quid pro quo for them not having access to the same internal transmission tariff at which Eskom buys electricity.

The R300m annual tranche makes up part of the NER's electrification fund which is overseen by the Development Bank of Southern Africa. A forensic audit of the fund, launched after the NER board expressed concern about possible financial irregularities, was completed recently. Thobejane said the findings of the audit, which also looked at the NER's finances, could be tabled at tomorrow's board meeting.

The national electrification programme aims at connecting 2,5-million households by 2000. The NER annual report said that by 1997, 58,72% of all households had electricity as a result of the programme. A total of 274 345 connections were made by Eskom in 1997 against a target of 300 000, while municipalities completed 184 217 new connections.

BD 21/1/99 (55)

SA & CHEAP OIL

WHY SASOL MUSTN'T BE ALLOWED TO SLIP

The oil price affects SA in many ways, not least on the balance of payments. At current prices and the exchange rate, crude oil imports are costing an annualised US$1,8bn (about R11bn). This is based on imports of around 440 000 BPD. Local synthetic fuel output — the conversion by Sasol and Mossgas of coal and gas directly into petrol and diesel — is equivalent to a further 200 000 BPD. Even at distressed oil prices, crude oil costs SA nearly 10% of total imports.

Given the importance of the balance of payments as a constraint on growth, economists regard a low oil price as a "Good Thing". Businessmen and motorists are equally keen on a low fuel price at the pump.

Contrary to general expectations, the rand petrol price has remained steady in real, though not nominal, terms. This stability has been evident since the sharp spike in oil and product prices caused by Opec in the Seventies (see chart). If it hadn't been for the atrocious performance of the rand, retail prices may have fallen in real terms.

What, then, does the future hold? The future trajectory of retail fuel prices rests on three legs: the dollar oil price, the rand exchange rate and tax.

Total taxes now stand at 113,1c/l. Considering that 93 octane costs 230c/l in Gauteng, tax is thus already 49%. So the days are gone when government could easily boost revenue by raising petrol taxes. An increase is still possible, though, in the 14,5c/l levy to support the Road Accident Fund following the abandonment of Transport Minister Mac Maharaj's hotly disputed plan to cap accident benefits. So the pump price hinges mainly on a balance between oil price and exchange rate.

But what if oil prices remain low, threatening the financial viability of Sasol and Mossgas? How should government react? There is a remarkable consensus between government, the oil companies (under Sapia) and the synfuel producers, Sasol and Mossgas.

Trade & Industry DG Zavareh Rustomjee has said government will not happily allow free imports of oil if they were to harm Sasol's profitability and threaten its closure.

Sapia director Colin McClelland says Sasol today is "relatively viable" at the present exchange rate, even with low

oil prices. But that could change if prices stayed low for an extended period. Sapia's members don't want Sasol to close, so would support a move by government to extend assistance.

This should be in the form of loans — interest-free or interest-bearing on a deferred basis, repayable at much higher oil prices, say above $20/barrel. McClelland also points to a weakness in the present formula for assistance to Sasol, which kicks in at $17/barrel, dropping to $16/barrel in July 1999. There is a cap to the assistance, which cannot be more than 30% of the landed price. So at low oil prices, Sasol would get less rather than more.

Sasol spokesman Alfonso Niemand says the assistance system will have to be reviewed in July 2000. Sasol favours duties on imported crude oil and refined products as a future alternative. Is this because the assistance would fall within international agreements restricting subsidies and so disembarrass Sasol of disputes with the US over the current system, which could jeopardise Sasol's chemical exports?

McClelland says Mossgas is more marginal than Sasol, which boosts income by producing chemicals. But Mossgas's plant represents sunk capital, which counts in favour of continued assistance.

While the debate over synfuel assistance rages on, it must be noted that synthetic fuels replace crude oil imports worth more than R4bn/year at current prices. Also, SA's current refinery capacity could not process such large additional crude imports.

It seems as if we may have to pay the price to keep the fuel synthesis plants going.

Robin Friedland

Two NER chiefs face 17 charges

(55)

ZINTLE FILTANE

CT(BR) 27/1/99

Johannesburg — Gail Mlokoti and Mvuyo Ndziba, managers suspended from the National Electricity Regulator (NER), would be charged with a minimum of 17 counts of administrative and financial irregularities before the end of this week, Senti Thobejane, the acting NER chief executive officer, said yesterday.

The NER also faces a bill of over R1 million in claims from former NER employees for unfair and unprocedural dismissals by Magate Sekonya, the former NER chairman and chief executive.

Thobejane said the board had instructed management to investigate possibilities of recouping the losses in so far as the law had been broken, exposing the regulator to legal and financial risks.

Last week the Cabinet approved Enos Banda as the NER's new chairman and Xolani Mkhwanazi as the chief executive officer.

Penuell Maduna, the minister of minerals and energy affairs, separated the two roles last year when a power struggle between the NER board and management threatened the existence of the regulator as senior managers either resigned or were fired or suspended.

Mlokoti, the general manager corporate affairs, and Ndziba, the general manager legal services, were suspended with full pay pending investigations into alleged administrative irregularities.

Thobejane said financial irregularities were unearthed by Manase & Associates, the forensic auditor brought in by Maduna.

Thobejane said the NER was negotiating the claims brought against it, but he refused to disclose any details.

"We will find the most cost-effective and the quickest way to settle ... enabling us to get back to regulating and rebuilding the NER," he said.

No, it's not a tornado, it's Madiba and his chopper

Eskom-Shell project provides electricity for rural EC community

(55)

PRESIDENT NELSON MANDELA this week launched a solar electricity project in a small rural Eastern Cape community where many residents had never seen a light switch before.

CP 28/2/99

ANOTHER tornado came to the Eastern Cape this week. But this time it did not harm lives or cause devastation in the predominantly rural province.

On Wednesday the tornado came in the form of President Nelson Mandela. And the Bipha community of Flagstaff in Eastern Pondoland opened their hearts for Madiba.

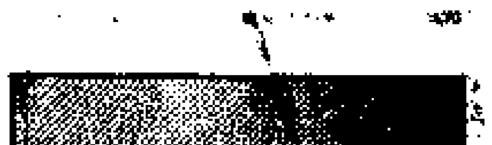
He arrived at the remote rural area in a military helicopter accompanied by three other choppers.

As the helicopters whirred down, kicking up a noisy dust storm, young and old alike and a herd of livestock fled for safety, fearing this could be another tornado.

Fears are still fresh in the community of the disastrous storm which killed a number of people, injured many more, and left hundreds homeless last year.

But a stony silence descended on the Bipha residents when they realised that the loud noise they had heard actually came from the choppers, which landed on the premises of Lunzwana Junior Secondary School.

"*Ngu tata uMadiba* (It is father Madiba)," they shouted, then started chanting, singing and celebrating his arrival.



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He said electricity was a basic need and warned residents to pay for it.

"It will bring light to our children at school and to those who had been neglected by the apartheid government," he said.

Eskom chairman Reuel Khoza said Eskom was committed to making electricity available to over a million homes which don't have it.

The Minister of Minerals and Energy Affairs, Penuel Maduna, said only 31 percent of black South Africans had access to electricity in 1994.

"Under the present government 63 percent of our people have access to electricity. We hope more people will have access soon," he said.

He praised the Eskom-Shell partnership, saying it was the biggest project of its kind in the world.

"People will be able to press a little button and there will be light. Those who had been living in darkness in the past, they will also live in lightness."

Jeroen van der Veer, managing director of Royal Dutch Shell, said they were happy about the support given by the South African government in this joint venture.

Demonstrating

PRESIDENT NELSON MANDELA this week launched a solar electricity project in a small rural Eastern Cape community where many residents had never seen a light switch before. (55) cp 28/2/99

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By Steve Dlamini

Dressed in his own style – a long shirt over his pants – Mandela brought electricity to the community when he launched the Eskom-Shell solar rural electrification project.

The project will make electricity accessible to 50 000 households that are not on the national grid.

To witness the launch, teachers and children at Lunzwana Secondary School had to be given the day off because some community members had never touched an electric switch in their lives.

After alighting from his helicopter Mandela had to be driven about 30 metres to the place where the launch was to take place. Community members pushed their way forward to shake his hand while press photographphers shoved through the crowd to position themselves for good pictures.

Scores of police and security personnel mingled with the thousands of residents, many of whom walked several kilometres from their homesteads to see the president for the first time.

Speaking at the launch, Mandela said: "I am filled with joy and pride for the development of our people," adding that this was an issue close to his heart. Recently the Eastern Cape was hit by nature (tornado), but today you celebrate a new system," Mandela told the community.

He said electricity was a basic need and warned residents to pay for it.

"It will bring light to our children at school and to those who had been neglected by the apartheid government," he said.

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Demonstrating how the solar home electric system works, Van der Veer said it comprises of 36 solar cells in one module.

"It is connected to 50 watts of electricity. It provides sufficient electricity for a television at night and a radio during the day," he said, adding that the system was "very safe".

"It cannot electrocute a person."

The installation fee for the system is R150. Thereafter, residents can buy a pay-card to be inserted into the unit. Each card gives power for 30 days and costs R47.

The whole package consists of three indoor lights and one outdoor light.

Delighted residents who had never used electricity before in their lives urged Eskom and Shell to speed up the project.

Nomhle Ntola said: "This will enable us to play TV, radios and to cook.

"It will also eliminate the usage of expensive candles," said the mother of four.

"Schoolchildren will be able to study until late. We will be able to use heaters in winter."

Among the dignitaries who came to the launch were Public Enterprises Minister Stella Sigcau, diplomats, traditional leaders and local councillors.

Electric powered vehicle to be seen on Durban city streets

Nicola Jenvey

DURBAN — Eskom and Durban Electricity entered into a joint venture project yesterday to operate and maintain an electric motor vehicle around greater Durban, to analyse and market the long-term potential for alternative, energy-saving transport.

The vehicle, a Ford Bantam bakkie, has been fitted with a US 150kW electrical system and will be used as a light delivery vehicle and for demonstrations by Durban Electricity. Eskom, which has been spearheading the research into electric motor vehicles in SA, will monitor and assess the potential of the car for long-term intracity transportation.

Battery technology means the vehicles can operate for only about 70km before having to be recharged.

Eskom manager electric transport Carel Snyman said the electric vehicle benefited niche market customers, including business and game parks — Kruger National Park uses a 20-seater electric powered game viewer — industrial parks and underground mines.

The technology has already been substantially tested internationally and in Los Angeles, California, environmental legislation dictates that electric vehicles account for 10% or about 200 000 of all the new vehicles entering the market by 2003.

Eskom executive director Sam Mosikili said the refuelling costs amounted to 400c/100km, which was substantially cheaper than petrol-based vehicles. However, until local manufacturers produced the electric vehicle in SA workshops and the economies of scale became a reality, the import costs remain prohibitive.

Snyman believed SA motor manufacturers had "a window of opportunity" to begin producing the vehicles locally. SA had the expertise and competencies to manufacture the vehicles, but the market had to be educated on the benefits of using this technology for intracity travel.

BD 8/2/99 (57)

Bill to create nuclear industry regulatory body

Linda Ensor (57) BD 9/2/99

CAPE TOWN — A bill providing for the separation of the functions of nuclear safety from the development and application of nuclear technology was tabled in Parliament yesterday.

The National Regulator Bill aims to establish a regulator for the industry, and make it more transparent and accountable, the bill's memorandum said.

The functions of the Atomic Energy Corporation (AEC) would be separated from those of the Council for Nuclear Safety (CNS), now governed by the same legislation, the Nuclear Safety Act.

"The fact that both bodies are presently governed by the same act has led to incorrect perceptions that they are one and the same body." Also, the existing act did not allow for compliance with international standards on permissible activity levels of radioactive substances. The CNS would be the nuclear regulator.

NER's potential outweighs its disgraces, says Maduna

(55) ET(BR) 10/2/99

JAMES LAMONT AND ZINTLE FILTANE

Johannesburg — The disgraced National Electricity Regulator (NER) still had an important role to play in spite of irregularities being investigated by Auditor-General Henry Kleuver, Penuell Maduna, the minister of mineral and energy affairs, said yesterday.

"The future for the (NER) is great," he said. "We need to deploy some of our finest (people at the NER) to get the best out of it.

"We have made mistakes in the past, but fortunately these mistakes have shown up quickly."

The power struggle between management and the board of the NER escalated late last year when Magate Sekonya, then chairman and chief executive officer, and Terrance Naidoo, then financial services general manager, resigned.

This move was followed by the suspension of Gail Mlokoti, the corporate services general manager, and Mvuyo Ndziba, the legal services general manager, on allegations of administrative irregularities.

Mlokoti was charged with 13 counts of administrative and financial irregularities, a disciplinary charge sheet showed yesterday. The charges ranged from misappropriation or abuse of NER funds to non-compliance with procurement policies and attempted fraud.

Enos Banda, the newly appointed NER chairman, said the regulator had instituted a legal claim against Mlokoti and was not in a position to comment on the charges against her.

"The matter is sub judice," he said.

CAPE TIMES
'EDNESDAY, FEBRUARY 10, 1999

72% of SA homes wired by 2000

(55)

ABOUT 72% of South African households should be connected to the national electricity grid by the year 2000, Mineral and Energy Affairs Minister Penuell Maduna said yesterday.

CT 10/2/99

He said the national electrification programme was a spectacular success, with the number of households connected to the national grid having increased from 31% in 1994 to 63% by the end of 1998.

A total of 1 700 schools had been electrified since 1994, and about 1,2 million more children had access to electricity for study after hours.

Maduna said a new project would see the start of electrification of 50 000 new homes in the Eastern Cape next month.

Asked about the future of the National Electricity Regulator, Maduna said a forensic audit of the NER was under way, and staff found guilty of transgressions would face a disciplinary hearing. — Sapa

Eskom splits to gear up for privatisation

(55)

New subsidiary will be formed to head utility's expansion drive in Africa

BD 17/2/99

Linda Ensor

CAPE TOWN — Eskom is to be split in two to lay the foundations for privatisation.

A new subsidiary, Eskom Enterprises, will take over the state-owned power utility's unregulated businesses, which compete inside and outside SA.

The regulated power generation, transmission and distribution businesses will remain with the parastatal.

Public Enterprises Minister Stella Sigcau said yesterday that splitting Eskom would sharpen the market focus of both companies and enable Eskom to broaden its activities throughout Africa.

Sigcau said Eskom Enterprises, with about 8 000 employees, would be headed by Eskom's former technology executive director, Jan de Beer. Eskom Enterprises would take over Eskom's huge maintenance operation, Rotek, which is active elsewhere in Africa. It would also incorporate its technology, research, marketing, information technology and security services and supply them to Eskom on an arms-length basis.

Sigcau said Eskom Enterprises would be responsible for managing and developing all Eskom subsidiaries. It would also be responsible for developing markets in the rest of Africa where Eskom could sell its expertise as a power utility.

"The primary objective of Eskom Enterprises will be to maximise the value from the existing nonregulated subsidiaries and develop viable new business, initially related to the power industry, in Africa and ultimately around the world," Sigcau said.

The separation would free noncore businesses from the constraints of regulation and create the flexibility to downscale, commercialise or privatise them.

Eskom said the ring-fencing of the different operations would end cross-subsidisation and allow their profitability to be determined. In the past all the utilities' accounts were consolidated.

She said streamlining the regulated business, which would keep finance and human resources in-house, would ensure that it focused on providing "an affordable, available and reliable power supply for domestic customers, and a low-cost, high-quality power supply for industrial and commercial customers".

The changes were similar to those being made by all major utilities in the world and represented "the first step in preparing Eskom to compete effectively in international markets while defending against competitors in the SA market".

Meanwhile, Eskom Electricity Council chairman Reuel Khoza confirmed that the candidates to succeed Eskom CEO Allen Morgan had been selected and appointed deputy CEOs. They were Bongani Khumalo, who would head restructuring and transformation, and Thulani Gcabashe, responsible for Eskom Enterprises.

Dolly Mokgatle, formerly Eskom executive director of corporate affairs, is to be executive director of transmission, and Solly Moloko, formerly senior GM (transmission) becomes executive director of human resources. Nsizwa Molepo and Judith Mhlauli are to head the services and marketing groups respectively, and Steve Lennon, as acting head of technology, will oversee transfer of resources to Eskom Enterprises. He will also have the responsibility of restructuring technology functions that remain with the regulated business. Other senior executives of Eskom Enterprises will be Sam Mosikili (formerly executive director of marketing and communications), Vusi Ngubeni (formerly executive director of services) and Uganda-based MD of Eskom Enterprises (Africa), Duncan Mbonyana.

Among the six nonexecutive directors will be Joe Hlongwane, Dawid Mostert and Douglas Ramaphosa.

Plans for Aventura, Safcol: Page 3

Unions to fight Eskom privatisation

Reneé Grawitzky

ORGANISED labour warned yesterday that it would challenge any moves by government to privatise state-owned power utility Eskom.

This follows an announcement by Public Enterprises Minister Stella Sigcau yesterday that Eskom would be split into two separate operations as part of its restructuring.

The split is intended to lay the foundation for the utility's eventual privatisation.

Unions appeared divided yesterday on whether they had been consulted by government over this.

The National Union of Metalworkers of SA (Numsa) claimed Sigcau reneged on a previous commitment to refer the final plan to Eskom's restructuring and transformation committee.

However, the National Union of Mineworkers (NUM) has contradicted Numsa.

NUM general secretary Gwede Mantashe said the plan for Eskom's restructuring was almost in line with labour's position.

The NUM agreed with government's view that Eskom should become a leaner structure concentrating on international markets.

The union was, however, concerned about whether the plan would lead to the wholesale privatisation of the utility.

Mantashe warned that this would not be acceptable and that labour would fight retrenchments.

"Our understanding is that restructuring should not result in retrenchments but ... that an expansion into Africa should lead to job creation opportunities."

He said job cuts would fly in the face of the commitments given by business and government at last year's presidential job summit.

Numsa said labour had not been given the opportunity to comment on the restructuring plan before it was discussed in Parliament.

BD 18/2/99 (55)

Limited return on electrification

(55)

Project economics less favourable than expected, and target not likely to be met, says minister

BD 18/2/99

Robyn Chalmers

MINERALS and Energy Minister Penuell Maduna has sounded an early warning on government's electrification programme, which is costing Eskom and local authorities billions of rands while yielding limited returns.

Maduna said yesterday that the economics of the programme had turned out to be less favourable than expected.

"It has become quite clear that we need to redefine the scope of the national electrification programme to take cognisance of the economics of the process as well as of other social dynamics and needs at community level," he said.

In a speech read on his behalf at a power conference, Maduna also indicated that obstacles to the programme meant the original target of electrifying 72% of all households by next year was not likely to be met.

Maduna said that the poor economics of the programme would be exacerbated as it targeted more remote rural areas, where the electricity penetration still lagged behind urban areas, standing at about 35%. To help address this problem, the energy white paper proposes an electrification fund, to be financed on budget from a dedicated electrification levy.

The electrification programme set a target of 2,5-million new grid connections by next year, with an annual target of 450 000 new connections.

Eskom and local authorities had consistently exceeded these targets, and household electrification levels had increased to almost 63% from 36% in 1994, said Maduna.

However, analysts said that the programme had initially targeted, or "cherry-picked", urban areas and townships close to these areas.

Costs would rise dramatically as outlying rural areas were addressed.

One analyst said the cost of new connections had risen from about R1 500 to R1 800 at the start of the programme to about R3 000. "With the low level of electricity consumption by poorer communities, Eskom and local authorities are increasingly unable to recoup their capital outlay. This is costing them serious amounts of money," said the analyst.

Maduna also addressed the liquid fuels industry, which was an area of concern. An environment of minimum government intervention and regulation was envisaged.

"Emphasis is on international competitiveness and investment in a rapidly globalising economy as a contribution to low cost and widely available products," he said.

Harden Beck, president of the Association of Municipal Electricity Undertakings, said at the conference that electricity payments remained a problem, although there were examples of successes due to innovative practices around the country.

Harden said the SA Institute of Race Relations had predicted that communities would refuse to pay for municipal services for years to come. Many were hampered by socioeconomic constraints, and there was an unwillingness to pay for inadequate services.

Eskom to make inroads into Africa

BD 19/2/99 (55)

Robyn Chalmers

ESKOM is to launch an investment drive into Africa for the first time, kicking off with bids for the upcoming privatisation of Senegal Electricity and the Ugandan Electricity Board.

Eskom will use Eskom Enterprises, to be set up as a subsidiary housing all unregulated activities, as its vehicle to develop markets in the rest of Africa and take equity stakes in privatised utilities.

Eskom will establish a presence in Africa with Duncan Mbonyana heading up Eskom Africa. He will be based in Uganda and explore ways for Eskom to position itself on the continent.

This follows the recent separation of Eskom's regulated — distribution, transmission and generation — business and unregulated activities. Eskom CE Allen Morgan said yesterday the businesses would remain within Eskom but would be separated, in line with requirements of the National Electricity Regulator.

Eskom Enterprises, to be chaired by Thulani Gcabashe with Jan de Beer as MD, will become a wholly owned subsidiary of the utility. It will house noncore services such as marketing, information technology, security, telecommunications, aircraft catering and Rotek Industrial.

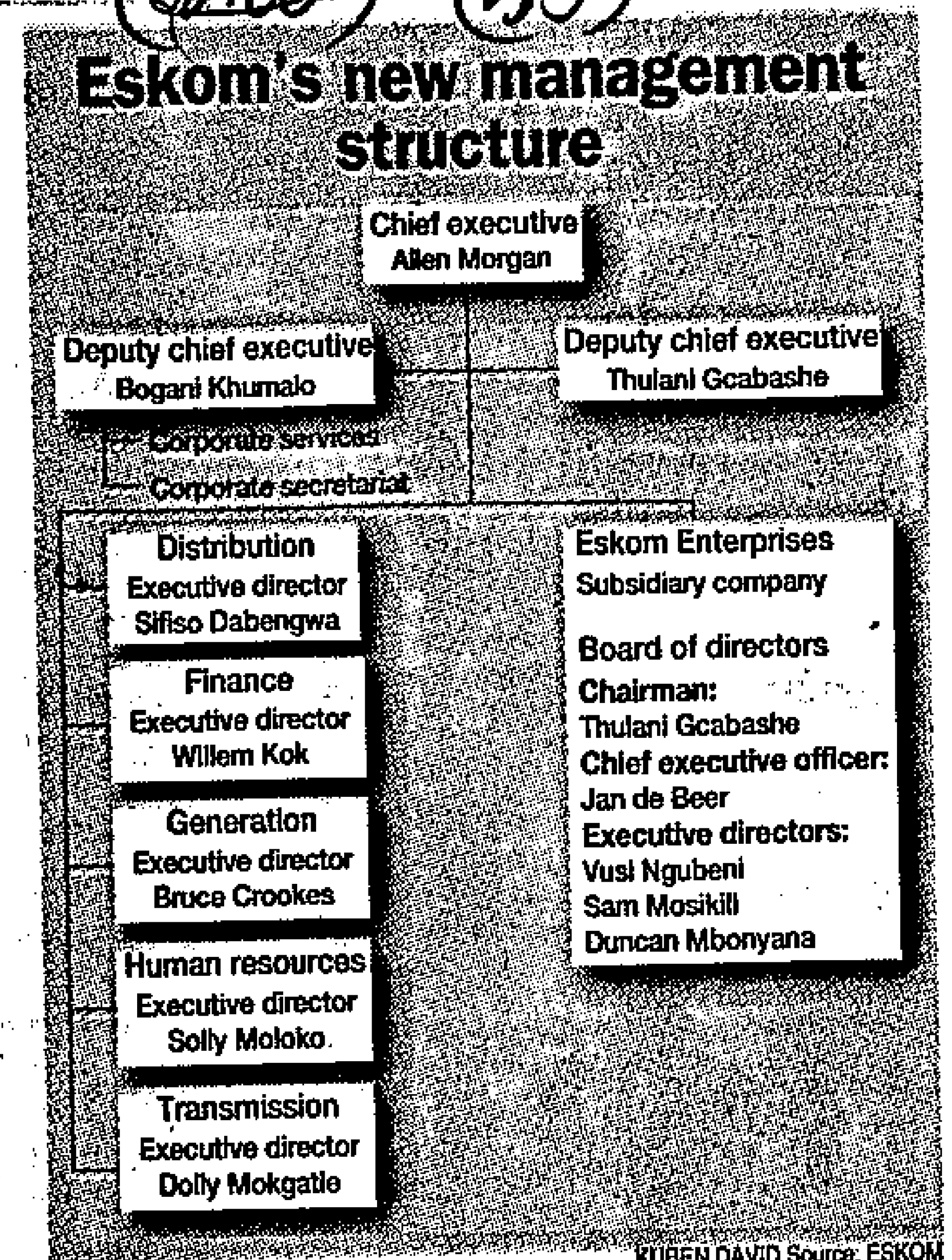
Morgan said Eskom Enterprise would explore synergies with other parastatals, such as Transnet and Denel, possibly to set up joint ventures, for example on information technology. "It is possible that strategic equity partners could be introduced to these joint ventures," he said.

However, he said this was the extent of any privatisation that would take place at Eskom and the electricity utility itself was not up for privatisation or unbundling.

Public Enterprises Minister Stella Sigcau said this week government wished to use Eskom to deliver new electricity connections and provide impetus to the African Renaissance rather than privatise the parastatal.

The energy white paper proposes that competition be introduced into the electricity sector, focused initially on distribution but broadening later to generation and transmission. The new Eskom board would have five portfolios — distribution, finance, generation, human resources and transmission — from the previous 10, which would allow greater focus and efficiency.

Bottom line: Page 2



JSE MICROSCOPE

ETIENNE SWANEPOEL

State energy policy provides vital boost for reconstruction

CT (BR) 22/2/99 (55)

The department of minerals and energy released the White Paper on the Energy Policy of the Republic of South Africa in the Government Gazette No 19606 of December 17 1998.

The government's last white paper on energy policy was published in 1986. Fundamental changes have taken place since then, making energy policy an important instrument to assist the government in achieving its reconstruction objectives.

The white paper recognises that it is not easy to provide a succinct overview of the energy sector, as it combines more than six different fuel types, multiple supply institutions and various categories of users.

The energy sector contributes around 15 percent of South Africa's gross domestic product and employs about 250 000 people. Taxes on oil industry products supply about 10 percent of fiscal revenue. Coal exports and savings on crude oil imports due to local synthetic fuel production by Sasol and Mosgas, contribute significantly to the balance of payments.

The size of the sector brings with it important opportunities for stimulating economic growth, redistribution and human development. Considerable potential exists for the energy sector to help achieve a successful, sustainable national growth and development strategy.

Restructuring this sector and evaluating the best possible use of available resources is difficult because of the culture of secrecy which became a part of the energy sector during the apartheid era.

The provisions of the Petroleum Products Act of 1977 were largely responsible, prohibiting the publication, releasing, announcement, disclosure or conveyance to any person of information or the making of comment regarding the source, manufacture, transportation, destination, storage, consumption, quantity or stock level of any petroleum product acquired or manufactured or being acquired or manufactured in the republic.

The energy sector consequently became mired in secrecy with minimum transparency.

The state's former role in oil supply procurement developed an imbalance in the power relations between central government officials and industry managers. A lack of stakeholder involvement in major policy decisions further aggravated this.

To right this imbalance, a key objective of the government is to improve the governance of the energy sector. Stakeholders will be consulted in the formulation and implementation of new energy policies to ensure sympathetic policies catering to a wide range of stakeholder interests.

Past land policies resulted in the poor being located far from their places of work. Inefficient use of transport energy exacerbated this burden of the poor.

Contrary to the past, the government will focus on the energy efficiency implications of alternative transport modes and subsidy policies.

The white paper discusses all aspects of future energy policy in a practical way which is commendable. As a result of the renewed focus of the government on the energy sector and the constructive way in which this is being done, it is likely to affect all parts of the sector positively.

In time it will be interesting to note the re-rating by the market of energy sector counters.

☐ *Etienne Swanepoel is a director of Edward Nathan & Friedland Inc. and editor of Butterworth's Financial Markets Legislation Service. The opinions expressed herein are not necessarily those of the firm and do not constitute advice. Readers should direct any queries to their legal advisers*

Eskom nurses plans for introduction of mini-nuclear reactors

(55) CT(BR)24/2/99

TERRY BELL

Cape Town The introduction of controversial mini-nuclear reactors will take another step forward this week with the appointment of consultants to assess designs and proposals for the devices, which were first developed some 20 years ago in Germany.

The consultants will be appointed by Eskom, the electricity utility, which is developing the pebble bed modular reactors as one of a range of power generation technologies.

"It wouldn't be prudent to close off the nuclear option," Tony Stott, Eskom's environmental officer, told the parliamentary portfolio committee on minerals and energy during submissions yesterday.

Criticised widely for sloppy drafting, the Nuclear Energy Bill and the National Nuclear Regulator Bill propose the frameworks under which the nuclear industry should operate. The major bone of contention is between, on the one hand, the mining houses and the department of mines and, on the other, Eskom, trade unions and environmental groups.

The wrangle is over whether there should be a single agency for all radioactive enforcement

The wrangle is over whether there should be a single agency for all radioactive monitoring and enforcement. The mining houses want mines differentiated from the nuclear industry, on the grounds that the risks of radiation between the two sectors are not comparable.

This was seen by several groups as opening the way to lower standards of radiation protection for miners and lower costs for mining companies. On the grounds that "radiation is radiation" wherever it arises, Eskom is for a single authority.

But Eskom and the unions parted company on the issue of the development of the pebble bed reactor. The trade unions and environmental groups are at best extremely wary about and usually hostile to pursuing the nuclear option.

Madiba brings light to 50 000 homes

Sowetan 25/2/99 (55)

PRESIDENT Nelson Mandela yesterday launched the world's largest solar powered rural electrification project which will light up 50 000 homes in the poorest area of the country, Bapha, Transkei.

The Eskom-Shell Solar Rural Electrification Project was hailed as a world-first by Shell International MD, Jeroen van der Veer, who praised the Government for being the moving force behind the exercise.

Speaking to a crowd of several hundred villagers, many of whom walked from remote villages to see the President, Mandela described the project as a matter close to his heart.

When he stood up to speak the villagers cheered and ululated.

Mandela said the area had been hard hit by tornadoes in which people had lost loved ones and homes but, he said, nature also provided the life-giving power of the sun.

He said: "We are greeting a new life that is increasingly dependent on electricity which," he said, "is a basic need that brings light to school children to study and also brings information through the radio."

He said since 1994 two million homes had been connected to the national power grid which had increased the number of homes connected from one third to two thirds. This he described as a "remarkable achievement".

However, Mandela said, connecting communities to the grid was expensive, especially in deep rural areas. This was where solar-powered electrification could provide safe, affordable and environmentally friendly power to people.

He said the project would generate jobs and strengthen Government initiatives to promote much-needed employment.

He said all this had been made possible through a partnership between the state, the private sector and local communities.

By the year 2000, the venture would have provided 50 000 solar home systems and 1 300 rural schools and 400 rural health clinics had already been linked up to solar power.

But 15 000 schools, 1 600 clinics and two million rural families still needed electricity to upgrade the quality of life.

He then humbly asked the crowd to excuse him as a tight schedule, including meeting a business delegation in Johannesburg, an envoy from Uganda and Namibian President Sam Njoma still awaited him.

The President was accompanied by Minerals and Energy Affairs Minister, Penuell Maduna, Public Enterprises Minister, Stella Sigcau and high-profile members of both Shell and Eskom.

Shell's Van der Veer said Transkei villagers were the first beneficiaries of the solar energy system which was also the largest rural solar electrification project in the world. – *ECN*.

Power supply changes finally emerging

(55) BD 25/2/99

Robyn Chalmers

THE new shape of SA's R25bn electricity supply sector is finally begin ning to emerge — after six years of talks.

Municipalities are proposing a structure for the troubled sector, similar to the model outlined last year by the National Electricity Regulator.

Now all that is needed, before a restructuring mechanism can be established, is the response from Eskom and organised labour.

Talks on reorganising the power supply sector resumed recently after a committee advising government on the issue deadlocked last February. Members could not reach a consensus.

This was despite broad agreement in industry and government on the urgency of restructuring in the light of the inability of some cash-strapped local authorities to pay Eskom for power supplies.

The cabinet decided in principle in 1997 to replace the supply system, based on Eskom and municipalities, with a number of regional power distributors. It also agreed to introduce more transparent tariffs, an electrification levy and a capped tax for part funding of municipal services.

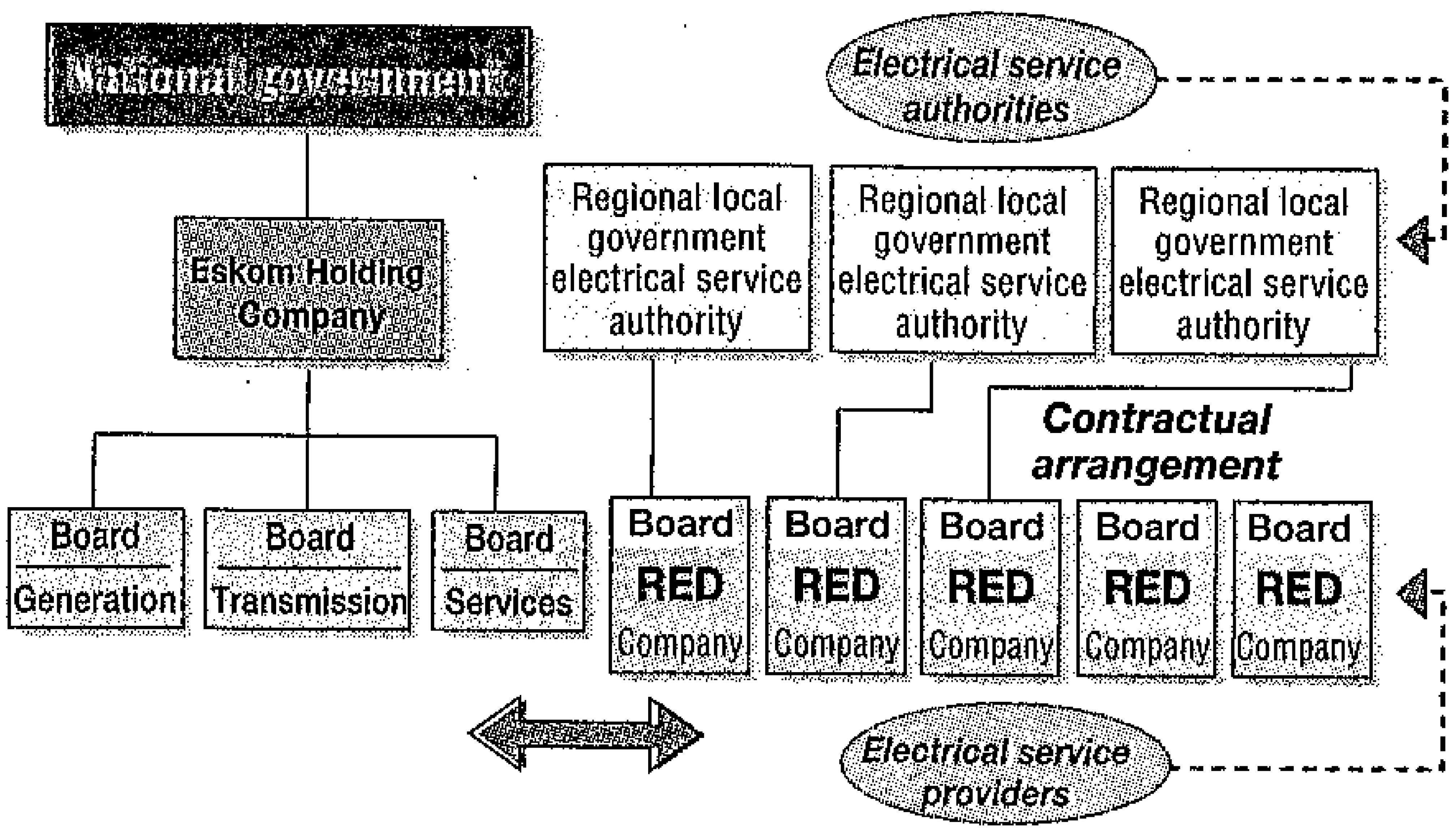
Harden Beck, president of the Association of Municipal Electricity Undertakings, said the executive committee of the SA Local Government Association adopted a number of proposals in December.

One was for the establishment of regional electricity distributors (Reds) as public sector companies. Another was that municipal electricity distribution assets should form the basis of Reds, which could operate, maintain and extend these assets.

Regulatory consultant Kevin Morgan says change is crucial, given the limits to public sector finance for expansion and refurbishment; technical weakness; managerial inefficiencies; inappropriate electricity pricing; and a growing belief in the benefits of private sector involvement.

The energy white paper opens the door for competition, encouraging private sector participation. Minerals and Energy Minister Penuell Maduna said recently that although the focus was on distribution, generation and transmission would also be affected.

Municipalities' proposed new supply structure



KAREN MOOLMAN Source: SALGA

Solar power to the people gives joy

CT 25/2/99 (55)

ERIC NTABAZALILA

LET there be light, he said — and there was light. And there will be freedom, jobs, access to information, better health care and better education, he added.

This is how the Bipha community in the Eastern Cape is expected to gain from a rural solar electrification project that was launched by President Nelson Mandela yesterday.

The R150-million project, said to be the world's first commercial solar electrification system, is funded by Royal Dutch Shell and Eskom. It will provide power to the community — eventually for 50 000 homes — at the end of March.

Speaking at the launch, Mandela said he was filled with joy that he was part of the historic moment of bringing light to the community.

"The development of our people, especially the poor, has always been close to my heart. Just recently the people of the Eastern Cape have been hit by forces of nature but now the same forces of nature have brought joy to our people.

"It makes me happy to know that this project will create jobs, better access to information and better health care and education," he said.

Shell South Africa general manager for corporate affairs Koosum Kalyan said: "My company is honoured to be part of bringing life to the people of Bipha.

"Today is the day to bring light to darkness. Electricity is equivalent to liberty as it will bring the much-needed jobs and other opportunities to this community."

Mandela praised Shell and Eskom, who have entered into partnerships with rural communities to provide cheaper and safer electricity. He said 1 300 rural schools and 400 rural health clinics had been electrified so far using solar electric systems. However, another 15 000 schools and 1 600 clinics still needed solar electricity.

He said because electricity from the solar electric system would not be enough for all the needs of rural families, service providers would be expected to provide access to fuels such as paraffin, gas and wood.

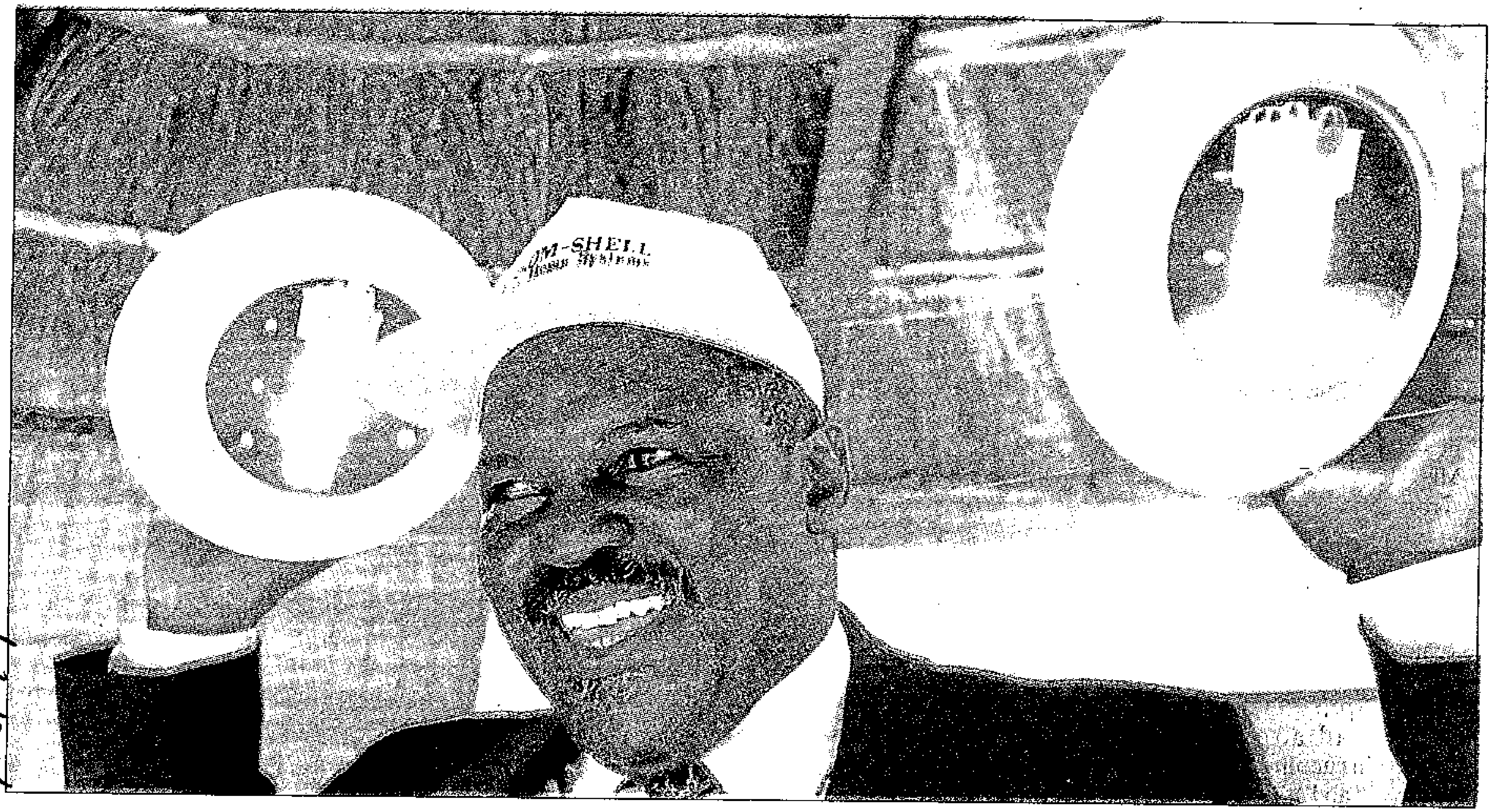
Solar power project for Eastern Cape

(55)

Staff Reporter

25/12/99

CT (BR)



LIGHTS ON *Penuel Maduna, the minerals and energy affairs minister, displays the Shell Renewables-Eskom products in Bipha yesterday. The project aims to provide solar power to about 50 000 homes within the next five years.*

PHOTO: JOHN WOODROOF

Durban — The world's largest commercial solar rural electrification project was launched yesterday by President Nelson Mandela at Bipha in the Eastern Cape.

The project is a joint venture between Shell International Renewables, an arm of petroleum multinational Shell, and Eskom, the national electricity supplier.

The first installation of the Powerhouse system took place in Bipha earlier this month. It was the start of a $150 million investment to provide affordable power to those unable to access grid electricity.

The project aims to provide solar power to about 50 000 homes in the next five years.

The system was designed by Shell Solar and Conlog, the manufacturer of pre-paid electricity, water and solar dispensing systems.

Shell International Renewables has invested $500 million towards the project in 14 developing countries.

Penuell Maduna, the minerals and energy affairs minister, said more than 70 percent of the population would have electricity by 2000.

"With electricity you have liberty," Maduna said.

Reuel Khoza, the chairman of Eskom, said the supplier was keenly aware of the plight of rural South Africans.

"There has been much talk about the African Renaissance and Eskom's foray into Africa, but we are still very much committed to bringing electricity to South Africans, particularly those who live in outlying areas," Khoza said.

ESKOM

(55) FM 26/2/99

A QUESTION OF POWER

Sigcau may be right not to privatise Eskom, but she should not run it with politics

The government has finally put its money where its transformation mouth is in arguably the most complex business under its command — Eskom — and set up a trio of black managers to assume command of the R100bn/year company when its experienced white CEO, Allen Morgan, retires in about 18 months. It may not have done the potential successors any favours though.

The utility's two new deputy CEOs and leading candidates to replace Morgan, an electrical engineer, have no formal electrical training or engineering qualifications. One used to head Eskom's human resources department and has a journalism degree. The other is a former GM of Eskom's customer service, with a degree in urban and regional planning. The new head of the national electricity grid, meanwhile, is a tax lawyer who used to head Eskom's corporate affairs division.

The appointments were made as Public Enterprises Minister Stella Sigcau made known government's decision to abandon privatisation plans for the utility. That decision is not a bad thing, as it removes long-standing uncertainty over Eskom's future and because privatisation might have led to an increase in Eskom tariffs.

