

MINING - COAL

1986

COAL EXPORTS

Running out of steam

215

For 10 years, SA's coal exports have been travelling the world on a magic carpet. Ton-nages increased, making SA world leader in steam coal exports; markets spread to every continent, and rewards were plentiful, producers reaping R3 billion in foreign exchange earnings last year alone. But the magic seems to be fading, a storm is brewing, and the crew is struggling to hold on.

In truth, it was hard work, not magic, which gained SA its strong position. Were the clouds not resonant with political thunder, our producers could weather any storm. Instead, political considerations have pushed coal to the front of the firing line. Buyers are using the issue as a teasing stick, prodding prices and tonnages to their advantage, leaving in their wake a changed market-place.

Industrialists expected a number of negative factors this year: decline in demand from major importers, the forceful entrance of Colombia to established trading areas, and the weak oil price. Even two years ago, producers were gearing up for an oversupplied market. But although the winds of anti-SA fervour had already made an impact when Norway and Sweden banned South African coal imports and Denmark announced a plan to phase out South African coal, few guessed the extent to which oversupply has made politics such an important influence.

The political screws tightened a few months ago, when Denmark and France decided on action. Contracts have been thrown into disarray, buyers sitting tight until suppliers accept discounts of US\$2-\$4/t on fob prices, last year around \$32-\$34/t.

In fact, the position of neither Denmark nor France has yet been confirmed. The Danish government, pressured by strong leftwing factions, intends to introduce a Bill next month which will effectively ban South African coal imports six months after the legislation is passed. A Danish government spokesman says little opposition is expected.

The French situation is less clear. Last November, Prime Minister Laurent Fabius, concerned about waning votes and the activities of the depressed French coal unions, announced that France should sign no more coal contracts with SA. No further official statement has been made. But the monopoly importer, Atic, is seeking other sources.

The importance of these two cannot be denied. Together, they bought around 10 Mt from SA last year.

The buoyant markets enjoyed by exporters over the past decade are no more. Alternative suppliers have come in, and SA faces political resistance to its mineral sales.

Their custom has been steady and reliable for at least five years. Not only that, they epitomised SA's traditional dominance in western Europe.

The French and Danish action has made political issues the major force behind changes now taking place in the market.

It is not that buyers themselves are politi-

cally motivated to stop buying South African coal, but they can use the threat to reinforce their unprecedented position of advantage. There are more coal suppliers than ever, there is more coal on the market than demand, and the two toughest competitors — SA and Australia — are both enjoying the benefits of currencies which have devalued against the US\$, in which contracts are traditionally negotiated. Buyers reckon suppliers can afford to accept low dollar prices which still translate into profits.

Obviously, SA is more vulnerable than its competitors, both politically and financially.

This year, for the first time in its 10-year history, exports through the Richards Bay Coal Terminal (RBCT) will not increase from the 1985 40 Mt-42 Mt level. And transport costs are set to soar next year (see *Business*).

Producers cannot afford to let this happen. SA is desperate for foreign exchange, also, as Max Pollak & Freemantle analyst Alan Hill comments in his latest Coal Review "Most companies carry loans which must be repaid in respect of both their mines and the RBCT facility." Producers must also consider their financing of the railway line. Such infrastructure, despite its costs, has contributed to SA's reputation for reliability.

Hill is pessimistic about negotiations, believing financial considerations will force SA to accept prices as low as \$25/t-\$26/t fob. In addition, suppliers must try to keep up RBCT throughput. "Not that we have a deadline," explains Rand Mines coal division deputy chairman Allen Cook, "but we have to average out volumes — the longer we delay, the more difficult it is to maintain tonnage through the port for the year."

"It is a question of who breaks first," says SA Shipbrokers director Peter Sowerby. "Unfortunately, the odds are stacked against SA." Even Australia, SA's main competitor, is not overjoyed by the situation. Not only are buyers asking Australia to match SA's prices, but SA, as the leading exporter of steam coal, sets the benchmark price. So all are caught up in the deadlock.

Some experts speculate that two tiers of pricing may arise, one for South African suppliers, another for the rest of the world. Whatever happens, South African coal will trade at low prices this year.

Some producers have already accepted discounts of up to \$3 on fob prices. But most are attempting to take a hard line, believes Transvaal



Rand Mines' Cook ... hard to maintain the flow

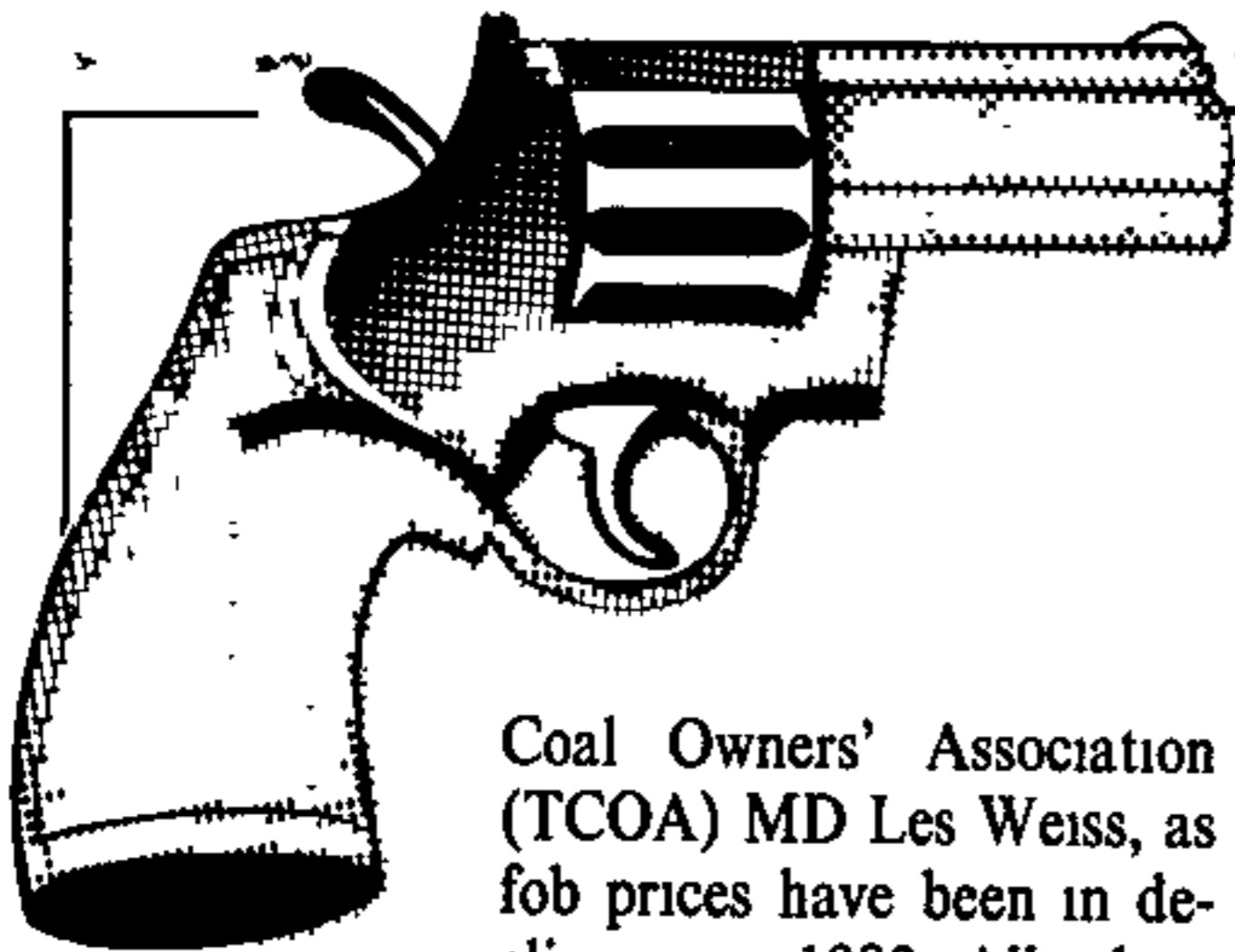


THE WAY WE WERE

Major SA coal markets

	1981	1982	1983*	1984*
	Million tons			
Western Europe	16,2	13,8	11,4	13,8
France	7,9	5,1	4,0	6,5+
Denmark	2,8	3,4	2,8	3,1
Belgium	2,2	2,5	1,5	1,1
Holland	2,0	1,9	2,2	1,3
West Germany	1,3	0,9	0,9	1,8
Mediterranean	5,3	3,8	6,3	9,2
Italy	4,3	2,8	3,2	5,9
Spain	0,5	0,5	1,1	1,3
Greece	0,3	0,1	0,5	0,2
Israel	0,2	0,4	1,5	1,8
Far East	6,5	8,6	9,8	11,1
Japan	4,5	5,9	6,0	7,2
Korea	1,1	1,5	1,6	1,6
Taiwan	0,9	0,6	0,7	0,5
Hong Kong	—	0,6	1,5	1,8
US	0,8	0,5	0,7	0,6
Other	1,1	0,8	—	0,2
Total	29,9	27,5	28,2	34,9

*Figures exclude Durban and Maputo
+Includes an estimated 1 million tons which was transhipped to other countries
Source: Max, Pollak and Freemantle



(215) FM 31/1/86

UNDER FIRE

FRANCE Coal Imports		(1 000 Tons Hard Coal)				
From	1980	1981	1982	1983	1984	1985
USA	7 472	9 425	8 328	4 049	3 484	4 131
Poland	3 449	668	1 857	2 269	1 998	1 053
USSR	781	307	54	55	284	162
Australia	1 646	1 758	1 531	2 247	4 703	3 012
South Africa	9 188	7 874	5 038	4 146	5 601	6 311
Canada	—	20	—	42	473	770
Other EEC	6 887	7 372	5 956	5 655	4 924	3 679
Others	96	76	155	76	154	115
Total	29 519	27 500	22 920	18 539	21 621	19 133*
* Latest year-to-date figures						
Type	1980	1981	1982	1983	1984	1985
Coking	9 886	9 587	8 925	6 711	7 859	
Thermal	19 633	17 913	13 995	11 828	13 762	
Total	29 519	27 500	22 920	18 539	21 621	

DENMARK Coal Imports		(1 000 Tons Hard Coal)				
From	1980	1981	1982	1983	1984	1985
USA	1 377	409	2 927	590	678	1 776
Poland	3 381	614	962	218	3 205	2 199
USSR	398	77	120	360	185	216
Australia	363	280	123	552	1 759	1 844
South Africa	3 191	3 082	3 068	2 981	2 737	3 452
Canada	204	49	330	286	433	327
Other EEC	867	1 960	2 042	657	655	869
Others	146	52	45	98	94	216
Total	9 927	10 662	9 617	8 742	9 746	10 899*
* Latest year-to-date figures						

NB All Denmark's imports since 1980 have been thermal coal for use in power stations and industry
Source: Statistical Office of the European Communities

Coal Owners' Association (TCOA) MD Les Weiss, as fob prices have been in decline since 1982. All admit that trading conditions are tough "New clients are taking particularly long to wrap up contracts," adds Trans-Natal's planning manager, Gavin Turner

Over the past few years, Trans-Natal has exercised a great deal of caution, avoiding "politically sensitive areas," says Turner. In fact, it is the TCOA, Amcoal, BP and Shell which will be hardest hit by actions in western Europe "We have been expecting sales to drop, particularly in France, where nuclear power has taken over as main supplier of electricity," says Weiss "This year the TCOA is looking at a total realignment of its market"

All producers are probably thinking along the same lines With Denmark and France looking for 10 Mt, other suppliers will usurp SA's traditional dominance in western Europe Exports are still going to Belgium, Holland and West Germany, but only West Germany is likely to show growth in the immediate future

In the Mediterranean, Italy and Spain may also want more as their coal-fired power station programmes expand Other areas of growth are Greece, Turkey and Israel, with "surprisingly large quantities going to Eastern Bloc countries," says an industry source However, Hill reckons it is only a matter of time before exports to most of these are also hit by politically motivated bans.

So it is to the less politically concerned Pacific Basin, specifically the Far East, that SA must turn its attention SA already exports 32% of its total to this area But import growth has been slow and buyers are well aware of SA's need to win contracts away from Australia, which dominates coal trading in the Far East Japan's Electric Power Development Corporation has already negotiated a contract with SA, at a discount of

around \$2/t fob Further reductions are inevitable if new contracts are to be won

On the other hand, "other producers' ability to take over from SA is constrained," says J D Anderson's coal analyst, David Russell European producers, including Poland, have reached capacity Australia is not well placed geographically to supply Europe, and US coal is still far more expensive than others' Although Colombia is a real threat, production and transport costs make it a less flexible producer than SA

Probably the most significant factor influencing the role of South African coal is that, if it were boycotted, the price of steam coal would rocket by at least \$5/t fob

Despite these qualifications, other producers could replace South African tonnages

This factor will continue to place pressure on our exports and contract prices

Hill puts it more bluntly: "Any significant near-term price appreciation will be short-lived, as exporters can only be prejudiced by increasing political pressure on this country.

"Although our coal is extremely cheap, there are numerous other sources of comparable quality Furthermore, not only is coal difficult to camouflage because of its bulk, South African coal is readily identifiable by its physical and chemical properties"

He concludes "Given the snowballing political aggression towards this country, it is possible that, rather than increase at the highly optimistic rates previously envisaged (up to 71 Mt by 1995), our exports could even decline over the next few years" ■

AUROCHS/WILLIAMS HUNT/GENERAL TYRE

Seeking fair terms

People either love or hate W & A's chairman Mannie Simchowitz Words such as brash, charismatic, debonair, hard, shrewd and volatile can be used to describe him But the 45-year-old Simchowitz, in only 14 years, has built an empire of R800m turnover with interests in textiles, motor and furniture trading, energy and property

Simchowitz, though, has not convinced the market that his skill as industrialist ap-

Mannie Simchowitz's plans to restructure the lower-rung companies in the W & A pyramid have run into stiff opposition. The scene is set for a classic dispute over the fair price to be paid to minorities for the sale of corporate assets.

proximates his talent as a financial operator Possibly he does not care, as his self-reliant career has bred a keen sense of what he wants and how to get it "I really admire the guy," says a broker, "but he's too clever, and can be selfish All too often you feel you've had the worst end of a deal"

Minorities in Aurochs would agree, as Simchowitz's plans to restructure the lower companies in the W & A pyramid have run

Coal price up

SOUBETAN
DLS
3/1/86
2/1/86

THE price of coal is expected to go up soon — hard on the heels of a two-percent petrol price hike which came into effect on New Year's Day.

A spokesman for the Department of Mineral and Energy Affairs yesterday ascribed the coal price rise to an increase in transport costs — the factor that has also resulted in the latest petrol price hike. A wide range of increases in rail tariffs, which included a "maximum 15 percent" on goods transport costs, came into effect on January 1.

Coal dealer associations are expected to apply to the Department of Mineral and Energy Affairs for a new price structure, and the coal price increase will vary from area to area. In some areas the increase will be as high as 30 percent, depending on the distance between the delivery point and the colliery.

In the Vaal complex, the price of coal rose by 22 percent to R4,50 a bag on New Year's Day.

Meanwhile the petrol price rise means that 93 octane on the Witwatersrand and most other inland areas has risen by two cents, while the price at coastal centres like Durban and Cape Town remains unchanged. The price of diesel has also been increased.

Consumer bodies have expressed shock and outrage at the two-cents-a-litre hike in the price of inland petrol.

"One becomes dumb-founded every time a price increase is mentioned," said Mrs Ellen Khuzwayo, president of the Black Consumer Association, reacting to the news of petrol and coal price increases.

Striking miners return to work

By a DAY
to work

CLAIRE PICKARD-CAMBRIDGE

A FOUR-DAY strike by about 950 black miners at Duvha Colliery, near Witbank, ended last night amid reports that some employees arrested for disturbing the peace had been released.

Workers had been demanding the release of colleagues who were convicted on Monday for disturbing the peace on Christmas Eve. Fines were being paid yesterday.

A Rand Mines spokesman would not comment on the conditions of the agreement last night.

Patrick Hamnca, of the National Union of Mineworkers, said however that he understood the 28 arrested workers would not be disciplined by Duvha management if workers were back at work by today.

A management spokesman said the 28 were arrested by mine security personnel after employees complained that they had been using violence in an attempt to enforce a call for a black Christmas by boycotting white businesses.

The arrested men were handed over to the Blinkpan police and were convicted in the Blinkpan Magistrates' Court on charges of disturbing the peace.

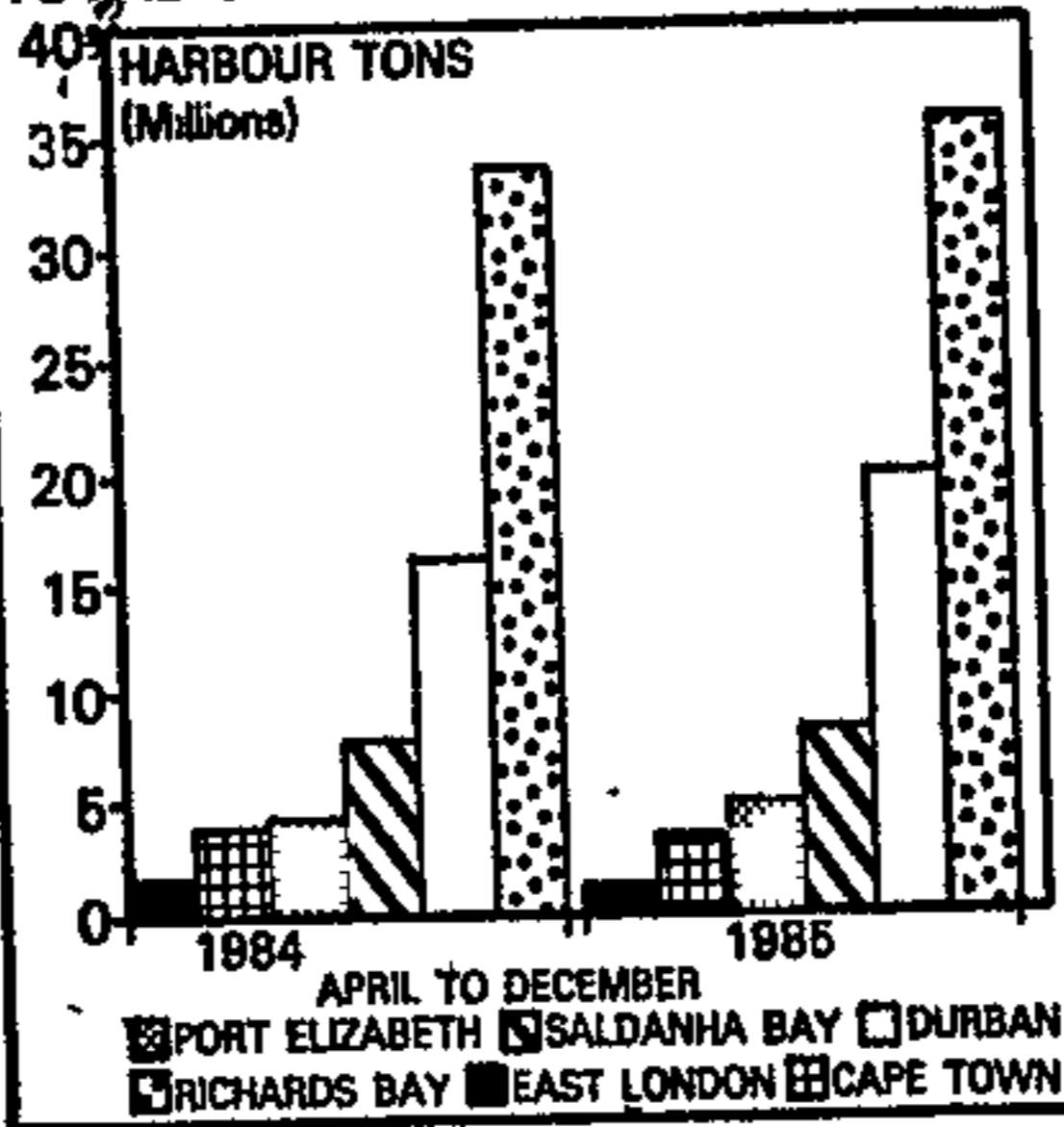
Two of the men were released on Wednesday after their fines were paid. It is understood that money for the others had been found, but neither the NUM nor management said they knew who had paid the fines last night.

Hamnca said workers had been demanding that the 28 should be released and their fines paid for by management. They were also demanding that workers should be paid for the period during which they had been on strike and wanted an inquiry into the conduct of one of the mine managers.

A Rand Mines spokesman said yesterday production had been affected but the delivery of coal to the Escom power station had not been interrupted.

Almost the entire workforce of four Gencor-controlled Impala platinum mines in Bophuthatswana went on strike on Wednesday, according to a statement issued by Gencor yesterday.

TOTAL CARGO HANDLED ALL SA PORTS



Coal terminal going private

7/2/86. **ANDRE VAN ZYL** (215)

DURBAN'S coal-exporting terminal is to be rebuilt and operated by private enterprise, says John Irving, Sats assistant general manager (harbours). A group of Natal coal exporters will replace equipment and extend marshalling facilities.

The consortium will run the terminal, leasing the land from Sats.

The start of the project depends on the companies.

Irving is unable to give further details at this stage.

The project is expected to go ahead despite softening in world demand for coal caused by lower oil prices.

The second phase of the Citrus Exchange's terminal is expected to be finished next month.

The co-op has concluded an agreement whereby it will manage the terminal, says assistant general manager Arend Venter.

The terminal will export 15-million cartons of oranges — about 50% of annual exports.

Irving says that from April to December a record tonnage of 19,6-million tons was handled by Durban and a record 35,6-million tons of coal by Richards Bay

Productivity increased by 21% in ton-/real rand terms from the 1982/83 financial year to the 1984/5 year, while manpower was reduced by 10%.

About 40-million tons of coal pass through Richards Bay annually, about 3,6-million tons through Durban and 1,4-million tons through Port Elizabeth, East London and Cape Town.

In money terms, Durban is the biggest earner. There is a queue of vessels outside the port which, Irving says, is similar to other busy ports.

NEWS ANALYSIS

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Bus DAY 215
14/2/88

Steam goes out of SA coal prices

THE INTERNATIONAL price for steam coal is dropping sharply, pulled down by a knock-on from boycotts against SA coal in France and Denmark and by the falling price for heavy fuel oil.

One of the sharpest cuts has been in Italy, where the state electricity utility ENEL has won a \$27,50 a ton price for 1986 deliveries from the SA producer Anglo American for 900 000 tons of steam coal. The 1985 price was \$31,45 a ton f o b Richards Bay.

Shell Coal International, which sells on a delivered basis to ENEL, has suffered an even larger cut, from \$40 a ton to \$33 a ton c i f Italy, with prices varying according to port of delivery.

BP Coal and the Transvaal Coal-owners' Association are still to negotiate their Italian contracts, but no one is holding out much hope for prices higher than this.

Not brisk

The generally weak market has seen spot prices for barge lots of coal in Rotterdam fall steadily in the first weeks of 1986, dragging back prices from all sources. Barge prices have fallen from \$38,50 at the turn of the year to \$35,50 quoted on Tuesday for SA coal. Prices considerably higher than this are being asked by the main barge market operators, but business is not brisk.

Some settlements lower than this level for inferior quality material have also been reported. Spanish buyers have reported that both Australian and SA mining houses have seen prices slip by a dollar a ton this week alone.

The first blow to the steam coal price in Europe came in November,

Own Correspondent in London

when the French Prime Minister Laurent Fabius announced that France would not renegotiate any SA steam coal contracts, effectively releasing an extra 5-million tons of SA coal on to the market.

This coincided with a decision by the Danish parliament not to permit imports of SA coal from this summer, casting 6,2-million tons to the markets over the next four years.

Both France and Denmark are major steam coal buyers, although the progress of the French nuclear programme has seen a steady erosion in the volume of imports.

The European settlements are expected to be followed by price cuts in Japan, the world's biggest coal-importing nation, where steam coal sales are expanding swiftly and coking coal volumes and prices for the steel industry are falling.

But despite the increase in demand, Japanese prices are expected to be down by at least \$2 a ton.

With the summer likely to see a further weakening of the oil market, just where prices will bottom is anybody's guess. The UK Central Electricity Generating board, with substantial idle oil-fired capacity, is eagerly being watched by the oil traders.

Offers of heavy fuel oil (HFO) — which has twice the calorific value per ton of UK coal — have been reported at \$80 a ton.

Britain's National Coal Board certainly hopes that such low prices are not sustainable, but for the present has agreed to match the competition with low quotes for some power plants just to keep the oil out.

World coal markets slump as sanctions bite Desperate SA selling tactics hammer prices

By Neil Behrmann

LONDON — Desperate selling by South African producers has placed the international coal market under such pressure that prices have slumped

Traders said that official bans and unofficial restrictions on South African steam coal imports by France, Denmark, Scandinavian countries and other nations have created the climate for a further price decline in an already-depressed world coal market.

The crisis was heightened by the oil war which has driven oil prices down by 50 percent since November. Power stations in Europe are demanding that producers such as South Africa should lower prices because they know that there is a glut of coal.

"The international market is horrible", says Mr Allen Born, president and chief executive officer of Amax, an American resources company which is the third largest coal producer in the US.

The *Financial Times International Coal Report*, an authoritative newsletter on the industry, says that Anglo-American was forced to cut coal prices on a contract with Enel, the Italian utility company, from \$31,45 a ton to \$27,50 a ton. The prices excluded cost insurance and freight. Shell Coal International had to slash prices from \$40 a ton to \$33.

"A lot of the coal price weak-

ness is purely psychological, a lot of it can be blamed on the South African producers who are tumbling over themselves to sell," says a leading British coal trader who declined to be named.

London traders say that coal price declines accelerated after France officially banned the import of coal from South Africa last November. The parliament of Denmark, another important consumer of South African coal, intends voting on a ban this summer, while other nations including Italy and Spain are increasingly reluctant to accept SA supplies because they fear action by unions.

Major impact

Prices of South African medium quality steam coal with an energy content of 6 000 calories and on a free on board basis fell from \$32,5 a ton on the spot, or free market at the beginning of last year to present levels of about \$25 a ton.

Spot US export prices fell from around \$39,5 a ton to \$36 a ton, while Australian quotes have fallen from \$33,5 to \$29,5 a ton.

Sanctions against South Africa had a major impact on the market because France imported 5,6 million metric tons from South Africa in 1984 out of a total of 21,6 million tons, says Mr Philip Rogers, head of research at Simpson, Spence & Young shipbrokers.

He adds that sentiment is also poor because Denmark's ban

would involve some 2,7 million tons of South African imports from the end of 1986.

"Legislation is imminent," says a London dealer, noting that the South Africans have been trying to place between 1 million to 3 million tons of coal previously destined for France. The Transvaal Coal Owners' Association says that international dealers are marking down prices to get bargains from producers. But traders insist that the coal is being traded at current depressed prices.

"We are not willingly cutting prices, we are negotiating," says a spokesman of the Transvaal Coal Owners' Association.

He adds that oversupply worldwide forced the South Africans to accept lower prices.

Competition has also intensified because a dramatic decline in shipping rates helped distant producers such as Australia become rivals in Europe. Seaborne shipments from Australia surged from 10,1 million tons in 1981 to 37,1 million tons last year, estimates Mr Rogers of Simpson, Spence & Young. South African coal shipments rose from 25,4 million tons in 1981 to 37,4 million tons last year and Polish shipments from 4,6 million tons to 14 million tons.

With Columbia also rapidly raising production costs in the next few years there is far too much coal available.

22/2/86
SAP
215

R700-m Majuba coal mine opened

Rand Mines yesterday opened their newest coal mine, Majuba, at a cost of R700 million near Amersfoort in the Transvaal

Its production, designed at just over 12 million tons a year, will be dedicated to the new 3942 megawatt Majuba power station that Escom is to erect nearby at a future date

Majuba power station is but one of the projects that needed to be shelved in order for the utility organisation to affect its savings

The station's first set is scheduled to be commissioned in September 1991

Majuba is the third Escom-tied coal mine to be developed by the Rand Mines group.

The first was Duvha, near Witbank —

now one of the world's largest opencast coal mines

The second is Khutala, near Ogies, Transvaal — an underground mine that will supply Escom's Kendal power station, in addition to producing a certain tonnage for export

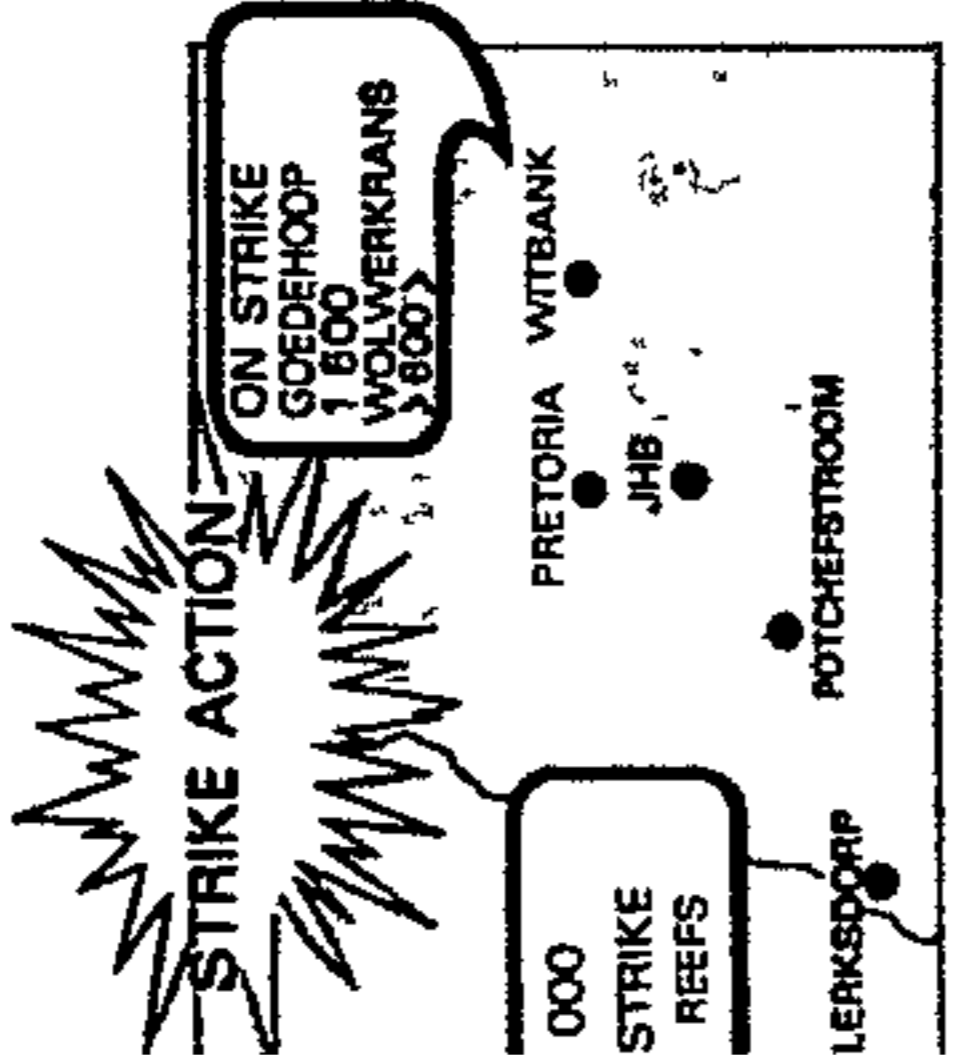
Majuba, also an underground operation, will employ close on 2 800 people, who will live either in married housing in Volksrust or in single accommodation at the mine

The coal which Majuba will mine is in the 2,8-metre-wide Gus seam, which lies at an average depth of 285 metres, but stretches down to a maximum depth of almost 400 metres. Reserves of this coal total 970 million tons — Sapa.

26/2/86 BUS DAY

DM&M J7208/e

hundreds of workers on strike at gold and coal mines



THOUSANDS of miners at Anglo American's Vaal Reefs gold mine near Klerksdorp started a wildcat strike yesterday.

The action resulted after police detained eight workers in connection with the slaying of four team leaders at one of the mine hostels recently.

In separate developments near Witbank yesterday, about 1 500 workers at Anglo's Goedehoop colliery and more than 600 at Rand Mines' Wolwekrans colliery also went on strike.

All three strikes were illegal because the disputes had not been brought before

PETER HONEY

a conciliation board, mines spokesmen said yesterday.

The situation at Vaal Reefs was tense after more than 12 000 workers at three of the nine shafts, a gold plant and engineering workshops refused to work yesterday, a spokesman for the National Union of Mineworkers (NUM) said.

Negotiations were under way between Vaal Reefs management and NUM representatives yesterday, but the possibility of the rest of the mine's 40 000 labour

force joining the strike could not be ruled out, the NUM said.

An Anglo spokesman confirmed that detention of the eight workers was the apparent cause of the strike. He said they were being held for questioning in connection with the murder of four team leaders and serious injury of four others.

"Management is talking to the workers and the NUM to bring about a return to work," he said.

The NUM said more than 1 500 workers at Anglo's Goedehoop Colliery near

Witbank were involved in a work stoppage over management's dismissal of four shaft stewards.

It said an undisclosed number of workers at Wolwekrans Colliery, owned by Rand Mines, had also refused to work yesterday. The reasons were not known.

A Rand Mines spokesman said the total Wolwekrans workforce — 400 in the morning shift and 200 in the afternoon shift — had refused to work. The company was waiting yesterday to see if the night shift, of between 100 and 200 workers, would follow suit.

Carolina Collieries liquidated

Carolina Collieries was liquidated in the Rand Supreme Court yesterday

In an application brought against the coal mining company by Boland Bank, Mr Hugo Amos Slabber submitted that the winding up of Carolina Collieries would be for the benefit of the company's creditors.

He referred in papers to a claim instituted by the bank against Carolina Collieries for defaulting on an agreement.

The bank was awarded R2 367 430 and interest by the Rand Supreme Court in November.

The bank claimed that Carolina Collieries wrongfully repudiated an agreement made in May 1980 for the delivery of 900 000 tons of coal.

Boland Bank had planned to sell it to the Cemarine Company Limited.

After the deal fell through, Cemarine claimed damages, and an arbitrator ordered the bank to pay more than R1 million.

PIP plan saves
Iscor R97,5m

GERALD REILLY

ISCOR has achieved benefits amounting to R97,5m in the 1984/85 financial year through its productivity improvement programme (PIP).

This exceeded the objective by 34,9%, according to a corporation statement. PIP is an organised corporate savings programme aimed at stimulating, formalising, organising and developing the ideas of productivity-minded employees.

During the 1984-85 financial year 1 023 (21,7%) suggestions were received from the management category, while other employees submitted 3 699 (78,3%) and 2 299 suggestions were implemented. These included 489 (21,3%) suggestions from the management category.

This management participation was responsible for R89,5m (91,8%) of the total saving of R97,5m.

The PIP floating trophy went to Iscor's manager, mining products marketing and coal buying, Dr E Raats, for suggesting the erection of a briquetting plant at the Newcastle works coke ovens, to improve the quality of coke by briquetting about 35% of the coal mixture.

Since the commissioning of the Newcastle briquetting plant in April, 1983, a repetitive saving of R8,7m/year has been effected. A second such plant was commissioned at Vanderbijlpark in July 1983.

Witbank unrest causes alarm

STAR 2/15

4/3/86

Whites on mines threaten to arm

By Sheryl Raine

White mineworkers at Witbank collieries are threatening to arm themselves for protection after weeks of black unrest and labour troubles.

The general secretary of the white Mineworkers' Union, Mr Arrie Paulus, said the situation round Witbank was extremely tense. Impatient white miners have accused certain mine managements of taking a "soft attitude" towards black labour and discipline.

In the past three weeks events near Witbank have included:

- A strike by 1 500 members of the National Union of Mineworkers (NUM) at Anglo American's Goedehoop Colliery over the dismissal of four shop stewards
- A week-long stayaway by black workers in protest at the arrest of more than 800 colleagues who were attending a rally for unemployed people
- An on-going strike by almost the entire black workforce at Rand Mines's Wolwekrans Colliery near Witbank

According to the deputy head of the Rand Mines coal division, Mr Allen Cook, this is the third illegal strike at Wolwekrans this year and follows weeks of what he called "near labour anarchy".

The NUM has demanded that a white hostel manager at Wolwekrans be suspended for carrying a gun.

Mr Cook said the manager was authorised to carry a revolver because he handled money. A disciplinary inquiry attended by representatives of the NUM cleared the manager of any irregularities.

Feelings over the issue of firearms are nevertheless running high on both sides of the colour bar in Witbank.

Mr Paulus revealed that white mine unions had held talks with Anglo American and Rand Mines in the past two weeks to discuss fears for their members' safety.

"Miners are threatening to arm themselves," he said. "Often one white miner works with between 30 and 40 black workers. White miners must protect themselves and I can't say I blame them for wanting to carry firearms."

Ultimatum

"If there is intimidation of white miners, we will do one of two things. We will carry firearms or demand to be given protection by management."

"An ultimatum was issued to Rand Mines management last week stating that if the hostel manager was dismissed we would strike."

Mr Paulus said white miners were "sick and tired" of strikes by black workers where management took a "soft line".

Mr Cook defended his company's labour policy. Rand Mines was not in favour of mass dismissals, but would discipline intimidators and lay charges against individuals where necessary. It had been "extremely patient" with strikers in the past four days but there could come a time when a new workforce might have to be hired.

Mr Cook said Rand Mines was concerned about the tension in the Witbank area.

"We don't want to fan the flames of a black-white confrontation. I sincerely hope it doesn't happen. By and large, most of our employees are peaceful chaps."

Peace is unlikely to return — workers

STAR 5/3/85

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Feelings still high at Witbank mine

By Mike Siluma

Feelings of resentment and anger continued to run high among black miners at Rand Mines' Wolwekrans colliery yesterday, despite their return to work after a three-day strike

The mine was hit by two strikes, involving about 900 mineworkers last week. The strikers' grievances centred on a hostel manager who carried a gun

In the wake of on-going unrest on the mine and nearby townships, white miners in the area have threatened to arm themselves "for protection"

Black miners said it was unlikely peace would return to the mine until their grievances were resolved

They said they could not understand why the hostel manager and the white miners wanted to carry guns because they had never been attacked, despite the tension on the mines

A miner said "Until the hostel manager is removed to a place where he will not deal with black workers, and the white miners begin to treat us like human beings, the situation here will never return to normal"

The miners said the issue of the hostel manager was one of a list of deep-seated grievances. They also accused management of being biased towards white workers at the expense of their black colleagues

Bad attitude

A miner said "The general attitude of white miners, including the hostel manager, towards us is bad."

And recently, management had refused shaft stewards permission to be present at a hearing of a white miner accused of calling a black worker a "kafir".

The miners said small infringements by blacks were recorded instead of being discus-

sed. While on the other hand, complaints by black workers were not listened to by the hostel manager.

Instead of listening to the complaints, the manager boasted that his pen was "the best sjambok", which he could use to sign them off from work. Miners accused the manager of dismissing many black workers for minor mistakes

They said several people were fired after the recent seven-day township stayaway in Witbank, even though they explained it was due to the stayaway that they could not report for duty

As for the burning of a van on the mine last Friday, the miners said the owner, a local farmer, had shot a black miner called Ali, who had visited the shacks on his property

Angry workers had then set the van alight when it delivered milk at a shop patronised by the miners. The injured miner is still in hospital

● See Page 17.

'We will arm' say white mineworkers

STP 5/3/86

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"When they go on strike, you see many of them armed with pieces of iron, sticks and all kinds of crude weapons. And then there are the sjambok gangs, marching around and threatening to teach the whites a lesson."

"Isn't that reason enough for allowing us to carry firearms for self-protection?" asked white workers at the Wolvekran's Colliery near Witbank.

Their concern was not the black miners they work with every day. On this level relations were good, the white workers said

Their big fear was the potential consequences of a strike situation, they said

'TROUBLE'

Mr G W Fouche, a worker at the open-cast mine at Wolvekran's, explained "When we went to work on Friday morning it was clear that there was going to be trouble again

"I was working in the open-cast mine with about 15 workers, when I heard noise and shouting.

"A truck loaded with blacks who went on strike entered the area to picket the group working with me.

"They were armed with pieces of iron, sticks and other crude weapons, shouting abuse. I was the only white in the area and decided to make a very hasty retreat

"I jumped into my vehicle and drove towards the exit of the mine. But the truck stopped and the workers got off and obstructed the road.

"There was no way to get through without confronting them. I turned around and for-

After weeks of unrest and labour trouble, white mineworkers at Witbank collieries this week threatened to arm themselves for protection. Mr Arrie Paulus, general secretary of the white Mineworkers' Union, described the situation as extremely tense. Yesterday reporters from *The Star* visited Wolvekran's Colliery, one of the latest trouble spots.

unately found another road to leave the area.

"And then people ask why we feel threatened"

It was for situations such as this that he wanted to carry a firearm to work, and not because of bad feelings between him and the miners he worked with, said Mr Fouche.

Mr D S Jacobs agreed.

"If you don't feel afraid in a strike situation, you must be stupid

"I have a very good understanding with the blacks I work with. But once you have to do with a large, agitated group, it is a different cup of tea. They behave differently, their emotions are easily swept away," Mr Jacobs said

He then told the story of the alleged sjambok gang

"That's what they call themselves, in any case

"With the strike on Friday, they marched around on the mine, shouting that they were going to teach the whites a lesson

"Should we just laugh it off as idle threats?"

Most of the white workers were convinced that intimidation played a big role in the strikes and unrest.

They said the majority of the workers did not want "trouble".

"But they get beaten up if they don't co-operate. I know of specific workers with whom this happened," said Mr Jacobs

Intimidation was not limited to the mine, said residents living in the nearby mining village

"We have to do all our garden work ourselves these days," said Mrs S Cox

"About a month ago our gardener was ordered to stop working for us. And we never saw him again

"This happened to all the houses around us," she added

'INVADED'

The white workers now also fear for the safety of their wives. There had been threats that the village would be "invaded", they alleged.

"About two weeks ago, the mine management promised to erect a security fence and flood lights around the village but nothing has happened so far," said Mr Fouche

The mine's own security personnel were not sufficient protection for either the women in the village or for the miners, he claimed.

"They will be the first to run away if there's real trouble," Mr Fouche said.

Rand Mines re-issues ban on guns

By Sheryl Raine

Rand Mines has re-issued a long-standing management instruction forbidding the presence of unauthorised firearms on mine property in the Witbank area

The instruction was reissued in the past month following two incidents in which management became aware of unauthorised firearms on coal mines in the region, said Mr Nilo Zozzi, managing director of Rand Mines' Wolwekrans Colliery near Witbank

In one of the incidents a white employee threatened a black worker with a rifle. In the second incident, an unauthorised firearm was detected at the workplace

There are regulations which stipulate that no person may take any inflammable object underground on mines classified as "fiery" — where fire is a hazard

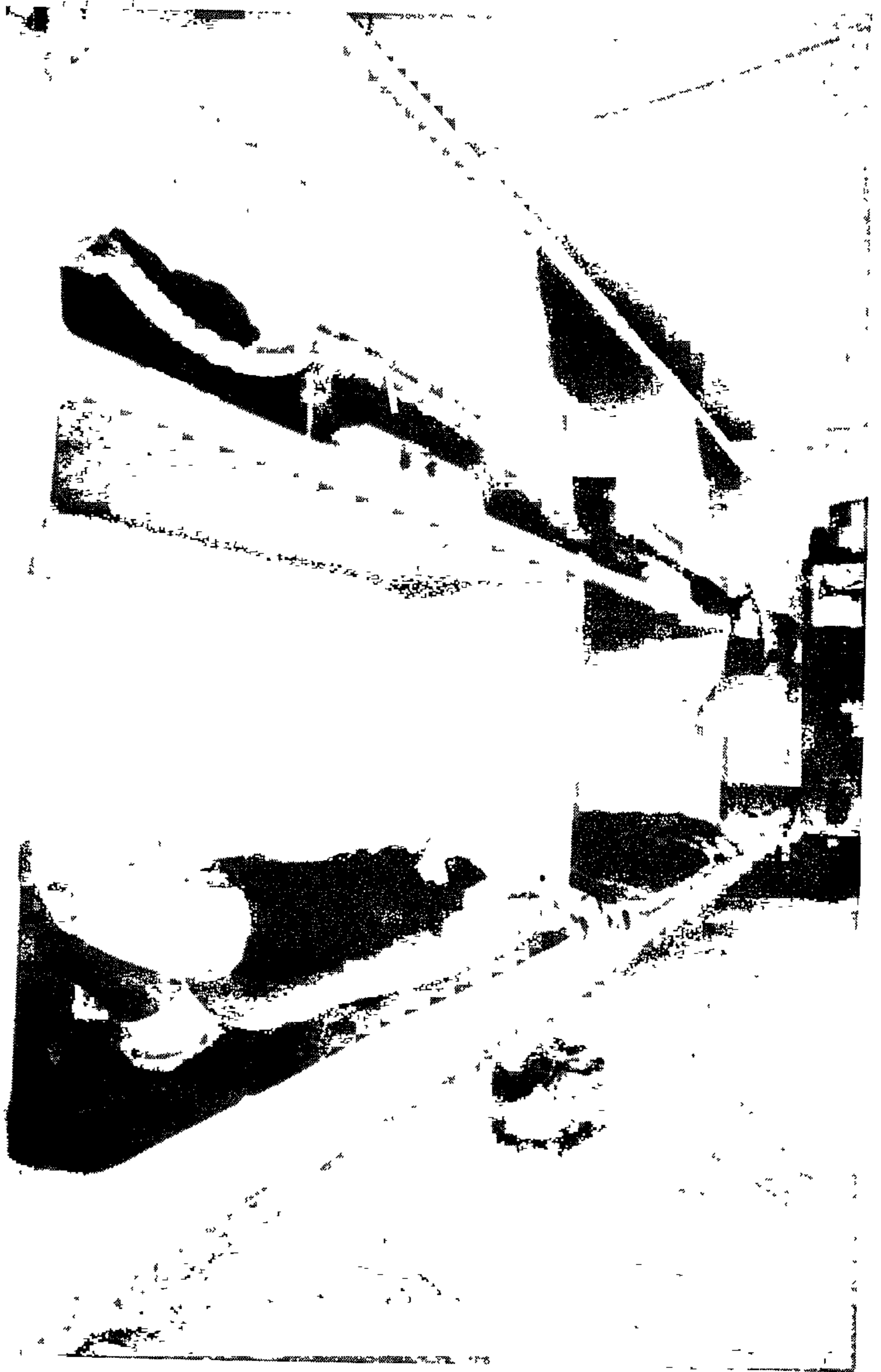
Management also searches employees regularly for firearms, matches and cigarettes

Tension between black and white miners in the Witbank area has risen in recent weeks following black unrest, a week-long stayaway and strikes by black miners

White miners have threatened to arm themselves for protection

Unions representing white miners have held talks about their members' safety with Anglo American and Rand Mines

Mr Arrie Paulus, general secretary of the white Mineworkers Union and chairman of the Council of Mining Unions, said an agreement had been reached with Anglo American, but he declined to divulge details.



An example of the conditions in a hostel at Rand Mines' Wolwekrans Colliery

BOB TAIT

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7/3/86

At the coalface

Quiet, conservative and cautious, Bob Tait, new MD of Joy Manufacturing, has a hard act to follow. He replaces flashy, brazen former captain, Ian Heron, who turned this

SA was not an easy one: "The picture we see and hear about this country in the US is so bad, I had to come here and have a look before making a decision

"The positive factors for me are the philosophy of constructive engagement and that Joy is a Sullivan Signatory. We believe we are setting an example by being here." Tait is a committed Republican and a corporate animal

But, he adds, "the company could not be optimistic about its future were it not for the progressive posture of SA's coal producers," which, combined with the fact that Joy is constantly trying to develop more efficient mining systems, makes for a fairly stable market. Its newest product, a continuous-haulage system which does away with the old-fashioned and time-consuming interrupted-haulage system, should be well-received

by at least the captains of the coal industry who are always hungry for improvements.

Nevertheless, like most other industries, Tait can only predict modest growth over the next few years. "It's been difficult for anyone to run a business here because of the swings in the rand rate and because of the phenomenal rate of inflation. But the market has remained steady. Our answer is to manage around the problems."

exports are now back to some 60%-70% of plant capacity," says Clarke, who is also going overseas soon to seek export contracts.

Although Triomf is now using between 60% and 65% of total manufacturing capacity, Clarke admits to a serious problems as far as local and export sales volumes and the rand's exchange rate are concerned.

But the Nampo link — the maize producer body now owns about 50% of stock in the Triomf controlling company — should play an important role in improving local sales, says Clarke.

"Both Nampo and Triomf are committed to reducing farmers' fertiliser costs. Nitrogen imports and greater production efficiency would help achieve this.

"Aggressive marketing also has a role," he says, adding that Triomf is now talking to government about importing raw-material feedstock ■

COAL TERMINALS ^{7/3/86} ⁽²¹⁵⁾ FIN MAIL **Durban buy-out bid**

Independent coal producers, fed up with waiting for space at the Richards Bay Coal Terminal (RBCT), have grouped together in a bid to privatise the Durban coal handling facility.

Government's 1980 export allocations of about 80 Mt drew a substantial number of new and smaller mining houses into the coal export market for the first time. But, since then, these producers have been vainly trying to exploit their allocations fully, pinning their hopes primarily on the RBCT phase 4 expansion plan.

However, because of the heavy cost of the development of further capacity, no agreement has been reached with existing users (*Business* January 24). In addition, there's the prospect of further delays and disappointments because of the uncertain outlook for South African exports.

It has already been decided that RBCT's planned capacity will be cut by 10 Mt. Most of this tonnage would have come off the phase 4 users' allocations, where the newcomers predominate.

Messina Mining MD Danie Kirsten, now chairman of the Durban Coal Terminal Company (DCTC) which is making the bid, will not discuss the reasons behind it. But he confirms that negotiations with South African Transport Services (Sats) Harbours are "at an advanced stage."

The DCTC is made up of 16 companies. Together, they hope to buy the Durban facility and rebuild it, replacing equipment and extending the marshalling facilities.

A Sats spokesman suggested that the parastatal might be in favour of selling, partly because it cannot afford to modernise the facility itself.

Other DCTC members tell the *FM*. "The plan would be the best thing for us — it is our last resort." One member commented "The sooner the better." Another industry source

says: "Small producers have been treated badly both by the Department of Mineral and Energy Affairs and by the RBCT. For us, the rules have kept changing. The Durban facility seems the only way some producers can ever hope to export."

The newcomers seem nervous about their bid for Durban, perhaps fearing repercussions from the big mining houses and existing RBCT users. It's held by some that RBCT's current users, who are said to refer to the newcomers as "the rats and the mice," do not believe there is room for the smaller producers in an already troubled export market.

While most producers are totally reliant on the RBCT, with its planned expansion, the existing users can more effectively control the market.

However, Icodev MD Alan Tew, who has been negotiating with the RBCT on behalf of the newcomers, dismisses these fears. "The Durban plan is complementary, it is not competitive," he says.

Presently the Durban terminal handles around 3 Mt of coal a year. Together, the DCTC member companies could have allocations totalling around 10 Mt a year. Says a member. "Obviously, there'll still be a shortfall and this could be a problem."

A coal analyst points out that the modernisation costs are likely to be way beyond an affordable figure for most small producers. But, he reckons, "some of the bigger guys might be interested if the delay in implementation of phase 4 continues."

In November 1984 Sats estimated that to increase throughput by less than 1 Mt a year would cost R22m, today equivalent to about R35m.

The Durban facility also has disadvantages, says the analyst, requiring major infrastructural expenditure. Apart from inadequate loading facilities, the port can handle

only smaller vessels, carrying some 65 000 t of coal. Ships calling at RBCT load 120 000 t. In addition, the railway line from the Reef to Durban is heavily used.

At present, the port works because most users are situated in Natal and because most of the coal loaded is anthracite. Room would be needed for a separate steam coal stockpile and Durban's fob prices could be much higher than Richards Bay's because of the railway line's heavy usage.

Nevertheless, small producers are optimistic about the plan. Says one. "It is really the only solution left to us." ■

LIQUIDATIONS ^{FIN MAIL} ^{7/3/86}

Squeeze on veneers

National Veneers, the biggest veneer manufacturing and distribution company in SA with about 80% of the market, has gone into provisional liquidation.

Although there are hopes that National Veneers may be saved from finally going under by the March 25 return date, clients are already seeking alternative suppliers.

The Cape's Finewood Veneers, National Veneers' main competitor, sees business expansion ahead. "We expect to be supplying the whole South African market with veneers soon," says Finewood MD Michael Dunn.

One of the biggest veneer board dealers, Novobord, which supplies about 200 furniture companies and which relied totally on National Veneers, will now buy from Finewood.

"Novobord sees no long-term problems in transporting veneer supplies to last us a while yet," says Novobord marketing and servicing manager Norman Coetzee.

The other big board dealer, Bisonbord, is

CAPE COURTS COAL ^{7/3/86} ⁽²¹⁵⁾ FIN MAIL

Sats, anxious to boost the depressed Table Bay harbour, is offering unusually attractive rates to encourage Transvaal coal producers to export coal through the port.

So far, only one producer, Duiker Exploration, is known to have responded and one shipment of 43 000 t has been made.

The harbour hopes to entice producers to send coal on the 2 000 km rail route from eastern Transvaal coalfields regularly, and was looking to load 120 000 t a month for the next 18 months.

Table Bay is usually 60% under-utilised, having been hit both by containerisation and the general economic depression. The offer to coal companies, although extraordinary under normal circumstances, was made because of the difficulty some coal producers have in finding export space. Durban's coal facil-

ity has been operating at maximum capacity and the Richards Bay Coal Terminal allocations have all been taken up.

But, even at the special rate, which has not been made public, it seems that exporting through Table Bay is barely profitable, says an industry expert. Duiker is unwilling to comment, although a spokesman says "the markets we are going to are very sensitive." He also indicates that other bigger coal companies may be interested in the new route.

However, Table Bay port manager Kallie Haupt, is not all that hopeful. "Commercially, and from an export point of view, I suppose it's not viable," he says. "It is a pity — we need the business."

Harbour authorities are now hoping the Mossel Bay project will stimulate activity and bring more shipping business to the port.

Coal terminal growth may be delayed

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Finance Reporter
A HARDENING of the rand against other currencies, a weak oil price, world oversupply, new producers and threatened boycotts by international consumers of South Africa's high-quality coal, could postpone Richards Bay Coal Terminal's (RBCT) expansion to cope with Phase Four exports.

Scheduled for completion late in the next decade with a projected export capacity of 80m tons, compared with the 34,9m tons exported in 1984, Phase Four was set to follow the completed Phase Three

But with oil tumbling to under \$13 per barrel (from \$30 in November) and the rand's 40 percent improvement since December, the viability of Phase Four could have gone up in smoke — for the time being

RBCT were unavailable for comment yesterday and a spokesman for Amcoal, — one of the ports main users — declined to comment after pointing out that RBCT is the main principal in the project

Until the latter half of the last decade South African coal exports were insignifi-

cant, but the 1970 oil crisis and improved quality by producers has made the country a major producer with remarkable growth

But this growth, which reaped the country's producers R3bn in foreign exchange last year, seems about to be checked, with Denmark and France (the largest Western European consumers accounting for nearly 10m tons of South Africa's 1984 exports of 34,9m) set to join Sweden and Norway in boycotting South African coal

Smaller coal producers have united to export their coal through Durban and this will throw further cold water on Phase Four capacity at Richards Bay.

The 12 fretting smaller coal producers are not able to use Richards Bay for exports

Sidelined from the more lucrative export market by the country's mining giants, the disillusioned privateers, have submitted a

feasibility study to purchase and up-rate Durban's antiquated 80-year-old coal terminal

A source said that the SATS-approved study calls for a R28m up-rating of the terminal and a company, Durban Coal Terminal Co (DCTC), involving the producers, had been formed to develop the berth.

The producers include Messina Mining, whose managing director, Mr Danie Kirsten, has been made chairman of DCTC and D&H Coal. He was not available for comment yesterday.

No agreement on raising the funds had been reached, as anxious producers were scrambling to take advantage, while they could, of the low rand and before further boycotts of South African coal.

Exports

He said that the producers, generally resentful at the success of the major mining houses, see development of the terminal as their only real access for exporting

He added that for nearly a year coal had been shipped through the Bluff coal terminal, Durban bulk storage and Rennie's bulk storage and the authorities were now assessing the old Alusaf export facility.

Cheaper SA coal favoured by EC

STAR
19/3/86
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The Star Bureau

LONDON — South Africa continues to be the most important source of coal imports into the European Community because its production per man is four times higher than in Europe.

This was disclosed by EEC Trade Commissioner Willy de Clercq in a written answer to a question in the European Parliament.

Mr de Clercq, who negotiates trade agreements for the EEC's 12 member states, said the EEC took the largest proportion of South Africa's coal exports. In 1984 the EEC's coal imports totalled 19,6 million tons.

He added: "Coal imported from South Africa has a price advantage compared with coal produced in the Community. The competitive capability of coal on the world market stems mainly from the extremely favourable conditions of both exploitation and transport in that country."

COAL EXPORTS

Running for cover

FIN MAIL
21/3/86
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There's no complacency among SA's coal producers. Faced with threats of political or economic action against their exports they are already taking radical steps to shore up their sales to both Europe and the Far East.

The latest sabre-rattling call for a total ban on all SA coal imports to the EEC is far from becoming reality (see box), but there's too much at stake for any self-satisfaction in the industry.

Coal exports through the Richards Bay Coal Terminal, Durban and Maputo and overland deliveries earned some R3,2 billion last year in foreign exchange and totalled around 44 Mt. Some 57,5% of the total went to Europe, with the biggest takers being France, Denmark, Italy and West Germany, a coal expert tells the *FM*.

Last week's move in the European Parliament came about partly as a result of anti-SA sentiment and partly to assuage trade union anxieties about the future of the EEC's ailing coal industries.

Having already experienced problems abroad last year, SA's major producers are known to have geared themselves up to trading in a hostile market. Because of the sensitive nature of their operations, details are scarce, but sources say some SA coal has been trading under false cover from European centres for some months now. "In some



Coal for export ... hedging the bets

cases, it is simply a matter of forging papers so that the coal appears to have come from other countries. Other supplies are sold through a third party," one source claims.

Indeed, Trans-Natal chairman Steve Ellis concedes: "We have made our own arrangements to protect our markets in Europe."

Most sources emphasise that up to now it has simply been a matter of getting coal past the trade unions and to the buyers, who have mainly used anti-SA sentiment to gain lower contract prices. Now, however, SA producers are taking it more seriously.

Steps are already in hand to protect certain SA suppliers in the Far East — an essential market to SA both because of its growing industrial base and its less politicised business-sense. The latest and most significant step has been taken by Total Coal International, which mines and sells coal all over the world. The company has embarked on a joint venture with major Hong Kong trading house Huchison Whampoa (HW).

Three separate arms have been established by three companies: Total Huchison Energy (THE), which will market any of Total's coal resources to the Pacific basin; Total Energy Resources, which will supply HW shareholder Hong Kong Electric with coal; and Total Energy Services Hong Kong which will provide the technical expertise and back-up.

Total Coal (Far East) director Claude Bouilly will not comment on what the venture could do for SA coal in particular, but he admits that the marketing arm is expected to avoid some of the pricing and political problems experienced in the last 18 months.

If the venture is successful, HW may wish to expand its interests in the coal trading business, says HW director Jenkin Hui.

Another Hong Kong source says shipments from SA are already being marketed by THE, and that sales to South Korea seem most likely. However, he adds, there is fierce

COAL POSTURING

The EEC is "very far away" from implementing a ban on imports of South African coal, says a spokesman for the European Parliament.

Discussing reports last week of a call by members of the EEC's political body for a ban on all South African coal, the official dismisses it as one of many motions "which has not even been documented."

He adds that had the motion been passed as a resolution, it would still have to go to the Commission for consideration before being implemented. And it would be unlikely to have an easy passage as at least nine of the 12 EEC member states are known to have imported or are importing coal from SA.

SA's traditionally lower coal price, particularly for developing economies such as those found in the Mediterranean countries or for markets with strong growth prospects like West Germany, could play a significant role in delaying any ban.

However, arguments for the ban will come largely from those nations concerned about the state of their own coal industries.

Early last year the EEC was reported to be formulating a plan for the wholesale closure of mines in West Germany, Belgium, France and the UK because they are uneconomic to operate. The plan was leaked and withdrawn, but socialist members of the European Parliament have drawn up an alternative plan aimed at maintaining and revitalising the continent's coal industry.

Among their suggestions is a ban on imports from SA which would help to place the extra 50 Mt of coal which socialist planners believe Europe should produce.

Their plan has been described as "contentious" by European opponents, but debate continues over the economic efficacy and the advisability of maintaining, or expanding, the European coal industry at this particular time.

competition from other traders.

Trading alongside THE in the Far East is Heppner, an independent coal trader geared to marketing SA coal, and Anglovaal, which recently also set up an office in Hong Kong to sell its metals as well as coal.

At present, SA supplies about 9% of the Far East's total coal needs and most industry experts agree that with aggressive marketing SA could up its tonnages. But, despite being less easily swayed by political concerns than Europeans, buyers in the Far East are astute and eager to use whatever stick exists to beat the coal price down. Thus, SA coal exporters have been struggling to maintain profit levels recently (FM January 31).

Not all producers, however, believe there is a need for anonymity in the Far East. Says Ellis: "We have yet to see any proof that Total's set-up in Hong Kong will be of any benefit. In addition, we like to know where our coal goes. We would certainly not like to end up competing with our own product."

Rand Mines coal division deputy chairman Allen Cook does not wish to comment. But he confirms that the Total/HW venture "is an interesting move".

"The whole industry is going to have to go this way. The oil industry already does it and, in time, SA coal suppliers will have to follow their example."

26/3/86 Star

Senator proposes Bill to stop SA steel, coal exports to US

By Alan Dunn

The Star's Foreign News Service
WASHINGTON — A US senator has proposed legislation to stop South Africa's billion-rand steel and coal exports to America

The move, contained in a Bill now before the Senate Finance Committee, contains a prohibition on trade which means roughly R1,1 billion to the Republic each year

But one of the avenues open to South Africa and other opponents of the Bill could be to lobby for exports of chromium, vanadium and platinum to be included in the Bill — thereby depriving the US of a major source of these crucial metals

A congressional source close to Senator Paul Simon, a democrat from Illinois who is author of the Bill, said there was some interest among other senators in the legislation

Congressional feelings are that the Bill is not likely to come up for consideration for some time, with its future later this year depending largely on developments in South

Africa

If it did come up for debate, the source said, it had a good chance of picking up support from both Democrat and Republican senators, chiefly because it was a limited action with domestic and international consequences for the steel and coal industries

Also included in the Bill is fluor-spar Passage of the Bill is likely to be complicated by an agreement on steel between South Africa and the US, limiting exports to America.

In January 1984, the countries entered a voluntary restraint agreement on steel, governing the quantities to be exported by South Africa This obviated the US government imposing a quota on South Africa

It is believed South Africa exports about 550 000 tons of steel to the US annually, worth roughly R1 billion

Coal is not a major market for South Africa, very seldom topping the \$20 million mark According to official US statistics, America imported 612 000 tons of coal from

South Africa in 1984, and 662 000 tons in the first three-quarters of last year

Presenting the Bill to the Senate, Senator Simon said the prohibition was "designed to send a signal to the government of South Africa that it should modify its racial policies or face further economic isolation."

"It is clear that South Africa's unjust and immoral system of apartheid must end The only question is whether it will end peacefully or with more and more violence," the senator said.

"The United States should continue to make clear that we disapprove of that policy and push toward its peaceful termination This Bill can be part of that push," senator Simon said

He added that Americans must recognise that the US could not impose a solution to South Africa's problems The future of the country would be decided by black and white South Africans, "but we should take steps to discourage the active complicity of Americans in the apartheid system," he said

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COAL EXPORTS (74) (215)

Rightwing relief?

Coal producers, worried by former French Socialist PM Laurent Fabius's decision to halt imports of South African coal, see a chink of light as the rightist victory in the French general election is analysed.

They hope there will be a softening of opinion on SA and, more particularly, a re-assessment of the ban on South African coal announced by Fabius late last year. Perhaps most importantly, the conservative Gaullist party has already discussed the possibility of disbanding the state-owned monopoly coal importer, Atic.

If the import body is scrapped and buying falls into private sector hands, deals are more likely to be made on business principals rather than political values. And here South African coal can compete.

However, French industry sources dismiss this hope on the grounds that "every time there is an election, a new energy policy and Atic's position becomes an issue."

Nevertheless, a conservative government, committed as it is to free competition and denationalisation, will not view a monopoly

organisation kindly. In addition, the need for Atic is fading with France's declining reliance on coal for energy. The country's nuclear power programme is at an advanced stage.

A French coal expert tells the *FM*. "The new government is also likely to take a long hard look at the French coal mines which have been kept open largely for social reasons and to give France some measure of strategic independence." He concludes: "Pit closures are inevitable."

France is no longer the major coal importer it was in 1981 when it bought around 8 Mt from SA, making up almost half of SA's total exports to Europe. But last year's 5 Mt still contributed strongly to SA's overall exports, and local producers would like to see an easier attitude towards SA.

However, despite the appointment of tough rightwinger Jacques Chirac as PM, political experts say that Socialist President Francois Mitterrand is unlikely to loosen his grip on French foreign policy (see *World*).

The initial quibbling over the position of foreign minister and eventual appointment of career diplomat and non-party member Jean Bernard Raimond, would seem to bear that out.

Keeping control

A government official comments: "The appointee is a weaker figure than someone with strong party loyalties, and the compromise allows Mitterrand more control. And he is clearly keen to maintain an anti-SA stance."

But the Chirac government's overall attitude is expected to be more tolerant.

"A certain easing up on SA is possible, but there will have to be compromises all the time," says the official. He believes France's eventual attitude will be dictated by the

WRONG MAN

In a report on coal exports last week, a statement comparing the coal industry with the oil industry was incorrectly attributed to Rand Mines deputy chairman Allen Cook. In fact, the statement was made by Max Pollak & Freemantle coal analyst Alan Hill. The *FM* regrets the error.

European Economic Community (EEC), which is expected to come to a decision this year on trade with SA and the future of the continent's ailing coal industries (*Business* March 21). The official says Atic is unlikely to receive new instructions on South African coal until the EEC makes its position clear. ■

BUS DAY
Duyha miners back at work

WITBANK — The 950 workers at Rand Mines' Duyha open-cast coal mine near Witbank, who have been on strike since March 20, returned to work on Sunday after a management ultimatum that they would be fired.

A spokesman for Rand Mines said the company had given the workers until Sunday morning to return to work. — Sapa.

STAK 1/4/86.

Coal mine workers back after ultimatum

WITBANK — The 950 workers at the Rand Mines Duvha open-cast coal mine near Witbank who have been on strike since March 20 returned to work yesterday following a management ultimatum that they would be fired.

A spokesman for Rand Mines said yesterday the company had given the workers until yesterday to return to work. If they failed to, they would be considered dismissed.

He said the first shift had started work yesterday morning and expected the two others to follow later in the day.

The miners downed tools on March 20 in protest against an alleged assault on a black worker by a white supervisor.

The spokesman said the issue "appeared to have been resolved" after discussions with National Union of Mineworkers shop-stewards NUM spokesmen were unavailable for comment — Sapa

DANES GET TOUGH

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Denmark has stepped up action against trade with SA, with two new bills due before parliament shortly.

The first, bandied around since last year (*Business* December 13), proposes a ban on imports of South African coal, which last year amounted to about 5 Mt. The second, which duplicates the first to some extent, proposes a total ban on imports from and exports to SA, says a government spokesman.

According to Department of Customs and Excise figures, mineral products — particularly coal — make up the bulk of SA's exports to Denmark. In the first nine months of last year minerals earned R126m in foreign exchange. Total export earnings in the period were R131m, a full R30m increase on 1984 figures.

SA's imports from Denmark amounted

to some R84m in the first nine months of 1985, with machinery and equipment accounting for R29m, prepared foodstuffs R14m and chemicals R13m.

"We cannot dismiss such action against us just because Denmark is not among our top ten trading partners," says Safto GM Anne Moore. "Any spread of trade sanctions is bad for SA." Obviously, she adds, if the bills go through, the coal industry will be worst hit initially. "On the supply side, it is amazing how products for which there is a market get through," Moore comments.

A Danish government official tells the *FM* he does not believe the bills will have much opposition in parliament.

"We have all been expecting such action for some time and are prepared for it to go through quickly," he says.

(2)

	(a)	(b)	(c)	(d)
	Whites	Coloureds	Asians	Members of the Black Population Groups
(b) Conciliation Board Agreements	—	116	—	—
(c) Arbitration Awards	—	—	—	—
(d) Wage Determinations (Estimated figures)	229 100	126 200	45 200	626 900
(e) Orders: All races—133 674 (Separate figures are not readily available)				

The figures are as at 31 December 1985

HANSARD 871 Escm. 215
496 Mr L. H. STONE asked the Minister of Mineral and Energy Affairs:†

What was the average (a) cost per ton per year of the coal purchased by Escm, and (b)(i) cost and (ii) selling price of a unit of electricity generated by Escm, in each of the latest specified 10 years for which figures are available?

THE MINISTER OF MINERAL AND ENERGY AFFAIRS:

	(a) Rand	(b)(i) C/kWh	(ii) C/kWh
1975	4,05	0,8418	0,7950
1976	5,39	1,0360	1,0360
1977	6,22	1,4854	1,5353
1978	6,67	1,6961	1,7887
1979	6,97	1,8759	1,8980
1980	8,12	2,1361	2,0242
1981	9,71	2,3636	2,2811
1982	11,75	2,8640	2,8038
1983	12,44	3,4655	3,3591
1984	12,55	3,7365	3,5842
1985	12,92	4,1180	4,1180

*Final audited cost not yet available.

Q. 871
GREEN HANSARD 7/4/86
520 Mr R. W. HARDINGHAM asked the Minister of Agricultural Economics:

What is the estimated area that was lost for agricultural purposes as a result of (a)

	(a)	(b)	(c)	(d)
	Whites	Coloureds	Asians	Members of the Black Population Groups
(a) and (b) Approximately 3,703 million hectares as at the end of 1985				
(c) Approximately 32 million hectares are affected by aridification. This area is, however, not necessarily lost for agricultural purposes				

THE MINISTER OF AGRICULTURAL ECONOMICS:

urban development, (b) desert encroachment and (c) industrial expansion as at the latest specified date for which figures are available?

Q. 872
GREEN HANSARD 7/4/86
540. Mr P. A. MYBURGH asked the Minister of Agricultural Economics:

What was the total cost, (a) including and (b) excluding administration expenditure, of each board established in terms of the Marketing Act No 59 of 1968, for the financial year 1984-85?

THE MINISTER OF AGRICULTURAL ECONOMICS:

	(a)	(b)
Potato Board	R'000	R'000
Dry Bean Board	1 850	255
Dried Fruit Board	1 806	1 392
	2 186	1 785

	(a)	(b)
Egg Board	R'000	R'000
Karakul Board	7 662	5 502
Cotton Board	288	258
Wheat Board	1 182	720
Lucerne Board	21 899	15 415
Maize Board	210	93
Oil Seeds Board	35 002	26 327
Banana Board	5 458	2 178
Canning Fruit Board	2 569	1 137
Rooibos Tea Control Board	516	158
Deciduous Fruit Board	3 255	2 412
Chicory Board	17 761	8 111
Citrus Board	1 238	598
Dairy Board	12 460	6 687
Mohair Board	10 918	6 601
Tobacco Board	1 143	757
Meat Board	1 320	763
Wool Board	34 913	21 753
	24 900	20 500

The above amounts include the boards' expenditure in respect of items such as product promotion, stabilisation, research and contributions to industry organisations. Direct operational expenses incurred in connection with the marketing of products, eg for storage, handling, treatment, processing, fumigation and shipping are not included. The difference between the amounts under (a) and (b) represents the administrative expenditure, which is the only real cost of the boards as such.

Q. 873
GREEN HANSARD 7/4/86
551. Mr P. G. SOAL asked the State President:

(a) How many copies were produced of the transcript of the taped interview with the former Leader of the Official Opposition in the House of Assembly, as referred to in his reply to Question No 1 on 4 March 1986, (b) to whom were copies of these transcripts made available, (c) why were transcripts made available to each of these persons and (d) what was the total cost to his Department of producing and distributing these copies?

THE STATE PRESIDENT

(a) 200

(b) The former Leader of the Official Opposition in the House of Assembly and reporters who are holders of Parliamentary lobby tickets, as well as to Ministers, Embassies, Members of Parliament, Directors-General, officials, private organisations and members of the public on request.

(c) Since the transcript was an annexure to a press statement it was made available to any person on request.

(d) R300,00

Q. 874
GREEN HANSARD 7/4/86
565. Mr M. A. TARR asked the Minister of Agricultural Economics:

(1) Whether, with reference to his reply to Question No 14 on 9 April 1985, the investigation by the National Marketing Council into the operation of the control boards has been completed, if not, why not; if so,

(2) whether the Council has submitted a report; if not, when it is anticipated that a report will be submitted; if so, what were the findings,

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

THE MINISTER OF AGRICULTURAL ECONOMICS:

(1) No, owing to the extent of the investigation

(2) The investigation into the Dairy and Cotton Schemes is completed and reports submitted. The remaining schemes are being investigated simultaneously by the National Marketing Council and it is expected that the investigation will be completed within the following twelve months. The National Marketing Council has found that in respect of the Dairy

BUS DIV
10/4/86 (215)

Coal index fall puzzling

THE JSE coal index has dropped 31% — from 2 348,9 at end-December to 1 622,5 today.

The fall has come despite forecasts of increased dividends and resultant comparatively high returns based on profits earned in the past six months.

Even forecasts for the year to next March are encouraging, although subject to doubts because estimates are based on several assumptions.

There is more than the oil price collapse to worry investors in the coal sector.

Other problems are the probability of increased railage rates to Richards Bay; an increase in costs triggered by inflation and probably exacerbated by wage demands by black workers; and the international coal price

The coal price is more likely to be influenced by an over-supply position than by the collapse in the oil price.

A report by stockbrokers Frankel Kruger, compiled by analyst Giselle Roux, estimates Amcoal's earnings a share for the year to March this year at 853,5c — an increase of 34% — with dividends totalling 250c, up 28%.

The 50% higher operating profit estimated by Roux (R428,7m) reflects increased export receipts owing to

ADAM PAYNE

export prices of \$31 to \$33 fob Richards Bay at a favourable exchange rate

At yesterday's share price of R38,50, a dividend of 250c would provide a yield of 6,5%

For Trans-Natal Coal, Anderson Wilson's Mannie Roux forecasts a total dividend of 90c to 100c for the year to June, yielding 10% on the lower forecast and 11% on the higher one, on yesterday's share price of 885c

The current low price should attract investors looking for a high yield, but they could lose out on capital growth over the next two years.

Thereafter, in the long term, both Trans-Natal and Amcoal should be rewarding investments

Roux, subject to certain reservations, expects Amcoal's earnings a share to be up 20% at R10 in the year to next March. She forecasts dividends totalling 300c — up 20% — subject to several assumptions.

She says "I hold to my Amcoal dividend forecast to March 1987 as long as the coal price remains at between \$25 and \$30 a ton fob Richards Bay over the coming six months,

with an exchange rate of between \$0,45 and \$0,50

"Most of Amcoal's exports in the year to March 1987 have been contracted for One can be fairly certain that most of these exports have been contracted at reasonable levels.

Points made by Roux are.

□ There is a significant world over-supply of oil and coal.

□ At an export price of \$30 and an exchange rate of \$0,50, the receipts from sales are R60 a ton. Since costs are between \$30 and \$35, the \$25 profit a ton is most satisfactory.

□ The fall in the coal index shows how the market has discounted the recent strong rand and lower international coal prices, which will not come into effect for six months to a year on contracts

□ Overseas power stations cannot convert from coal to oil overnight and oil producers cannot compete with coal at oil prices over \$10 a barrel.

□ Frankel Kruger rates Amcoal the best share to hold on a five-year view, followed by Witbank, with Trans-Natal third.

□ Roux is not greatly concerned about the French and Danish boycotts of SA coal, saying that where the coal is sold will depend on the price.

19486
150
215

Coal price set to rise 15%

ROY BENNETTS

DOMESTIC coal producers are expected to get a 15% rise in selling prices when government announces new domestic rates today.

Despite crashing international oil prices and a glut of world coal stocks, the authorities are expected to provide some comfort to local producers by increasing A-grade coal to about R20 a ton from the current price of R17,43 a ton.

Bottom-of-the-market D-grade coal is expected to enjoy a smaller increase, rising from R14,80 to R16,30 a ton.

SA uses about 11-million tons of coal, worth R174m, each month.

Mining houses operating Escom-tied mines have been complaining for some time that coal prices have fallen well behind the annual rate of increase in production.

Rand Mines coal division deputy chairman Alan Cook says the industry supplying the SA market is now on its

bones and that increases in the domestic price have been kept well below the inflation rate.

However, the latest increase will most certainly be borne by consumers of electricity, both domestic and industrial, with a resultant ripple effect throughout the economy.

Major users such as Escom and Iscor are certain to pass on any increase, which, perversely, will affect operating costs of large consumers such as the mining industry.

This increase will partly offset falling coal-export sales, with prices down from highs of \$35 a ton to \$27,50

□ It is reported from London that the British National Coal Board, faced with the threat of a major consumer conversion to oil, has — for the first time since the early 1970s — agreed to cut the price of some power-station coal

Govt scraps coal controls

production costs had increased by 16% on average — due mainly to rapid escalation of labour costs — while prices had increased by an average of 12%.

Government would monitor the situation closely, he added, and if consumers were being exploited, it would not hesitate to re-instate price control.

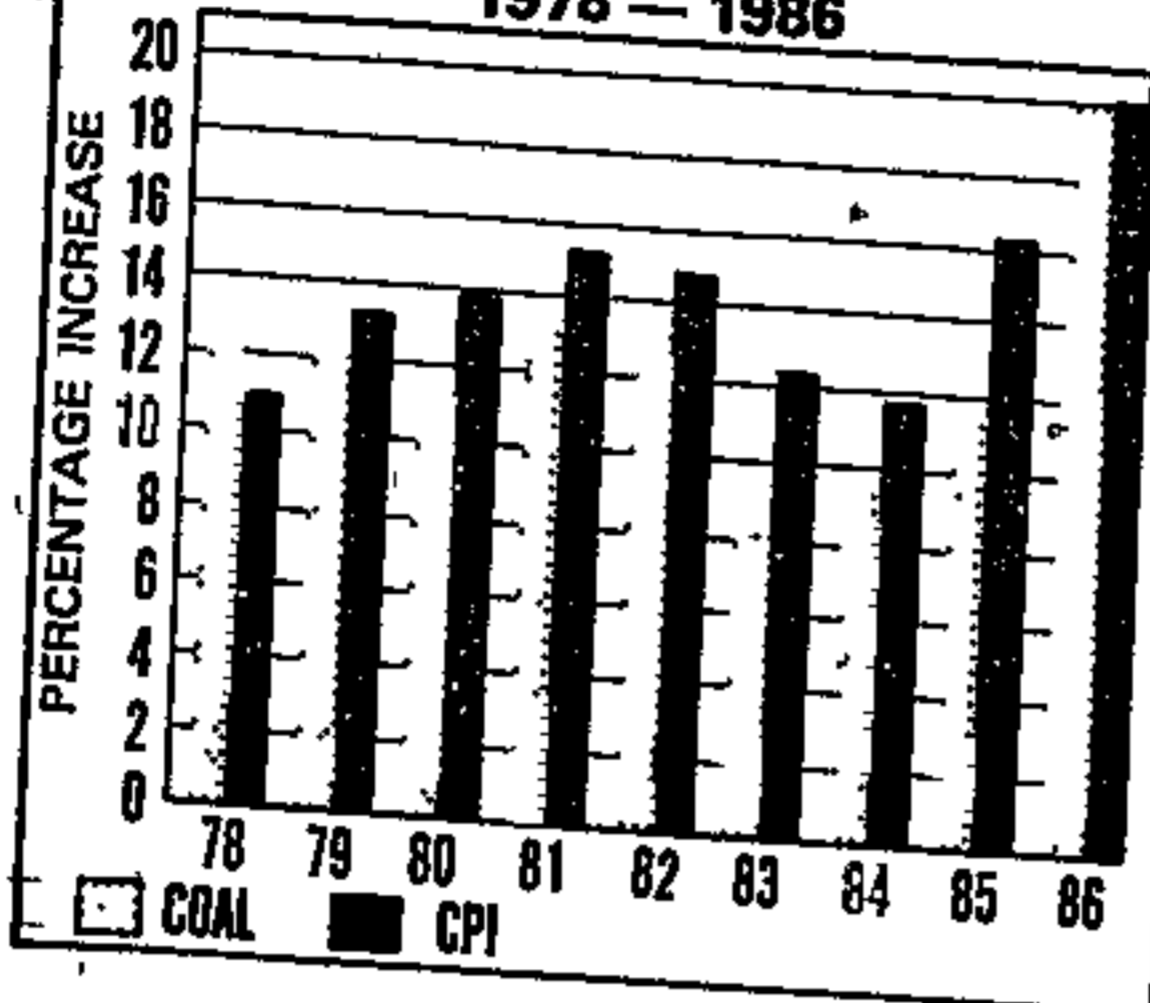
Another feature of the new price structure is the larger differential introduced between high and low grades, intended — said Weiss — to encourage

greater use of the low grades. SA's reserves of high grade coal are limited, he added.

The price of low-grade coal, used basically for cooking and heating, will rise by less than 15% at the pithead.

Price increases for Natal collieries — determined on a colliery-to-colliery basis — amount on average to the 19,9% average granted for the Transvaal and OFS collieries.

COMPARISON PRICE INCREASES 1978 — 1986



CHRIS CAIRNCROSS and LINDA ENSOR

GOVERNMENT increased the price of pithead coal by 19,9% yesterday and announced immediate deregulation of price control at wholesale and retail level.

Industry leaders welcomed both moves, but the Federated Chamber of Industries expressed disappointment that the increase was higher than the rate of inflation.

The price increases — the highest in recent years — comes into effect today.

It is estimated the increase will contribute to an increase to the consumer of about 5,5% on the Reef and 3% in Cape Town. The pithead price is a small proportion of the retail price, which is made up mainly of transportation and distribution costs and retailers' margins.

The Transvaal Coal Owners' Association (TCOA) — the marketing arm of major coal producers in the province — welcomed the price rise, saying it would help ease the accumulated burden of

Govt raises coal price then scraps controls

unrecovered costs which the industry is bearing, with minimal effects on inflation.

"The erosion of coal prices over the past decade had been reducing the return on domestic coal sales to an unacceptable level," TCOA MD Les Weiss said, adding that major investments for the exploitation of new coal reserves had become unviable.

The new price would not, he said, compensate fully for the shortfall.

Mineral and Energy Affairs Director-General Louw Alberts said that unless the continuous lag of production costs behind price adjustments were rectified to some extent, the long-term availability of coal, and thousands of jobs, would be jeopardised.

He said the decision was taken after recommendations by the Coal Advisory Committee.

Over the past 10 years, said Alberts,

● To Page 2

57AP
11/4/85
a15

Consumers fear inflation after coal price rise

By Jackie Unwin

Consumer organisations are concerned that the 19.9 percent pithead coal price rise will be inflationary and the deregulation of the industry might hurt the black community which uses coal for heating and cooking

Mrs Joy Hurwitz, president of the Housewives' League, said today "When price control was removed from milk, prices rose considerably Coal is such a vital item that one would not want that to happen

"It could also be inflationary for all industries that use coal as an input cost"

Mrs Betty Hirzel, chairman of the Consumer Union, said "We support deregulation wholeheartedly But there is the worry that the black people will be in trouble"

DELIGHTED

Members of the coal industry are delighted with deregulation and feel that it will result in lower prices

Mr Paul McNaughton, of Reef Coal, said "It is probably the first step in implementing the recommendations of the Competition Board

"The most efficient mechanism to control coal, or any other, prices is competition

"Now the Government has taken this step it needs the encouragement to deregulate coal and petrol totally These are two major inputs in our economy

"Consumers are best served if the prices for both these commodities are dictated by market forces"

Big users miss coal price rise

14/9/86
GERALD REILLY AS

COSTS of the big parastatals — Iscor, Escom and the SA Transport Services — are virtually unaffected by the 20% increase in the price of pithead coal.

It would have no effect on Iscor costs, a spokesman said. The corporation had its own collieries and contracts with private suppliers of coking coal.

Asked if steel price rise were in the pipeline, he said that since the pricing system had been deregulated, Iscor had raised its prices — some in January and others in February — by about 95%. Further rises were unlikely before July.

An Escom spokesman said they did not buy coal at controlled prices but from collieries contractually tied to supply specific power stations. Only real colliery cost increases affected the price of electricity, he said.

A Sats spokesman said Transport Minister Hendrik Schoeman had budgeted for the spending of R16m in the 1986-87 financial year on coal.

In 1985-86 coal cost Sats R15m.

FINANCIAL

18/11/85

COAL DISTRIBUTION

215

A step ahead

Government's decision, last week, to end control of the wholesale and retail price of coal represents the first major step in the long-awaited deregulation of the coal industry. Further disengagement by the Department of Mineral and Energy Affairs (DMEA) is in the pipeline

Coal wholesalers and retailers have been fighting each other and government ever since the DMEA accepted the Competition Board's recommendations for deregulation, two years ago

The regulations seen as the cornerstones of control are those governing price and distribution. The distribution restrictions are embodied in the much-criticised rationalisation scheme, which gives dealers specific areas in which to trade provided they subscribe to certain conditions of market entry

Government's decision came after months of negotiations with the Coal Advisory Board (CAB), which is made up of private and government sector representatives. Ironically, the CAB was established as part of an attempt by government to consolidate its power through the introduction of the Coal Resources Act last year.

Now, it seems, the DMEA is being guided by the CAB towards gradual deregulation. Director General Louw Alberts tells the *FM*. "The rationalisation scheme could be on its way out. Firstly, we have found it is very difficult to regulate the industry thoroughly. Secondly, coal is an indigenous resource, it is not like oil and regulations are not as necessary. And thirdly, we are confident market forces can handle the responsibility."

This attitude is a far cry from the DMEA's past belief that tight regulation was necessary for "socio-economic" reasons and because coal is a strategic mineral in need of a watchdog (*FM* January 25, 1985).

Coal industry renegade AluChem, which has resorted to the courts many times in its opposition to regulation, sees more light ahead. "This is a happy day for us," says director Paul McNaughton. He believes government's new move has brought down "the foundation stone of control," the rationalisation scheme. He says entrance to the industry will become easier, making for "a much more competitive market."

However, MacPhail's — the largest coal distributor in SA, ancient foe of AluChem and outspoken supporter of government control — does not share the DMEA's benign acceptance of change, or AluChem's optimism. "A lack of price control will not make much difference to our operations," says joint MD Andre Fowler. "The industry is already so competitive that we have structured our prices according to costs and not to the DMEA prices."

There is also no doubt that while pithead prices remain controlled the industry will not enjoy the full benefits of deregulation. The CAB had recommended an end to all price

pupils in each specified financial year since 1979,

- (2) what estimated amount will his Department spend on providing such (i) text-books, (ii) stationery and (iii) prescribed books in the 1986-87 and 1987-88 financial years, respectively?

The MINISTER OF EDUCATION AND DEVELOPMENT AID

(2) Financial Year	(i)		(ii)		(iii)	
	Textbooks	Stationery	Books	Stationery	Books	Stationery
1986/87	18 177 354	8 875 000	9 746 646			
1987/88	21 187 897	9 940 000	10 086 103			

Note

- (1) Prescribed books will be bought during the 1986/87 financial year for provision at the beginning of the 1987 school year
- (2) The rise in the 1985/86 financial year in respect of textbooks is a result of new syllabuses introduced by the Department
- (3) The rise in the 1985/86 financial year in respect of stationery is due to the new system of free stationery

602 1495
HANSARD *15/16*
 674 Mr G B D MCINTOSH asked the Minister of Education and Development Aid

- (1) Whether, with reference to his reply to Question No 28 on 12 March 1985, the report on the evaluation of the (a) extent and (b) value of the coal deposits on the farm Steinkoalspruit in the Ladysmith district of Natal has been received by his Department, if not, (i) why not and (ii) when is it anticipated that the report will be received, if so, what were the findings,

- (2) whether an investigation has been held into compensation to be paid to

Lesotho Highlands Water Project

812 Mr P G SOAL asked the Minister of Water Affairs

- (1) Whether, with reference to his reply to Question No 7 on 12 March 1985, the feasibility study on the Lesotho Highlands Water Project has been completed; if not, (a) why not, (b) when is it anticipated that it will be completed and (c) what progress has been made in regard to this study, if so, (i) when was it completed and (ii) what were the findings,
- (2) whether he will make a statement on the future of this project?

The MINISTER OF WATER AFFAIRS

- (1) Yes (a) (b) and (c) Fall away
 (i) March 1986
 (ii) The feasibility study identified no significant technical, legal or environmental impediments not to proceed with the proposed project. The study also indicated that it would serve the economic interests of both countries to proceed with the project
- (2) No, as the matter is still under consideration by both Governments

602 1477
HANSARD *15/80*
 864 Dr F HARTZENBERG asked the Minister of Education and Development Aid:

- (1) What is the value of the free (a) textbooks, (b) prescribed books and (c) stationery provided from 1 January 1986 to the latest specified date for which figures are available to Black schools under the control of his Department,

- (2) whether his Department has figures at its disposal in respect of the value of books and stationery destroyed

and burnt at such Black schools during the above-mentioned period; if not, why not; if so, what was the value of (a) these textbooks, (b) these prescribed books and (c) this stationery?

The MINISTER OF EDUCATION AND DEVELOPMENT AID:

- (1) (a) Approximately R11 000 000 until 31 March 1986

(b) Nil

(c) R8 829 700 until 31 March 1986

(2) Yes

(a) R25 200 until 16 April 1986.

(b) Nil

(c) R2 397 until 16 April 1986

15/80
HANSARD *602 1478*
 Surplus agricultural foodstuffs
 866 Mr R W HARDINGHAM asked the Minister of Agricultural Economics

Whether any surplus agricultural foodstuffs grown or produced in the Republic and marketed through control boards were distributed to (a) the underprivileged and (b) welfare organisations during the latest specified 12-month period for which figures are available, if so, (i) what foodstuffs, (ii) what quantity of each foodstuff and (iii) what was the total estimated value of the the foodstuffs so distributed?

The MINISTER OF AGRICULTURAL ECONOMICS

(a) No, not directly

(b) Yes, the foodstuffs were made available at subsidised prices excepting deciduous fruit and citrus which were supplied free of charge

contracts, a company spokesman confirms there is additional defence work in hand, and negotiations already taking place with the private sector for more work looked promising.

Shipbuilders are also hoping that some contracts for platforms and rigs for the Mossel Bay offshore gas project will come their way and have asked government to re-instate the subsidy to improve their competitiveness. The request is "being considered"

Says Dorbyl Marine's Barry Wiseman "The stimulation of the shipbuilding sector

has to be viewed against the possible advantages to the economy as a whole. We believe it is considerable, but, of course, it is a question of expenditure priorities"

One ray of light shipbuilders do see, however, is the Klue Commission report which suggested government should support industries which had the potential to earn foreign exchange or replace imports

At the launch, Defence Minister Magnus Malan paid tribute to SA's shipbuilding capabilities and indicated that the industry was worth nurturing

The *SAS Drakensberg* is the first vessel of its size to be designed and built entirely in SA. The design and development was executed by naval marine architects, in association with Cape Town firm Liebenberg and Stander Maritime

Fitted with limited armaments, its main function will be the supply of provisions, fuel, ammunition and other support requirements to naval vessels at sea. However, with its helicopter flight decks and hangars, it will double in a surveillance and air-sea rescue role

COAL DISTRIBUTION

Grey at the face

FIN MAIL
2/5/86 (215)

FEATURE

The outlook for SA's inland coal market is bleak, and experts say it's likely to remain that way for the next 10 years. Demand is declining, the market is shrinking, competition is tougher and margins are falling

Established operators put most of the blame on the economic downturn which has affected every industrial sector, hitting coal consumption and, inevitably, demand. However, an additional contributory factor has been the change in market structure over the past two years, and this is likely to escalate because of the deregulation of the sector.