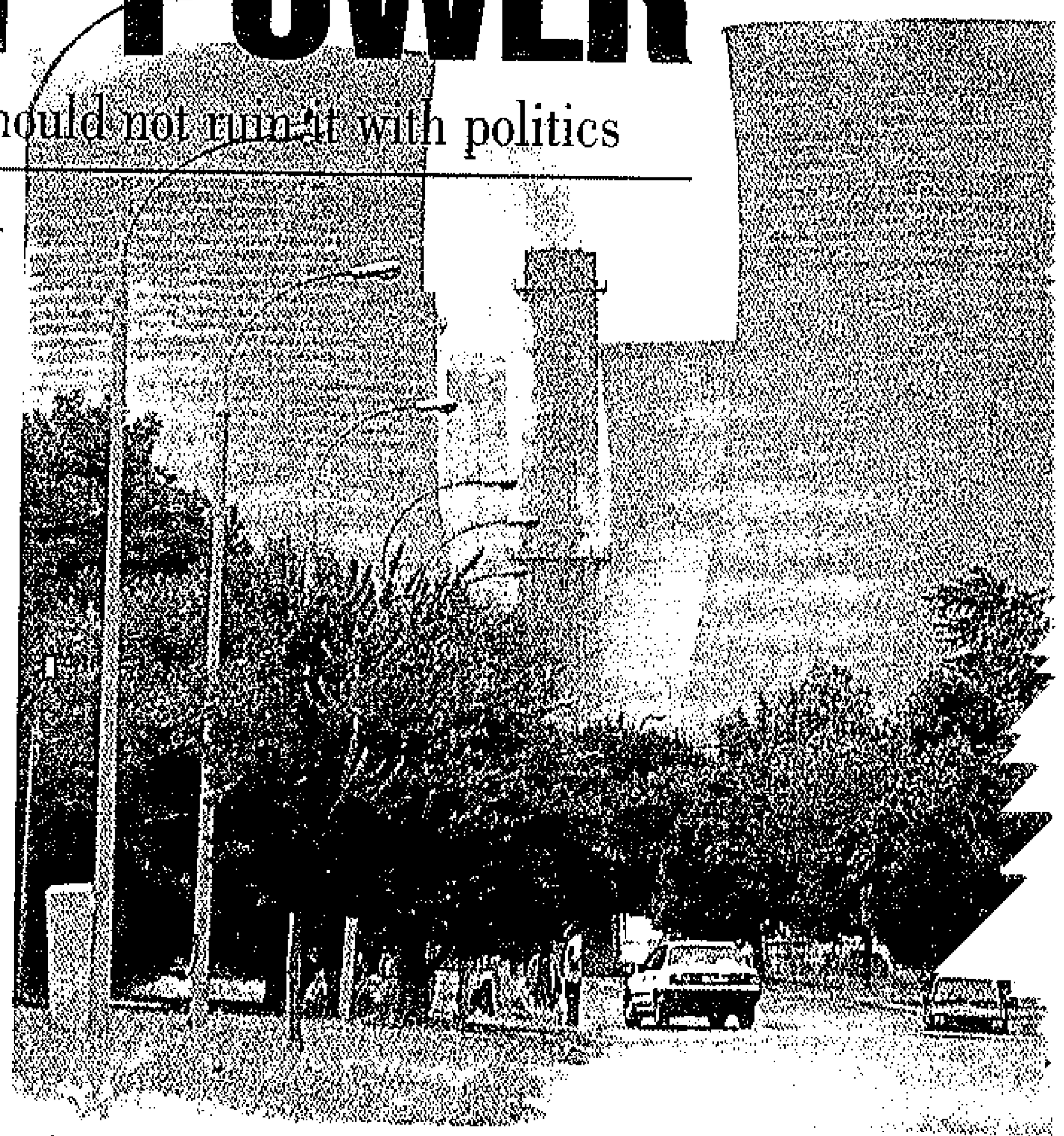
But continued government control of Eskom leaves open the door for political decision-making — such as the latest appointments — which may turn out to be ill-judged and even compromise the efficiency of the utility which produces 98% of SA's power and roughly half that of the whole continent.

The White Paper on energy, published last year, envisaged gradually introducing competition into the now-regulated parastatal's functions of power generation, transmission and distribution. It would start with distribution and move later into transmission and generation.

Now the plan for privatisation has been discarded. The three basic functions will neither be privatised or unbundled but will continue to be carried out by the present utility.

Unregulated activities will be carried out through a wholly owned subsidiary — to be designated Eskom Enterprises (EE) — from the mainstream of functions. Morgan has explained that this shuffle gives effect to a requirement of the National Electricity Regulator (NER). It opens the door to various constructive initiatives. It will also enable accurate measures to be made of the individual activities, by putting an end to cross-subsidisation and achieving transparency.

Eskom will also set up a subsidiary, Eskom Africa, with head office in Uganda, which will explore ways for the utility to develop a continental presence. It will bid for the forthcoming privatisation of Senegal Electricity and the Uganda Electricity Board. EE will concurrently aim to develop electricity markets in Africa. Within SA, EE will house noncore activities including marketing, infotech, security, telecoms, aircraft catering and Rotek Industrial (Eskom's maintenance organisation). Morgan said EE would investigate the prospects for partnerships with entities such as Denel and Transnet to develop activities such as infotech.



***Missing the towers for the trees** . . . Africa's electricity giant must be run on technical, not political, correctness*

Within Eskom, the number of portfolios will be reduced from 10 to five — generation, transmission, distribution, finance and human resources.

The first and obvious question is why government has abandoned its previous zeal for privatisation. Eskom's net assets — calculated at current values — now exceed R100bn by a significant margin. So the lure of even a partial privatisation is great, both in terms of the inflow to government's own coffers and — if the sale were to foreign interests — to the forex reserves too.

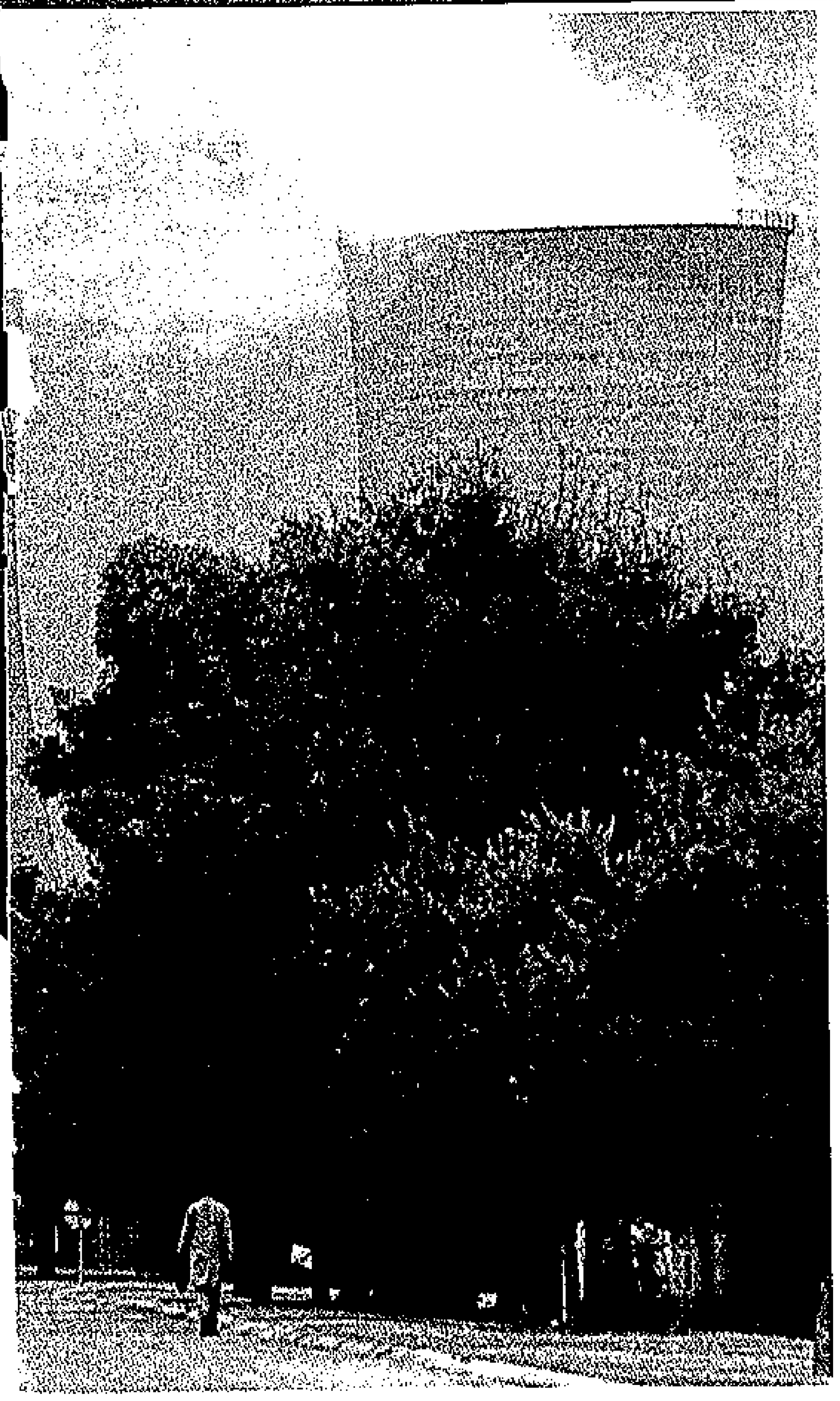
The major snag about privatisation is that Eskom would then have had to be turned into a conventional company that would have had to pay tax and service share capital with dividends. This would have raised electricity tariffs, reversing their downward, anti-inflationary trend (see charts).

It's no exaggeration to describe today's Eskom — public corporation though it is — as a world-class power utility. In important respects it leads or is near the top of the field. Even measured against a weak rand, SA's power costs are among the lowest in the world.

In terms of capacity and output too, Eskom shows up well against other national utilities abroad. At the end of 1997, it stood fourth in capacity and fifth in output compared with other leading utilities. (The US power industry, by far the largest, is not included in the table because it is fragmented into hundreds of utilities and generators. Russia and China, though excluded from the table, are known also to be larger than Eskom).

Then there is the important issue of reliability of supply, where Eskom also enjoys a remarkable position (see charts).

But there is a more subtle point about Eskom, a world leader in the combustion of low-grade, high ash coal to produce cheap power. SA's mainly coal-fired elec-



Arnold Pronto

tricity is an effective economic mechanism for turning an otherwise unsaleable substance lying in the ground into a major input for the production of a range of metals. These include precious metals, which are intensely marketable internationally. These now include such electricity-intensive products as aluminium and stainless steel.

And, as every schoolboy knows, the SA economy runs on electricity, with the exception of transport fuels and industrial gas. Eskom, therefore, is truly the apex of the inverted pyramid which supports everything else.

Eskom's finances are now exceptionally sound, with a debt-equity ratio of 0,86:1 at end-1998. Finances were strained for many years by the vast programme of investment in huge coal-fired power stations. Admittedly, the programme was based on over-optimistic projections of power demand, and the resulting surplus of capacity is even now continuing to be absorbed by growth in demand. But there's one thing worse than a surplus of electric power and that's a shortage.

Eskom's outstanding track record in meeting its obligation to government to electrify homes is well on target. From 1994 to date, 1,44m homes have been electrified.

But now that privatisation is effectively off the table, affirmative action has become the issue of contention.

Black advancement has been an avowed policy at Eskom for some years and so far, the programme appears to be working; the number of blacks employed in senior technical and managerial positions continues to grow by leaps and bounds, suggesting that training and selection programmes are identifying and absorbing high-quality black recruits.

However, the recent debacle at the National Electricity Regulator (NER) is a powerful warning signal of how an incautious empowerment programme can go disastrously wrong. The NER experience is likely to place Eskom's new senior black managers under that much more pressure to succeed.

Electricity Council chairman Reuel Khoza has acknowledged that Morgan's successor at Eskom will be chosen from the two new deputy CEOs. This may happen next year when, as is understood, Morgan's contract expires.

The two deputies are Bongani Khumalo, who will head restructuring and transformation, and Thulani Gcabashe, who will head Eskom Enterprises.

Dolly Mokgatle, former executive director of corporate affairs, will be director of transmission, in other words the national grid.

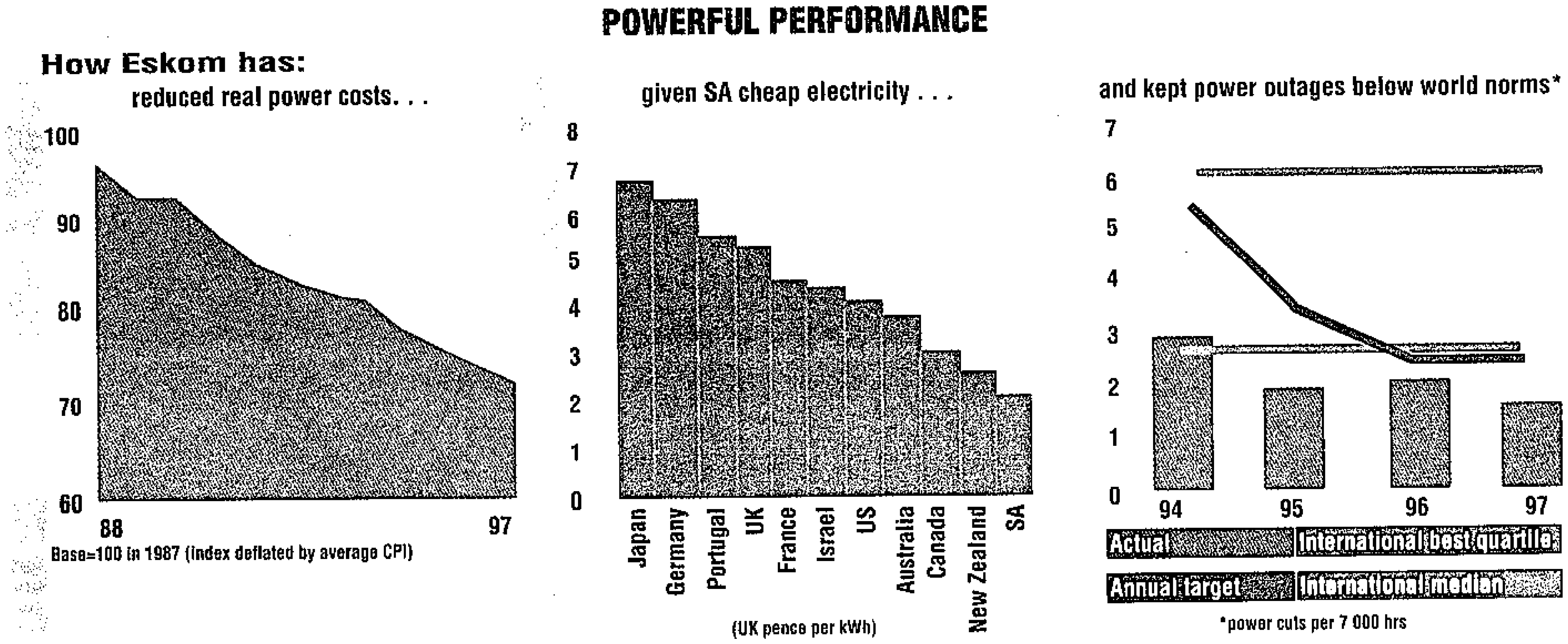
All three are long serving Eskom managers and have undergone extensive training an mentoring. Khumalo joined Eskom in 1991 with a master's degree and diplomas in journalism and communication. He became executive director for human resources in 1994 and is credited with transforming the group's demographic mix without compromising its service record. Gcabashe joined Eskom in 1993 with a master's degree in urban and regional planning and became senior GM for customer service in the distribution division. He has also run Eskom's international operations out of London.

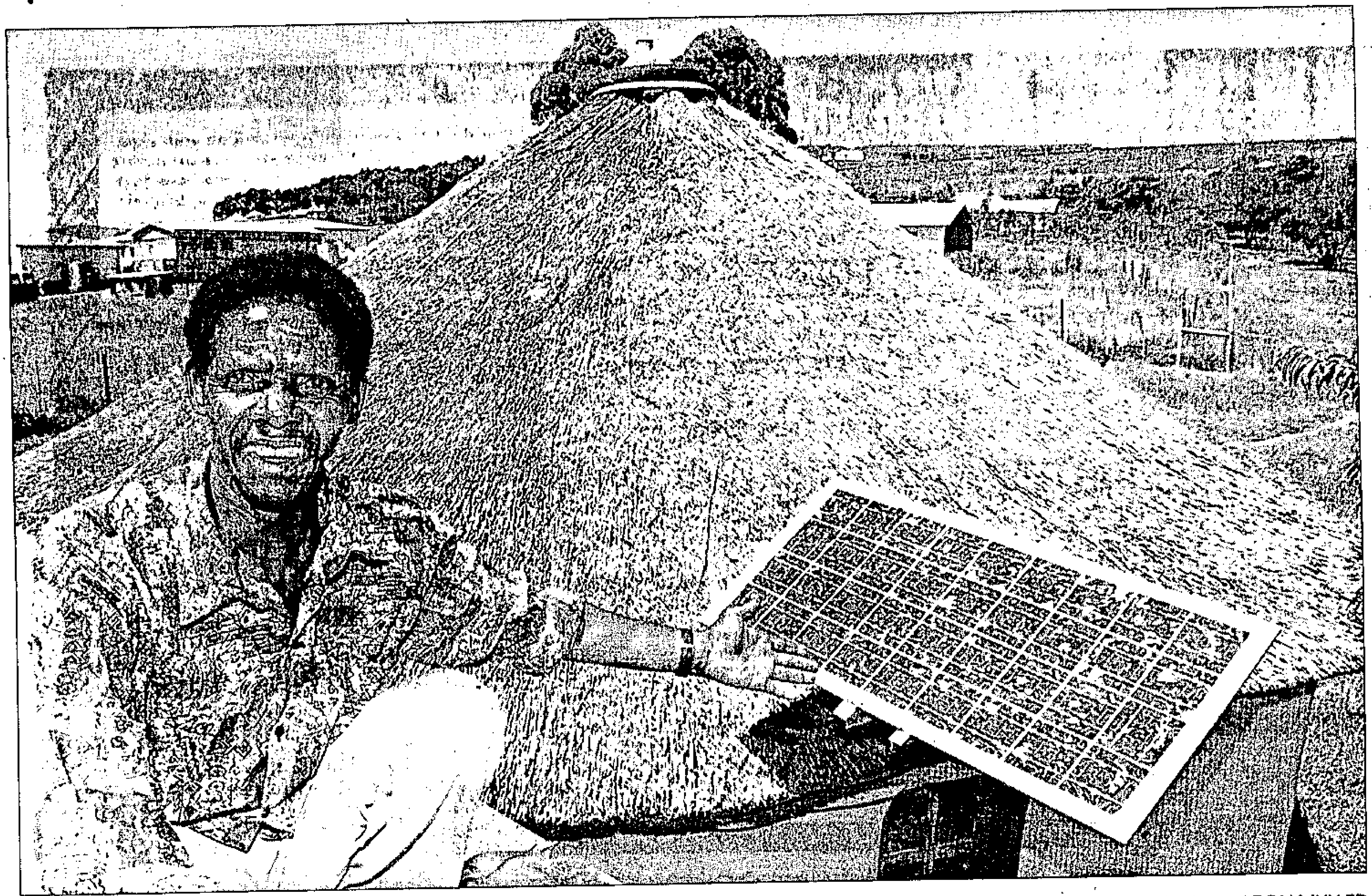
Mokgatle, who joined Eskom in 1991, was executive director for corporate affairs. Her qualifications comprise a BProc, an LLB and a Higher Diploma in Tax Law from Wits.

The new trio is being set to take, in time, some of the most expensive and far reaching decisions imaginable in SA. Eskom's ability to continue delivering a spreading and consistent source of power to the country is one of the keys to guaranteeing the ANCs credibility in its constituency.

Robin Friedland

POWERFUL PERFORMANCE

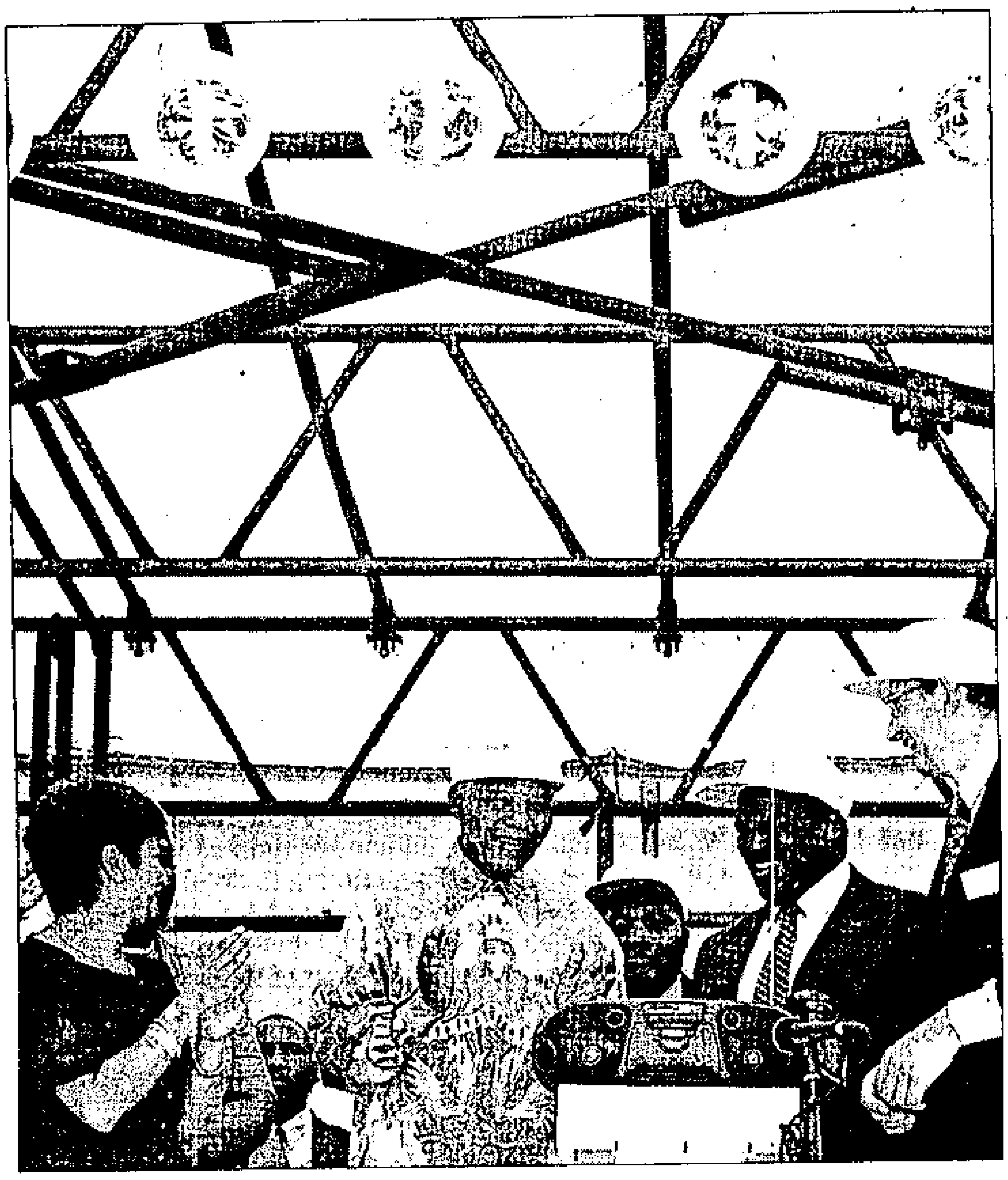




SUNNY SKIES: Albert Zimaze with one of the solar-powered systems that will be used to electrify the Transkei Pictures: LEON MULLER **ELECT**

Electric age dawns in

(55) ARL



LIGHT UP: President Mandela during the launch with Jeroen van der Veer of Shell and Mineral and Energy Affairs Minister Penuell Maduna

PATRICK BURNETT

For the Lundzwana Junior Secondary School in the remote foothills of Bipha in Transkei, the coming of electricity will be a miracle.

It will mean the 400 pupils will for the first time be able to learn subjects like typewriting and computer skills.

Headmistress Penelope Nyali told Saturday Argus this week: "We must have something attractive so the school can get somewhere and produce top pupils."

She said electricity, due next month, would enable the school to offer adult education and science subjects that required machines.

But the school is not the only beneficiary of the Eskom-Shell Rural Electrification Project, which was launched by President Nelson Mandela this week.

By next year 50 000 homes in rural Transkei will have access to solar-powered electricity, which will provide light, television and radio.

Mr Mandela said at the official launch: "We are greeting the dawn of a new life that is increasingly dependent on electricity."

He told the jubilant crowd of several hundred villagers who had gathered in the sweltering heat: "Electricity is a basic need that will bring light to school children to study by and information through the radio."

He said doing without electricity meant having to walk long distances to collect wood, and using more expensive power sources.

After his address, Mr Mandela asked the crowd to excuse him from the celebrations because of his heavy schedule. He was scheduled

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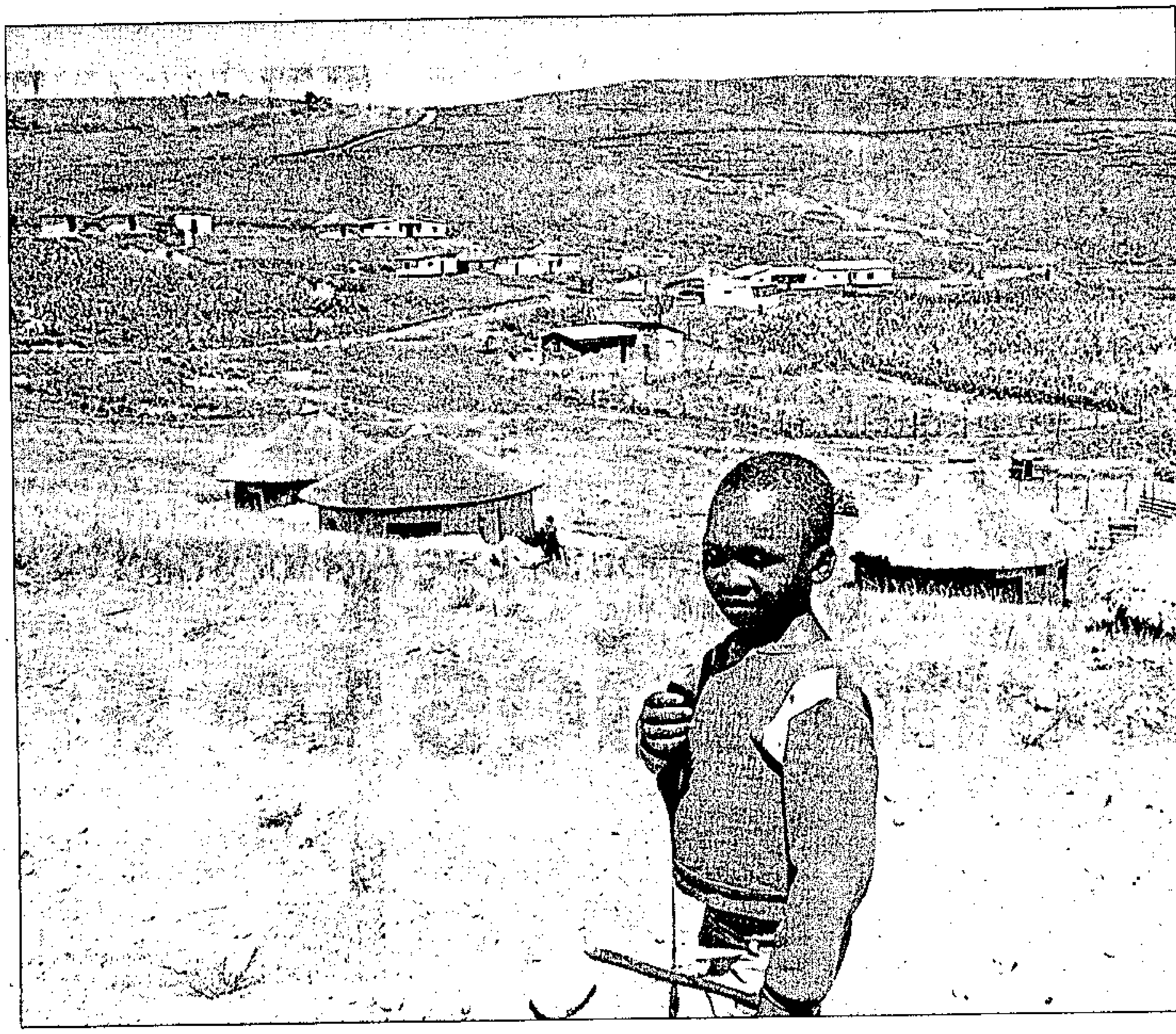

Pictures: LEON MULLER **ELECTRIC DREAMS:** by next year 50 000 homes in rural Transkei will have access to solar power

...ns in rural Transkei

(55) ARG 27/2/99

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...After his address, Mr Mandela ...ked the crowd to excuse him from ...e celebrations because of his ...avy schedule. He was scheduled to meet a business delegation, Namibian President Sam Nujoma and an envoy from the Ugandan president.

After Mr Mandela had left the festivities began in earnest.

By midday the crowd had swelled to several thousand as people, many of whom had walked long distances, arrived from their remote villages.

As the sound of drums rolled across the hills, they took shelter from the sun under brightly coloured umbrellas, which turned the field into a myriad colours.

Entertainment was provided by a delegation from the Flagstaff Choral Singers and dancers in traditional regalia.

Jeroen van der Veer, the managing director of Shell International, said the villagers were the first customers of the new solar project, which was the largest rural electrification scheme in the world.

He said he was "delighted" with the Government's support of the project, which showed the cooperation between South Africa and international companies.

The launch was also attended by Mineral and Energy Affairs Minister Penuell Maduna and Public Enterprises Minister Stella Sigcau.

Each unit of the Powerhouse system comprises solar panels, a charge-controlled battery and a security and metering unit.

Mr Mandela said 1 300 rural schools and 400 clinics had already been electrified using solar systems, but a lot still had to be done: 15 000 schools, 1 600 clinics and two million rural families still needed electricity.

He said rural development was a matter close to his heart, adding that the project would generate jobs and strengthen the Government's initiative to provide much-needed employment. The scheme had been made possible by the partnership between the community and the public and private sector, in the full spirit of Masakhane.

He thanked the companies for contributing to rural development. – ECN Weekend

Power co-operation could save $62m

BD 3/3/99 (77)

Maduna spells out benefits of southern African nations pulling together to manage supplies

Robyn Chalmers

ELECTRICITY utilities, which are part of the Southern African Power Pool, could save up to $62m a year by co-ordinating their power production, Minerals and Energy Minister Penuell Maduna has said.

He said recently that the organisation was becoming an effective instrument to manage the region's electricity supply system.

"SA electricity utilities can make considerable monetary savings through an optimal co-ordination of their power production and through optimal free trade."

Through the power pool, the vast renewable hydro power potential in the subcontinent could be exploited and developed to the benefit of Southern Africa as a region.

The organisation is a loose, regional electricity power pool, governed by gentlemen's agreements. Its operation will allow trading of energy as far north as Zaire. The SA government has signed an intergovernmental memorandum of understanding to facilitate development of the pool.

The arrangement allows for the joint operation and trading of power between utilities in member countries, which include most SA Development Community countries and Democratic Republic of Congo, for the "wheeling" of power through the transmission networks of third parties. Wheeling involves using a third party's transmission network to get power from a utility in one country to one in another.

Francis Masawi, chairman of the pool's management committee, said the future role of the organisation was affected by a number of factors. These included pressure to accelerate electrification for social upliftment, policies of liberalisation and privatisation and the need for increased regulation.

Masawi said the financial viability of utilities belonging to the pool differed significantly. Only Eskom, the Botswana Power Corporation, Swaziland's Electricity Board and Namibia's Nampower were on a sound financial footing.

Private sector involvement in power was expected to improve the performance of some of these utilities, and provide much-needed finance, said Masawi.

Management of NER starts to take shape

BD 4/3/99 (55)

this weekend

NER board will recommend one of seven candidates short-listed for technical services general manager

Robyn Chalmers

A NEW management structure being put in place at the National Electricity Regulator (NER) will kick off with the appointment next week of a technical services general manager, says new CEO Xolani Mkhwanazi.

Mkhwanazi took over as head of the NER last month after the entire top management structure either resigned, was dismissed or suspended. Minerals and Energy Minister Penuell Maduna was forced to second members of his department as interim managers.

A forensic audit is also under way at the behest of the NER's board and Maduna into allegations of significant financial irregularities at the organisation.

Mkhwanazi said yesterday seven candidates had been short-listed for the post of technical services GM. The NER board would recommend one of them this weekend and talks were taking place on filling other posts.

The technical services division was the most depleted of all the NER units and it was important to have a new general manager as soon as possible.

Hearings are still under way following last year's suspension of corporate services GM Gail Mlokoti and legal services GM Mvuyo Ndziba, and no decision could therefore be taken on these positions.

Mkhwanazi said he would focus on sorting out internal relations and building confidence among stakeholders.

"While the situation at the NER is not as bad as has been portrayed ... I found there was a subdued atmosphere and people were directionless which is unsettling," he said.

Once confidence is rebuilt, Mkhwanazi believes the NER has to focus on facilitating the long-awaited restructuring of the R25bn electricity supply sector and sorting out the management of the electrification fund.

Talks were taking place with the Development Bank of Southern Africa on the management of the R1bn electrification fund. The bank gave notice on its contract with the NER last year after disagreements with former NER management.

Mkhwanazi said that while certain issues still had to be ironed out, he was confident the bank would continue to administer the fund for the rest of this year. After this, a new national electrification fund, financed through industry levies, should be set up as outlined in the draft energy white paper.

"The NER must position itself to be the undisputed agency to manage this (new) fund. We already have a good track record and solid experience," he said.

ESKOM (557) FM 5\3\99

NEW SYSTEM COULD PROVIDE SA WITH WORLD'S CHEAPEST POWER

How mammoth R376m project came in on time and on budget

SA's national electricity supplier, Eskom, is in the final throes of one of the biggest business and IT projects undertaken in SA.

The project, called Finesse, was launched five years ago, and should make a "significant" contribution to Eskom's stated goal to provide the cheapest electricity in the world, says programme director Mike Fullerton.

Unlike many big IT projects, Finesse is scheduled for completion ahead of schedule and within its budget of R376m. Fullerton ascribes this success to the fact that the entire business was actively engaged in the project.

Finesse involved improving financial and commercial processes by following best practices, and starting to use integrated financial and materials management applications based on SAP AG's R/3 suite of enterprise management software products.

Eskom's transmission and generation divisions, with about 3 900 users between them, are already using the system. The distribution and corporate services divisions are due to go live in April and May respectively.

When the project is completed, 8 000 users — from all corners of the country — will be on the system, making it the biggest such implementation on the continent.

Fullerton says that when the project was first mooted in 1994, Eskom's processes, systems and people in the financial and commercial areas were not geared to support the vision of becoming the world's lowest-cost provider of electricity. "The key challenge initially was to develop an awareness and understanding in the business that something needed to be done," he says. "We found many processes were manual rather than integrated."

Though the millennium date-change problem became one of the main drivers for finishing the project on time, Fullerton says the original motivation was the benefit it would bring to the management of financial and commercial systems.

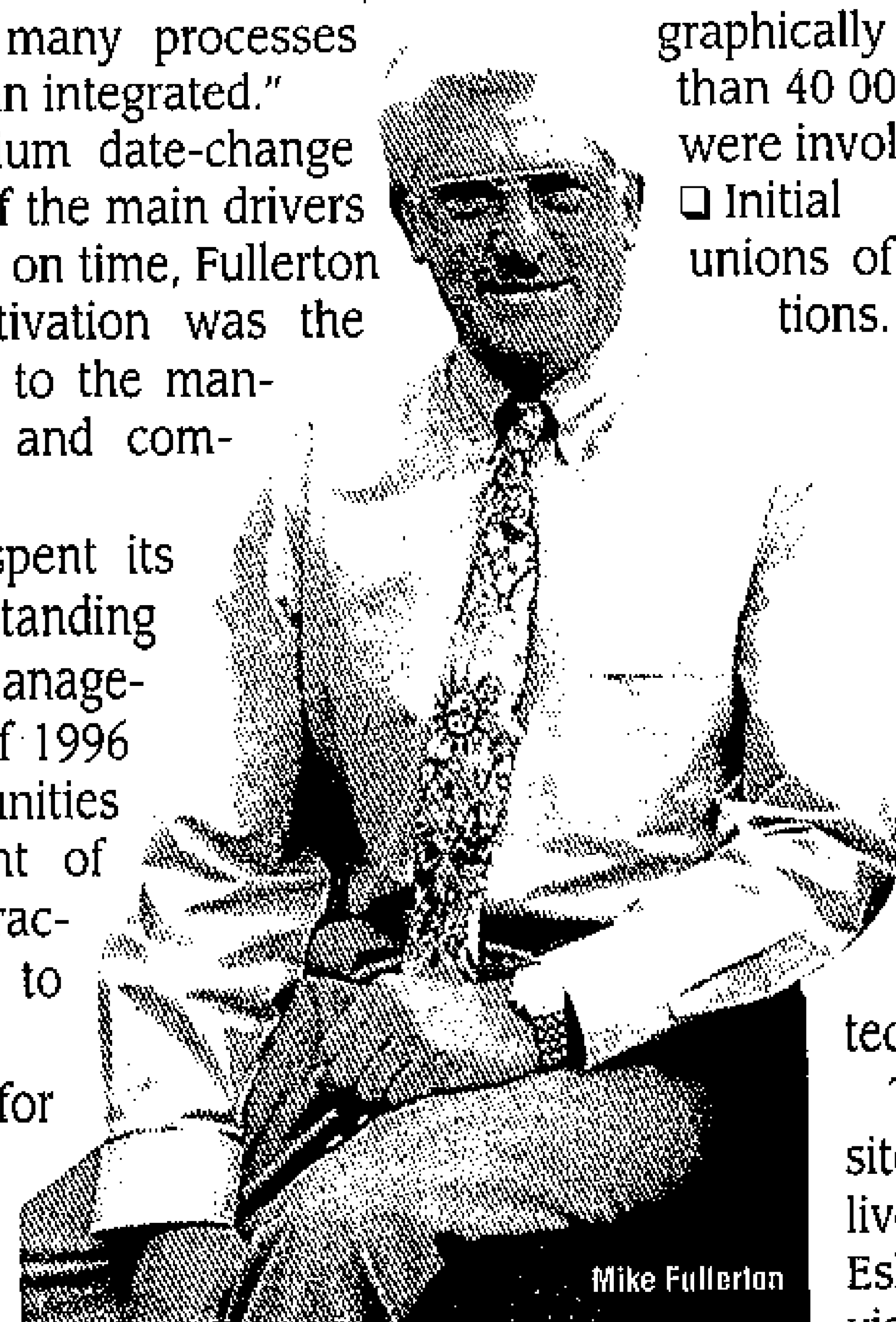
The Finesse team spent its first two years understanding the concerns of top management. It spent much of 1996 examining the opportunities from a business point of view, and how best practices could be applied to the organisation.

A tender was issued for the supply of software that could support Eskom's financial and commercial processes. After an extensive evaluation, most of the tendering companies' products were eliminated, bar solutions from SAP, Oracle and Mincom, an Australian company. After a further two-month evaluation involving 200 Eskom staff, SAP's R/3 was chosen.

Eskom appointed Andersen Consulting as its SAP implementation partner.

The project was not without its difficulties, including:

- A shortage of staff with experience in implementing a programme of this size. Finesse peaked at 300 full-time staff. "We lost only 30% of our staff in the past two years. We really have been fortunate," Fullerton says. "But if the skills drain continues it could affect our ability to sustain this asset we've created";
- The need to train 8 000 geographically dispersed users. More than 40 000 man days of training were involved; and
- Initial suspicion by trade unions of management's intentions.



Mike Fullerton

ESKOM AT A GLANCE

- 20 power stations
- Transmission grid of 26 065 km of lines
- Distribution network of 216 614 km of lines
- 40 000 employees

With these problems overcome, the Finesse project was nominated by Andersen Consulting partner Clive Butkow for the prestigious *Computerworld* Smithsonian Awards. It was awarded a laureate for innovative use of technology.

The first Finesse pilot site of 600 users went live in August last year in Eskom's transmission division. Butkow says the Finesse project could reduce the price of electricity in real terms through benefits in Eskom's divisions.

Duncan McLeod

Eskom postpones growth plans

(55)

ELECTRICITY

By ANDREW GILL

ELECTRICITY giant Eskom has delayed plans to build new generating capacity, owing largely to slack economic conditions.

The utility, which previously expected to introduce fresh capacity in 2005, says it will not need fresh power until 2007 at the earliest. It may even stretch the delay until 2010 to 2012.

The decision, made by an Eskom review board in December, means that one of the biggest investors in SA's infrastructure will continue to play only a limited part in boosting much-needed fixed investment.

Eskom says the weak economy, better use of existing capacity, and potential use of regional spare capacity all played a part in allowing the postponement.

Eskom has worked out three scenarios for future electricity generation needs — high, medium and low.

Under the high-growth scenario, new capacity would have to be in place by 2005, while the medium-growth outlook has plans for fresh power in 2007. The low-road scenario foresees a need for fresh capacity between 2010 and 2012.

"At the moment, with the drop in electricity use, some people are saying even the medium-term outlook is too optimistic, and new capacity might be needed only in 2010 or later," said Eskom spokesman Peter Adams.

Eskom last year suffered a 0.6% drop in electricity use after a 3.4% rise in 1997.

"We hope we have seen the worst, but there was no turnaround in the first two months," joint deputy chief executive Thulani Gcabashe told BT this week.

He said a declining economy, mine closures and a mild winter were responsible for last year's decline. He was hopeful that things could not get worse, given an improved economic outlook and the probability of a more stable mining industry. Still, Eskom may find itself relying on a colder Highveld winter to boost the numbers.

Gcabashe said a decision on whether new capacity would be introduced in 2007 might be taken as early as next year if plants with a long construction lead time were chosen. New technology with shorter lead times, such as cost-effective pebble-bed plants, meant that a decision was unlikely before 2004.

Had the high-growth scenario been followed, a decision would have been taken this year.

The utility has options. It can buy in power from the southern African region, or recommission mothballed plants.

The delay in introducing fresh capacity is also likely to affect the bond market, as Eskom will be unlikely to look for significant funding even in the medium term. It has, in fact, been buying back debt on a net basis in the past two years.

Public Enterprises Minister Stella Sigcau told Parliament this week that Eskom had been hit by a weaker economy.

Net profit for 1998 was R2.75-billion, down from R3.08-billion in 1997. Revenue was R920-million below budget, reflecting the significance of the downturn in the economy during the year. Tight cost control measures restricted the fall in net profits, Sigcau said.

Net revenue rose by 3.0% to R21.07-billion in 1998. The 0.6% decline in electricity sales volumes, changes in sales mix and lower commodity prices for commodity-linked tariff agreements were offset by a general electricity price increase of 5%.

The downturn in economic growth also adversely affected Eskom's productivity for 1998. For the first time since 1992, Eskom showed negative productivity. This cost the organisation R268-million.

SHEER BEAUTY OF POWER ... Eskom can satisfy demand

ST(BT) 14/3/99

New charge for electricity industry

BD 17/3/99

The restructuring of the electricity sector is long overdue, but there is now light at the end of the tunnel, says associate editor **Robyn Chalmers**

ELECTRICITY supply throughout the world is undergoing a revolution due mainly to the trends of globalisation and privatisation. In SA this much-needed revolution has been on hold for more than six years and industry is feeling the pinch.

There is little excuse for the length of time it has taken to reorganise the R25bn power distribution sector, although there are explanations. First among these is the complexity and vastness of the task, second is the diversity of players involved who need to agree on the way forward and third is the fragmentation of the sector.

Indeed, there are probably hundreds of reasons the process has floundered until fairly recently. It is unlikely that any of these are acceptable to consumers or to businesses who are increasingly facing power cuts, problems with billing systems and a wide disparity in prices paid for electricity from different local councils.

At the end of the day industry is losing money due to an inefficient and outmoded distribution sector. This has a knock-on effect which, if taken to its logical conclusion, affects the very competitiveness of SA's economy. One key player in the industrial market estimates his group is losing millions of rands each month as a result of power cuts. Attempting to get to the bottom of the problem, he has been shuttled between Eskom, municipalities and government for the past six months. "It's simply impossible to get a straight answer (and) in the meantime the group is being hit financially," he says.

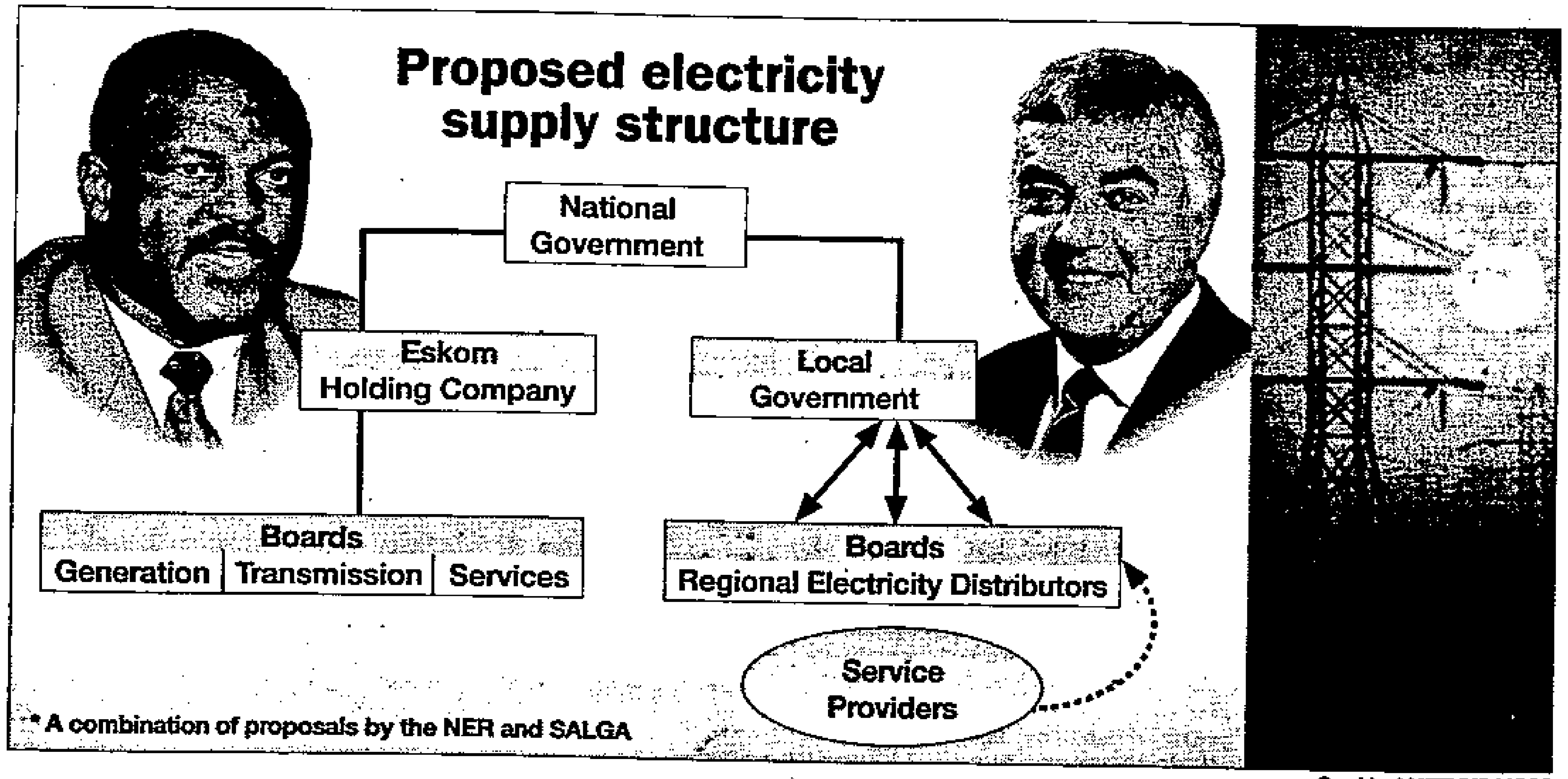
Regulatory consultant Kevin Morgan says change is crucial, given the limits to public sector finance for expansion and refurbishment; technical weakness; managerial inefficiencies; inappropriate electricity pricing and a growing belief in the benefits of private sector involvement.