At the moment, the domestic market stands at around 122 Mt a year. After the three big users, Escom, Sasol and Iscor, have taken their tonnages from their own or tied collieries, the general industrial and household trade stands at around 23 Mt

Of this, about 17 Mt is produced by the major mining houses and distributed by the wholesaler, Transvaal Coal Owners Association (TCOA). The TCOA sells some directly to large users and the balance goes mainly to MacPhail, the biggest retailer in the country. Some 3 Mt goes into the Natal market, in which Transvaal dealers are not allowed to trade because of the uncompetitive production costs of Natal coal

Demand has gone ex-growth. Even regular customers such as Iscor and Escom, which usually make spot purchases of around 1 Mt each, are expected to cut back. Says an industry source "We have seen demand for some 4 Mt just disappear in the last few years"

Gas is said to be coal's major adversary in the market — it is cheap, easily available and is clean and convenient to transport.

Adding to this fragmented picture is the plethora of so-called "independent" mines which have opted to enter the fray. They began opening collieries about two years ago when producers expected burgeoning exports and when the weak rand made sales in US dollars extremely profitable. In addition, the 1980 export allocations offered opportunities to companies which had not hitherto made use of their mineral rights.

Now there are some 15 independent

mines, and many of them have scrapped export plans because of the stronger rand and transport problems. Predictably, they have turned to the inland market

Simultaneously, a number of small coal merchants began operations, encouraged by the Competition Board's call for deregulation of the sector two years ago

Together these "rats and mice," as they are called by the trade, are carving out a



Domestic coal sales ... more trouble ahead

sizeable slice of a shrinking market, now believed to be about 3 Mt a year, and their low-cost operations are making the former moguls of the industry look like the dinosaurs

Says one industry source: "There's no doubt about it, we will have to change our working methods if we are to survive." The small dealers are able to offer lower prices because they buy coal directly from independent producers and transport it to the customer, thereby avoiding rail costs. The independent mines are already selling coal more

cheaply than the big mines because their production costs are much lower and because they are prepared to discount their coal to clinch a sale

The trade's traditional giants, the TCOA and MacPhail, have both invested heavily in major infrastructural development providing rail sidings and depots, in accordance with government's ailing rationalisation plan.

That plan, which gave merchants specific trading areas only if they complied with government regulations on the provision of facilities, afforded the giants some protection. It has, however, been impossible to implement and is expected to be dismantled within a few months

Even without total deregulation, MacPhail has suffered, admitting that the small dealers have been able to "pick the eyes out of the market". Its operating margins fell from 2,8% to 1,1% this year (FM April 25)

In the past, MacPhail and the TCOA have argued that the independent mines are unreliable and are likely to fold. They have also said that, faced with a crisis, a dealer without stockpiles would not be able to survive

However, merchant Aluchem Reef Coal director Paul MacNaughton claims he has access to around 100 000 t of coal a month and is selling only 30 000 t. "If a shortage arrived, I would certainly be able to supply."

MacNaughton agrees, however, that some mines may be forced to close — "the demand is just not there". One independent mine says it has had to accept R12/t for coal it had hoped to sell at R15/t. "If you want buyers, you have to drop prices. So far, we have been able to afford to do that, but there are mines which can't find buyers and, because of transport costs, can't drop prices."

Nevertheless, it seems that at last the trade's dinosaurs are beginning to adapt, accepting that independent mines and small dealers are in the market to stay. The mining houses are reducing production and MacPhail is reducing its stockpiles and is expected to take a long hard look at its overheads. Notes the TCOA. "It is a much more competitive situation than it used to be. We'll just have to try to meet that competition."

MICK COLLINS

ANY further drop in the oil price could badly damage SA coal exports, industry sources say

They were reacting to a report from Chase Manhattan Bank which said SA could cut coal prices to match or even beat the \$9/barrel oil price and so gain an additional 5-million tons in exports

Transvaal Coal Owners' Association spokesman Gerald Robinson said the report was misleading and incorrect.

"Our export coal is sold in direct competition to oil. Already there are overseas oil-burning power stations with spare capacity. Are they going to convert to coal with oil at \$9/barrel?"

"Coal exports will definitely not benefit from either the drop in oil prices or a weak rand. All our business is done in US dollars and we are competing against other countries on the same basis," he said.

One industry source said there was no flexibility remaining in the present export price of coal.

"If the oil price continues to drop what happens then? There is a real danger here that our overseas market will shrink. Sentiment expressed in the US

Further oil drops could hurt coal

215

DA

report is just an opinion, and there are lots of those"

Alan Sealey, head of the coal division at Rand Mines, said the oil fall held few advantages for SA.

"While some local exporters may still have the ability to drop prices, a situation would then arise which could see SA firms competing on the overseas market against each other

"The biggest threat to our coal exports is gas as a source of power. And when the price of oil falls so does the price of gas.

"Smaller power stations in the UK are already oil and gas-burning. With the lower prices they are now being used as base load stations to the detriment of the bigger coal-burning plants."

Colliery profit rises to R2,9m

215 *WEDNESDAY* *8/5/85*
ROY BENNETTS
ANGLO-TRANSVAAL Collieries increased its pre-tax profits by 12% — from nearly R2,6m in the financial half-year to end-March 1985, to R2,9m, with earnings improved from 150,8c to 169,5c a share.

The main reason for the upswing was the increased dividends from the company's 15,6% holding in Witbank Colliery, which accounts for almost the whole of the turnover.

Included in the profits is an amount of R10 000 (R19 000) made up by interest received.

Expenditure was slightly higher at R45 000 (R41 000), but this was offset by a drop in tax to R7 000 (R10 000), leaving a taxed profit of R2,87m (R2,55m).

Market value of the Witbank holding increased to R72,1m (R58,7m), with an unchanged book value of R3,3m.

The net asset value of Anglo-Transvaal shares increased to R44,8 (R36,4) each at the end of March.

Based on the interim results, the company is well positioned to surpass the previous financial year's earnings of 258c a share.

The MINISTER OF JUSTICE

The MINISTER OF MINERAL AND ENERGY AFFAIRS

(1) and (2) The required information is not available

HANS VREDE
863 Mr L F STOFFBERG asked the Minister of Mineral and Energy Affairs +

Coal

(1) (a) (i) Approximately 0,3 tons of residual or presently unsaleable coal were produced in the Republic for every ton of coal mined for export during 1985

(ii) Approximately 0,03 tons of residual coal were produced for every ton of coal gasified by Sasol during 1984

(1) (a) How much residual coal is derived in the Republic from every ton of coal which (i) is exported, and (ii) is gasified by Sasol, and (b) how many tons of residual coal were derived in the Republic in the latest specified period of 12 months for which information is available;

(b) Approximately 48,5 million tons of residual coal were produced in the Republic during 1985

(2) Yes

(a) July 1985

(2) whether an investigation was instituted recently into the utilisation of such residual coal; if so, (a) when, (b) by whom and (c) what were the findings,

(b) Discard Coal Utilisation Committee of the Interdepartmental Coal Exploitation and Utilisation Committee, in collaboration with the CSIR and private sector

(3) (a)(i) how many tons of coal were exported by the Republic in the latest specified period of 12 months for which figures are available and (ii) what was the average price per ton and (b) what average price was obtained per ton of export coal in 1970, 1975 and 1980, respectively;

(c) The investigation is continuing. A considerable number of proposals regarding the possible utilisation of residual coal were received and are being considered

(4) (a) at what tonnage are the Republic's commercially exploitable (i) coal reserves in general and (ii) coke reserves estimated, (b) what factors were taken into account in calculating these estimates and (c) in respect of what date are these figures furnished,

(3) (a) (i) 44 712 677 tons in the 12-months period ending 31 December 1985

(5) whether the Republic exports any coke quality coal, if so, (a) why and (b)(i) what tonnage was exported in the latest specified period of 12 months for which figures are available and (ii) what percentage of the Republic's coke reserves does this tonnage represent;

(b) 1970 R6,79
1975 R13,90
1980 R23,61

(4) (a) (i) 55 892 million tons

(6) whether Escom makes use of residual coal to generate electricity, if so, to what extent, if not, why not?

(ii) The Republic has no reserves of coke *per se* (such material does not generally occur in the natural state) but its coking coal reserves amount to 2 147 million tons

HoA

(b) Geological and physical factors relating to the occurrence and composition of the coal and the prevailing economic and technological factors at the time when the estimates were made

The MINISTER OF COMMUNICATIONS

(c) December 1982 (De Jager-report) and December 1985 with respect to the Waterberg Coal-field

(c) 191,
(b) 25,
(c) 1 458, and
(d) 1

as at 31 December 1985

(5) The Republic does not export any prime coking coal but does export a coal which has low coking properties and is used by importers for blending with high-grade coking coal from other sources in the world

900 Mrs H SUZMAN asked the Minister of Justice

Maintenance

(a) Although reserves in South Africa of prime coking coal are limited, more than adequate reserves of the type of coal exported exist, and which are sufficient to satisfy local demand, leaving an excess for export

(1) Whether maintenance orders are in certain cases made in respect of persons up to the age of 21 instead of 18 years; if so, under what circumstances,

(b) (i) 2,66 million tons in the 12-months period ending 31 December 1985

(2) whether the complainant has to apply for such an order to be made up to the age of 21 years, if so, (a) why and (b) what procedure is to be followed in this regard?

(ii) 0,1 per cent of the RSA's total coking coal reserves

The MINISTER OF JUSTICE:

(6) Yes. Residual coal which originates from a first beneficiation process and which is afterwards submitted to a second beneficiation process is used at Hendrina power station and will also be used at the new Matimba power station. Residual coal is also used at the Umgeni and Ingagane power stations on a small scale.

(1) and (2) There is no age-limit for the granting of maintenance. Age is, however, one of the factors that is considered in the granting of maintenance.

Maintenance

HANS VREDE
869 Mr P R C ROOGER asked the Minister of Communications

901 Mrs H SUZMAN asked the Minister of Justice.

What was the backlog in respect of applications for telephone services in 1985 in the (a) King William's Town, (b) Stutterheim, (c) East London and (d) Komga area as at the latest specified date for which figures are available?

(1) (a) On what grounds and (b) at what stage are garnishee orders made in respect of maintenance rulings,

(2) whether garnishee orders are made automatically, if not, why not;

(3) whether garnishee orders must be specifically requested by the complainant, if so why?

HoA

Coal de-regulated

Political Staff

THE distribution of coal is to be de-regulated as far as possible, the Minister of Mineral and Energy Affairs, Mr Danie Steyn, said yesterday.

The move follows an earlier announcement abolishing price control at both the wholesale and retail levels.

Mr Steyn said that the recommendations as far as de-regulation were concerned were applicable where coal was sold directly to consumers by coal merchants.

Certain exceptions would be made.

Mr Steyn said it was important that cognisance should be taken of the fact that coal should be readily available at all times at market related prices and that coal distribution had to be disciplined.

The government would play a monitoring role in this regard, he added.

2350

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30/5/86
BUD DAY.

Richards Bay Looking for growth

DISCUSSIONS over the expansion of Richards Bay Coal Terminal (RBCT) have suffered a further setback, owing to SA Transport Services (Sats) plans to raise rail rates.

Shrinking export prospects are also obstructing expansion plans which have been in abeyance for over a year.

The key to the problem is finance.

The RBCT was financed and established by its present users, which include the major collieries in SA. At present, it is designed to handle up to 44-million tons of coal a year. This year, the RBCT is expected to export 40-million tons.

Phase three of the RBCT allows exports to go up to 52-million tons by 1988. Most of this tonnage is produced by present users.

But under phase four, export authorities have been granted to a number of small mines and collieries, bringing tonnages up to 84-million tons altogether, 80-million tons of which is destined to go through RBCT.

Phase four's expansion plan entails two stages: the low-cost Brownfields stage (a) for which some infrastructure already exists; and the much more costly Greenfields stage (b) which would be implemented later and which the new users were expect-

HELGA ST BLAIZE-MOLONY

ed to undertake.

The scheme, drawn up by producers when burgeoning export growth was expected up to the year 2 000, was viewed by the newcomers as unfairly prohibitive in cost. Negotiations have been underway to find an alternative solution.

However, now all such discussions have come to a temporary halt, says Icodev MD and chairman of the Large New Users (LNU) Alan Tew.

Not only has inflation made any capital expenditure even less attractive but also the prospect for soaring exports has dramatically declined. Producers are already struggling to maintain contracts overseas and tonnage through the RBCT are down. It had already been agreed earlier

this year that the terminal should not be expanded to full capacity, but only to handle 70-million tons a year by 1992-2000.

Now railage rates have added a further obstacle. Producers face increases of up to 50% in rail charges, or R7/t when current transport contracts expire in March next year.

Coal producers are still hoping to beat Sats down, but "until we know what costs are going to be, we cannot go ahead with plans," says Tew.

An alternative transport plan has also been thrown into disarray by declining exports. Some of the smaller users, headed by Independent Coal Producers Association chairman Danie Kirsten, were negotiating with Sats over the purchase and expansion of the Durban coal terminal.

However, industry sources report these negotiations have come to a standstill as the terminal is not being fully utilised. Yet, over the past two years, exporters struggled to find space for their tonnages.

The financing of this project is also fraught with problems now aggravated by the recessionary climate. Says a source: "There are many producers who would like to be in on the scheme. Sometimes as many as 50 seem interested when the rand is right, and no doubt if the coal price was more favourable."

"Expansion of the terminal could cost anything from R80m to R200m. It all depends on how many users there are, and how much they are prepared to pay. At the moment, no-one seems prepared to pay anything."

30/5/86 ZUDAM

Troubled oil pours heat on coal price

THE price of SA coal exports, already badly pressurised by oversupply and sanctions drives, is being further hammered by the weak oil price. In addition, SA's reputation for providing cheap coal, so vital to bargaining power, is in danger of being eroded.

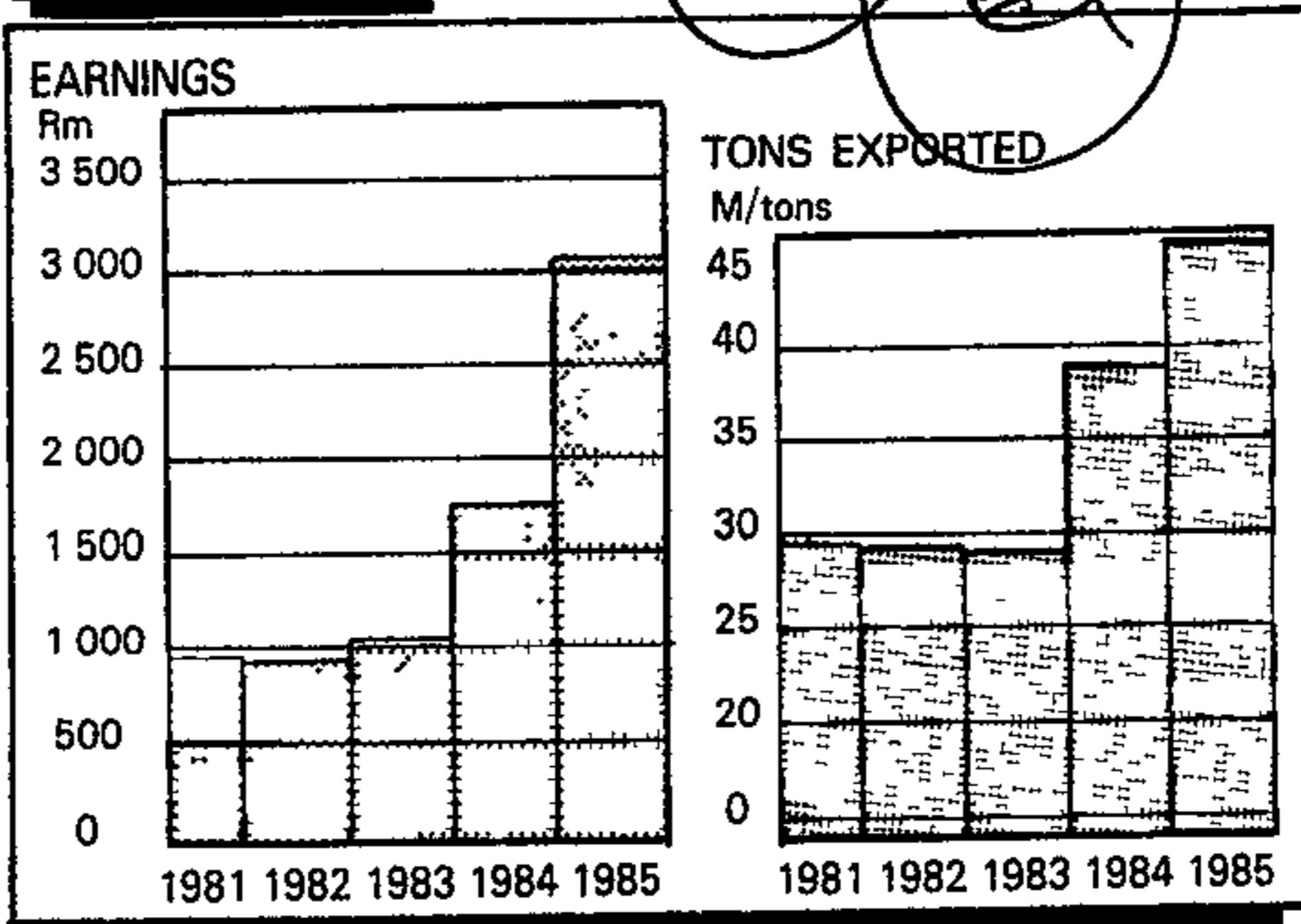
Since oil fell to \$13,50 a barrel two months ago, coal producers have had to face more fierce bargaining on the international market. Last year's FOB price of steam coal was \$30/t to \$34/t. This year the price is said to have slipped as low as \$24/t FOB and, once landed in Rotterdam, it is trading for \$12 less than a year ago.

Worst year

Producers have already geared up to facing their worst year ever in 1986. But up until last year, when total exports rose to around 44-million tons and earned R3bn in foreign exchange, SA coal exporters could hardly put a foot wrong.

Since 1973, export sales have increased by nearly 2 000%, making SA the world's leading exporter of steam coal. This is largely due to the inception of the Richards Bay Coal Terminal (RBCT) and the marketing efforts of the major coal mining houses: Amcoal, Witbank Collieries, Trans Natal, and their agent, the Transvaal Coal Own-

COAL EXPORTS



HELGA ST BLAIZE-MOLONY

ers' Association (TCOA).

Until recently, producers expected nothing but growth in sales. Projections for the next 10 years provided for exports of up to 71 Mt in 1995, and full government export allocations in use by the year 2000.

However, when SA's political problems began to attract world attention two years ago, its edge on the international coal market took a turn for the worse.

Threat

Political hostility has turned into a useful bargaining stick for buyers, says SA Shipping Brokers director Peter Sowerby. They have been able to use the recently imposed French and Danish bans on SA coal to threaten SA suppliers and demand lower prices. In addition, buyers have argued that SA supplies are no longer so reliable owing to increased labour disputes on the mines.

As there is an oversupply of coal on the market and a decline in energy consumption worldwide, buyers are in an unprecedented position of advantage. Thus, competition is fierce particularly between SA, Australia and Poland, the leaders of the trade.

"The decline in the oil price is an added negative factor for coal which always follows fuel in price. But it is unlikely oil will maintain its present low, so it should not prove a threat to coal

in the longterm," Sowerby believes.

He warns however, that SA's ability to handle lower prices may be eroded if volumes are not at least maintained and if contract negotiations are delayed, as they have been for most of this year.

The bulk of coal exports goes through the RBCT, a throughput-orientated terminal, thus the greater the tonnage exported the cheaper the rand per ton cost. Likewise, the railways are also prepared for 44-million tons and railage rates are set for major increases this year.

Sowerby expects exports to show not growth, but a decline this year of 3-million tons. And, unless the market place changes radically or government introduces meaningful reforms, SA will have problems maintaining its market share. For this reason, it is essential to producers during negotiations that they can afford low coal prices.

Reasons TCOA MD Les Weiss "Unless political reforms are implemented, our exports cannot grow. Government must understand this."

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Boustrad
4/6/86

Amcoal forecasting lower earnings

THE uncertainties facing the coal industry have probably never been greater, says Graham Boustrad is his annual review as chairman of Anglo American's coal division (Amcoal).

Prices for export coal are under pressure in dollar terms, and a higher average rand/dollar exchange rate, together with working cost escalations, are expected to reduce earnings from exports.

Lower interest rates will also depress earnings on Amcoal's substantial cash balances

However, Boustrad says although these factors will be offset to some extent by higher sales to Escom from new collieries, overall, Amcoal is forecasting lower earnings for the current year.

The result, nevertheless, is expected

ROY BENNETTS

ed to be satisfactory and the dividend should be maintained.

In the year to end-March, increased coal sales to Escom and higher rand proceeds from exports were the main factors contributing to the 31,1% improvement in attributable profit to shareholders at R203,4m.

Amcoal sold 37,3-million tons of coal and coke during the year - 0,7-million tons more than in the previous year.

Purchases by Escom increased by 1,4-million to 22,6-million tons, while Amcoal's own export sales were at the same level as last year.

At the same time, sales through the Transvaal Coal Owners' Association (TCOA) decreased by about 0,5-million tons, resulting in total group ex-

ports being reduced from 11,7-million to 11,2-million tons.

Domestic market sales, says Boustrad, fell by 14% to 1,8-million tons.

In spite of a 33,3% increase in turnover at R931,8m, Boustrad says Amcoal did not fully benefit from the depreciation of the rand owing to its policy of arranging forward exchange contracts covering a proportion of its dollar receivables.

During the year, gross capital expenditure on mining assets amounted to R227,5m, of which R141,2m was funded by shareholders, compared with the R236,4m spent in the previous financial year when R164,1m was funded by customers.

At the group's Landau colliery, feasibility studies on extending production are nearing completion.

Boustrad says that in view of the more difficult market conditions for internationally traded steam coal, the nature and scale of this project has been reviewed and, as a result, the estimated cost to completion has been reduced to about R170m, compared with the R400m reported last year.

The capital cost of Amcoal's current expansion programme, including escalation, amounts to just over R1bn, but this now excludes the cost of the establishment of South Cornelia colliery.

In addition, no expenditure is included in respect of new mining capacity required to meet Amcoal's share of increased exports because the Richards Bay Phase IV expenditure programme has not yet been finalised.

Colliery fires striking miners

Gold Field's Greenside Colliery near Witbank has fired about 2 000 black mineworkers who have refused to work since Tuesday afternoon.

A company statement said the dismissals followed repeated warnings that strikers could lose their jobs if they did not return to work.

The statement said: "Management

made repeated requests that the men should come forward with reasons for the strike. These were unheeded."

The National Union of Mineworkers has applied for recognition at the mine and claimed the company was being obstructive. The union is still investigating the causes of the strike.

215 STAR 5/6/86

THE VITAL VIEWPOINT

BUS DAY 25
Greenside

5/18/86
colliery

dismisses

workers

CLAIRE PICKARD-CAMBRIDGE

THE Greenside colliery near Witbank yesterday dismissed about 2,000 workers who had failed to report for duty since the start of the Tuesday afternoon shift.

Reasons for the strike could not be established last night. However, the strike is the latest in a series of stoppages at the colliery since early March.

A Gold Fields spokesman said management had given striking workers a series of warnings that they would face dismissal if they did not return to work. He said workers had refused to give reasons for the strike, despite repeated management requests that they do so.

The most recent stoppage at Greenside colliery took place last week after the arrest and dismissal of a worker. But it is not yet known whether this has had any bearing on the strike.

National Union of Mineworkers (NUM) general secretary Cyril Ramaphosa said union officials had gone to the mine to establish reasons for the strike. The union had applied for a recognition agreement at the mine.

Gold Fields' group industrial relations officer Anton Lombard said management was still studying the union's application.

Lombard denied that the strike could have resulted from a lack of communication between the parties as management had asked workers to come forward with their reasons.

Rival unions wage war of words

A war of words has erupted between two rival unions over the violent clash which occurred between mineworkers at Iscor's Hlobane colliery and which resulted in 11 deaths

The Inkatha-backed United Workers Union of SA (Uwusa) has claimed the violence was caused by National Union of Mineworkers (NUM) members who intimidated Uwusa members.

Both Iscor and the NUM have denied the violence was a direct result of a clash between Uwusa and NUM

At a Press conference in Johannesburg yesterday Uwusa claimed fighting at Hlobane broke out last Friday afternoon when Uwusa members who did not want to join a strike were intimidated by

members of the NUM

NUM press officer, Mr Marcel Golding denied the Hlobane clash was between NUM and Uwusa. Iscor has also denied that the clash was caused by direct conflict between the two union groupings.

Mr Golding said Uwusa had a small presence at Hlobane and the miners were killed by Inkatha vigilantes bussed into Hlobane from outside

Uwusa's Secretary-General, Mr Simon Conco, was not prepared to deny Inkatha supporters were used in the clash but said Uwusa was a separate organisation from Inkatha and had not received reports of outsiders being involved.

"If Inkatha was involved at all then let there be an inquiry to find that out," he said

Hlobane: STAF

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~~NUM~~ ~~UWUSA~~ ~~ISCOR~~

DIAGONAL STREET / by DAVID CARTE

COAL shares have taken a pounding in the past six months as world energy prices have slumped. The JSE Actuaries coal index has plunged from 2 200 at the end of 1985 to the present 1 559.

While oil prices have fallen from a peak of \$42 a barrel to a bottom of \$10 before the recent recovery to \$15, world spot coal prices have fallen from a peak of \$40 a ton to \$24 a ton, at which level they are calorifically competitive with oil.

According to Mining Journal, contract prices have been negotiated steeply downward for four consecutive years, and this has underpinned demand.

Amcoalg chairman Graham Boustred complains in his annual report "Spot prices began to fall. This tendency has continued into 1986 and has been accelerated by the sharp decline in oil prices."

As if that were not enough of a problem, the SA industry has faced sanctions, strikes, higher railage costs, and cutbacks in Escrom's rate of expansion.

Mr Boustred reckons an-

Coal: How black is the future?

Anticipated increases in ton-nages for 1986 will not materialise.

A 19% domestic price increase, together with the recent fall of the rand, does something to ameliorate the problems of Amcoalg, but sharply lower earnings are very much a prospect.

Why else does a company boasting strong growth for years command a price of less than five times earnings and offer a dividend yield of 5.9% in a market with an average yield of less than 4%?

In anticipation of tougher times ahead, Amcoalg lifted dividend cover to nearly four.

As a result, cash balances

built up to R23.4-million. Amcoalg aims to hold its dividend, but with the dividend costing R58-million a year — and capex, excluding participation in an AECI synfuel plant, at more than R1-billion — any further setbacks could place a question mark over its ability to do so.

Two of the JSE's leading mining analysts reckon coal shares have some way to fall. At least that is what the charts suggest — but both reckon long-term value is beginning to appear.

On the sanctions front, analysts maintain it will be hideously expensive for coal-fired power stations to

switch to other types of coal for ideological reasons. Export coal will somehow get through, if necessary via third parties at discounts.

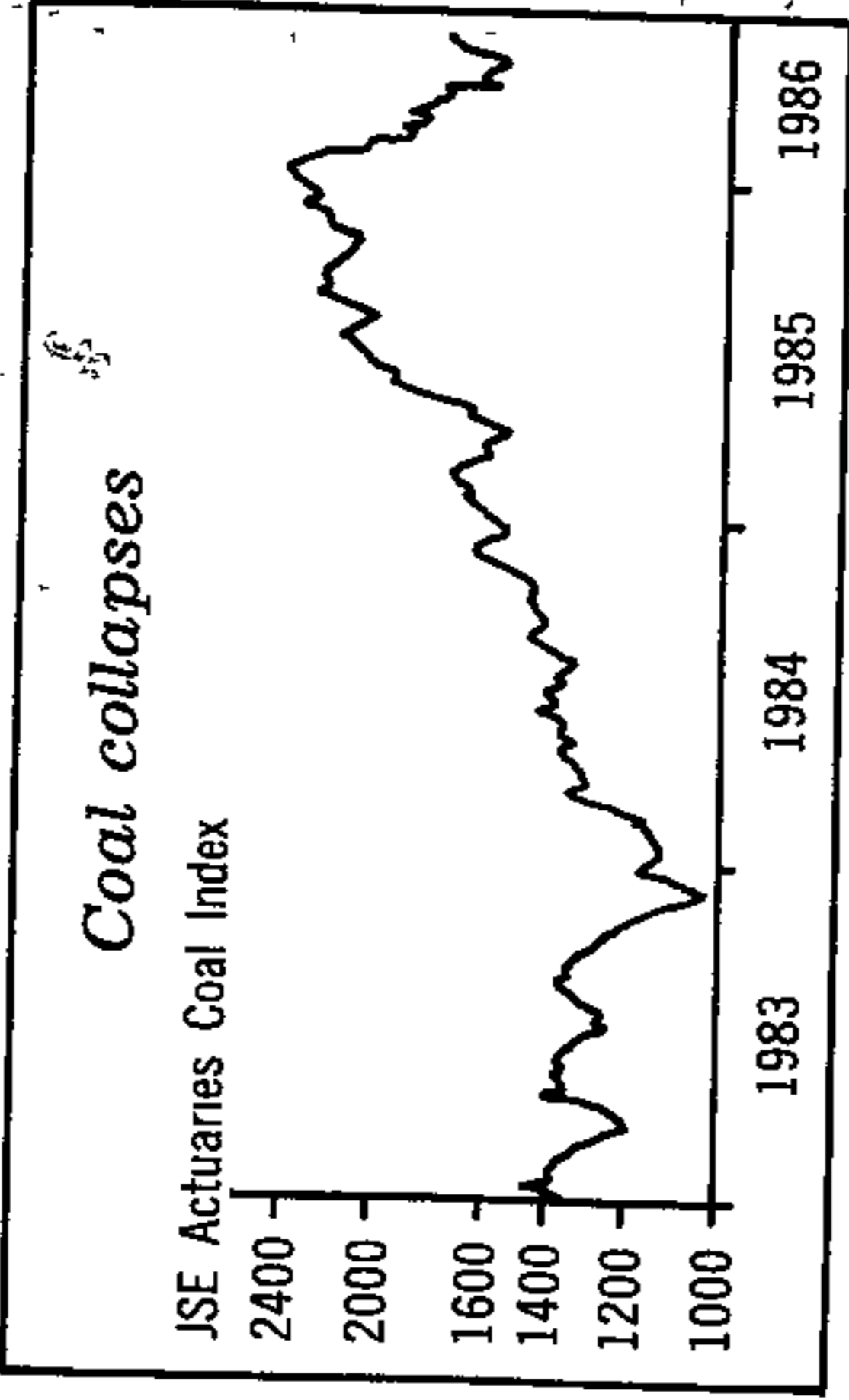
Another positive is that in a sanctions scenario, the rand could go lower and synfuel plants will be more viable and necessary than ever, producing more domestic demand.

There are one or two long-term pluses for coal. The Chernobyl nuclear power station disaster set nuclear power back some years and was a long-term bull point for coal.

DEMAND

The Financial Times specialist publication The Coal Year reckons low prices have done much good for long-term demand, pointing out that power stations consuming an additional million tons of coal a year for the next 50 years have come on stream in Europe and the Pacific Basin. More new power stations are due to come on stream.

The Coal Year points out that the decline in export steam coal prices has caught



attention, but by far the bulk of world coal production is consumed domestically. While export prices have fallen, exports amount to 116-million tons — only 2.8% of the international total.

Australia (88mt) is the biggest exporter, followed, in order, by the US (82.9mt), South Africa (44.3mt), Poland (36.2mt) and Canada (27.3mt). SA's market share is highly desirable to its competitors, so they will probably lead sanctions calls.

Notwithstanding lower oil prices, world coal consump-

tion is expected to grow by 100mt a year to 5 000mt a year by 2000. Exports will rise to 254mt — just over 5% of the total.

If there is to be a further fallout in local coal shares because of sanctions threats, Trans-Natal, the most dependent on exports, will be most exposed.

While Amcoalg has big export contracts, it also has big Escrom contracts, including some new ones coming on stream. This, plus possible participation in a synfuel project, make it the best bet.

11/10/50
Australia, SA
wage trade war

MELBOURNE — South Africa and Australia are currently engaged in a highly competitive, behind-the-scenes trade war in Europe and Asia.

With the possibility of sanctions, a more flexible Australian Government approach to export price controls is allowing Australian companies to penetrate some of South Africa's traditional coal markets.

South Africa is making a major bid for Australian markets in Asia and the Pacific.

An Australian coal industry spokesman admitted the position was becoming "inhibitively difficult" — The Star's Foreign News Service.

20/11/86 FIN MAIL

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SWINGS AND ROUNDABOUTS

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It's an ill wind, they say, that blows no good. Low crude oil prices are certain to reduce demand for SA's coal in the rest of the world, but the country's gain through the lower cost of oil imports will exceed the value of coal export losses.

Last year South African exports of about 44,3 Mt of coal earned a record R3,138 billion. The big buyers were France (5,1 Mt), West Germany (3,5 Mt), Italy (6,5 Mt) and the rest of Europe (7,2 Mt). Pacific-Rim countries, including Japan and Korea, took 13,4 Mt and the US took some 800 000 t.

Now world prices and export tonnages are falling. According to the Transvaal Coal Owners Association average coal export prices are lower than those of last year. And the effect of the Danish embargo on coal imports from SA, due to come

into effect in October or November, and other sanctions moves is still to be felt.

But when oil price falls are taken into account, a brighter picture emerges.

According to market researchers, Econometrix, if crude oil prices settle at around \$18 a barrel, coal exports earnings for 1986 could fall to R2,09 billion, a reduction of some R1,048 billion in foreign earnings.

If the price of crude fell to \$10 a barrel, coal exports could fall to R1,416 billion, a loss of R1,722 billion.

But the country's oil import bill will also fall, far outweighing the coal losses. At \$18 a barrel SA would save R2 billion and at the lower level the saving would be R3,6 billion — giving net savings after coal losses of R952m and R1,878 billion respectively.

for sanctions which would directly benefit by the removal of SA from the international minerals marketplace. "These elements of economic self-interest have been hidden; it is time that all South Africans wake up to the real threat," he says.

To counter this, a campaign must be launched to create an awareness of the inter-linking economic interests of this country's peoples, and exports must be stepped up all round.

"Once we lose our markets, any government will be hard-pressed to regain them. These international economic self-interest groups are going all out to sink us on world markets — and all South Africans will be the losers," says Groeneweg.

He adds that the focus on political aspects of the campaign against SA has overshadowed economic realities. Sanctions have become such an emotional international issue that SA will have to take the strongest economic actions — increased exports, an awareness campaign among all population groups that their jobs, economic future and very survival are at stake once sanctions begin to bite — to counter the threat.

"Protectionism is again — wrongly, as in the Thirties — becoming the vogue internationally to save jobs and struggling economies. Even were SA to announce tomorrow that one-man-one-vote would become policy by next year, this would not stop the sanctions bandwagon. We must increase exports to retain our foot in international markets," says Groeneweg.

Measures to increase the stake of all population groups in the economy have become important to provide an economic and political future for SA. "The whole population must understand what is at stake," says Groeneweg. ■

FUN MAIL 29/8/86

SANCTIONS

Protection posturing

Behind international sanctions pressures against apartheid and the State of Emergency lies a strong element of economic self-interest for major Western nations. For if SA were to be pushed out of major minerals markets, competitors like the US and Australia would have a virtual free hand.

"An analysis of the Democratic Party's sanctions Bill shows that three major industries have been targeted: coal, steel and uranium. In all three, struggling US industries would benefit tremendously if South African competition is outlawed. The Bill therefore boils down to pure protectionism — cloaked with the moral posturing of anti-apartheid activism," says Barlow Rand financial director Evert Groeneweg.

Groeneweg says South Africans who take part in strident calls for sanctions as "a way to end apartheid" are in fact helping these Western interest groups to sink the economy and remove it as competitor.

"Once the economy is destroyed, there will be little content to any political power in the new dispensation these people are striving for. It is in the interest of all South Africans to protect the economy against the ravages of international groups who do not have the interests of all South Africans at heart," adds Groeneweg.

Australia is another country clamouring

2/16/86 BUS DAY

SA coal irks *Mirror*

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LONDON — Cheap SA coal is allegedly being imported by UK businessmen and sold to heavy industry as a British product.

London's *Daily Mirror* reported yesterday that the shipments worried the State-run National Coal Board

An NCB spokesman, however, described the import as a drop in the ocean compared to total UK consumption.

The left-wing newspaper said SA had about 8-million tons of coal for sale

It added that it was carried in flags-of-convenience vessels to Holland where it was bought by British importers

The newspaper described the SA product as high-quality steam coal produced for heavy industry at half the price of its British equivalent.

Similar UK coal costs £38-£41 a ton

"It is so cheap because the rand has collapsed and is worth only about 50% of its value two years ago," the newspaper said.

"The falling exchange rate has started an export boom for the South Africans," the report added.

The NCB spokesman said: "We do not import any coal from SA but anyone is free to bring it in if he wishes. — AP-DJ."

AMCOAL

Sombre outlook

Handwritten notes:
 210
 213
 215
 FINANCIAL
 27/6/86

Activities: Mines coal and anthracite for domestic and export markets. Holds property, mineral and coal rights and owns 67% of Vereeniging Refractories, a refractories producer.

Control: Anglo American holds 51,21% of the equity.

Chairman: W G Boustred, managing director. D Rankin.

Capital structure: 24,4m ords of 50c. Market capitalisation. R951,6m

Share market: Price 3 900c. Yields 6,2% on dividend, 21,3% on earnings, PE ratio, 4,7, cover, 3,5. 12-month high, 6 250c, low, 3 700c. Trading volume last quarter, 250 000 shares

Financial: Year to March 31

	'83	'84	'85	'86
Debt:				
Short-term (Rm)	12,5	81,8	178,0	260,4
Long-term (Rm)	19,3	19,3	21,6	19,6
Debt:equity ratio	0,10	0,24	0,38	0,42
Shareholders' interest	0,48	0,44	0,40	0,40
Int & leasing cover	47,0	74,7	103,9	146,1
Debt cover	6,3	2,2	1,3	1,2

Performance:

	'83	'84	'85	'86
Coal sales (Mt)	34,0	34,2	36,6	37,3
Return on cap (%)	30,9	22,4	23,8	27,3
Turnover (Rm)	689	706	842	1 075
Pre-int profit (Rm)	214,7	214,1	313,2	458,7
Pre-int margin (%)	31,2	30,4	37,1	42,4
Taxed profit (Rm)	119,2	118,8	163,8	206,8
Earnings (c)	464	447	635	832
Dividends (c)	145	145	195	240
Net worth (c)	1 229	1 543	2 167	2 760

A year can be a long time in business, as is amply illustrated by Amcoal. The Anglo American-controlled coal group was riding the wave of stronger coal demand and a weaker rand 12 months ago. Now, an over-supplied world coal market, weaker oil prices (which discourage coal demand), boycott fears, and a flat local market have sent coal shares into a downspin. This is despite Amcoal's 31% rise in attributable profit in the year to end-March 1986.

Exports will be crucial in determining the 1986-87 results of coal producers. If prices fetched by Trans-Natal on sales to Japanese consumers are a guide, the shippage on 1985 has been less than 10%. Even in politically-conscious Western Europe, where Amcoal is a heavily exposed SA exporter, contract prices do not appear to have eased more than 10%. On the other hand, Denmark and France want to phase out SA coal purchases. In 1984, these two countries accounted for 20% of SA's coal exports.

Spot prices are also weak, and second half sales were lower than in the first half. Amcoal's exports fell in volume by 4%. The rate of profit growth slackened from 45% in the first half, to 24% in the second half. Less sales and a high comparative base explain



Amcoal's Boustred ... hard year for exports

the slowdown, but chairman Graham Boustred writes of "the current year being a difficult one for coal exporters."

Uncertainty clouds export prices and volumes, the exchange rate and working costs. The JSE has re-rated coal shares to reflect lower growth potential. Amcoal's share price climbed in 1985 from R39 to a R62,50 high, but has slid to a present R39, after touching a R37 low.

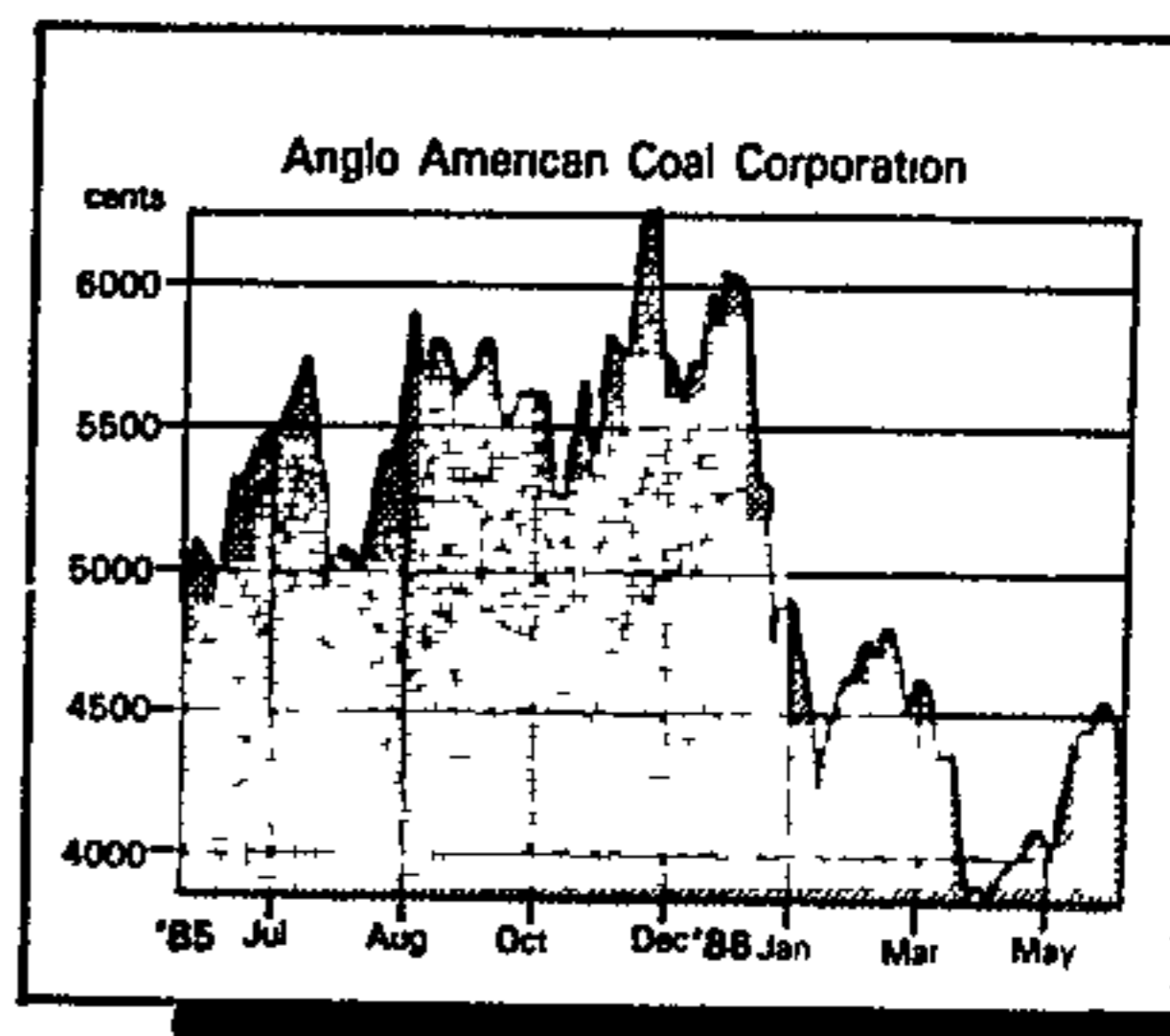
The domestic market is also weak. Amcoal's Escom sales rose in volume by 1,9%, and in April 1986 the industry was granted an average 19,9% increase in the controlled pithead price of domestically-traded coal. Controlled price increases have, however, lagged behind inflation in the past few years. More crucially, Escom faces a glut of installed electricity capacity. This is reflected at the Lekwe power station, to be supplied from an Amcoal colliery at South Cornelia, where development is not expected to get under way in the next five years.

As a result, capital plans now stand at R1,025 billion (R2,5 billion). Actual capital expenditure last year was R278m. The new figure excludes any costs on South Cornelia (counted last year). It includes costs of completing New Vaal and New Denmark, and the revised R170m (previously R400m) for a more modest open cast export colliery at Landau. Capital estimates do not include Amcoal's share of developing Phase IV export facilities at Richards Bay. Phase IV expansion plans are being reappraised in the light of uncertainty on future export volumes. Vereeniging Refractories, in which

Amcoal raised its stake from 51% to 67% in the 1985 financial year, was also disappointing. Dividends were held, but earnings slid by 27% due to a profit slump from building materials.

Boustred forecasts lower earnings for Amcoal in the current year to end-March 1987, but says the dividend will be held. He could be pessimistic, as the weakening rand could prop up export earnings. However, the dividend looks safe: cover is 3,5 times, and total liquid and cash assets at end-March were R533m.

Amcoal is thus favourably placed to fund capital projects and hold dividends, although short-term debt rose sharply last year (Presumably a higher rate of interest is being



earned on the cash). Exports aside, medium-term profit growth should accrue as more sets are commissioned for Escom power stations. Two were brought on stream last year at New Denmark for Tutuka, and one at New Vaal for Lethabo. Deferred tax benefits rose last year from R334m to R420m, which must restrain the future tax bill. Last year's effective tax rate was 55%.

At R39, the share stands on a 6,2% dividend yield. It appears to have discounted the bad news. However, the unfolding impact of boycotts or sanctions is hard to assess at this stage. Unprecedented uncertainty faces SA's coal industry, which makes it impossible to say if the share holds value.

Christopher Marchand

ALTRON

Looking offshore

There could be some changes in Altron's earnings mix in the next year if some more long-awaited international acquisitions come off. Altron is expected to be the group's vehicle for offshore investments. Executive chairman Bill Venter has been cagey about these interests and it seems from the annual report that they are not reflected in the

4/7/85 STMP 215

Gencor subsidiaries sell coal holdings

By Gareth Costa

Gencor subsidiaries Kanhym and Darling & Hodgson (D & H) have sold off part of their coal mining interests to Trans-Natal, and have reduced their debt at the same time.

Kanhym has sold its 50 percent share of Eikeboom Coal Mine — equally held with BP — for R15 million, but it still retains its 5,8 percent holding in Middleburg Mine.

D & H sold its wholly owned subsidiary, D & H Coal, for R23,6 million, which is held in the 1985 accounts at R28 million. For D & H coal was the major profit contributor during the last year, earning the company R5 million, effectively negating a similar loss by Group Five.

Kanhym MD Mr Donald Mason says the reason for not selling the Middleburg holding is that until now it could not be disposed of. He says Kanhym is asking in the region of R35 million, and talks with other parties are continuing.

It appears Trans-Natal was not interested at such a price.

If Middelburg is sold for R35 million the total income to Kanhym for selling its coal in-

terests would be R50 million. The market had valued the interests at substantially less — at about R20 million.

Coal was also a major contributor to Kanhym's earnings. In total both holdings earned about R8 million last year, but Mr Mason says that the interest on the R15 million alone will be equal to, or more, than Eikeboom's contribution.

He added that the money will be used to reduce the company's gearing, as short-term debt is running at R59 million and long-term at R35 million.

D & H could also reduce its debt. Its debt-equity ratio rose to 1,24 from 0,77 last year. Borrowings at the end of 1985 stood at R147 million.

Rand opens steady

Financial Staff

The rand opened steady at 39,80 US cents this morning, but dealers expect it to remain under pressure following the statements concerning the role of Dr Leutwiler in South Africa's debt negotia-

Durban's coal-berth facility to start exporting soon

8/27/86 N.M. 215
Finance Reporter

DURBAN Harbour's newly-converted R3.5m coal-berth facility on the old Alusaf site at Pier 109 is to start exporting coal shortly, a spokesman for the operators said yesterday.

The facility, which will be known as Pier 109 Joint Venture, has been formed by four of the five members of Matola Exporters Committee (MEC) as an additional capability for South African coal exporters.

A spokesman for the managers, Grindrod Terminals, said yesterday the site had been re-developed after feasibility studies had ruled out existing crane facilities and the high cost of railage to other ports.

The site is being leased from SATS and will have an initial annual export capacity of 900 000 tons.

Main alterations at the facility have been the conversion of the 42m-diameter silo, which formerly stored bauxite. Reinforced sand fill has been used as a filter base with sloping concrete lining and a facing of steel in the top section. Conversion from a flat bottom to a cone-shape has given the silo a capacity of about 18 000 tons.

Other major works included reversing the conveyor-belts which were previously used for offloading to an hourly rating of 500 tons and the installation of a railway truck tippler.

The facility will handle coal or anthracite for world-markets.

Pier 109, with a draught of 11.5m, is able to handle ships of about 35 000 ton capacity.

Pier 109 will operate a two-shift system with a staff of about 40.

DO 16/7/86 (S) 215

Solidarity strike by workers halts mine

JOHANNESBURG — Production at the Gencor-owned Matla colliery near Witbank ground to a halt yesterday, as about 1 600 workers went on strike to demand the reopening of a shaft closed by management on Monday.

A spokesman for the National Union of Mine-workers (NUM), Mr Marcel Golding, said Matla's management had "locked out" about 900 workers from one of the mine's shafts on Monday and had demanded that the workers sign an undertaking not to take any illegal industrial action.

But a mine spokesman denied this yesterday, saying workers had damaged mine property and were being asked to sign an undertaking not to do so in future.

Yesterday morning the rest of the workforce went on strike in solidarity with the workers from the closed shaft

who refused to sign the undertaking.

A Gencor spokesman, Mr Dawie de Beer, confirmed that management had closed one shaft at Matla on Monday and that both shafts were at a standstill yesterday as a result of the solidarity strike.

He said the shaft had been closed on Monday because workers had damaged a conveyor belt and cables on the mine last week. Management required workers to sign an undertaking "not to damage company property" before restarting production at the shaft.

Meanwhile, the entire workforce of the Twins-Propan pharmaceutical company in Wadeville, Germiston, was dismissed yesterday morning during a strike over wage negotiations.

The Chemical Workers Industrial Union (CWIU) said the 280 workers had been on

strike since Friday after wage talks with management reached a deadlock.

The workers staged a "sleep-in" in the plant on Monday night and were dismissed yesterday morning.

The union said that, as a subsidiary of the Premier Group, Twins-Propan was acting contrary to the spirit of recent public statements in favour of a "progressive approach" to industrial relations made by the head of the Premier Group, Mr Tony Bloom.

The statement said the dismissals would cause unionists to "doubt the sincerity of businessmen, such as Tony Bloom, who project a liberal image in the press whilst dealing with labour disputes in their factories in a reactionary manner".

The public relations manager for Twins-Propan, Mr David Neppe, said the company had

been forced to dismiss the workforce because they had been on an illegal strike.

"We told shop stewards and union officials this morning that we cannot continue to negotiate with a workforce that has persisted with an illegal strike for more than two days," he said yesterday.

The workers are demanding a R50 a week wage increase, reduced working hours, maternity and paternity leave and May Day and June 16 as paid holidays.

The company offered an increase of R21 a week and a one-hour reduction in working hours, or an increase of R25 a week, with the other demands to be discussed at a later date.

The union said it was surprised Twins-Propan was reluctant to grant the two holidays, as the Premier Group had already agreed to paid leave on the two days. Sapa

A dull show from Lonrho's mining firms

LONRHO'S two mining companies, Coronation Syndicate and Duker Exploration, produced uninspiring results for the June quarter.

Duker managed to increase its taxed profits to R3,3m from R3,1m de-

CHERILYN IRETON

spite a sharp fall in steam coal and anthracite sales.

These sales were hurt by international market pressure, but asbestos sales remained unchanged because of its

quota contract with Gefco

However, gold sales jumped from 44kg to 48kg

Income from mining rose R1m to R7,5m, but a higher tax bill and a R260 000 fall in other income to R1,5m wiped out

much of the benefit

Cor Synd's Zimbabwean subsidiary, Corsyn Consolidated Mines, reported an almost unchanged taxed profit of Z\$1,7m, bringing taxed profit for nine months ended June to Z\$4,8m (Z\$5,4m).

Although the results appear mundane, the Zimbabwean mines have not benefited from a weak currency like their SA counterparts.

Both gold and copper production dropped and Mazowe was the only mine in the group to lift operating income.

Copper producer Inyati slipped into the red with a nine-months loss of Z\$885 000, compared with an operating profit of Z\$666 000 in the same period last year.

Secunda coal miners on strike 215

By Mike Situma

About 4 000 coal miners are on strike at Sasol's Secunda Colliery in support of wage and other demands, the Chemical Workers' Industrial Union (CWIU) reported last night.

A union spokesman said the stoppage was part of continuing industrial action which followed a deadlock in wage negotiations between the CWIU and Sasol.

The talks involved more than 14 000 workers at the Secunda collieries and the Sasol 2 and 3 re-

finery plants. The union had applied for a conciliation board last week.

The workers were also demanding the lifting of a ban on all meetings of the Congress of SA Trade Unions, to which the CWIU is affiliated.

OTHER PROTESTS

Sasol's media manager, Mr Jan Krynauw, could not be reached for comment last night, but has previously said it would be premature to comment while negotiations were in progress.

In addition to yesterday's action, said the

CWIU spokesman, there had been stoppages and other forms of protest since last week.

On Monday miners at one of the collieries' shafts had stopped work for about six hours.

Sasol 2 and 3 plant workers had ceased work on Thursday after management indicated they would implement a new wage rise from July 1, even though talks with the union were continuing. Management had subsequently undertaken that the raise would apply only to non-union members.

AK 23/7/86 (21)

Cutback threat to coalminers 'irresponsible'

JOHANNESBURG. — The Chamber of Mine's threat to retrench thousands of mineworkers because of the sanctions campaign is an irresponsible reaction, the National Union of Mineworkers said in a statement today

"Instead of addressing themselves to the real problem facing the coal industry and the country they seem to be using the sanctions campaign to legitimise retrenchments."

The NUM said some of the reasons foreign coal exporters were stopping South African coal imports was that the coal mining industry was "a hotbed of worker exploitation on a massive scale . . . which foreign coal-importing countries find totally unacceptable by any standards" — Sapa

Oxygen unit may be used on SA mines

By Jaap Boekkooi

South Africa's 80 000 coal miners are likely to become world pioneers in the use of self-rescue units which convert human breath into oxygen after underground disasters

The Chamber of Mines has been testing a hundred of the self-contained units, worn on miners' belts, and imported at R600 each. I understand that the Government Mining Engineer favours legislation to make them standard in the coal mining industry, where fires and gas explosions often cause death by sudden oxygen deprivation.

With its element of potassium superoxide, the lightweight self-rescue unit allows a trapped miner to exhale into the unit, which then supplies oxygen in return for up to 100 minutes.

Compulsory use of the units could cost the coal mining industry almost R50 million.

The innovation is regarded as an improvement on the non-self-contained high-pressure cylinders of oxygen used by miners in Europe and North America.

nity campaign

DAVID FURLONGER
Industrial Editor

SENIOR mining officials were divided yesterday on the potential effect on jobs of sanctions against coal exports.

Rand Mines and JCI confirmed retrenchment plans were being considered. Gencor denied any such plans.

The Chamber of Mines sought to play down reaction to its statement that up to 40 000 miners would be laid off if the European Parliament voted to ban SA coal imports and Far East customers followed suit.

It added members had begun contingency lay-off plans because of reduced exports.

Rand Mines' Allen Cook, Chamber of Mines' collieries committee chairman, said the statement was intended as a warning to the sanctions lobby.

"We are telling them that, if they bar our coal, it will harm blacks."

24 7 86. POS DAY
Hint of big
lay-offs on
mines splits
top officials

Steve Ellis, head of Gencor's coal division, said "Gencor has no plans to retrench workers."

"SA is a very important element in world coal markets. We play an important role in equalising prices."

JCI and Rand Mines are members of the Transvaal Coal Owners' Association (TCOA) which says exports this year are down 17%.

COAL INDUSTRY

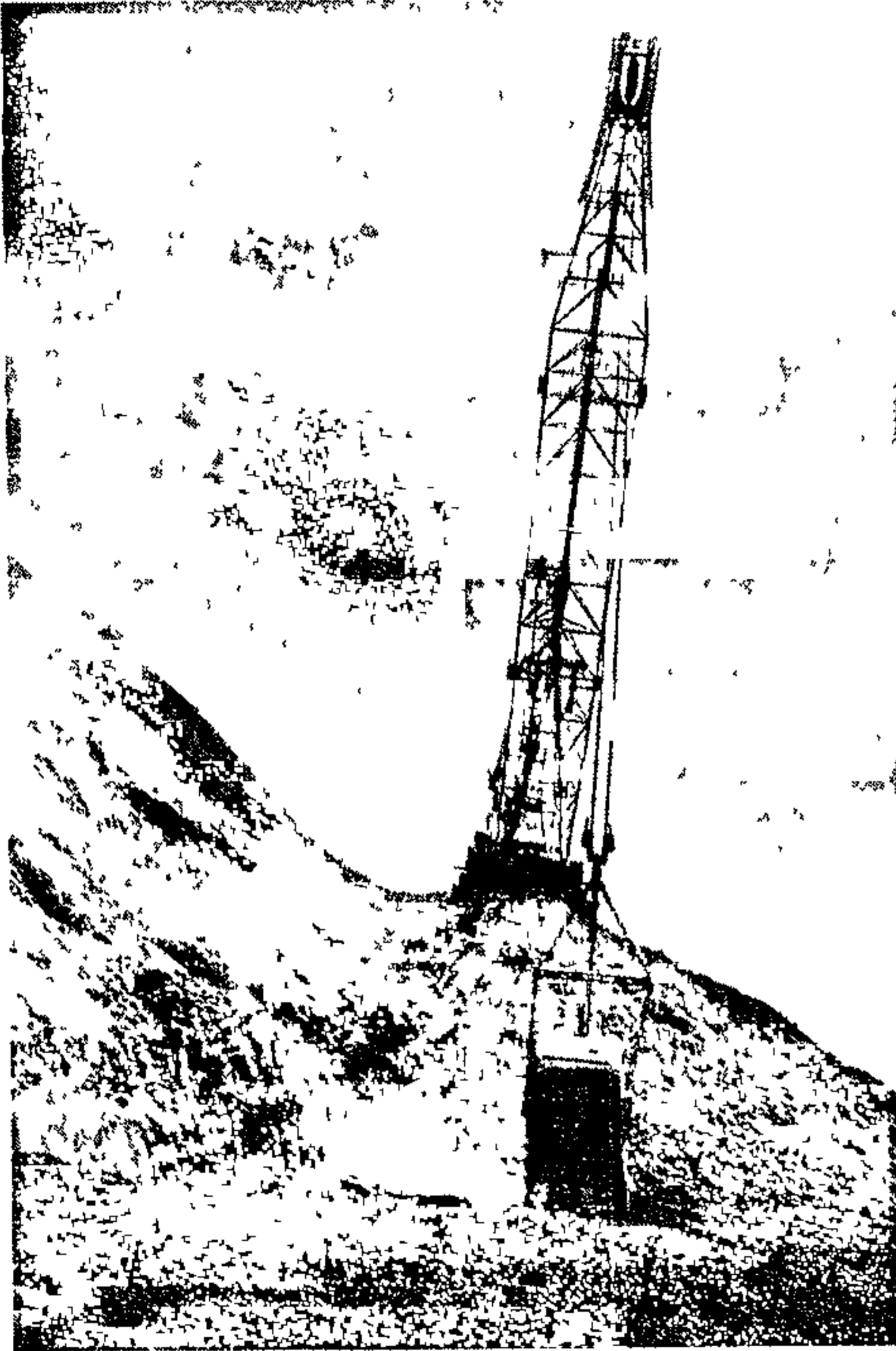
Export substitution

215 FNM/ML 25/7/86

The R5 billion a year coal industry is anxiously awaiting the European Economic Community's (EEC) expected sanctions moves against South African coal exports. Meanwhile, the downward movement of international spot prices is doing little to lift industry morale

Coal heads the list of South African im-

ports which — along with iron, steel, and gold — the European community recommends should be banned



Coal exports ... scraping the bottom?

ports which — along with iron, steel, and gold — the European community recommends should be banned

Following British PM Margaret Thatcher's recent delaying action, a valuable three months' breathing space has been created for exporters. The EEC's sanctions decision is expected by early October, but even without any EEC bans, the outlook is gloomy.

Apart from real and potential sales losses from international bans, spot prices have been moving steadily downwards. This follows last year's strong price hike, when average export prices firmed to R71/t — 58% above the R44,97/t average earned in 1984

"We expect export sales this year to fall below 40 Mt, while current US dollar prices

of \$22/t should average out to some \$26/t-\$27/t for the year, compared with last year's more than \$30/t on the export market," says Transvaal Coal Owners Association MD Les Weiss. "Nevertheless, Far East markets are looking more positive and could balance out some sales losses to the EEC."

But, with the EEC representing some 50% of the total coal export cake, it would not be possible to find substitutes should all these markets be shut down to South African coal. The outlook therefore remains pessimistic, with falling prices an added negative. With some 98 800 employed in the coal industry — 13 100 white and 85 700 black — it is evident that increased unemployment would follow should more countries follow the lead of France and Denmark, which recently banned the importation of South African coal. This would also knock last year's strong sales growth into a tailspin.

A spokesman for the Chamber of Mines comments "Last year's export tonnage of 44 Mt was 6 Mt up on 1984 sales, while export revenues of R3,14 billion far exceeded the R1,92 billion earned from local sales of 124 Mt — almost three times the export tonnage. Any further export sales losses would seriously damage the industry."

And with oil once again trading on international markets at below \$10/barrel, analysts see little prospect of the coal price firming. South African suppliers are due to start negotiations with European buyers in the next quarter for deliveries in 1987, and Weiss predicts that once again "prices will be under pressure."

Most disturbing to exporters at this stage is that prices currently being quoted are rapidly approaching their costs of production. Even taking into account rand receipts on sales in dollars, exports are looking more and more marginal. The problem is likely to

be exacerbated once the increased rail tariff for export coal and other industry cost inputs starts to come through next year.

Says Weiss "Prices are getting to the point where sellers are going to say — thus far and no further." The implication is that if prices fall too far, they may have no choice but to withdraw from the market.

A lot will depend on just how effective international sanctions — if they are applied at all — will be in closing the door on SA's coal exports. With a world coal surplus and new exporters like Colombia getting into the market, many believe the world could get by comfortably without South African coal.

Another school of thought holds that there will always be buyers for our coal — given the right circumstances and price. If European markets were closed to SA, it would merely then, they argue, be a question of switching to markets that are less politically sensitive, such as the Far East. Maybe.

For as Weiss says "It's going to be difficult to find a market for 40 Mt of coal." ■

Messina interim

31/3/78
bodes well

for future

STEPHEN ROGERS
MESSINA has turned in an impressive interim performance to return to the black with earnings of 4,7c a share, against a loss of 45,4c in the six months to June.

The improvement resulted from operating losses in the group's industrial interests being reversed, lower interest charges and radically improved contributions from associates.

Under the group's agreement with its bankers, no dividends are to be paid this year.

Turnover declined 10% to R93,4m from R103,6m, but operating income rose to R4,5m from R2,6m.

The positive contribution from industrial interests was R880 000, compared with the previous loss of R2,6m.

The mining division contribution, however, declined to R3,6m (5,2m). Mining earnings were affected by the difficulties of exporting anthracite to Europe as a result of this and the high costs of mining operations at Anthra.

The Steelmobile plant closed down in May. Uitenhage press plant has been closed, but no significant losses are expected from disposal of the assets.

Although borrowings rose to R75,6m (R73,5m), lower interest rates resulted in finance charges declining to R5,4m (R8,2m).

However, these wiped out operating profits to leave a taxed loss of R954 000 (R5,7m), which was offset by an improved contribution of R1,7m (R123 000) from associates, resulting in a profit of R573 000 (loss of R5,5m) at the attributable level.

The share price has recently risen — on expectations of improved results — from under 150c to its current 238c. With the group back on a profitable footing, the share has potential for those with patience.

SANCTIONS AND JOBS

Coalface quandary

Two issues are raised by the Chamber of Mines announcement last week that collieries have started to draw up contingency plans to retrench workers because of the impact of the sanctions campaign on coal exports

The first concerns the accuracy of the chamber's claims. The second arises from the National Union of Mineworkers' (NUM) threat to strike if the mining houses cut jobs.

The NUM supports disinvestment as a means of ending apartheid, as its general secretary, Cyril Ramaphosa, made clear at the recent conference of the British National Union of Mineworkers' On the face of it, therefore, the NUM wants to have its cake and eat it. Clearly, the NUM cannot call for sanctions and, once they're imposed, refuse to take the consequences.

According to the chamber, the implications of the Danish parliament's ban on coal imports from SA are now being felt It also says there has been a dramatic fall-off in exports to France and an increasing reluctance by other foreign buyers to take South African coal. The position will worsen if the European Parliament imposes sanctions, and the possibility that Far Eastern countries will follow suit cannot be excluded.

The chamber says that if this occurs, the employment of up to 35% of the coal industry's 110 000 employees of all races could be jeopardised. It also says individual coal companies are in the process of determining the basis on which redundancy programmes will be instituted.

However, three mining houses deny that they intend to retrench. Gencor director of mining, Steve Ellis, has said the company is not planning any retrenchments A Gold Fields spokesman says his company also has no such plans at present. Rand Mines says its coal division is overstaffed by 200, but that it will be looking to place the employees elsewhere

JCI, on the other hand — which is holding a meeting to consider the matter later this week — says it is possible that there could be a reduction in the numbers employed Dave Rankin, MD of Amcoal — SA's biggest coal producer — refuses to comment at this stage Anglovaal says the issue does not really affect it as it has only two collieries, neither of

which are chamber members

Aside from these considerations, the chamber's claims of declines in coal exports are questioned. Says David Russel of J D Anderson: "SA exported 3,634m tons of coal in April. If you annualise that figure, it comes to 43,6m tons Last year — which was regarded as a very good year — we exported 44,259m tons Most of our export steam coal comes from open-cast mines, which pride themselves on not being labour intensive. That does not require you to lay off 35% of the labour force"

Peter Sowerby, director of Safbroker, says Denmark and France are the only countries which have imposed coal sanctions He says, however, that the Denmark embargo only comes into effect later this year and that the Danes have been importing "madly" in expectation of the deadline France has said it will not make any new contracts, but the existing ones are in place and exports this year have been steady It remains to be seen if the contracts are renewed Says Sowerby: "Sanctions are something the chamber has to consider seriously, but I doubt whether it has to implement retrenchments at this stage"

Ramaphosa's reaction to criticism of the NUM's contradictory stance has been to blame the chamber and government He says: "Our members don't want to lose their jobs, but they are prepared to make sacrifices for the ultimate aim of liberation

"The chamber is not addressing the question properly It needs to look at why people are calling for sanctions The reason is because apartheid must be completely eradicated and because wages and working conditions in the coal mining industry are appalling If sanctions are implemented and jobs are lost, it will be the fault of the mining industry and government and we will be compelled to take action against the parties that are perpetuating the status quo"

It could be that the chamber's statement was designed to alarm — and possibly deliberately timed to coincide with British Foreign Secretary, Sir Geoffrey Howe's peace mission. From the comments of analysts, however, it appears that it may have been over hasty in talking about retrenchments now Ramaphosa's response, on the other hand, indicates that the NUM is playing a dangerous game and one that could cause it to lose some of its members Perhaps the best that can be said about the whole issue is that it is a remarkable illustration of how desperate South Africans have become about sanctions and political change. ■

Senate plan includes coal embargo

WASHINGTON — A Senate panel has adopted moderate economic and diplomatic sanctions against Pretoria. These include bans on new US investment or loans and on imports of SA coal and uranium.

The Senate Foreign Relations Committee, after two days of debate, voted 15-2 for the measures, which are likely to be approved by the full Senate despite opposition from President Ronald Reagan.

The Bill, which could face a full Senate vote before a mid-August congressional recess,

would withdraw landing rights for SA Airways, urge Reagan to deny visas to SA government officials and recommend that he order gold sales to depress the world price.

It also contains provisions for further sanctions if, in Reagan's judgment, Pretoria fails to make significant progress towards ending apartheid within a year.

Committee chairman Richard Lugar and two Republican colleagues thrashed out the Bill, which is less stringent than one passed in June by the House of Representatives, but goes far be-

4/8/86 (215)
yond what Reagan has indicated he might consider if government fails to end apartheid and begin talks with "representative" black leaders.

Before voting on the final measure, the committee considered about 20 amendments from both parties seeking to either dilute or strengthen it.

It first defeated an attempt by Democrat Alan Cranston to substitute the House Bill, a measure called too extreme by Lugar, which would sever virtually all US trade and investment ties with SA. — Sapa-Reuter

Sanctions: Fears of growing unemployment

cap this 4/18/86

Cap

JOHANNESBURG. — Apprehensive South African businessmen believe new economic sanctions will deepen the country's recession, force firms out of business and throw millions, mostly blacks, out of work.

"Extensive sanctions will be devastating to the economy, there will be the psychological impact on confidence, companies will go to the wall and many will lose their jobs," said top industrialist Mr. Tony Bloom. The head of the Premier Group conglomerate said: "The brain drain will be ex-

acerbated and business will be placed in a weak bargaining position in international markets."

Professor Piet Nel, who recently completed a study on sanctions, estimates that a total trade ban would put one million people, some 85 percent of them black, out of work in non-agricultural sectors.

But the biggest victim would be agriculture, Professor Nel said. Fruit growers' spokesman Mr. Fred Meintjes said sanctions would be disastrous and result in the loss of many jobs in the indus-

try. Exports account for 85 percent of the industry's revenue of about R1-billion. About 95 percent of the workforce were blacks with an average five dependants and extensive sanctions could bring hardship to more than one million people, Mr. Meintjes said. Analysts agreed the savage unemployment toll resulting from sanctions would be the overriding economic problem. "Unless there is growth to keep pace with the population, the social disorder being experienced will be com-

pounded," one said. Economists do not think South Africa's mineral exports will be too vulnerable to sanctions in the short term. South Africa is a major supplier of rare minerals and is regarded as a cheap and reliable source. Sanctions busters could fairly simply route minerals through other countries, they said, and contingency arrangements were already being made with East European and Black African states. Experts warned however that if the West was to switch to other suppliers of

minerals, it could be difficult for South Africa to win back traditional markets. The South African Foreign Trade Organization (SAFTO) says that in Western Europe, a key market, mining and agricultural exports have been feeling the effects of political action. But, SAFTO reports, trade with Black Africa is increasing. "Political developments have not had any noticeable effects on these business ties." South Africa has been gearing up for sanctions for months and the prepara-

tions may soften the blow. There has been a sharp increase in imports of mineral products for strategic stockpiling. Sanctions are already being felt in the coal industry which says more than a third of its 11 000 jobs are in jeopardy because of foreign boycotts. After gold, coal is South Africa's most valuable export. Some economists believe new sanctions will not go much further than formalizing what is already in effect, pointing out that South Africa has seen neither foreign investment

nor foreign capital for many months. Lack of investment is cited as a major reason for the economy's poor growth, estimated at only one percent so far this year — about a third less than the population growth. Some economists speculate that there could be a short-term boost to the economy as manufacturers switched from buying imports to manufacturing them locally. But they say these advantages will disappear in the long-term. — Sapa-Reuter

'Ban won't force Richards Bay to close'

A BAN on imports of coal from South Africa was unlikely to cause the Richards Bay harbour and coal railway line to become a "white elephant", said Leon Els, a spokesman for Minister of Transport Services, Hendrik Schoeman

Approached yesterday for comment on the possible affects of such a ban on South African Transport Services (Sats) workers in Richards Bay, Els said all plans were going ahead as normal.

"The Richards Bay facilities, and im-

Own Correspondent

provements to the coal railway line, are going ahead as planned and no change will be made in spite of the speculation

"The coal exporting companies still have a certain tonnage that must be exported and as such, work procedures will be going ahead as normal"

Els emphasised that coal exports only formed part of the job done by port workers and that the railway line, and facilities, could easily be adapted for other purposes

(215) BUNDAY
The department had also noted that the large corporations, which were the major coal exporters, had said they were looking into alternative markets and that Sats workers would still be needed to rail and ship the coal, he said

A spokesman for Iscor has denied that an overseas ban on South African coal exports would have any affect on their already hard-hit Newcastle plant

"We are not involved in the coal export market in any way," he said

Looking ahead

Undeterred by the colder coal market, several groups of independent producers are forging ahead with plans to wring more export capacity out of Durban's inefficient coal handling facilities.

One group, the Durban Coal Terminal Company (DCTC), comprising 16 producers, has been examining the feasibility of taking over the Bluff Coaling Appliance from Sats, modernising it and using it to export coal "specials"

At Durban's Pier 109, the Matola Exporters Committee (MEC) — a consortium of five suppliers who export through Mozambique — have converted the old Alusaf bauxite handling facility to coal. Their first shipments are due to leave Durban in about a week.

DCTC chairman Lloyd Koch says the company has been examining the potential of the Bluff facility for some three years. It has examined a variety of proposals, calling for varying amounts of capital expenditure up to R81m, and has narrowed down its options. Consultants should be in a position to put a firm proposal to the board shortly.

The problems of the international coal market don't seem to bother Koch and his associates. He says: "You don't make this kind of decision on a snapshot in time. One has to look at the viabilities over an extended period of up to 30 years."

At this point, producers within the DCTC seem to think that the difficulties in the market are only of a temporary nature. In addition, as Koch points out, the market for sized coal is completely different from that of ungraded bulk exports. Specialised handling is required — one of the reasons producers would prefer to go through Durban rather than the bulk facility at Richards Bay — and the cargoes are generally smaller.

One of the difficulties the DCTC has had with the Bluff project is that whatever scheme they settle on has to be closely interfaced with Sats's own requirements as far as track layouts and line capacities are concerned. Any coal that is exported, will, of necessity, have to travel along the already congested main Durban-Reef rail line. "Each time our consultants present a proposal, the permutations change," Koch says.

A final decision has not yet been taken, but the ultimate export capacity of the Bluff terminal could be anything from 3,5 Mt to 5 Mt a year.

The secretary of Pier 109 Joint Venture

Company, Fred Knill, says the four MEC members who are participating needed an outlet other than Maputo through which to ship their additional allocation.

The old Alusaf terminal at Pier 109, although designed for importing bauxite, seemed suitable. After spending some R8m on reversing the conveyor system and additional storage, the group is now in a position to start exporting.

They are aiming at an initial capacity of general smalls and power station smalls of around 900 000 t a year. Again, they seem confident that it is achievable. ■

'Terrible tragedy' if coal companies fail to beat sanctions

TOWNS IN FEAR

212

WLE AGAS 9/18/86
Weekend Argus Correspondent

WITBANK. — Two Eastern Transvaal towns, Middelburg and Witbank, fear there could be a "terrible tragedy" if the coal mining companies and steel producers in the area fail to beat sanctions. Their future depends on it.

Councillors fear there could be poverty in the former boom towns which have managed to ride out the recession more successfully than many other towns and cities so far.

Municipal officials said they were waiting for the mining houses and steel producers to say what the future holds in store for residents

The Chamber of Mines has warned that effective coal sanctions could lead to a loss of about a third of the 110 000 jobs in the industry and would affect the lives of 200 000 people

Retrenchments

Already, the mines have said that an undisclosed number of workers would be retrenched soon because of reduced exports. Export sales by members of the Transvaal Coal Owners' Association are down 17 per cent, compared to last year.

"At this stage any views are purely conjecture, but if sanctions by the United States, European Economic Community and Japan are mandatory and effective, the economic impact on these towns will be very serious," said Mr Mike Hawarden, a former chairman of the collieries sub-committee of the Chamber of Mines

"One is talking about 44-million tons that are at risk, our total coal exports"

"It depends how successful South African companies are in penetrating alternative coal markets. It is very difficult. Coal is a highly visible product and easily fingerprinted," he said

Jobs were not being affected immediately because such overseas buyers as Denmark had rushed to buy as much South African coal as possible before legislation was introduced preventing this

Concerned

There had also not been a significant impact on the flow of coal to Richards Bay, he said. But prospects for next year looked "far worse" and employers were "very, very concerned".

Mr John Hall, chairman of Rand Mines's Middelburg Steel and Alloys, the biggest employer in Middelburg, said the company "would do anything it can to maintain a full level of employment".

3 254 SAP vehicles damaged in unrest

PRETORIA — A total of 3 254 police vehicles were damaged or destroyed in unrest incidents between September, 1984, and last month, a Bureau for Information spokesman said yesterday.

Mr David Venter said the homes of 937 SAP members were damaged or destroyed during this

period, which also saw the loss of 8 773 delivery vehicles, 6 850 buses, 1 272 schools, 985 business premises and 3 920 private homes.

However, the state of emergency, imposed on June 12, had brought stability to many areas, bureau spokesman Dr Kobus Neethling said.

The emergency had "saved many lives and prevented the destruction of property, as unrest was reaching a very dangerous level", he said

"It would be naive to believe this escalatory trend would not have continued."

Graphs showed there had been a gradual down-

ward trend in the number of unrest incidents since the imposition of the state of emergency, but the bureau would not release figures due to "certain restraints".

Some 65 people died in unrest over the past four weeks — a third lower than the average daily figure for the first five

months of the year

Another 76 people had been injured over the past four weeks — a quarter of the average daily number earlier this year.

While there were 2 500 attacks on security forces from January to May — nearly 17 a day — attacks had declined by 70% during the past four weeks.

2851

eve York 12/8/86

(Signature)

where the major customer is the State electricity company, ENEL — would be obliged to accept State-imposed sanctions.

He also says it is naive to assume that eastern Europe will take up much more than a few 100 000 t of coal

Coal — unlike other leading exports such as diamonds — is difficult to conceal. Weiss says it is absurd to expect 80 000 t ships to leave Richard's Bay unnoticed at the rate of 40 a month.

Gencor coal MD Steve Ellis says exports would fall to less than 10 Mt if the worst scenario — which he considers unlikely — occurred and all countries which have threatened sanctions abided by them fully.

There has also been speculation that 40 000 of the industry's 110 000 workers could be laid off, particularly if the Far East is influenced by EEC action and cuts back on South African orders.

None of the coal bosses who spoke to the *FM* was prepared to rule out retrenchments.

It will be difficult for SA to undercut already low coal prices, which have fallen from some \$30/t to \$22/t. Exporters also have to bear higher rail tariffs which, says Weiss, "would render the business of exporting coal uneconomic."

Mike Hawarden, past chairman of the Chamber of Mines colliery committee, says some Japanese utilisers are already considering replacing coal firing with oil firing, but this trend might not survive the recent firming of oil prices

Weiss says he fears government might assume that foreign buyers will find SA coal indispensable and that SA can afford to ignore outside pressure "This is far from true. There are many producers like Australia and Colombia that can take our place," he says. ■

Fin Mail
SANCTIONS 2 15/8/76 (215)

Coal at the face

Last year's record coal exports of 44 Mt worth R3,138 billion in foreign exchange — are unlikely to be broken soon if sanctions threats are enforced

Coal, iron and steel have been singled out by the EEC for sanctions. If all sanctions moves are effective, coal exports will be cut by half to 22 Mt, but it is unlikely that other markets in Eastern Europe and the Far East can take up all the slack. The world energy glut makes coal particularly vulnerable to sanctions. Embargoes by France and Denmark have already cut exports by over 5 Mt.

Les Weiss, MD of the Transvaal Coal Owners' Association (TCOA), says, however, that some European countries may be more lax than others on sanctions

For example, Spain's major customers are small cement producers who could find ways of circumventing sanctions, whereas Italy —

Fighting for share

After a lull of some months, the coal war seems set to begin again. The independent merchants have switched their sights from government (*Business* April 18) to the Transvaal Coal Owners' Association (TCOA)

With wholesale and retail prices deregulated, the fight is now for market share and, eventually, survival. Small independent operators, led by renegade distributor Reef Coal, say the TCOA is beginning to undercut prices, probably as a result of falling local sales.

Originally, pessimists in the Department of Mineral and Energy Affairs (DMEA) circles prophesied that deregulation would lead to higher prices, irresponsible marketing and market destabilisation. However, falling prices seem to indicate that it works.

The TCOA has been offering discounts of up to R2/t to selected clients for the last month, Reef Coal director, Paul McNaughton, tells the *FM*. "Although we have nothing against competition, it is clear that other TCOA customers would not look too kindly on this type of discrimination," he adds.

McNaughton says the TCOA has lost about 15% of its local market to independents in the last six months.

With pithead coal prices still controlled — currently at R21,54/t for B-grade peas, widely used by industry — distributors and traders add transport and distribution costs to arrive at retail prices. McNaughton says

the TCOA's discounts to selected clients have begun to squeeze the independents.

Independent distributors get most of their coal from 12 small independent mines and the TCOA — representing the major groups — also supplies them at pithead prices.

With aggressive marketing, Reef Coal has managed to increase its turnover per month by a factor of ten over the period 1981 to 1985.

TCOA GM finance, Gerald Robinson, denies price-cutting, but admits that price "benefits" are given to some merchants on specific qualities or quantities of coal. Special prices are also given to merchants who maintain a proper distribution infrastructure with stockpiles to ensure uninterrupted supply.

"With prices determined free on rail at pithead level, there will obviously be price differentials based on transport distances and costs," says Robinson. Different qualities and sizes of coal also lead to variations.

McNaughton claims that independent distributors sold about 4 Mt of the 35 Mt of coal destined for industry, commerce, mining and household use last year, while the TCOA sells about 16 Mt into the national retail and wholesale markets. The balance is probably tied up in contractual supplies.

He is convinced the discounts will hurt the TCOA more than the independents who have become "lean and mean," with lower overheads. This is even more likely if other major TCOA clients demand similar discounts to those given to selected customers, he says.

Robinson admits consumption levels have been falling steadily, but says average price increases on the local market have run below inflation in the last 10 years, "apart from last April's pithead increase of 19,9%, which was an exception."

By Gareth Costa

Sanctions might boost coal prices

Sanctions on South African coal may boost world steam coal prices, according to Trans-Natal chairman Mr Steve Ellis

He said at a Press conference yesterday when results for the year to end June were released that the world steam coal market would be affected by three major factors during 1987 — the continuing oversupply of coal, the oil price, and the extent of sanctions against South African coal

A low crude oil price would more than likely put downward pressure on steam coal prices, but increased sanctions against South African coal could have the opposite effect

"South African coal exerts a stabilising effect on world coal prices due to its reliability of supply, constant quality and competitive pricing structure," said Mr Ellis.

"South Africa is the lowest cost supplier, and to remove it from world markets through a sanctions campaign would create an artificial shortage of coal in the market. This would bring the high cost producers back, as they are unable to compete at current world market prices."

"In the longer term this will push up coal prices and undoubtedly the economies of those importing countries which are applying sanctions will have to bear the brunt of the higher price."

RESISTANCE

Trans-Natal shrugged off lower coal prices and increasing European resistance to its product to record a 68 percent increase in earnings to 161c a share for the year to end-June

In line with the increase was a raised final dividend of 46c to give a total of 90c for the year, up from 65c, while at the same time dividend cover was increased to 1.8 times from 1.3 times

The group has also reduced gearing to 42 percent from 58 percent, and according to management has managed to negotiate down the interest rate on the \$92 million US loans, with the prospect of another decrease later in the year.

Trans-Natal MD Mr. Graham Thompson said the company would have reduced short-term debt further had there not been a moratorium on the repayment, but the

lower interest rate had helped

As a result, interest payments should be back to the 1985 level of R25 million from this year's R30 million

Distributable income was 84 percent up at

R120 million although there was an increase in the issued shares, diluting earnings

A different accounting method for amortisation of mining assets resulted in an R11,8 million de-

crease in group income before tax

Recently acquired coal interests from sister companies Kanhym and D & H, are not reflected in these results Mr Thompson says they should help this year

D & H Coal trades in a different market — much smaller purchases, in smaller ships to smaller ports — than does Trans-Natal, and this should also be beneficial in times of sanctions

FIN MAIL 5/9/86
TRANS-NATAL
Wait and see (215)

The next few months will be an anxious period for South African coal exporters and potential investors in coal shares until the situation regarding sanctions is spelt out. That's why Trans-Natal Coal (TNC) MD Graham Thompson is making no forecasts at

Continued on page 95

present on the current financial year, despite record coal sales of 31,6 Mt for the year to end-June and the 68% jump in eps

"It's impossible to say what is going to happen at this stage on the export markets and, given the generally unchanged outlook for local coal sales, exports will be the key factor in TNC's performance this year," he says "Contract negotiations with consumers on volumes and prices for 1987 generally start from about now and are completed by November-December for customers in Europe. Negotiations with Far East customers start early in the new year and are normally completed by about March. The European traders are stalling on negotiations until the outcome of the European Community decision on sanctions is known as well as the outcome of US moves

"The next three months will tell us a lot. All I can say now is that I believe TNC is the least exposed of local coal exporters to sanctions because our European sales go to less sensitive countries and most of our customers are in the Far East," Thompson says

Despite uncertainties, in the past 18 months TNC has built up a significant stake in the small end of the export trade through acquisitions of the coal interests of the Severin group, Alfred McAlpine and Darling & Hodgson Coal. This has given it extra export tonnages and, more importantly, extra official port export allocations, through Durban and Maputo. That process may not be over

Escom is juggling with schedules for completion of planned power stations and also with plans for increasing coal stockpiles. This too could affect TNC's coal sales but, in the year ahead, Thompson sees little material impact on TNC's sales to Escom

The one domestic area for a possible large expansion in the group's business lies in synfuels, where there has again been speculation of a private sector synfuels project getting approval. Also, some developments are taking place concerning the group's torbanite deposit. Thompson says the group is currently mining a bulk sample of the material which will be used to test the retorting techniques needed to recover the oil while, at the same time, TNC will carry out a second-stage feasibility study on the project which would cost in the region of R600m

At 765c, TNC offers an attractive 11,8% yield, but perhaps the best policy for a potential investor is to adopt the wait-and-see approach of the coal executives themselves over the next three months

Brendan Ryan

PRUDENTIAL

Shares running

Almost since the Prudential (Pru) was listed, a number of takeovers have abounded. Last

It has long been suggested the British mother company would like to sell Pru MD Dorian Wharton-Hood could not be reached for comment. Dealers and analysts suggest there are a limited number of companies, or rather financial groups, which could buy the Pru, but most suggested purchasers deny involvement. Liberty Life chairman Donald Gordon is adamant Liberty is not involved in a takeover of the Pru; Chris Cunningham, senior GM operations of Lifegro states no approach has been made that senior management is aware of, and Ron Cuthbert, MD of Allianz Life, when asked if his company was stalking the Pru, said "definitely not". Allianz is relatively small in SA, but has a powerful parent in Germany, which is known to be an aggressive acquisition artist

But with rumours as hot as those currently circulating, the market is not accepting denials at face value. As a dealer puts it "They all have to say it's not them. It could be Liberty is doing it through United, or Rembrandt may be doing it directly and not through Lifegro"

One broker has mooted Rembrandt as a likely predator as it has made a number of expansionary moves in the local banking and financial sector, and now has strategic stakes in Lifegro, Sage Life and Momentum Life. Liberty has recently swung attention to the international arena, although it has still to reveal how it intends to use funds raised in its R250m rights issue

Whatever the reason and whoever is buying, investors — or speculators — have pushed the price from 390c at end-1984 and 610c at end-1985 to touch a high of 1 000c this week. Even a year ago, the p/e ratio was 20, higher than any other insurance company except Liberty. By Monday, it had shot past the Liberty companies to a surely unrealistic ratio of 36 (Liberty Life is on 32)

The Pru, of course, is tightly held. The British mother company has 64,4% and another 12,7% is held by Hansmax Nominees. With an issued share capital of 133m shares, monthly trade in the past year has only averaged 147 000 shares and in July it was even lower at 108 000 — though on Monday the one-day volumes rose to 15 600. Perhaps, if a deal is really on the boil, it is the Pru itself which has initiated a deal with another, possibly smaller firm. This could offer some justification for the price

Pat Kenney

SAGE

Paying the price

After reporting a 6,4% fall in interim eps, Sage chairman Louis Shill cautions that "it is possible the group will be unable to meet its target of maintained earnings this year". That short-term earnings should have come under pressure is hardly surprising, consider-

slightly to R6 line figure since some 2m new in Rand Market increased to 30 for the dilution strong profits dilution followed capital the price in Ned Equity increased to 7

"At the time shareholders rationalise the Ned-Equity with the South Mutual Life company, SA R700m

With Sage terms and some inevitable though the engineering exception services division fits, the construction was ing "the sov construction creates, he added of recession.

Sage's shift in construction financial services in short-term — and share long-term re process is advanced, the

AVI

Going

The bulk of the 'tries' (AVI) channelled and speculated

Risa, the division, could reduced this management should remain don't determine maker, is "in year," says A bos made an the year to J

Robbertze ing company, borrow money, disallowed for liquidity in opportunities ready on

BUSINESS
10/9/86
215
①
②

'There is a case against sanctions'

Coal producers place big ads in UK papers

COAL producers have placed a series of anti-sanctions advertisements in British newspapers in the past week.

The half-page ads, which appeared in *The Daily Telegraph*, *The Times* and *The Financial Times*, are headlined "There is a case against sanctions".

An Anglo American spokesman said in Johannesburg yesterday the placement of the ads was to convey to people overseas some of the impact of sanctions.

He said: "They have only appeared once in three UK newspapers. It doesn't come cheap, but we believe the message is important."

A brief outline says 100 000 people are employed in the industry, of which 86 000 are black. It gives statistics showing 30 000 are employed mainly in the export effort.

"The imposition of sanctions would certainly:

Cause some 30 000 people, most of

MICK COLLINS

them black, to lose their jobs, with all that that implies,

Deprive the industry of the resources it needs to pursue higher skills and better standards,

Heighten political tension and aggravate racial polarisation in SA.

"Whose interests can this possibly serve?"

It says the industry has participated actively in persuading government to scrap legal barriers to the advancement of black people and raised real wages of unskilled workers by 345% between 1970 and 1985.

"It has provided accommodation and other amenities, which more than meet international mining standards

"It helped secure full trade union rights for its black workers. With many difficulties, but also with considerable success, it has developed workable industrial relations."

SA coal may find secret ^{11/9/76} 215 export route

By Michael Morris
The Star Bureau

LONDON — Communist Eastern Bloc countries could provide South Africa's coal industry with a secret passage to Western markets in the event of a European Community ban.

Bulgaria and Rumania are said to be among East European states willing to provide a backdoor route.

In Johannesburg, *The Star* financial staff report that a South African coal analyst said today he knew of one South African company which has sold more than 100 000 tons of low-grade coal at the high price of \$27 (about R64) a ton to these two countries for their own use.

When Mr Steve Ellis, chairman of Trans-Natal Coal, was approached for his views, he said he was not aware of any company considering this route, but it was possible.

He added that at the moment coal companies were concentrating on protecting their markets by convincing customers it would be to their own detriment if sanctions were imposed, since world prices would almost certainly rise.

British traders say South African coal is distinctive and would be easily identifiable, even in a blend of other coals, and discerning buyers who are wary of the political risks would be unlikely to buy supplies laundered through Eastern Europe.

One coal trader said: "It is quite easy to identify the origin of a coal. Each variety has a specific profile."

But traders agree that laundered stocks would reach the market through buyers who are unmoved by ethics and unconcerned about the risks — as long as the price suits them.

One trader said: "If the coal was sold for the right price on the basis of no-questions-asked, there would be buyers."

The British Industry Committee on South Africa — a group opposing sanctions — has warned Britain's all-party Foreign Affairs Committee earlier that sanctions will be ineffective because countries in the Far East and Eastern Europe are willing to open secret trade links with South Africa.