Only in the past few months has there been a new sense of dynamism around the long-awaited restructuring initiative. This kicked off with last year's publication of the draft white paper on energy, which finally gave details of government's position on the way forward for the sector.

Government and Eskom have for several years indicated that the electricity utility will not be privatised. This is due, in part, to pressure from trade unions, but it also relates to Eskom's ability to keep the cost of electricity low in international terms. Whether or not it will be able to continue doing so in the future remains to be seen. The utility will need to invest in new capacity by around 2007 to 2009 and it will soon pay taxes and dividends, making it increasingly difficult to keep price increases below inflation.

In light of this government has opened the door to competition and future privatisation in the draft white paper. Privatisation of Eskom is unlikely to take place while the parastatal provides the social service of electrifying poor and rural areas, but competition is almost certain to emerge, first in the supply sector and followed by generation and transmission.

The draft paper proposes that the supply industry be consolidated into five financially viable independent regional distributors. The distributors will be owned by municipalities and Eskom.



* A combination of proposals by the NER and SALGA

Graphic: MATTHYS MOSS

Control of all distribution network assets must pass to the companies.

Government has decided that one of two business forms is appropriate for these distributors. They will either be set up as companies under the Companies Act or as special statutory corporations. The distributors will be controlled by boards of directors with the majority of directors being appointed by stakeholders — customers, trade unions, national and provincial government, municipalities and Eskom.

In terms of the industry's finances, government expects the entire supply sector to change the way in which it funds its obligations. The starting point for this line of thinking is the current state of the industry's finances. There are substantial differences in the financial health of municipal distributors. Four municipalities earn 50% of the total surpluses being earned by all municipal distributors and a further 18 earn another 25% of the total surpluses.

This means that out of the 400-odd municipalities that distribute electricity, almost 290 earn less than 1% of the total surplus and the bottom 25% actually lose money on their electricity sales.

Clearly the continuation of the current system will contribute to a large number of municipalities going bankrupt or being unable to pay Eskom for power supplies.

Minerals and Energy Minister Penuell Maduna says the supply industry is a complex business and restructuring is now taking place. It is, however, necessary to ensure the financial viability and long-term sustainability of service. Eskom CE Allan Morgan says he is more optimistic now about progress being made on the restructuring of the supply sector. Problems being experienced by local authorities mean the system has to be overhauled, he says.

So, after six years of talks, why is there now a new dynamism around the restructuring of the supply sector?

This is due in part to greater pressure being applied by industry, but it also relates to the ushering in of a new order at the National Electricity Regulator (NER), which oversees the supply sector.

Former CEO and chairman Magate Sekonya said in the 1997/98 annual report that stakeholders and the NER were not the best qualified to move the process forward. "It must be acknowledged that the NER was mandated to initiate industry restructuring through the licensing process. This we have to unfortunately accept was not done. It is not clear as to why it was even attempted," he said. Sekonya said that those with responsibility to ensure order and efficiency were best qualified to continue the process. "This requires government to take a leadership role from now on," he said.

New NER CEO Xolani Mkhwanazi has a different view. He believes the NER must kickstart the restructuring process, initially through a new pricing policy to deal with the more than 1 100 domestic tariffs now in place. "The NER must now become the leader ... this will go a long way to helping mend its current image," he says.

The NER has published a proposed new structure for the electricity supply sector which was followed fairly recently by a similar model from the SA Local Government Association (see graphic). Harden Beck, president of the Association of Municipal Electricity Undertakings, says the two models are similar, which bodes well for agreement on the future structure. Beck says there remain two aspects which need to be resolved — establishing Eskom's response to this proposal and that of organised labour.

Government officials involved in talks on restructuring the sector are reluctant to talk openly about progress. They have made too many promises in the past which they have been unable to keep, often due to circumstances beyond their control.

Officials do, however, indicate that there have been a few breakthroughs and the possibility of consensus being reached has improved. Government will have to ensure that it acts on these breakthroughs. At some stage the talking will have to stop and implementation begin. The sooner this happens, the better for consumers, industry and the country as a whole.

New charge for electricity industry

(NT) BD 17/3/99

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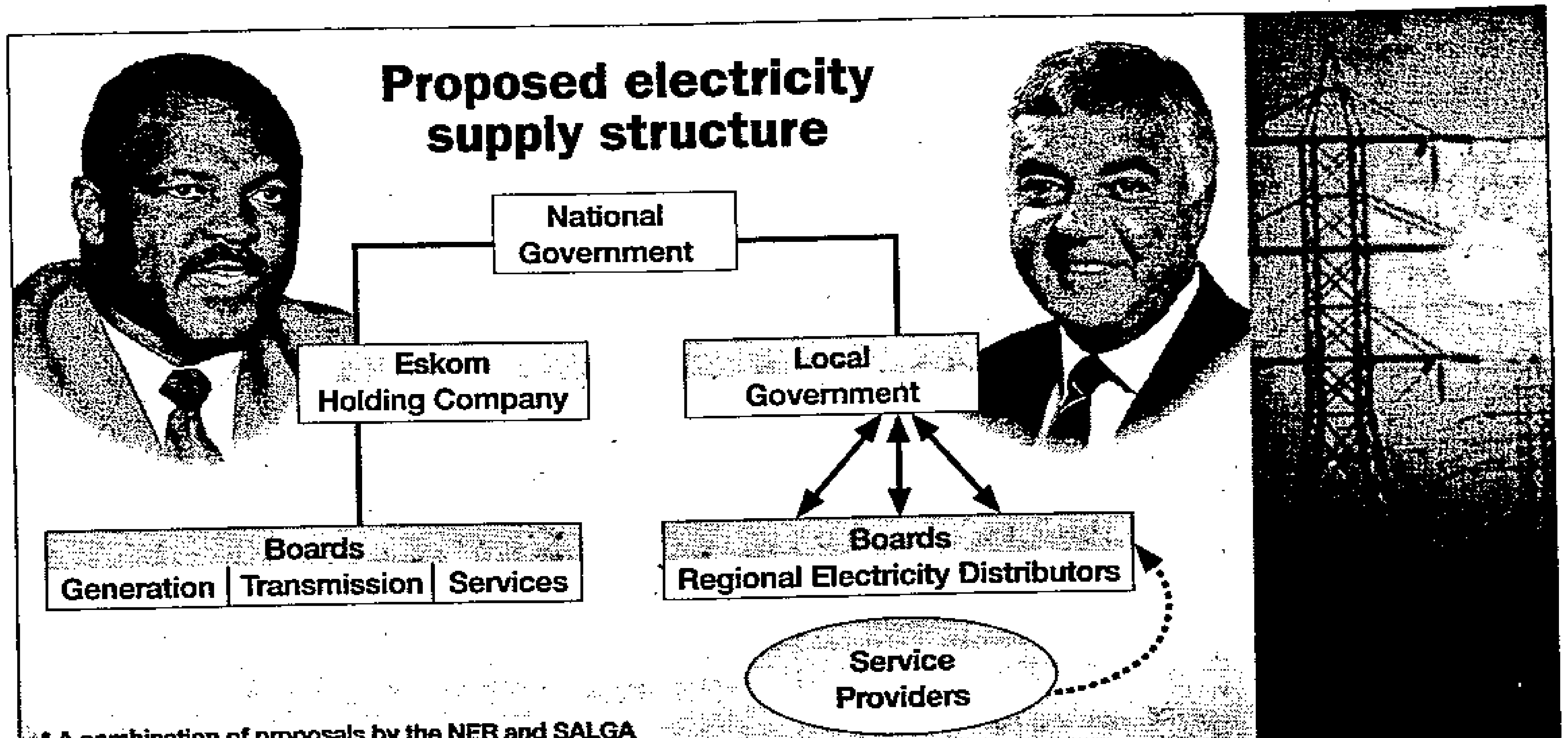


Graphic: MATTHYS MOSS

Regulator fills two key posts

(55)

Robyn Chalmers

THE embattled National Electricity Regulator has made two new appointments in key positions within the organisation, after a period of management upheavals.

Sicelo Sakawuli, with a strong project management background, has been appointed finance GM and Mike Ellman, formerly in charge of Eskom's integrated electricity planning process, will take over as technical GM.

This leaves the positions of corporate affairs GM and legal services GM vacant. They are unlikely to be filled until disciplinary and legal proceedings are concluded.

A disciplinary hearing for former legal services GM Mvuyo Ndziba is still under way. Also, former corporate affairs GM Gail Mlokoti is taking the regulator to the Commission for Conciliation, Mediation and Arbitration later this month after being dismissed following a disciplinary hearing.

Regulator spokesman Thabo Moseki said yesterday results of a forensic audit were still to be released. The audit was launched at the behest of the regulator's board and Minerals and Energy Minister Penuell Maduna into allegations of significant financial irregularities at the organisation.

A government official said yesterday the audit was largely complete, but there were a few areas which needed further investigation.

Maduna indicated recently the audit was extended after regulator records disappeared and after several computers were wiped clean at the regulator's offices.

The minerals and energy department plans to wait until full results of the audit are released before considering any legal action.

Officials close to the regulator indicated an interim audit, presented at a recent board meeting, pointed to apparent irregularities.

BD 19/3/99

Secrecy cloaks release of report

(55) Sowetan 19/3/99

By Shadrack Mashalaba

A VEIL of secrecy still surrounds the delayed release of the long-awaited forensic audit of the operations of the National Electricity Regulator.

The forensic audit report, which was scheduled for release at a media briefing in Johannesburg yesterday, was supposed to come up with information relating to allegations ranging from the misappropriation of NER funds to non-compliance with procurement policies and attempted fraud.

The release of the report was postponed to an unspecified date.

The forensic audit was being conducted by Manasa and Associates.

Addressing the media briefing, NER external communications manager Thabo Moseki said the board was still engaged in an emergency meeting to discuss issues affecting the organisation. But he assured the media that the report would "definitely" be released.

"The release of the audit is imminent. We are just waiting for the go-ahead to make it public," said Moseki.

The delayed release of the report had no direct impact on the day-to-day operations of the NER.

In a statement from the NER the organisation said "the board is strongly committed to bring this unhappy period in the NER to a close. The final resolution of last year's problems will be achieved once the results of the forensic audit are made available".

Power struggle

The squabbles at the NER have been brewing for some time. This culminated last year in a power struggle between management and the board of the NER when Magate Sekonya, then chairman and chief executive officer, and Terrance Naidoo, then financial services general manager, resigned.

The resignation of the two was followed by the suspension of corporate services general manager Gail Mlokoti and legal services general manager Mvuyo Ndziba.

Mlokoti was charged with 13 counts of administrative and financial irregularities.

Eskom halves municipalities' arrears

BD 23/3/99

(55)

Robyn Chalmers

ESKOM has made a breakthrough on its electricity arrears with municipalities, reducing bulk debt to R550m at the end of last year from R1,2bn in 1997.

Isaac Sokopo, corporate consultant at Eskom, said at the weekend there were only three municipalities which still had outstanding debts and had not signed repayment agreements. These were the Ogies and Breyten in Mpumalanga, and Cullinan, near Pretoria. The others, including Johannesburg, which had large outstanding payments, had either repaid their debts or were doing so.

Industry officials indicated that while progress was being made in sorting out payments for residential customers who received electricity directly from Eskom, this had not been as successful as payment arrangement with municipalities.

Illegal connections were a problem.

In the year ended December Eskom had a total outstanding debt from municipalities of R550m, of which R483m was being paid off under repayment agreements, Sokopo said. Most of the remaining R67m was overdue by 30 or 90 days, except for the funds owed by the Ogies, Breyten and Cullinan councils.

"We realised during 1997 that the (municipal debt) situation was running away from us. It was clear that action had to be taken," he said. As a result, a bulk debt normalisation committee was formed in September 1997 under the auspices of the National Electricity Regulator (NER).

Before cutting off services to defaulting municipalities, the committee intervenes, recommends a plan of action and handles disputes which may arise.

The NER said the committee had resolved 23 cases, and "resulted in the recovery of, or undertakings to pay, more than R300m to Eskom".

Sokopo said headway was being made with the Breyten and Cullinan local councils. The main problem for Eskom was in Ogies, where the local council owed about R21m as a result of a rates boycott.

Eskom cut off about 50 000 residents in Ogies last year after they refused to pay a R625 000 instalment on the town's bill. Only 19% of residents in neighbouring Phola and 58% of Ogies residents had paid their electricity bills since 1994.

Pension fund row ends in slanging

ARL 27/3/99

FRANK NXUMALO

LABOUR EDITOR

Johannesburg — The dispute between the National Union of Metalworkers of South Africa (Numsa) and Eskom over the R13 billion Eskom Pension and Provident Fund degenerated into a public slanging match yesterday.

At issue is the privatisation of the asset management functions of the fund by Eskom. Numsa alleged the process was fraught with racism and tokenism.

The union said it was "extremely furious" at Eskom's management for unilaterally privatising the asset management unit and viewed the action as "the most vicious and barbaric form of union bashing when everything in the country seemed to be changing for the worse".

"By privatising the asset management functions, they are closing down the whole department and workers will lose jobs.

"Also, related to this, the Eskom Pension Fund chief executive is a black person and asset management is staffed by whites. We suspect the real reason for this privatisation is to assist these white employees not to report to a black boss," said Paul Biyase, the Numsa Benefits officer.

In retaliation, Eskom said Biyase's accusations brought into question his "fitness to serve on the fund's board".

Peter Adams, a spokesman for Eskom, said that it was not the first time a Numsa official "appointed by virtue of his position in the trade union, has caused serious disruption to the working of the fund".

Adams said: "Eskom regrets the fact that Paul Biyase of Numsa finds it necessary to launch a vicious public attack on Eskom and the Eskom Pension and Provident Fund.

"His unfounded statements are regarded as offensive and are rejected out of hand."

Unions criticise Eskom for pension privitisation plan

(280) (55) (460) Sowetan 29/3/99

By Mzwakhe Hlangani
Labour Reporter

ESKOM'S reported privatisation plans for its R13 billion pension and provident fund came under disparaging criticism from the majority of representative labour unions at the weekend.

The privatisation reports of the fund's asset management emerged when the National Union of Metalworkers of SA, National Union of Mineworkers and the Mineworkers Union National had submitted a proposal for a 60-percent majority representation of the union's board of trustees, equally split among the three unions.

Numsa spokesman Mr Paul Biyase further charged that the Eskom management had unilaterally decided to split the management pension fund assets between in-service members and pensioners, without consultation.

"What is extremely provocative is that management is parading the privatisation announcement as a pension fund board decision, disinforming workers and the public.

"All the unions are disgusted and furious about this situation," he said.

The company dismissed the allegations as "unfounded and offensive". It launched a counter-attack, saying the unions' statements showed "a blatant conflict of interests and were irresponsible".

Eskom corporate spokesman Mr Peter Adams warned that the unions' allegations were compromising the welfare and future security of the other members of the fund when all trustee decisions on privatisation plans were made with due consideration for every opinion.

"As an employer Eskom has a duty to ensure board members live up to their responsibilities and the fund will always find the best ways to manage its assets and investments for the benefit of its members," Adams said.

In another development Biyase claimed a number of high-profile white employees of the privatised pension fund asset management were resigning en masse to join a newly established private company that will take over the outsourced management operations of the pension fund.

Sub-Saharan neighbours set to light up

(55) BD 30/3/99

While no large increase is expected in SA demand for electricity, the opposite is true of Malawi, Mozambique and Angola

Claire Pickard-Cambridge

ANGOLA, Malawi and Mozambique are expected to show the highest growth in electricity demand across sub-Saharan Africa in the medium to longer term.

The director of Southern African Development Through Electricity, Ian Israelsohn, told a conference organised by management strategy advisers, Global Pacific & Partners, that the Democratic Republic of Congo and Zambia were expected to show the lowest growth in demand over the next 15 to 20 years. Growth in demand by SA was not expected to be significant.

Suppressed demand, good projected economic growth and large new projects are some of the factors underpinning the buoyant forecast for Angola, Malawi and Mozambique. However, the war in central Africa, the low copper price and generally depressed mining sectors are expected to determine low demand in Congo and Zambia.

Mozambique is expected to become the third largest electricity consumer after SA and Zimbabwe once production has taken off at two large plants in Maputo — the Mozal aluminium smelter and Enron's iron and steel plant — and at a planned titanium smelter in Beira.

Israelsohn said a key problem in the region was subeconomic pricing — many power utilities sold electricity far below cost and were "kept alive" with government subsidies. This made it difficult for private sector projects to compete.

Minerals and Energy Minister Penuell Maduna told the conference that strains experienced in SA's current electrification programme included inadequate co-ordination and planning; little linkage with other development activities; low consumption, a factor determined by the economy's performance; and nonpayment in some areas. Government was trying to ensure departments worked more closely.

Maduna said 467 390 electricity connections had been made to SA homes last year, the highest annual number achieved so far. This meant more than 63% of SA households had access to electricity against just under 36% in 1994. Over this period about 15-million people had therefore benefited from the extension of electricity.

Thulani Gcabashe, deputy CE and chairman of Eskom Enterprises, said electricity supplies were flowing between African countries "like never before" and the Southern African Power Pool was in its fourth year of operation. In west Africa interconnections were growing to the extent that seven states could eventually form a power pool.

Gcabashe said later that technicians from Eskom subsidiary Rotek were helping to run the Democratic Republic of Congo's Inga hydroelectric scheme. Inga was also being connected to Angola and Namibia and could reach SA.

Eskom had been especially active in Africa through Rotek's involvement in plant refurbishment and technical projects.

Minerals and Energy Minister Penuell Maduna ... 467 390 connections made last year

Eskom's generation division a world-class operation

(56) BD 6/7/99

Robyn Chalmers

COMPETITION in SA's energy market will probably kick off in the generation sector in line with international trends, says James Huston deputy GM at Gemini Consulting, a global management consulting firm.

Huston described Eskom's generation division as a world-class operation. This was due, in part, to the low cost of fuel, he said, but it was also due to the quality and expertise of its management.

"Internationally, competition has generally been introduced first in the generation sector which will come through the establishment and licensing of independent power producers in SA," he said.

Huston said government's decision to encourage competition in the electricity market in its recent draft energy white paper was a key step in the evolution of the power sector. The question now was the timing of competition being introduced.

He said the white paper was "comprehensive and balanced" as it provided a good framework for restructuring in the supply sector.

Huston said energy markets throughout Europe were undergoing a period of change. Legislation aimed at creating a single market for energy in Europe as well as competition resulting from this were the major factors for change in European energy markets.

All European electricity markets were relatively mature but there were differing levels of market liberalisation. Sweden, Finland, Norway and the UK, for example, had high levels of liberalisation while Ireland, Greece and France had low levels. SA had a mature electricity market but it was not liberalised.

However, Huston said that the pace of change was likely to accelerate in SA after the publication of the draft white paper and the establishment of the National Electricity Regulator a few years back. "The establishment of a regulator is generally the key to competition being introduced in a country."

On the long-awaited restructuring of the electricity distribution sector, Huston said current proposals to set up five regional electricity distributors were moving in the right direction. It was impractical and unsustainable to have 400-odd distributors and more than 1 100 different tariffs, particularly when a number of these distributors were facing financial difficulties.

Huston said the new regional electricity distributors should be established under the Companies Act. Should government wish to privatise the distributors in the future, it would then be well positioned to do so, he said.

Union 'lying about pension fund losses'

Numsa claim sets off sparks at Eskom

CT(MR) 7/4/99 (55)

FRANK NXUMALO
LABOUR EDITOR

Johannesburg — Eskom denied union allegations yesterday that its members would lose out in the restructuring of its pension fund.

The National Union of Metalworkers of South Africa (Numsa) said workers would lose millions of rands as a result of the "privatisation" of the funds. It was angry because Eskom had "been spreading wrong information to workers and the public".

The union said the electricity utility's management was negotiating in bad faith over the pension fund because once it could not get agreement it would still go ahead and unilaterally implement decisions on issues that were bitterly disputed.

Numsa said the Eskom pension privatisation had gone badly wrong for a number of reasons. "Eskom management must answer why they are privatising the workers' pension fund without having an agreement with the representatives of the workers," Numsa said.

"Why was there no plan for the workers, who are the owners of the pension fund, and the ordinary poor and previously disadvantaged to benefit from this privatisation?

"Management must disclose how many millions of rands which would have accrued to workers would now be lost because of privatisation."

Peter Adams, Eskom corporate spokesman, said the utility regretted Numsa's inference that the fund's board was employer-dominated when it was in fact a separate legal entity governed by a board of trustees that operated independently of Eskom.

Eskom recognised that unions, including Numsa, were fully represented on the board of trustees. It was "a lie that Eskom is disseminating misinformation; the truth is that the fund takes its own decisions as this is one of the of the imperatives of the fiduciary duties of a trustee," said Adams.

"Everything Numsa said about the outsourcing of the fund's financial investments is a lie. The facts are as follows: For some time now, the board has for a variety of reasons considered and debated the best way to mange its financial investments.

"Last year, the board requested Abel Sithole, the fund's chief executive officer, to investigate the feasibility of outsourcing the financial investments department among other options (and) he reported the assets of the fund could be managed in a number of ways."

These included continuing having an in-house asset management department, and allocating larger and/or specialised mandates to existing and other external asset managers.

Alternatives were to form an asset management company in which the fund would have an equity stake. Or the fund could form alliances with other asset management companies.

ENERGY *National regulator says it is ready to steer policy and development*

SA has to grapple with future electricity needs

CT(BR) 7/4/99 (55)

Lynda Loxton
Parliamentary Correspondent

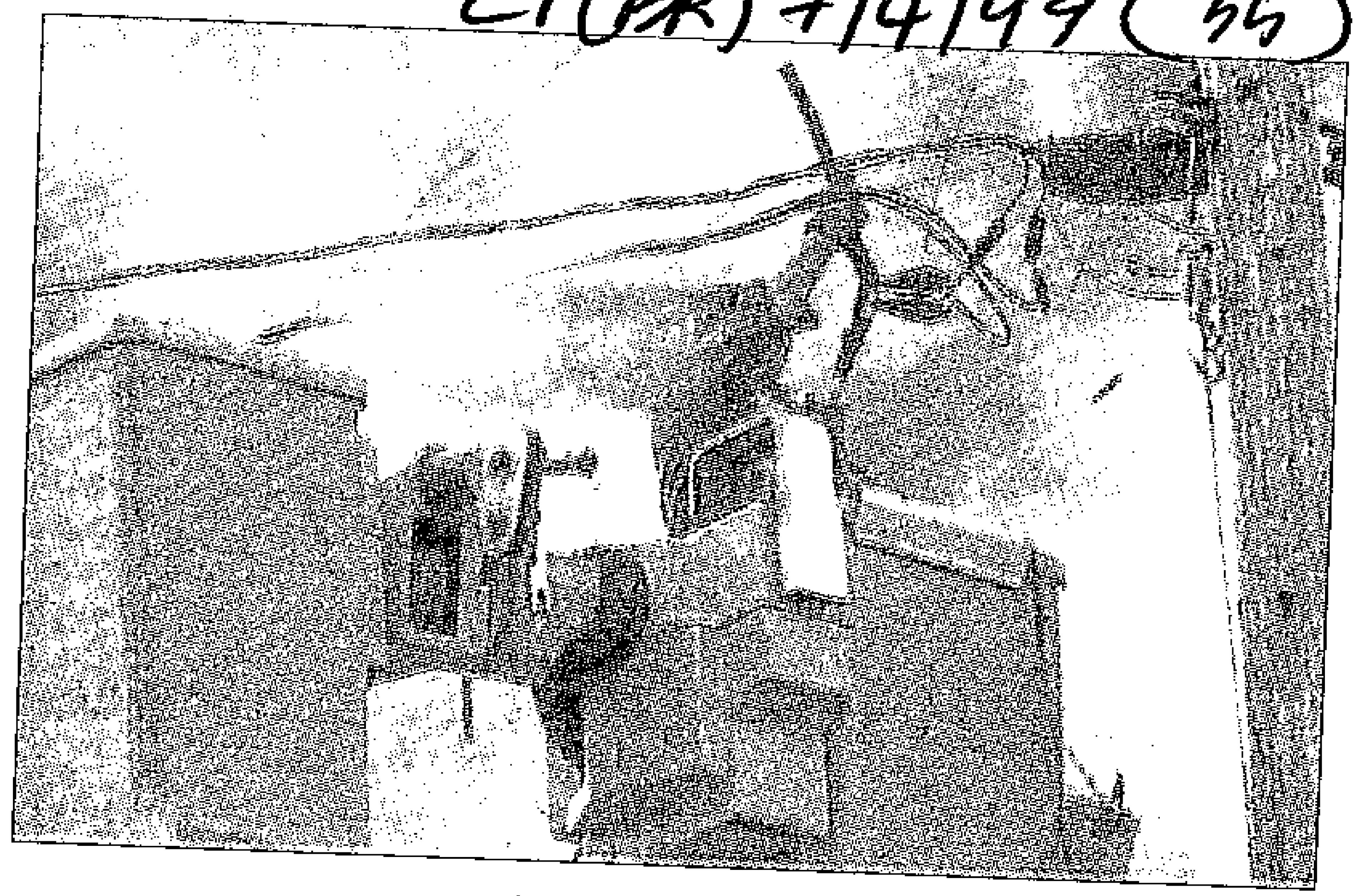
Cape Town — Recent reports that Chile had to order power rationing in vast stretches of the country because of drought has focused attention on the ability of South Africa to meet its growing power needs.

Granted, South Africa relies more on coal-powered power stations than Chile, which depends on hydroelectric power, but decisions will have to be made soon on future energy supplies.

The options are many, varied and daunting. While South Africa still has plenty of coal, and could build more coal-fired power stations, it is under increasing international pressure to cut back on its carbon dioxide emissions as a contribution to the reduction of global warming.

During the apartheid years, it could pump out carbon dioxides at a frantic rate to produce cheap electricity. However, as it becomes part of the global community again, this is less acceptable. For example, our cheap aluminium exports are being challenged internationally because we do not have strict environmental controls over our power plants.

So what are the alternatives? Hydroelectric power is certainly one, especially from the Cahora Bassa dam in Mozambique, or the proposed Epupa dam on the Kunene river in Namibia. The latter is likely to be less politically correct as it would involve the flooding of the traditional homes of the Himba people.



Then there is gas from the Pande field in Mozambique and the Kudu field in Namibia. But these projects have been slow to get off the ground because of the initial costs involved. Both would rely heavily on nearby anchor industrial projects before consideration could be given to piping the gas further inland for domestic and other uses.

Eskom, the principal power supplier, is also toying the with idea of mini pebble-bed nuclear reactors, although many experts are highly sceptical about the technology involved.

These issues will have to be weighed up by the National Electricity Regulator (NER), which has the sole power to grant licences for new power plants.

As is well known, the NER had a rather turbulent year last year because of staff and fraud problems, which hobbled its ability to make decisions about future developments.

But board members recently told the portfolio committee on minerals and energy that these problems had been sorted out now and that the NER was shaping up to start playing a decisive role in determining future developments in electricity generation.

Professor Anton Eberhard, a member of the board and head of the Energy and Development Research Centre at the University of Cape Town, said that although Eskom had an overcapacity to supply South Africa's electricity needs, important investment decisions about energy supplies would have to be made within the next few years because of the long lead times involved in developing new power plants.

Much would depend on the rate of growth in electricity demand, which depended on South Africa's economic growth, industrial development and the ability of individual households to sign on to the national electricity grid, but the source of new electricity supplies would have to be carefully evaluated.

A key question, Eberhard said, would be whether future expansion should be undertaken by Eskom or by an independent power producer.

The NER plans to issue guidelines this year, within the government's policy framework, for power expansion planning and the potential participation of independent power producers.

Numsa dispute with Eskom (55) in stalemate

Sowetan 8/4/99

By Mzwakhe Hlangani
Labour Reporter

A SEEMINGLY acrimonious dispute between Eskom management and the National Union of Metalworkers of South Africa (Numsa), over the outsourcing of the R14 billion pension fund asset management may be resolved by intervention of the Financial Services Board. Numsa spokesman Mr Dumisa Ntuli was adamant yesterday about the need for the financial board to intervene and stop the company from privatising workers' pensions without agreement.

But Financial Services Board pensions fund manager Mr Dube Tshidi said the board could only intervene at a level of providing expert advice.

The impasse had emerged reportedly after senior management of the asset management department resigned *en masse* last December and the decision to privatise the workers' pension fund followed.

The union believes Eskom's privatisation plan will lead to the fund losing millions of rands, also charging that it will be open to abuse. Eskom spokesman Mr Peter Adams said it was normal practice in the retirement industry to outsource the financial assets. Referring to union fears of losing money, he assured employees that the current changes instead stood to benefit the fund.

Funds wrested from regulator

(47)

Maduna says move will centralise control of cash

Robyn Chalmers BD 9/4/99

MINERALS and Energy Minister Penuell Maduna has taken the function of overseeing billions of rands in electrification funds away from the National Electricity Regulator.

He said yesterday the move would allow government to centralise the control and allocation of funds under his department in the run-up to the establishment of the national electrification fund. The transfer would occur as soon as administrative controls were in place and the manner of transfer had been investigated.

The transfer of responsibility takes place amid a forensic audit of the electrification fund launched by the NER board in November. This followed board allegations of financial irregularities by former management team members, all of whom have resigned or been suspended.

The Development Bank of Southern Africa has been managing the R1bn electrification fund for the NER. The bank gave notice on its contract with the NER last year after disagreements with management, but agreed in January to continue with the fund for at least three months.

The NER is understood to have been keen to keep control of the electrification fund, saying earlier it had good experience and was well positioned to do so.

Xolani Mkhwanazi, recently appointed CEO of the NER, yesterday welcomed Maduna's decision to transfer management of the fund.

The move would allow the NER to concentrate on its core functions, he said. These included facilitating the distribution of electricity; approving prices at which electricity was sold; and resolving disputes between suppliers of electricity and their customers as well as disputes between suppliers.

Mkhwanazi said the move would also allow the NER to participate in the National Electrification Co-ordinating Committee launched by Maduna yesterday. The electrification committee will advise on changing the funding mechanism, make recommendations on the future of the electrification programme and set electrification targets.

Eskom allocated about R1,2bn to the electrification programme last year, raised through internal cross-subsidisation and surcharges included in the electricity price of Eskom and local authorities. More than 2,3-million households were electrified between 1994 and 1998 via this mechanism.

The draft energy white paper proposes the establishment of a national electrification fund to finance the programme. This will derive its income from a dedicated electrification process.

Electrifying performance

(55)

CT 9/4/99

JOHNSON MESI

MINISTER of Mineral and Energy Affairs Penuel Maduna yesterday said that about 2 304 067 households were linked to the national electrification grid by Eskom and local authorities during the period 1994 to 1998.

He was speaking at the inaugural meeting and workshop of the National Electrification Co-Ordinating Committee.

Maduna said the electricity supply industry committed itself in 1994 to electrify 2,5 million homes by the year 2000 as part of the Reconstruction and Development Programme.

A total of 467 390 connections were made by Eskom and local authorities during 1998. The level of electrification was raised from 36% in 1994 to 63% at the end of 1998.

"All indications are that this target will be exceeded before the millennium," said Maduna.

The current electrification programme ends in approximately nine months.

"We need to redefine the scope of the National Electrification Programme to take cognisance of other social dynamics at community level," Maduna said.

Following the release of the White Paper on energy policy in December 1998, the Department of Mineral and Energy Affairs is in the process of appraising the electrification programme with the view to implement a National Electrification Strategy.

The purpose of the National Electrification Strategy is to consolidate the government policies in order to ensure that the scope of the National Electrification Programme is defined and that the roles of various stakeholders in the National Electrification Programme are clarified.

It also aims to ensure there is transparency and equity in the collection and allocation of public resources.

Focus of electrification programme to change

BD 14/4/99 (55)

Robyn Chalmers

THE national electrification programme, through which 2,3-million households have been electrified since 1994, is to be fundamentally restructured and refocused, says Minerals and Energy Minister Penuell Maduna.

Maduna said he had instructed his department to integrate all electrification programmes in terms of planning, funding, tariff setting, implementation and monitoring.

The electrification programme would change focus in the future and give more attention to rural areas which were about 38% electrified compared with 80% in urban areas.

"From the government's perspective, the most critical policy (issues) surrounding the national electrification programme are obtaining financial resources, allocating these resources to appropriate projects and ensuring that capable utilities are in place to implement the programme," he said.

Maduna said a number of challenges faced the programme. These included the fact that the manner in which R1bn of public funds were allocated to individual projects was not transparent and that the majority of municipalities were unable to finance or subsidise projects.

Subsidy funds raised by Eskom were available for only its own grid-based programme to the detriment of other electrification initiatives using off-grid technologies.

Cherry-picking of electrification projects by distributors was a further challenge as it led to most of the economically viable projects in high population density areas being electrified first. This left remote, poor rural areas without access to electricity. Low electricity consumption retarded the financial viability of the distribution sector in terms of return on capital investment, maintenance and operational expenditure.

As a result, Maduna said, the national electrification co-ordinating committee was established to advise government on electrification policies and recommend strategies for the programme.

With new regional electricity distributors to be put in place, a new structure and identity for Eskom was being put in place. Maduna said the approach to electrification would change.

"The current planning, funding, implementation and monitoring will be within the domain of government," he said.

Government planned to establish a national electrification fund to provide electrification subsidies which would derive income from a dedicated electrification levy. As a precursor to that, management of the current electrification funds would move from the National Electricity Regulator to the department.

Utility plans R2bn plant to aid rural electrification

Eskom 'to go nuclear'

ET (DR) 14/4/99 (NN)

NCABA HLOPHE

Johannesburg – Eskom, the electricity utility, was planning a R1,2 billion nuclear power plant to boost its mix of power sources for a rural electrification programme, Thabani Makubire, Eskom's nuclear researcher, said yesterday.

He said the project had been endorsed by the US-based Massachusetts Institute of Technology (MIT), regarded as the "mecca of physics" worldwide.

MIT said the plant, called the pebble bed modular reactor (PBMR), was the "nuclear power of the future". Its study had found PBMR had the potential to produce electricity generation that was environmentally friendly on a worldwide basis.

Makubire said MIT had expressed an interest in collaborating with Eskom on the project, but stressed that such co-operation would need to be endorsed through diplomatic structures.

He said Eskom had applied to the National Electricity Regulator for a licence to operate such a power plant.

Eskom would still undergo lengthy environmental exercises before beginning to test the plant, scheduled for 2003. The plant could be located either in the Western Cape or the Eastern Cape.

"After the test phase, we intend going global and exporting this capability," he said.

Makubire said Eskom had explored other options, such as solar and wind power, which had not proved convincing. The power utility was also under pressure to scale down its coal-fired power stations on increasing environmental concerns about carbon dioxide emissions.

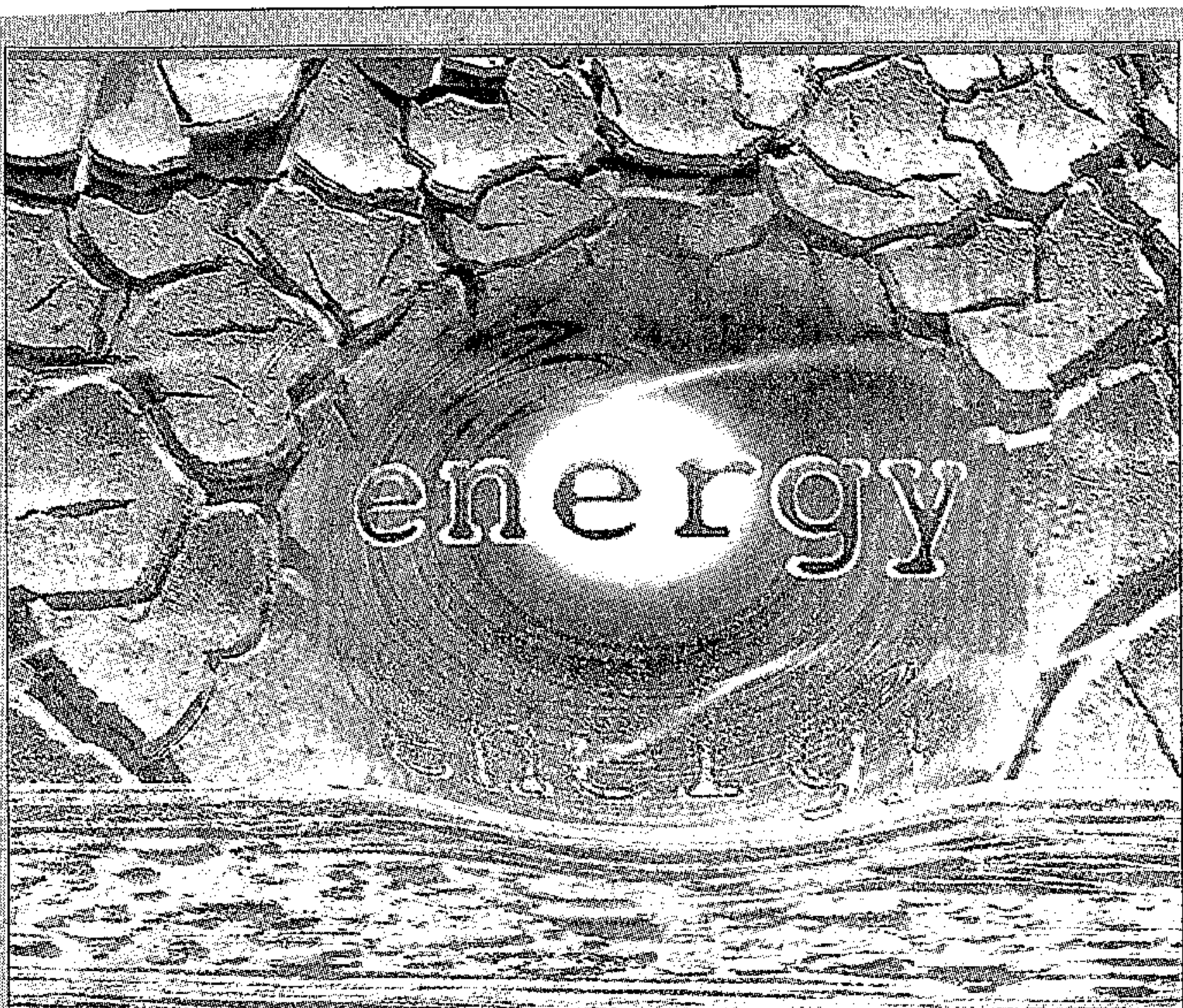
He said the parastatal would burn out all the harmful nuclear substances as part of the fuel for the plant.

"In fact, we are considering using the uranium from the arms and recycling it as fuel to burn it completely in our plant," he said.

Makubire said Eskom had integrated the best practices from other countries that had attempted such a venture to arrive at its "unique approach".

He played down fears that Eskom was planning to abandon most of its hydropower expansion plans to the rest of the African continent.

"Eskom Enterprise is setting up an office in Uganda, which will now take charge of our expansion activities in the continent," he said.



Only 20% of southern Africa's population has access to electricity

(66) CT(BR) 23/4/99

Charles Mubambe

Lusaka - Despite southern Africa's abundant energy resources, only 20 percent of the region's estimated 200 million people have access to electricity, according to a new study.

The study, conducted by the Nairobi-based African Energy Policy Research Network, says about 160 million people in the region rely on traditional energy sources, such as wood and cow dung.

The study, based on energy supply in eastern and southern Africa, attributes the imbalance to the region's rapid urbanisation, which is higher than the region's population growth. The Norwegian Agency for International Development and the Swedish International Development Agency funded the study.

While the number of electricity consumers is rapidly increasing, resources to expand or maintain existing plants are scarce, the study says. In some countries the primary energy resource is depleted.

"These factors contribute to the inability of utility companies to cope with the demand for electricity, resulting in power rationing and frequent supply interruptions," said Abel Mbewe of the Lusaka-based Centre for Energy Environment and Engineering.

Radical changes in the economies of the countries in the region in the 1980s contributed to the reduction in energy use.

This scenario had led to increased pressure on the provision of basic social services like electricity, water, education and housing.

The study shows that 48 percent of households in South Africa have access to electricity, compared with 17 percent in Zimbabwe, 14 percent in Swaziland, 13 percent in Botswana and 11 percent in Namibia.

Zambia, which exports power to several of its neighbours, only provides electricity to 10 percent of its population, while Angola provides power to 9 percent.

The Democratic Republic of Congo, Tanzania and Mozambique are tied at 5 percent, Malawi provides for 4 percent and Lesotho 3 percent.

In Zambia the poor performance of the industrial sector is largely attributed to poor economic policies, lack of foreign exchange to buy spare parts for plant maintenance and rehabilitation. This resulted in the shutdown of certain vital sections of production plants.

"Political instability is another factor that has contributed to the under-utilisation of the power sector," the study says.

"Utilities in countries such as Angola, the Congo and Mozambique operate below installed capacity. Congo has huge hydropower potential, which is difficult to exploit fully due to political instability.

"The industrial sectors of these countries have completely collapsed," the study says.

Pilferage of power is also common in many utilities in the region. This is attributed to the high and unaffordable connection charges. In 1994 Malawi had 316 illegal consumers, while Angola had 30 000 and Congo 80 000.

"The main issue affecting the region is energy supply. How to ensure adequate, reliable, environmentally acceptable and economically sustainable supplies of energy to reach the people," the study says.

In 1994 South Africa, whose power system is largely coal based, generated more than 80 percent of the total electricity production of the 14-nation Southern African Development Community. - Sapa-IPS

Downturn hammers Eskom profitability

Power utility is cutting its costs and postponing capital spending

(55)

BD 26/4/99

Robyn Chalmers

THE economic slump, locally and internationally, has hit Eskom's electricity sales hard, and its profitability this year is expected to be 25% lower than that of the past two years.

Allen Morgan, the power utility's CE, said: "This reduction in net profit is even more severe when compared with Eskom's original plans." Eskom has taken steps to reduce costs and defer capital expenditure in the face of ongoing strain on the global and local economy."

The financial fortunes of Eskom — one of the world's lowest cost producers of electricity — are closely linked to those of industries such as aluminium smelting and ferrochrome production. These sectors continue to come under pressure internationally.

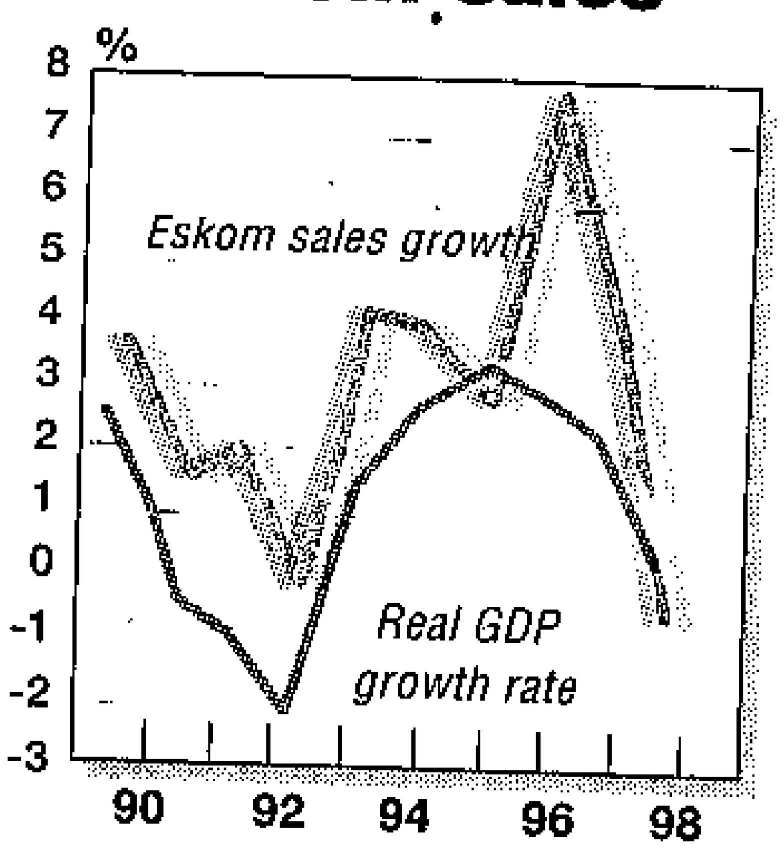
Eskom has an ambitious electrification programme, which will see 1,75-million homes electrified by 2000. Minerals and Energy Minister Penuell Maduna has warned that the economics of the programme are less favourable than expected, and that this will be exacerbated as more outlying rural areas are electrified.

Eskom is facing further financial challenges as government plans to convert the utility into a company, which will be subject to taxation and paying of dividends.

The utility is still exempt from the Income Tax Act.

Morgan said that the global economy was still going through a period of severe strain, and this was expected to continue for most of this year.

Eskom sales



KAREN MOOLMAN
Source: ESKOM ANNUAL REPORT

Eskom's latest annual report shows that net profit fell 10,8% to R2,8bn in the year ended December 1998 from R3bn. This downward trend is expected to continue in the current year.