Gencor retrenches 130 mineworkers

Gencor has retrenched 130 mineworkers at its Matla Colliery near Witbank following the closure of the colliery's No 3 Mine.

Acting chief executive of the coal division, Mr JCJ van Rensburg, said the retrenchments were unrelated to the sanctions issue.

● The strike by 8 000 mineworkers at another Gencor mine, Beatrix in the Free State, entered its third day yesterday.

The company said meetings with the National Union of Mineworkers (NUM) and workers' representatives were continuing to establish the cause of the strike.

A NUM spokesman said the workers downed tools after allegedly being attacked by mine security officials while returning from a meeting on Sunday night.

● The pay dispute between about 500 members of the Food and Allied Workers' Union (Fawu) and Farmfare has ended.

The dispute led to a nine-day "sleep-in" strike and a Supreme Court order by the company.

A Fawu spokesman said workers would be receiving a R14 across-the-board weekly increase on the old minimum of R86.

● In another development, Fawu said talks were continuing with Table Top management for the reinstatement of 80 workers reportedly dismissed by the company's Clayville distribution plant last month.

FIN MAIL 12/9/86

ENERGY RESEARCH

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Looking for more

The Coal Amendment Bill, which has had its first airings in parliament, envisages a new fund for coal research with the CSIR and the Department of Mineral Affairs' Coal Mining Research Control Council as the beneficiaries

The proposal is that the new Central Energy Fund should be funded by a levy of 3c on every ton of coal from mines producing more than 10 000 t a year — which means most of them

But not everyone's happy, and new representations for a higher levy can be expected

On current production levels of 210 Mt, the formula recommended in the Bill should raise about R6m a year and government would then contribute rand for rand

It will be spent, according to the Bill, on research, investigations and surveys in connection with coal and its uses and on coal mining and safety at coal mines

Transvaal Coal Owners' Association MD

Les Weiss says that coal research should be more centralised and co-ordinated and the fund will provide the best way of doing this

A CSIR spokesman says that extra money is welcome — its cut would amount to R5,6m to be spent on coal beneficiation and projects to determine its mineral characterisation

Experts say this is inadequate for the major projects which will have to be undertaken, for example, hundreds of tons of coal in the form of pulverised powder is wasted every year, and this should be tapped ■

90 000 jobs at risk — Seifsa

Last-ditch bid to stave off sanctions

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~~20~~
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BUDY

INTERNATIONAL embargoes on South African steel and coal exports would cost the country's metal industries over 90 000 jobs — and force more than 500 000 people into starvation.

The warning, from Seifsa — the Steel and Engineering Industries Federation — is the latest shot in a last-minute battle by the country's steel and coal industries to stave off a growing international call for anti-SA sanctions.

European Foreign Ministers meet in Brussels today, when they will decide whether to endorse a provisional sanctions package which includes an embargo on imports of SA steel, iron, coal and gold coins.

Delegations from the steel and coal industries were in London last week to meet politicians and other decision-makers, while a R250 000 series of newspaper advertisements warned the British public of the effect sanctions would have on SA's blacks.

Reacting to all the activity, a Foreign Office spokesman said yesterday: "They have left it very late to put their case."

DAVID FURLONGER
Industrial Editor

Seifsa's latest warning estimates a direct loss of 47 500 jobs if steel export routes dry up, and a further 46 000 from the effect on metal industries of the collapse of coal export markets.

With many breadwinners supporting five or six dependents, that would remove the only source of income for over half-a-million people.

A Seifsa spokesman said: "The estimated combined loss of 93 500 jobs represents over 20% of all employees in the metal industries. An accurate estimate of the impact of these cutbacks on other areas of economic activity is difficult to make, but it can be assumed that it will be significant.

"Taking into account the current level of excessive unemployment in the country, as well as the large number of dependents of each breadwinner, it becomes clear that an increasing number of people would be subjected to severe poverty

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500 000 people face starvation

and starvation as a result of sanctions" Seifsa director Sam van Coller said yesterday the estimates were based on the assumption of total sanctions against South Africa. The survey was conducted by Seifsa's economic division among the 4 000 employer bodies linked to the federation.

An estimated 455 000 people work in the country's metal industries, of whom 355 000 are in blue-collar "scheduled jobs". Between 70% and 75% of all workers are black.

A full-page Seifsa advertisement appeared in British national newspapers on Friday, three days after a more low-key newspaper appeal by the coal industry.

The Seifsa advertisement depicts a smiling black girl with telescopic gun-

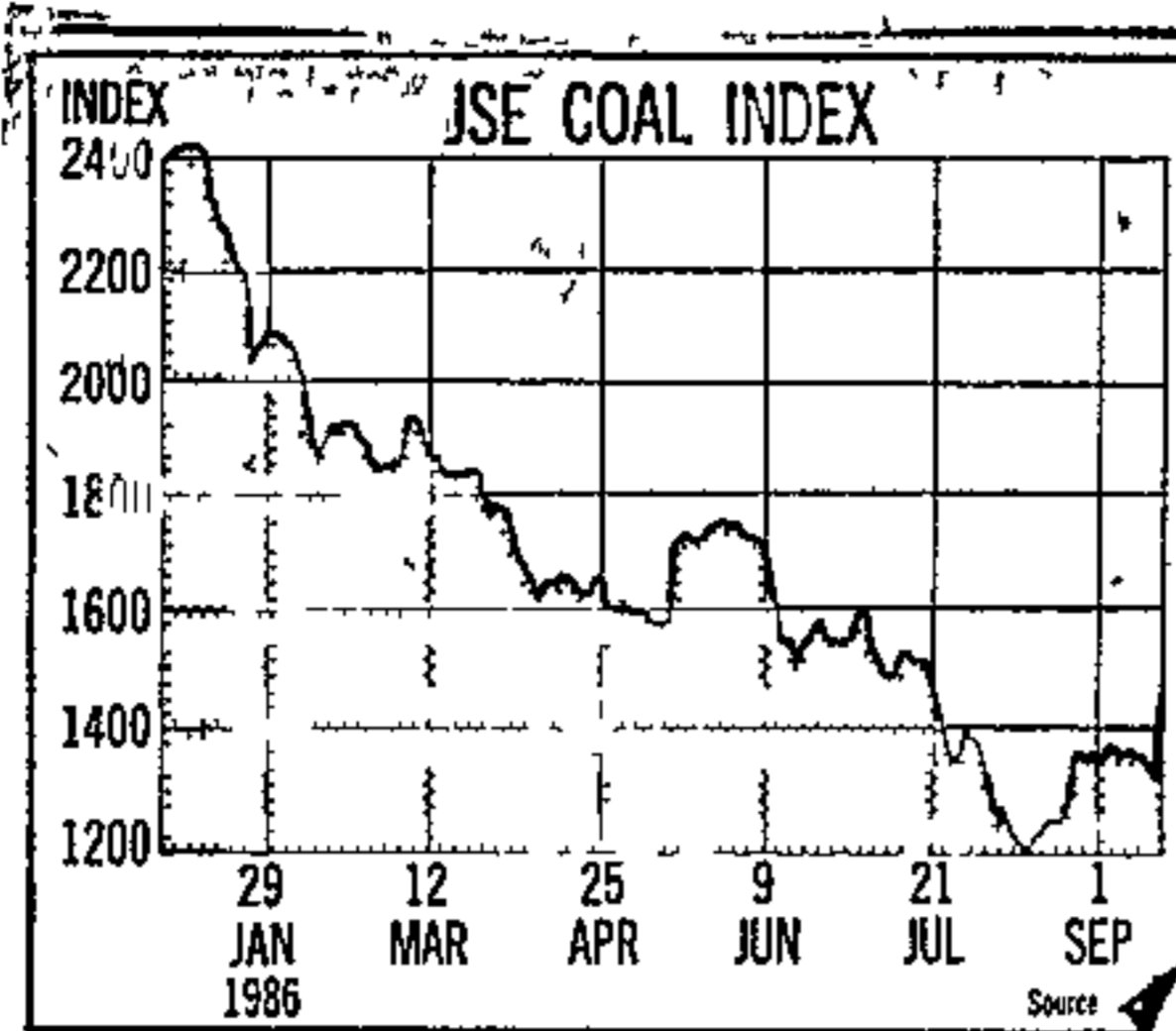
sights centred on her heart

Under the heading, "You can be sure, sanctions against South Africa will find their mark", the advertisement warns that 2,5-million people in SA and surrounding states are directly cash-dependent on workers in the metal industries.

Warning that sanctions will cost many blacks their jobs, it states that many will be forced to return to countryside "devastated by successive years of drought".

"It will be the end of the road. Women and children, the aged, and the workers themselves will be faced with grinding poverty and, in many cases, certain starvation."

~~18~~
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From Page 1
BUDY



JSE coal shares rocket

36 DAY
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17/9/86

DAVID FURLONGER

COAL shares shot up on the JSE yesterday on news that coal had been excluded from Economic Community (EC) sanctions.

Trans Natal recorded the biggest rise, its shares gaining 120c (16,7%) to 840c, while GF Coal jumped 125c (14,3%) to R10. Amcoal rose 375c (11,1%) to R37,50.

Rand Mines' coal division CE Graham Thompson said share prices had previously been low because of uncertainty over sanctions.

He said: "Shares were fully discounted because of the impending sanctions, so it was to be expected that they would recover. But it is hard to say what could happen now they have come up again."

Thompson described the decision to exclude coal from the EC sanctions package as "not unexpected". He said the industry had anticipated any exclusion would be subject to review.

Industry sources cautioned that future West German intransigence on SA coal exports could hinge on whether Japan decided to boycott SA coal — and Japan, in turn, would be influenced by the US.

Referring to the latest sanctions package being studied by President Ronald Reagan, Thompson said: "It's the US that we look to decide not to impose sanctions on SA coal. We don't export much to the US but any action would be seen by Japan as an indication that the US expects it to do the same."

An Iscor spokesman expressed disappointment at confirmation of the embargo on iron and steel exports to Europe.

He said: "It's an important market for us and a tough one to lose. We will try and sell that steel elsewhere on world markets but it will be difficult."

No ban on SA coal shares rocket

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Own Correspondents

JOHANNESBURG — Coal shares shot up on the Johannesburg Stock Exchange yesterday after the European Community dropped coal from its R1-billion mineral ban on South Africa

The 12-nation EC yesterday agreed to ban the importing of South African steel and iron, but dropped the widely expected R3-billion coal embargo

Trans Natal recorded the biggest rise on the JSE with its shares gaining 120c (16,7 percent) to 840c, while GF Coal jumped 125c (14,3 percent) to R10

However, Mr Graham Thompson, chief executive of Rand Mines' coal division, said share prices had been low because of uncertainty over sanctions.

● John Battersby reports from London that the EC sanctions package, which includes a ban on new investment and on the import of South African gold coins, was adopted after a 15-hour session of EC foreign ministers in Brussels

The iron and steel ban will start on September 27. The implementation of the other two embargoes — on new investment and gold coins — is a matter for national governments and could take longer

At a press conference in Bonn yesterday after the Brussels agreement the British Prime Minister, Mrs Margaret Thatcher, and the West German Chancellor, Mr Helmut Kohl, expressed doubts that the sanctions would have any effect

Both leaders made clear that they had only gone along with the limited measures for the sake of EEC unity

The embargo on coal exports — which formed a vital element of a provisional EC sanctions package discussed at the European summit at The Hague in June — was blocked by the West German Foreign Minister, Mr Hans-Dietrich Genscher, on the instructions of Mr Helmut Kohl

Portugal also maintained its opposition to trade sanctions and the Belgian Foreign Minister, Mr Leo Tindemans, opposed the ban on coal

● Simon Barber reports from Washington that the EC decision on coal was greeted with relief by the Reagan administration.

Japan's Ministry of International Trade and Industry had threatened to stop buying coal from the United States if a joint Western ban, which it was ready to join, prevented it from buying coal from South Africa

Dutch determined to ban SA coal

The Star's Foreign News Service

AMSTERDAM — Holland is to continue its battle for a European Community (EC) ban on coal imports from South Africa despite the Foreign Ministers' failure to agree on its inclusion in their sanctions package

The Dutch, among the staunchest supporters of stronger economic sanctions against Pretoria, are likely to consider joining other willing EC members in voluntarily banning South African coal if the Community fails to do so

Dutch Foreign Minister Mr Hans van den Broek made no secret of his disappointment over the compromise package and promised to keep pressing West Germany for a coal ban

If he again fails to convince Bonn of the need for a coal boycott, parliamentary pressure is like-

ly to grow for unilateral steps by Holland.

Mr Jacques Wallage, a Labour MP, said yesterday his party would wait to see whether the EC added a coal ban to the other measures it has taken

If it did not do so, the Socialists were prepared to launch a parliamentary drive that would ensure that Holland joined other EC countries in boycotting South African coal and possibly adding other sanctions

Holland imports 144,2 million florins worth of South African coal annually. It forms a significant part of the country's coal requirements. All of Holland's coal is imported

Equally important is the South African coal that is trans-shipped through Rotterdam, a major port of entry for coal going inland.

29/9/86

Sanctions may hurt Aussie coal

BUSBY

LONDON — Australian coal exports could be hurt by sanctions against SA, if SA turns its attention to Asian markets, says Trade Minister John Dawkins. "It may harm us — SA may be driven out of the European market for coal and it will make them even more active in our traditional markets in north Asia," he said in London at the weekend.

"That would, therefore, drive the price down and we may not only lose a market share, but almost certainly see a price reduction in that market" Dawkins defended his government's sanctions policy as "a totally principled action, as part of the Commonwealth, in order to secure, in as bloodless a way as we can, a change in SA's political system" — Sapa

29/9/86 WEDNESDAY
Wankie pays interim

WANKIE Colliery has resumed payment of the interim dividend with a payout of 2,5c (nil) a share on an increase in earnings to 18,8c (4,2c) a share in the half-year to August

The improved results came in the wake of the increase in coal prices awarded last October and cost controls by management

Sales tonnages were on line with budget, with consumption from Hwange power station substantial

Investment Staff

ly higher than for the same period last year. The closure of the coke ovens on October 1 prior to the rebuilding of the site is not expected to affect results for the year.

Profit after providing for depreciation and interest rose from R1,8m to R8,5m. No tax was payable because the company had an assessed loss.

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Escom cuts: Collieries to close

The Argus Correspondent

JOHANNESBURG. — Three collieries supplying coal to Escom power stations will be closed by October 1989.

This follows massive cutbacks by Escom.

The Anglo American colliery feeding the Vierfontein plant in Vereeniging will be closed by March 1988.

Anglo's Cornelia colliery, which feeds the Vaal power Station, will shut down by March 1989.

Gold Fields' Coalbrook colliery, which supplies coal to the Taaibos and Highveld power stations, will be closed by October 1989.

The two Anglo collieries employ a total of 1 350 workers. An Anglo spokesman could not say how many jobs would be lost.

A spokesman for Gold Fields Coal said Coalbrook still had extensive reserves and a decision on further operations would be taken in due course. Coalbrook employs 818.

COAL producers are locked in an angry battle with SA Transport Services (Sats) over plans to link export rail rates to the Producer Price Index (PPI).

Coal exporters square up to Sats

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Sats says the agreement — which producers claim will increase certain costs by up to 50% — is final and will be imposed from April 1 next year after the present price agreement expires. Mining industry officials say they don't want the new formula and are prepared to take their case to government.

Producers say the new formula "will put up costs and hurt exports at a time we can least afford it".

They are also angered by Sats's demand for guaranteed tonnages.

"How can we guarantee export tonnages when there is so much uncertainty over sanctions," a spokesman for a leading coal exporter said last night.

The Sats price formula sets a fixed rate for the next 10 years, but with an escalating clause linked to an average 12-month PPI increase.

Latest official figures indicate the PPI figure for July showed a 19.7% cost increase over July 1985, but the average

DAVID FURLONGER
Industrial Editor

year-on-year monthly figure over the last 12 months was below this level.

Sats deputy GM Giel Holz insisted last night the mining houses had accepted the new formula. "It was accepted after three meetings. They were all present. Whatever they say now, that is what they will get."

He said the tonnage guarantee issue was the only thing holding up formal signing of the new agreement.

Industry officials, however, say the matter is far from over. While mining houses were unwilling to comment officially on the matter yesterday for fear of jeopardising negotiations, a senior official said: "We will make representations to government if Sats tries to force this on us."

Sats says the increases are necessary

● To Page 2



Coal exporters square up to Sats

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to protect its own margins. It adds that if its own cost increases are lower than the PPI, it will reduce accordingly the increases passed on to producers.

Holz said: "We can't accept less than PPI and go below costs. If we do, how will we get the money back? I think there is an argument for helping coal-exporters but not from our side. They should ask government and the taxpayer should pay. Once you ask us to do it, we have to recover the money from our passengers."

● From Page 1

Industry sources say the present price formula, scheduled to expire early next year, is based on a complicated formula comprising three main components: Sats labour costs, the Steel and Engineering Industries Federation (Seifsa) cost index, and changes in interest-rate levels for Sats capital expenditure. They say this resulted in a railage cost increase in 1985-86 of 6.7%.

Wit Cols ups its div

WEDNESDAY 14/10/85
CHERYL HETON

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RAND MINES' Witbank Colliery (Wit Cols) has raised its final dividend by 10c to 280c, despite a dismal September quarter which saw shrinking demand hurt both export and domestic coal sales.

Total dividend for the year was 455c (440c).

Pre-tax profits dropped 19% to R26,5m (R32,6m) due to a fall in sales to 4,5-million tons (4,7-million).

But the full impact of the lower sales was diluted by a R20m reversal of previous tax provisions, enabling the coal mining company to increase taxed profits 37% to R46m (R33m). This was brought about by a rise in capital expenditure allowances to R51m (R21m).

Witbank has commitments for further capital expenditure of just over R50m. Most of the current capex will go to the new Khutala coal mine and into the development of the Welverdiend reserves at the Douglas section.

The fall in profit, both on an overall and profit-per-ton basis, reflects the change in sales mix, the decrease in tonnage sold and additional costs incurred on rehabilitation, the directors say.

On the impact of anti-SA sanctions, Rand Mines coal division deputy head Allen Cook says it remains to be seen whether coal will be kept off the list of sanctions.

Members are split over ban on SA coal

EC faces new sanctions battle

STML
S&A
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16/10/76

The Star Bureau

LONDON — European foreign ministers meeting here in less than a month will come under renewed pressure to match the trade bans the United States has slapped on Pretoria

South Africa will by no means be the only subject on their agenda, but it will almost certainly be a prominent one

Holland, Denmark and Ireland will again try their best — as they promised in Brussels last month — to get a coal ban added to the limited European Community (EC) package, probably using the British argument that collective Western action will be most effective.

Tough battle

But there could be another tough battle on the question of sanctions because Britain, West Germany and Portugal are showing no signs of giving in, even though they had argued strongly for joint action with Japan and America.

They will continue to insist that the EC measures are intended as a signal, rather than

an economic instrument and that the addition of a coal ban would give the package a destructive edge that would make it counter-productive.

The one-day meeting on November 10 will not focus solely on South Africa, but the Foreign Office acknowledges it will probably feature prominently.

A spokesman added, however: "No move for further action against South Africa is being mooted."

Nonetheless, the American move on sanctions boosts the case for stronger measures by Europe. The kernel of the European argument over sanctions was the proposed coal ban.

Opponents of sanctions saw it as the most potentially damaging of the proposals, and were clearly relieved it was dropped. But it seems they will have to re-deploy their arguments against imposing it once again.

RUSDA 12/10/85

Europe to cut power costs with SA coal

FUEL COSTS for many major European electricity utilities are likely to tumble over the next 12 months after a contract agreement between Italian power company ENEL and two SA coal suppliers, BP and Gencor. The agreement on 1987 tonnage takes international coal prices to new lows and reflects the extreme pressure on SA coal in world markets, despite the EC decision last month not to ban imports of SA coal.

The new contract price of \$24 a ton, for the SA exporting terminal at Richards Bay, is down from \$27.50 for current deliveries.

Agreement was reached on the eve of the EC Foreign Ministers' sanctions meeting in mid-September in an attempt to blunt sanctions impact on Italian electricity costs. ENEL is the biggest buyer of SA coal in Europe. What made an early agreement crucial for both BP and Gencor was that their sales of 500 000 tons apiece were annually agreed and therefore especially vulnerable to sanctions.

The remainder of the ENEL/SA trade was based on long-term contracts and merely repriced annually. However, all SA's coal trade with Italy will at least have to match these new price levels. Indeed, the price of \$24 may not stick, since it is up to \$4 a ton higher than current spot prices from SA.

Even at these levels, assuming that other suppliers agree to match them, ENEL will wipe nearly \$16m off its fuel costs. Altogether, the company buys 4.5-million tons a year from SA. However, any attempt by the mining houses to establish this new level as a European benchmark for 1987 will be short-lived.

GERARD McCLOSKEY

In Spain — like Italy a growth market for coal imports — the state coal importer Carboex has asked for 1987 offers at \$20 a ton.

The squeeze on prices, which has brought barge lots of coal in Rotterdam down from \$39 a year ago to just \$30 last week, resulted from three factors: continuing oversupply, particularly from SA; dropping heavy fuel oil prices, and the gathering resistance to purchases of SA coal.

In the last 12 months, decisions by the French, Danish and, most recently, the US governments not to buy from SA has effectively lopped 10-million tons off steam coal exports (38.5-million in 1985).

The Danes, who purchased 3.5-million tons last year, will cease all trade with SA at the end of November.

A French decree 11 months ago that no contract renewals would be permitted reduced last year's trade of 6.3-million tons by around 5-million tons (although 30 000 tons a week are believed to be coming into France from Belgium).

It is expected that the remaining SA French-bound tonnage will be blocked at the end of this year. Last month's US sanctions decision will see an end to an 800 000 ton annual contract between Gulf Power and the Transvaal Coal Owners' Association.

But, while it may appear that power companies buying from SA have been winners in the cost-cutting stakes, some very low prices are being reported for Australian coal.

Recent deliveries to Denmark have almost all been below US\$32 and, at the end of last week came a report that 500 000 tons of 1987's deliveries to a Danish power company had been agreed below \$30.

To this downward pressure on prices has been added an additional push resulting from a greater availability of Soviet coal and, recently, of coal from the lowest-cost producer of them all, China.

While the buyers will be rubbing their hands with glee at the prospect of yet lower prices, many of the producers will be counting their losses.

IMPORTS OF SOUTH AFRICAN COAL IN 1985 ('000 tons)

Japan	7 641
France	6 432
Italy	6 376
Denmark	3 454
W Germany	6 432
Spain	2 243
Hong Kong	2 242
Israel	2 167
Belgium/Lux	2 048
S Korea	1 600
Taiwan	979
US	824
Netherlands	819
UK	370
Greece	181
Switzerland	12
Portugal	92
Ireland	70

Source: International Coal Report

SA coal prices will be effective against sanctions

SUN TIMES
19/10/86
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SOUTH African coal producers are struggling to keep a billion-dollar stake in the world coal market while international competitors try to force them out with sanctions.

Coal sanctions recently imposed by the US and general sanctions vociferously advocated by Australia are aimed at increasing these countries' shares of the world market — not at any high moral principle

This is the view of the SA coal industry. Theoretically, if Australia and the US manage to cut SA out of world markets, they would gain 44-million tons of coal sales worth more than \$1-billion

This is not so, however, for SA is fighting effectively to hold its share and is supported in its efforts by some of the world's biggest consumers, such as Japan, which face the doubling of some prices if SA is forced out as a producer.

Another major factor in favour of South African producers is that it costs millions for coal burners to switch from one type of coal to another. Most coal contracts are long-term.

Australia and the US are the world's biggest exporters, shipping 89-million and 83-million tons a year respectively. Due to sanctions, South Africa is expected to lose its third ranking to Po-

By Dave Edwards

land Japan is far and away the biggest importer.

SA is a relatively small supplier to Japan, but provides strategically vital metallurgical coal. SA coal men found it interesting that, after initially following US policy on sanctions, the Japanese suddenly switched to EEC policy when it became obvious that US sanctions would encompass coal.

The EEC took 56% of total South African exports in 1985, but, because of sanctions, this proportion is set to drop significantly.

Among recent sanctions-imposers, France last year took 6.4-million tons, Denmark 3.5-million tons, the US 800 000 tons and the Netherlands a like amount

This suggests that when sanctions become operative SA should theoretically lose 26% of its exports — 11.5-million tons — but sanctions already in place are not expected to be watertight.

SA coal-producers are not standing idly by. They are

- Selling coal into countries that have boycotted SA coal through intermediary countries

- Lobbying politicians in purchasing countries, pointing out that they are by far the cheapest producers

- Discounting their coal heavily. SA producers have

long boasted the lowest costs in the world with break-even. They have tended to set prices but are disadvantaged by local inflation. Proposed rail tariff increases will erode their comparative advantage

- Developing new markets in the Pacific rim.

- Expanding existing markets there.

The local industry has already been injured. After attaining record profits on the soft rand last year, all the major exporting companies realise that total SA exports must fall — but each intends to hold its individual share.

On balance, SA exports could fall by an estimated 8-million tons by early 1987, and export profit margins are falling due to lowered dollar prices and the combined effects of inflation and increased haulage charges at home

Rail charges from Witbank to Richards Bay may rise to R19 a ton by March 1987, paring steam-coal profits to the bone

American exporters need a price of around US\$35 a ton to break even on deliveries to the European market. SA producers can still make a profit at \$21.

The high dividend yields of the coal shares reflect deep pessimism. But coal men are confident that the cost-competitive industry can survive.

FCW MAIL 24/10/86

COAL PRICES

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On the margin

Coal may have escaped the sanctions net so far, but international pressure has nevertheless turned SA into the bargain basement of the coal market.

Mining houses are looking back nostalgically to the heady days of 1982 when the price was \$45/t and stable — the spot price played a lesser role as long-term contracts were almost universal.

Since then, the price has steadily declined as the world energy resource glut became apparent and new coal producers like Colombia entered the market.

Fortunately, SA has some room to manoeuvre. While American exporters must sell at \$35/t, their South African counterparts need only \$21/t to show a profit. Of the major producers, only China can produce for less.

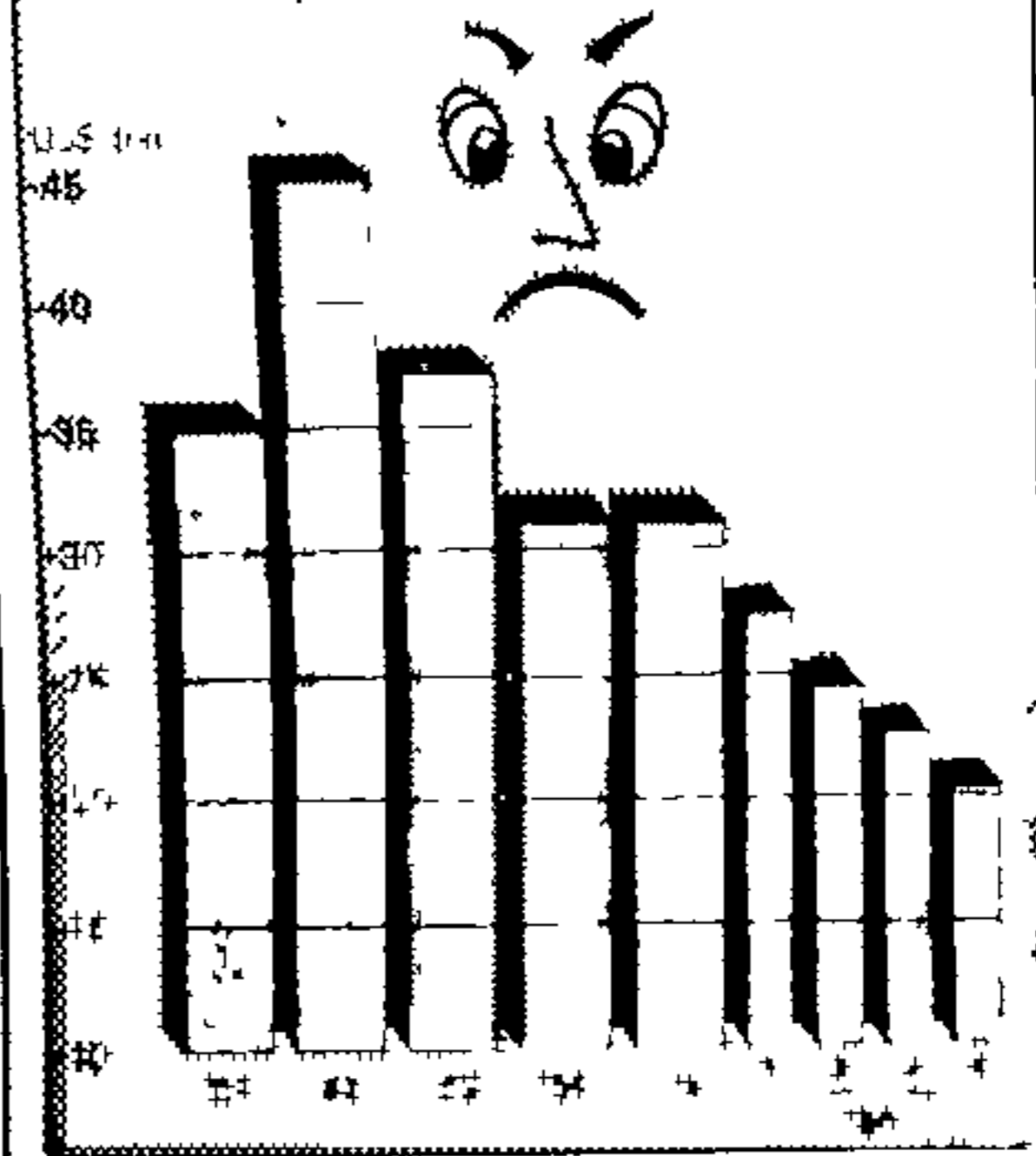
However, even that low price is not always attainable — the spot price has fallen as low as \$19/t this year. So it is significant that BP Coal and Gencor have secured a price of \$24/t from the Italian electricity company Enel, although this is sharply down from the previous price of \$27,50/t.

According to the *International Coal Report*, the deal should be the benchmark for South African prices, but Transvaal Coal Owners' Association (TCOA) MD Les Weiss is not so sure — he can't see a pattern and sees little hope of stable prices.

Unfortunately, Weiss says, South African

Down in the dumps

Average steam coal export prices



coal is replaceable — steam coal is virtually the same the world over and even the more expensive metallurgical coal, which mainly goes to Japan, can be obtained in Australia, Canada and the US. So far it makes sense for Japan to spread its coal sources to avoid dependence on one supplier, but politics may win the day.

SA's trump card is, and will remain, price. But in order to keep its enviably competitive position the industry will have to keep costs down. Inflation is already eroding SA's competitiveness at the rate of 10%-17% a year, and subsidised rail tariffs could be the next advantage to go. ■

FINANCIAL 24/10/76
 ESCOM EXPANSION
Closing collieries (215)
 Much has been made of the positive effects of Escom's decision to go ahead with the construction of five new super power stations (*Business* October 3) But what of the negative effect on collieries of phasing out older,

less efficient stations?

As it stands, two Amcoal collieries are due for closure, while Goldfields is trying to keep its affected mine open. All the mines are in the northern Free State and near Vereeniging.

The Amcoal collieries facing the chop are Vierfontein, whose contract to supply Escom ends in March 1988, and Cornelia, which currently feeds the Vaal power station. Cornelia's contract ends in March 1989.

Some hope

Goldfield Coal's Coalbrook colliery will cease supplying the Taabos and Highveld power stations in October 1989. But for Coalbrook, at least, this will hopefully not be the end.

An Escom spokesman tells the *FM* the need for large coal supplies will fall heavily once the old power stations move onto reserve capacity. Amcoal has decided the reduced coal demand does not justify the continued operation of its collieries and Escom has found alternative supplies.

Vierfontein's annual report says Escom has requested a reduction in output from the colliery to 25 000 t until production ceases.



Amcoal MD Dave Rankin says the mine was coming to the end of its economic life — production in the 1986 financial year fell by 33,1% from 1,23 Mt to 822 000 t. But most of the 642 employees should be relocated, as part of group policy.

Similarly, output at the Cornelia colliery has dropped by 32%, from 2,8 Mt to 1,9 Mt last year, after the closure of the Klip power station. Cornelia also has a limited working life.

On the other hand, Coalbrook colliery still

has considerable reserves, according to a Gold Fields spokesman, and new markets for the coal are being sought.

At this stage, he says, the company has ruled out retrenchment of the 800-strong labour force.

Europe determined to have SA coal ban

Weekend Argus
Foreign Service

LONDON. — A new assault on South Africa's R2,3-bil-

lion coal trade with Europe is imminent

The European Community's 12 Foreign Ministers are meet-

ing in Luxembourg on Monday and Tuesday for the first time since agreeing in Brussels a little more than a month ago on bans on South African exports of gold coins, iron, steel and new investment

West Germany and Portugal headed off a coal ban then, but Holland and Denmark emerged from the tough, protracted meeting promising to push for the ban at every opportunity

They now feel their case is stronger, with the recently-imposed US measures — which, significantly, include a coal ban — in their favour

The Dutch Foreign Ministry has confirmed that Foreign Minister Mr Hans van den Broek will make an attempt on Monday for a coal ban to be added to the European package

Consensus

A spokesman said "Our position remains unchanged. That is, that the EC package would be meaningful only if it included a ban on coal exports"

The Foreign Office in London yesterday said that Britain would not object to including the ban as long as there was consensus among the 12

West Germany, though, remains rigidly opposed to it. The German Foreign Minister, Mr Hans Dietrich-Genscher, is undoubtedly under greater pressure this time, following the approval of the US measures

Britain, holding the presidency of the EC, undertook in Brussels to "continue to seek consensus" on a coal ban, and will probably find itself again caught between opposing sides which are reluctant to compromise

The question of a coal ban may, in fact, be subordinate to a wider debate on Southern Africa in general

Coal exports meet target

DESPITE limited sanctions on SA coal, exports for the first eight months are on target to equal the record 44,7-million tons shipped from Richards Bay last year.

Figures compiled by the Minerals Bureau show between January and August 29-million tons of coal were sold abroad.

If this tempo of about 3,6-million tons a month is maintained until the end of the year, exports won't be far behind those of 1985.

However, sales are expected to increase as producers try to meet outstanding export contracts before December.

Meanwhile production has not slowed despite depressed markets

and the threat of sanctions. In August, 14,7-million tons of coal were produced compared to 14,3-million tons in July.

However, gold production for August was slightly lower at 53 273kg (54 024kg in July), with sales fetching R1,5bn (R1,7bn).

Other interesting figures for August are those for tin, which show the severity of the crisis in international tin markets.

In August 1985, SA produced 179 tons of tin metal, while sales earned R4,1m. This year production was down 5% to 169 tons, but revenue from sales fell 44% to R2,3m.

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SUNDAY
20/8/86
CHERYLYN IRETON

7/11/86, STAR

Foreign Ministers meet on Monday

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European Community unlikely to agree on banning SA coal

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~~215~~

The Star Bureau

LONDON — A Europe-wide ban on South Africa's annual R2,3 billion coal exports is unlikely in the near future.

It is still very much on the agenda for the European Community's Foreign Ministers' meeting in London on Monday but, while West Germany remains rigidly opposed to it, there is no chance of the ban being imposed.

Sanctions are on the agenda for next week's meeting but, among other things, Syrian involvement in terrorism and Eu-

rope's response to Britain's calls for action against Damascus will dominate discussions

Holland has promised to keep pressing for a coal ban to be included in the EC sanctions package to make it "meaningful and effective" but its adoption is dependent on the unanimity of the 12 Foreign Ministers

Britain's Foreign Office Minister for African Affairs, Mrs Lynda Chalker, indicated yesterday that unanimity was improbable West Germany, she said, was not expected to back down Sanctions would be discussed but consensus on a coal

ban was unlikely

Britain will agree to a coal ban if the other 11 member nations agree But, while Britain holds the presidency of the EC, Foreign Secretary Sir Geoffrey Howe is obliged to remain neutral on policy issues and, although he has pledged to seek consensus on sanctions, he is prevented from actively lobbying either way

Asked about Britain's attitude to Southern African terrorism — and specifically the ANC's armed struggle — in the light of its campaign for action against Syria, Mrs Chalker said "The ANC are regarded as terrorists and, in our meetings with them, we have spent a great deal of time urging the need for dialogue and an end to terrorism

END TO VIOLENCE

"We will go on doing so One of the tragedies is the almost understandable impatience among black people because they have no part in their democracy

"But what we are after has al-

ways been the same — an end to the violence on all sides, whoever the perpetrators are"

She said violence in the townships was "even said to be provoked by some not unconnected with the Government"

Train and truck collide

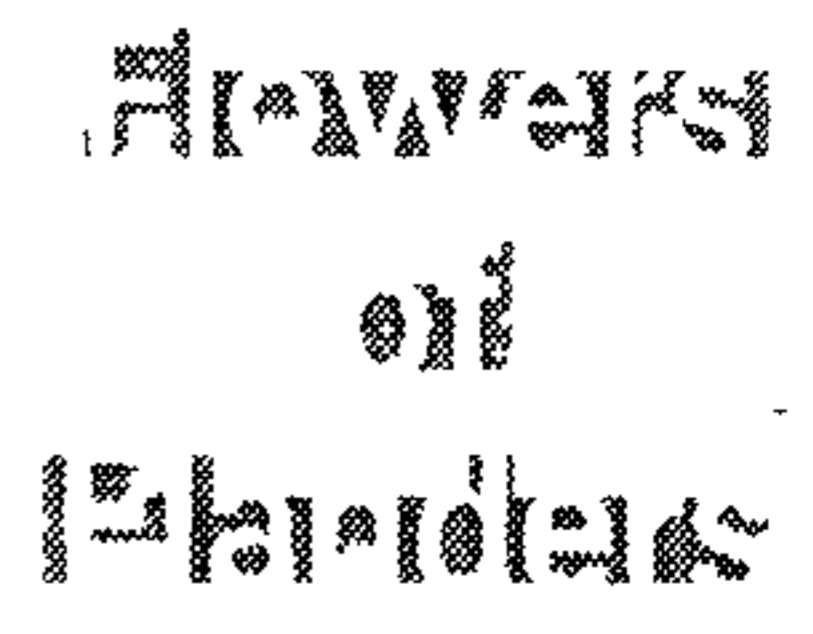
Pretoria Bureau

At least two people were injured when a commuter train collided with a truck yesterday morning near GaRankuwa township, 35 km west of Pretoria.

A spokesman for the police directorate in Pretoria said the injured were the drivers of the train and the truck. They have not yet been identified.

The accident occurred when a suburban commuter train from De Welt station collided with the truck at a level-crossing.

The cause of the accident was still under investigation.



RIGHT: Thousands of bright red paper poppies will be pinned to lapels throughout the country tomorrow in remembrance of World War 1 Mrs Eileen Lyons of the SA Legion (Central Witwatersrand branch) spent many hours making the beautiful wreaths pictured here. These wreaths will be laid at the foot of the Cenotaph opposite the Johannesburg Library during a memorial service on Sunday.

● Picture by John Hogg.

Vierfontein cuts back production

BUSINESS
19/11/86
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Mining Reporter

VIERFONTEIN, the Free State's only colliery, has further cut dividends as the Escom deadline for halting underground production nears.

The Vierfontein power station, to which the mine is a "tied" supplier, is to be used to provide only spare capacity to the national grid and, from March 1988, it is envisaged that fuel will be drawn from Escom's ample stockpile.

Any future increase in power generation is to be provided for by mining an opencast block of ground.

The interim report for the six months to September 30 shows a production cutback to 236 000 tons (822 000 tons for whole of the previous year).

In line with Escom's wind-down programme, future output has been cut to 25 000 tons a month.

After-tax earnings are reported at R119 000, down 31,6% on the same period last year.

An interim dividend of 1,5c a share has been declared, against 2c last year. Dividend cover is 2,2 times.

Shareholders can look forward to substantially lower earnings in the second six months, with an expected overall cut in annual production of more than 50%.

Khutala colliery sends its first coal to Kendal

By Frank Jeans

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12/11/86

After only two years since site establishment, Rand Mines' new Khutala colliery is now sending a coal stream 3 km down the line to Escom's Kendal power station taking shape near Ogies in the eastern Transvaal.

The first coal yesterday spilled out of the massive stacker-reclaimer built by German group, Weserhutte, at the Kendal stockyard — the start of an operation which will build up to a 1,5 million-ton stockpile by June 1988 when the first of six generators produce power for the Escom grid.

Developed at a cost of R440 million (today's money terms), Khutala is one of two Escom-linked coal mines being assembled by Rand Mines. The other is Majuba, near Amersfoot in the Transvaal.

INDIRECT COOLING

Groundwork is progressing at Kendal, where the giant cooling towers — two Carlton Hotels could fit into one of them — now rising hundreds of metres will make it the largest indirect cooling power station in the world, a fact brought about by the necessity of water conservation.

The first of the massive boilers and generator beds are taking shape, the forerunners to the six-set 3 600 mW power system scheduled to come on stream by 1994.

By then, Khutala will produce daily 54 000 tons of coal and a maximum monthly capacity of 1,1 million tons

Now, two R1,5 million continual mining machines are munching through coal seams 100 m below ground, each at a rate of 1 200 tons a day, and from

there, conveyor belts rising up a 600 m incline shaft carry the coal to crushers and eventually the Kendal supply lines

The mine's No 2 and 4 seams are providing the coal for Kendal at present, while No 5 seam is aimed at the export market

At full production, Khutala will create jobs for 3 200 people — 2 800 of them black, and it will draw much of this labour force from the Witbank area, 40 km away

● RM company, Witbank Colliery has increased after-tax profits by 17,5 percent to R132,1 million in the year to September 30 1986.

The main reason for this profit push, says the chairman, Mr Allen Sealey, has been the inclusion of the results of Wegedacht Exploration Company which Witbank Colliery acquired in October last year.

Looking at the Richards Bay Coal Terminal in the annual statement, Mr Sealey says present political and coal market considerations have clouded its future.

"Various alternatives are being examined but, clearly, present conditions make it impossible for a positive investment decision to be taken with regard to any expansion," he says.

On the world scene, the Witbank chairman believes Western coal consumption will continue to grow at about five percent a year but that prices will remain depressed for some years to come

"World coal reserves, combined with greatly expanded production capability initiated in the early 80s are likely to ensure that the oversupply situation will continue and any positive price appreciation in real terms will be delayed until the early 90s," he says.

MINING / FINANCE

13/11/86
BUSINESS

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Colliery passes milestone

RAND MINES' new R440m Khutala colliery passed a significant milestone this week by dispatching its first coal to Escom's Kendal power station.

This delivery marks the first of a 1,5-million ton stockpile which Escom will establish at the power station between now and June 1988, when the first of its power-generating sets will be commissioned.

Although Khutala has only planned to reach full production of 1,1-million tons in 1998, it already has two underground sec-

CHERYL VIRETON

tions in operation, producing around 25 000t of coal a month

The first coal delivered to Kendal yesterday was brought into the coal stockyard by means of an overland conveyor belt. It was mined from the No 2 and 4 seams, which lie no more than 100m below surface. The mine also boasts a rich No 5 seam, about 2,2m wide, which will be available for the export market should conditions in that market im-

prove

Escom's new station, scheduled for completion in September 1993, is expected to save SA almost 55-million cubic metres of water each year by means of its sophisticated, indirect dry-cooling design.

Costing in the region of R3,5bn, Kendal will limit water loss through evaporation by cooling the water in a closed system inside its cooling towers. This system uses 0,8l of water a kilowatt-hour compared with a wet system's 2,5l a kilowatt-hour.

Coal boycott
can cost SA
43 500 jobs

By Frank Jeans

The sanctions issue loomed over the "Coal in Crisis" conference yesterday, and delegates got a clear picture of boycott problems facing the industry.

But they were reminded that while sanctions were a threat coal producers have a good track record and can withstand overseas pressure and maintain market stability and reliability abroad.

The conference, organised by the Techno-Economic Society of South Africa (Tessa) and the Systems Publications group, heard some grim forecasts about the effect of a total coal blockade — 43 500 jobs lost and 260 000 mostly black people without breadwinners

Dr Manny Pohl, energy analyst of a stockbroking firm, said sanctions could be a "form of protectionism cleverly disguised under the apartheid banner".

"Due to its intention to increase exports to 80 million tons by 1992, this country is a threat to market positions of other world producers, especially Australia. Little wonder the Australians are cheer-leading the sanctions parade."

Dr Pohl estimates that if sanctions gain momentum present coal exports of 40 million tons could decline to as low as 12 million tons.

Mr Graham Thompson, chief executive coal of Trans-Natal, said South Africa was recognised one of the most dependable international suppliers of coal and had increase exports from 2,7 million tons in 1975 to 44,8 million last year.

...said his department did not...
...admitted that they were...
...complaints were among...
...SECRET

4 BUSINESS DAY, Friday, November 21, 1986

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Cencor mine to cut staff

USUTU Coal Mines, a Gencor mine near Ermelo, is to retrench about 100 staff because of an Escorn request to cut — with immediate effect — coal supplies to its Camden power station.

A Gencor statement said Escorn blamed the lower electricity demand resulting from the economic slump.

"The reduction in coal supply will regrettably lead to a de-

crease of Usutu's workforce by approximately 100 persons, both black and white," Gencor said.

Gencor said every effort would be made to find alternative employment within the Gencor Group for those employees affected, but this could not be guaranteed by management.

Usutu currently employs about 1 900 people. Output will be cut from 50 000 tons a month to 30 000 — Sapa

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21/11/86
STAR 215

Escom cuts back on Usutu coal

Escom has asked the Usutu mine to reduce the supply of coal to Camden Power Station with immediate effect.

Lower electricity demand resulting from the unfavourable economic situation in the country is blamed.

The reduction in coal supply will lead to a cutback in the Usutu workforce of about 100 people, both black and white, but management has promised to try and find alternative employment opportunities in the Gencor group for those employees affected directly by the situation. "The availability of alternative employment opportunities, however, cannot be guaranteed by management" a spokesman said.

Usutu currently employs about 1 900 people. Production will be reduced by 50 000 tons a month to 300 000 tons as a result, the spokesman added. — Sapa.

FINMAIL

(215)

21/11/86
COAL TECHNOLOGY

Breakthrough for Escom

South Africa has achieved world leadership in energy technology involving the use of low-grade coal. The development has massive implications for the economy and promises to extend the country's coal reserves substantially, opening up hitherto uneconomic low-grade fields

Escom's breakthrough, proved over the past year at the Lethabo power station, promises many benefits. It opens prospects for technology sales abroad, while leaving SA's already substantial reserves of high-grade coal free for sale in export markets and for exploitation in the chemical industry. Also, if the technology is sold elsewhere, it could mean major exports of low-grade coal

Escom senior GM Ian McRae says SA's leadership was confirmed at the recent triennial World Energy Conference in Cannes, which he attended with former Escom chairman Jan Smith

Lethabo power station near Vereeniging has been successfully burning low-grade coal with an ash content as high as 40% for the past year. Heat values from this fuel are as low as 14 MJ/kg. Although this is well below the world average of 24MJ/kg-25MJ/kg, the energy is produced far more economically from what would otherwise have been waste.

"I believe the success at Lethabo could add anything up to 25% to SA's proven coal reserves, because most of these low-grade reserves were not included in the last reserve assessments," says McRae

But recently Escom has been busy with far more than low-grade coal. For example, although the new dry-cooled stations are some 5% more costly than water-cooled stations, they will lead to substantial water savings — an important consideration in drought-prone regions.

And Escom is also pursuing its nuclear option. "We are looking for three more coastal sites for eventual use as nuclear power stations," says McRae. "While nuclear stations are still far more expensive than the coal-fired variety, coal is a diminishing resource. And it is strategically important to have a variety of power sources anyway."

At last week's official inauguration of the Koeberg nuclear power station, Mineral and Energy Affairs Minister Danie Steyn disclosed some impressive facts. Between start-up in August 1984 and September this year, Koeberg used only 49 t of fuel — the equivalent of nearly 8 Mt of coal. Against an equivalent coal-fired station, it saved 31 620 Ml of water and did away with the need to generate 2 Mt of ash waste and pump 116 m³ of gaseous effluent into the

atmosphere

McRae says no new nuclear stations appear in Escom's current 10-year projections, but SA "cannot afford not to proceed with its nuclear development programme"

Reasons he puts forward

- Existing investment in nuclear technology and scientific expertise must be used and expanded or they will be lost.
- The strategic need to develop alternative generating capacity at the coast,
- Growing concern over air pollution and environmental damage,
- The need to save scarce fresh-water resources by using sea water; and
- The need to reserve valuable high-grade coal for chemical and fuel development

But what about sanctions? McRae is not overly concerned. Nuclear technology, he reckons, will be available despite foreign pressure. ■

MOSSEL BAY

Ready to roll

One of the major outstanding decisions on the R5 billion Mossel Bay project — which gas-to-fuel conversion process will be used — is imminent

Even if a version of Sasol's synfuel Fischer-Tropsch process is used, SA is going to need outside help and sanctions-watchers will be fascinated to see which foreign companies are prepared to run the gauntlet for the sake of the massive returns involved

Mineral and Energy Affairs Director General Louw Alberts tells the *FM* that a final decision will be made "within three or four weeks, certainly by Christmas". The delay has been caused by the inevitable overseas "interaction"

Alberts, however, emphasises that a postponement is not being considered despite the more cautious re-evaluation of the scheme which is currently under way

As far as technology is concerned, Mobil and Caltex liquid fuel catalysts are strongly in the running. But a likely scenario appears to be the development of a hybrid process. According to the Central Energy Fund, feasibility studies have been completed on the multi-stage process routes

"There are a number of variants where single steps are replaceable with suitable substitute technologies," a spokesman tells the *FM*. "Those technologies required to reach the production target will be available. The process evaluations and comparisons are now in the final stage and parameters such as economic, financial, state of development,

the end product mix and many more are involved

"At this stage we do not wish to be more specific. Sanctions are not expected to have an immediate effect on the selection of the preferred process route, but they will receive consideration"

The decision on technology and last month's siting of the R1,7 billion refinery are boosts for the lagging on-shore development

The site is on the N2 highway 14 km west

MAKING MEMOREX

To raise funds after the Sperry/Burroughs merger to form Unisys, the new company is divesting itself of its controlling interest in former Burroughs subsidiary, Memorex. A \$550m management buy-out, with New York investor Eli Jacobs as the principal financier, should be tied up by the end of the year.

But, for the 42-month-old Memorex operation in SA it is business as usual, says GM Jose Loureiro. And the strong links with Unisys will be retained, he says. "Because it's a management takeover, there will be no practical or cultural changes."

The links with Unisys include manufacturing, sales and servicing of IBM plug-compatible computer peripherals and the computer media products marketed by Memorex. The company will also continue to market Unisys-manufactured storage devices for the plug-compatible environment

Burroughs, which bought Memorex in 1981 for its technology in high-end storage devices, will also retain some preference shares in the new Memorex company and chairman Michael Blumenthal believes the restructuring will significantly advance the overall strategy of Unisys.

Says Loureiro: "Blumenthal borrowed heavily to buy the Sperry operation. There was a need for repayment of some of that debt. The new deal also allows Unisys to concentrate on systems marketing, which is really its forté."

Chief executive of the acquiring company Giogio Ronchi says future operations will focus on the "growing IBM plug-compatible and media markets." There are also plans to take advantage of market opportunities by extending product offerings and maintaining a "high level of customer service"

2/11/80 BUS DAY

New Denmark won't let coal sector gather dust

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NEW Denmark Colliery, in contrast to "old" Denmark which has barred SA coal, is making a fresh start in keeping the local coal industry viable well into the next century

The giant colliery, which will supply Escom's Tutuka power station near Standerton, was opened by Anglo American chairman Gavin Relly this week

While the name and the Viking long-boat emblem suggest a Scandinavian link, that is rather tenuous as the colliery is named after the farm on which it is located.

New Denmark, with reserves of 433-million sales tons, is planned to be mining coal nearly to the year 2030. Relly says this is "an indication of our faith in SA, its peoples and the strength of our economy"

He said neither New Denmark nor Anglo American could predict what sort of economic and political environment they would operate in five years hence, let alone 40 years, "bearing in mind the last five years have brought more positive change in our socio economic and political lives than any other period since union"

Relly pointed to the trend of growing unemployment and noted that a brake on development and optimal growth was government imposed restrictions on the economy.

He said "We quite often, and sometimes with justification, lay blame at government's door for much of what we believe impedes our growth, be it in the mining sector or commerce or industry."

Although sanctions could seriously affect SA's coal industry, a giant new colliery, New Denmark, was opened last week by Anglo American's Gavin Relly. Relly said the new colliery illustrated his company's faith in South's Africa's people and future.

"Rather than always blaming government for much of our difficulties, we should ourselves introduce policies and structures in our own companies which will provide the cutting edge to a new society."

Relly saw sanctions as the main challenge to the industry in the short term. While a total ban on SA coal exports was unlikely, the effects, should such a ban be imposed, would have a devastating effect on employment and on the viability of towns such as Richards Bay and Witbank.

Relly said "The international community appears to be seeking instant rectitude regardless of cost or practicality — what it is doing with the imposition of sanctions is to make the workability of real solutions impossible

"What is certain though, is that the elimination of apartheid from our statute books is an irreversible process. With this freeing up of our legislation, many more people will have greater access to training, education and employment opportunities"

PRISON VISITS WHICH HAD NOT BEEN RE-

CAPG TIMES 21/11/86
Gencor to retrench 100 *215*

JOHANNESBURG. — A Gencor mine near Ermelo will retrench about 100 staff because of an Escom request to reduce coal supplies to one of their power stations. Gencor said Escom had asked Usutu Coal Mines to reduce the supply of coal to the Camden power station immediately.

61 nations' miners want coal boycott

24/11/86 SPAR
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The Star Bureau

LONDON — Miners' leaders from 61 countries have called on governments worldwide to stop importing South African coal.

The call, part of a move to force an end to apartheid, was made at a conference of the International Mineworkers' Organisation in London yesterday.

The main speaker, South African National Union of Miners' president Mr James Molatsi, said South African miners wanted Western Europe to ban South African coal — the best and quickest way to end apartheid, he said.

The amount of South African coal imported by some countries was "an obscenity".

Western Europe imports 25 million tons of South African coal a year.

Mr Molatsi said the accident rate in South African mines was reaching an intolerable level and his union had held a series of protest strikes about it.

British miners' leader Mr Arthur Scargill, president of the Paris-based

IMO, said 43 affiliates had agreed to apply fresh pressure on the European Council's Council of Ministers to impose sanctions on South African coal.

He said Britain imported 370 000 tons of such coal a year, although he believed the real figure was higher and that some was "laundered" through Rotterdam.

The conference agreed to write to the Prime Ministers of all 12 EEC countries and other leaders worldwide to demand full sanctions against South African coal.

● The establishment of the IMO last year caused deep concern among anti-Communist groups who claimed that it would be dominated by the Eastern bloc.

West Germany and America are not members

LONDON — Miners' leaders from 61 countries have called on governments throughout the world to stop importing South African coal.

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Ban SA coal — coal

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ported by some countries was "an obscenity".

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Accidents

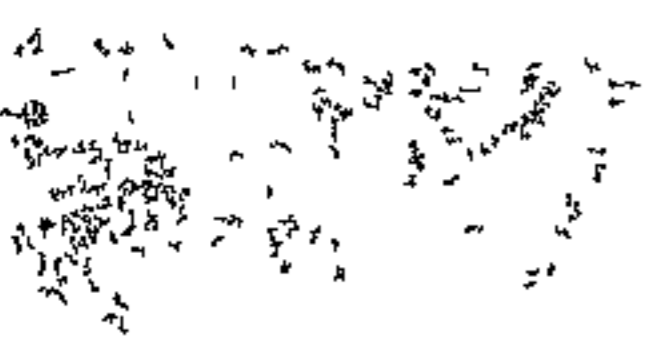
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EEC Council of Ministers to impose sanctions on South African coal.

He said Britain imported 370 000 tons of such coal a year, although he believed that the real figure was higher, and that some was "landed" through Rotterdam



THELMA TUCH

MANAGEMENT at the Gencor-owned Matla colliery, near Kriel, discharged 128 workers on Saturday for striking last Tuesday.

The National Union of Mineworkers (NUM) plans to fight the dismissals in the Industrial Court

The workers were among 2 000 who staged the stoppage in protest against relations between their union and Kinross Gold Mine management. Matla management barred 2 000 from returning to work, pending indi-

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Coal workers dismissed over strike action

vidual disciplinary hearings which were completed on Friday

Gencor coal-division CEO Graham Thompson said 128 workers, as a result of the hearings, were discharged for failing to obey an instruction which was reasonable and in no way

constituted a danger to them

They already had disciplinary warnings on their records, he said

The remaining workers had been given final warnings not to absent themselves from work. Despite the dismissal of their colleagues, they are expected to return to work today

NUM Press officer Marcel Golding said the NUM would ask the Industrial Court to rule that Gencor was guilty of an unfair labour practice by selectively discharging workers

● Matla was one of three Gencor mines affected by strike action last week over the situation at Kinross

BUSINESS DAY, I

Bans hit coal exports

SANCTIONS have started to affect coal exports:

Latest statistics from the Minerals Bureau show that coal exports fell by 17,7% to 3,18-million tons in September, compared with tonnages shipped from SA in September last year

Transvaal Coal Owners' Association chairman Michael Hawarden says the drop is "the first manifestation of sanctions."

"It was in September that we started to feel the real affect of the Danish and French bans. Until then we had been able to maintain our high shipment rate," he

2/12/86
BUSINESS
CHERILYN IRETON

adds.

Coal exports for the first nine months of 1986 totalled about 32-million tons and, unless monthly sales pick up to 4,2-million tons for the rest of the year, exports will fall short of 1985's record 44,7-million tons.

While there is already a definite dent in exports, coal producers have warned that the full effect of French, Danish

● To Page 2 →

Coal exports dip as sanctions begin to bite

and US sanctions will be gauged properly only next year.

In addition to shrinking markets, exporters have had to face tough competition from other countries, such as Colombia, and many have not realised their original sales targets.

However, local sales picked up marginally to 10,95-million tons (10,58-million in September 1985) in September, with overall production rising to 15,54-million tons (14,96-million).

Coal exports fetched R224m (R294m), with local sales earning R184m (R172m)

2/12/86 ← ● From Page 1
The statistics reveal that despite a drop in gold production to 51 879kg (56 210kg), gold sales earned the country R1,5bn (R1,4bn)

They also show tin production fell to 164 717kg (179 208kg) as major tin producers started trimming output as a result of the world oversupply. Tin exports dropped to 84 841kg (90 669kg) and earned R1,2m (R2,1m). Local consumption fell to 62 562kg (81 430kg), bringing in R1m as opposed to R2,5m last year.

China threatens SA coal sales

CHINA this week took a significant step in its campaign to become a major force in the world coal market.

The signing on Wednesday of a \$475m commercial loan to finance its largest coal mine poses a new threat to SA's key Far East markets.

A total of 39 foreign banks signed an agreement to fund a huge open-cast mine — in central Shanxi province, about 400km south-west of Peking — 90% of whose output is earmarked for export. Production should begin in September next year.

Transvaal Coal Owners' Association chairman Michael Hawarden says the new mine could pose a substantial threat

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BUS DAY
PETER STACEY
and Sapa-Reuters 5/12/86

to SA's Hong Kong and Japanese steam-coal markets.

"We have been aware for some time that China has been trying hard to become a major force in world coal markets, and there has been a determined attempt by the Chinese to overcome infrastructural problems," he says.

China is said to be counting on a rise in the currently-depressed world coal price to boost export earnings.

It is also wooing foreign investment to develop its vast reserves.

Blomfontein against the decision, although the in- stream to paddle down the Crocodile not to interfere with each

EC still haggling on SA coal ban

LONDON — European governments have not yet agreed to extend sanctions against South Africa and after their two-day meeting starting here today are expected to report "no change".

British diplomatic sources said no agreement had been reached about adding a ban on coal imports to sanctions agreed to by the 12 European Community governments in Brussels in September.

Then the 12 agreed to ban South African iron, steel and gold coins but West Germany and Portugal held out against barring coal, which earns South African about R2,3 billion a year.

MAIN SUPPORTERS

Britain, current president of the EC, was told in Brussels to seek agreement on a coal embargo.

The Netherlands and Scandinavian countries were the main supporters of extended sanctions but sources here said there was no change in the West German and Portuguese stand on coal.

The heads of government meeting starting today will deal mainly with EC business. South Africa is well down the agenda among "regional issues" which cover most of the world.

On November 10 EC foreign ministers met in London and considered the coal ban but agreement was not reached and it seemed further sanctions would be postponed indefinitely. — Sapa.

Move 'a moral imperative' R47-m in exports will be lost to SA by Australian ban

The Star's Foreign News Service

MELBOURNE — Imports valued at up to R47 million will be affected by the Australian Government's ban announced yesterday on imports of coal, iron, steel and agricultural products from South Africa.

The ban will come into force on June 1, giving importers time to make adjustments.

This latest move to force dismantling of apartheid followed the announcement on October 31 of a ban on

air links with South Africa and the withdrawal on November 19 of facilities to issue visas.

The Minister for Foreign Affairs, Mr Bill Hayden, who outlined the ban, admitted there would be costs to Australia.

"However, action against South Africa is a moral and political imperative," he said

But the federal opposition criticised the decision, declaring that the bans would hurt Australia, possibly provoke retaliation against Australian exports and were likely to be ineffective.

UN wants SA excluded from Antarctic

NEW YORK — The United Nations General Assembly yesterday appealed to the decision-making members of the 1959 Antarctic Treaty to exclude South Africa from their meetings.

The vote on the resolution, recommended last month by the assembly's main political committee, was 119 in favour and

none against, with eight abstentions.

Twenty-five countries, including many of the treaty's 18 decision-making members and 14 non-decision-makers, announced they would not take part in the vote.

This reflected their unhappiness over any UN discussion of the treaty and the taking of deci-

sions by voting, instead of by consensus.

The treaty, whose members include the United States and the Soviet Union as well as South Africa, aims at preserving Antarctica for scientific research and other purely peaceful purposes, while shelving claims by seven of them to parts of the continent.

Pancreas patient rejects organ

CAPE TOWN — Miss Marinda Myburgh (29), the first person in the southern hemisphere to have a pancreas transplant, is in an "unsatisfactory but stable" condition in Tygerberg Hospital after her body rejected the latest pancreas.

Miss Myburgh's physician, Dr Don du Toit, said if the organ had to be removed, Marinda would have to rely again on daily doses of insulin. — Sapa

Hedgehogs 'want game'

The Star Bureau

LONDON — The visiting Cape Town University rugby team, the Hedgehogs, are still looking for matches to play in England, according to David Frost of the *Guardian*.

Frost reports today that despite the cancellations because of pressure from the British Government and fears of anti-apartheid demonstrations, the team approached Canterbury asking if they would play a substitute match.

The Canterbury committee was divided, but in the end turned down the request.

"It would have been too much of a problem, especially in a university town," secretary Mr Steve Uglow is quoted as saying

"Personally, I would not have stayed with the club if they had played the Hedgehogs."

Strong demand for SA's 'cheap coal' despite sanctions

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By Neil Behrmann
LONDON — Aggressive sales by South African mining companies have kept international steam coal prices depressed

But analysts such as Phil Rogers, head of research at Simpson Spence and Young shipbrokers contend that the volume of world coal trade is surging and it is only a matter of time before the depression in the market ends

The total volume of international coal trade is higher, says Mr Rogers

"In their pessimism about prices, the industry tends to forget about the level of trade," he says

Even though the Common Market has decided against sanctions, the South African coal mining industry continues to undercut Australian, United States and Canadian producers, says Bill Fischer a coal consultant to Robertson International. They are wary of a change in future political policies and are worried that they could lose future market share

Two South African coal suppliers, British Petroleum and Gencor sold coal to Enel, the Italian power company at prices below \$27 — inclusive of freight and insurance charges — says the *Financial Times* international coal report, a newsletter

South African prices "Free on board" — exclusive of freight and insurance — have traded near \$20 a ton estimates the report

The slump pulled down free on board (fob) Australian prices to around \$23 a ton

Greater impact

The South African factor has had a greater impact on the market than the decline in alternative energy costs

So much so that the overhang from South Africa caused prices in Rotterdam to fall by around a quarter over the past year

Before the EEC decided against coal sanctions the market thought that a short slump would be followed by a recovery. South African mines would be forced to dump stocks, but would then have to withdraw from the market leaving producers such as Australia, Canada and the United States a window to gain market share

But so far this year only Denmark, France and the United States joined Scandinavian nations in banning South African coal

Even though statistics showed that South African coal exports fell 18 percent in September, anti-South African purchasing

policies have so far hardly affected annual sales. Mr Rogers estimates that total South African exports in 1986 fell to only 42.5 million tons from 44 million tons last year

"South Africa's best defence is reliability of supplies, consistent quality and aggressive marketing, says the *Financial Times* international coal report.

The buyers market has been abetted by growing supplies from Colombia and China

Mr Fischer of Robertson Research contends that the coal market will revive in the 1990s because supply and demand will come into balance

Daniel Roling, an analyst of Merrill Lynch believes that a price recovery could be earlier. World coal production slowed by 7.3 percent in the 12 months to July this year, he says. The sharpest fall was experienced in Canada.

Mr Roling believes that demand will pick up next year as industry raises inventories ahead of 1988 United States coal industry labour negotiations

A study by Professor Don Barnett of Macquarie University in Australia and ocean shipping consultants in the UK estimates that South African costs on a free on board basis range from \$14 for open mine output to \$21 on an fob basis. South African mines have been helped by the collapse of the rand.

Freight charges to Europe are much lower for South Africa. The mines' total costs including shipping to Amsterdam, Rotterdam and Antwerp range between \$21 to \$28.5 a ton.

The fob costs of Colombian coal, however are a high \$50 and are \$41 for United States mines

Australian costs, free on board (fob) range between \$22 for Queensland opencast mines to around \$31 for New South Wales mines. Including delivery overheads to Rotterdam the total cost ranges between \$34 to \$43. Sales prices of this coal are well below cost of production.

"Only South African and Queensland producers are operating profitably on a fob basis," says International Coal report

"But even Queensland coal — for the combined mining and shipping operation — is arriving in Europe at a loss

"Results throw into doubt the future operating feasibility of both underground and open cast mines in New South Wales. "There is even a greater question mark overhanging the El Cerrejon coal mine in Colombia," the report says

Undercutting by SA 'behind 25 pc fall in coal prices

South African coal exporters, undercutting rivals from Australia, Canada and the United States, may have caused a 25 percent fall in prices, according to overseas researchers.

The "South African factor" has been named as the main cause of coal prices falling over the past year in Rotterdam, the key port of entry to the European Common Market.

Mr Phil Rogers, head of research at Simpson Spence and Young shipbrokers in London, estimates that South African coal exports have fallen no more than from 44 million tons last year to 42,5 million tons so far this year.

Though statistics showed South African coal exports fell 18 percent in September, anti-South African purchasing policies have so far hardly affected annual sales.

"South Africa's best defence," says a *Financial Times* international coal report, "is reliability of supplies, consistent quality and aggressive marketing."

● See Page 12.

Coal industry gears up for tough year

CHELLYVIRETON

AFTER surviving 1986 with only minor injuries, the SA coal industry is bracing itself for a tough year in which over-supply, pricing and sanctions will again be issues.

These problems plagued coal producers — particularly exporters — for much of this year. But traders now warn that it will be well into 1987 before the real damage, particularly from trade bans imposed by the US, Denmark and France, starts to show.

This has led to a pessimistic outlook among many senior industry officials — a complete contrast to the attitude prevailing 11 months ago, when exporters were discussing coal export expansion programmes.

Those programmes, as with most plans for new collieries, have been put on hold while the cost of sanctions

is determined

An important indicator of the severity of the industry's plight will be final export tonnage for the year. Early signs are that coal exports from Richards Bay will be down by around 10% on 1985's record 44,7-million tons.

Another pointer will be the financial results of the coal producers quoted on the JSE.

These companies have already felt the loss of confidence. Most shares in the JSE coal sector are trading at around half their January value. The feeling towards coal as an investment is also reflected in the JSE coal index which, after starting the year at around 2 426 points, has sunk to around 1 157 points.

"The introduction of limited sanc-

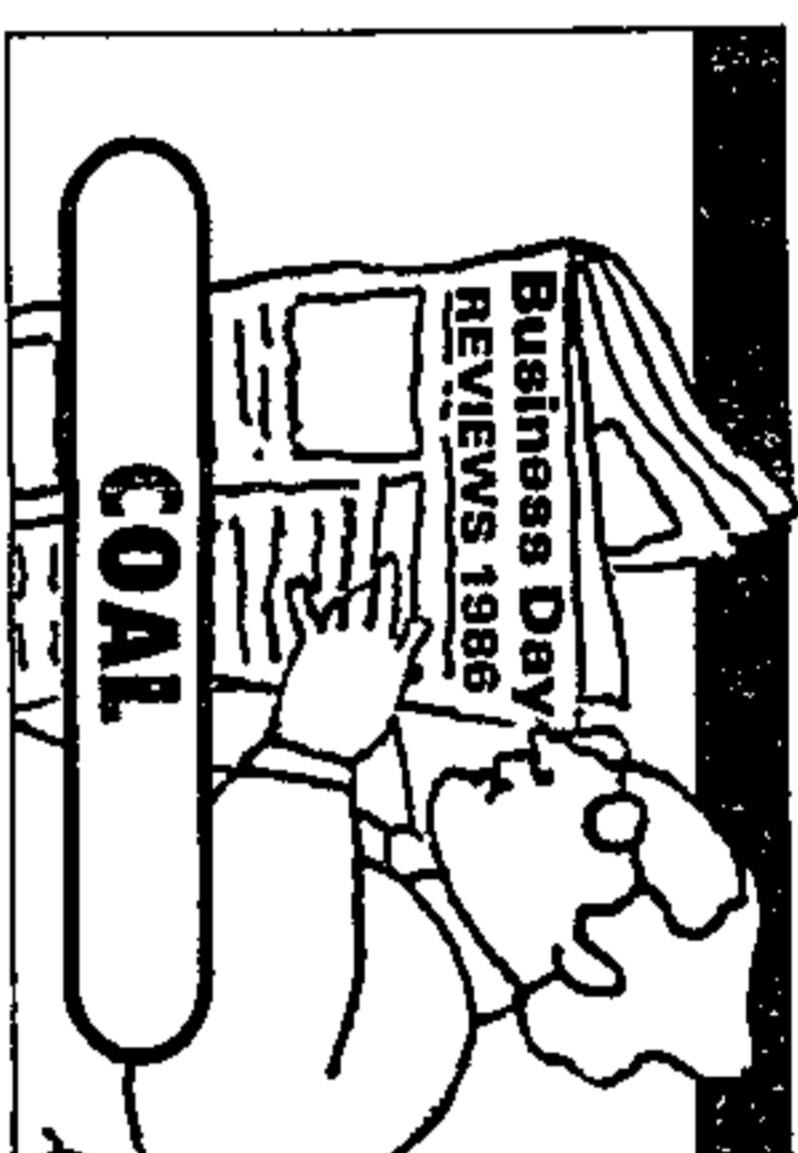
tions has really made it a tough year for the industry," admits Rand Mines coal division chairman Allen Sealey.

Aggravating the predicament for producers are the low prices being obtained for SA coal on world markets.

Says Sealey, "Current price negotiations are taking place under the pressure of low oil prices, an oversupplied market and the threat of sanctions."

This has led to a fall in the price of SA Power Station Smalls (PSS) coal, which is fetching around \$21 a ton against prices of above \$30 a ton a year ago.

Sealey believes prices will remain low for the coming year. Part of the reason is that SA producers have undercut competitors to retain some market share.



But retaliatory action by Colombia and Australia — both eager to grab former SA market share — has merely fuelled the price war.

While price will remain a key issue during 1987, the industry's greatest fear is the possibility of sanctions by Japan and EC countries.

Sanctions have already reduced the export market by a quarter, and the loss of the long-term contracts to supply the Japanese steel mills would cripple many exporters.

Meanwhile, docks and collieries are hoarding growing stockpiles of steam coal — a by-product of the low ash coal still being sold to the Japanese market. These stockpiles are not only becoming hazardous, but they are inhibiting the performance of companies geared towards domestic market sales.

Warnings of rationalisation and re-trenchments have been sounded with estimates that full-scale sanctions could affect the jobs of about 30 000 people.

Even if further sanctions are avert-

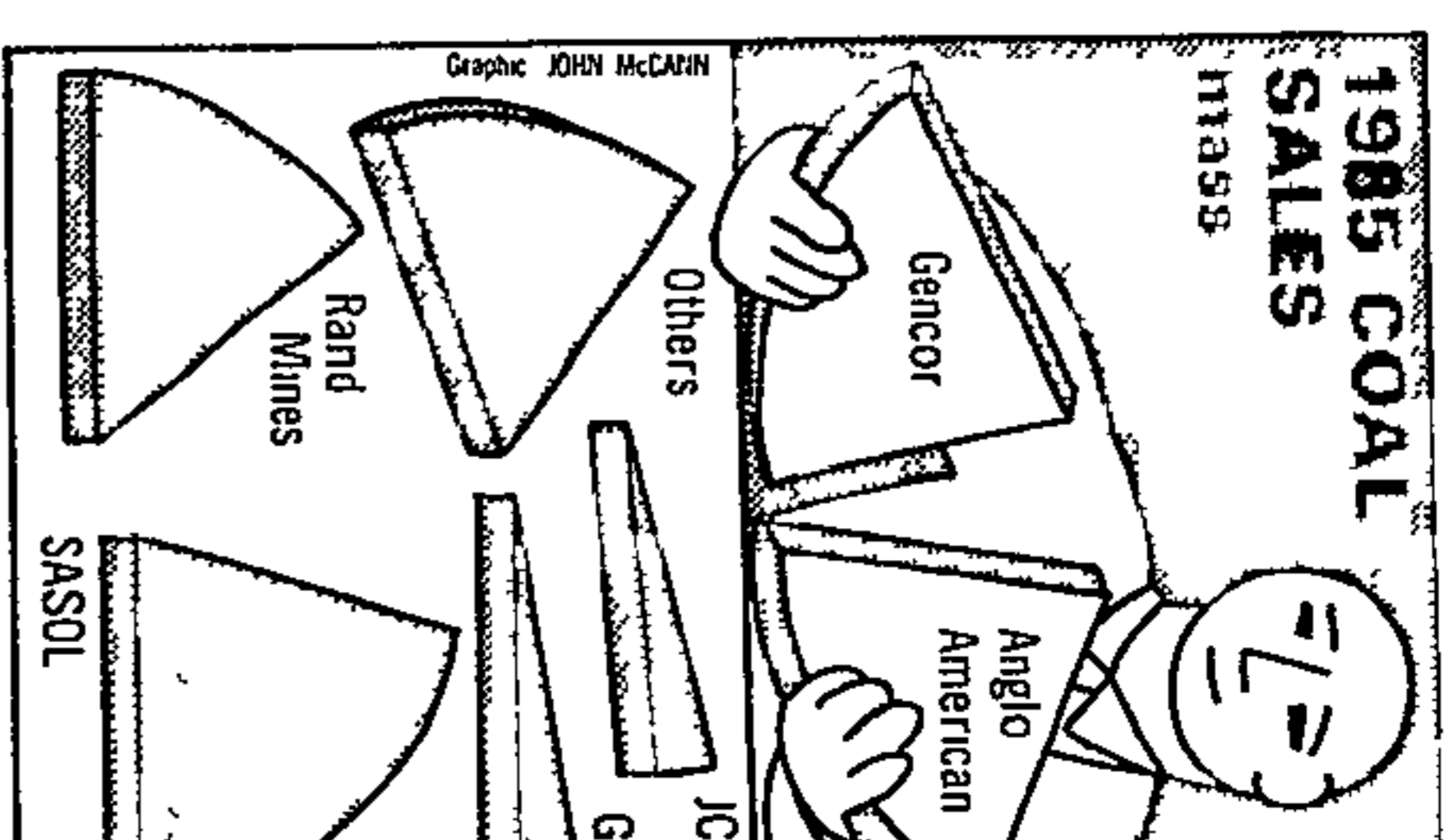
ed, the industry is likely to emerge a lot leaner from the coming year.

Meanwhile, the industry is concentrating on trying to live with sanctions, but at the same time thinking of ways to sidestep them.

With vast amounts of money invested in coal, it would be naive to think that businessmen will sit back and accept the situation.

A solution being considered by most exporters is the use of a third-party country in the sales chain. A drawback is that buyers are now demanding certificates of origin and chemical tests can easily identify SA coal.

While the chiefs ponder their future, scouts are out scouring the world for new markets. So far they haven't found one of any significance.



Profit after tax up by 25,5 per cent

year in anticipation of reaching full production during 1988

In the North Region the bulk of last year's capital expenditure was spent on the sub-vertical shaft at Western Holdings No 1 shaft (R19,7 million) which is due for commissioning in 1987, the sinking of Freddies No. 1 shaft (R19,9 million) which should reach full production in 1997 and Freddies No. 5 shaft (R15,5 million) which, apart from related infrastructure, is now complete. Work on the Freddies No. 1 shaft system started in 1985 and has to date absorbed R37,2 million of the estimated cost to completion of R509,6 million.

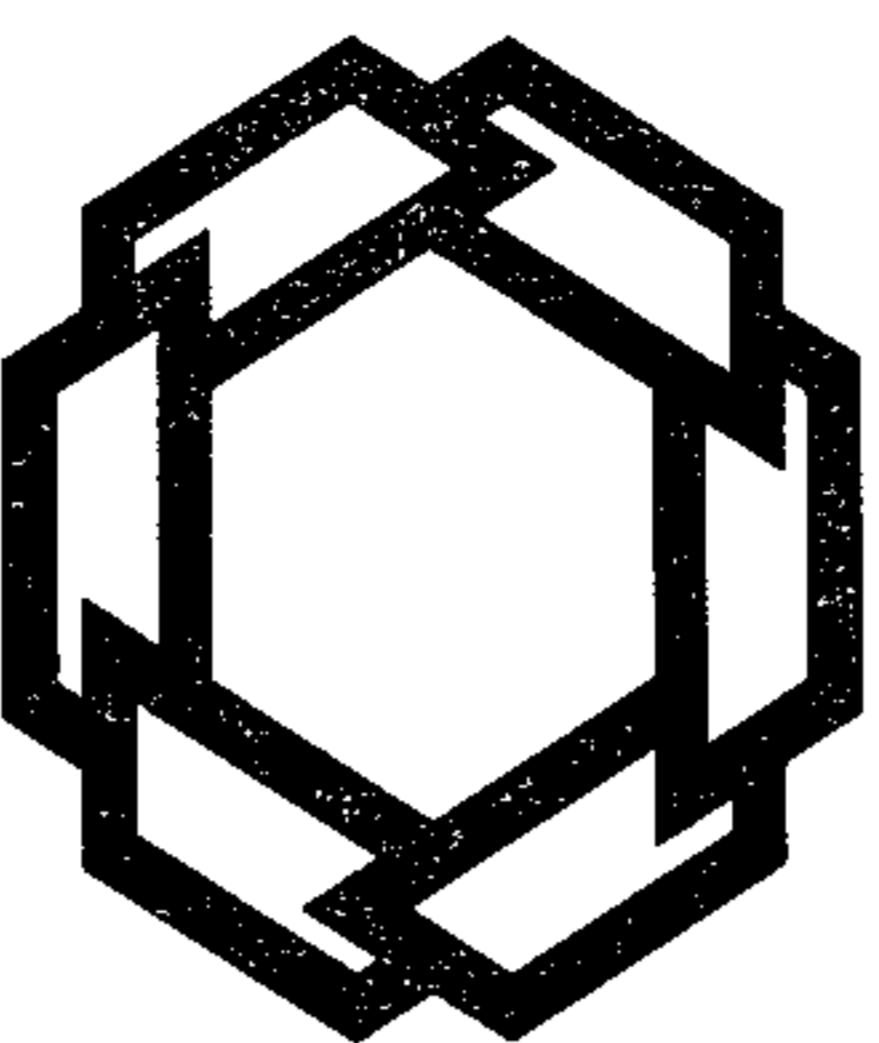
Capital expenditure at the Metallurgical Scheme will centre on the provision of feedstock for the President Steyn flotation plant with the reclamation of Brand's B and C dams, and the No 2 dam at Saalplaas (R7,8 million). It is expected that a further R1,0 million will be spent on general rehabilitation projects.

Markets

After declining for two successive years, the average price of gold at the London fixings for the year ended September 30 1986 increased to \$347,82 per ounce, up from an average of \$320 for the previous year. The year opened with gold trading between \$320 and \$330 per ounce, but a rally to \$375 in January 1986, and a sustained rise above \$400 in September 1986 considerably improved the average price for the period.

The value of the dollar declined strongly against other major currencies during the year. However,

FREEGOLD



Extracts from the chairman's review of Free State Consolidated Gold Mines Limited (Freegold) for 1986 by the chairman Mr E P Gush.

Operating results

During the year turnover improved by 25,4 per cent to R3 023,5 million as a result of a 29,8 per cent increase in the gold price received to R26 194 per kilogram Gold working costs at R1 659,5 million were 19,1 per cent higher than in the previous year, while profit after tax of R885,5 million rose by 25,5 per cent.

Capital expenditure at R502,7 million was up by 26,2 per cent, reflecting the acceleration of capital projects in the light of a much-improved gold price. Taxation and State's share of profit mirror the increase in earnings at R455,3 million, representing a 30,2 per cent increase over the 1985 financial year. After appropriations the profit available for dividends rose by 13,9 per cent to R397,2 million and dividends for the year amounted to 335 cents per share, 11,7 per cent above that of the consolidated pre-merger scheme companies.

Tons milled at 21 754 000 were 746 000 above

overshadowed by the Chernobyl disaster in Russia in April 1986 and, more recently, by US attempts to halt the import of uranium into the US. In the American market, US uranium producers have secured a court order forbidding the purchase of all non-US uranium by American utilities. This embargo could seriously affect the world market for uranium, leading to an oversupply of uranium in the markets outside the US.

In addition to this court order, a Congressional ban was imposed in September 1986 on the importation of uranium from South Africa into the US. This ban is of considerable concern and may oblige other countries to follow the American example in the growing political pressure likely to face South Africa in 1987.

In spite of the ongoing recession in the fertilizer industry, demand for sulphuric acid from the Metallurgical Scheme has firmed in the face of the high cost of the sulphuric acid produced from imported sulphur.

Labour and industrial relations

The annual wage negotiations between the Chamber of Mines (Chamber) and the National Union of Mineworkers (NUM) commenced in May with the Chamber offering wage increases of between 11 and 16 per cent to the upper and lower categories respectively, as against the NUM's demand for a 45 per cent increase across the board. Although both parties moved from their original positions agreement was reached, but the NUM's demands decided, during

FREEGOLD YEAR IN BRIEF	
Tons milled — 000	21 754
Yield — grams/ton	4,96
Production — kilograms	107 828
Cost — R/ton milled	76,28
— R/kilogram produced	15 390
Revenue per kilogram — R	26 389
Gold profit — R000	1 193 204
Metallurgical Scheme profit — R000	72 733
Dividends — cents per share	335
Capital expenditure — R000	502 687

the lack of a formal outlet for political expression by blacks. On the one hand, this indicates the need for continued reform by government so that political issues can be taken off the shop floor and be debated at the appropriate national levels. On the other, trade union leaders cannot realistically expect management's co-operation if they disrupt industry, stop production and diminish profits on issues outside management's control. If trade unions in general, and NUM in particular, are prepared to explore avenues of constructive actions on community concerns and to use the appropriate channels for grievances in the workplace, I have no doubt that a responsible partnership can be developed in these areas as well.

The issue of job reservation in the mining industry continues to be of great concern to Freegold's management. While the removal of the scheduled person definition from the Mines and Works Act is, according to government, imminent, valuable time has been lost and goodwill, that the original announcement generated, is being eroded. This is something the country can ill afford, and the Minister needs to proceed on this issue with all due haste.

dump-tonnage, and a planned increase in mining of marginal ore, thereby taking advantage of the higher gold price. Consequently, grade decreased slightly from 5.35 grams per ton achieved in 1985 to 4.96 grams per ton for the past year. Overall gold production decreased by 1.8 tons to 107.8 tons, consistent with the aforementioned drop in grade.

Unit costs per ton increased by 12.1 per cent to R76.3 per ton milled. This is well below the current rate of increase in the consumer price index (CPI) for the period under review of 18.3 per cent, reflecting the extent to which high overall cost escalation has been offset by the increase in tons milled. Unfortunately, a large rise in both electricity, with tariff increases averaging 21.0 per cent, and timber costs, showing a growth of 26.5 per cent, have frustrated efforts to control costs. A determined, ongoing, effort will be made to control unit costs, over and above any further rationalisation benefits that may be possible as a result of the merger.

Considerable progress was made on rationalising the operations following the formation of Freegold. Both regions, now with their management teams in place, have implemented a programme of reallocating ore reserves to suitable shafts and, in addition, have rescheduled the trimming of ore to ensure maximum plant utilisation. In the coming year a concerted effort will be made to centralise many of Freegold's service departments in order to achieve further savings.

At the Metallurgical Scheme, revenue increased by R8.1 million despite the decline in gold production as a result of a lower calcine headgrade. Increased sales of uranium ensured that uranium profit improved by 13.2 per cent to R42.7 million, while sulphuric acid sales were maintained, resulting in a reduced loss to R3.6 million. Total costs for the year increased by 29 per cent to R98.1 million reflecting the high escalation rate of imported reagents. Pre-tax profit, in the light of high operating costs, declined by 15.9 per cent to R72.7 million.

Capital expenditure

In the South Region capital expenditure for the year totalled R379.5 million, the majority of which was spent on President Brand's new gold plant (R63.7 million), President Brand No 5 (R52.1 million) and No 1A shafts (R28.0 million), and Saaiplaas's Duker and Erfdeel shafts (R71.9 million).

The No 5 shaft at President Brand, due for commissioning this year, has absorbed R226.7 million of expenditure to date, with a further R49 million to be spent in the forthcoming year.

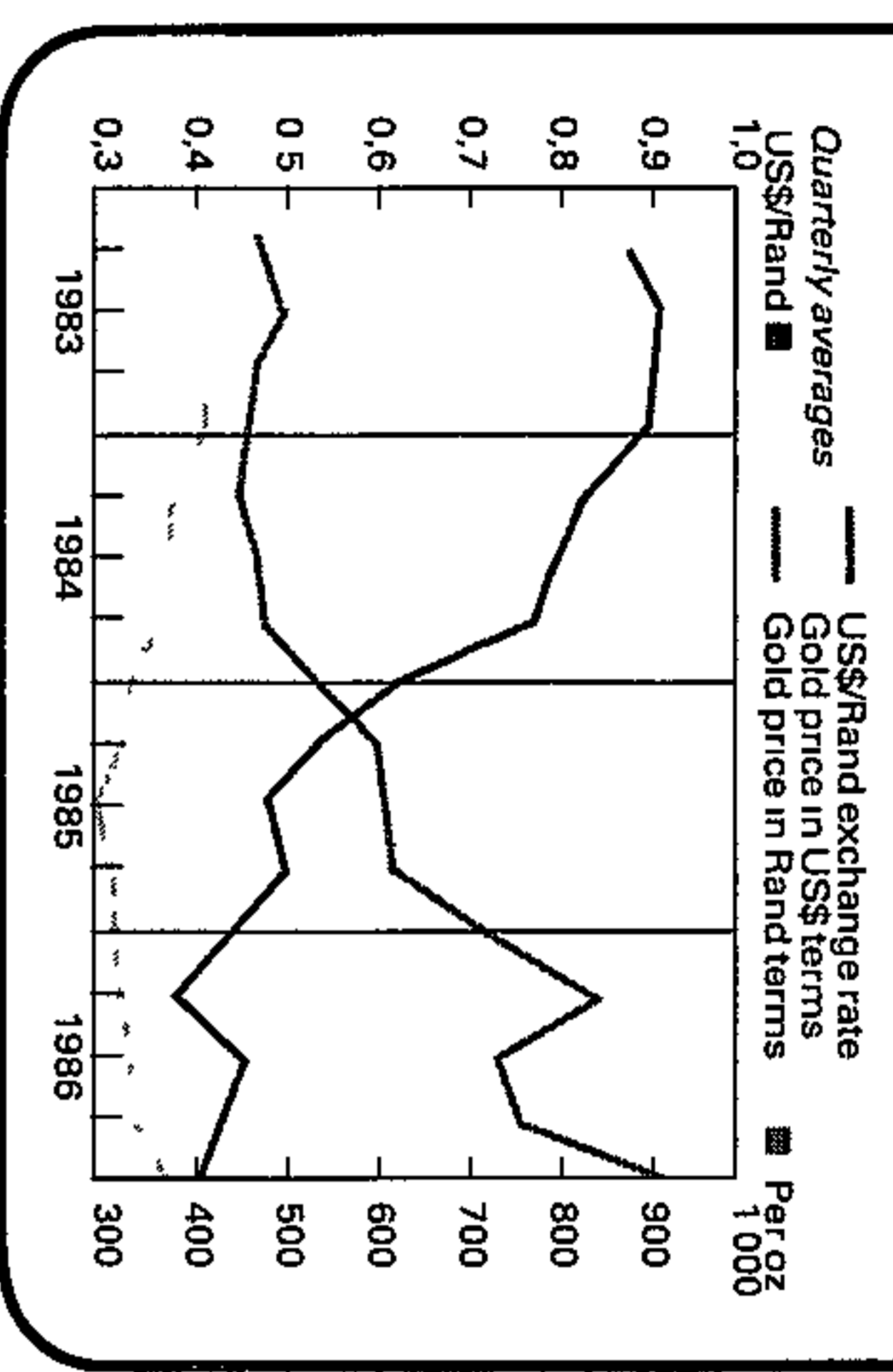
President Brand's new gold plant and the No 1A shaft were commissioned in 1986 and have cost R94 and R34 million respectively. This year a further R8.1 million will be spent on the gold plant. Following the equipping of the No 1A shaft and the build-up of the No 5 shaft expansion, production at President Brand is planned to rise by 90 000 tons per month, making use of the increased milling capacity made available by the new plant.

Equipping at the Erfdeel shaft system has been completed and development has started for the planned delivery of reef to the Saaiplaas plant in 1987. The Duker shaft, due for commissioning in 1991, has absorbed R251 million of its estimated cost of R473 million. A further R44.8 million will be spent this year.