The report shows that total electricity sold, in terms of gigawatt hours, fell 0,6% to 171 454 last year from 172 550 the previous year. Eskom is not expecting growth in electricity sales this year.

Morgan said that Eskom had implemented strategies to mitigate the effect of reduced electricity sales on its business by reducing costs and deferring capital expenditure.

Eskom also had to gear itself up to attract new direct investments to SA, and these would result in higher sales for the power parastatal.

Eskom chairman Reuel Khoza said that the impact of turmoil in global markets on some of Eskom's large industrial export customers was reflected in the quantity of electricity sold.

"In fact, this is the first time since 1992, and only the fourth time in our 75-year history, that our year-on-year electricity sales growth has been negative," he said.

Khoza said that many opportunities existed for Eskom to expand electricity markets elsewhere in Africa, and strong links were being established.

Memorandums of understanding have been signed with most African utilities to foster co-operation, and Eskom has forged a number of joint venture agreements.

These opportunities include the formation of Motraco, a joint venture company — consisting of Electricidade de Moçambique, the Swaziland Electricity Board and Eskom — for the construction of a 400kV line to supply electricity to Mozal, an aluminium smelter in Maputo. Eskom has also entered into an agreement with the Zambian Electricity Supply Corporation and Snel, an electricity utility in the Democratic Republic of Congo, to trade electricity.

Khoza said contract work had also been secured in the electricity sectors in Congo-Brazaville, Zanzibar, Namibia, Kenya, Botswana, Congo-Kinshasa, Mozambique, Uganda and Zambia, as well as in Indonesia and Thailand.

N Wednesday April 28 1999

Eskom builds on African power

By Mongwadi Madiseng

ALTHOUGH 1998 was a difficult year for South African and world economies in general, Eskom says it has managed to make a gross profit of more than R150 million by buying and selling electricity in Africa.

South Africa – the largest producer and consumer of electricity in the sub-equatorial region – accounts for 85 percent of electricity consumption in the Southern African Development Community, Eskom said.

Botswana has proven to be a good market for South African power and Eskom hoped it would continue to rely on South Africa for most of its power supply through plans to build a power station, the company said.

According to Pierre Rubbers, Eskom's member in the International Traders Team, Botswana wants to be self-sufficient but believes building its own station would be less efficient than having Eskom build it.

"It would be a very small station generating a total of 250mW, so they would not profit from economies of scale as we do with our much bigger stations," he said.

According to Eskom's Peter Adams, its electrification drive was progressing well, despite the high costs, related to its rural electrifying programme.

"In 1991, 32 percent of houses had electricity and to date more than 60 percent, including rural houses, are electrified.

"We hope to achieve the 70 percentage mark by next year," he said.

He said it cost his company a R1 million a kilometre to provide transmission lines to remote rural homes.

Despite this, Eskom would continue to show commitment to the programme.

Adams also said that his company, together with Shell Renewables, had launched a R30 million solar pilot project campaign to spearhead the rural electrification process.

He said Eskom sold solar energy equipment consisting of a solar panel and a battery to communities of more than 50 000 rural homes at a pre-paid charge of R47 a household.

His company's domestic consumption revenue had declined compared with previous years and they are keeping a watchful eye on operating costs carefully.

"More of our customers are unemployed or have less disposable income and spend little on the utilisation of electricity," Adams said.

Jury is still out on audit of electricity regulator

CT (BR) 4/5/99 (55)

Zintle Filtane

Johannesburg – More than five months after Manase & Associates, the auditors, began looking into allegations of irregularities at the National Electricity Regulator (NER), a final report has yet to be presented.

But Sandile Nogxina, the mineral and energy affairs director-general, has said the auditors were still investigating, and the public needed to "bear in mind the terms of reference for the team were extended. We're dealing with public funds here, and the investigation has to be thorough."

The auditors were initially appointed by the NER board to investigate various allegations, including whether rules and regulations had been followed in all transactions and whether board resolutions had been adhered to when executing financial matters.

The auditor's tender was originally for about R40 000, and the cost of the audit is fast approaching R500 000.

The terms of reference were extended by Penuell Maduna, mineral and energy affairs minister, to include management allegations against the NER board, which included conflict of interest with some board members. Since the extension, nothing has been said by either Maduna's office or the NER on what appears to be a rolling audit.

Enos Banda, the NER chairman, said: "Any day now, we're supposed to get closure."

Minutes of the board meeting which suspended Mvuyo Ndziba, former NER legal services general manager, and Gail Mlokoti, former NER corporate services general manager, show correct procedures may have been overlooked.

Ndziba was called to the board meeting after the board decided he would be suspended with immediate effect, pending further investigations into administrative irregularities, raising questions of the legality of the suspension.

One board member was recorded as having said: "we accept that the (legal) 'challenge is possible ... we are saying this board never approved his appointment and we wish to stick to that irrespective of consequences".

Both were later found guilty of various irregularities and dismissed. Their cases have gone before the Commission for Conciliation, Mediation and Arbitration.

UNIONS

NUM members given bail in Eskom case

The Johannesburg High Court yesterday granted bail of R2 000 each to 13 members of the National Union of Mineworkers (NUM) who were rounded up by police last week for allegedly setting fire to the Eskom Megawatt Park headquarters in Johannesburg last year, said Archie Phalane, the deputy secretary general of the union. The 13 members were part of a group of union members who turned violent when they reached deadlock with Eskom management on labour issues. The NUM took collective responsibility for the fire. Phalane said a magistrate had refused the group bail, which was granted by the high court on appeal on the grounds that the appellants might lose their jobs if they were locked up. A trial date was not set.—*Frank Nxumalo, Johannesburg*

(55)(BR)CT 7/5/99

Eskom powers rural job creation

(55) CT(BR) 12/5/99

ZINTLE FILTANE

Johannesburg – Small lucrative businesses had sprung up in the darkest corners of the country thanks to electricity, Peter Adams, the spokesman for Eskom, said yesterday.

Adams said villagers had started small businesses such as spaza shops and could later afford to upgrade to more power for more money, "improving their quality of life".

Eskom, as part of its electrification programme, was running pilot projects in two of the poorest provinces.

The power utility started the projects in 1995, providing two villages in the Eastern Cape and the Northern Province with a limited supply of electricity for a flat rate of R8,50 a month and a R10 connection fee.

But, said Adams, the connection fee was scrapped because some people couldn't afford it. "Now they just pay a flat rate of R10 a month."

He said more than 1,5 million rural homes had been electrified by Eskom since 1995.

Adams said although the nature of the supply, at just 2,5 amps a household, was restrictive, it was useful for the development of the rural community and "for schoolchildren who can now study late into the night".

EMPOWERMENT *Susan Shabangu, the minerals and energy deputy minister, will meet citizens of Mafefe village in the Northern Province today as part of national energy week. The province is one of two selected by Eskom to launch its rural programme*

For those who could afford it, an upgrade to 20 amps could be installed along with a meter for prepaid cards, in a system used by Eskom in almost all its rural programmes.

But the pilot projects have not been without challenges. Some clients, who spend time between the cities and their rural homes, were unhappy with having to pay a flat rate when no units were used.

Others, who could neither cook, iron nor use a kettle with the limited power, wanted to upgrade their power to 20 amps, prepaid.

Adams said more consultation could have taken place with the rural communities to establish exact needs for the different households.

Meanwhile, Penuell Maduna, the minerals and energy minister, launched national energy week with a demonstration of the Madiba Barrow, a plastic water tank with a solar heating panel that purifies and heats water while transporting it.

Call to nationalise SA's oil refineries

Reneé Grawitzky

A CONGRESS of SA Trade Union-aligned think-tank has proposed the nationalisation of oil refineries in an attempt to ensure the state does not lose a strategic and economically viable industry to foreign capital.

This emerged from a report compiled by of the National Labour and Economic Development Institute (Naledi) researchers, Vishwas Satgar and Lerato Balang, on the role and effect of multinational oil companies on the SA labour market.

Satgar and Balang argued that labour market reforms since 1994 had not prevented a fragmentation of the SA labour market.

A case study of the petroleum companies disclosed that employers were by-passing formal legislation with mechanisms such as outsourcing, encouraging self-employment and the use of casual workers.

Hence the industry was characterised by a core of workers who were relatively well paid with employment conditions either above or in line with the new Basic Conditions of Employment Act. At the same time, they said, petroleum multinationals had attempted to develop "a two-tier labour market". A second tier of atypical workers was created as noncore business functions were contracted out.

Satgar and Balang said multinational oil companies had accepted labour standards for core employees, but were "also bent on undermining it to consciously engineer a cheaper second tier labour market". This was occurring in a subsector where profit margins were extremely high, the report said.

Satgar said policy debate should be focusing on regulating outsourcing. The National Union of Mineworkers had adopted a similar approach and was demanding that the mining industry use only contractors accredited by a tripartite statutory body.

Satgar said the underlying policy approach to the liquid fuel industry was to diminish the role of the state.

Ironically, he said, the former government identified the sector as a strategic industry and spent billions to prop it up. Apart from security and strategic considerations, there were strong economic arguments to ensure state involvement in the industry.

BD 13.10.99

Wisdom of Orange River project queried

BD 13/5/99

Incomplete report slates apartheid rulers for abuse of farm workers, fly infestation

Louise Cook

THE previous government's decision to proceed with the multimillion-rand Orange River development project has been called into question in preliminary research commissioned by the World Commission for Dams.

The incomplete pilot study was partly funded by the World Bank and carried out by consultants specialising in engineering, the economy, social issues and ecology. It indicates that one of the main negative consequences of the project's implementation has been livestock losses costing about R88m a year due to blackfly infestations resulting from ecological disturbance.

The Orange River development project incorporates the Gariep Dam in the Karoo, SA's largest dam, which was built in the 1970s to provide water for irrigation and generate hydro-electric power.

A spokesman for the commission said the study was far from complete and some of the information contained in a briefing document sent to Water Affairs and Forestry Minister Kadar Asmal a month ago had already changed. A comprehensive updated report will be released when the study is complete.

The study also found that white farmers appear to have been compensated for the loss of their land due to the development, while no provision was made for workers living in the reservoir area. "The loss of 160 to 220 farm worker jobs at the reservoir sites, with no compensation packages, occurred. This represent(ed) a loss of dignity, livestock-raising opportunities and cultural burial sites when black workers were obliged to move from the land to be flooded.

"The main beneficiaries were white farmers that constituted the rural power base of the National Party," the document says.

The briefing document states that a proliferation of blackfly in the river has led to significant livestock losses. Blackfly feed on the blood of sheep and cattle, causing abortions and, in many cases, death. The insect is controlled by spraying from helicopters or depositing insecticide into river water.

The escalation of the problem is attributed directly to regulation of the river's flow, preventing its natural flood and drought cycle from taking place. One of the consultants involved in the study, Bryan Davies of University of Cape Town's ecology faculty, said at the weekend that the larvae population would normally be controlled by regular flooding. It is now costing about R2m a year to control the blackfly.

A positive spin-off of the project, highlighted by the study, seems to be that more electricity will be generated than was originally planned. The document states that this will happen over the period 2000 to 2010 due to lower than predicted irrigation use from the river.

Development bank to run electrification fund

(55)

National electricity regulator says process will be overseen by two committees

Robyn Chalmers

THE National Electrification Fund, currently overseen by the National Electricity Regulator, will amount to nearly R330m this year and a new agreement has been reached for the Development Bank of SA to administer the fund.

The National Electricity Regulator said two committees had been established to oversee the process.

The joint management committee, chaired by the regulator and consisting of senior executive managers of the regulator and the development bank, will oversee the overall management and execution of the fund. The liaison committee, to be chaired by the development bank and the regulator on a rotational basis, will manage the day-to-day operations of the fund.

The fund subsidises qualifying regulator-licensed electricity distributors, excluding Eskom, for about R2 000 a connection for electrification projects. Eskom itself spends about a further R1bn on electrification.

The National Electricity Regulator's management of the controversial electrification fund, which has been investigated by forensic auditors, is set to be shortlived. Minerals and Energy Minister Penuell Maduna said last month that the fund would be brought under his department as soon as administrative controls were in place and the manner of transfer investigated.

The regulator has previously indicated that it wishes to keep control of the electrification fund, but Xolani Mkhwanazi, recently appointed regulator CEO, has welcomed Maduna's decision to transfer the management of the fund. Mkhwanazi said the move would allow the regulator to concentrate on its core functions. These included facilitating distribution; approving prices

BD. 18/5/99

of electricity; and resolving disputes between suppliers of and their customers as well as disputes between suppliers.

The transfer of responsibility to the department comes after a forensic audit of the electrification fund launched by the regulator's board in November, prompted by board allegations of financial irregularities.

The Development Bank of Southern Africa, which has been managing the electrification fund for the regulator since June 1997, has recently signed a new agreement to carry on with the task.

Row over city power station gas plan

NORMAN JOSEPH (55)
METRO REPORTER
ARG 21/5/99

A row has erupted between the Cape Metropolitan Council and the City of Cape Town over the signing of a document relating to the introduction of gas at Athlone power station.

On Monday the New National Party-controlled metro council sent a strongly-worded letter of objection to the ANC-controlled city council.

At issue is a decision by the city council to sign a "letter of intent" with other local authorities to go ahead with a plan to convert the power station from being coal-fired to gas-fired.

This would reduce pollution, decrease Cape Town's reliance on the national electricity grid, and mean using gas piped in from Namibia.

The city council, South Peninsula council, City of Tygerberg and Blaauwberg council are members of the Electricity Co-ordinating Committee.

They, with other role-players such as Shell SA, are to sign the letter of intent at a ceremony on May 28. Oostenberg, Helderberg and the Metro Council are not members of the committee.

After receiving the metro council's letter on Tuesday, the city council's executive committee, led by ANC councillor Saleem Mowzer, decided to invite the metro council, Oostenberg and Helderberg to be third-party signatories at the ceremony.

The provincial government, the departments of trade and industry, mineral affairs and Wesgro would be included in the process, Mr Mowzer said.

In its letter to city manager Andrew Boraine, the metro council questioned the city council's attitude.

It said it was considering declaring a dispute with the council under the Local Government Transition Act, and called on the city council to cancel plans to sign the letter of intent.

The letter said the metro council had even considered bringing an urgent application to prevent the the city council from taking any steps "that may compromise the positions of the other municipalities".

Mr Mowzer rejected the metro council's perception that the local councils wanted to "go it alone with the project".

He said there was no basis for a dispute or court interdict, but that the city council would defend the issue if the metro council declined its invitation and went ahead with its threatening actions.

He said: "Electricity is a local council issue and the metro council has nothing to do with it."

Mr Mowzer said the letter of intent was a document or statement which committed the parties "in good faith", and was non-contractual.

"If the metro council refuses our invitation, we will sign the letter of intent with Shell SA," said Mr Mowzer.

Electricity licences are to be extended

(ff) BD 21/5/99

Regulator hopes to see progress in restructuring supply sector

Robyn Chalmers

THE National Electricity Regulator is to extend electricity distributors' temporary licences when they expire next month rather than issue permanent ones, because of lengthy delays in reshaping the electricity distribution sector.

Regulator spokesman Thabo Moseki said yesterday the temporary licences were likely to be extended for only a year to avoid problems should action be taken on restructuring the supply sector.

The original approval of licences was made subject to the supply industry being reshaped, which meant that all licences were approved on a temporary basis. "The position remains the same, but we hope that 1999 will see significant progress in this regard," said the regulator.

Licensing was a key issue in establishing regulation in the supply industry in 1996 when the first round of temporary licensing took place and licence conditions established.

The National Electricity Regulator said it did not revoke any licences in the year ended March this year — due mainly to the problems facing municipalities, including the need for capacity building.

Neil Croucher, generation and transmission engineer for the regulator, said the urgent need to restructure the distribution industry is clearly apparent and growing daily.

Croucher said previous attempts to undertake this task had failed dismally and it was clear such an enormous job was going to require total political commitment and government involvement. "It is hoped and believed 1999 will see significant progress in this regard," he said.

Croucher said there were many day-to-day crises faced by the distribution sector which demanded the regulator's attention, such as nonpayment, bulk account arrears, bankruptcy and the complaints of customers.

On the nonpayment issue the regulator indicated that the intervention of the bulk debt normalisation committee, set up under the regulator in 1997, would help electricity utility Eskom recover more than R300m in arrears payments.

The committee intervenes before Eskom cuts off services to defaulting municipalities and recommends a plan of action.

It has resolved 23 cases to date.

Croucher indicated that pressure was building from private investors who wished to take part in the generation sector. The dilemma for the regulator when considering these applications was that there could be a short-term increase in the total cost of generation in SA.

This could occur if the licensing of new independent power producers resulted in displacing Eskom power stations. "Eskom will simply recover their costs each year whether the plant is optimally utilised or not," Croucher said.

Namibian gas for city

NORMAN JOSEPH (55) ARG 24/5/99
METRO REPORTER

Gas from the Kudu Fields off Namibia is coming to Cape Town.

Local government in the Cape metropolitan area, the provincial government and Wesgro have been jointly developing a project together with Shell South Africa and Shell Exploration and Production (Namibia), which could result in a total investment of about R6-billion.

It includes the development of the offshore gas field, a gas pipeline to the Western Cape and the conversion of the Athlone Power Station from a coal to a gas-fired power station.

A gas-fired station will significantly reduce pollution and could result in cheaper electricity.

Depending on negotiations, viability studies and the final investment decision, construction work could start at Athlone Power Station in 2005.

Mike Marsden, executive director of municipal services for the City of Cape Town, said the project held the promise of significant benefits for the Western Cape. A gas-driven power station at Athlone would signal an end to neighbouring residents' concerns about pollution and hopefully electricity prices would decrease.

The presence of gas could also fuel economic growth with the expansion of certain industrial sectors and should give Cape Town a competitive edge with reduced energy costs.

Strategically, it would mean that the Western Cape could diversify its energy base and be less dependent on the national electricity grid for power.

This could also make the area more attractive to investors, as it would be less vulnerable to power cuts.

The project could result in major job creation in the Western Cape.

Mr Marsden said the process follow the principles contained within the White Paper for the electricity industry which made provision for Independent Power Producers.

It was important to ensure that the project was sufficiently diversified to enable disadvantaged sectors of society to take part in all aspects of the project.

Consultations had already started with the National Electricity Regulator, Eskom and national government departments, and these would soon be extended to communities and the trade unions.

Mr Marsden said that the National Electricity Regulator had expressed tentative support for the proposals pending further more detailed discussions.

He said that the Kudu gas field off the Namibian coast was proving to be a substantial discovery.

Shell South Africa was continuing its exploration of the concession and proven and projected gas reserves exceeded anything previously found off Southern Africa.

Apart from the Athlone Power Station, Shell South Africa was exploring other markets for the gas and this could include Saldanha Steel and various industrial and domestic markets in the Western Cape.

Mr Marsden said Shell South Africa had already completed initial feasibility studies for the gas pipeline from Namibia to Cape Town.

Petronet a likely vehicle for national gas grid

BD 1/6/99 (55)

Robyn Chalmers

GOVERNMENT has identified Transnet fuel pipeline subsidiary Petronet as the likely vehicle for the development of a national gas grid, possibly in the form of a public-private sector partnership.

The draft white paper on energy policy aims at the expansion of SA's small gas industry to the point where it would provide a significant component of national energy. However, this growth is expected to be based on regional gas trade and the minerals and energy department is looking at how regional gas policies can be harmonised.

Transnet MD Saki Macozoma said recently there were a number of ideas on the future of the gas industry. The creation of a public utility for gas, which would support a vision for a national gas grid, is one possibility. Macozoma said this would provide an appropriate, competitively priced foundation for a portion of SA's energy needs.

Petronet is the natural vehicle through which to build this grid. However, Macozoma said this was clouding the issue of the utility's privatisation. "My preference would be to see a public-private sector partnership in the provision of this gas grid, rather than the establishment of a public utility," he said in a Business Map review.

Industry officials say there are political sensitivities around the restructuring of Petronet, which plays a key role transporting various fuels in SA.

In the year to end-March last year Petronet posted a net profit after finance costs of R321m, from R273m previously, on total turnover of R636m (R551m). It said the main contributor to the performance was sustained growth across all product sectors.

The draft white paper notes that while SA has relatively small known gas resources of 33-billion cubic metres, significant expansion of the industry is possible due to natural gas discoveries in Mozambique and Namibia.

NUM rejects govt's denials

(5h)

Privatisation of Eskom 'clearly on the agenda'

BD 9/6/99

Robyn Chalmers

THE privatisation of Eskom is clearly on the agenda, despite repeated government denials that it intends selling off the electricity utility, says National Union of Mineworkers (NUM) general secretary Gwede Mantashe.

Speaking at a privatisation conference yesterday, Mantashe said that all the processes witnessed by labour over the past five years indicated clearly that government wished to privatise Eskom.

Public Enterprises Minister Stella Sigcau, who has previously said that privatisation was not currently on the cards for Eskom, said yesterday the utility provided a crucial social service with its reconstruction and development programme.

However Sigcau said that earlier this year a SA delegation went to a number of other countries to study how their electricity industries operated.

Mantashe accused the public enterprises ministry of "pushing through" last year's Eskom Amendment Act. The act stated that Eskom would be incorporated in terms of the Companies Act, and would pay tax and dividends.

"This was so despite our opposition to these amendments.

"With other unions, under the umbrella of Cosatu, we made a joint representation in opposition of these amendments," he said. Labour wanted government to set electrification targets and benchmark Eskom against them rather than making Eskom pay tax and dividends and then asking the fiscus to provide for electrification programmes.

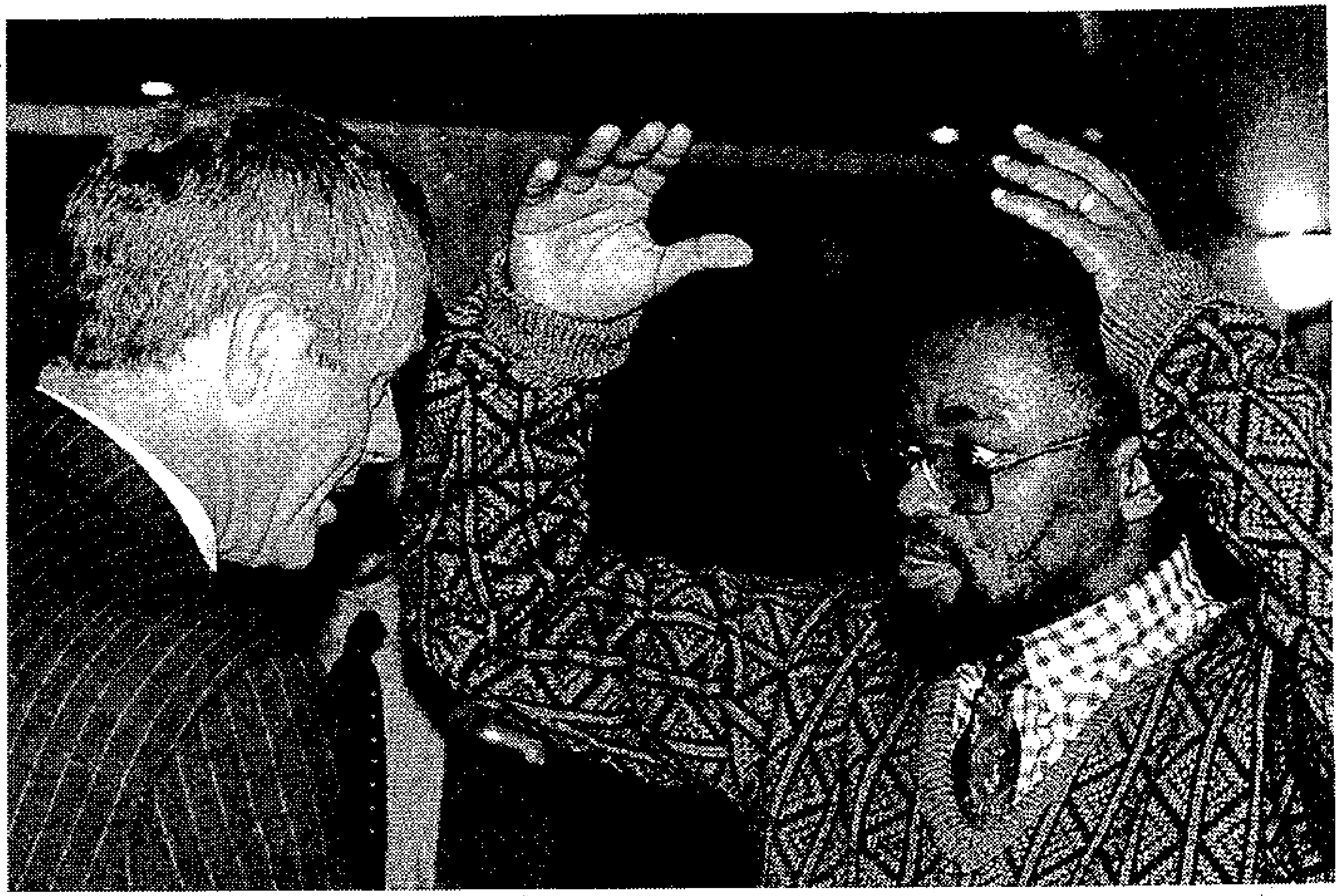
Mantashe criticised the energy white paper published by the minerals and energy ministry for its "glaring weaknesses".

The electricity supply industry, portions of which are up for restructuring, had been reduced to a political football and this needed to be urgently corrected, he said.

The energy white paper placed emphasis on competition in the supply sector, which Mantashe said meant breaking the industry into small units. It was proposed that distribution be consolidated into a limited number of regional electricity distributors, transmission made a stand- alone company and generation broken into individual power stations as stand-alone businesses. "This, in our view, is preparation for (the) piecemeal privatisation of Eskom," he said.

Mantashe said labour was opposed to the subtle approach to privatisation. Government had to pronounce its intentions and engage trade unions in debate. "They must make us see what they see as advantages of privatisation."

The NUM supported Eskom's recent internal restructuring which reduced the number of groups from 10 to seven and maintained Eskom's core functions of generation, transmission and distribution. "In our view, this is restructuring focusing on improving efficiency levels rather than privatisation," he said.



National Union of Mineworkers general secretary Gwede Mantashe, right, and Eskom Enterprises MD Jan de Beer engage in discussion at the privatisation conference held in Sandton yesterday.

Picture: ROBERT BOTHA

About 70% of SA to have electricity

ABOUT 70% of SA homes would have electricity by the end of the end of the year, Xolani Mkhwanazi, National Electricity Regulator CE, said yesterday.

He said about 32% of approximately 8,5-million homes in the country had electric power.

Mkhwanazi said 30% more homes had electricity last year, bringing the total to 62%. — Sapa.

BD 11/6/99

(55)

POWER TALK *NER's Enos Banda (left) and Xolani Mkhwanazi* PHOTO: SELWYN TAIT

Drastic overhaul for electicity tariffs

ZINTLE FILTANE (55)

CT (BR) 24/6/99

Johannesburg – The electricity industry was bracing for a major restructuring process that would drastically reduce the number of tariffs, at present about 2 000, used in pricing electricity in the industry, Xolani Mkhwanazi, the chief executive of the National Electricity Regulator (NER), said yesterday.

Mkhwanazi said the tabling of a draft paper for the restructuring of the industry by the department of minerals and energy affairs just before the election, as well as the request that the NER hold R4,8 million of restructuring funds, indicated that the overhaul was imminent.

The electricity industry had been considering the idea of restructuring for more than five years. The white paper on energy policy said a restructured distribution industry would be made up of viable regional electricity distributors (REDs). The REDs would be run by a publicly owned holding company involving municipalities and Eskom. The level of control by the two entities was in dispute.

Eskom will make a presentation on the proposed wholesale electricity tariff (WET) to the NER board today. A speedy agreement on the WET would accelerate the beginning of its implementation, which could be as early as next year, said Mkhwanazi.

Enos Banda, the NER chairman, said it would meet Phumzile Mlambo-Ngcuka, the minerals and energy affairs minister, shortly to discuss a conclusion to the long-awaited forensic audit by Manase and Associates.

He said while the NER wanted answers, it would not go on waiting for a detailed finding. Banda would not comment on where the bottleneck was or on the amount of money spent on the audit.

But sources said there was a dispute between the department and the NER about who was responsible for the bill, now more than R500 000. They said the auditors had been appointed by the NER board to investigate former NER management and were later appointed by the department to include investigation of the board.

BD 24/6/99

Plan to revamp electricity distribution throughout SA

(55)

Robyn Chalmers

MANAGEMENT of the National Electricity Regulator (NER) will present to its board today a wide-ranging reshaping plan which chairman Enos Banda described yesterday as a "watershed" for the organisation.

This comes amid indications that cabinet recently approved part of a minerals and energy department proposal on the new structure of the R25bn electricity distribution sector.

The department's proposal is understood to deal with the establishment of a single holding company to oversee an estimated five financially viable independent regional electricity distributors.

The distributors are likely to be owned by municipalities and Eskom.

Banda said the board would make decisions on the future of the NER management structure, to ensure it became more accountable and responsive, along with a number of other issues.

"We are confident that (the proposed reshaping) will make a big difference to the way in which the NER regulates the industry," he said.

A new annual report was due out in the coming months after the NER took a decision to withdraw an earlier annual report issued by former chairman and CEO Magate Sekonya.

The NER has also shelved the controversial "poverty tariff" which was introduced by Sekonya and previous management members.

The poverty tariff, aimed at reducing electricity prices for the poor, was a huge social undertaking and had significant implications for Eskom, government and the industry.

Banda said a forensic audit of alleged past irregularities at the NER, originally called for by the board and then extended by government, was continuing. The NER hoped to meet the new minerals and energy minister Phumzile Mlambo-Ngcuka in the next 10 days to discuss the audit and other issues.

"We would like to get a commitment for the speedy conclusion of the audit so we can go on with the business of the NER," said Banda.

BD 25/6/99

Revamp of electricity regulator gets the nod

Robyn Chalmers (56)

THE National Electricity Regulator's board has approved a reshaping plan which will see a flattened management structure and a stronger focus on regulatory issues.

The regulator's CEO Xolani Mkhwanazi said yesterday the plan would give the organisation a new vision and mission and allow it to focus on its core business while also attending to urgent strategic issues.

The core business includes issuing licences, setting tariffs, resolving disputes and monitoring the quality of electricity supply. Urgent issues include developing a policy framework relating to the licensing of independent power producers, participating in the national electrification co-ordinating committee and starting the integrated resources planning process.

In terms of the regulator's proposed new structure, Mkhwanazi said there would be a CEO and four general managers. Two GMs would focus on regulatory issues like tariffs, restructuring the generation, transmission and distribution sectors, customer services, licences and the electrification programme.

There would be a GM for research, development and information to oversee policy and special projects as well as information resources. The fourth GM would be for support services, such as finance and administration, human resources, communications and legal issues.

The regulator is emerging from a long period of uncertainty after the resignation, dismissal or suspension of the entire management team. More than 50% of all staff had either resigned or been dismissed by late last year. The organisation is also still awaiting the results of a forensic audit into allegations of financial and other irregularities.

Numsa and Eskom talks are at an impasse

ct (MR) 25/6/99 (55)

FRANK NXUMALO
LABOUR EDITOR

Johannesburg – Wage negotiations between the National Union of Metalworkers of South Africa (Numsa) and Eskom, the national electricity utility, had reached deadlock, Numsa said yesterday.

One of the affiliated unions had walked out, making it impossible for the other unions and Eskom to continue negotiations. A meeting had been proposed for Tuesday to chart a way forward.

Numsa accused Eskom management of negotiating in bad faith and offering "miserable wage increases" of 6 percent on actuals and 8 percent on minimum wage increases. But Eskom said the unions had responded to its offers by tabling a revised consolidated demand of 10 percent on the minimum of scale and a guaranteed increase of 9 percent, and it "was inaccurate for Numsa to allege that there was a deadlock".

Numsa said the offer exacerbated the apartheid wage inequalities. Because they did not keep pace with the inflation rate, workers' purchasing power would decline.

"We have tried to play our constructive role in resolving the impasse but the Eskom cabal still sticks to the old ways of approaching issues," said Dumisa Ntuli, Numsa's spokesman. "There is no strategic thinking in resolving the problems."

But Eskom said it had not attached any conditions to its offers and was therefore "innocent of the allegation of bad faith negotiations". It said the unions, however, had threatened to revert to their original demand of 10 percent across the board if Eskom did not meet their demands.

Numsa also accused Eskom of refusing to implement the agency shop agreement and to discuss training related issues.

Eskom said the allegations were unfounded because it would discuss the issues once the salary increase and conditions of service negotiations were concluded.

NER's silence is criticised

CT (MR) 1/7/99 (HN)

FRANK NXUMALO

Johannesburg – The National Union of Metalworkers of South Africa (Numsa) and the South African Municipal Workers' Union (Samwu) this week slammed the National Electricity Regulator (NER) for its silence on a proposed poverty tariff for indigent communities in the tariff restructuring plans made public recently.

The unions read the silence to mean the NER planned to scrap the tariff, apparently approved by the former board, and had therefore "overstepped its mandate" by making a decision that was essentially political.

"The NER board has approved the initial process of a poverty tariff, which is being carried out by the financial services department within the low-income communities.

"Special attention should be directed at those regarded as the poorest of the poor or rather the indigent," Terrance Naidoo, the former financial services general manager at the NER, told the board last year.

He said indigent people were those unable to make any monetary contribution towards basic services, no matter how small the amount. The category includes pensioners, the unemployed, people with disabilities and single parents.

But the NER board and the department of minerals denied any knowledge of the minutes of the board meeting, let alone the approval of the proposed tariff.

Enos Banda the chairman of the NER, said the regulatory body's board "never approved the poverty tariff", because that would have constituted a usurpation of a government prerogative.

Banda said the NER's responsibility was limited to making the cost of electricity transparent and, on that basis, the government would decide where to subsidise, whom to subsidise and on what basis to subsidise.

Numsa said NER plans had the potential of changing the country's status as one of the cheapest suppliers of electricity.

"Our view is that there must be a special lifeline tariff for poor customers. We believe that wealthy customers should pay more so that poor people can afford electricity," said Dumisa Ntuli, a Numsa spokesman.

Samwu said it was "shocked that in the process of restructuring the electricity industry, the NER has forgotten about the desperate need of the poor to have access to electricity.

"The union strongly objects to the scrapping of the poverty tariff. While the poverty tariff was not enough, the scrapping is clearly a step away from recognising electricity as an essential service necessary for life.

"The union is once again making a longstanding demand for a free lifeline supply of electricity to be made available to the indigent.

"Eskom is clearly not suitable to be the provider of a public service if it refuses to put in place a tariff system of cross-subsidisation where wealthier users will subsidise the poor," Samwu said.

The union said it would "support Numsa in any action it chooses to take in this matter".

Eskom commits to Kudu Gas

CT (PR) 2/7/99

TABBY MOYO (NN)

Windhoek – Eskom, the power utility which was getting cold feet about its investment in Namibia's Kudu Gas power project near Oranjemund, has now joined other partners in renewing commitment to the project, Leake Hangala, the managing director of NamPower, Namibia's power utility, said yesterday.

The R2,2 billion 750 megawatt project is expected to bring Namibia and the region a total investment of up to R18 billion.

Hangala told a consultative meeting on industrial development opportunities in Namibia that new commitment to the project was made last month at a meeting in Amsterdam between officials of NamPower, Shell Exploration and, Eskom.

The three companies, together with National Power of the UK, have formed a partnership to develop Kudu.

The renewed commitment also followed the recent discovery of more gas reserves amounting to more than 20 trillion cubic feet – higher than the initial estimate which put Namibia's gas reserves at a maximum of 5 trillion cubic feet.

Hangala assured the meeting that the Kudu project was sound from a technical, economic and environmental perspective.

Eskom had developed cold feet following the release of the findings of a feasibility study conducted by independent consultants and finalised in October last year.

Eskom, which has a 13 percent stake in the project, then became concerned about the expense involved getting the project off the ground.

However, Hangala confirmed yesterday that the South African power utility was again fully behind the project. Only 320 megawatts of power generated at the project, expected to be operational by 2005, would be consumed locally.

The remaining 430 megawatts would be purchased by Eskom for industrial use in South African, particularly in the Western Cape region. – Independent Foreign Service

Eskom to keep its ailing Esmed alive

(55)

PRETORIA — Eskom's medical fund is in financial trouble but will be kept going by the company as it contemplates the scheme's future, says the Council of Medical Schemes.

Registrar of medical schemes Danie Kolver said yesterday that Eskom reported financial shortfalls in its medical fund, Esmed, a few months ago. "At the same time it put forward a plan to address the situation," he said.

In terms of the plan, Kolver said, Eskom would prop up the fund until the end of the year. The Mineworkers' Union earlier in the day said that Esmed was technically bankrupt and that the fund suffered an annual loss of about R60m.

(299) BD 6/7/1991

Energy centre takes power to the people

(55)

JOYFUL MLAMLI MANELI
SPECIAL CORRESPONDENT

ARG 6/7/99

A new centre in Khayelitsha has relieved residents of a major burden.

Carrying cans of paraffin or loaded gas cylinders long distances has been a regular and heavy chore for people living without electricity.

But now an "energy centre" has been opened in Harare where people will be able to get their energy needs virtually on their own doorsteps.

It is the first centre of its kind in Cape Town, although Shell opened three similar centres as pilot projects in Gauteng last year.

Xolile Mayekiso, who runs the centre, said small businesses such as spaza shops in the area would have paraffin delivered to their doors.

"The initiative is more than just a business venture for the giant fuel distributors. I think this is a way of bringing empowerment opportunities to the local people."

Mr Mayekiso said both paraffin and gas were primary products needed by the community.

"The aim is to make the product conveniently available."

A Harare businesswoman, who gave her name only as Nozukile, said Khayelitsha residents would no longer have to wait for an Elsies River distributor to deliver, but would now be able to run to their nearest spaza shop if stoves ran dry.

Boy Sinyakanyaka of Harare, a truck driver at the energy centre, said he would now be able to work closer to home. Most of his salary had gone on transport getting to his previous trucking job in Elsies River.

The closeness of the energy centre to people's homes would also reduce the transport costs of those taking taxi rides to reach gas and paraffin depots outside the area.

Waldi Lubbe of the Paraffin Safety Association of South Africa said there were strong measures in place at the centre to educate community about the dangers of the product. "No Smoking" signs and leaflets on how to take precautionary measures would be used to educate customers.

MONDE DLAKAVU

Getting energised: the owner of Harare energy centre Xolile Mayekiso, Shell's project marketing manager Stephen Blewett and truck driver Boy Sinyakanyaka at the launch of Harare's 'energy centre'

Eskom to close medical scheme Esmed

BD 7/9/99 (75) (299)

Robyn Chalmers and Sapa

ESKOM is to close down its main medical aid scheme, Esmed, after struggling for almost three years to stabilise the troubled entity, which is running at a loss of about R60m a year.

Eskom has issued a statement to the suppliers of medical services to its members saying there is no cause for concern. The fund has more than 18 000 members.

Eskom has undertaken to make good Esmed's shortfalls until the end of the year. All legitimate medical services within members' limits will be honoured until January 1.

Eskom's management had to step in to stabilise the scheme in 1997 after its surplus plummeted. Management ended its contract with administrator Medimo last year and called in auditors when it discovered financial chaos and unreconciled accounts.

Eskom and Esmed will now investigate medical aid schemes to find a long-term solution for Esmed's members.

Esmed's difficulties are understood to have arisen from two main causes: the high rate of medical inflation and the increasing ratio of pensioners to employees.

A viable scheme needs at least four active members for each pensioner-member. Esmed has two active members for each pensioner, mainly because of early retirements and voluntary transfers.

Officials close to the process said this factor and rising medical fees meant Esmed could not retain the prescribed 25% reserve fund. Conditions were unworkable and unlikely to improve soon, the officials said.

Danie Kolver, registrar of the Council of Medical Schemes, said Esmed's problems were reported to the council some time ago. He said the council conditionally accepted Eskom's assurances that Esmed would be kept going while its future was being considered.

The Mineworkers' Union expressed concern earlier about its members who belong to Esmed and urged Eskom to allow them to join a plan the union intended setting up.

Eskom officials said the union's request had to be considered carefully. "Losing more active members will weaken the fund and aggravate the situation. Whatever the case, we will find a solution before the end of the year."

Township residents refuse to stay in the shadows

(ff) CT 13/7/99

FOR many South Africans, flicking a switch and having some electrical appliance perform is something they take for granted. Others pay up to R7 a time to have a car battery charged to run lights or cooking equipment. Some township residents pay up to R10 per metre for wiring for an illegal electrical connection. Out of desperation, they say, they are using whatever methods necessary to supply power to their homes, writes **MANDLA MNYAKAMA.**

FOR the past three years residents in the informal settlements have taken matters into their own hands, claiming they have been sidelined from the government's national electrification programme.

Out of desperation, residents have made illegal electrical connections to nearby electric poles, broken into street lamps, modified indoor electrical meter boxes and other electricity facilities around the township.

Owners of conventional homes nearby, and those living on serviced sites with their own power, illegally supply shack residents with electricity by running long cables from their own power sources to the shacks.

Shack residents, in return, pay them a monthly fee.

In one informal settlement in Khayelitsha, residents say they were forced to take such action because electricity, like fresh water, was important to everyone.

They say they only resorted to illegal means when it seemed no-one in power was interested in their plight.

"They don't care about us. We are not recognised as people need of these services.

"I don't know why, because we all pay tax." said one resident.

Maxwell Mofoka, low voltage supervisor for the Phambili Nombane (Forward with electricity) programme, Eskom's supply agent in the area, confirmed the problem.

He said the situation worsened daily.

He said when Eskom first began monitoring the use of illegal electricity in the area two years ago, only a few residents from local sections and shack settlements were caught.

They were penalised for tampering with electrical facilities and for breaking meter boxes to electrify nearby informal settlements.

Mofoka said it wasn't easy to catch everyone doing this, but sometimes residents who felt uncomfortable with the situation would tip them off as anonymous callers.

However, he said, each time a problematic area was identified, most residents failed to co-operate with monitors.

Eskom inspectors were sometimes physically thrown out of homes they were inspecting.

Sometimes residents with illegal electrical connections would simply lock up their shacks and walk away as soon as they saw vehicles from Phambili Nombane in their areas, or those who had direct connections to electricity poles quickly detached the wires from their shacks and left them lying on the ground.

First time offenders found tampering with meter boxes have the boxes confiscated immediately, and are fined R910. Second time offenders are fined R1 720.

The confiscated boxes are kept in the Phambili Nombane offices until the fines are paid.

'These are natural electrical engineers created by poverty — they're doing their best to earn a living'

Mofoka said most residents involved in electricity theft were usually coerced by people who had previously worked for electrical contractors in some capacity.

"These are natural electrical engineers created by poverty, now they're doing their best to earn a living by whatever means," he said

He said about 30 homes were inspected every day, and about four residents a month were caught using electricity illegally.

Neil Croucher, Electricity Director for the City of Cape Town, said they discouraged all illegal electrical connections in the townships.

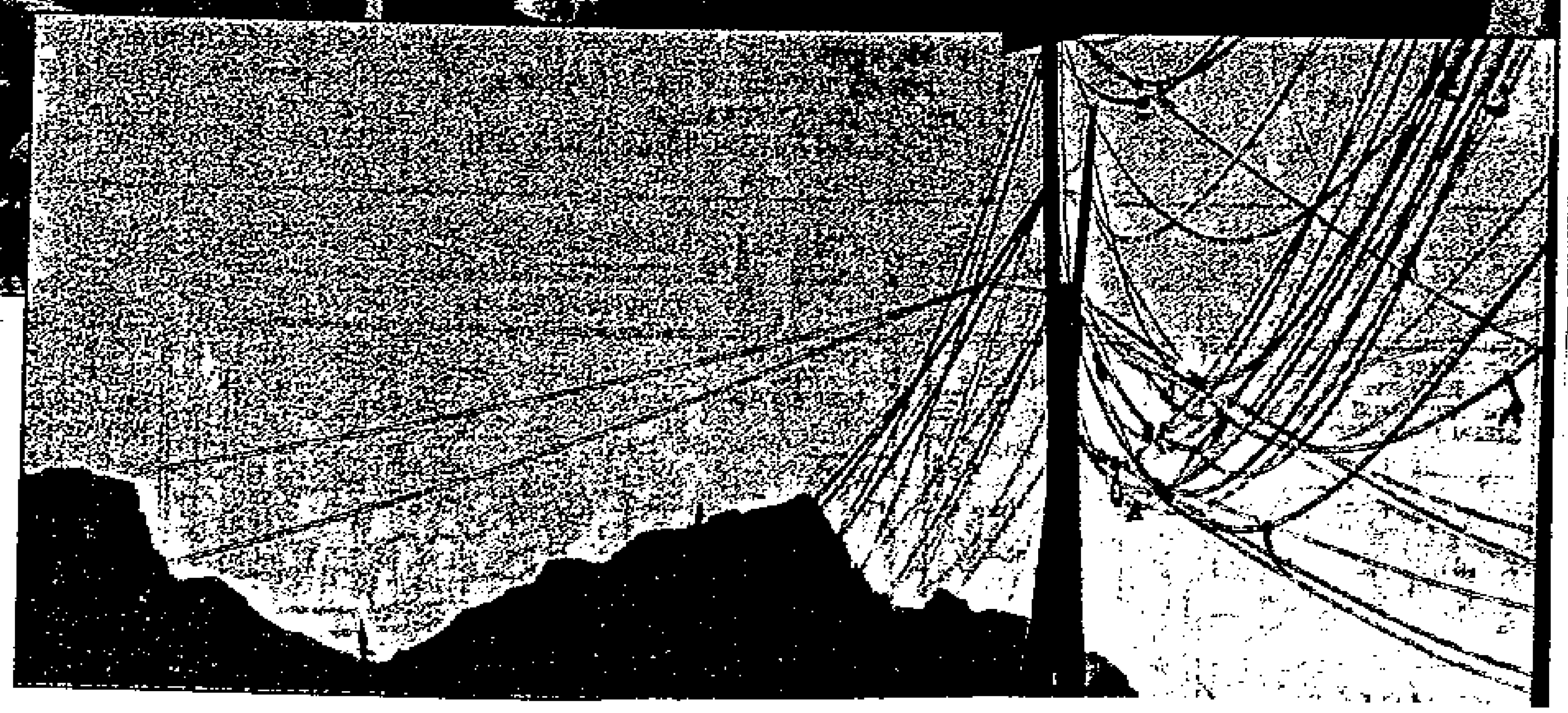
He said a newly established pilot project currently looking at electrifying the KTC settlement would also consider other informal settlements.

No comment could be obtained from the City of Tygerberg as Deon Louw, the director of the electricity department, was unavailable.

Mandla Mdingi of Eskom acknowledged that it was the company's responsibility to electrify the areas, but said they couldn't "simply move in" without permission from the City of Tygerberg.

"It was long time ago when they promised us that in 1999 they wanted us to electrify about 5 000 homes.

"It is because they have failed to fulfil their promises that people started to electrify their shacks illegally," he said.



CREATURE COMFORTS: A Nyanga resident (above) watches television at home. Also visible in his zinc shack, which is about 700m from the nearest legal power source, are a hi-fi system, an answering machine for the telephone, a refrigerator and an electric frying pan.

TWISTED TAPESTRY: Swirls and loops of electrical cabling rising from the roofs of township shacks, as seen against the backdrop of Table Mountain.

PICTURES BY ANDREW OCTOBER

Tangled webs of wires snare unwary victims

THE high risks posed by makeshift electrical cables that characterise township skylines do not seem to matter much to the locals.

There seems to be no fear of the possibility of burns or electrocution, and the proliferation of hanging wires only inconveniences police vans, bus and truck drivers whose vehicles are sometimes obstructed.

Sometimes live wires are run across the streets — this is apparently seen as a way to avert dreaded shack fires, because people with electricity are not dependent on paraffin and gas for cooking and heating, and candles for light.

This is basically how illegal electrification works: A shack resident on an illegal site agrees on a monthly fee to be paid to a neighbour on a serviced site.

The neighbour is then responsible for extending live wires to the shack. Sometimes these wires, which are purchased by the shack resident, are strung over hundreds of metres.

They can be wound around pipes, wooden planks, street lamps and looped around telephone poles on their way between the two sites. Other times, makeshift electric cables are laid across the streets.

These wires are poorly insulated with scraps of plastic and pieces of tape. On rainy days, the cables get wet and cause power cuts and injuries.

Other wires are buried in shallow channels chiselled into the surface of the road.

Low-slung cables make it impossible for double-decker buses and police trucks to pass without ripping the wiring from its moorings.

Most residents are uninformed about the dangers, and risk being electrocuted when they walk over the knotted live wires that criss-cross tarred roads and dusty streets.

Residents with legal power supplies have been known to connect to up to eight shacks at a time, which Eskom says seriously overloads their power supplies.

One resident, who shares his power supply with eight shacks from a nearby informal settlement, said he could not turn away his neighbours when they pleaded with him to supply them.

He said they all expressed deep concern about shack fires.

They all criticised the council for dragging its feet on electricity service.

Another resident, who applied for electricity from the council two years ago, said he was told that the area in which he lived would have to be "developed" and infrastructure put in place before the shacks would be electrified.

Mzwandile Nofemela, customer service manager for Phambili Nombane, said a connection fee of R115 was charged for an electricity hookup. However, the mushrooming of shack settlements complicated matters of administration.

He said most people who supplied others with electricity did so out of fear and intimidation, not altruism. He stressed that illegal connections were extremely dangerous.

"The closer you get to the electric field the more danger you are in. Some of these people throw wires over the high voltage panels, without knowing that they can be easily electrocuted", said Nofemela.

He said they had tried to educate residents about the dangers of illegal wiring through various newspapers articles and other media.

Nofemela said the council was aware of about these practices, but nothing had been done to provide power to the affected areas.

"Our main concern is the safety of the people. They should beware of the perils of electricity," said Nofomela.

In 1997 and 1998, 18 children from the area suffered burns from illegal connections.

DANGEROUS WORK: A Philippi man repairs a section of rain-damaged electrical wiring.

Eskom powers up Africa

STC(BT) 25/7/99

The SA electricity utility can provide a boost for development in Africa, writes JANETTE BENNETT

(55)

THE World Economic Forum's Southern Africa Economic Summit in Durban this month placed regional economic integration at the top of the agenda, with all the signs that a Southern Africa Development Community (SADC) free trade agreement is close. But governments still have some talking to do.

In reality, the barriers of borders have been well transcended. Paving the way is Eskom, SA's electricity utility, whose existing and planned grid stretches throughout the SADC region, over Africa, and beyond.

"Electricity supply is already integrated," Eskom Enterprises CE Jan de Beer told BT. "Now we are getting to grips with real issues on the ground, like transport and communication, addressing price, not principle."

Through joint projects and partnerships, Eskom is active in Zambia, Botswana, Tanzania, Zanzibar, the Democratic Republic of the Congo (DRC), Gambia, Rwanda, Kenya and Nigeria. It has permanent offices in Uganda and Mozambique, and is considering projects in Morocco and Algeria. Beyond Africa, it is weighing up going into Australia and Russia.

Eskom chairman Reuel Khoza, however, stresses the utility's main thrust is Africa. And all its joint venture projects "must be business cases which make commercial sense".

Eskom now supplies more than 95% of SA's electricity and more than 60% of electricity consumed throughout Africa. Its 26 000km of existing transmission lines stretch into most SADC countries.

What do you do when you have such a massive infrastructure? You build on it and, for Eskom, this also means a move into telecommunications. De Beer says it's a "natural, logical progression" to build a fixed-line business on Eskom's highway of power. "It's a long-term worldwide tendency for IT, telecommunications and power to converge," De Beer says.

Over the past year, De Beer says, Eskom split its focus between regional and SA power supply.

"The regional concept," says De Beer, "is both an opportunity for SA and an obligation. Creating jobs in neighbouring countries, for instance, eases pressure on the SA job market."

Regionally, the tool is the Southern African Power Pool (SAPP), which aims to create an integrated grid and a common currency of electricity — and which, it was agreed at the summit, needs to be given more impetus. Eskom, as a major player in the SAPP, contributing with expertise and cheap electricity, is well placed to do this.

Energy costs typically consume about 40% of the costs of establishing major projects. "Many industries are profitable," Khoza said, "because of inexpensive electricity."

Eskom's involvement in Africa tends to be in the areas of engineering, design, management and construction. "In three months," De Beer said, "we raised the profitability in one country fourfold".

It's not about hand-outs and charity though. It's about partnerships, facilitating development, and regeneration.

Motraco is a case in point. Eskom is a partner with Electricidale de Moçambique and the Swaziland Electricity Board in Motraco, formed for construction, ownership and operation of a 440kV line to supply the $1.34-billion Mozal aluminium smelter. Mozal, Mozambique's biggest investment project, is now 35% constructed. It anchors the Maputo Development Corridor and is expected to generate export earnings of some $400-million a year. It has already created 7 000 jobs (4 237 filled by Mozambicans) and thousands more indirectly.

Another is the buy-and-bank agreement with the Zambian Electricity Supply Corporation and Snel, a utility in the DRC, to trade electricity at different times of the day. Funds from that venture will go to refurbishing the DRC's badly-damaged electrical infrastructure.

Privatisation is barely an issue for Eskom at this stage. It was felt at the summit that privatisation of energy utilities was "a pragmatic tool, not a panacea".

Despite Eskom's good track record, Khoza told a plenary the priority was still social delivery, and "there are still many more home units to be served before we seriously consider privatisation". But he added: "We don't have to wait for privatisation."

In rural areas, energy is a key element in achieving sustainable development, Khoza says. It is important, however, to balance commercial and social imperatives — by democratising energy distribution and recovering costs in the process.

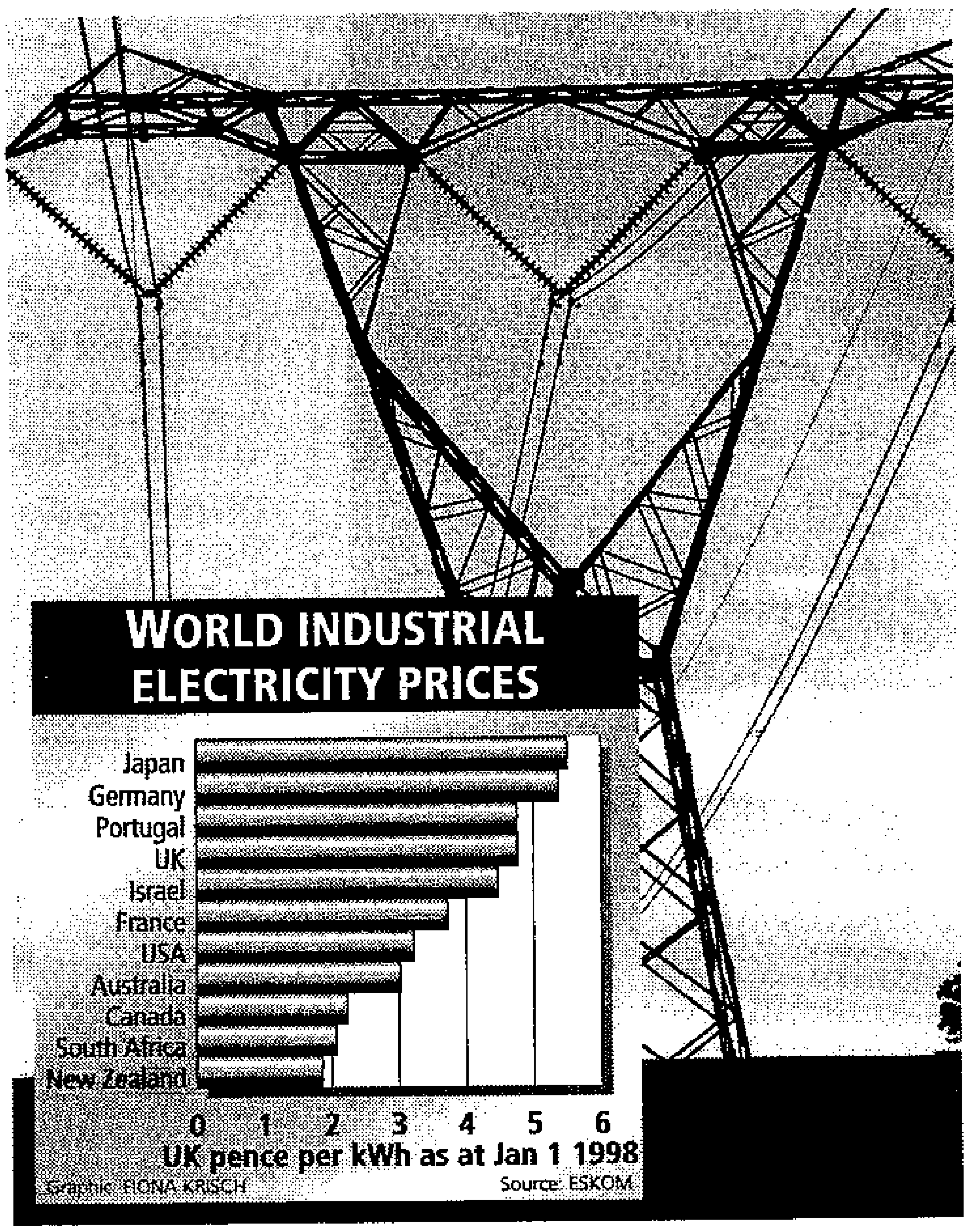
Partly due to the legacy of the past, SA still tends to operate from a supply-driven rather than demand-driven approach, and this needs to be turned around. But excess power, De Beer says, is a raw material which opens up new ways for lateral thinking.

Electricity is in fact one of SA's best assets. It is among the cheapest in the world, and SA has it in abundance. It makes sense it should be one of SA's and the SADC's most valuable exports and that Eskom should be a global player.

In global terms, the utility is the fourth largest in generating capacity, the fifth largest in sales, and has the world's biggest dry cooling station. On a residential level, it is the world leader, connecting about 1 000 homes a day. Last year, it passed its target and made 291 352 home connections. It is on track to electrify 1.75-million homes by the end of the year.

According to SA Trade and Industry Minister Alec Erwin: "If we manage our energy resources well, this must be one of our greatest competitive advantages. It opens a host of possibilities for us."

Referring to the energy over-capacity, Earth Council chairman Maurice Strong said: "Energy can do for Africa what iron and steel did for Europe." It opened access to markets, and its development "would be a real precursor to regional integration" in Africa.



Koeberg crack alert

No threat to city – Eskom

ARG 31/7/99 (57)

LENORE OLIVER

Eskom will shut down its turbine rotor shafts at the Koeberg nuclear power station in September after a worldwide warning by the French manufacturer that they are prone to cracks.

But Eskom says neither the electricity supply to Cape Town nor public safety will be affected.

The manufacturer of the shafts issued the warning after it discovered cracks at its own plant.

The shafts are not part of the nuclear component of the station, but are used in the mechanical side of the operation.

Eskom briefed journalists on the problem yesterday because of the "public's sensitivity to nuclear matters, including commercial nuclear-power generation".

Brian Statham, Eskom's energy manager, said the first phase of the investigation into the potential problem will take place in September and the second in April.

"Testing has shown there is a likelihood of some initial cracking at Koeberg, and we will use our scheduled maintenance stoppage in September to make more detailed checks."

Eskom will also employ more sophisticated vibration-monitoring equipment that will be able to show the deterioration of the shafts long before there is any danger of a breakdown.

Mr Statham stressed there was no danger to the power station, its staff or the people of Cape Town.

"Eskom is in constant contact with the manufacturers and internationally recognised specialists.

"It is possible we will replace the shafts with upgraded equipment at some stage. This is very expensive and we need to ensure that it happens only when replacements are available and when we have the benefit of others' experience of the changeover.

"Naturally, we will not compromise on any of the safety and security requirements and won't hesitate to upgrade or replace equipment if this proves necessary," Mr Statham said.

New shafts, which are a metre in diameter, will cost about R400-million.

"The cracking of the shafts is not, in itself, unusual. The cautionary information received from the manufacturer is like that given by motor-car manufacturers when they become aware of potential problems," Mr Statham said.

Public Enterprises Minister Jeff Radebe said he was satisfied that the problem posed no danger to the nuclear reactor.

Tough market takes toll on Eskom

Robyn Chalmers (55) BD 5/8/99

ESKOM has been affected by tough economic conditions and market volatility in the year to end-December, predicting a sharp fall in net income to about R1,8bn from R2,75bn last year.

This is worse than earlier predictions of a 25% fall in net profit between 1997 and 1999, with the total drop over this period expected to be almost 50%.

The electricity utility has said it clearly will meet, and exceed, its contract with government to cut electricity prices 15% in real terms by next year, meaning prices for customers will continue to fall in real terms.

Eskom CE Allen Morgan says net profit remains substantial and the electricity utility expects strong growth in revenue and operating profit in the coming years.

Future growth is likely to be sourced largely from local sales as Saldanha Steel and a number of smaller projects come on stream. "We are not relying on big export growth in the future."

There has been a drop in demand for electricity from neighbouring countries over the past two years, a key factor behind a contraction in Eskom's electricity sales last year. It expects zero growth or further contraction this year.

Falling or stagnant sales have increased Eskom's excess capacity and reduced the need to build new power stations. It estimates that it will require new power generation facilities only in 2009. This could, however, be skewed by a commitment to buy power from Cahora Bassa in Mozambique, despite having excess capacity locally.

Morgan says a key factor behind the predicted drop in net income this year is the downturn in the local and global economy and in commodity prices, notably aluminium and ferrochrome.

Eskom has contracts with a number of large industrial groups, which are linked to commodity prices, and weak markets ultimately affect its revenue.

Other factors include the cost of Eskom meeting its electrification targets in terms of the reconstruction and development programme and the significant management restructuring announced earlier this year, in terms of the which it has shed almost half of its workforce over several years, paring numbers to about 36 000 employees from 66 500 in 1985.

Morgan points out that Standard & Poor's has retained Eskom's rating at BB+ this year, which is termed a speculative grade. The utility's rating from Moody's is Baa3, an investment grade.

BD 6/8/99

Spotlight on how Eskom selects staff

(176)(55)

Taryn Lamberti

THE implementation of affirmative action at Eskom is under scrutiny after an arbitrator found in favour of an employee claiming she had been discriminated against on the basis of race.

The employee, Sarita van Coller, applied for a post in the financial department of the electricity parastatal after having deputised in the position for more than a year.

A screening committee that interviewed Van Coller as well as 12 other applicants, unanimously recommended her for the job, said Mine Workers Union spokesman Dirk Hermann.

Eskom's financial services manager Izak du Plessis appointed an affirmative action candidate above Van Coller, who the union argues obtained a far lower approval rating from the screening committee.

A private arbitrator, Adv Jan Hiemstra, found Du Plessis had not met the requirements of equitable affirmative action and his decision "could undermine effectiveness and promote mediocrity", Hermann said.

Eskom lodged an application with the Labour Court in Johannesburg yesterday, to have Hiemstra's findings reviewed.

Judgment is expected to be handed down within the next two weeks — when Judge Adolph Landman will either rescind or confirm the arbitrator's ruling.

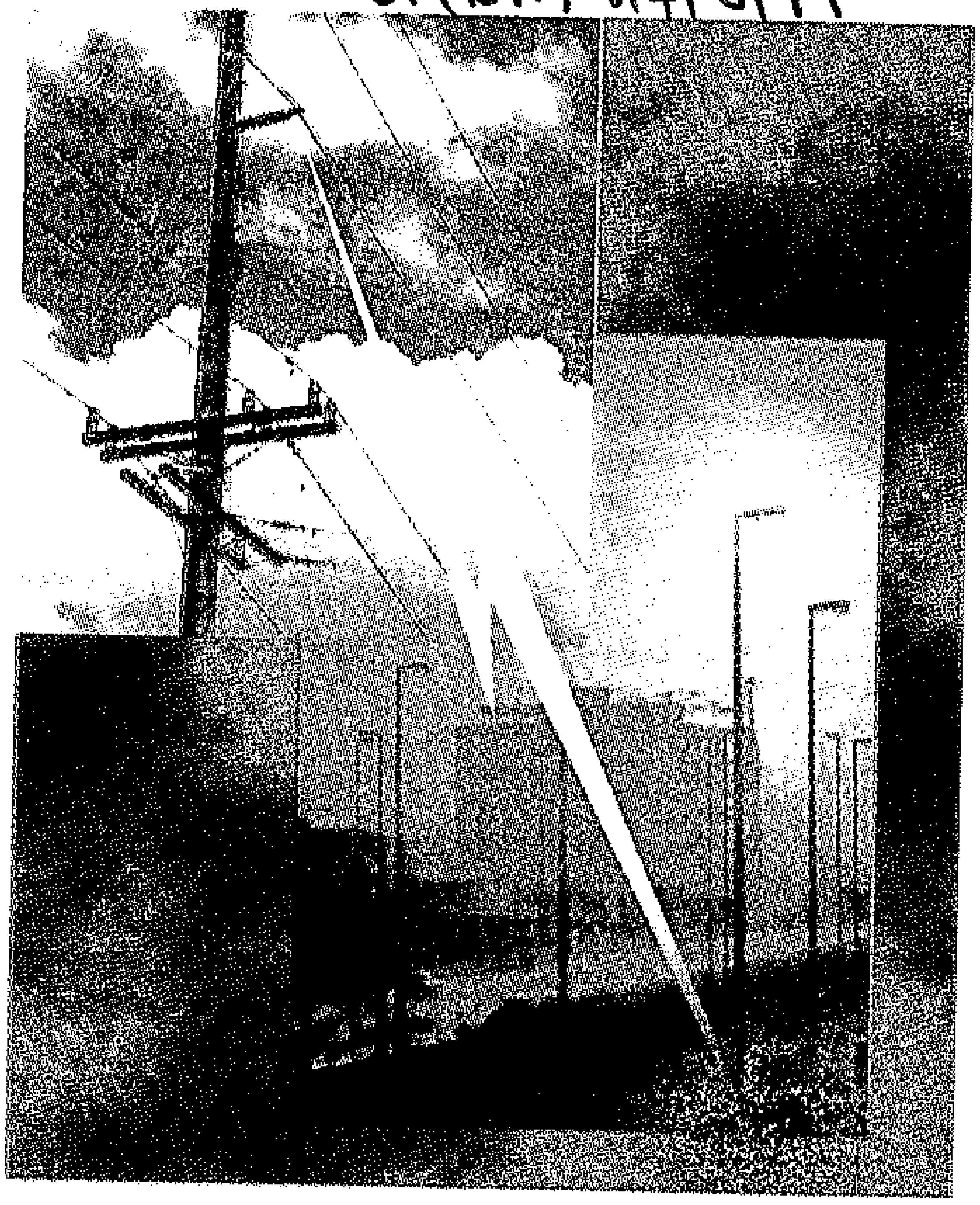
The ruling by Landman could provide guidelines for employers when the discrimination clause in the Employment Equity Act comes into effect next week.

ELECTRICITY *Residential and rural users may get increase shock*

Eskom about to pull plug on 'easy' consumer prices

(5h) ET(BR) 24/8/99

Edward West



Cape Town – The cozy comfort of below inflation-rate increases in electricity tariffs, which South Africans have become used to over the past six years, could come to a halt at the end of the year.

The new phrase emanating from the National Electricity Regulator is "cost reflectivity", which describes the elimination of cross-subsidised services at Eskom – a crucial aspect of the corporatisation process at the power utility.

The phrase holds profound implications for Eskom consumers. It has long been accepted practice at Eskom that industry, which uses about 70 percent of all power generated, subsidises residential electricity services.

Peter Adams, Eskom's communications manager, said yesterday: "Industry pays too much and residences are paying too little."

He was commenting on a statement in the Eskom annual report which stated: "The results of tariff restructuring will be the reduction of prices for high voltage supplies and the increase of prices for subsidised rural and residential customers."

Adams expected some consumers would pay less while others would pay more when the increases were announced in about two months.

The average increase should be in line with Eskom's commitment to a 15 percent decline in the price in real terms by 2000.

Adams did not believe the electricity regulator would allow annual electricity prices to rise rapidly after the sell-off.

This was because of three factors: Eskom consumers had little choice in the source of their power; electricity played a crucial role in economic upliftment; and relatively inexpensive electricity played a strong role in promoting local and foreign investment in South Africa.

The utility warned of future tariff trends in its annual report. It said: "A new financial policy will have to be adopted to meet the needs of its new owners.

"The government ... combined with the utilisation of Eskom's surplus generating capacity, has enabled Eskom to reduce the real price of electricity to consumers."

Adams said the sales outlook for the new financial year was grim given unseasonably warm winter conditions and weak economic growth.

Net profit fell 10,8 percent to R2,8 billion from R3,2 billion in the year to December 31. Adams said: "We'll be lucky to get over R1 billion surplus this year."

Eskom is a parastatal excluded from new competition legislation. According to the South African Chamber of Business (Sacob), the National Electricity Regulator serves as "a substitute" to competition laws.

Herein lies even more ominous red lights for consumers if Sacob's viewpoint is to be believed, particularly as it relates to electricity tariffs.

Sacob said in a report: "Since the minister/shareholder concerned appoints the regulators for electricity and the post office, the safeguarding of consumer interests via such regulators could be misplaced.

"Regulatory bodies have a history of being 'captured' by the industry ... in short a quasi-parastatal body is just as likely to abuse a monopoly position as a private sector body."

Sacob has proposed measures to ensure regulators perform their jobs properly. These include transparent tariff procedures and the impartial appointment of regulatory bodies.

Adams said an extension of Eskom's electrification programme would be on the negotiating table when the utility sat with stakeholders to decide when and how to start paying tax and dividends.

The utility ceases its electrification drive at the end of the year, as envisaged in 1994 when the utility undertook to electrify 1,75 million homes by 2000.

By December last year, 1,84 million homes were already connected.

Adams said Eskom was spending over R1 billion a year on the electrification drive. The programme was becoming increasingly expensive.

Eskom was going deeper into rural areas, where some connections were costing R12 000 each, for consumers who could barely afford to use electricity.

Eskom tests mini-nuclear reactor model

(55) CT (BR) 26/8/99

JONATHAN ROSENTHAL
COMMODITIES EDITOR

Johannesburg – Eskom had switched on a half-size test model of its controversial new pebble bed modular reactor (PBMR) at the Astra test facility at Kurchatov Institute in Moscow, the national electricity utility confirmed yesterday.

The Industrial Development Corporation (IDC), the state-owned investment group, said it had agreed to buy a 25 percent stake in the project. Further development costs are roughly estimated at R300 million, and the cost of building the first plant at about R600 million.

Wynn Roscoe, Eskom's programme support manager on the PBMR, said the half-size prototype, which was built under contract to Eskom, went critical on June 10.

He said the purpose of the testing was to verify the theoretical models underpinning the PBMR. "We are very pleased with the results to date."

The PBMR is a new-design mini-nuclear reactor that is intended to be built in modules, each with a power output of 110 megawatts, or about one-tenth that of the conventional pressurised water reactors used at Eskom's Koeberg nuclear power plant in the Western Cape.

Roscoe said Eskom was forecasting power production costs of around $0,016 or $0,017 a kilowatt hour, which was roughly on par with Eskom's current average generating costs.

Mitch Brandt, the IDC's PBMR project manager, said the IDC board had decided earlier this month to invest in the project. The IDC would take a 25 percent stake, Eskom a 30 percent stake and foreign investors would be offered the remaining 40 percent equity.

Brandt said the IDC's interest in the project related to its ability to create jobs and generate foreign investment. "We feel it is a good investment for the IDC," he said.

The proposed reactors have, however, met with some criticism. Last year Gordon Sibiya, then the deputy director general in the department of minerals and energy, questioned the wisdom of the PBMR project.

"South Africa does not need another nuclear reactor so there is almost no way the government will approve 10 nuclear reactors," said Sibiya, a nuclear scientist by training.

Steve Thomas, an expert in the economics of nuclear power at the University of Sussex in the UK, produced a research paper earlier this year warning that Eskom's cost estimates should be viewed with some suspicion.

His report investigated several international case studies in which similar reactors foundered on technical or economic grounds.

"It is not impossible that South Africa could succeed where so many other have failed, but it seems inappropriate that public money should be gambled on such a risky technology," he said.

Brandt said a study by the Massachusetts Institute of Technology (MIT) in the US had found the project was technically feasible, while the IDC's own six-month due diligence had found it viable.

He said a key to the IDC study was that Eskom had to commit to build 10 reactors for the local market. Other preconditions to its investment were environmental impact and safety studies.

☐ **Business Watch, Page 2**

Restructuring of electricity distribution given go-ahead

BD 1/9/99 (55)

Robyn Chalmers

GOVERNMENT has given the green light to begin the long-awaited restructuring of the R25bn electricity distribution industry, with a technical team to start early next year.

Minerals and Energy Minister Phumzile Mlambo-Ngcuka said her department was preparing the terms of reference for technical advisers to oversee the huge restructuring exercise.

The restructuring will see Eskom's distribution division hived off from the electricity utility and merged with those municipalities involved in the distribution of power. More than 400 municipalities distribute 40% of SA's electricity, with the remaining 60% coming directly from Eskom.

A single holding company, currently called EDI Holdings, to house the merged entities will be established as an interim measure, after which regional electricity distributors (Reds) will be set up.

Mlambo-Ngcuka said government was committed to the establishment of Reds which were financially viable and technically competent. The various stakeholders are still discussing their configuration, but it is likely that five such bodies will be established around the country.

The initial transition will be driven by the Electricity Distribution Industry Restructuring Committee.

Representatives from provincial and local government departments, the minerals and energy and public enterprises departments, the SA Local Government Association and local government MEC's sit on the committee.

The National Union of Mineworkers is in favour of a single national distributor, saying there should only be a move to Reds if it is clear they are viable and sustainable. The NUM also queried whether government's ultimate intention is to privatise the industry which it says caused concern for workers.

The NUM's views have been one of the sticking points in talks on the restructuring of the electricity distribution sector, which have dragged on for six years. But government and labour have agreed the restructuring is urgent in the light of the inability of some cash-strapped local authorities to pay Eskom for power supplies.

Due to the length of time taken to get agreement on the way forward, industry analysts say several municipalities are considering the establishment of independent power producers.

Former minister 'wasted R20m'

BD 1/9/99 (55) (183)

Linda Ensor

CAPE TOWN — Former minerals and energy minister Penuell Maduna's refusal to retract lies he knowingly made to Parliament led to R20m being unnecessarily spent on an inquiry into the financial affairs of the Strategic Fuel Fund, legal counsel argued yesterday.

Summing up his case before Public Protector Selby Baqwa, Eberhardt Bertelsmann — who appeared for Auditor-General Henri Kluever and accounting firm PriceWaterhouse — said Maduna lacked the moral fibre to correct his lies and was unfit for public office. Bertelsmann said Maduna's statements had damaged the reputations of Kluever and PriceWaterhouse.

Bertelsmann called on Baqwa to severely censure Maduna for his dishonesty and to recommend to President Thabo Mbeki that he be discharged from public office. Maduna should also be made to pay for the costs of the inquiry in his personal capacity to send a strong message to public officials and politicians this sort of behaviour would not be tolerated.

All the evidence suggested Maduna must have known before his statement in Parliament in June 1997 that the R170m fuel fund "loss" was not a loss or theft, as he claimed, but a change in accounting policy.

Even when former audit commission chairman Barbara Hogan informed Maduna shortly after he made the statement that the R170m was a book entry, he failed to make a public retraction or inform Parliament. "He maliciously and steadfastly refused to acknowledge that he was wrong," Bertelsmann said.

Nonke Size Ntsaluba auditor Barend Petersen was dishonest and his management audit into the fuel fund unprofessional. This should be reported to the Public Accountants and Auditors' Board and he should be charged, Bertelsmann said.

Eskom gears itself up for competition and taxes

BD 2/9/99 (55)

The electricity utility has spent the past year on internal restructuring

Robyn Chalmers

ESKOM expects to start paying tax as early as January next year as part of a significant restructuring exercise under way at the electricity utility, says chairman Reuel Khoza.

Eskom has prepared itself to pay taxes, but Khoza said the parastatal's dividend policy was still under discussion. "We need to ensure that this does not impact on a stable electricity price as well as Eskom's social obligations of electrification," he said.

Parliament adopted the Eskom Amendment Bill last year. The bill vested the ownership of Eskom's reserves and other assets, valued at R90bn, in the state and removed its exemption from the payment of income tax, stamp duty, levies or fees.

Eskom CE Allen Morgan has indicated the utility will be affected by tough economic conditions and market volatility in the year to end-December, predicting a sharp fall in net income to about R1,8bn from R2,75bn last year.

This is worse than predictions of a 25% fall in net profit between 1997 and this year, with the total drop over this period expected to be almost 50%.

Morgan said net profit remained substantial and the electricity utility expected strong growth in revenue and operating profit in the coming years, even with the additional burden of paying tax.

Khoza said Eskom had been concentrating over the past eight to 12 months on its internal restructuring. This involved the division of Eskom into its regulated businesses of power generation, transmission and distribution and its unregulated activities. The latter activities, such as marketing, telecommunications and information technology, would be hived off into a new entity, Eskom Enterprises.

He said a due diligence was being undertaken to resolve potential problems during the transfer of assets and other resources to the new entity.

On the introduction of competition to SA's electricity market, Khoza said competitive energy and electricity markets were an evolving world trend and Eskom in principle supported this.

"But it must be implemented in a systematic fashion so as not to prejudice the existing strengths of Eskom and the market," he said.

Competition is likely to be introduced first in the distribution sector.

Sale could lead to extensive job losses and higher electricity prices

Billiton opposes Eskom privatisation

(55) CT (BR) 8/9/99

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town – There was no rational reason to privatise Eskom, the state-owned electricity utility, Emil Rorke, the manager of Billiton's energy division, said yesterday.

Briefing the national assembly's portfolio committee on public enterprises, Rorke said it would be difficult for Eskom to continue providing cheap and reliable power supplies if it was privatised. Eskom's prices were among the lowest in the world and had encouraged the establishment of large industries such as aluminium smelters.

The Eskom Amendment Act, passed last year, paved the way for the incorporation of Eskom and its eventual privatisation. The government has so far taken no steps to incorporate the utility, indicating that privatisation is not high on its agenda.

"I do not think that South Africans really appreciate the national value of an asset like Eskom," Rorke said.

The electricity supply industry was linked to most other sectors of the economy and it was important to ensure that any attempts to tinker with it did not have unintended negative consequences elsewhere.

Any attempt to restructure the industry, therefore, had to take into consideration the possible effect on prices, contractual commitments, debt and employment levels.

Although Eskom subsidised some domestic industries, "the system works and there will be great danger in unravelling the system", Rorke said.

Eskom differed from South African Airways and other parastatals in that "I doubt whether we in South Africa want to sit with a partially privatised monopoly like Eskom".

Billiton, a London-based mining and metals group, is among the 16 leading industries making up the Energy Intensive User's Group in South Africa, which takes up about 50 percent of Eskom's sales.

Rorke said that all members of the group agreed with Billiton's views about the future of Eskom and remained concerned about the almost cavalier insistence by some private investors that Eskom should be privatised.

He believed the foreign investors only wanted to get a toehold into the South African economy. This would not necessarily be in the best interests of the economy as a whole.

It could lead to extensive job losses and higher electricity prices as the new owners tried to reduce Eskom's debt and secure their desired return on equity.

Eskom privatisation warning

MINING group Billiton Plc said on Tuesday that there is no reason why South Africa should privatise electricity utility Eskom, which supplies some of the world's cheapest power to Billiton's smelters.

"We find it difficult at present to make a case for privatising Eskom," Billiton energy group manager Emil Rorke told Parliament's public enterprises committee.

"I don't think we really appreciate the national value of a utility like Eskom," he continued.

Rorke said Eskom provided the lowest or second-lowest priced electricity in the world and was a reliable supplier – two main reasons for operating aluminium smelters in the region.

"Whatever happens at Eskom is important to us. Our business is adding value to electricity via alumina," he said.

(55) (232)

The South African Government has begun to restructure the electricity giant so it operates more like a private sector business and it will start paying corporate tax next year.

No concrete plans have yet been made to privatise Eskom but analysts say South Africa could raise up to 20 billion dollars if the Government did decide to sell it.

Billiton, one of the world's biggest aluminium companies, said it spends R2 billion (332 million dollars) a year on electricity, providing Eskom with 10 percent of its revenue.

The price Billiton pays Eskom for its electricity is linked to the current London prices of the metals it produces.

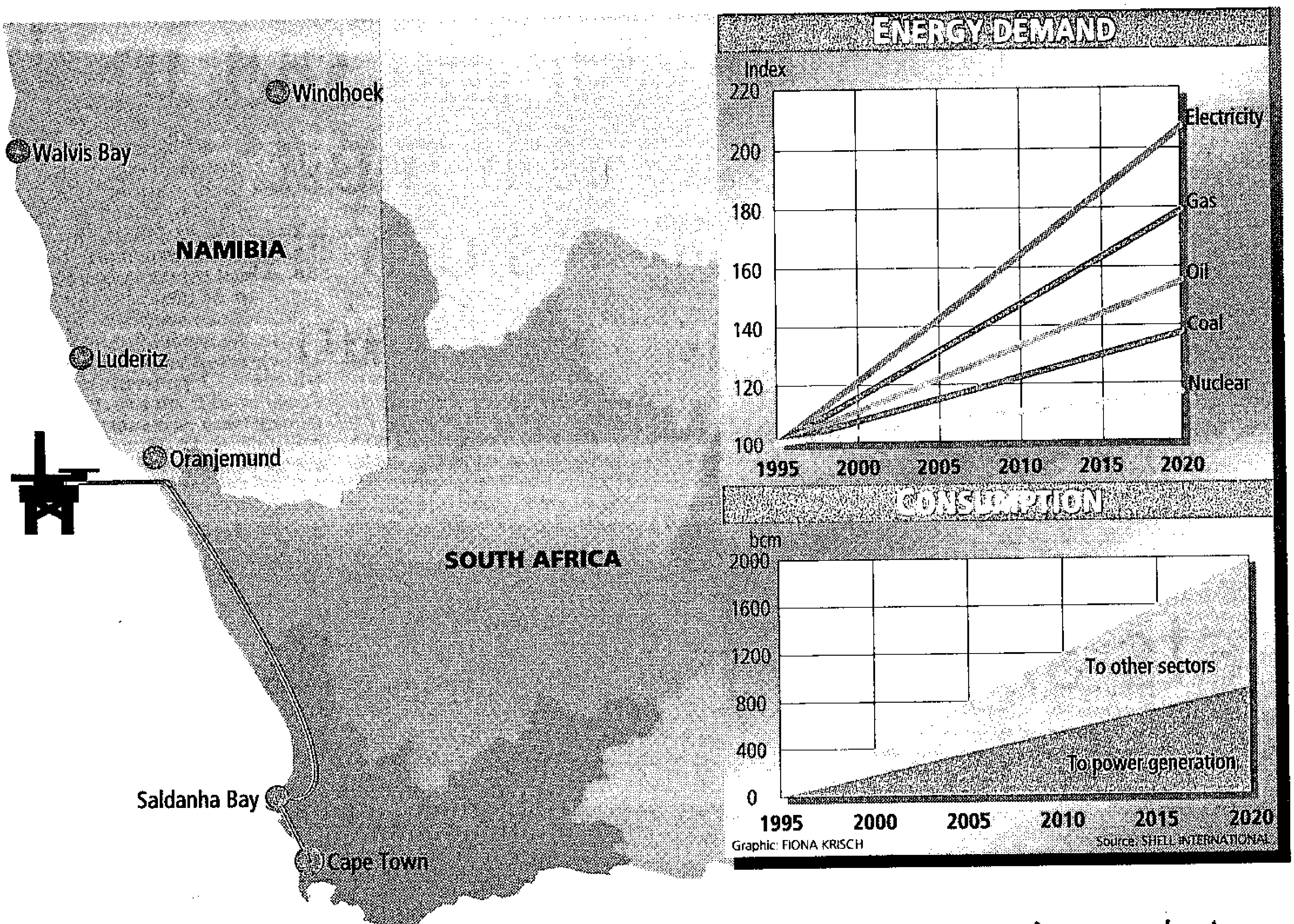
Billiton also provides Eskom with 35 million tons of coal a year for electricity generation and pays R1,4 billion a year for freight transport to state-owned Spoornet.

Rorke said factors such as contractual commitments, prices, debt and employment had to be taken into account when considering privatising a utility like Eskom.

He also defended the current system of Government subsidies for Eskom, which is working hard to give electricity to millions of black citizens who were excluded under apartheid.

"The industrials subsidise the domestic sector but the system works. The grave danger would be in unravelling the system. The system works with the existing subsidies," he said. – Reuters

Sowetan 8/9/99



ST12/9/99

Cape considers huge Namibia gas project

ENERGY RESOURCES

By DON ROBERTSON

SHELL South Africa and seven Cape local authorities have taken the first step to develop a major gas project which could involve capital spending of more than R16-billion when completed in 2005.

Last week, they signed a letter of intent to assess the implications of developing the massive reserves of the Kudu gas field, 170km off the coast of Namibia near the Orange River.

Early estimates put gas reserves at 20-trillion cubic feet, equivalent to 3.5-billion barrels of crude oil, or sufficient to meet the current electricity demands of the Cape metropolitan area for more than 200 years.

The plan by the operating consortium — consisting of Shell, Energy Africa and Texaco — is to develop the project as an integrated operation with infrastructure to support gas power stations in Namibia and the Cape, a 700km gas pipeline from Namibia as well as the supply of gas to industry.

Martin Solomon, commercial manager Shell Exploration & Production in Namibia, says by the end of the year, the consortium will have spent R500-million on exploration and market development.

"We have already done a number of evaluations and have carried out feasibility studies on the power stations, but we will have to reconfirm these. We are nevertheless convinced of the project's viability."

Many technical problems, including environmental issues, will have to be resolved.

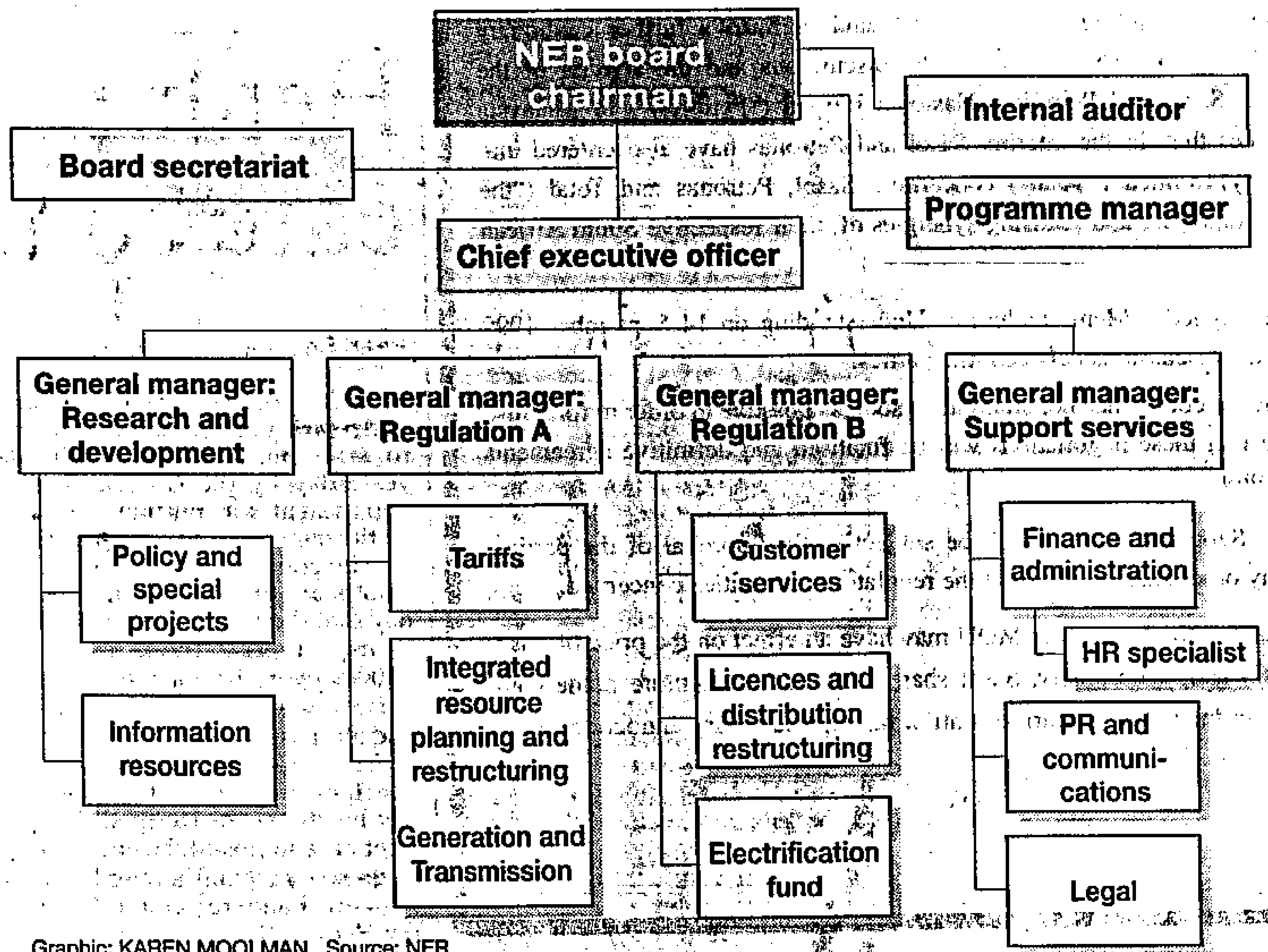
Initial estimates, however, suggest that about $1-billion will be spent on developing the gas field and transporting gas to shore. A further $350-million will be spent on building a combined-cycle gas turbine power station in Namibia and $500-million for a similar station in the Cape metropolitan area.

A pipeline from Namibia to the Western Cape would cost $500-million, while the infrastructure to supply industry would cost an additional $50-million to $100-million.

It is expected the project will encourage "regional development, integration and co-operation", generating investments or more than $2-billion.

To achieve the necessary economies of scale, additional markets for the gas will have to be found and the consortium is looking for further partners.

New NER structure



Graphic: KAREN MOOLMAN Source: NER

National Electricity Regulator unveils new restructuring plan

BD 16/9/99 (55)

Robyn Chalmers

THE National Electricity Regulator (NER) has unveiled its restructuring plan, outlining a new structure and several key strategic regulatory issues.

These include forging a regulatory framework for independent power producers, involvement in the restructuring of the distribution sector and promoting the promulgation of an Electricity Regulatory Bill.

Other pressing issues are further developing the wholesale electricity tariff, helping to set up customer forums and establishing a regulatory framework for Eskom's special deals.

NER chairman Enos Banda has described the new mission and structure as a watershed for the regulator. "We are confident that (the reshaping) will make a big difference to the way in which the NER regulates the industry."

The regulator has recently emerged from a lengthy period of turbulence which saw the resignation, dismissal or suspension of the entire top management team.

More than half of all staff had either resigned or been dismissed by late last year.

A forensic audit was launched at the bequest of the regulator's board and former minerals and energy minister Penuell Maduna into allegations of financial irregularities at the organisation.

The results of the audit have yet to be released although NER management has said it is keen to reach finality on the issue so that it can move ahead with the business of regulating the electricity supply industry in the country.

Regulator CEO Xolani Mkhwanazi said the new mission and vision were recently adopted by the NER board as well as a more flattened management structure.

"The main aim of the new NER structure is to achieve efficiency through teamwork," he said.

The new structure will see four general managers reporting to the chief executive office who in turn falls under the NER board and chairman. There is a strong focus on regulatory issues such as tariffs; restructuring the generation, transmission and distribution sectors; customer services; licences and the electrification programme.

The regulator's new vision is to be a world class regulator providing leadership to the electricity industry in support of sustainable growth and development.