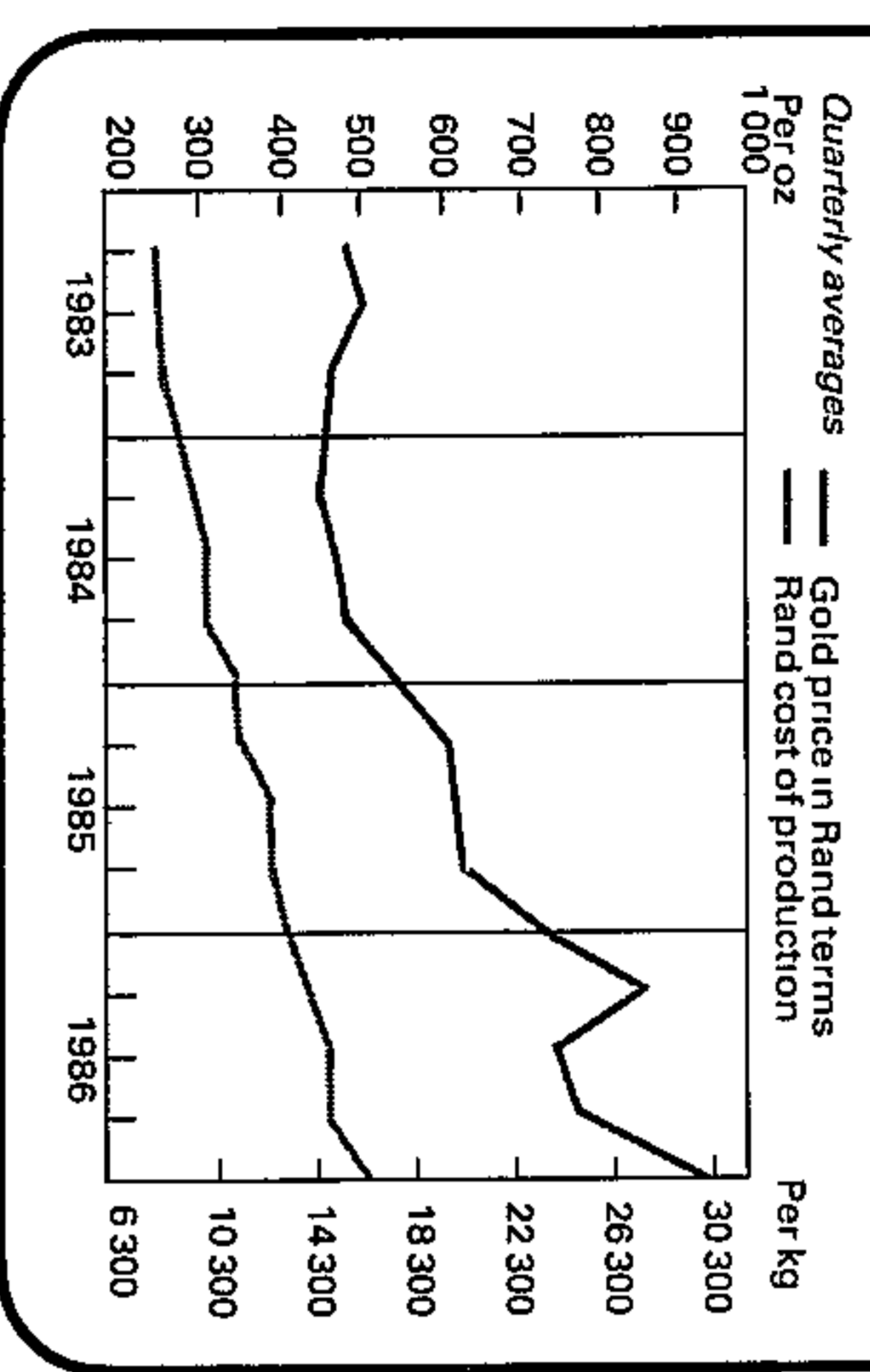
President Steyn's No 4 sub-vertical shaft, now in operation, should absorb a further R12.3 million this

to lose ground against the weakening dollar, and even more ground against other currencies. This resulted in an average rand price for the year of R26 739 per kilogram, an increase of 28 per cent on last year's average receipts.

Exchange rate and gold price



Gold mine costs and revenue



The year saw a resurgence of interest in bullion. An early boost came from the Japanese purchase of 200 metric tons of gold for the minting of a commemorative coin for the 60th anniversary of the reign of Emperor Hirohito. This stimulus, combined with declining real gold prices in major currencies other than the dollar, sustained investor interest during the first half of 1986. Thereafter, concern about political unrest in South Africa sparked strong speculative buying of platinum, lifting that metal from \$450 to \$680 per ounce during a five-week period in August and September, and gold to a high of \$445 in August. Uncertainty about equity markets and about the direction of the US economy in general, have sustained investor interest in bullion, although some price correction and consolidation is taking place.

The year under review has seen a firmer spot market for uranium, owing to substantially lower spot tonnage on offer in 1986, and also to an improvement in the balance between new uranium supply and growing utility demand, although it is expected that excess inventory will continue to overhang the market until 1989. However, the improvement in the spot market has been

the deadlock. This process did not prove particularly successful. Negotiations resumed and agreement was reached on October 28 whereby mines administered by the Corporation, together with others administered by JCI and Gencor, improved wages by between 19.5 and 23.5 per cent with effect from October 1.

Agreement was also reached on the issue of income security, which covers employees, who, as a result of occupational disease or injury, are unable to continue working in their original occupations. Employees who cannot be re-employed in their previous capacity will now be paid at their previous rate of pay for a period of six months after recuperation.

Much of the success achieved in this year's wage negotiations can be attributed to the willingness of all participants to remain flexible on all issues and their adherence to the principle of collective bargaining.

Since last year the NUM's representation at Freegold has risen by 15 per cent to 61 000 members or 62 per cent of the workforce. It has also become affiliated to the Confederation of South African Trade Unions (Cosatu), which has resulted in NUM members responding to Cosatu calls for stayaways on May 1 to commemorate Labour Day, June 16 to commemorate the anniversary of the 1976 Soweto riots, and October 1 to mourn those who died in the Kinross tragedy. About 90 per cent of Freegold's workforce took part in the Kinross and May Day stayaways but only employees at Erfdeel participated in the June 16 stayaway.

There was a further series of illegal industrial actions, ranging from underground sit-ins and sleep-ins to 'sympathy' strikes. This was exemplified by continued but intermittent action at Western Holdings No 6 shaft which included the brutal murder of four team leaders. The most disturbing aspect of this unrest was the prominent role played by certain employees, many of them NUM office-bearers, in planning events such as boycotts and wildcat stoppages which precipitated violence - this role has now been clearly documented by an independent investigator. NUM national officials have repeatedly dissociated themselves from the use of violence, but seem unable, or unwilling, to influence a pattern of unrest instigated by NUM leaders at local level, which has inevitably led to violence. We for our part remain fully committed to addressing worker grievances and to resolving conflict, just as we remain opposed to the use of violence to resolve industrial disputes. For management to be able to develop a responsible partnership with NUM, the union's rejection of violence must be evident, not only in statements by their national officials but more importantly in the actions of local NUM leadership on the mines.

There was also 'wildcat' industrial action at Free State Geduld's No 1 shaft which lasted from July 2 to July 10 and culminated with the dismissal of 393 employees for their participation in this illegal action. Such dismissals are deployed by management as they involve loyal workers who have been with us for many years, but who unfortunately have been caught up in a tide of action aimed at disrupting operations as opposed to responsibly trying to resolve genuine grievances.

In a number of areas union leaders, in many respects quite rightly, are seeking a greater involvement in a range of work-related issues. Also there is an increasing involvement of NUM, and Cosatu, in national political issues, which stems from

advances and our policy of merit-based manning produces an ever greater proportion of black workers in skilled, supervisory and management ranks, so the need for housing these more skilled employees with their families will become increasingly urgent. Freegold's policy is thus firstly to train employees on a non-racial basis in the metallurgical, engineering, manpower and mining service disciplines, to fill these requirements. Following this, we intend to implement a major housing programme in order to meet our ultimate objective of extending to our employees the opportunity, within a range of options, of living with their families in a normal society. In this regard, legislative reforms abolishing influx control, restoring citizenship and allowing the acquisition of freehold property rights by all race groups in South Africa and the independent states, represent a very positive step towards the normalisation of our society. However the effectiveness of this will depend on the interpretation and implementation of these policies by the various government bodies, particularly in relationship to the availability of land for proclamation, the speed of proclamation and the degree of government co-operation in expediting the programme.

The year ahead

Our extensive use of an in-depth strategic planning process, completed on an annual basis, has served to highlight many areas of concern.

Of these areas, maintaining the efficient use of our current and future production capacity is a high priority. Thus exploration programmes to the east and the south of the existing Freegold lease area will continue at steady pace. In the shorter term, existing capital expenditure programmes, especially in the South Region, have been timed so as to provide mainly replacement tonnage. We also plan considerable expenditure on 'quality-of-life' projects that include the upgrading of housing for our employees.

A major factor which may well affect our reinvestment programmes within the Orange Free State will be the recommendations of the Margo Commission with regard to gold-mining taxation. Any change from the status quo must take into account the fact that huge mining projects are high-risk, take time to bring to fruition and, without such new projects, our ability to maintain gold production at a constant level will be seriously affected.

From the production point of view, gold is planned to increase slightly in the year ahead in spite of a small reduction in average grade. Unit costs, however, in square-metre terms, are expected to be contained well below the CPI, while capital expenditure for 1987 is forecast to increase by 3.1 per cent, to take advantage of the high gold price.

Annual General Meetings

The annual general meetings of the members will be held at 44 Main Street, Johannesburg, on Thursday, January 29 1987 at the following times:

- Welkom Gold Holdings Limited
Registration No 0527466/05
10H00
- Free State Consolidated Gold Mines Limited
Registration No 0528270/05
10H15
- Orange Free State Investments Limited
Registration No 8505719/05
10H45

MINING — COAL

1987

JANUARY — DEC.

(215) DD 21/1/87.

No more coal price control

Dispatch Correspondent
JOHANNESBURG — Price control of domestic coal is to be abolished

The government is to deregulate the pithead price — that paid to collieries — for various grades of steaming coal from April 1, according to the Transvaal Coal Owners Association (TCOA)

This is expected to pressurise manufacturers to drop their prices, although the final delivery price paid by consumers is not expected to fall significantly.

“The pithead price is just one element in the final price paid by consumers. In the PWV area the pithead

price accounts for just under half of the final price, with transport and retail distribution costs making up the rest,” explained the TCOA’s managing director, Mr Les Weiss

In the Western Province the pithead price represents about a quarter of the final price

While prices will be a truer reflection of supply and demand, they will be more sensitive to increases in transport and other costs than they have been in the past

Although about half of the 120-million tons of coal sold locally each year is bought by industry, the deregulation will affect about 20 per cent of the total South Africa market

trol of the domestic coal market over the last 18 months is nothing short of remarkable, considering that two years ago the Department of Mineral and Energy Affairs (DMEA) was trying to impose a system to regulate price at the pithead, wholesale and retail levels and was also attempting to allocate sales quotas and marketing regions to the various coal trading companies.

The DMEA lost two Supreme Court actions over its regulations to protesting independent coal trader AluChem/Reef Coal. But these were merely red rags to the DMEA bull — it kept pushing for more restrictions. But this created concern in the entire coal industry and convinced other producers to oppose official policy.

Sanity eventually prevailed after proposed legislation was stonewalled in the tri-cameral parliament's Standing Committee. Finally, a workable arrangement was reached between the coal industry and the DMEA



Coal ... surplus on local market

which resulted in the dropping of price control at wholesale and retail levels.

"The DMEA claimed that without their proposed laws, there would be coal shortages and that retail prices would soar," says AluChem/Reef Coal director Paul McNaughton. "Instead, with the deregulation of the industry, there is now a coal surplus on the domestic market and retail prices have fallen."

Pointing to the benefits already coming through, he says two years ago he was dealing with only two or three independent collieries. Now there are at least 12 suppliers.

While some see the latest government action as recognition of the efficiency of the private sector, one more cynical observer reckons the government has put itself in a win-win situation with an election coming up.

"If the move works out well, government can claim the kudos for its foresight in going for privatisation. If it does not work and coal prices shoot up, then the politicians can happily berate the private sector for messing up the system," he says.

Neither McNaughton nor Transvaal Coal Owners Association (TCOA) MD Les Weiss

expects coal prices to jump, but there is going to be some readjustment of prices of the various grades of coal which the industry believes have been kept too close together because of price control.

Currently, A grade pea-size coal with a thermal content of between 27,5 MJ and 28,5 MJ sells for R23,12 a ton, B grade (26,5 MJ to 27,5 MJ) for R21,54/t, C grade (25,5 MJ to 26,5 MJ) for R20,21/t, and D grade (24,5 MJ to 25,5 MJ) for R18,88/t.

South African coal is generally low grade and A grade coal is scarce and both Weiss and McNaughton believe it will rise in price once control is dropped. But, they point out, the cost of D grade coal could well fall.

The TCOA controls some 75% of the South African domestic market after excluding Natal and major users such as Iscor, Escom and Sasol — which either mine their own or have independent supply contracts. Weiss says a common price structure will apply to all TCOA members but, he says, competition from independent collieries will exercise an effective discipline on domestic coal prices. The TCOA, he adds, has lost market share to the independents over the last year.

The removal of pithead price control will benefit Escom, which has not been allowed to exceed the controlled price it pays to collieries tied to supplying power stations. The problem is that these collieries are paid on a formula structured to cover production costs and an add-on profit margin.

In the early stages of a colliery's life, production costs often run ahead of the controlled price. The reason is that although the bulk of the infrastructure to produce at full output is installed, the new power station may need only 25% of maximum output because only the first generating sets are operating.

Under these circumstances, Escom currently pays the colliery the controlled price and puts the balance in escrow to be paid out later when colliery costs fall below the controlled price as it reaches full output. This complication will now fall away. ■

COAL PRICE

215 FIM 2000
30/1/87

Nearly free

Government's decision to deregulate the pithead price of coal from April 1 — which has already been widely approved by coal producers and traders — leaves just one State regulation on the domestic coal industry. Transvaal coal still can't be sold in Natal.

So far, at least, the industry seems happy to allow the protection for the Natal collieries to remain.

The turnabout by government on the con-

Call for probe into Britain's SA coal imports

10/2/81 The Star Bureau

LONDON — The Labour Party has demanded an investigation into the import of cheap South African coal to Britain.

Six Labour MPs, in a Commons motion, accused a British company of being involved in the imports, which they claim threaten the jobs of British miners.

The motion is aimed at re-opening the debate on whether Britain should impose an embargo on South African coal. Britain was prepared to back a coal embargo by the European Community last year, but the embargo was vetoed by West Germany and Portugal.

CONNECTION

The MPs claim Burnett and Hallamshire Holdings, of Nottinghamshire, has a South African connection via Rand London Corporation, which exports coal from Richard's Bay to Amsterdam, Rotterdam and Antwerp.

There it is mixed with other coal, imported via Seaham Harbour Dock Company — a Burnett and Hallamshire subsidiary — and then taken by lorry to Yorkshire and Nottinghamshire, where it is mixed with open cast coal.

The company's finance director, Mr Graham Edwards, has confirmed that his company has a 44.79 percent holding in the Rand London Corporation, a South African mining company with world-wide export markets, but said he did not know whether Burnett and Hallamshire imported South African coal through a subsidiary.

The Department of Trade and Industry said the value of South African coal being imported had fallen from R63 million in 1985 to R17 million last year.

ARGUS 5/3/87 (215)

Stronger rand curbs coal companies' fire

From TEIGUE PAYNE

JOHANNESBURG — Dividends declared by two coal companies indicate that there is no cause for optimism about exports

Duiker Exploration has declared an interim 15c, a decline of 32 percent on last year's 22c, while Trans-Natal Coal Corporation is paying a 30c interim, also 32 percent down on the previous year's 44c

Duiker chairman Terry Wilkinson says results have been affected by continuing pressure on world prices.

The considerable appreciation of the rand has apparently been a major factor in the ill-fortunes of coal exports. In his December 1986 annual report, Mr Wilkinson expressed pessimism about coal's prospects, and yesterday he said he adhered to that statement.

Duiker has a gold lining to its future however, because of its substantial involvements in two major Orange Free State gold developments.

Trans-Natal's chairman Steve Ellis confirms the reasons for the lower export revenues. However, the fact that tonnage sold increased by 5 percent indicates that the coal is being sold despite sanctions.

Mr Ellis says while the company expects to increase tonnages sold on the export market in this financial year, prices are increasingly coming under pressure because oversupply of steam coal prevails on international markets

"The situation is continuously being monitored and a point could be reached where the company may be compelled to review its policy relative to entering into some new contracts. It is my view that other South African producers may well be compelled to do likewise."

Mr Ellis says earnings, which dropped 40 percent in the six months ending December (67c per capital unit compared to 94c in the same period in 1985), are likely to be "substantially less" than the reduced figure in the second half

COAL EXPORTS

Prices plunge

Conditions in the coal export market, with declining dollar prices aggravated for South African companies by the stronger rand, are starting to bite hard. This was emphasised by interim results from Trans-Natal Coal. Distributable earnings are 29% down at 67c a share for the six months to end-December against the previous interim's 94c, and the interim dividend was slashed to 30c from 44c.

There is worse to come in the second half. First-half earnings were partially protected by favourable forward currency contracts; revenues now coming in are not. Trans-Natal MD Graham Thompson tells the *FM* that conditions have deteriorated to the point where the group may decide not to enter into new export contracts on behalf of some of its mines because these could run at losses.

He says it is not in Trans-Natal's interests to sell coal at a loss. Importantly, he is concerned that market conditions could be made even tougher for the group by the actions of competitors prepared to accept losses in order to keep market share. Thompson says he has seen the budgets of one SA coal company, which he declines to name — and it is planning to do precisely this. It hopes to offset losses on the export market against profits from domestic sales.

He points out Trans-Natal has little difficulty in placing its tonnages because of the high quality of its products. But prices on offer soon may not be worth the effort. "Buy-

ers are now paying for coal purely on the basis of heat value. Previously they were prepared to pay a premium over the heat value for the higher quality coals," he says.

The situation varies from mine to mine, with Trans-Natal's Optimum colliery in a strong position. It is a multi-product mine serving both export markets and Escom's Hendrina power station. The lower-grade coal left behind after washing to separate higher-grade coal for export is sold to the power station, which means the colliery does not incur the costs of stockpiling large amounts of unsaleable product.

The situation facing the group's Ermelo mine is worse. It is a high-cost producer, solely dependent on the export market.

As an example of the falling price levels, Thompson says that Trans-Natal recently concluded negotiations with Japanese steel mills to supply high-quality steam coal from Optimum Colliery this year at a price of \$25,75/t compared with \$32/t last year.

Brendan Ryan

Coal sales likely to fall

(215) S/MR Finance Staff 3/3/87

Further decreases in coal sales are in prospect for 1987, says Gold Fields Coal chairman Peter Janisch in his review for 1986.

Mr Janisch says the domestic market for coal supplied by Greenside and New Clydesdale is under pressure from alternative energy sources and increasing competition particularly from coal mined for export but diverted inland.

On exports, Japanese steel mills have cut their planned offtake of South African low ash coal and Greenside and other producers have been forced to take a significant price cut. Steam

coal exports continue to be subject to grave threat by sanctions and "alarmingly low" world prices.

Mr Janisch says with this background, it would be very unwise for unions to press the demands they are currently making to the point where members' jobs are placed in jeopardy.

Operations at Greenside were seriously disrupted in May and June by illegal strikes and stoppages, resulting in dismissal of workers.

Following the merger of Clydesdale and Apex, consolidated results are not comparable to those of 1985. Consolidated profit on coal mining was R43,4 million, and after tax was R25,6 million.

News 16/4/87

215

TCOA increases domestic coal price by up to 22pc

From TEIGUE PAYNE
JOHANNESBURG — The Transvaal Coal Owners Association (TCOA) has increased its domestic prices of coal by between five percent and 22,5 percent, but competition and increasing pressure on the market mean that price rises to many consumers are likely to be discounted.

The domestic price of coal was deregulated from April 1 Yesterday, Mr Gerald Robinson, TCOA's general manager, would not disclose details of the various increases, but said they were below the expected inflation rate.

He said that, barring 1986 (when prices for various grades were increased by between 19,7 percent and 20,6 percent), price increases had for the past 10 years always been below the inflation rate.

However, there is fierce competition between the TCOA and independent producers, who this week disclosed the TCOA increases as. A grade

(high quality) sized coal, 22,5 percent, and dust and smalls, 17,5 percent; B grade sized coal 17,5 percent and dust and smalls 15 percent, C grade sized coal 15 percent and dust and smalls 5 percent, and D grade sized coal 12,5 percent and dust and smalls 5 percent.

The TCOA, which has lost heavily from sanctions and increased domestic competition, and has been under investigation by the Competition Board, is secretive about statistics, but probably 60 to 70 percent of coal sold on the domestic market is C and D grade, which is also most plentiful in supply.

Dust and smalls are particularly plentiful and hard to sell. The increases are thus apparently tuned to supply and pitched to encourage demand for low grade coal and fines.

The price of coal to consumers is, of course, also heavily affected by cost of transport, wholesale and retail margins. The final increases in rail costs, which are particularly

important to consumers far from the Transvaal's producing areas, have not been announced.

In the interim Budget the increases were 30 to 40 percent and it is thought that in the main Budget in late May, after the election, the overall increase could be as much as 70 percent.

For Cape consumers, for instance, the TCOA's increase is small, compared with that for railage. The TCOA is prohibited from selling in Natal because mining costs there are higher.

The domestic market for coal is made up primarily by Escorn power stations and Sasol, both of which conclude contracts direct with mines.

The balance is supplied to the transport and mining industries, merchants, municipal power stations and households, and it is in this market that the TCOA is facing increasing competition from independent coal producers.

It is estimated that about 16

million tons of coal are sold on this market, and that independent producers are now selling about 20 percent of that.

The independents say their share of the market is increasing and will continue to do so. They say they have no cartel or collaboration and that because they are a "lean, mean machine", their individual price increases will generally be less than those of the TCOA.

They say the TCOA is already discounting to cement producers and favoured coal merchants, and that they will have to discount more widely in future to stay competitive.

According to analyst Kevin Kartun of brokers Simpson McKie, the outlook for coal industry generally remains bleak. The TCOA in particular is vulnerable to sanctions as well as price cutting and increasing supply and competition on the export market. At home, demand is declining slowly and there is increased competition, he says.

Ermelo mourns its 34 mine deaths

By JOHANN VERSTER

ERMELO was a sad town this week. A mining tragedy had taken the lives of 34 of its townfolk.

Thursday's explosion ripped through the coal mine's Tafelkop shaft, leaving 34 mineworkers dead and at least 12 seriously injured — 48 hours after a similar incident at Gencor's Secunda coal mine where no fatalities were reported. Officials at the mine — 27km from the town — told survivors of the methane gas explosion not to speak to reporters.

But in the local hospital seven survivors, including one man from Secunda, spoke of their ordeal.

"It felt like a tornado flying through the underground tunnels. The lights went out, followed by a loud bang," said one.

Burning

"Then came the burning in our throats — no oxygen, just the poisonous carbon-monoxide strangling us like a huge hand round the throat."

His group, including six colleagues hospitalised in Johannesburg in critical condition, escaped through the mine's Tweefontein shaft.

In the John Vorster Park suburb of the town Mrs Minette Erasmus, 34, widow of 28-year-old Abel Erasmus, was yesterday still heavily sedated.

On the doorstep Mr Erasmus's two children smiled for the photographer. For the blonde little girls, Nicolette, 5, and 14-month-old Deoinie, the Sunday Times man was just another friendly stranger. The death of their father had not yet sunk in.

Mrs Coriette Pieterse, the pregnant widow of another victim, 24-year-old Petrus, apparently left their Jannie de Waal Street home to stay with relatives.

And in the mine's single quarters the room of André Veldsman remained empty. He also did not return.

● By late yesterday the 31 black victims' names and addresses had not been released.

SJT
13/4/87
R/S

Trade union groups condemn EC 'delay'

New call for SA coal imports ban

23/4/87 SMR 215

BRUSSELS — Three leading Western trade union groups yesterday renewed calls for the European Community (EC) to ban coal imports from South Africa to step up pressure on Pretoria to abandon apartheid

The Miners' International Federation (MIF), International Confederation of Free Trade Unions (ICFTU) and European Trade Union Confederation (ETUC) called for EC Foreign Ministers to discuss the issue next week and to "implement a complete, binding import ban immediately"

In a joint statement, they strongly protested against what they called EC procrastination and called for a world ban

Belgian Foreign Minister Mr Leo Tindemans, whose country is president of the 12-nation bloc, has refused to put coal imports on the agenda of next week's Foreign Ministers' meeting.

The union groups quoted Mr Tindemans as saying, in his reply to a letter from the MIF, that it would be inopportune for the EC to consider the matter before whites-only elections due in South Africa on May 6

A spokesman was unable to give immediate confirmation of Mr Tindemans' answer

OPPOSITION

A ban on South African coal imports was the centrepiece of a package of economic sanctions agreed in principle by EC heads of state and government at a summit last June

But subsequent opposition from West Germany and Portugal, with backing from Britain, prevented inclusion of coal when limited sanctions were formally approved three months later

ICFTU general secretary Mr John Vanderveken noted coal was

South Africa's second most important export after gold, earning Pretoria \$1,3 billion (about R2,9 million) in 1985

The ICFTU, the West's biggest trade union federation, said the Community imported 22,5 million tons of South African coal last year. Italy was now the EC's biggest importer following a decision by France, previously the leading buyer, not to renew contracts.

Mr Angelo Gennari, director of international affairs of Italy's CISL trade union confederation, said unions in the CISL would take industrial action against state-owned power company ENEL unless the Italian government changed its attitude

ENEL is the EC's biggest single buyer of South African coal, accounting for around four million of the six million tons Italy imported last year, Mr Gennari said — Sapa-Reuter

Coal exports expected to be lower this year ⁽²¹⁵⁾

While the Australians are fuming at a new steam coal export contract between South Africa and Japan — which they had hoped to get — South African exports are expected to be significantly lower this year than last

Financial manager of the Transvaal Coal Owners Association (TCOA), Mr G Robertson, said yesterday that total coal exports, including coking coal and anthracite, could be estimated at roughly 36 million tons for 1987 compared with 40,3 million last year

"The crucial factors are rail rates to Durban and the major export port, Richards Bay, the rand exchange rate, and how sanctions bite

"The rail rate has always been to our advantage compared with Australia's. However there will be talks with the railways next month and if our rates are increased it will damage our exports' potential"

"Secondly, if the rand keeps climbing, that will also add to the cost of our exports, on which our margins are already at rock bottom in a number of cases

Thirdly, we just do not know yet how effective sanctions against our coal exports will be in practice

Certainly they are already worrying in some cases in terms of extra exporting costs.

"Our contracts with the French ran out and were not continued some time ago.

"But we still have to see what can be achieved when, for instance, our current US and Danish contracts expire"

Mr Robertson says he cannot comment on the new SA contract to sell steam coal to Japan as TCOA mines are not involved.

But he confirms the long-standing tension between the Australian and SA coal export industries, especially concerning Japanese markets.

The Australians have been severely undercut by the new SA export contract with Japan, it is reported in London.

Although Australia supplies about two-thirds of Japanese coal needs it wants more and feels threatened by South Africa's ability to substantially undercut Australian coal exports to Japan on price

The London Press has reported that the South Africans have concluded their new deal with the Japanese power companies at \$24,70 a ton — Sapa.

11/03
30/12/87
Natal colliery to sack 315 workers

AS
25
11/03
30/12/87

Own Correspondent

DURBAN — Another Northern Natal colliery is to cut its labour force, because of a reduction in the coal-burning rate at an Escom power station and oversupply on the world coal market.

The Kilbarchan Colliery near Newcastle is to reduce its workforce by 315. Utrecht's Welgedacht Colliery dismissed 400 workers last month.

The 315 to be dismissed include officials, artisans and miners.

GF COAL

215

Lower flame

Activities: Mines coal at Coalbrook, Greenside and New Blydesdale collieries Has a 50% interest in Matla Joint Venture

Control: GFSA owns 61% of the issued equity

Chairman: P R Janisch

Capital structure: 16,8m ords of 50c each
Market capitalisation R93m

Share market: Price 530c Yields 18,8% on dividend, 19% on earnings, PE ratio, 19, cover, 1,0 12-month, high, 1 350c, low, 500c Trading volume last quarter, 164 000 shares

Financial: Year to December 31

	'83	'84	'85	'86
Coal sales (Mt)	8,9	9,3	8,1	8,2
Sales Revenue (Rm)	111,5	111,0	120,2	178,3
Pre-tax profits (Rm)	22,6	23,6	29,0	48,8

Performance

Dividends (c)	92,5	105	125	100
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The share price has been sliding since early last year, when several negative factors — including sanctions — first threatened the coal industry. Despite a 31% historical earnings yield, the share continues to hover close to its 500c low, compared with a high of 1 350c a year ago.

Certainly, the March quarterly results gave no reason for much enthusiasm. Although after-tax profit was up 60%, the increase was due to a non-recurring extraordinary dividend of R4,7m — following successful litigation in a tax dispute over part of the Matla capital expenditure. At operational level, profits at R4,4m (R5,7m) continue to fall on a fixed turnover.

At the present price, the market must be seriously questioning the company's ability to deliver a maintained dividend. In fact, chairman Peter Janisch points out in the annual report that "the company's aim (for 1987) will be to so order its activities as to enable a similar distribution as that of 1986 to take place."

Gold Fields Coal now encompasses the activities of former Clydesdale and Apex collieries — merged in February 1986 — and has a 50% interest in the joint Matla venture, which provides coal to Matla power station and, to a far lesser degree, to Secunda.

Last year Apex's Greenside colliery —

effected by illegal strikes and work stoppages — suffered a 27% drop in sales, and despite a 20% rise in the domestic coal price, profits fell to R12,4m (R16m). At Middelburg Steam colliery, where a fire is still burning, mining continued with the product treated at Greenside.

Price increases at Clydesdale failed to offset rising unit costs on lower sales and Coalbrook's sales to Taabos and Highveld power stations fell by 67%. Matla, now at full production, was the only operation to increase both turnover and profits. Matla's contribution to consolidated profits rose to R15,5m (R14,2m) or 32%, and is beginning to pay back some of the R48m invested in the venture.

A further anticipated scaling down at Coalbrook is unlikely to have any pronounced effect on Gold Fields Coal's bottom line. At Greenside, Janisch says that profits can be expected to fall further as a result of pressure in the domestic market and significant price cuts in coal exports. Matla's profits can be expected to level off.

Janisch feels unable to discuss current performance ahead of the general meeting on May 7, but in the annual report he warns: "While the reduction in demand will enable the various collieries to effect certain cost savings this year, these will be negated if the wage and other union demands for 1987 — which have already been expressed — are met in full." The negotiations are due to start soon.

The company is basically in an ex-growth situation, although some benefit could be gained from an alternative use of 200 Mt of low-grade coal reserves at Coalbrook, where mining operations could continue after Escom's contract expires in 1989. Even at its high yield, the share cannot be considered a buy.

Dave Edwards

MINING

215 B/Day 14/5/87

Innovative method of pollution control

PETER STACEY

WELGEDACHT colliery, at Utrecht in Natal, this week demonstrated the success of an innovative approach to the control of pollution from burning coal discard dumps — a problem endemic in the industry

The Rand Mines group has been engaged for two years in a programme at a number of its collieries to cut air and water pollution from discard dumps

The importance of the method is highlighted by the recent introduction of legislation against smoke or gas atmospheric contamination from such dumps

Two thrusts of the approach are the forming of an airtight skin of compacted discards and topsoil around the dumps, and control of water flow into and around the dumps

Compacted layers of discard, with a minimum 10m thickness, and a 1m outer layer of topsoil, are built progressively around a burning dump to exclude airflow inwards, which feeds combustion.

The effects are almost immediate, as is testified to by Utrecht residents who have seen a cut in atmospheric pollution of more than 80% since the project was initiated.

Water management is vital to the approach. Upslope drains divert uncontaminated water away from the dump, while down-slope water — containing leached acids and other pollutants — is channelled into dams for evaporation.

By levelling the dump surface and constructing contour ridges, run-off is virtually eliminated and moisture content within the dump is maximised, which restricts combustion. For this reason, the surrounding cladding layer is also sloped inwards.

Amcoal down 6,2%

ANGLO American Coal Corporation (Amcoal) attributable earnings for the year to March 1987 are 6,2% down on the previous year.

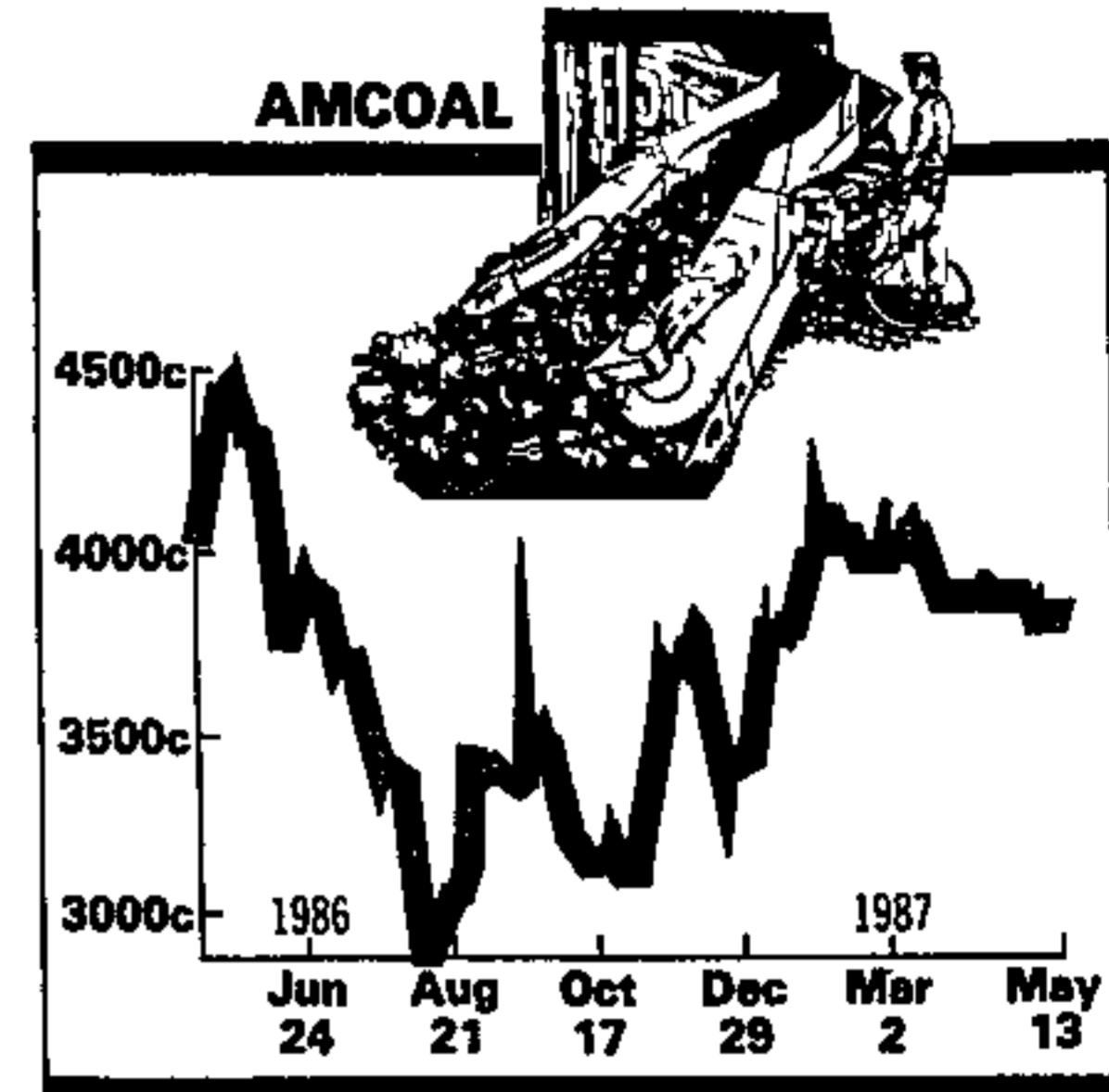
Earnings a share were 781c (832c), and an unchanged final dividend of 160c has been declared, bringing the distribution for the year to 240c (240c).

Earnings cover is marginally down from 3,47 times to 3,25 times dividends.

As anticipated in the interim statement, second-half results were depressed by a continued decline in export prices, in dollar terms and the strengthening of the rand/dollar exchange rate.

While overall production and turnover are up compared with 1986, continued pressure on export revenue, as well as increased rail tariffs to Richards Bay mean current year earnings are expected to be "substantially lower".

Amcoal, which is building up output from the New Denmark and New Vaal collieries which supply Escom, says domestic market increases will



Source: JSE Graphic JOHN McCANN

PETER STACEY
Mining Editor

not offset the decline in export income. However, based on financial strength and a well-covered dividend "barring unforeseen circumstances", a maintained dividend for the year ahead is forecast

Amcoal's share price, which dipped sharply to R28,50 in August last year as a result of sanctions moves, has firmed above R35 since January and closed yesterday at R38,50.

Amcoal earns 6% less as dollar prices decline

CME Times
14/5/86
7/5

JOHANNESBURG — The Anglo American Coal Corporation's (Amcoal) attributable earnings for 1987 are 6% lower than last year's figure

As anticipated this was attributed to lesser rand realization from coal exports with a continued decline in dollar prices and a strengthening of the rand/dollar exchange rate.

Amcoal's earnings decreased from R203,4m (832,4c) to R190,9m (781,1c) in the year. A final dividend of 160c (160c) has been declared, making the total distribution for the year 240c (240c)

Increased cost of railing

Income from coal exports will reduce further in the current year as a result of low US dollar prices, the strengthening of the rand/dollar exchange rate and the increase in the cost of railing coal to Richards Bay

This reduction in income will not be offset by increased earnings in the domestic market, and the group's total earnings for the current year are expected to be substantially lower than those for the year just completed

Well covered dividend

However, Amcoal's financial strength and well covered dividend will ensure, barring unforeseen circumstances, a maintained dividend for 1987.

Turnover rose to R1 182,3m (R1 075,4m) and profit before amortization, depreciation and taxation was R455,4m (R491,1m)

Amortization of mining assets and depreciation of refractory assets absorbed R37,7m (R35,3m) leaving a pre-tax profit of R417,7m (R455,8m)

Normal and deferred taxation totalled R222,9m (R249,0m) and after-tax profit was R194,8m (R206,8m) — Sapa

Exact spot for SA's proposed fuel plant 'secret'

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215
S.M.
26/5/87

By Therese Anders, Own Correspondent

MIDDELBURG — The Delmas and Witbank areas are being tipped as likely sites for South Africa's proposed R1 billion "torbanite" synfuel plant.

Gencor's coal arm, Trans-Natal Coal Corporation, is keeping a tight lid on the exact location as it doesn't want the price of property "to escalate for at least another year".

Said Trans-Natal senior manager Mr Bobby Jurd "The exact location is very sensitive and any employee leaking it will be fined"

Work has already started on a trial mine in the area but even that location is top secret

Mr Jurd said the trial mine was not on the optimum site for the main mine

He said a final decision had not yet been taken on the sites for the plant.

Trans-Natal, together with the Government's Central Energy Fund, are initially to spend R45 million on a project to prove the profitability of oil extracted from torbanite

Torbanite is a coal formed from fossilised algae and is a comparatively rare material

A decision will be made in two years on whether to go ahead with the major development

The implications for the town, nearest the torbanite mine and plant, are staggering

The mine and the plant would employ about 2 500 people

Property prices would rocket, construction workers would flood in together with ancillary services personnel

It has been estimated the torbanite synfuel project would provide up to three percent of the country's liquid fuel requirements.

W/C AUGUS 30/8/87
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Oranjemund sparkles

again

by ARIK BACHAR in
ORANJEMUND

THE sparkle is back in the diamond business in this remote corner of South West Africa.

Toiling in round-the-clock shifts, an army of 5 500 men, backed by machinery of all shapes and sizes, exists for the sole purpose of unearthing the glittering gems

For several years the world lost interest in diamonds as it struggled to emerge from the recession of the early 1980s, but now the future seems bright for workers at Consolidated Diamond Mines Ltd (CDM) here

"Gloom and doom time is over, now there is a mood of renewed confidence," said CDM spokesman Clive Cowley

The mine, wedged between the forbidding Namib desert and massive Atlantic Ocean breakers, is said by its owners, De Beers Consolidated Mines Ltd, to be engaged in the biggest earth-moving operation currently under way anywhere

The Atlantic is no obstacle. Having dug the world's biggest man-made hole in Kimberley in the search for diamonds, South Africans are now pushing back the sea to find more here

To maintain an annual output of around one million carats, fleets of scrapers, bulldozers and trucks rumble incessantly, erecting a massive wall to keep

the ocean at bay while men using shovels and brushes scan reclaimed land for rough diamonds

The town of Oranjemund, built by CDM to house its staff, was hit particularly hard by a four-year slump in the world diamond market during the early 1980s

SINCE then the market has recovered dramatically — and with it the fortunes of De Beers, which controls the supply and marketing of about 80 per cent of the world's diamonds

Production last year amounted to one million carats which, although sharply down on 1977's two million, compared to 910 000 carats extracted in 1985

The harsh, 100-km long coastline was everybody's dream before the mine was established early this century. Tales abound of rugged men on hands and knees scooping up diamonds glistening in the moonlight

Those days are gone. High fences and patrols keep intruders out of the area, but CDM remains one of the most profitable mines in the world with super-quality diamonds barely covered by the desert sand

DURING a rare press visit to the secluded mine, security was evident everywhere.

Steel doors are opened with magnetic

cards, closed-circuit television cameras keep a constant vigil and anyone leaving the mine may be subjected to spot X-ray checks

"We've found diamonds hidden in every crevice of the human body," mine superintendent Alan Ashworth told reporters

Two years ago a pair of black employees were caught climbing the security fence, their pockets bulging with 3 458 uncut stones worth about R1 million

The open-cast mine lies north of the Orange River separating South Africa from Namibia. But a coastal strip of some 500 km to the north is also closed

Geologists think the Namibian diamonds originated in South Africa's interior and were carried by the river to the sea

THE river served as a gigantic sorting machine, destroying lower quality diamonds which could not withstand the grinding journey and delivering only the finest to the Orange mouth, whose present location was still covered by the ocean

Just how many are now under water is not clear, but CDM has pushed the waves back 350 metres along a two-km strip to dig the deposits

The scale of the operation is daunting. Nearly 50 million tonnes of ore and a layer of sand covering it are removed by giant wheel-buckets and bulldozers and the diamond-bearing material is crushed



Oranjemund — gem in the desert.

the mine runs into the next century, has rejected criticism that it was overmining the area to extract as many diamonds as possible before Pretoria relinquishes control. — Sapa-Reuter

The company has increased its workforce to satisfy an anticipated rise in demand. One of the mine's four processing plants, closed during the recession, will be reopened next year and a new treatment technique will extract rough gems which have filtered through to dumps.

Production continues despite the controversy surrounding Namibia's political future. The vast territory is ruled by South Africa despite repeated United Nations' calls for independence and condemnation of mining operations in the area. CDM, whose lease on

Financial Mail
12/6/87

(2/5)

AMCOAL

Burning low

Activities. Coal mining for sale on export and domestic markets

Control Anglo American Corporation holds 51% of the equity

Chairman: W G Boustred, managing director D Rankin

Capital structure 24,4m ords of 50 cents each Market capitalisation R885,9m

Share market: Price 3 625c Yields 6,6% on dividend, 21,5% on earnings, PE ratio, 4,6, cover, 3,25 12-month high, 4 300c, low, 2 850c Trading volume last quarter, 443 000 shares

Financial: Year to March 31

Performance

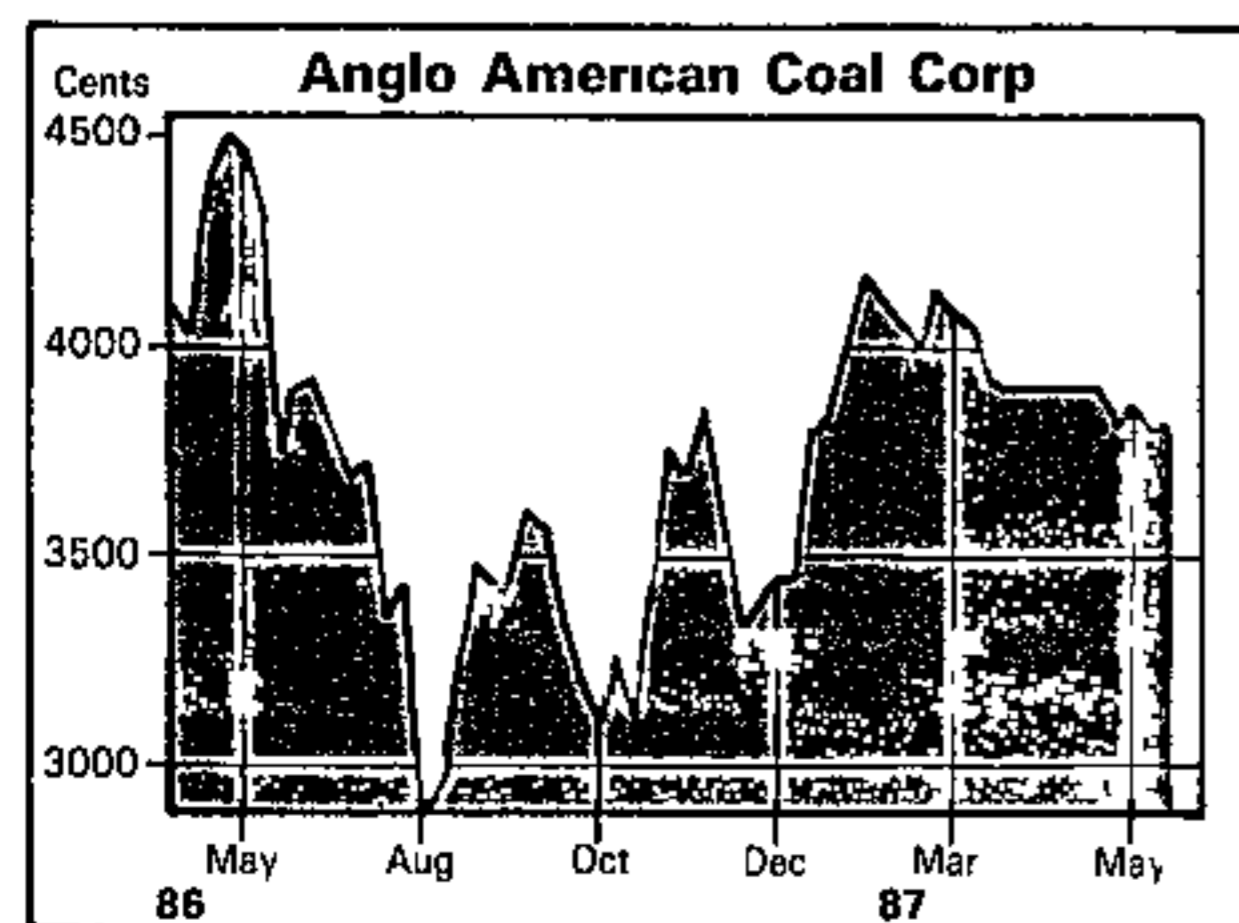
	'81	'82	'83	'84
Turnover (Rm)	705 5	841,8	1075,4	1182 3
Coal Sales (Mt)	34 0	36 2	37 3	40,9
Taxed profit (Rm)	118,8	163,8	206,8	194 8
Earnings (c)	446,8	634,9	832,4	781,1
Dividend (c)	145 0	195 0	240 0	240 0

While a number of analysts foresee gloom and doom for coal shares, Amcoal chairman Graham Boustred gives some idea in his annual review of just how serious the situation is. In his review, Boustred estimates a fall in coal producers' export earnings of around R1,3 billion in 1987, compared with the peak earnings of the 1985-1986 period. That implies a 40% drop in coal industry export earnings from the R3,2 billion earned in calendar 1986.