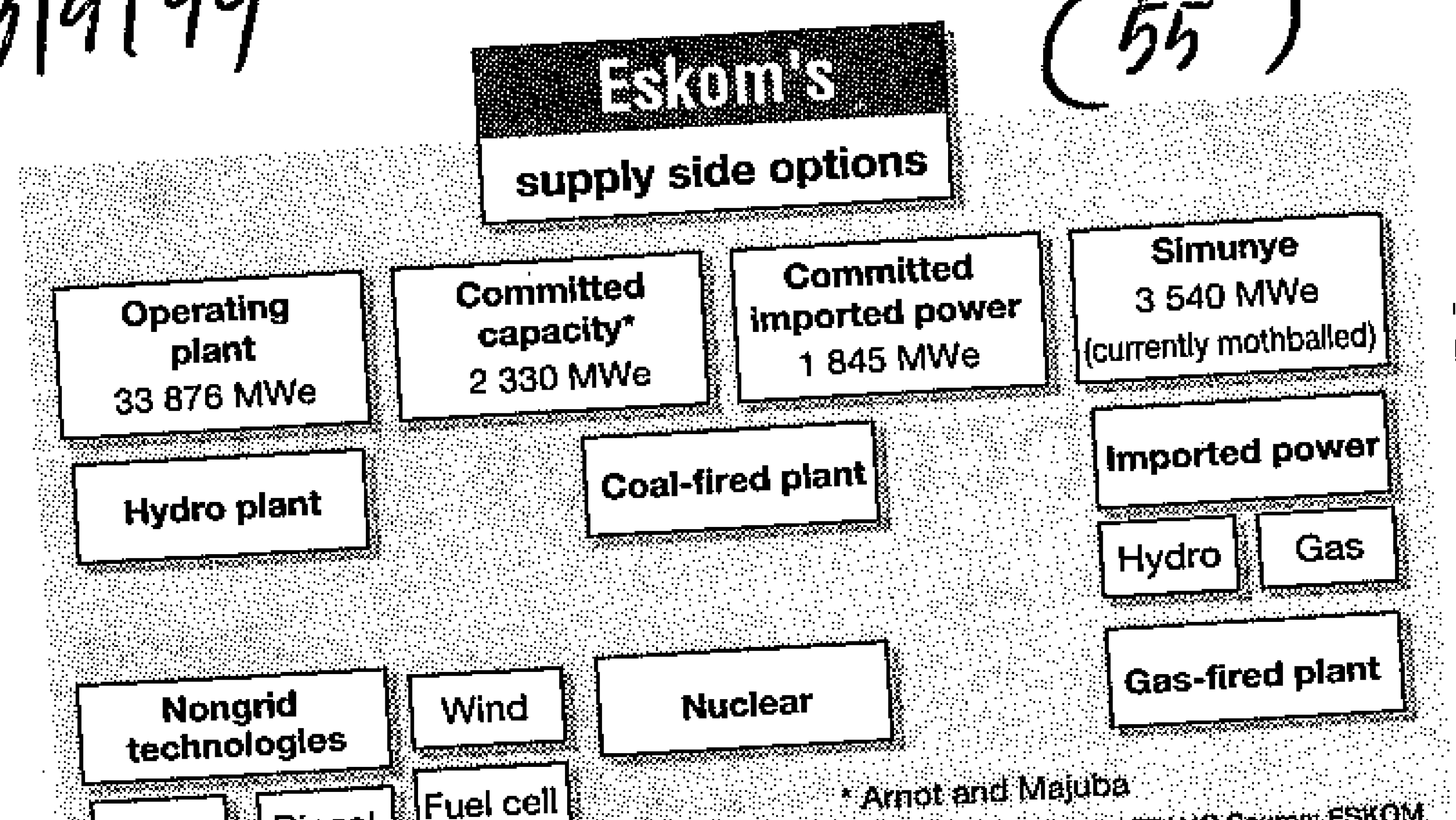
Mkhwanazi said the reshaping plan will allow the regulator to focus on its core business while also attending to urgent strategic issues. The core business includes issuing licences, setting tariffs, resolving disputes and monitoring the quality of electricity supply.

The NER is a statutory body set up in 1995 as the successor to the Electricity Control Board. It is funded from a small levy imposed on the generators of electricity.

From gas to wind turbines, Eskom looks for new power

BD 23/9/99 (55)

Robyn Chalmers



Graphic: RUBY-GAY CAETANO Source: ESKOM

ESKOM is exploring options to increase its capacity, although new power is only planned to come on stream in the next five to 10 years, depending on demand for electricity.

Speaking at an Eskom seminar on energy management yesterday, the utility's corporate environmental manager, Vanida Govender, said growth in electricity demand would exceed Eskom's capacity between 2005 and 2101.

"In terms of these projections we have a number of options, which include importing electricity or building new capacity. We have to consider these options now as there is a seven-year lead time to constructing a new power station," she said.

Most power stations have a lifespan of 40 to 50 years. Govender said hydroelectric, gas-fired and coal-fired plants were being considered, as well as nuclear and nongrid technologies. Power could also be imported from neighbouring countries.

Nongrid technologies include solar power and large wind turbines. These are normally used in rural areas, which are too far from the national grid.

Eskom's power stations are predominantly coal fired. The utility has 13 coal-fired stations, (many of which will become obsolete in 2025), with a capacity of about 34 000MW, one nuclear station with 19 00MW, six hydroelectric stations with 600MW and two gas turbine stations with a 342MW capacity.

Eskom nuclear assurance and environmental manager Tony Stott said SA's electricity is among the cheapest in the world due primarily to Eskom's expertise in low-grade coal-fired generation. "SA has extensive reserves of coal and hence coal-fired generation is expected to form the basis of Eskom's generating capacity for many years in the future," he said.

Natural gas resources and hydroelectricity capacity in SA are scarce, which could limit the future use of these two power sources. Nuclear power has potential, with Eskom investigating a pebble-bed modular reactor, which is a small (110MW) nuclear power station.

While Eskom has to investigate its options for new capacity immediately because of the long lead times involved, the utility is also dealing with significant excess capacity.

Eskom CE Allen Morgan said in the latest annual report that excess capacity rose last year because of an increase in installed capacity, coupled with a drop in electricity demand.

"In the event that the current low growth continues, Eskom will have to consider additional measures to deal with the overcapacity situation," he said.

Theft charges have been referred to police

NER audit confirms fraud fears

ADG 25/26/9/99 (55)

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town – The forensic audit into alleged financial irregularities in the National Electricity Regulator (NER) had found large-scale abuse of policies and procedures and attempts to defraud the World Bank and the department of minerals and energy of hundreds of thousands of rand, Phumzile Mlambo-Ngcuka, the department minister, said this week.

Releasing the findings of the long-awaited report, Mlambo-Ngcuka said R870 913 of the regulator's funds had been misused by senior management for personal gain, including 100 percent salary increases, car allowances, the purchase of a hi-fi set and regular breakfasts and lunches "whenever they wanted".

Phumzile Mlambo-Ngcuka

In addition, attempts had been made to defraud the World Bank of R179 036 for a function during a Southern African Development Community conference on electricity. Important documentation had been trashed or stolen ahead of the audit investigation.

The investigation, ordered by Penuell Maduna, Mlambo-Ngcuka's predecessor, resulted in the resignation late last year of Magate Sekonya, the NER's former chief executive officer and chairman, and Terrance Naidoo, the former general manager of finance.

Gail Mlokoti, the former corporate services general manager, and Mvuyo Ndziba, the former legal services general manager, were suspended pending a legal hearing.

Mlambo-Ngcuka said some cases were being arbitrated by the Commission for Conciliation, Mediation and Arbitration, while theft charges had been referred to the police.

The alleged abuse of funds took place in 1998. Mlambo-Ngcuka said the audit found they were mainly a result of an unclear definition of the powers, duties and responsibilities of the board, management and staff, coupled with the lack of a culture of sound corporate governance.

No evidence could be found to support allegations of an attempt by senior management to invest over R7 million of regulator's funds in a private bank account.

She said she was satisfied the new board, headed by Enos Banda, had begun to address "some of the identified problems ... The government is satisfied that they will be able to discharge their responsibilities in an efficient and responsible manner".

Mlambo-Ngcuka said she was aware of ongoing tensions between Eskom, the state-owned electricity provider, and the regulator.

She said she hoped a new structure involving all stakeholders would be able to resolve most of these problems and result in a close working relationship in the quest for the efficient generation and supply of electricity to more South Africans.

NATIONAL

Govt to prosecute over corruption at NER

BD 27/9/99

National Electricity Regulator marked by 'a culture of gross abuse', forensic audit finds

Linda Ensor

CAPE TOWN — The abuse of resources at the National Electricity Regulator (NER) from July to December last year amounts to R870 913, according to a forensic audit report.

The results of the audit, commissioned by the regulator's board, were released by Minerals and Energy Minister Phumzile Mlambo-Ngcuka last week.

She said the report had been given to lawyers with a view to prosecuting those involved.

Money owed by officials would be recovered even if they had left the organisation.

A range of irregularities was uncovered and the auditors, Manase and Associates, concluded that "a culture of gross abuse by the management of the regulator's monies was prevalent".

Attempts to subvert the investigation by the removal of documents from offices and the destruction of computer records had been reported to the police, Mlambo-Ngcuka said.

The auditors found that management granted salary increases of up to 100% without board approval; that a fraudulent resolution of the board was used to open a bank account; and that a Nedfleet account was opened for the benefit of employees without board approval. In total, R179 694 was spent on this account in four months.

When these facts were discovered in November last year, both CEO Magate Sekonya and finance GM Terence Naidoo resigned.

Another R179 036 was spent on an African Evening function at a World Bank-sponsored conference on regional co-operation.

Corporate services GM Gail Mlokoti then tried to fraudulently claim this amount from the bank. The Commission for Conciliation, Mediation and Arbitration is arbitrating in the matter.

A hi-fi set was bought for the use of a staff member at home, one GM owned four computers and daily breakfasts and lunches were provided for GMs at the office.

Also, the regulator's annual report was printed for R79 617 without board approval, but it had to be redone, at a further cost of R81 168, because of factual errors.

The audit also found that there was an almost complete disregard for the regulator's purchasing policy and procedures. Financial reports were not up to date and there was no proper regulatory control over the electrification fund.

"The amount of interest lost by the fund as a result of the delay in the payment of the monthly allocation and the delay in the payment of VAT claims by Eskom amounts to R3,4m from Eskom," Mlambo-Ngcuka said.

She said one of the reasons for the lack of corporate governance was that the regulator's chairman was also the CEO. The minerals and energy department was reviewing the regulator's mandate.

The new NER board and management had started addressing some of the problems identified and government was satisfied that they would function responsibly.

N4 overloaders to

Cell network bidder quizzed

Clean bill of health for NER's management

Robyn Chalmers

THE National Electricity Regulator (NER) has welcomed the release of a forensic audit report into the activities of its previous management, saying it gave the present management a clean bill of health.

NER CEO Xolani Mkhwanazi said yesterday that Minerals and Energy Minister Phumzile Mlambo-Ngcuka had approved the transformation process under way at the organisation.

"A number of transformation activities will be submitted to the next NER board meeting, but much of the restructuring is close to completion," he said.

The forensic audit, which related to the NER's activities between July and December last year, uncovered a range of irregularities, with abuse of resources amounting to R870 913.

Auditors Manase & Associates found that a "culture of gross abuse by the management of the regulator's monies was prevalent".

The audit was launched last year at the request of the regulator's board and former minerals and energy minister Penuell Maduna following allegations of financial irregularities. The audit decision came at the same time as the resignation of former CEO and chairman Magate Sekonya and former finance director Terrance Naidoo.

The board subsequently suspended corporate services GM Gail Mlokoti and Mvuyo Ndziba, the legal services GM.

Minerals and energy director-general Sandile Nogxina said earlier that government would not hesitate to take legal action against former management should it be necessary.

A ministry spokesman said yesterday the forensic audit report had been given to lawyers with a view to prosecuting those involved. The spokesman said it was too early to name those who may face criminal charges.

Mkhwanazi said the NER was pressing ahead with a range of other issues, and awaiting a mandate from the ministry on the restructuring of the power sector. The initial focus was likely to be on the NER's role in overhauling the R25bn electricity distribution industry.

The new NER management recently unveiled its transformation plan, outlining a new structure and several key strategic regulatory issues.

NATIONAL

Deal compels Eskom to buy power

(55) 29/9/99

Observers believe diplomatic pressure played a part in the arrangement between SA and Mozambique

Robyn Chalmers

ESKOM is contractually obliged to import power from Cahora Bassa, despite the fact that the utility has extensive overcapacity and that a tariff dispute between the parties involved is still under way.

Eskom is importing about 950MW from Mozambique's Cahora Bassa dam. The utility's contract stipulates that Eskom has to pay for the power whether or not it makes use of it.

A spokesman for Eskom, Peter Adams, said the utility was buying the power in line with the original contract. This stipulated that Eskom would pay 2c a kilowatt hour for the power.

The conflict is due to a tentative agreement last year between Portugal, Mozambique and SA which proposed increasing the tariff to 4c a kilowatt hour. Hidroelectrica de Cahora Bassa, the dam's operating company, hoped that higher tariffs would help pay the project's estimated $3,2bn debt.

Eskom has indicated that it is unwilling to pay the 4c tariff as SA can produce its own power more cheaply at an estimated 2,5c a kilowatt hour. Eskom sells electricity at 20c-30c to retail consumers after provision for overheads and growth.

Eskom uses its 2,5c raw material cost as a benchmark to evaluate prices from other suppliers selling it power. Eskom has an estimated 5 000MW surplus of electricity, more than double that of Cahora Bassa's total 2 000MW output.

Eskom CE Allen Morgan said the organisation was facing reduced electricity sales again this year. Last year, a rise in installed capacity, coupled with a drop in electricity demand, increased the amount of excess capacity.

Hidroelectrica contends the original contract is out of date and a higher tariff will help ensure the operation's profitability. Hidroelectrica is 82%-held by the Portuguese government and 18%-owned by Mozambique.

Adams said the tariff dispute between Eskom and Hidroelectrica has now been referred to international arbitrators. Eskom and Hidroelectrica had each appointed an arbitrator and had agreed on a third impartial arbitrator. Hearings are expected to begin in the coming months, but Adams said the process could take years.

Industry observers believe Portuguese and Mozambican officials may have used diplomatic channels to put pressure on SA to pay more for power from Cahora Bassa.

Their argument is that Mozambique is one of the world's poorest countries and being SA's neighbour with porous borders, it is in SA's interests to help strengthen Mozambique's economy.

NER advised to recover R850 000

(55) CT 29/9/99 (BR)

Zintle Fitane

Johannesburg – Manase & Associates, which conducted a forensic audit into administrative and financial irregularities at the National Electricity Regulator (NER), has recommended that former NER officials pay back more than R850 000.

Top of the list is a payment of R160 419,23 recoverable either from Terrance Naidoo, the former NER financial services general manager, or from employees who benefited from a Nedfleet card scheme with Nedbank without approval from the NER board.

> *The auditor has named officials liable for various costs, including PAYE arrears*

The auditors said there was a verbal agreement with staff that every NER employee who owned a car would be provided with a card for repairs and petrol, with an annual limit of R15 000 each.

"This fringe benefit was not accounted for in the payroll," said the auditors. "As a result, PAYE has been underpaid."

The team further recommended that R50 160 be recovered either from Naidoo or Gounden & Co for the recruitment of two NER employees. "Recruitment services do not warrant (the) amount paid," said the report.

Other recoverable amounts were for salary increases, the printing of the annual report without board approval and the contravention of NER policies.

The report said a fraudulent board resolution had been submitted to Nedbank to open an unauthorised account.

The resolution gave Mvuyo Ndziba, the former NER legal services general manager, signing authority on April 16 last year but he only started working at the NER in June last year.

The auditors also recommended that a criminal charge be laid against Gail Mlokoti, the former NER corporate services general manager, who had allegedly attempted to defraud the World Bank over conference fees.

The auditors said Mlokoti "has been charged with this attempted fraud and was subsequently dismissed in an internal disciplinary hearing".

Suzette Mafuna, the managing director of Classic Communication, a conference organiser, said in an affidavit that her company's total costs had amounted to R157 049,80 excluding VAT.

Mafuna said she was requested by Mlokoti to render another invoice for R595 080 to be submitted to the World Bank.

Last year Mlokoti said she had been acting under instruction from Magate Sekonya, the former NER chairman and chief executive.

Thabo Moseki, the NER's communications manager, said in his affidavit: "It was the CEO (Sekonya) who decided that the invoice should be inflated." But, he said, Mlokoti negotiated "to get the second inflated invoice".

The auditors also recommended that Eskom, the power utility, repay R3,4 million in lost interest owed to the NER. Eskom, which sponsored the R300 million-a-year electrification fund, failed to make the agreed monthly payments of R27 431,25 but paid a lump sum of R137 156,25 for five months on May 31 this year.

Peter Adams, a spokesman for Eskom, said the power utility would not pay any lost interest because the electrification fund was funded on project financing or borrowed money. "When we delayed we saved ... interest for the benefit of the consumer and avoided a little bit of debt."

The electrification fund was administered by the Development Bank of Southern Africa on behalf of the regulator.

Koeberg 2 is on the cards

ARG 5/10/99 (55)

MURRAY WILLIAMS
STAFF REPORTER

Eskom confirmed today that a second nuclear power station may be built at Koeberg across Table Bay from the Mother City in 2001.

The power supply giant had originally been considering two other coastal sites for a new nuclear power station – Thyspunt, near Jeffreys Bay, and Bantamsklip, east of Gansbaai – but eventually decided that Koeberg would be ideal because of its infrastructure.

An Eskom spokesman said no decision had been taken on where the new power station might be sited, but she sought to allay fears that the plant would effect any other potential developments in the area.

"There's enough land to build the new station without the need to claim additional areas as no-go areas."

Whereas coal-powered power stations could take up to a decade to build, the new "pocket-sized" nuclear power station could be built in two years.

Although Eskom generated sufficient electricity at present, "people forget that power stations don't go on forever". Maintenance costs eventually became "prohibitive" and the company would have had to start looking for new energy sources sooner or later.

Eskom said it was looking at a new nuclear station because the operating costs were comparable with coal-fuelled stations and because of the safety of the design.

Unlike the uranium-processing plant in Japan, where 49 people were exposed to a heavy radiation leak last Thursday, forcing 320 000 to shelter in their homes for more than 24 hours, the new plant would be "walkaway safe".

The biggest danger at a nuclear power station was a "meltdown", where fuel inside the reactor started to melt, resulting in harmful radiation which could escape from the reactor building.

This would be impossible at the new power plant because of its design, Eskom said.

Eskom could not budge without first conducting an environmental impact assessment, during which the plans would be scrutinised by government authorities and the public.

Eskom had a licence from the watchdog body, the Council for Nuclear Safety, only to investigate a possible station. But it would still have to get a licence to build it.

Provincial Premier Gerald Morkel said today that nothing should go ahead without ensuring "major public participation" in the process. Any such plans needed "careful consideration", because the city's only available land was along the West Coast, and a nuclear facility could hamper other development.

CT 5/10/99

Khayelitsha boasts 98% electricity payments

(55)
(124)

ERIC NTABAZALILA

THE culture of not paying for services seems to be a thing of the past for the more than one million Khayelitsha residents who have become the most reliable payers in South Africa.

In 1994, more than 70% of Khayelitsha residents did not pay their electricity bills.

But today more than 98% of residents are doing so.

Mac Mdingi, general manager of Phambili Nombane — an Eskom project which electrified 43 000 houses over five years, attributed the change to good customer care.

"Khayelitsha has the best customer service in the country. Independent audits showed that the customer care level was 99,3%.

"We thought nothing short of complete transformation could reverse the situation in Khayelitsha. Raising customer service was an important goal," he said.

"Community involvement and capacity-building has played a critical role in our success. We received the full support of community organisations."

Despite the drop in the percentage of non-payers, thousands of residents still poach electricity in Khayelitsha.

Electric wires hang across main roads from brick houses to informal shacks, while other connections are made underground.

PLANT'S VIABILITY QUESTIONED

More nuke power for Koeberg

(55) CT 5/10/99

A SEVEN-STOREY nuclear power plant is on the cards for Koeberg — and the anti-nuke lobby is angry. Environment Writer **MELANIE GOSLING** reports.

CAPE TOWN is set to get another nuclear power station. Eskom said yesterday that if it got the nod from the government, it would build an experimental R600-million "pocket nuke" power station at Koeberg.

Eskom is to announce its plans at public meetings later this month.

The decision was taken after Eskom examined three coastal sites to establish which was the most suitable for the construction of the controversial pebble bed modular reactor (PBMR) nuclear power plant.

Eskom has ruled out building the pocket nuke plant at Thyspunt, near Jeffreys Bay in the Eastern Cape, or at Bantamsklip, east of Gansbaai.

Eskom officials say that as these two sites do not have any infrastructure, they would entail higher costs.

The fierce public opposition to the proposal — particularly in the Eastern Cape — was also a factor.

That left Koeberg, which had the infrastructure for nuclear power generation and a Council for Nuclear Safety licence.

Eskom's Tony Stott said officials had commissioned an environmental impact assessment (EIA) to select the most appropriate site.

"After discussions with the consultants and the Department of Environment Affairs, we decided not to do any more work on the EIA regarding the other two sites and to concentrate on Koeberg," Stott said.

"The EIA will be finished around the end of 2000.

"We will then recommend to the government that we build our first demonstration PBMR plant. If it gives its approval, construction will begin in 2001."

The PBMR will generate 110 megawatts. Koeberg generates 1 800 megawatts.

Eskom's plan is that if the experimental pocket nuke plant is successful, it will manufacture others for export.

The export plan has come under fire from energy policy experts, who have asked who would buy them on the international market when most countries are scaling down or phasing out nuclear power.

They say the PBMR design is nice in theory but has failed in other countries for technological and economic reasons.

Stott said Eskom officials were "still doing all the studies to check out the international markets".

The new power plant could fit on a football field and would be about the height of a seven-storey building.

The Koeberg nuclear power plant was built in the apartheid era in the 1970s and the public had no say in the matter.

Many critics of nuclear power say that, given the choice today, many Capetonians would oppose the project.

Others have questioned why Eskom is building more power stations when it has a huge surplus electricity generation capacity.

They have also questioned why Eskom is building PBMRs, which were developed in the United States, Germany and the United Kingdom years ago but dumped because they proved to be uneconomical.

Overseas energy policy expert Steve Thomas, a consultant to the International Atomic Energy Agency, expressed dismay yesterday that public money would be spent on such risky technology.

"I am shocked that the government appears to be content for Eskom to risk taxpayers' money in developing a technology that is not needed in South Africa and which is unlikely to have a market outside the country," Thomas said.

"Such speculative marketing exercises are best undertaken by the private venture capital market, which was set up to deal with this sort of proposal."

Liz McDaid, of EarthLife Africa, said South Africa's nuclear power industry had never been the subject of public debate.

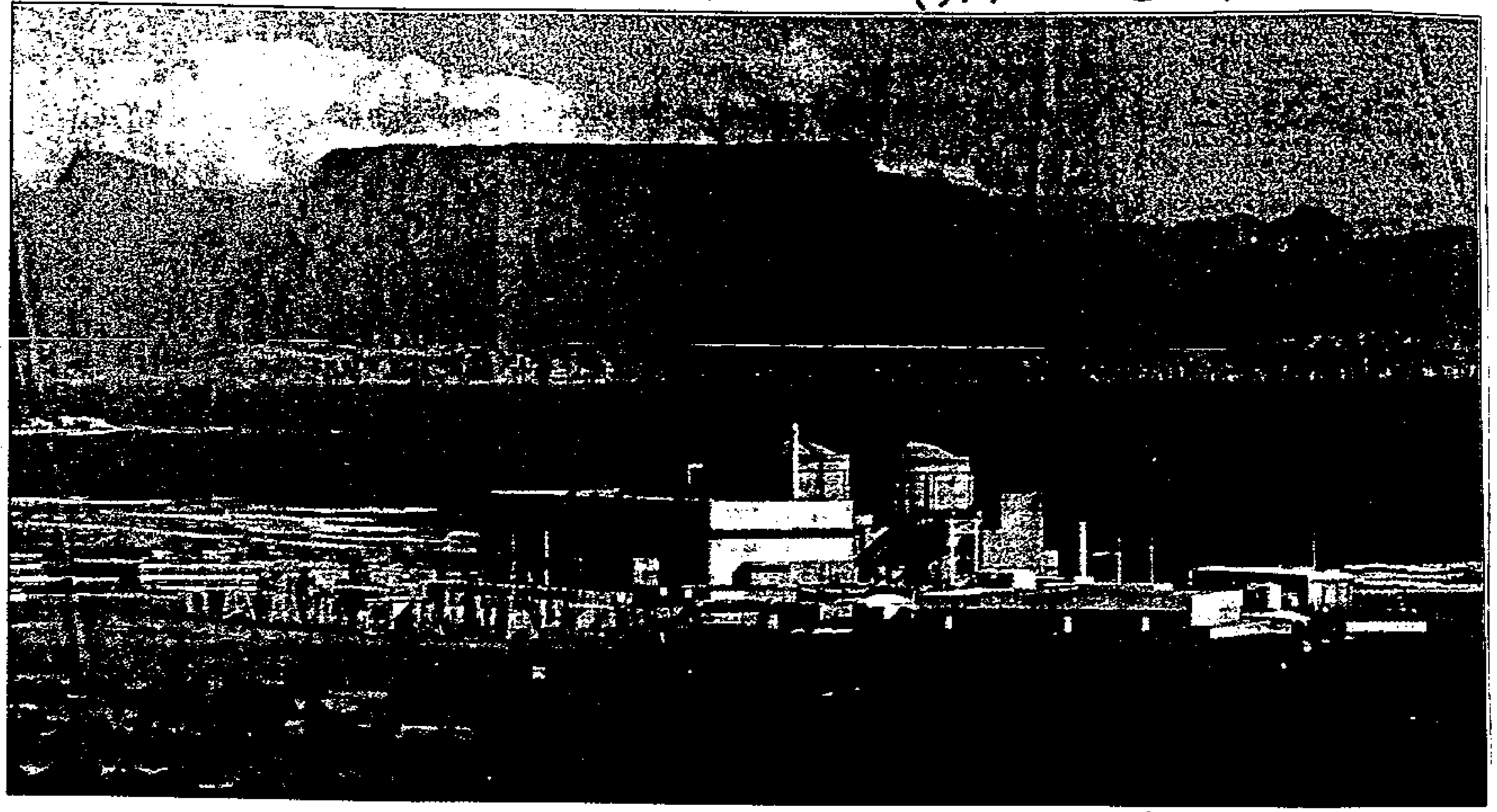
"Why build another nuclear power station on Cape Town's doorstep when we have Kudu gas supplies and the option of renewable energy sources, which don't carry the dangers of nuclear power?"

Stephen Law, of the Environmental Monitoring Group, asked: "Why is Eskom putting so much energy and money into a technology that appears to be on the way out in the rest of the world?"

Eskom says the PBMRs are safer than conventional nuclear power plants because the pebble bed radioactive fuel is encased in a ceramic material, silicone carbide.

They say that because this material has a higher melting point than the reactor could ever achieve, a meltdown is a "physical impossibility".

If anything went wrong, they say, the reactor would "switch off and cool down".



A REACTOR WITH A VIEW: Koeberg nuclear power station was built in the 1970s. It may share its site with a complementary R600-million "pocket-sized" nuke power station, if Eskom gets its way. An environmental impact assessment on the project is to be completed by the end of next year.

State energy agencies on restructuring path

BD 14/10/99

Claire Pickard-Cambridge (44)

CAPE TOWN — The restructuring of state companies in the oil and gas sector by separating their commercial and regulatory functions could be completed before June next year.

Minerals and Energy Minister Phumzile Mlambo-Ngcuka said divisions were needed within bodies such as Soekor, Mossgas and the Strategic Fuel Fund so that private sector competitors saw regulatory and strategic matters being handled in an even-handed way.

For instance, exploration and development agency Soekor's licensing unit for offshore oil and gas blocs had been hived off as an independent body — the Petroleum Authority of SA — in April this year. Addressing an Africa Upstream conference yesterday organised by Global Pacific & Partners, Mlambo-Ngcuka said directors had been appointed to the petroleum authority, which was empowered to grant licences for all oil and gas offshore blocs.

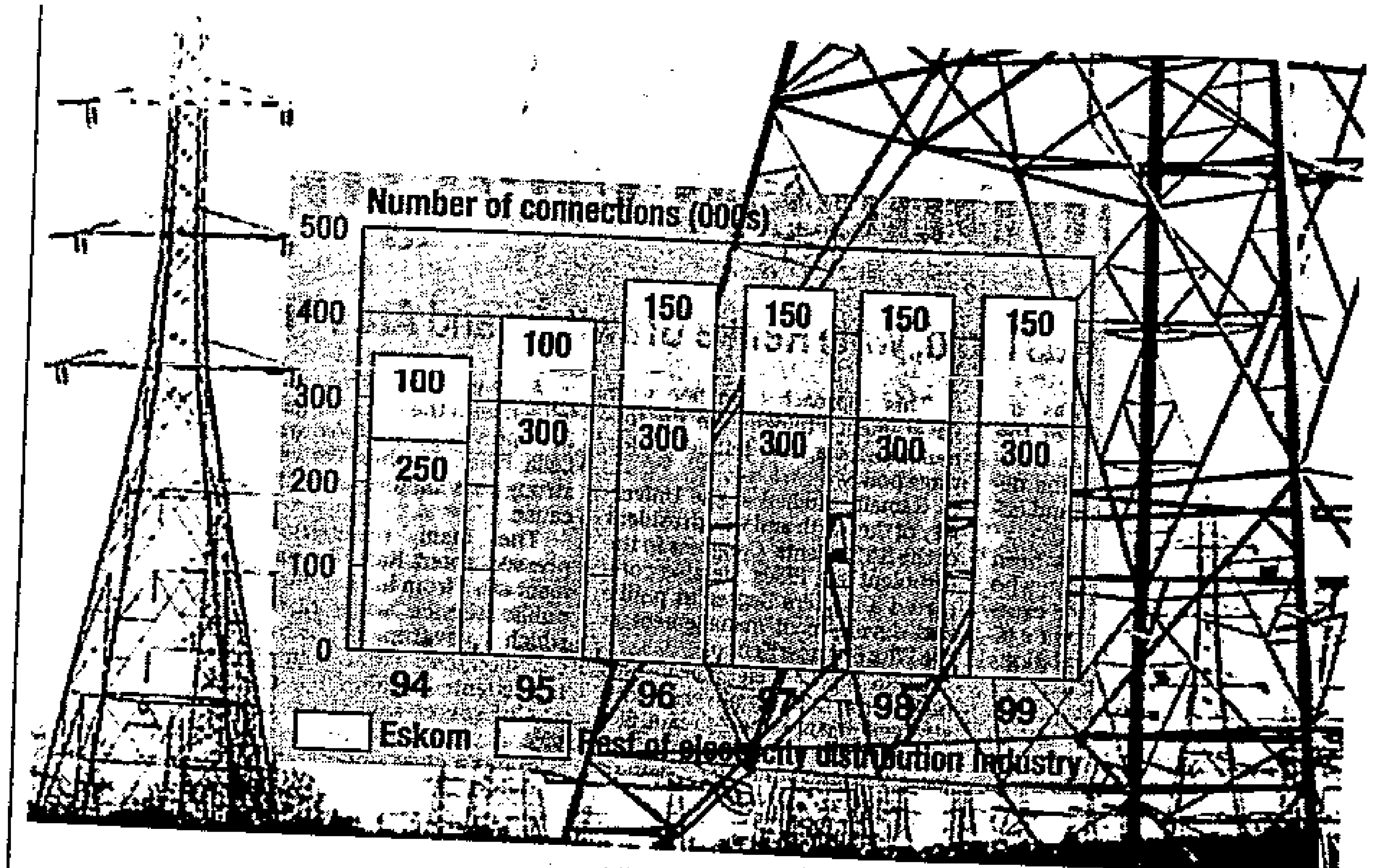
This body, along with Soekor, Mossgas and the Strategic Fuel Fund, fell under the umbrella of the Central Energy Fund.

She said Mossgas had been involved in community development projects which included channelling R250 000 to schools in the Mossel Bay district, and providing bursaries to people from disadvantaged backgrounds to study the oil and gas industry.

It was critical for SA to ensure its competitive edge in the market did not depend on cheap labour or low-level skills. "We would like to position ourselves as a country where value is added to products."

She said attempts were being made to make the oil and gas sector more investor-friendly. The tax regime had been improved and exchange control provisions relaxed in order to facilitate investment, while an international promotion campaign had been launched.

Her department was busy drafting a gas bill which Parliament would discuss next year. It had been discussed with SA's counterparts in the Southern African Development Community.



KAREN MOOLMAN Source: NER

Eskom receives connection targets

(55) BD 14/10/99

Robyn Chalmers

ESKOM has been given fresh electrification targets which will total 600 000 new connections over three years, a key signal that government will push ahead with its power programme.

The original electrification scheme, planned for 2,5-million homes over five years as part of the reconstruction and development programme, ends in December this year.

A new electrification strategy is being drawn up by the national electrification co-ordinating committee to further the power programme and integrate it with other national infrastructure initiatives.

The committee is also advising on the establishment of a national electrification fund to be financed by a dedicated electrification levy. This will replace the current system, seen as not transparent and outside government's influence, whereby Eskom allocates about R1,2bn a year to electrification.

Minerals and Energy Minister Phumzile Mlambo-Ngcuka said recently that 62,6% of all homes in SA had been provided with electricity, compared with 36% in 1994.

Eskom expressed confidence yesterday that it would meet its existing targets at the end of the year. This means 1,75-million homes would have been electrified over the past five years. Local authorities must undertake the remaining 750 000 connections.

Eskom CE Allen Morgan said the total number of connections made last year was 291 352 against a target of 289 849. At the end of last year, a cumulative total of 1 451 503 homes had been electrified since January 1994.

The fresh targets for Eskom are 250 000 connections next year, 200 000 in 2001 and 150 000 in 2002.

Government's recommitment to the electrification programme follows earlier warnings that the economics of the scheme had turned out to be less favourable than expected. Previous minerals and energy minister Penuell Maduna said it was clear that the scope of the initiative had to change to take cognisance of the economics of the process as well as of other social dynamics and needs at community level.

This is the task of the national electrification co-ordinating committee.

NUCLEAR ENERGY *Energy minister Mlambo-Ngcuka unhappy with proposal by the Council for Nuclear Safety*

Tensions over SA energy regulator's role resurface

(FT) CT (BR) 19/10/99

Lynda Loxton
Parliamentary Correspondent

Cape Town – Long-standing tensions about the future role of a nuclear energy regulator emerged once again in parliament yesterday, as the portfolio committee on minerals and energy started a last-minute dash to complete the necessary legislation this year.

The bill contains some new thinking on the role of the regulator in line with recent international conventions.

But many more new issues will have to be discussed later this week.

Phumzile Mlambo-Ngcuka, the minerals and energy minister, said she was aware of the sensitivities about the proposed regulator.

The Council for Nuclear Safety (CNS) had suggested the regulator should report to the office of President Thabo Mbeki rather than to Mlambo-Ngcuka's department, which would also promote nuclear energy.

The CNS says the regulator should report to the office of the President, Thabo Mbeki

The minister said she was unhappy with this suggestion, as Mbeki's office had admitted it did not have the capacity to deal with the regulator and key issues could "fall between the cracks".

She therefore suggested that the regulator remain accountable to her department and she would consult the department of environmental affairs and tourism on controversial issues.

Jeff Leaver, the general manager of the CNS, objected to this suggestion, saying it was "inevitable that where a body is regulated by two bosses, there are going to be difficulties".

He said many parts of the proposed legislation still needed extensive discussion and consultation, and accused the department of minerals and energy of not keeping the CNS briefed on latest developments.

Smunda Mokoena, the department's deputy director-general in charge of energy matters, denied that the CNS had been sidelined in any way.

Brendan Barry, the legal representative of the National Union of Mineworkers (NUM), said these disagreements highlighted the need for a "proper debate" between the two institutions. "Historical tensions" should not be allowed to cloud the shaping of this important bill, he said.

The NUM was concerned that the proposed legislation included "significant changes" on liability regimes that should be discussed further. Mlambo-Ngcuka said her officials would examine this over the next few days.

Phumzile Mlambo-Ngcuka, the minister of minerals and energy, wants the nuclear energy regulator to report to her lest key issues "fall between the cracks" PHOTO: JOHN WOODROOF

OPINION

A viable alternative to Koeberg II

CT 20/10/99 (55) (56)

TONY ROBINSON

A new gas-fired power station would mean cleaner air and a boost for the Western Cape

THE recent announcement by Eskom that it intends building a second nuclear reactor at the Koeberg power station appears to be an attempt to block an imaginative project to pipe natural gas to the Western Cape from the Kudu gas fields off the Namibian coast and then to use the gas to generate an abundant supply of electricity.

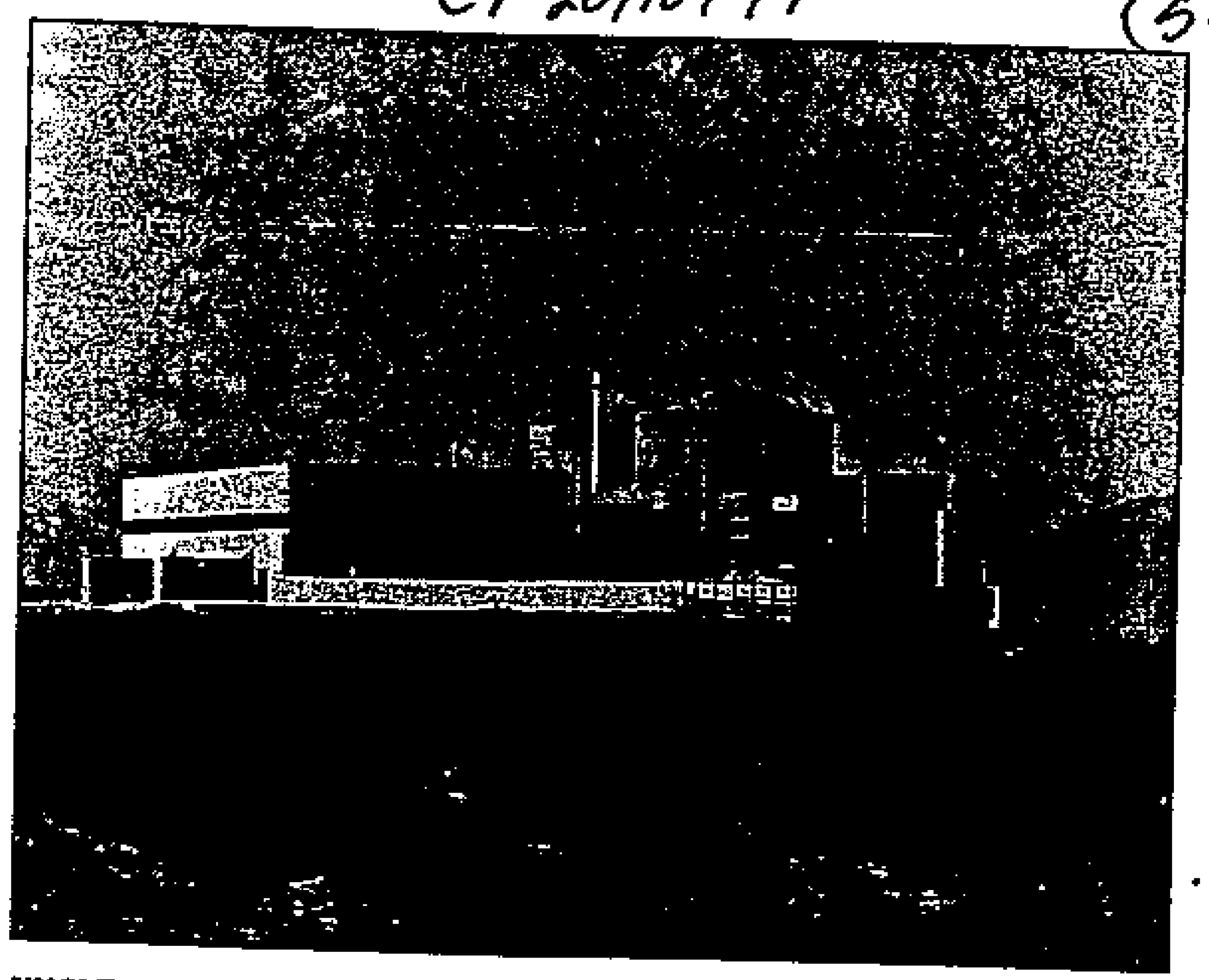
The beauty of the scheme is that the new combined cycle gas power stations produce very little pollution and are extremely efficient, so much so that they are now preferred to nuclear power plants in Europe.

In addition, the gas plants produce huge quantities of steam for industrial use.

Eskom's decision to increase its nuclear capacity also runs against the trend overseas where atomic power is out of favour, and will probably remain so until a new generation of fail-safe fusion plants is developed. This is evidenced by the fact that in wide-scale privatisations in Europe, no commercial enterprise has been prepared to take over a single nuclear power station, mainly because the economics of nuclear power have been disappointing and the cost of decomissioning the power stations at the end of their lifespan is prohibitive.

And if that isn't enough, there is a widespread distrust of the nuclear industry since Three Mile Island and Chernobyl.

In these circumstances it was not surprising that Europe set about finding ways to generate power efficiently from the vast reserves of natural gas under the North Sea. They were spectacularly successful, achieving efficiency rates of 55%, and there are now claims of up to 65% in some new plants. Compare this with the 27% thermal efficiency of the old Athlone power station and the 40% achieved by the best of Eskom's giant coal-fired plants in Mpumalanga.



NUCLEAR POWER PLAY: It is time that South Africa realised that Koeberg had more to do with plutonium and its military potential than electricity.

All this means that the Western Cape, with it's proximity to the Kudu gas field, is in a unique position to take advantage of the new technology, hence the plan to form a partnership between Shell, which controls the gas field, and the seven local authorities in the metropolitan Cape Town to build a gas-fired power station or to convert the Athlone plant from coal to gas.

With the power station as the base customer, it would then be viable for Shell to build the 700km pipeline to the Western Cape and to supply surplus gas to industry, including the Iscor plant at Saldanha, where pollution from coal is a major environmental concern.

Another big advantage would be that the Western Cape would be alone in its ability to offer industrialists the choice of electricity or gas as well as steam. This would give the area a competitive edge and, at the same time, the reduced pollution would help to ensure that our scenic beauty and tourist appeal is preserved.

It is difficult to know what Eskom and the nuclear industry have in mind, but we do know that they would like to win export orders for their new pebble-bed reactors and to do this they need to demonstrate their viability. Siting the first reactor at Koeberg could be simply a matter of convenience. Or could there be more to it?

Advocates of natural gas, however, believe the new reactors should be tested in another part of the country where gas is not a viable alternative to coal.

It is also time that South Africa came to terms with the truth about Koeberg, for it is clear that the power station was built with ulterior motives. We now know there was an atomic bomb programme in the dark days of apartheid, so is it not unreasonable to assume that Koeberg had more to do with plutonium and its military potential than electricity? South Africa has turned its back on the nuclear weapons programme and it will soon be time to turn its back on Koeberg as well.

If Eskom does go ahead with its new reactor it will argue vigorously that there is no need for an independent power producer to challenge its monopoly in the Western Cape. This would be a great disservice to the country as a whole, for there is no doubt that competition from an independent power producer would be healthy, especially if it comes from non-polluting power plants. The initial studies by an international consortium of engineering consultants found that a 1 000 megawatt combined cycle gas power station would be viable and would be more than adequate to meet the needs of the Western Cape for the foreseeable future. It would even be in a position to feed about 40% of its potential power into the national grid. No wonder Eskom's nose is out of joint.

Oil deregulation 'in empowerment jam'

(56)(183) CT (Mr) 20/10/99

JONATHAN ROSENTHAL

Johannesburg – It would take 50 years for black-owned oil companies to gain a 25 percent share of the South African market at the current rate of empowerment in the industry, Maurice Radebe, the secretary general of the African Minerals and Energy Forum, said yesterday.

The government's new white paper on energy policy stipulates that deregulation of the industry can only begin once 25 percent of the industry is controlled by black-owned oil companies.

Radebe, speaking at the annual Global Pacific downstream oil conference, said several high-profile black-empowerment ventures in the sector had failed because of a lack of commitment by established multinational oil companies to empowerment.

This, coupled with a slow rate of organic growth, meant black oil companies had taken only 1,7 percent of the petrol market and 3,3 percent of the diesel market.

"If the situation remains as it is, it would mean that in accordance with the designs of the white paper, deregulation would be delayed for 50 years."

Radebe said the proposed merger of Sasol, Petronas, Engen and Worldwide, a black-owned oil company, would further disenfranchise black interests in the industry. Existing black-controlled companies would be reduced to minority shareholders.

Radebe said capital constraints were key issues to be addressed. The industry's market capitalisation of about R20 billion implied that black investors would have to raise R5 billion to take a 25 percent stake.

Call for nuclear transparency

Sowetan 26/10/99 (55)

By Waghied Misbach
Political Correspondent

THE proposed Nuclear Energy Bill should be amended to allow greater access to information on potential nuclear accidents or risks.

This is the view of the Gender Commission – the statutory body that deals with gender issues – contained in a submission to the minerals and energy affairs portfolio in Parliament yesterday.

In its submission, the Commission said while the Government was committed to transparency and openness, the proposed legislation still prevented anyone who becomes aware of a nuclear accident from informing the public of the risk.

It also makes it an offence to alert people to any nuclear risk.

The Commission called on the Government to amend the legislation in keeping with the freedom of information provisions contained in the Open Democracy Bill which was currently being considered by Parliament.

The law should be amended to include a clause "confirming the responsibility of the Government and the industry to ensure proactive disclosure of interest which would be in the interest of the public", the Commission stated.

As the Bill currently stands, a person may face criminal charges if the disclosure of such information was "likely to jeopardise the physical security" of any nuclear installation.

It also states that no member of the board or a committee of the board, or any employee may disclose information that they may have gathered in the performance of their duties.

A person can only make disclosure of potential health risks if the person acts in "good faith" – believing that there is a genuine threat to public safety.

The disclosure of such information can be made to a Parliamentary committee or provincial legislature, the Public Protector, the Human Rights Commission, the Auditor-General, the national director of or a director of public prosecutions, the minister and the regulatory nuclear body.

Information can also be provided on "clear and convincing grounds" if the disclosure "was necessary to avert an imminent and serious threat to the health and safety of an individual or the public".

The "burden of proof" would lie with the person who makes the information public.

The committee also heard that the Koeberg Nuclear facility in Cape Town would only be liable for damages up to a total of R1,6 billion if there was a serious nuclear accident. Recent reports indicated that the Chernobyl disaster in the former Soviet Union has cost close to R60 billion.

Putting the spotlight on electrification of world's rural areas

BD 27/10/99 (55)

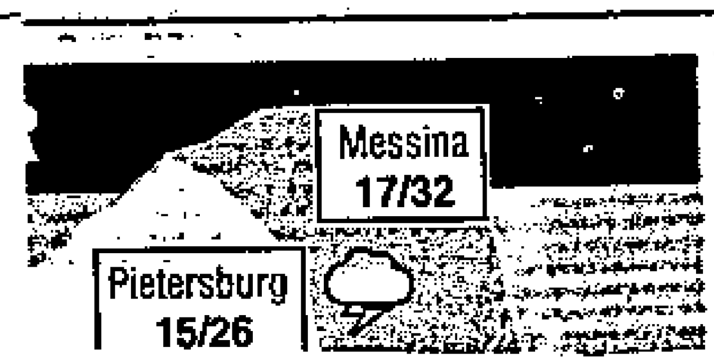
Energy should come in a broader development package, writes Robyn Chalmers

THE development of infrastructure in rural areas is one of the key focus areas of government.

Statistics emerging from the World Energy Council's report on rural energy poverty makes it clear that a focus on promoting rural areas must become a priority for emerging economies.

Over half of the world's population lives in rural areas, nearly 90% or 2,8-billion of which is in developing countries.

The vast majority of these people — about 2-billion — are dependent on traditional fuels of wood, dung and crop residue for energy. The result is that precious wood fuel resources are wasted and high indoor smoke pollution leads to health problems, with women bearing the brunt of the burden.



"For many people traditional fuels barely meet the basic human needs of nutrition, warmth and light — let alone using energy for productive uses, which might allow people to escape the cycle of poverty.

The council's report, which is being released this week, shows that demographic trends are likely to exacerbate this situation. Projections from the United Nations indicate that the world's population is expected to grow 45% to 8,4-billion people by 2030 from 5,8-billion in 1996.

Much of this growth — about 41% — is likely to take place in urban populations and the number of people in urban areas will overtake those in rural settlements.

"Given the realities of the urban bias of political and administrative power and the huge pressure that will be brought to bear on politicians ... as a result of the increased demands of the urban masses, it will be even more difficult to keep rural energy development on the agenda," says the report.

In the past, interventions to improve rural access to energy have largely been unsuccessful in improving the lives of rural people. Efforts have focused on improved cooking stoves and grid electrification as many nongrid technologies, such as solar energy, have been too expensive for the rural poor.

Although the number of rural households worldwide with access to electricity doubled between 1970 and 1990, it has barely kept pace with the increase of the population.

"By itself, electrification does not guarantee economic development," says the council's report. "It is increasingly recognised that electrification must be part of a much broader development package."

Deputy Minerals and Energy Minister Susan Shabangu says the SA government has agreed to integrate grid and nongrid electrification of houses after December. This is when the national electrification programme comes to an end.

Shabangu says the electrification programme has led to 42% of SA's rural population getting access to electricity, compared with 12% in 1994. Its overall target of electrifying 2,5-million households by the end of this year is set to be exceeded.

Analysts have expressed concern about the future of SA's electrification programme after former minerals and energy minister Penuell Maduna warned that the scheme is costing billions of rands and yielding limited returns. The economics of the programme, he said, had turned out to be less favourable than expected.

As a result, government has established various forums, such as, the national electrification co-ordinating committee and the electricity distribution industry restructuring committee to forge a way forward.

Eskom and government recently agreed on a three-year target of 600 000 connections, indicating that the scheme will continue. However, it is expected that more attention will be given to rural areas.

"Rural infrastructure development is a priority area ... for government," says Shabangu.

Michael Corrigall, director of the SA National Energy Association, which is the SA member of the council, says the report points the way for the future of rural energy development.

While technological developments like fuel cells and wind power will help, they alone will not solve the looming problems. An integrated approach based on institutional, technological, social and political responses is critical, says Corrigall.

Local people must be involved in setting priorities, he says, so rural energy planning must be decentralised.

This means a change of attitude from the authorities. Decentralising rural energy planning has the advantage of helping planners to meet local community needs.

Rural energy planning needs to be an integral part of broader rural development which implies a holistic mix of energy, land use, innovative financing and building capacity.

Finally, rural energy must be given a high priority politically. Deputy President Jacob Zuma, has taken charge of driving SA's rural development strategy. On this score, at least, SA is ahead of many of its counterparts in the developing world.

Electrification shines brightly for SA's poor

(AN)

A highlight of the democratic revolution, electrification continues to show great success, writes MBONISO SIGONYELA

ST (BT) 31/10/99

MORE than 42% of rural households in SA will be electrified by the end of 1999 as part of the government and the electricity distribution industry's commitment to electrifying 2.5-million houses by 1999.

A target was set to electrify 450 000 homes a year — Eskom undertook to electrify 300 000 a year and other providers, such as local councils, 150 000.

Susan Shabangu, Deputy Minister of Energy and Mineral Affairs, this week said more than R1.2-billion a year had been invested on the electrification of rural areas.

She was speaking at the launch of a report by the World Energy Council (WEC) entitled Challenge of Rural Energy Poverty in Developing Countries.

The report provides recommendations to governments on how rural people can benefit from electrification and provides advisory services.

The WEC says only 33% of the rural population in developing countries have access to electricity — a figure which hasn't changed in 20 years.

'Only 33% of rural people in developing countries have electricity — a figure which hasn't changed in 20 years'

The figure excludes China, which has made huge progress in providing energy to rural areas.

Chris Lithole, a member of the committee which compiled the report, says progress in SA has been impressive. Only 12% of the rural population had access to electricity before 1994. This figure will have improved to 43% by the end of this year.

The figure for SA overall was 36%, jumping to 63% by end-1999.

Africa is still lagging behind — only 10% of the rural population have access to energy. Egypt is the only country in the continent with a higher level of electrification than SA, with 99% of the rural population electrified.

Lithole says this is so because it is more expensive in SA to electrify due to the remoteness of rural areas whereas in Egypt most of the areas are along the sea and the Nile, making them closer to hydro-power.

He says there is a new initiative to promote the use of non-grid energy such as solar power to counter the problem of costs associated with pylons and power stations.

Other obstacles are the culture of non-payment and general unemployment in rural areas.

Shabangu says progress in electrification is a good indication that the government is committed to improving the lives of its people. She says it should be taken into account that this much money has been spent despite the fact that about 30% of the population is unemployed.

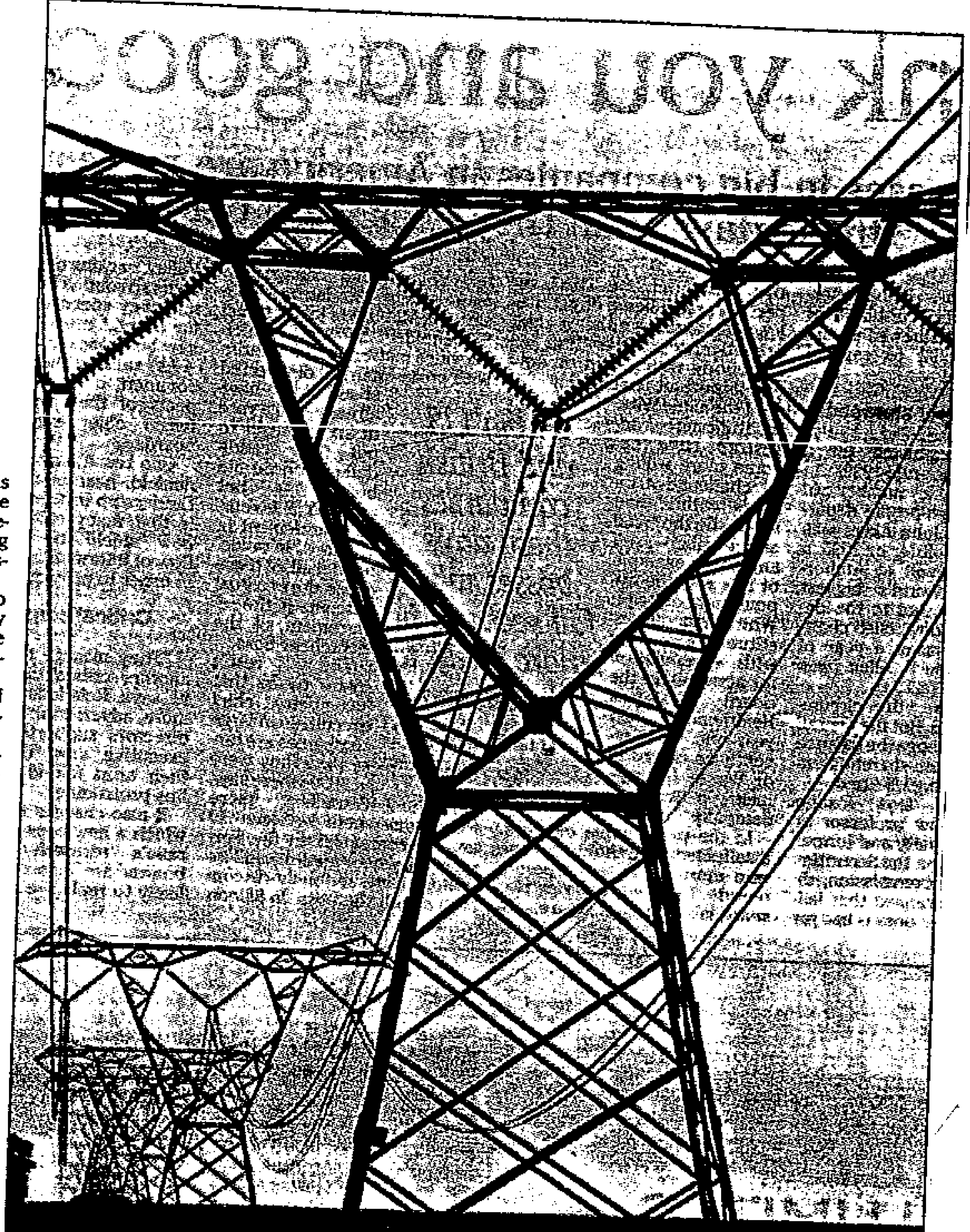
Lithole says the electrification programme in SA has led to the creation of small enterprises, in line with the findings of the WEC. Outsourcing to local contractors has brought some economic activity in the areas.

The report acknowledges that the use of alternative energy sources in rural areas will remain a reality — in some countries reaching a level of 95%.

WEC says although energy is not a basic human need, it is critical to the alleviation of hunger as it is predominantly used for cooking, but as income levels rise above subsistence levels, energy can be used for activities that are income-enhancing.

The report warns against assuming that electrification will guarantee economic development. It says benefits normally accrue to wealthier groups in electrified areas.

"Electrification should be part of a broader development package and not a substitute for other interventions."



THE WAY FORWARD FOR RURAL ENERGY DEVELOPMENT

- It must be given higher priority by policy makers
- It must be decentralised to place rural people themselves at the heart of planning and implementation
- It must be integrated with other measures dealing with agriculture, education, infrastructure and social and political factors

Competitive jolt good for consumers

(55) BD 11/11/99

Eskom rules the roost, but electricity supply could be opened up to rivals as a commodity subject to market forces, writes Anton Eberhard

IMAGINE you or me comparing advertisements in this newspaper from different electricity retailers and switching to a supplier that offered an electricity service with lower prices, customised to our needs and perhaps even bundled with other services such as pay TV and e-mail.

Imagine electricity generators and suppliers bidding into a spot market, competing for the best electricity price and hedging their risks through an electricity futures market and other financial derivatives. Is this a fanciful scenario?

The supply of electricity is a natural monopoly, is it not? Not so.

A revolution is sweeping across the electricity industry worldwide. Today electricity consumers in Norway, large and small, can pick up their phone (or access the internet) and switch to an electricity vendor of their choice.

Competitive electricity markets are maturing not only in industrialised countries such as the UK, US, Australia and New Zealand, but also in developing countries in South America and southeast Asia.

While the construction and operation of electricity transmission and distribution lines are still widely regarded as natural monopolies, the generation and retailing of electricity can be opened to the competitive forces of the market.

The time is ripe to start restructuring the electricity market in SA. Within the next few years investment decisions will need to be made regarding new electricity generating plant.

A critical decision now is whether Eskom should build the next power station (such as the pebble bed modular nuclear reactor) or whether we should encourage competing investors to enter the market.

This could be in the form of an independent power producer that would have to seek a power purchase agreement from Eskom or some large customer.

Yet we should avoid fixed, potentially costly, power purchase agreements and rather require independent power producers to bid competitively into a wholesale electricity pool. It will soon become clear which is the next most cost-effective generation option.

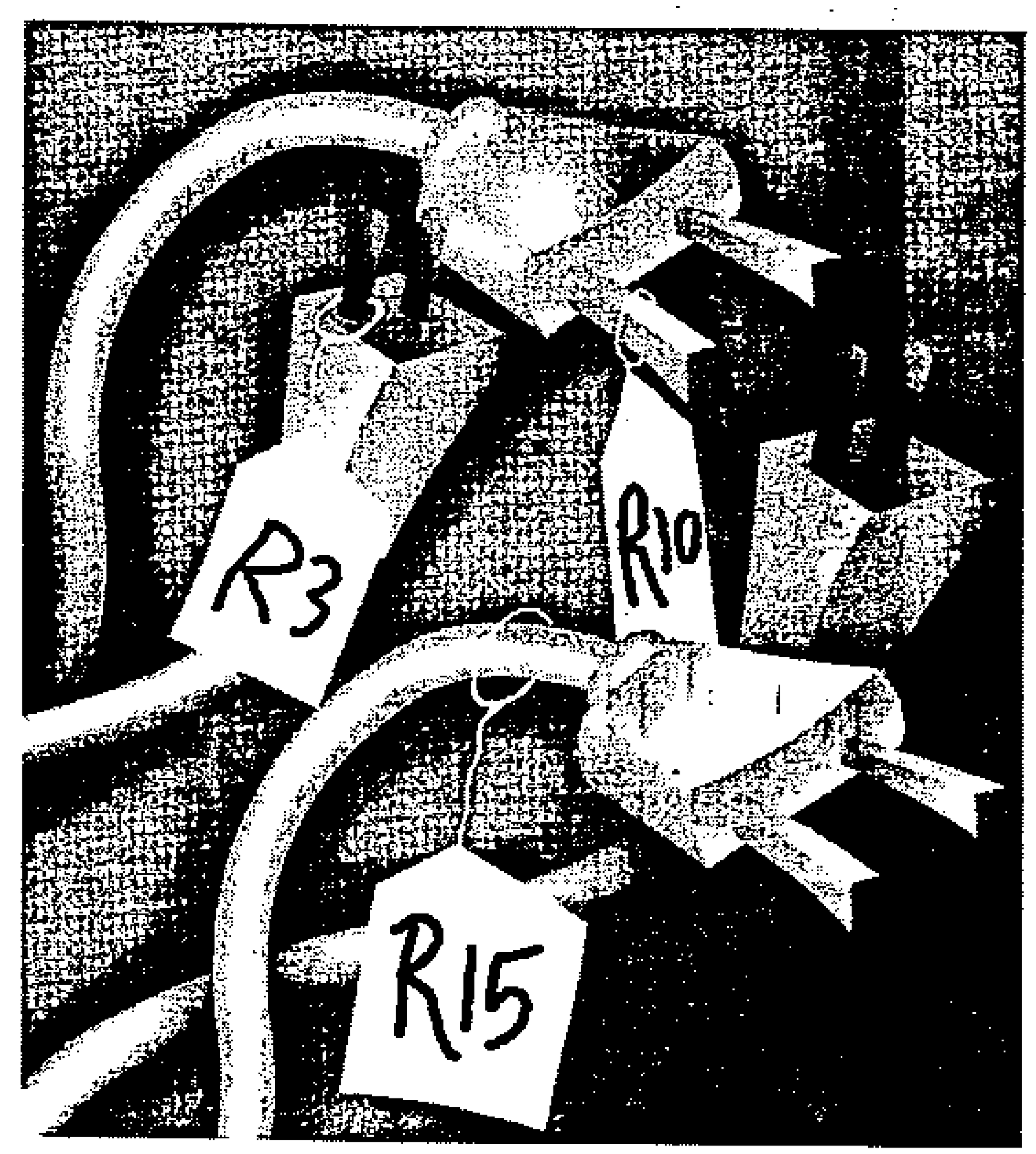
The creation of a fully competitive pool will require the separation of transmission from Eskom into an independent, preferably publicly owned, company. This would open nondiscriminatory access to suppliers and purchasers of electricity and independent system operation.

Full competition will also only be achievable if Eskom's market power is diluted. Consideration might need to be given to splitting its generation assets into at least three, and preferably more, competing generating clusters.

Is this not too radical? Eskom appears from the outside to be an efficient utility.

We have among the lowest cost electricity in the world. Why break up a potentially world-class SA company? The answer is that no one really knows how efficient our electricity supply industry is.

Also, we have no guarantee that economically efficient allocation and operational decisions will be made in the future. The overwhelming evidence from around the world is that the introduction of competition in electricity markets has led to lower wholesale prices, and often new, efficient investment decisions.



It is quite possible, for example, that a level playing field for new generation investments will see natural gas and/or hydroelectricity brought in from neighbouring countries with substantial additional benefits through diversity of supply, the environment and regional economic development.

If Eskom knows that it cannot grow substantially in the SA market, these structural reforms could be an additional motivator for it to follow the major power companies of the US and UK in expanding into global markets.

International experience also demonstrates that the full benefits of competitive generation prices reach consumers when there is also retail competition.

This is achieved by separating the operation and ownership of the distribution wires/lines business, from the selling of electricity.

The monopoly line company is paid a regulated price for transporting electricity.

The electricity retailer, on the other hand, competes with other retailers to offer the most competitive electricity service of choice for individual consumers.

They are in a position to do so because they are buying electricity competitively on the wholesale spot market, suitably hedged with contracts for differences or financial derivatives.

Is this not all too complicated? The irony is that a SA-owned company has the management contract — achieved through competitive tender — for just such an electricity market in New Zealand. It takes half-hour bids in the pool, calculates spot prices and dispatches priorities, and manages clearing and settlement contracts.

The same company is also offering a range of financial derivatives and hedges in the Australian electricity market.

The primary driver for these structural reforms is the potential offered for improved efficiencies, and lower costs, as well as lower prices for consumers.

There is a further reason for embarking on these reforms now. There are periodic calls for Eskom's privatisation.

However, the privatisation of Eskom without first creating a competitive market would be disastrous for consumers — it would simply mean a guaranteed private monopoly income for Eskom's new (probably foreign) owners.

It would also be extremely difficult to force divestiture at a later date to create competition.

The entrance of a foreign strategic equity partner for Eskom would also complicate moves to full competition at a later stage.

If there is one undisputed lesson from the experience of other countries it is that you must first get the structure of your market right, and then privatise — if you want to.

How would the national electrification programme and the low-income consumers be affected by these changes?

Government has already established a National Electrification Coordination Committee which is setting up a separate Electrification Fund and transparent electrification planning and subsidy allocation mechanisms.

Distributors' licence conditions could in the future specify electrification targets.

Also, various schemes have been undertaken internationally for indigent consumers — such as the issuing of electricity vouchers which would be distributed by welfare agencies.

There is growing consensus that the electricity market in SA will need to be restructured. There is no reason to wait.

□ Prof Eberhard is director of the Energy and Development Research Centre at the University of Cape Town and a board member of the National Electricity Regulator. The views expressed in this article do not necessarily reflect the official views of the regulator.

Twelve years of rattling Congress's cage

How the thieves take you for a ride

(55)

ST 14/11/99

BOETI ESHAK

ELECTRICITY thieves will do anything to avoid paying their bills — even using live spiders and needles and pins to slow down their meters. And as councils countrywide reel under huge monthly unpaid debts, they are battling to stop consumers from tampering with their meters.

Electricity is being stolen at a staggering rate in a number of scams in greater Johannesburg, and in the sprawling townships of Pretoria, Cape Town, Durban and East London.

In some cases, council employees are accepting bribes from residents who pay them not to disconnect meters.

Even more alarming is that very little can be done to stop the theft, as the thieves constantly come up with ingenious ways to rob the system.

The Greater Durban Metropolitan Council has embarked on a "sweep" programme to detect the thieves. They select an area and inspect every meter in it.

In Pretoria, where each month between 14 000 and 17 000 consumers have their power suspended because of non-payment, R2,8-million a month is being lost to meters that have been tampered with.

Only a quarter of the electricity supplied to Alexandra, Johannesburg, is paid for, and the township has one of the worst rates of tampering with electricity and water.

Other electricity hot spots are suburbs in the south of Johannesburg — Lenasia South, Zakariyya Park, Ennerdale and Eldorado Park.

Tampering has also crept into suburbs such as Rosettenville, South Hills, Glenvista and Waverley, where power is taken from street lights.

Andy van Zyl, strategic executive of revenue control for the Southern Metropolitan Council, said that in these areas organised gangs were illegally reconnecting electricity meters for a fee often just a few hours after council sub-contractors had cut the service off.

"We disconnect 10 000 to 12 000 residents a month — about 70 percent for illegal water reconnections, 30 percent for electricity. Ennerdale is the worst area in Johannesburg, where groups of people persuaded residents not to pay," said Van Zyl.

The Greater Johannesburg Metropolitan Council is planning drastic steps to recoup its losses, including taking the culprits to court for non-payment, theft of electricity and water and for tampering with council property. But if all this fails, it will resort to pulling the main electricity cables out of the ground so residents will no longer be able to steal power.

But the council said this was only a last resort and would be extremely expensive.

Live spiders and pins and needles

THESE are some of the methods used to steal electricity:

- Small holes are drilled into the meters and live spiders or spider eggs are crammed into them. The webs the spiders spin slow down the metering mechanism, giving a false reading;

- Needles and pins are inserted into the hole, slowing down the meter's recording wheel to give a false reading or even a zero usage;
- Small magnets are attached to the outside of the meter casing, stopping the meter from registering usage or slowing it down;
- Chewing gum is often used to stop the meter completely. This is taken out just before a meter reading is done;
- Meters are removed and power sourced illegally from underground cables and overhead wires;
- High-voltage links are interfered with and seals used to stop electricity flow are broken;
- Old meters are either removed or simply short-circuited;
- Fuses on prepaid meters are short-circuited;
- Pins are inserted under prepaid meters when the prescribed amount is used up;
- Cement is poured over ground-level meters so that they can never be read or cut off;
- Lead wires connecting a number of houses to one electricity box are crossed, making it difficult to establish usage for each home.

STAND OFF: A council contractor (left) who wishes to remain anonymous as he fears for his life, tries to deal with residents angered at his attempts to disconnect their electricity Picture: SIMON MATHEBULA

The horrors of cutting power to the people

BOETI ESHAK

THE men paid to disconnect the electricity of people who have refused to pay have told the following terrifying tales:

- "I was disconnecting power supplies to certain homes in Lenasia South Extension 4 when I heard a shrill whistle. Within minutes about 20 angry people were on the scene.

"A panga-wielding man threatened to cut me into pieces and set me alight if I did not reconnect. With the panga at my back, I had to reconnect 10 homes, although I had only disconnected three."

- "Four residents from Zakariyya Park [south Johannesburg] went berserk when they saw me open an electricity box to disconnect the power.

"They came at me with guns, knives and knobkerries. I first felt the knobkerrie on my head and was then assailed by bricks as I ran to our car. Bricks rained down on the car. They began hitting the vehicle with knobkerries. All the windows were smashed and the vehicle's body severely damaged.

"After escaping I later learned that one of the men was a teacher at a local school."

- "At a block of flats in Moffat View [south of the Johannesburg city centre] a 12 year-old boy was used as a lookout.

He wanted to know if I had come to switch off the electricity. As he was speaking to me a big fat man grabbed me from behind. While I was struggling to break free, others joined him.

"Although I had gone to disconnect only one meter, I was forced to reconnect about 20 others that had been switched off by us a few weeks earlier. After I had reconnected all of them they told me to tell the council they were all unemployed and could not pay up."

- "One morning I went to Ennerdale Extension 2, and my bakkie was jammed in by two vehicles. Several men jumped out of the vehicles. They were illegal connectors, who are paid by the residents to put their electricity back on after we have cut it off. One of them fired a shot into the ground and then tried to grab my bakkie's key through the window.

"While I wrestled with him for my keys, others who were armed with an assortment of weapons, including a crowbar, attempted to steal my tools.

"I got my keys back and drove off. To make absolutely sure I left the area, I was 'escorted' by them out of Ennerdale. I thought I was going to die."

- "The owner of a North Riding home made his gardener wait outside and keep watch.

"He'd given him a cellphone. As soon as we neared the property, the owner was phoned and he came out and threatened to shoot us. He had a gun. He appeared dead serious and we walked away. The owner retreated into his luxury home."

- "I was assaulted in Olivine Street, Ennerdale Extension 5.

"Within seconds of me getting out of my car our vehicle was blocked off. The leader put his hand through the window and tried to grab the keys. As my driver struggled with him, the key broke in the ignition. But my colleague managed to reverse and the culprit landed on the bonnet. The others chased me.

"As I ran I found my path blocked by two other cars. I managed to jump over one and ran like hell. However, the mob caught up with me and assaulted me. I was hit with a pistol butt on my head. My driver had rushed to the Ennerdale police station but they refused to attend to his complaint.

"He came back and as he came close to me, he opened the passenger door and I jumped in."

- **NOTE: The disconnectors interviewed, who feared being identified, work for the Johannesburg Utility Management Programme, which has been contracted by the council to read meters and disconnect services.**

Lights on at house of darkness

A RAMSHACKLE house in the shadow of Johannesburg's infamous Ponte building has been at the centre of the Sunday Times investigation into the theft of electricity from the Greater Johannesburg Metropolitan Council.

No one has paid for electricity at 8 South Road since June 1995 and the bill now stands at more than R50 000.

The electricity has been cut many times but is always reconnected without payment.

An ANC councillor, Norman Reed, and an operation manager in the credit section of the Eastern Metropolitan Council, Norman Sotsaka, now stand accused of "fixing" the bill.

On the account, the house is registered under the wrong stand number. No one knows who made the mistake, but it made it possible to pull off the alleged scam without detection for years.

At the house, known as Castle Inn, business goes on. A blonde barmaid serves cold beers as a TV blares out a movie. In other rooms Oriental and SA women entertain guests and deals are struck.

We bust thieves who add billions to your power bill

(55) ST 14/11/99

City councillor and official accused of fiddling electricity accounts

ANDRE JURGENS and MZILIKAZI wa AFRIKA

THE Sunday Times has uncovered a scam that is adding millions to the electricity accounts of honest consumers.

Municipalities with unpaid electricity and services bills totalling more than R10-billion have been unable to trap the crooks, including their own staff.

But today we name a city councillor who is accused of receiving money to illegally reconnect electricity supplies to premises with unpaid bills. He is Norman Reed, a councillor in Johannesburg's Eastern Metropolitan Council. He allegedly conspired with Norman Sotsaka, a council credit manager.

This week we also handed over documents to authorities containing details of 39 electricity accounts which have been "fiddled" to the tune of R10-million.

Our dossier identifies three other metro council officials who stand accused of "fixing" electricity accounts for a fee. Listed are details of doctors' surgeries, bakeries, butcheries and three big shopping centres that are allegedly stealing electricity by slowing down their meters and connecting themselves illegally to the power network.

Chris Ngcobo, chief executive officer of Johannesburg's Southern Metropolitan Local Council, said councils throughout the country were "battling to deal with massive fraud committed by their staff".

"We are losing a fortune on 'account fixing'. The paying consumers end up footing the bill for those who steal power and do not pay their accounts," said Ngcobo.

A six-week investigation by the

SUNDAY TIMES INVESTIGATION

The man who tried to drug an entire office staff

See page 12

Sunday Times focused on how a house operating as a pub in Yeoville, Johannesburg, continued to receive electricity after running up an unpaid bill of R50 000 over three years.

Reed, a Johannesburg ANC councillor, and Sotsaka stand accused of illegally reconnecting power to the premises in South Road, Yeoville, after it was cut for non-payment in January this year. There had been no payments since February 1996.

A former worker at the pub in South Road, Johan Koekemoer, said he handed a cheque for R3 000 to Reed after the reconnection.

Koekemoer said in a taped confession that he met with Reed after the electricity to the pub, The Castle Inn, was cut in January this year.

He said he was taken by Reed to meet Sotsaka at the electricity department in Jorissen Place, Johannesburg. He said Sotsaka gave instructions for the reconnection.

"Reed told me that he and Sotsaka were friends and that they ran a side business together charging people R3 000 to fix electricity accounts," he alleged.

Print-outs of the account show

NORMAN SOTSAKA
Didn't follow rules

that Sotsaka issued an instruction for the electricity to be restored on January 20 — despite no payment to the account.

When confronted by the Sunday Times on Thursday, Sotsaka tried to flee from his ninth-floor office and smashed our photographer's camera. Clearly agitated, he claimed Reed had instructed him to reconnect the power.

"This account was an exception as it came through Norman Reed," he said. Ten minutes later he denied saying this or being bribed to fiddle the account.

But he admitted he had failed to follow council procedures, which would have meant increasing the deposit, collecting a reconnection fee and ensuring that at least half the outstanding amount was paid.

"Councillor Reed came to see me on a number of occasions. Each time he asked me to sort out different accounts," he said.

Reed initially denied any knowledge of the Castle Inn account, but later said he remembered being approached by the bar's staff after their electricity was cut.

He admitted going with Koekemoer to see Sotsaka at Jorissen Place but denied receiving a bribe. "I have no authority to issue instructions to reconnect electricity," he said.

ANC chief whip Mike Maile on Friday asked Eastern Metropolitan Council CEO, Canzi Lisa, to open a full investigation into Reed's alleged involvement in the matter.

Ngcobo said the council would fully investigate the dossier compiled by the Sunday Times.

Municipalities across South Africa are reeling under massive financial strain because of corrupt officials fiddling accounts, people stealing power or simply refusing to pay their bills.

From Johannesburg to Pretoria and Durban, electricity is being stolen at a staggering rate. Pretoria loses R2,8-million a month because of tampering with meters.

Durban has arrears of R37-million a month for unpaid services while Johannesburg is owed R33-million a month. The monthly figure for Cape Town is about R32-million.

Many small town councils are close to bankruptcy. A government survey of 633 municipalities last year revealed a combined debt of R10-billion because of outstanding charges.

● The full story: Pages 12 and 13

We name South Africa's Top 100 Companies

36-page supplement inside

We've taken

Govt calls for input on electricity overhaul

BD 15/11/99 (55)

Robyn Chalmers

GOVERNMENT has taken the first crucial step towards restructuring the R25bn electricity distribution industry after six years of talks, having called for proposals from prospective technical advisors on the way forward.

The call for proposals from suitable institutions to advise and make recommendations on various aspects of the overhaul was issued by the minerals and energy department at the weekend.

Government says the state has decided to consolidate the distribution sector into a number of financially viable independent regional electricity distributors. The number of distributors has yet to be established, but estimates range from five to 12. Government has also approved an interim transitional mechanism leading up to the establishment of the distributors.

The cabinet decided in principle in 1997 to replace the supply system, based on Eskom and municipalities, with regional power distributors. It also agreed to introduce more transparent tariffs, an electrification levy and a capped tax for part funding of municipal services.

The cabinet's decision led to further talks on the way forward, but these deadlocked in February last year as industry interest groups could not reach consensus on the way forward.

This was despite broad agreement within industry and government on the urgency of restructuring in the light of the inability of some cash-strapped local authorities to pay Eskom for power supplies.

The discussions resumed earlier this year and resulted in significant breakthroughs. The restructuring will see Eskom's distribution division hived off from the electricity utility and merged with those municipalities involved in the distribution of power. More than 400 municipalities distribute 40% of SA's electricity, with the remaining 60% coming directly from Eskom.

A single holding company, currently called EDI Holdings, to house the merged entities will be established as an interim measure, and then the distributors will be set up.

Minerals and Energy Minister Phumzile Mlambo-Ngcuka said government was committed to the establishment of distributors which were financially viable and technically competent.

The various interest groups are discussing their configuration, but analysts believe the final outcome will favour a model of five regional distributors as opposed to the alternatives of nine or 12. The initial transition will be driven by the electricity distribution industry restructuring committee.

Representatives from the provincial and local government department, the minerals and energy and public enterprises departments, the SA Local Government Association and local government MECs sit on the committee.

The National Union of Mineworkers (NUM) is in favour of a single national distributor, saying there should be a move to regional distributors only if it is clear they are viable and sustainable.

The NUM also queried whether government's ultimate intention was to privatise the industry, which it said concerned workers. The NUM's views have been one of the sticking points in talks on the restructuring of the electricity distribution sector, which have dragged on for six years under a range of different committees.

Gas is rising as source of energy for next century, says minister

(5h) CT (MR) 17/11/99

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town – Gas was expected to be the country's fastest growing energy source in the next century, Phumzile Mlambo-Ngcuka, the minerals and energy minister, said yesterday.

Briefing the national assembly's portfolio committee on minerals and energy, Mlambo-Ngcuka said other priorities for her ministry would be the greater local benefication of minerals and metals, the restructuring of the Central Energy Fund (CEF) and a mining summit to complement the recent Jobs Summit to identify ways in which more jobs could be created in mining.

She said although coal was expected to remain a dominant source of energy, gas, mainly from Mozambique, would be one of the fastest growing energy sources of the future.

The proposed gas bill would provide greater certainty over how this new sector would be regulated. Talks with Sasol, the listed synthetic fuel producer, about the possible construction next year of a gas pipeline to South Africa from Mozambique were "quite intense".

The pipeline firm would be a joint venture between the two countries and their private sectors. The minister hoped to make a more definite announcement by the end of the year.

The minerals development bill would be presented to parliament by March or April next year and would deal with mineral rights, incorporating aspects of the current Diamond Act.

The aim would be to promote the benefication of minerals and metals to generate value-added exports.

The mining summit, scheduled for February, would aim to help reposition the sector as a "sunrise" industry and to kickstart a two-year programme of growth that would consolidate the use of known minerals and metals and the promotion of unknown ones.

A "one-stop-shop" would be set up for potential investors, while a social plan would be developed for the industry.

Mlambo-Ngcuka said attention would also be paid to restructuring the electricity supply industry to hive off distribution from Eskom into seven or nine independent and viable electricity distribution firms.

She was also working with the ministry of finance to standardise the number of levies found in the industry.

Progress was being made in restructuring the CEF, she said.

Soekor, Mossgas and the Strategic Fuel Fund would be group together under a national oil firm and their functions rationalised so that they did not compete with each other.

(5h) BD 17/11/99

Research into reactors cost R100m

ELECTRICITY utility company Eskom had spent R100m over the past six years investigating the viability of pebble bed modular nuclear reactors, Mineral and Energy Affairs Minister Phumzile Mlambo-Ngcuka said yesterday.

In a written reply to a question from Errol Moorcroft of the Democratic Party, she said R70m of this was spent this year. SA had not excluded nuclear power as an energy supply option in the future, she said. However, "decisions to construct future nuclear power stations will be taken within the context of an integrated energy planning process".

Eskom's decision to investigate pebble bed modular reactors has drawn sharp criticism from many SA green organisations, but even critics of the plan admit this type of reactor has major safety advantages over more conventional nuclear plants.

Researchers claim they also appear to hold major cost benefits, being considerably cheaper than other alternatives, such as wind power and gas.

Mlambo-Ngcuka said that costs incurred by Eskom on investigating pebble-bed modular reactors were: 1993, R0,03m; 1994, R0,1m; 1995, R0,2m; 1996, R5m; 1997, R9m; 1998, R22,6m; 1999, R70m. — Sapa.

SA's power sector to get Norwegian input

Robyn Chalmers (575) BD 18/11/99

THE National Electricity Regulator (NER) has signed a three-year contract with a Norwegian group to help it deal with challenges that will emerge from the restructuring of the R25bn power distribution market.

As part of the contract, the Norwegian Water Resources and Energy Directorate will assist the NER to establish tariff and pricing structures in a changing electricity market.

Government last week took an important step towards the long-awaited restructuring of the electricity distribution sector, having called for proposals from prospective technical advisers on the way forward.

NER regulation GM Wolsey Barnard said the organisation would have to deal with many regulatory challenges that would emerge during the restructuring of the sector — which the NER would also have to bring in line with global trends.

Barnard said the NER would advise government on the options available for the modernisation of the power supply market based on the results of an economic and financial analysis of the industry.

"The NER will also implement tariff reform in the industry to ensure all electricity tariffs are equitable, transparent, fair and cost-based to be in line with government policies," he said.

Tore Langset, senior adviser in the Norwegian directorate's economic regulation, energy efficiency and regulation department, said they would assist the NER "develop a tariff structure for large energy-intensive industrial users" and "do a systematic review of special deals".

Langset said he believed the directorate could assist the NER in addressing the changing environment that the electricity industry in SA was undergoing.

Other objectives to be addressed are: capacity building, advice and consultation, and a project to examine the economic impact of various electricity market structure options.

CAPE ARGUS, FRIDAY, NOVEMBER 19, 1999

Copper wire thieves leave households hamstrung

R1-m repair bill, says Eskom

ARG 19/11/99 (55)

TARZAN MBITA
STAFF REPORTER

Western Cape criminals syndicates specialising in the theft of transformers and copper wire cost the province more than R1-million in replacements in just over a year, says Eskom.

The costs of repairs and replacements are borne by the consumer and the areas where the vandals operate are usually disadvantaged regions where service delivery is crucial.

Eskom investigations into the main causes of electrical breakdowns between October 1998 and 1999 found that vandalism, theft or the throwing of steel objects at the overhead powerlines were top of the list.

Vandals used chainsaws to cut down wooden electricity poles and hammers to knock down the concrete poles used as replacements. This was done to reach the transformers that contained valuable copper and aluminium. The metal is then sold as scrap.

Eskom's technical support manager Girish Gopal said each transformer serviced between 300 to 400 households and when one went down it caused major problems.

Eskom took journalists on a tour of some of the worst affected areas.

In Hindle Road, which connects Delft and Eerste River, none of the street lights are working because covers have been broken and cables stolen. A long trench beside the road is testimony to the theft of underground cables.

The theft hotspots are Philippi, Delft, Eerste River, Khayelitsha, Crossroads and Bishop Lavis, where there are large tracts of bush. Residents regularly wake up to power failures.

Earlier this month in Khayelitsha, technicians had to work round the clock to prevent a health disaster when the sewerage pump station was immobilised because of an electrical breakdown caused by copper thieves.

Mr Gopal said Eskom had come up with some solutions, including marking all their copper and aluminium wires to make it difficult for the scrapyards to buy them.

Mossgas 'insurer' may be probed

BD 19/11/99 (56)(188)

Farouk Chothia

CAPE TOWN — The auditor-general's office has called on the Central Energy Fund (CEF) and the mineral and energy affairs department to conduct a thorough investigation into the existence of a dedicated insurance company set up on the Isle of Man to insure Mossgas.

In its report for March-end 1998 into Mosshold and its subsidiaries, the office said that investigations showed that Gannet Insurance Company Limited — incorporated on the Isle of Man in 1991 — was a bona fide captive insurance company for Mossgas.

The company was in compliance with all the required laws and regulations, the office said.

However, the office was concerned that Mossgas and the department are not represented in any of the controlling structures of the companies, or the Gannett Trust that owns the company. The department and Mossgas could not exercise a direct control over the activities of the company — which is a state asset — because of the nature of captive insurance companies.

The office also believed that there was a potential for conflict of interests. The auditors of the Gannet Insurance Company are also the Council of Protectors of the Gannet Insurance Trust, which owns the company.

The financial statement of the Gannet Trust reflected a loan of £300 000 in favour of Mossgas. However, the loan was not reflected on the official statements of Mossgas. It has indicated that it would rectify this in this year's annual statements.

Dealing with fruitless expenditure in Mossgas, the office said that pay as you earn to the tune of R793 000 was paid to the SA Revenue Services on housing benefits for former employees. The money could not be recovered, as none of the former employees could be traced, the office said.

During the biennial turnaround of 1997, Mossgas incurred fruitless expenditure for accommodation bookings, guaranteed to vendors, that were not taken up. About R70 000 was also reimbursed to subcontractors who had their tools stolen.

The office said that then mineral and energy affairs minister Penuell Maduna had during the 1997-98 financial year approved preliminary expenses of R180m for the development of the EM field. Maduna also approved the development of associated gasfields for a further R2,2bn. This was on condition that the CEF obtained commercial and foreign finance to protect the foreign exchange reserves and balance of payments of SA.

The office found that Mossgas's feasibility study did not comply fully with a 1993 resolution of Parliament's joint public accounts committee that there be further investment only after taking into account all direct costs to the motorist, taxpayer and government. Mossgas had also embarked on an exploration and appraisal programme to determine gas reserves beyond the EM project.

The office believed that the expenditure was in breach of the committee's resolution, which stated that no further money be invested in the project.

Council gets tough on electricity bills

ST 21/11/99

(55)

ANDRE JURGENS

COUNCIL bosses have suspended a credit manager after the Sunday Times exposed him for allegedly fiddling with an electricity bill on which R50 000 was owed.

Last week we pulled the plug on ANC councillor Norman Reed and credit manager Norman Sotsaka, who stand accused of illegally restoring power to a house operating as a pub in Yeoville, Johannesburg.

Reed allegedly received a R3 000 cheque from one of the pub's employees for "fixing" the Castle Inn's account in January — a charge he denies.

This week the CEO of Johannesburg's eastern metropolitan council, Canzi Lisa, praised the Sunday Times exposé and suspended Sotsaka.

"Corruption and theft invariably mean that customers have to pay higher prices for goods and services," said Lisa.

He has ordered an independent investigation into the Sunday Times dossier of allegations against Reed and Sotsaka.

"The investigation will be wide-ranging and will include the possible involvement of other staff, members of the public and councillors," he said.

Vowing to set an example if the investigation finds Sotsaka guilty of illegally adjusting the account, Lisa said the council would use all legal means to recover the debt — even if it meant selling the credit manager's assets.

"If any investigation reveals a criminal act has been committed, we will not hesitate to ensure the perpetrators are arrested and that a clear message is sent to employees . . . that corruption means the loss of employment, public humiliation and the possibility of a long jail sentence," he said.

Meanwhile, ANC Chief Whip Mike Maile said Reed would have to answer allegations made against him by a former Castle Inn employee, Johan Koekemoer.

The CEO of Johannesburg's southern metropolitan council, Chris Ngcobo, has also promised to root out corruption and the theft of ratepayers' money in his departments.

At least three of his employees were exposed by the Sunday Times last week for theft and corruption.

Two allegedly staged a R512 000 cash-in-transit heist of ratepayers' money, while a third was video-taped trying to drug the council staff who count ratepayers' money in a vault.

Providing our power: no easy answers for future

(55) ARG 25/11/99

Eskom explains its faith in controversial system

Eskom has now confirmed plans to build a "mini" nuclear power station on the site of the existing Koeberg nuclear power station.

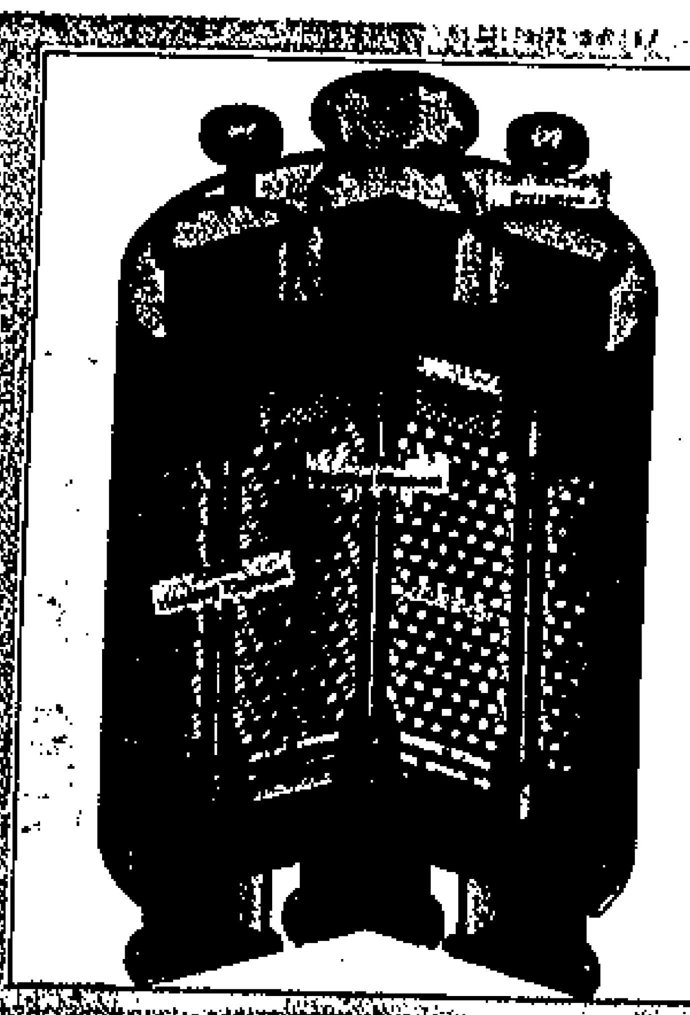
The announcement of the construction of a pilot pebble bed modular reactor (PBMR), drew an immediate response from opponents and proponents of nuclear power. Although the project has not yet been formally approved by the Government, Eskom has already committed substantial funding to it.

Critics say the project runs counter to the provisions of a draft white paper on a new energy policy, and that Eskom is embarking on its own nuclear agenda without political approval.

There is also deep local concern that if the PBMR is built, more high-level nuclear waste will pile up on Cape Town's doorstep as there is, as yet, no repository for such waste in the country.

Supporters of the project point out that the draft energy policy does indeed provide for additional nuclear power in the future.

They say that if the pilot project proves successful, South Africa will be in a unique position to export the PBMR technology and that this could create thousands of jobs and earn billions of rands in foreign exchange.



Controversial: this diagram shows how the pebble bed surrounds the heating rods

In this first part of a two-part series on the project, Eskom responds to questions by Environment Writer JOHN YELD about the project. Part two tomorrow will feature the views of opponents of the PBMR project.

■ Has the Pebble Bed Modular Reactor (PBMR) project been approved by Eskom's Board?

The project was approved by the Management Board and the Eskom Electricity Council in 1995.

A project of this magnitude has to be evaluated at various critical stages of its development and funding approved for the next phase. The last approval was given in October 1999. Approval to continue with a PBMR demonstration plant will be subject to a series of milestone reviews and government agreement.

■ Has the Minerals and Energy Department approved this project?

There has been no formal approval. The department has asked the International Atomic Energy Agency (IAEA) – a United Nations agency – for an independent review of the project. The report is scheduled to be released toward the end of the year and will be used as input for a decision by the government.

■ Has the Department of Environmental Affairs and Tourism approved it?

Eskom is still in the environmental impact assessment (EIA) process and intends to request approval from the department when the EIA report is available.

■ Is an Environmental Impact Assessment being done?

The full EIA is scheduled for next year.

■ How much has Eskom budgeted for this project and over what period?

The total projected funding for the development project of the PBMR and the fuel plant, inclusive of 1999 figures, is R540-million, of which Eskom Enterprises plans to take up 30%. The rest will be funded by the Industrial Development Corporation and other shareholders.

■ What is the cost of each PBMR? Is the project only financially viable if at least 10 such reactors are commissioned?

The anticipated cost is about $100-million (R613-million) for each module.

The demonstration module would be slightly more expensive due to the learning curve and the establishment of technology. It would not be financially viable to build only one module, mainly because of the cost of the fuel plant.

Eskom has conditionally agreed to buy a unit of 10 if the demonstration plant proves to be successful.

■ What is the current time-table for the project?

Once the Government has consented to the demonstration unit, preliminary constructive activities could commence in the first half of 2001. Completion of construction and first criticality of the reactor should occur about three years later, to be followed by one year of commissioning activities.

The plant could therefore go into commercial operation in 2005.

■ Has the Council for Nuclear Safety (CNS) licensed the PBMR?

An application was lodged for the licensing process at the end of 1998. Licensing of the PBMR is on-going and takes place in numerous phases.

■ Is it correct that demand for electricity is still well below Eskom's current capacity?

Although the demand is currently lower than the capacity, it is anticipated that new capacity will be required to be commissioned by about the middle of the next decade.

South Africa is currently almost totally dependent on coal for power generation and has sufficient reserves for a 100 000MW (megawatt = one million Watts) over the next 50 years.

Unfortunately, coal is not the ideal energy source from an environment point of view and will become a serious problem to South Africa should the Kyoto intent materialise.

(The incomplete 1997 Kyoto Protocol sets targets for reducing "greenhouse gas" emissions, in terms of the Climate Change Convention.)

The alternatives are:

■ Solar: which is not remotely competitive in terms of large-scale thermal applications. Eskom is, however, a world leader in the use of photo–voltaic systems for domestic use.

■ Hydro: Less then 3 000MW viable sustainable potential remains to be exploited.

■ Natural gas: Only a few hundred MW is possible with the known reserves.

■ Imports: Both natural gas and hydro are abundant in the region.

■ Nuclear: the only other energy source besides coal which is abundant in large quantities (up to 40 000MW for 50 years).

■ What is a unit cost of electricity generated by PBMR reactors and how does this compare to coal-fired power stations and Koeberg?

The PBMR output cost will be about the same as the cost of electricity produced by a coal-fired plant situated at the pit-head.

However, the cost per unit will be much cheaper than for coal-fired plants elsewhere in the world or on the South African coastline. The sent-out cost of electricity from the PBMR is about (US$)1,4c/kWh (kilowatt/hour) in South Africa and (US$)1,6c/kWh overseas, compared to overseas costs (in China it is (US$)3c/kWh with Japan being (US$)9c/kWh).

■ What waste is generated by a PBMR?

The waste generated will be spent fuel. About 19 tons of spent fuel will be generated a year, of which less than one ton is depleted uranium. The PBMR system has been designed to deal with nuclear waste efficiently and safely.

BUSINESS DAY, Thursday, November 25 1999 19

A case of official duck and cover

(SS) BD 25/11/99

Eskom's new nuclear reactor is winning interest abroad, but issues like safety are not getting a full public hearing, writes **Katharine Butt**

A NEW R18bn-a-year export industry for SA could be generated by Eskom within the next five years. This is the promise from the electricity generator's plan to take the lead in the second wave of global nuclear technology by focusing on the manufacture of pebble bed modular reactors (PBMR) for export.

That much we know. What is not generally known is that the PBMR plan is being fast-tracked for approval by government either in early December or mid-January — six months ahead of the schedule initially put out by Eskom.

The chief concern with the project is an overall lack of transparency and gaps in information on safety and the regulatory process. It is highly unusual, for instance, to present to the cabinet on a project of this nature, even for a testing stage, without an environmental impact assessment or even more importantly, in the absence of regulatory guidelines.

Why the rush?

The PBMR project is very attractive strategically and economically, and there is much reported interest abroad. Representatives from Germany, the UK, Japan, China and Russia were negotiating intellectual property rights for the programme as early as September, and Jan de Beer, CEO of Eskom Enterprises, has confirmed that a firm offer from an international company, with secondary bids, has been tabled for the development of the PBMR.

The countries listed have all tested similar versions of this model, over at least two decades in some cases. Why is the project being left to SA to carry forward?

Research costs for the local model are projected at R400m, with R90m reportedly spent to date. The first test reactor is likely to cost R600m. Against the projected revenues, these figures pale as significant research and development costs.

It is understood that China is on the verge of signing a letter of intent to buy 60 of the new reactors, which are punted as "clean power, walk-away safe". At \$100m a throw, that would constitute a hefty and lucrative first order for SA.

The PBMR model could sharply cut certain industrial costs in Asia. The projected PBMR cost is \$0,017 per kilowatt hour, about 10% of the average Asian electricity cost. This could accelerate new big-ticket projects, shelved because of the cost of power, which typically consumes about 40% of start-up costs.

Political and licensing complexities have apparently persuaded other countries not to go ahead with what otherwise seems an extremely sound commercial proposition. For good reason.

The licensing process throws up many issues. The process must produce comprehensive guidelines on all aspects of construction, commissioning and maintenance, and must produce a full risk assessment — not only of the obvious safety hazards, but also of chain reaction possibilities and oversight projections.

An assessment of the engineering and the specific design is also required. This process, depending on how it is defined, can be simply tailored or exhaustive.

The AP600 model, which was tested in the US and is similar to Eskom's proposed reactors, cost \$50m to license and took 10 years. A similar German model was abandoned after 20 years of extensive testing.

The PBMR project has not been licensed yet. A proposal is being assessed by the Council for Nuclear Safety. However, no environmental impact assessment has been performed, no public risk assessment made, no policy clarified on the disposal of hazardous nuclear waste and, above all, there is no experience of safety problems once the model is in production. A study on nuclear waste disposal commissioned by Eskom is due in February.

Although billed as being safe as regards meltdown because thermal densities are lower than those required to reach such high temperatures, other key problems in the nuclear industry would still apply to the PBMR model. These include the quality of uranium used, overpressurisation, weak links and ruptured loops — all common causes of failure.

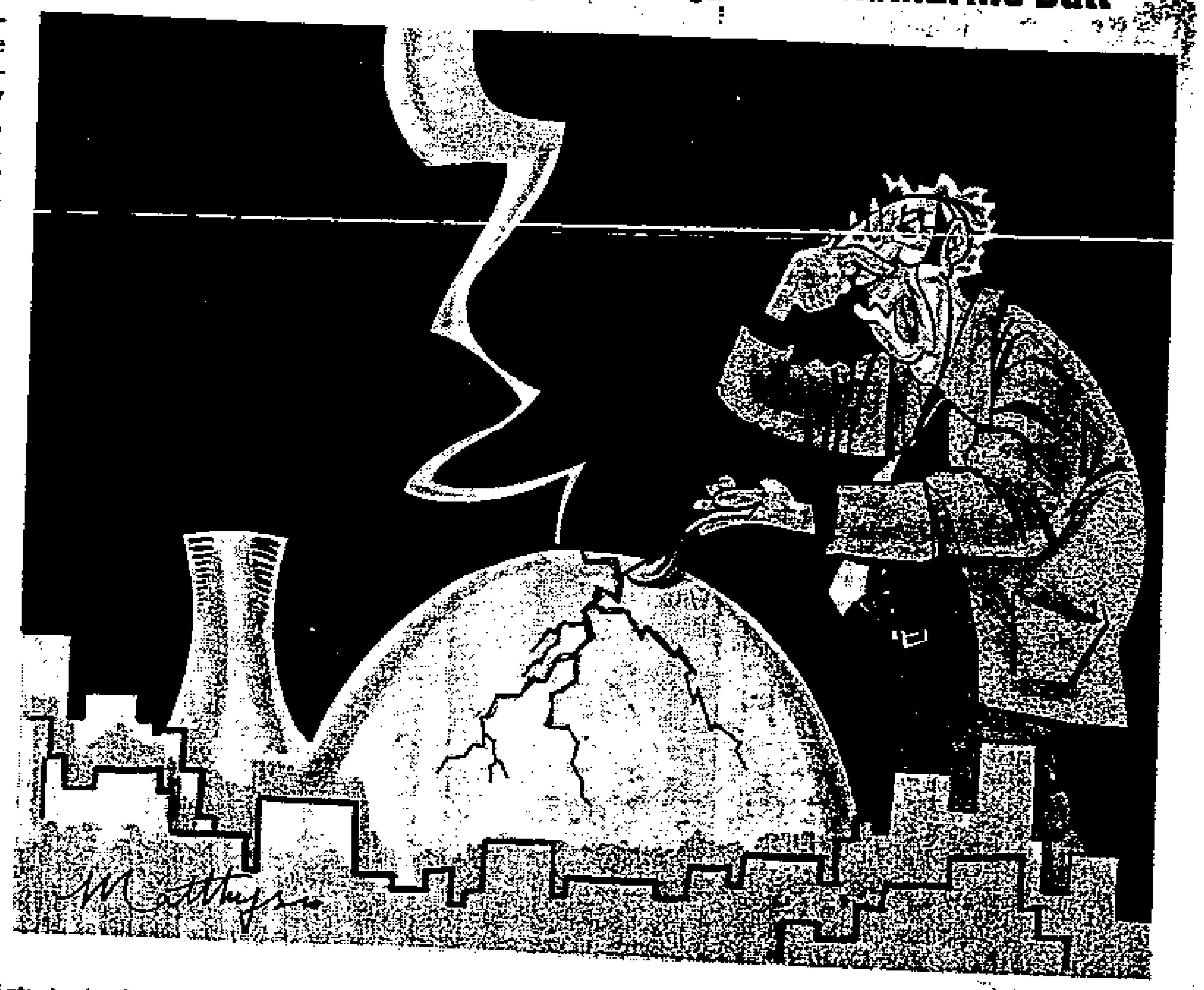
There is also a range of problems and multiplier effects that could emerge in the maintenance phase in a manner similar to current nuclear reactors, also once dubbed "safe".

To Eskom's credit, it would appear that work towards the licensing process has been done with international political risk in mind. UK atomic scientists, among others, have been brought out to assess progress on the model.

It is important for Eskom, and indeed government, that a project like this should be understood and perceived positively not only by potential investors, but also by the SA public. This is because of the project's natural potential for controversy, its scale, reach and effect.

It was reported recently that Eskom's non-executive chairman, Reuel Khoza, was also the founding chairman of investment holding company Co-Ordinated Network Investments. This company holds a 29% stake in Integrated Systems Technology, one of the main beneficiaries of the R90m spent on PBMR research so far. Khoza also sits on Eskom's nuclear oversight committee.

He says he has fully disclosed his outside interests and sees no conflict of interest. Both Public Enterprises Minister Jeff Radebe and Minerals and Energy Minister Phumzile Mlambo-Ngcuka are assessing Khoza's interest in Integrated Systems Technology.



Brian Statham, Eskom energy manager in charge of strategic planning, was prevented from participating in public debate on PBMR on the SA Broadcasting Corporation's October 20 Microphone-In programme, just half an hour before scheduling. Officially, only Khoza and Eskom deputy CE Thulani Gcabashe may speak about the project.

What about the global context? The International Atomic Energy Agency will produce a report by February next year on SA's PBMR initiative. Analysts say the outlook is likely to be positive given that the older generation of water-cooled nuclear reactors are reaching the end of their operating life and are too costly to replace given the safety applications required.

The PBMR initiative would sustain industry skills, jobs and revenue flows. There is a worldwide uranium glut with Australia, Russia and SA the top producers. Should the PBMR model be all it is cracked up to be, the potential for "clean" energy as opposed to coal-fired power — which generates noxious emissions — would be well worth pursuing.

Again, though, this begs the question: Why has the PBMR project not been pursued by other groups internationally, particularly those expressing interest but leaving SA to move ahead with it?

The hush-hush surrounding the project is unhelpful. It hopefully does not mean that a highly lucrative but very risky project is being dumped on the door of a developing country in which the potential lobbying power against the project is relatively minor and regulatory structures relatively undeveloped.

Neither government nor Eskom will go on record with confirmation of the imminent presentation to the cabinet.

Should the PBMR initiative produce the projected, but untested gains in terms of safety, environmental, economic and industrial benefits, it would be to this country's advantage.

Should government give approval for a demonstration reactor in the absence of clear official policy or a full and public risk analysis, it is highly likely the full project would be implemented regardless of potential flaws given the big commercial incentives.

After that, there will be no going back.

□ *Butt is an analyst at BusinessMap SA.*

CT 25/11/99

Critics slam Eskom's plan for R600m nuclear power plant

(55)

MELANIE GOSLING
ENVIRONMENT WRITER

ESKOM's top management met President Mbeki in Pretoria yesterday to discuss the experimental R600 million power plant planned for Koeberg.

The meeting comes two days after a BusinessMap report stated that Eskom planned to fast-track the nuclear reactor for government approval, ensuring they got the nod to go ahead before they embarked on an environmental impact assessment (EIA) or got a licence from the Council for Nuclear Safety.

Yesterday presidential spokesperson Parks Mankahlana confirmed that Eskom's top management had done a presentation for Mbeki on the pebble-bed modular reactor, but said he knew of no discussions about fast-tracking the reactor to get approval.

At the meeting were Eskom's chairperson Reuel Khoza, deputy chairperson Thulani Gcabashe and chief executive officer Alan Morgan.

The report by BusinessMap, an independent investment strategy advisor group, said it was understood that cabinet approval for the nuclear power plant would be finalised before the end of the year. The report said so far there had been:

● No public risk analysis on the pebble-bed nuclear reactor project which is still untested in production in its present form.

● No environmental impact assessment which is required by law.

● No clarity of regulatory guidelines for nuclear policy.

● No official policy on the disposal of high-level nuclear waste.

Philip Metcalf, deputy general manager of the Council for Nuclear Safety, told the *Cape Times* they were still in the process of setting down the requirements for the licence.

Asked if it were possible for cabinet to approve construction of the nuclear reactor before it was licensed by the Council for Nuclear Safety, Metcalf said: "Cabinet can't disregard legislation. It's laid down in the Minerals and Energy Act."

If cabinet does give approval for the demonstration model to be built at Koeberg, it would defeat the purpose of then doing an environmental impact assessment, as this is meant to aid decision-makers. The EIA tells them what effects the project will have on the natural and social environments, enabling them to weigh up the costs and benefits.

Eskom plans to build and export the reactors worldwide, claiming this would create an R18bn export market.

Critics have questioned why Eskom is building reactors which were developed in the United States, Germany and the United Kingdom years ago, but dumped because they proved to be uneconomical.

Critics have also expressed shock that the government appears content for Eskom to risk taxpayers' money developing a technology that is not needed in South Africa, which has a surplus electricity generation capacity, and which is unlikely to have a market outside the country.

Eskom management was not available for comment.

Eskom and unions in deadlock 53

By Mzwakhe Hlangani
Labour Reporter

ESKOM is engaged in a bitter wrangle with three labour unions after a deadlock over a new collective bargaining council empowered to conclude binding agreements.

The National Union of Metalworkers of South Africa (Numsa), National Union of Mineworkers (NUM) and the Mineworkers Union clamoured for a new centralised bargaining .structure with rights to negotiate wages and conditions of employment.

However, the company disagreed, Eskom media spokesman Mr Peter Adams confirmed yesterday.

Adams said the arose because the parties were "far apart". Eskom wanted the existing negotiations structure to remain in place.

Numsa spokesman Mr Steven Nhlapo argued that disagreement came after management spelt out their intention to retain the consultative structure which has no real collective bargaining rights.

They also wanted to impose the final wage offer and not negotiate new deals.

Nhlapo said the new bargaining structure, demanded by the unions under the Labour Relations Act, should follow procedure when a deadlock, strike or dispute resolution mechanisms are demanded.

"Management's attitude in this has the potential to raise tensions since maintaining the right to close negotiations and impose wage offers at will continued to undermine effective methods of dispute resolutions and arbitration options," he said.

On the issue of an agency shop, demanded by the unions for non-union members, Adams said that they had "a small hiccup" which could be resolved anytime.

Nhlapo warned that the unions were mobilising their members for a programme of action to fight the against the company's intransigence.

Sowetan 25/11/99

Power players put pressure on Eskom

(66)

Local, global generators keen

Robyn Chalmers BD 26/11/99

THERE is mounting pressure from independent power producers to participate in SA's electricity market, with the National Electricity Regulator (NER) receiving numerous applications for generation licences from local and global players.

Releasing the annual report and other documents yesterday, NER chairman Enos Banda said one of the organisation's key focus areas next year would be developing a regulatory framework for independent power producers.

"It is evident that the pressure from potential investors who wish to participate in the supply of electricity will continue to mount," he said.

Electricity utility Eskom is the key generation vehicle in SA and its position is likely to remain unchallenged for several years although there is growing interest from potential investors. Current applications range from small hydro- and wind-power projects to schemes to repower existing municipal power stations and install new technology.

Banda said the NER was now transformed and realigned following the "complete breakdown of basic corporate governance by the senior management of the NER" last year. This led to the intervention of the minerals and energy department.

"The (NER) board, with the assistance of the department, has cleaned up the organisation and those responsible for the problems of the past have been removed," he said.

The organisation had put in place the necessary policies, procedures and systems that would ensure it operated in a manner consistent with government's energy policy and the law of the country, he said.

NER CEO Xolani Mkhwanazi said there were big challenges ahead of the power supply industry, which is on the threshold of a restructuring that will significantly change the way things are done.

Mkhwanazi said the industry would have to support SA's transition from an industrial to an information-based economy.

The NER also released the 1998 statistics for electrification, which show that 63% of households had electricity by December last year. Eskom and municipalities have a target of making 2,5-million new connections by next year which will bring the number of households electrified to 72%.

The statistics showed that, by the end of last year, the Western Cape had the greatest number of households electrified at 82% followed by the Northern Cape with 78%. The province with the least number of connections is the Eastern Cape with 47% followed by the Northern Province with 49%.

CAPE ARGUS, FRIDAY, NOVEMBER 26, 1999

Eskom 'keeping us in the dark'

(65)

Is Eskom secretly wooing the Government to support its controversial pebble bed modular reactor (PBMR) project? Why has Eskom been spending most of its research budget on nuclear energy at the expense of alternative energy sources like wind and solar? Is it true that Eskom is so powerful, it's able to dictate South Africa's energy policy to the politicians? These are some of the questions of environmentalists and other opponents of the PBMR project. In this second report in a two-part series, Environment Writer **JOHN YELD** looks at some of the arguments

ARGUS 26/11/99

Eskom has been working secretly behind the scenes to secure the support of President Thabo Mbeki and various cabinet ministers for its controversial pebble bed modular reactor project, says the Johannesburg branch of the environmental organisation, Earthlife Africa.

Earthlife accuses Eskom of trying to set South Africa's energy policy without public participation and of using documentation not available to the public in its approaches to political leaders to support the project, which it slams as "a misdirection of public money".

This weekend, the group is hosting a meeting of concerned organisations to discuss a sustainable energy strategy for the country.

Among recommendations it wants participants to endorse are a moratorium on new nuclear power development in this country and a "truly independent" review of the pebble bed modular reactor project – including projected benefits and health, safety, and environmental and socio-economic impacts.

It argues that nuclear power is not an effective, efficient or safe source of energy and that research and development priorities should be directed to alternative, environmentally-friendly energy sources such as wind and solar power.

"We believe that all new investment in nuclear power projects, including any further spending allocations to the modular reactor programme, should be suspended until an energy policy process as required by the white paper on energy policy has been undertaken."

Earthlife says that, according to Eskom's own figures, the electricity company has spent more than R87-million on the project so far and at least R1,2-billion is needed just for the first "reference module".

"There are many who share the view that such investment would yield far greater benefits to the public, the environment and, in the long-term, the economy if it were directed to development of renewable electricity generation technologies and energy efficiency."

Advocate Duard Barnard, a expert in the field of environmental law, has pointed out that Eskom's intention to build a pebble bed modular reactor is an activity identified in terms of the Environment Conservation Act.

As such, it must apply for permission to undertake this activity. And in terms of a regulation in the act, Eskom must consider alternative methods of reaching the same result – the generation of electricity – other than the modular reactor.

He believes Eskom hasn't properly fulfilled this legal obligation.

Mr Barnard also says extensive research internationally has shown that, in the field of large-scale electricity generation, nuclear power is so expensive that it should probably not be used.

He says Eskom is a public utility answerable directly to the people, and that it must establish which system of electricity generation is most beneficial to the public in both the short- and long-term.

Therefore, he argues, Eskom has a duty to investigate alternative methods of generating electricity – and he has put this to it formally.

> 'It's not clear why this was hidden by Eskom for so long a period'

"After these demands were set, a thundering silence descended on the entire process," he said.

"It's not clear what the programme or agenda of Eskom is. Neither is it clear why such an important aspect affecting the entire South African community, was hidden by Eskom for so long a period."

Eskom's investment in the modular reactor process must already have amounted to several hundred million rands, says Mr Barnard.

He suspects Eskom's future application for permission to build the reactor will clearly imply that it cannot be refused because such an enormous amount of money has already been spent on research.

"The implication will inevitably be that it would be financially and morally irresponsible to deny such an application," he says.

"If this is done, it will amount to an improper, planned process to hold the authorities to ransom and to circumvent legislation specifically set in place to ensure that developments such as this, that may well be environmentally unacceptable, are not foisted upon the public."

Mr Barnard says if Eskom is spending R300-million or more on investigating the feasibility of a PBMR, it is legally bound to invest at least a comparable figure in investigating the feasibility of installations based on renewable energy or other viable technology.

For example, solar thermal power generation plants in active use in the United States have a generation capacity of 354 MW (one megawatt equals one million watts).

"This solar thermal generation route is therefore a tried, tested and proven technology, which is more than can probably be said for the modular reactor."

Eskom could argue that the extent of solar energy reserves in southern Africa had not been clearly established, and that this shortcoming militated against considering solar power generation.

However, Eskom was given "ample warning" of the essential need to do the research to establish such a data base as far back as 1994, Mr Barnard says.

The cost of this research would have been relatively low – substantially below R1-million – and Eskom had been told that, in terms of the Environment Conservation Act, their failure to do such research could prejudice any subsequent applications for permission to establish an electricity generation installation. However, the request for Eskom to do the research had not been well received.

The local anti-nuclear power group, Koeberg Alert, says it believes Eskom is spending R70-million of its R120-million research budget on expanding the nuclear component of electricity supply and that it is "appalled" at the way in which Eskom has continued to push the modular reactor project without any public involvement.

"Citizens are being kept in the dark and given no opportunity to voice an opinion about whether we want another nuclear power reactor," it says.

MAIL & GUARDIAN
November 26 to December 2 1999

MONITOR

A BAROMETER OF GOVERNANCE AND DEVELOPMENT

Provinces disclose plans to provide electricity to schools

(60) (55) M+G 26/11-2/12/99

Barry Streek

Minister of Education Kader Asmal has disclosed that all provinces, with the exception of the Western Cape, have plans to provide electricity to schools in the rural areas.

He said his ministry was not responsible for executive functions such as the supply of electricity to schools and the provision of supporting infrastructures, but the provinces had supplied him with information about their plans.

Asmal, who was replying to a question tabled in Parliament by Tommy Abrahams of the United Democratic Movement, said that since 1996, the Eastern Cape had supplied electricity to 1 130 schools and a second, European Union-funded programme had kicked off with another project which would see 500 schools receiving non-grid electricity.

In the Free State, Eskom had provided electricity to 150 farm schools and a further 1 370 would receive electricity over the next 12 months.

In Gauteng Eskom had committed itself to providing electricity to all schools.

Schools requiring electricity in Mpumalanga, KwaZulu-Natal and the Northern Province had been identified and Eskom had donated installation and connection costs to some rural schools.

However, in KwaZulu-Natal it was unlikely that any schools would receive electrification in the next 12 months "as a result of severe financial constraints".

Three hundred rural schools in the Northern Province would receive electricity through a partnership with the European Union.

In the North-West province, 184 rural schools were being provided with grid electricity and a number would be provided with electricity over the next 12 months.

In the Northern Cape, 38 schools have been electrified with seven being annually electrified in the same province.

Asmal said the Western Cape had no immediate plans to provide electricity to schools in rural areas and it had not identified any schools which would receive this service over the next year.

Plans for new nuclear reactor blasted

(55)

M+G 3–9/12/99

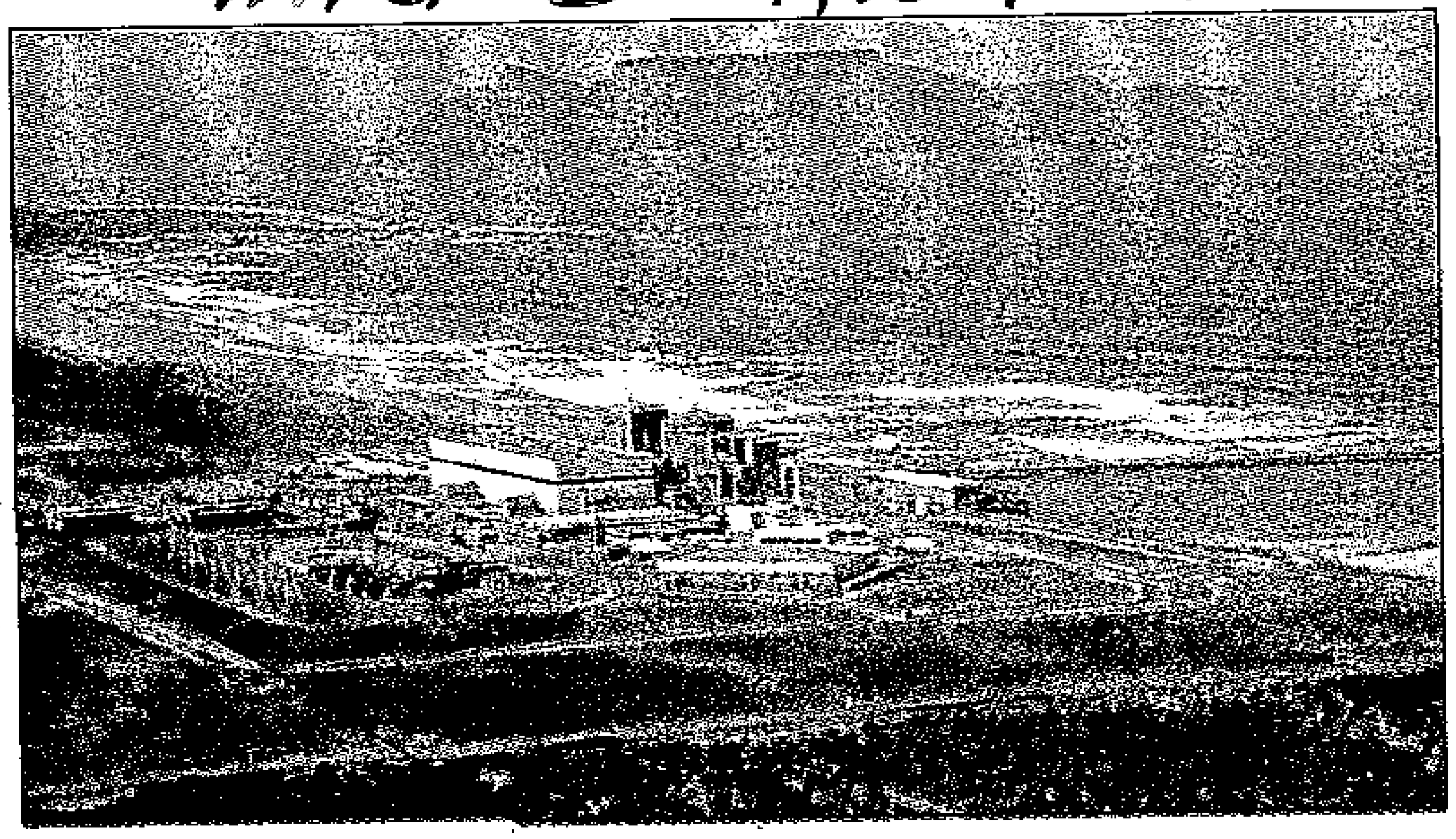
Stefaans Brümmer

The Cabinet is expected to "bless" the construction of a controversial new nuclear power station in January, but environmentalists have threatened legal action against the government if it gets the nod.

Eskom confirms it will be briefing the Cabinet on the project in January, and says it hopes this will result in a statement supporting construction of the first Pebble Bed Modular Reactor (PBMR), a new-generation nuclear power station being developed by the electricity parastatal. The government has previously promised there would be no decision until all stakeholders, including the public, have been consulted.

Eskom started investigating the PBMR in 1993. The revolutionary design is claimed to be safe, but major nuclear powers including the United States and Germany have failed to apply it commercially.

Now Eskom bets it is the best solution to meet South Africa's future energy needs and has already spent R90-million on research and design. It is seeking approval to start building the first reactor — a demonstration model — in 2001 at Koeberg near Cape Town, the site of South Africa's only existing nuclear power station.



Radioactive: The Koeberg power station in Cape Town is currently South Africa's only nuclear power plant. PHOTOGRAPH: I/AFRIKA

Eskom heavyweights briefed President Thabo Mbeki on the project last week.

Earthlife Africa fired off a letter to Mbeki arguing the Cabinet had no right in terms of the Constitution and environmental legislation to base a decision only on Eskom's input. "To consider a decision regarding construction of an untested nuclear reactor — solely or primarily on the basis of input from the developer — would be inconsistent with [the] government's environmental management responsibilities."

A Cabinet "blessing" cannot remove separate hurdles to construction, which include licensing by the Council for Nuclear Safety and an environmental impact assessment at the Koeberg site, but opponents say the government will be jumping the gun and reneging on previous guarantees to hear all sides.

Earthlife Africa representative Richard Worthington said his organisation was already consulting lawyers with a view to a legal challenge.

The cost implications of the PBMR project are staggering. Eskom projects development costs will come to R540-million. Each reactor will total more than R600-million extra. Opponents argue that once the demonstration model has been built — and well in excess of R1-billion spent — there will be no turning back on the entire project of at least 10 further reactors.

The costs pale in comparison to Eskom's profit projections. It claims there is wide international interest and projects that profits, mostly from exports, will total R16-billion by 2016.

The government has washed its hands of Eskom chair Reuel Khoza's "conflict of interest" in the PBMR programme.

Khoza stands to benefit commercially from the project, but is also involved in policy formulation.

As chair of the board of Eskom, he has been party to the decisions to push ahead with the development of the PBMR rather than other energy supply options.

But Khoza is also chair of Coordinated Network Investments (CNI), an empowerment company which bought R15-million worth of shares, or 29%, of the industrial IST Group in July last year — more than a year after Khoza took over the helm at Eskom.

IST is one of the main contractors developing the nuclear reactor for Eskom. CNI, and Khoza personally, stand to gain substantial profits if the PBMR project succeeds.

Khoza also sits on Eskom's nuclear oversight committee, which "interfaces" with the government on nuclear matters. He was part of the high-level Eskom delegation which briefed Mbeki last week.

Business will be in separate components

CT(BR) 8/12/99

Eskom to unbundle by March

(55)(260)

STEWART BAILEY

Johannesburg - Eskom's regulated business would be unbundled into separate generation, transmission and distribution components as early as March next year, Jeff Radebe, the minister of public enterprises, said yesterday.

The announcement brought the electricity market closer to a power pool in which competing generation companies would submit electricity prices to a central transmission authority on an hourly basis.

Distributors would then buy the cheapest power to distribute to consumers.

"Competition will be introduced to electricity distribution through the establishment of regional electricity distributors (REDs). This will divest the responsibility of power distribution to municipalities or future private operators," said Radebe.

Eskom would submit a detailed business plan to the government on the restructuring in January.

John Coulter, the managing director of JP Morgan South Africa, said the restructuring of Eskom would send positive signals to international investors.

"Privatising the electricity distribution business should bring a significant amount of fixed direct investment into South Africa, if done in tandem with a strong regulatory and policy framework around transmission and generation," said Coulter.

Zaid Nordien, a spokesman for the department of public enterprises, said the department of minerals and energy was in discussions with the REDs, which was an important step in the restructuring of the distribution sector.

Alan Morgan, the chief executive of Eskom, last month characterised the transmission facet of the business as the "carrier and marketplace for electricity buyers and sellers".

"If you want to create choice you need to keep transmission as a national asset and use it as a marketplace to wheel and deal power to a number of buyers and suppliers," said Morgan.

Nordien confirmed that the government would retain its strategic interest in the transmission company as it was a "natural monopoly". He said it would have to be heavily regulated to ensure open and fair access to the power grid.

Radebe also announced the reorganisation of Eskom's generation capacity into individual business units. This move, he said, would allow the utility to gauge the efficiencies of each of its generators.

He would not comment on whether or not Eskom's generation capacity would be privatised until Eskom submitted its business plan in January.

Morgan is thought to be in favour of retaining Eskom generation capacity within the company.

Radebe also called for a comprehensive business strategy to be submitted by Eskom Enterprises, the non-core unregulated group of Eskom businesses.

The plan would require Eskom Enterprises to define its core businesses, identify and value its assets and outline the plan for the disposal of non-core assets.

Eskom, jewel in R150bn crown

(260) (55)

Sven Lunsche

GOVERNMENT has announced a range of initiatives to restructure electricity utility Eskom, the jewel in SA's R150bn crown of state-owned enterprises.

The proposals presented by Public Enterprises Minister Jeff Radebe yesterday go beyond the white paper on the industry and will accelerate the break-up of Eskom's monopoly. Radebe has asked for detailed plans by mid-February next year.

The key proposals are based on the break-up of Eskom into three separate businesses — electricity distribution, transmission and generation. Radebe wants to finalise the establishment of Eskom Enterprises, which holds the company's noncore operations.

Eskom's deputy CE Bongani Khumalo gave no detailed response to the plan but said key aspects of restructuring were contained in the white paper on which Eskom had had significant input.

The government has been struggling with the restructuring of the R25bn electricity distribution industry for some time as more than 400 municipalities distribute 40% of SA's electricity, with the remaining 60% coming directly from Eskom.

Radebe said competition would be introduced by consolidating the distribution sector into a number of financially viable, independent regional electricity distributors.

Asked whether the distributors would take over the electrification programme and the distribution of electricity, department director-general Sivi Gounden said the details would emerge early next year.

Cabinet has approved the introduction of more transparent tariffs, an electrification levy and a capped tax for part funding of municipal services.

Industry sources said the number of distributors has yet to be established, but estimates range from five to 12. Eskom could continue to supply key industrial customers directly, they said.

Khumalo said Eskom was part of a restructuring committee on the distribution industry, which had been sitting under the auspices of the minerals and energy department for the past two months. "We have always said we would like to retain an interest in the distribution industry," he said.

On the restructuring of the transmission industry, Gounden said it was essential to ensure all players had "open access" to the electricity grid.

The most controversial proposal relates to the electricity generation industry. As a first step Eskom will organise its power stations into separate business units, providing detailed accounts for each power station.

Government has previously said generation could be opened up to outside players in the long term. A number of international players have positioned themselves for the eventual relaxation and Cape Town municipality has had talks about powering its stations with gas from the Kudu gas field of Namibia.

Gounden and Radebe cautioned that while Eskom has a surplus of power on the grid, opening up the market would be unlikely. Radebe said government had not taken a decision on the Kudu gas pipeline.

On Eskom Enterprises, Radebe has called for a business plan by the end of January, which would define core business, value assets, provide capitalisation options and outline the disposal of noncore assets. — I-Net Bridge.

'Govern… prepared… hard dec…

(232) (…

Robyn Chalmers

GOVERNMENT's dec… and accelerate its … gramme is largely d… ing from the limited … ing the first years of … say analysts.

This has led to th… ration of several larg… obvious example be… posted a R700m los… ended September. "… ernment has realise… hard decisions and … ly," said one analyst.

Public Enterpri… Radebe said yesterd… workshop on privati… ident Thabo Mbeki, … cess new impetus. "… was how to derive … from state-owned en… tive restructuring," …

Radebe said th… workshop demonst… ment of the Mbeki … hanced service deli… ciency and effective…

Cabinet memb… meeting examined … structuring objectiv… mobilising private-… ducing state debt … ownership in the ec… rities were to prom… finance growth and … petitiveness of state …

One official said … form for restructu… the consensus was t… not been well man… lacking was an inte… work. Radebe said … dressed by reviewi… decisions made by … cabinet committee … integrated policy d… turing by the end of …

"Various mecha… sidered to give effe… ing," he said.

These included … tractors, strategic … tial public offering… entity and a host of … vice delivery strate…

BD 8/12

Compromise on electricity price rise

POD 12/12/99 (55)

Robyn Chalmers

ESKOM and the National Electricity Regulator (NER) have compromised on a 5,5% rise in electricity prices from next month after the regulator rejected Eskom's request for a 7% increase.

NER chairman Enos Banda said that after considering Eskom's revenue requirements and the need to encourage economic growth through low-cost electricity, the NER board did not approve the proposed 7% increase.

"The NER must consider the impact of electricity tariff increases on residential as well as industrial, commercial and agricultural customers while recognising the need for financial viability and sustainability of electricity suppliers," he said.

It is understood there were fears within the NER that a relatively large rise in prices would have a negative effect on consumers and industry, notably marginal mines.

Banda said the 5,5% increase was realistic and in line with the predicted 5,2% inflation rate given by government in its medium-term budget statement. The increase is the first above-inflation rise in electricity prices in more than five years.

Eskom chairman Reuel Khoza said Eskom had delivered on its commitment to reduce the price of electricity in real terms by 15% between 1994 and 2000. "This is a major contribution to economic growth in SA, serving as an attraction to foreign investors and keeping domestic prices affordable."

Khoza said the average 5,5% rise in prices next year was vital for Eskom to maintain financial heath and viability. The electricity industry was experiencing a considerable decline in sales as the economic cycle was in a trough, and the minerals beneficiation industry had cut back on production.

Eskom has predicted a sharp fall in net income to less than R2bn this year from R2,75bn last year, the second consecutive annual fall in profit. It is facing further financial challenges as it will soon have to pay tax and dividends as well as fund its ambitious electrification programme.

Eskom, which said high-voltage customers would receive a higher discount, also announced several structural adjustments to tariffs.

The Standard Rate and Nightsave tariffs would be merged, and this newly merged tariff in rural areas would rise 2% above the average, or 7,5% in total. Eskom said this was necessary to offset the higher costs of providing power supply in these areas. There would be above-average increases for the residential tariff, Homelight, to reduce the subsidies associated with the tariff.

Eskom's price increase takes place once a year. It applies only to those customers supplied directly by Eskom, which includes most municipalities.

Distribution revolution: a tale of electricity in SA

BD 15/12/1999 (55)

Unions warn of privatisation pitfalls, writes Robyn Chalmers

IT LOOKS as though the long wait is nearly over for electricity users. There is greater consensus on the reshaping of the R25bn power distribution sector than there has been in almost a decade, although the path ahead is filled with pitfalls.

This is, after all, the biggest overhaul of an industry in local history, and a host of players are involved.

Talks have been held in many different forums, starting with the formation of the National Electrification Forum in 1993. Some trade unions have fought against the restructuring and there has been lobbying from many quarters, led by electricity utility Eskom and the SA Local Government Association.

This culminated in a workshop last week between government and and other interested parties aimed at forging agreement on the way forward.

Minerals and Energy Minister Phumzile Mlambo-Ngcuka says government's vision is to optimise the electricity supply industry to provide adequate, reliable and low-cost electricity.

The distribution sector today is highly fragmented. Electricity is distributed to consumers by Eskom and more than 400 municipalities.

The financial health of municipalities differs markedly, with some highly profitable and others on the verge of bankruptcy.

The energy white paper estimates that four municipalities earn 50% of the total electricity surplus and a further 18 earn 25%. At the other extreme, 290 local authorities bring in less than 1% of the total surplus and the bottom 25% lose money on their electricity sales.

There is also a wide disparity in the prices paid by different customers. Mining companies pay between 9c and 17c/kWh in Gauteng and up to 32c/kWh in Mpumalanga, for example.

However, while many distributors are not financially viable, collectively the industry is able to fund both the supply of electricity and electrification over the long term.

Minerals and Energy Minister Phumzile Mlambo-Ngcuka

Says the white paper: "If the industry is expected to both contribute to funding other municipal services (as it currently does) and to pay for the electrification programme in the long term, it will go bankrupt without alternative funding and pricing mechanisms, a reduction in the wholesale electricity prices or substantial tariff increases."

The way forward is premised on forming a number of independent, financially viable, regional distributors. An interim body, the EDI Holdings Company, will oversee the transition and the regional distributors will be subsidiaries of the holding company until they are independent.

The EDI model requires Eskom's distribution division to be separated from the utility and merged with municipalities to form regional distributors. This is an integral part of the recently announced decision by the cabinet to unbundle Eskom's regulated business.

Mlambo-Ngcuka says that the larger, more profitable local authorities like Durban or Cape Town could see regional distributors established as early as next year. The final deadline for all regional distributors to be independent is 2004.

Xolani Mkhwanazi, CEO of the National Electricity Regulator, says the challenges facing the overall power supply sector — which includes distribution, transmission and generation — are formidable. They include supporting economic transition while electrifying communities in remote areas.

The goal, he says, "is to satisfy the electricity needs of SA customers in a cost-effective and sustainable way".

A key challenge is to ensure that all trade unions are on board. The National Union of Mineworkers (NUM) has in the past opposed Eskom's unbundling, which it sees as a step towards privatisation.

NUM general secretary Gwede Mantashe said recently that the energy white paper placed much emphasis on introducing competition to the electricity supply sector. This included setting up regional distributors, establishing Eskom's transmission division as an independent entity and breaking the generation division up into individual power stations.

"This, in our view, is preparation for the piecemeal privatisation of Eskom. In SA, public utilities should give government leverage to drive transformation," he said.

The union believes that Eskom should be restructured to focus on improving efficiency levels rather than privatisation, which Mantashe said had led to diminished quality of service in other countries.

Mlambo-Ngcuka says she cannot claim that all the problems facing the restructuring of the electricity market have been solved, but believes that "we have sufficient consensus to go ahead".

It has been a long, tortuous process for the state and industry to get this far. If the next phase begins soon, consumers will ultimately have access to more reliable, better-quality and possibly lower-cost power.

Unions slate Govt over plan for Eskom

(55)

Sowetan 20/12/99

By Mzwakhe Hlangani
Labour Reporter

IN a major rebuff to the Government's accelerated privatisation of electricity, labour unions have criticised it as a step to undermine the objectives of reconstruction and development programme.

The unions claimed the restructuring of electricity industry and incorporation of Eskom into companies Act of 1973 would have disastrous effects and thus result in high electricity costs which cannot be afforded by poor communities.

Public Enterprise Minister Jeff Radebe announced recently that the Government would recapitalise state-owned enterprises, including Eskom, and improve their governance as part of new plans that could ensure "a substantial injection into fiscus".

Radebe said it was necessary to speed up the unbundling of Eskom by splitting up the business units of regeneration, transmission and distribution for improved business efficiency.

Meanwhile, Minerals and Energy Affairs Minister Ms Phumzile Mlambo Ngcuka has said the Government's vision was to optimise the electricity supply industry and provide adequate, reliable and quality low-cost electricity for all.

National Union of Metalworkers of SA president Mr Mtutuzeli Tom said Eskom's recent application for a seven percent increase in electricity tariffs vindicated the labour unions' position that incorporating Eskom into the companies Act will reverse the realisation of universal household access to electricity.

The restructuring process of the industry had not been researched thoroughly and was not transparent enough, the union claimed. They also charged that it was fraudulent since state assets were critical for the delivery of basic services to the poor, Tom said.

The Congress of South African Trade Unions objected to the privatisation of the electricity industry in a recent submission to the parliamentary committee and urged the Government to reconsider its position on Eskom.

National Union of Mineworkers general secretary Mr Gwede Mantashe said the union believed Eskom should be restructured to focus on improving efficiency levels rather than privatisation. He said public utilities should give the Government the leverage required to enhance transformation.

"A dispute has been declared with the Government on privatisation and the Government has been unreasonable in dealing with the unions on this issue, Numsa said.

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