Slashed dividends

But Boustred says this interpretation of his comments is not strictly correct. He was not referring to calendar earnings but rather to peak income over the 1985-1986 period of about R3,5 billion earned between September 1985 and August 1986. While the distinction was not made in his review, the R1,3 billion drop on R3,5 billion in earnings is still a hefty 37% cut. It offers some background to the slashed dividends seen earlier this year from coal companies Trans-Natal and Duiker Exploration.

Boustred acknowledges that the picture could turn out even bleaker, as coal export tonnages could well turn out lower than he has anticipated. He bases his figures on ex-



Amcoal's Boustred . . . worried about tariff increases

pected total South African coal exports for this year of 40 Mt, compared with 45,5 Mt in calendar 1986.

Richards Bay Coal Terminal (RBCT), which exported 40,3 Mt in 1986, has revised its forecast sales for 1987 to 36 Mt. RBCT members include the most financially powerful coal companies in SA, but the revision casts a huge question mark over sales by small coal companies using Durban. They exported some 5 Mt last year. A drop to 3 Mt through Durban does not seem unreasonable, bringing total exports down to 39 Mt excluding any further revision of RBCT tonnages.

Supplies are growing

Boustred says a return to good times for coal exporters is a long way in the future. Supplies to world markets are growing, with China and Columbia emerging as forces to be reckoned with.

A key, unresolved issue still facing coal exporters concerns the hike in Sats' tariffs for use of the Richards Bay railway line. An interim increase will run to July 31 while a committee set up by the Department of Mineral and Energy Affairs (DMEA) discusses whether government should introduce a subsidy on the rate to help coal exporters.

Boustred says the interim increase imposed by Sats pushed the average rail rate to between R19/t and R20/t, from R11/t to R12/t previously. Coal exporters, he says,

would be reasonably happy with a new average rate of between R16/t and R17/t.

Amcoal maintained its dividend at an unchanged 240c for the 1987 financial year. Boustred reckons that, barring unforeseen circumstances, the group should hold its dividend in the current 1988 financial year.

The group remains financially strong, and should benefit from its growing coal sales to Escom, whose new generating sets at the Lethabo and Tutuka power stations will draw more coal from Amcoal's New Vaal and New Denmark collieries, which supply these power stations.

Lower earnings

Amcoal sales to Escom increased by 17% to 26,4 Mt during the 1987 year. However, the group's export sales dropped to 10,3 Mt from 11,2 Mt previously, leaving its total coal sales at 40,9 Mt against 37,3 Mt in the 1986 year.

Profits from the increased Escom business will come nowhere near replacing lost export revenues, and Boustred predicts substantially lower earnings for Amcoal in the current year.

At least one JSE analyst maintains that no sane investor should have a single coal stock in his portfolio at present. That may be an extreme view. Others are not so pessimistic, but anyone buying on recovery prospects is almost certainly in for a long wait. Since release of Boustred's review, Amcoal's share

price has drifted back from about R39 to current levels of around R36,50. It could go lower.

Brendan Ryan

Export potential worsens but ...

B/Day
30/6/87

Anglo collieries up output as SA demand mounts

215

COLLIERIES in the Anglo American group increased production from 38,1-million tons to 41,3-million tons in the year to March 1987.

Despite early effects of sanctions, SA's overall coal production rose to a record 172,4-million tons last year.

In their annual review, Anglo directors attribute the increase chiefly to greater demand locally for synthetic-fuel production.

On the export front, however, the recent warnings by Amcoal's Graham Boustred are reiterated: the going is getting tougher, and sanctions, a world over-supply situation and aggressive new suppliers — in the form of China and Colombia — mean exports will take a hammering this year.

And at current prices, exchange rates and cost levels, several mines' viability is questionable.

Eskom, the major domestic producer, cut consumption marginally, while increasing electricity sales by 4,5%.

PETER STACEY
Mining Editor

Anglo says this was achieved through the growing contribution of the nuclear-powered Koeberg and the ongoing switch to new, more efficient, power stations.

Anglo, however, is positioned to benefit from the new breed of Eskom stations, with two new collieries now on stream which — at full output — will produce nearly 30-million tons of coal a year.

New Vaal Colliery, near Vanderbijlpark, serves the new Lethabo power station, where three of a total of six 600MW generating sets have been commissioned. New Denmark Colliery, in Standerton, feeds Tutuka, which is currently commissioning its fourth set.

Vierfontein, near Klerksdorp, is typical of the small, older-generation power stations now being phased out. The station is being put on a standby basis, and the colliery, in which Anglo holds a 7,6% stake, will halt production in March 1987.

Strike lifts lid on embargoed coal to France

ARGUS

17/1/87

215

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From JAMES TOMLINS
The Argus Foreign Service
Dateline. PARIS

HUNDREDS of thousands of tons of South African coal are breaking France's 1985 embargo by being invoiced as Australian

This situation has emerged owing to the South African strike of coal miners

For France's giant state-owned EDF-GDF electricity and gas power authority has privately expressed concern in case this "Australian coal" is no longer available

The authority was opposed to the coal embargo imposed on November 13, 1985, by Socialist Prime Minister Laurent Fabius. He announced an immediate and total halt to all imports of

South African coal as a protest against apartheid

Coal imports at the time were running at a level of about four million tons annually

But trade circles here said that 600 000 tons of South African coal were imported into France illegally in 1986, and over 800 000 tons in the first half of this year

The South African coal is shipped to ports in Belgium and the Netherlands and sent to France by train

Shipping invoices list the country of origin as Australia

An official of the EDF-GDF authority said South African coal costs \$26 per ton, compared to \$52 per ton for French coal and \$32.50 for Polish coal

Meanwhile, France's major anti-apartheid movement, MRAP, in a recent communique, urged "a total boycott of South Africa in all sectors to ensure the collapse of apartheid"

The MRAP expressed its "admiration and support" for the striking miners, and added that it was a "scandal" that the French government was permitting South African investment in seven of France's main casinos

The Paris daily *Le Matin* described NUM Secretary General Cyril Ramaphosa as South Africa's Lech Walesa

It noted that the arrests of leaders of anti-apartheid political movements "gives a new role to trade unions, and Cyril Ramaphosa is in the front line of a movement becoming more and more political"

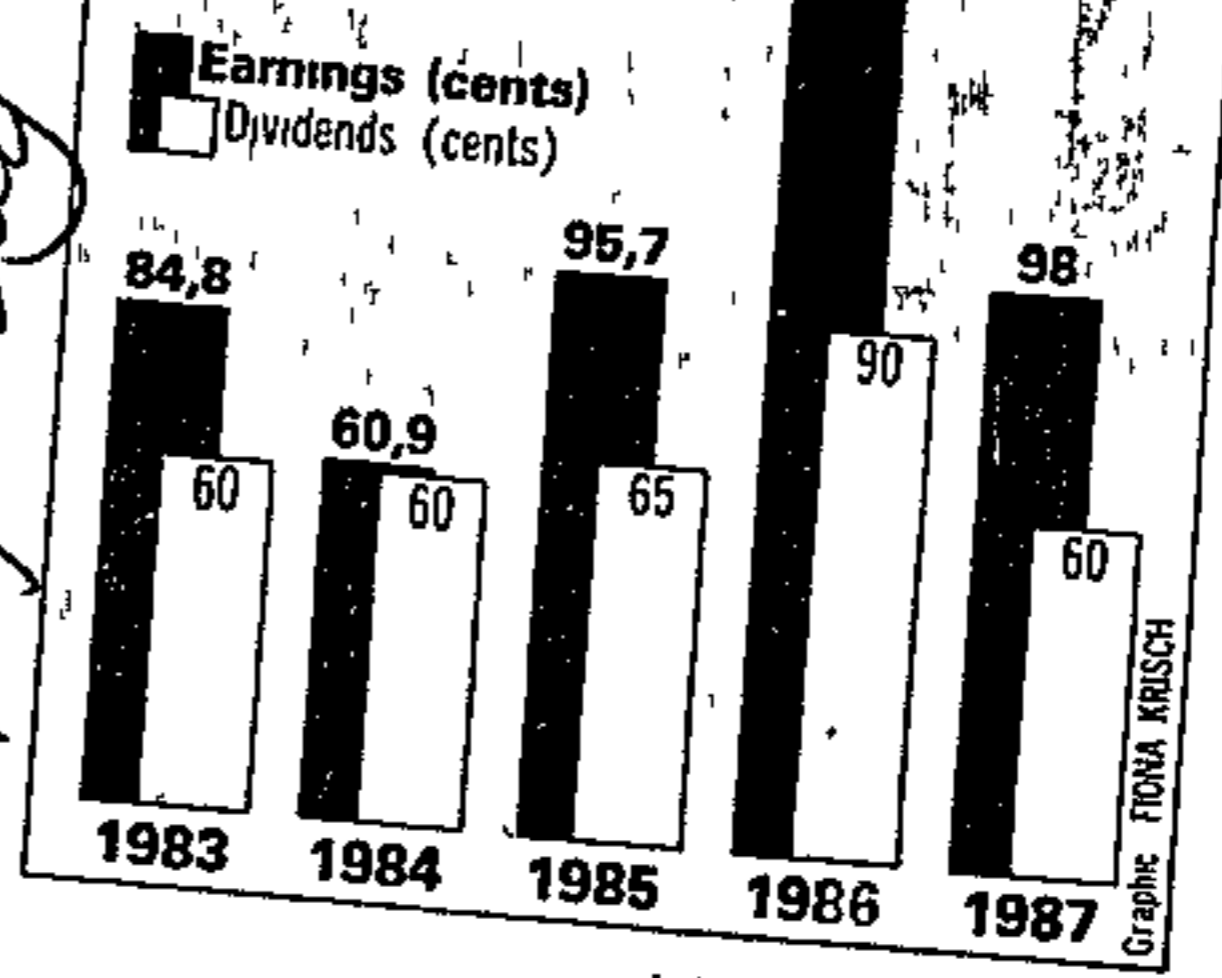
Trans-Natal

profits more than halved

215



TRANS NATAL



7887 B Day

PETER STACEY
Mining Editor

A MARGINAL increase in sales tonnage did little to offset the effects of a stronger rand and the dramatic downturn in coal markets, and Trans-Natal's profits were more than halved in the year to June.

Group income of R237,5m for the Gencor coal arm was 28,8% lower than last year's R333,4m, before increased write-offs of R38,2m (R30,8m) and a R22,4m leap in financing costs to R52,9m (R30,6m). Attributable income, after tax of R35,2m (R33,6m), sagged to R107,3m (R229,5m).

The net transfer to reserves for deferred tax benefits however, was sharply lower at R32,7m (R108,8m), as

a result of extraordinary dividends and tax free income from sale of property, and this enhanced distributable earnings which, at R76,6m, were 37% lower than last year's R120,7m.

The final dividend of 30c (46c) gives a total for the 1987 financial year of 60c, compared with 90c in 1986.

The sharp increase in financing costs reflects a move to full contractual coverage of foreign loans, as well as associated unrealised currency losses. Foreign debt, which totalled \$92,1m at the 1986 year-end, was down to \$65m, and the group's overall debt/equity ratio has improved from 0,42:1 to 0,35:1.

'Aussie' coal in France allegedly from SA

By James Tomlins,
The Star's Foreign News Service

PARIS — Hundreds of thousands of tons of South African coal are allegedly breaking France's 1985 embargo by being invoiced as originating from Australia.

This allegation has emerged as a result of the South African coal miners' strike.

France's giant state-owned EDF-GDF electricity and gas power authority, has privately expressed concern in case this "Australian coal" is no longer available.

The authority was opposed to the coal embargo imposed on November 13 1985 by the then Socialist Prime Minister Laurent Fabius. He announced an immediate and total halt to all imports of South African coal as a protest against apartheid.

Coal imports at the time were running at a level of about 4 million t annually.

Trade circles here said 600 000 t of South African coal were imported into France illegally in 1986 and over 800 000 t in the first half of this year.

The South African coal is allegedly shipped to ports in Belgium and the Netherlands and sent to France by train.

Shipping invoices list the country of origin as Australia.

'TOTAL BOYCOTT'

France's major anti-apartheid movement, MRAP, in a communique yesterday, urged "a total boycott of South Africa in all sectors to ensure the collapse of apartheid".

The MRAP expressed its "admiration and support" for the striking miners, and added that it was a "scandal" that the French government was permitting South African investment in seven of France's main casinos.

The Paris daily *Le Matin* yesterday described National Union of Mineworkers general-secretary Mr Cyril Ramaphosa as South Africa's Lech Walesa.

It noted that the arrests of leaders of anti-apartheid political movements "gives a new role to trade unions, and Cyril Ramaphosa is in the frontline of a movement becoming more and more political".

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Office will oppose coal sanctions

The Star Bureau

LONDON — South Africa's coal industry has established an office in the British capital to conduct a more aggressive anti-sanctions campaign.

This follows repeated efforts by hardline politicians and anti-apartheid groups to persuade Britain and the European Community (EC) to ban South African coal imports. . one of the most important elements of South Africa's European commerce.

The director of the new office, Mr Robert Swain, said its principal functions would be to put forward the coal industry's point of view on sanctions and other matters; to provide information on the industry, and to challenge "inaccuracies" in the campaign for sanctions on coal.

PRESSURE

Mr Swain will seek exposure in the British press and on television.

Two researchers working with him will prepare information and statistics.

Pressure for sanctions on South Africa's coal exports was highest last year.

While the issue has been less prominent this year, the Commonwealth heads of government meeting in Canada next month could well turn the pressure up again.

In the first press release issued by the industry's London office, the Anti-Apartheid Movement's call for sanctions is dismissed as "a misguided effort".

The statement warns that sanctions "would put the livelihood of tens of thousands of South Africans in jeopardy and destroy an economy that can be the basis on which this country can move ahead to social justice and a good standard of living. It is hoped that wiser opinions will prevail and that the folly of sanctions will be perceived".

Producers to fight sanctions on coal

MIKE ROBERTSON

LONDON — SA coal producers, who have seen exports to the EC slump by almost 37% in the first quarter of this year, have decided to take the fight to the sanctions lobby.

This weekend their newly appointed London representative Robert Swain will get a chance to see some of the most powerful campaigners for sanctions against South African coal in action.

Swain plans to attend a conference in Sheffield where UK miners leader Arthur Scargill will renew the call for sanctions against SA coal.

NUM general secretary Cyril Ramaphosa is also scheduled to address the meeting, if he is allowed to leave SA.

British imports of South African coal, although on a very small scale, were down 48% last year. Britain imported coal to the value of just £1.2m in the first five months of this year.

Moves by the EC to ban South African coal were thwarted last year after opposition from Portugal and West Germany. The latter has been the EC's fourth-largest importer of South African coal this year after Italy, Spain and Belgium-Luxembourg. To retain market share South African producers have had to sell coal at prices as low as \$24 a ton.

Swain said he had been appointed to set up the office of the SA Coal Industry in London by the colliery committee of the Chamber of Mines.

One of his first jobs was to challenge some of the more extravagant claims

● To Page 2



Coal producers to fight sanctions

made by the Anti-Apartheid Movement (AAM) regarding the South African coal industry

In a statement, he said coal sanctions proponents claimed SA mine-owners maintained appalling conditions. However, to back this up, they used figures of deaths in the gold industry and not the coal industry.

The fatality rate in the South African coal industry was better than that of the

US, which had a far greater percentage of surface mining which was intrinsically safer, he said.

Contrary to claims by the AAM that the majority of SA black miners earned less than R60 a week, the average wage of black miners on chamber mines was R170 a week.

● From Page 1

215 B/day 9/10/87

MINING

Trans-Natal results set to get worse

ADAM PAYNE

AFTER reporting a 52% fall in attributable income in the year to June, Trans-Natal Coal Corporation expects "substantially" worse results in the year to June 1988.

Chairman Steve Ellis sounds this warning in his annual review. He says: "Depending on the severity of sanctions, the current low rate of growth in the South African economy and the decline in export income, total earnings for the current year are expected to be substantially lower than those for the past year.

"It is anticipated that profitability will be further prejudiced by impending rail tariff increases, wage demands, inflation and increases in working costs.

"For the first time in years a decline is expected in the export of South African coal. Total export levels as low as 36-million tons a year are predicted.

"The effect of the entry of Colombia and China to the world market is difficult to determine. Countries such as Venezuela and Indonesia are also seriously contemplating the development of coal exports.

"A slight improvement in domestic coal sales is expected, depending on the state of the economy and the burning rate of non-Eskom power stations.

"Reduced TCOA exports will negatively affect Trans-Natal's present inland sales prices."

Ellis says export prices are at unrealistically low levels and, in his opinion, production worldwide cannot be sustained for much longer at these levels.

The supply of coal to Eskom as well as sales to the local trade will continue to form the basis of Trans-Natal's business. This will be considerably augmented by export revenue, notwithstanding short-term export problems.

Reviewing the company's and the industry's bleak performance in the year to June, Ellis says that during the latter half of 1986 SA's coal exports came under pressure because of sanctions threats

It was also hit by low US dollar export prices, the stronger rand/dollar exchange rate, a considerable increase in rail and harbour tariffs, and a higher internal inflation rate resulting in increased production costs.

Efforts are being made to counter these negative elements and the corporation remains "cautiously optimistic".

Sales tonnage to Eskom decreased by 5% last year compared with a 4% increase the previous year.

It is not expected that additional major power-generating capacity over and above that already committed will be needed by Eskom until the late 1990s.

Sales tonnage to existing Eskom power stations is likely to be adversely affected because of the large generating units to be commissioned at some of its new power stations with consequent cutbacks in power supplies from the older stations.

Reviewing exports, Ellis says the oversupply of coal has persisted — especially in Europe. This can be attributed to the entry into the market of Colombia and China as new suppliers.

SA's position has been aggravated by the Danish and French boycotts.

After the end of 1986, "spot" prices in Europe declined in a relatively short time by 30%.

Against the background of the weak rand, SA producers have been obliged to accept lower prices to retain market share.

Trans-Natal's export prices have fallen about 20%.

The group's anthracite exports have not realised either price or volume expectations.

But he believes it is inevitable that prices will have to increase in the medium term.

Despite the difficult trading conditions, the group's total export volume increased by 21% over 1985/86 but at considerably reduced profit margins.

SA miners divided on sanctions

9/10/87

B/day

Duvha Open Cast Mine — where workers had gone on strike for 12 days during the recent labour unrest — said rejecting sanctions would be rejecting freedom.

“Government holds the key to the problem of sanctions. If they release their grip on the black man, sanctions will go,” he said.

Stona, who has worked on the mine for six years, said accumulating experience on a mine and getting no fitting financial returns was what made people bitter.

was operating on completely new staff after a strike.

Petros Nkambule, a recreation officer at Douglas Colliery, was horrified at the prospect of re-trenchments that would follow, bringing in their wake hunger and a rise in crime.

“It’s all very well to say sanctions should come, but what of the thousands who would not get alternative jobs in the event of mine closures? Surely there are ways of fighting for freedom other than

calling for sanctions?” asked Nkambule, who has worked on the mine for more than nine years.

Blacks, not SA, would suffer in the event of a blanket ban on coal exports and closure of mines, said Alfred Shongwe, a loss control officer at Greenside Colliery.

“We have blacks from TBVC states who work here to feed, clothe and — more importantly — educate their children. Loss of jobs would mean no education for those children. And what would we be left with? A lot of illiterate leaders who would lead Southern Africa into further chaos,” said Shongwe.

THEO RAWANA

His view on sanctions was echoed by a fitter’s assistant, who refused to give his name. “The mines deserve whatever comes their way if they do not want to pay a living wage.”

He said it made no difference whether people worked or not. He said he was bitter at a neighbouring steel company which, he said,

(215) Bloay A/10/87

NONE important sector of the sanctions war, South Africa is counter-attacking. The coal industry, still reeling from the worst strike in its history, last month established a London office intended to offer a "comprehensive insight" into its affairs.

That "insight" does not provide any information on the one thing most people would like to know. The most recent figures for South African coal production and exports.

"The minerals committee in SA no longer gives figures, and I really don't know," says director Bob Swain apologetically in his fairly spartan office close to the Houses of Parliament.

Swain is British, a former Captain in the Intelligence Corps, and before taking on his new job he spent three years at Warwick University taking a degree in theatre studies.

He has never been to SA — although he hopes to go there soon — and he clearly knows very little about the coal industry.

"I have been to West Africa, though," he says with a wry laugh. Sitting beside him is his political consultant Derek Laud, a black and remarkably pukka Briton whose background includes a law degree and assisting right-wing Conservative MPs.

Some 13 of the latter weighed in last week with a Press release welcoming the result of a poll commissioned by the German Africa Foundation which showed that two-thirds of black South African miners do not want sanctions.

A summary of the poll is among the office's first releases and is produced by Laud. He, too, has never been to SA and his parental

Anti-Apartheid Movement's (AAM) recent Sheffield conference on coal sanctions

Other battlefields looming — although not necessarily for him — are next week's Commonwealth summit in Vancouver and the approaching EEC summit.

Coal accounts for about 10% of SA's export earnings and comes second only to gold, the jewel in the crown of the country's exportable riches.

The AAM admit gold is too tough a nut to crack at the moment. Sanctions might actually make it more valuable. Coal represents a softer option.

It is not on the EEC list, and Britain's Prime Minister Margaret Thatcher is admittedly unlikely to bend on the matter. But France, the US, Denmark and the other Scandinavian countries have sanctioned it.

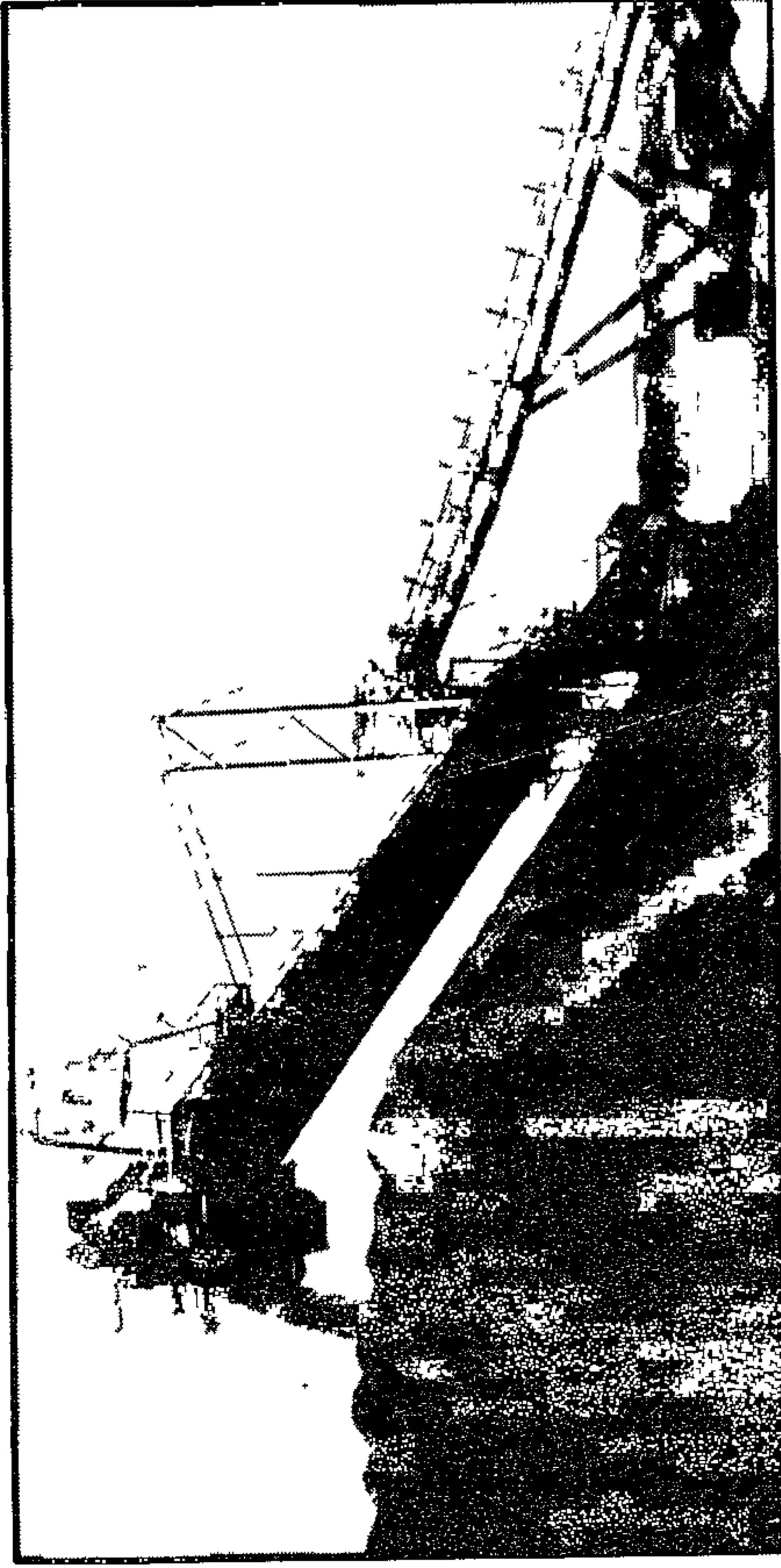
Mike Terry, the AAM's executive secretary, and Stuart Bell, its research officer, project their campaign forward to West Germany's EEC presidency in the first half of next year.

The German government is as opposed as the British to further sanctions, but the need for wheel-dealing within the EEC might provide a chance somewhere for coal sanctions. AAM has asked for them to be put on the agenda for the next EEC summit.

Terry and Bell are more forthcoming than Swain on the subject of coal exports. Revenue, from them will drop 40% this year compared with last, the equivalent of R1.3bn, they said.

Exports have been so hard hit that the planned expansion of the Richards Bay coal terminal north of Durban, which handles 98% of the trade, has been cancelled.

DAILY TELEGRAPH



□ BLACK GOLD ... but expansion plans for the Richards Bay coal terminal have been shelved

Propping up SA's image for coal

DAVID ADAMSON in London

background is in Jamaica. The two other members of the office are a white British research assistant and a black secretary. Swain says his office wants to set the record straight on things

like wages and safety and conditions in South African mines. The "industry feels it is being unfairly tagged with the lamentable safety record of South African gold mines, although its accident

rate compares favourably with many other countries". Swain had his baptism of fire in the sanctions battle in an apparently unsuccessful attempt to scale the forbidding ramparts of the

BLACK coal miners, faced with the prospect of job losses as a result of the drop in SA coal exports, were divided on sanctions against the industry when I spoke to some of them this week.

SA coal producers have seen exports to the EEC slump by almost 37% in the first quarter of this year as sanctions began to bite.

Interviews with workers at Douglas Colliery, Greenside, and Duvha Open Cast Mine showed the miners were aware of the possibility of some mines closing down because of the drop in coal exports.

But Johnny Stona, a supervisor in the drag-line department at

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B/day 9/10/87

Low ore prices prevent greater use of port — foreign trade chief

5/18
F8/01/02
DN

by RICHARD LOUW

EAST LONDON — The harbour here could not be used for certain commodities because it was not economically viable for exporters or importers without the establishment of an export processing zone (EPZ), the chief executive of the South African Foreign Trade Organisation (Safto), Mr Wim Holtes, said

He told the Daily Dispatch that Maputo and Durban harbour facilities were being used because of their proximity

to the mining areas of the Transvaal

"The world price of steam coal has collapsed and the prices of magnesium and rock phosphates, along with a number of other exports, are at rock bottom," Mr Holtes said

"There is so little profit in these commodities that it is not economically viable to use East London harbour at the moment

"I am fully aware of the problems associated with the depressed

economic conditions in East London, but the additional cost incurred in travelling the extra distance to East London would effectively price our exports right out of the world markets

"However, proposals for the establishment of an EPZ in the East London—Border area, making it a free port, were put to the government in September 1986

"Since then the proposals have come under the scrutiny of the ministries concerned," he said

The co-ordinator of the East Cape Strategic Development Team appointed by President P W Botha, Professor Charles Wait, said yesterday "No decision has yet been made as to whether Region D, which is the Eastern Cape, is to be made a free port area."

"There are a number of points that still have to be discussed and these must be clearly defined before East London or Port Elizabeth is declared a free port

"EPZs could be established provided that there is no cost to the state in supplying the required infrastructure, or that it does not mitigate against South Africa's interest in terms of the General Agreement of Tariffs and Trade, and that it is approved of in terms of the multilateral agreement between South Africa and the TBVC

"The cabinet has asked my committee to clarify the implications of the whole issue and we are in the process of supplying the necessary information from the various ministries concerned.

The Administrator of the Cape, Mr Gene Louw, said "I will support any measure or proposals which could benefit East London and the Border area, which could lead to more tourism, greater economic activity and less unemployment

"The Minister of Finance may want to search for a few solutions to possible financial losses caused by the declaration of a free harbour area," he said

"He may also be faced with a problem with regard to the creation of a precedent

"However, taking into consideration all aspects relating to the depressed economic situation in East London, I show crossed fingers that these possible barriers contained in the proposals will not be insurmountable."

The Mayor of East London, Mr Robert de Lange, said "It would be a tremendous boost for East London and the Border area should a free port ever materialise

"This has, however, been a pipe-dream here for a long time and I believe it is time that the government seriously considered establishing East London as a free port.

"Where we have the second biggest city for blacks on our door step I feel it is essential that a large incentive be created which could benefit this area labour-wise

"If East London port is declared a free one there could be other incentives that go with it, such as rail incentives for exporters and importers to use the harbour," he said

Sats under fire over tariff hikes

215
26/10/87

JOHANNESBURG — The cabinet has appointed a three-man ministerial committee to investigate Sats' tariffs for coal exports following angry accusations from the coal and other industries that rail tariff hikes are making their businesses increasingly non-competitive.

Representatives of the coal, maize and timber industries are leading the battle against Sats, charging that recent tariff hikes are excessive and are seriously harming their businesses.

The government is taking the attacks seriously.

In an unusual step three members of the cabinet — the Minister of Finance, Mr Barend Du Plessis, Minister of Economic Affairs, Mr Danie Steyn, and Minister of Transport Affairs, Mr Eli Louw — have been requested to study and make recommendations on the tariff structure on the Richards Bay line.

The ministers and their heads of departments have already held their first meeting.

The fairness and advisability of Sats' tariff structure, as well as its

financial organisation, was the subject of a report by Gencor's former chief executive, Dr Wim De Villiers.

According to a spokesman for Mr Louw's office, the report was submitted to the government two weeks ago and the three ministers will be studying and making recommendations on it.

Sats says it is necessary to change tariffs in order to gear itself for a deregulated transport market as proposed by the National Transport Commission.

A Sats spokesman says Sats is phasing out the cross-subsidisation of commodities to make each pay for its own transport costs.

Coal, he says, is heavily subsidised and this is the reason for the industry now having to foot a higher bill. The rail rates for some commodities have come down, he says.

The changes were also instituted to bring Sats' tariff structure into line with its operational costs.

"It will take some years to phase out cross-subsidisation," the spokesman said, adding that the increases in the tariffs were not an attempt by Sats to recoup its R4-billion foreign exchange losses.

He could not say at this stage whether the

tariff structure would be changed in the light of the fierce opposition to the increases, but said Sats would consider each complaint on its merits.

The average increase for railing coal — which came into effect on September 1 — was about 20 per cent, says Mr Nelo Zollezi, a director of Rand Mines and managing director of its coal division.

However, together with the increases in April, the annual increases range between 20 per cent and 100 per cent depending on the previous prevailing rates.

The coal industry spends an estimated R800 million annually on transporting coal by rail.

According to Mr Zollezi, coal exporters who use the Richards Bay coal terminal believe the tariffs are unfair. They also complain about the fact that Sats does not reveal how it arrives at its rates and the fact that it does not consider the effect of the increases on the local market.

The maize and timber industries have also protested against the tariff increases, several of them way above the inflation rate.

The Maize Board expressed its shock over

the unilateral tariff increases — which came into effect on October 1 — in telexes sent to the Minister of Agriculture, Mr Greyling Wentzel, and the general manager of Sats (tariffs).

The increases for transport of maize in the present financial year have risen between 23 and 29 per cent — depending on the distance.

"The increase in rail age will have an extremely detrimental effect on the maize industry because it may lead to a decline in the domestic consumption of maize. Furthermore, it will result in an immense increase in export losses," the board said.

The board was particularly dismayed at the unilateral way in which the tariffs were imposed.

The timber industry is also involved in delicate discussions with the government on the recently imposed tariff increases.

Mr Mike Edwards, an economist with the Forest Owners' Association, says "We have major problems with Sats — they are virtually killing the industry with their tariff increases. Over the last year the average increase has been 50 per cent. We just cannot absorb that." — DDC

Editorial opinion P8

Amcoal earnings decline by 51,1%

CMC Times 28/10/81

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From LIZ ROUSE

JOHANNESBURG — Anglo American Coal Corporation (Amcoal) suffered a 51,5% decline in interim earnings but the interim dividend has been maintained at 80c.

Although the outlook remains gloomy on export markets and margins will remain under pressure, chairman Graham Boustred forecasts a maintained dividend payment of 240c from the cash-rich group

Amcoal's earnings slid to 205,4c a share in the six months to September from the 1986 half-year's 424c a share. The interim dividend is covered 2,57 times. This cover is considered adequate because of the group's large cash balances and earnings from these funds, which make a significant contribution to profits.

Export decline

Amcoal's export sales declined by over 1,2m tons in the six months. Total coal and export sales were down 5,3% to 19,2m tons. Sales to Escom increased by 518 000 tons but industrial and metallurgical sales in the local market decreased 373 000 tons.

The interim results also reflect the

effects of the three-week strike in August which had a material impact on production with a consequent rise in working costs at certain collieries.

Production loss was more serious at underground mines. Opencast mines' production was largely maintained with the reduced workforce. Coal supplies were maintained from stockpiles.

Turnover down

Amcoal's turnover was down only 10,6% to R550,3m (R615m) but pre-tax profit dropped 53,6% to R109,6m (R236,1m) in the six months to September, mainly due to lower export tonnages, depressed dollar prices and a stronger rand.

In addition, collieries' export earnings were hit by a progressive increase in the basic rail rate from an effective R12,90 a ton in March to R23,68 a ton in September.

Amcoal shares traded at R35 yesterday, only 400c off their low of R31 a year ago. Dividend yield is now 7,7%. The stock rose to a year's high of R43 in February when the coal sector appeared to be on the rise.

Coal exports cut by 7,5m tons

capl Trusts
10/11/87

25%

Own Correspondent

JOHANNESBURG. — Sanctions imposed by a number of Western countries will reduce SA's coal exports by between 5m tons and 7,5m tons in 1987, Allen Sealey, Rand Mines coal division chairman says.

He tells Witbank Collieries shareholders in his annual review that the full effect of sanctions imposed by the US, Denmark and France was being felt in the current year.

"Political sentiment in certain other countries where formal sanctions have not been implemented has made it extremely difficult for South African exporters to expand their sales. As a result, exports are expected to reduce markedly during the 1987 calendar year to between 38m and 40m tons."

"Unfortunately, one of the major effects of this is the inevitable contraction of the mining operations at the various mines — with employees having to be retrenched. Cutbacks in production were forced upon a number of South African mines," he said.

In the Witbank Colliery group 550 workers were laid off at Welgedacht colliery and at Van Dyks Drift 308 employees were retrenched.

"Far from encouraging reform, the sanctions campaign has led to a hardening of attitudes in South Africa and the sufferers include the very people who the pro-sanctions campaigners claim to be supporting," Sealey says.

A recent opinion survey of Rand Mines employees shows an overwhelming rejection of sanctions, he says.

The survey, carried out by an independent overseas organization on a

representative sample of colliery employees, indicated that:

○ 61% of workers felt sanctions were a bad thing,

○ 71% believed sanctions would reduce their earnings and harm their life at home, and

○ 80% felt sanctions could result in their losing their jobs.

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Blom 11/11/87

COMPANIES

Sanctions hit coal exports

SANCTIONS imposed by a number of western countries will reduce South Africa's coal exports by between 5-million tons and 7.5-million tons in 1987, Allen Sealey, Rand Mines coal division chairman says.

He tells Witbank Collieries shareholders in his annual review that the effect of sanctions imposed by the US, Denmark and France was felt in the current year. "Political sentiment in certain other countries where formal sanctions have not been implemented has made it extremely difficult for South African exporters to expand their sales. As a result, exports are expected to reduce markedly during the 1987 calendar year to between 38-million and 40-million tons." One of the major effects of this was

PETER STACEY
Mining Editor

the inevitable contraction of the mining operations at the various mines, with employees having to be retrenched.

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A recent opinion survey of Rand Mines employees shows an overwhelming rejection of sanctions he says.

The survey, carried out by an independent overseas organisation on a sample of 1 004 workers and representative of collieries in the group with export involvement indicated that:

- 61% of workers felt sanctions were a bad thing;
- 71% believed sanctions would reduce their earnings and harm their life at home, and
- 80% felt sanctions could result in their losing their jobs.

"It would appear from the results of the survey that the employees have overwhelmingly rejected sanctions and that the leadership of NUM, in their campaign against South African coal, has failed to consider the views of their workers," Sealey concludes.

WITBANK COLLIERIES

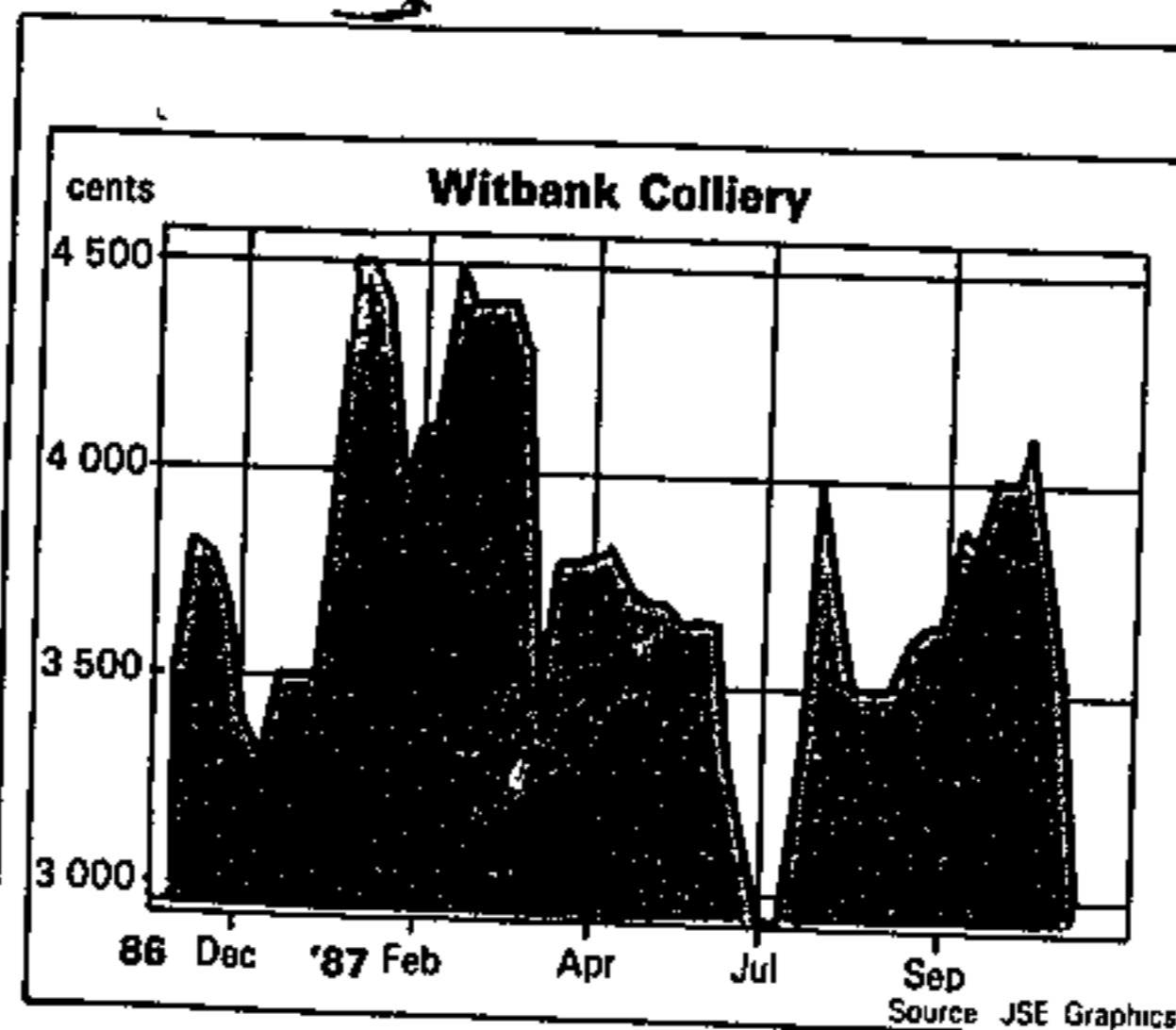
Swing to Eskom

Like Trans-Natal, Witbank Collieries' (Wit Colls) fall in profits was largely caused by falling export earnings. In this case the impact was less dramatic. While Trans-Natal's export tonnage grew 21%, Wit Colls actually reduced its exports by 13% (largely counter-balanced by a 12% increase in Eskom sales). Thus, in terms of export sales as a percentage of total sales tons, Wit Colls became less exposed than Trans-Natal.

The shrinkage in export tons was not by design. Comments chairman Allen Sealey "Cutbacks in production were forced on a number of South African collieries. We laid off 550 employees at Welgedacht and a further 308 at Van Dyks Drift during November 1986. Far from encouraging reform, the sanctions campaign has led to a hardening of attitudes. The sufferers include the very people whom the pro-sanctions campaigners

FIM 20/11/87

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Activities: Mines coal for sale to Eskom, domestic and export markets, owns Welgedacht Exploration Company and Douglas Colliery, also manages, and has 5% interest in Middelburg Mine

Control: Majority shareholder is Rand Mines with 71% of issued shares, Barlow Rand has ultimate control

Chairman: A A Sealey, managing director N Zolezzi

Capital structure: 7,8m ords of R2 each. Market capitalisation R227m.

Share market: Price R29 Yields 13,8% on dividend, 39,0% on earnings, PE ratio, 2,6, cover, 2,8. 12-month high, R45, low, R29 Trading volume last quarter, 132 000 shares

Financial: Year to September 30.

	'84	'85	'86	'87
Debt				
Short-term (Rm)	13,1	40,5	27,5	20,4
Long-term (Rm)	55,0	119,2	239,8	256,1
Mining Assets (Rm)	450,5	564,5	740,4	855,0

Performance:

	'84	'85	'86	'87
Turnover (Rm)	251	323	470	414
Sales (Mt)	16,7	17,4	19,1	19,6
Earnings (c)	1 098	1 625	1 688	1 131
Dividends (c)	400	440	455	400

claim to support."

A higher offtake from Duvha, and stockpiling for Kendal and Majuba power stations, contributed to the higher Eskom tonnage.

Operating profit fell 30% to R97,6m (R139,5m) with the margin reducing to 24% (30%) on lower turnover. There was also a sharp fall in dividends received to R37 000 (R11,1m) but this was largely offset by the net interest position, which swung marginally positive after a net R10,4m outflow in 1986.

At R276m, long-term debt is substantially more than Trans-Natal's R169m — but pay-back extends over a far longer period and has been sourced locally. There is, therefore, no amortisation of foreign exchange losses as is the case with Trans-Natal. Year-end cash holdings totalled R159m (R196m).

Tax profits fell 33% to R88,4m (R132,1m) on a higher tax bill, though at 10% the rate is still low. The group recorded a net loss after expenditure of R95m on mining assets (principally property, plant and equipment) but the dividend fall was relatively small, with the payout at 400c (455c) on the lower taxed profits.

Sealey sees little prospect for growth in the mature inland market but expects increased

coal sales to the Kendal power station from Khutala colliery. It is anticipated that some 1,81 Mt of coal will be stockpiled ahead of the commissioning of the first generating set in June 1988. Majuba is on target for the commissioning of the first set in September 1991, and all six sets will now be commissioned by March 1999.

Sealey notes that some South African exporters are having difficulties covering costs. He adds "Achieving an increase in export price levels is of vital importance to the industry." He is encouraged that spot prices on the export market appear to have bottomed and this is confirmed by MD Milo Zollezi who, after returning recently from Europe, noted "some definite signs of firming in spot prices both in dollar and rand terms. The message is not one of recession — though buyers are still sitting on the fence."

Medium term, Wit Colls should improve cash flow from its Eskom projects but the group still has heavy capex commitments on these mines.

Some rationalisation and reduction in production (to meet the changing requirements of the export market) has been carried out. Sealey feels the group is better placed to operate effectively in the difficult trading environment. At R29, the dividend yield of 12,2 is slightly below Trans-Natal's 12,5% and is in line with the sector average of 12,3%.

Dave Edwards

TRANS-NATAL

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Outlook blackens

Activities: The group mines coal for sale to Eskom, domestic and export markets and is investigating the possible conversion of coal into synthetic fuels

Control: Sanlam, Federal Mynbou and Gencor have majority control

Chairman: S P Ellis, managing director G C Thompson

Capital structure: 68,9m ords of 50c each 9,2m compulsorily convertible debentures Market capitalisation, R331m

Share market: Price 480c Yields 12,5% on dividend, 20,4% on earnings, PE ratio, 4,9, cover, 1,6 12-month high, 750c, low, 430c Trading volume last quarter, 4,1m shares

Financial: Year to June 30

	'84	'85	'86	'87
Debt				
Short-term (Rm)	12,7	25,1	54,7	76,9
Long-term (Rm)	150,5	201,9	219,3	168,7
Mining assets (Rm)	413,8	558,5	751,7	811,2

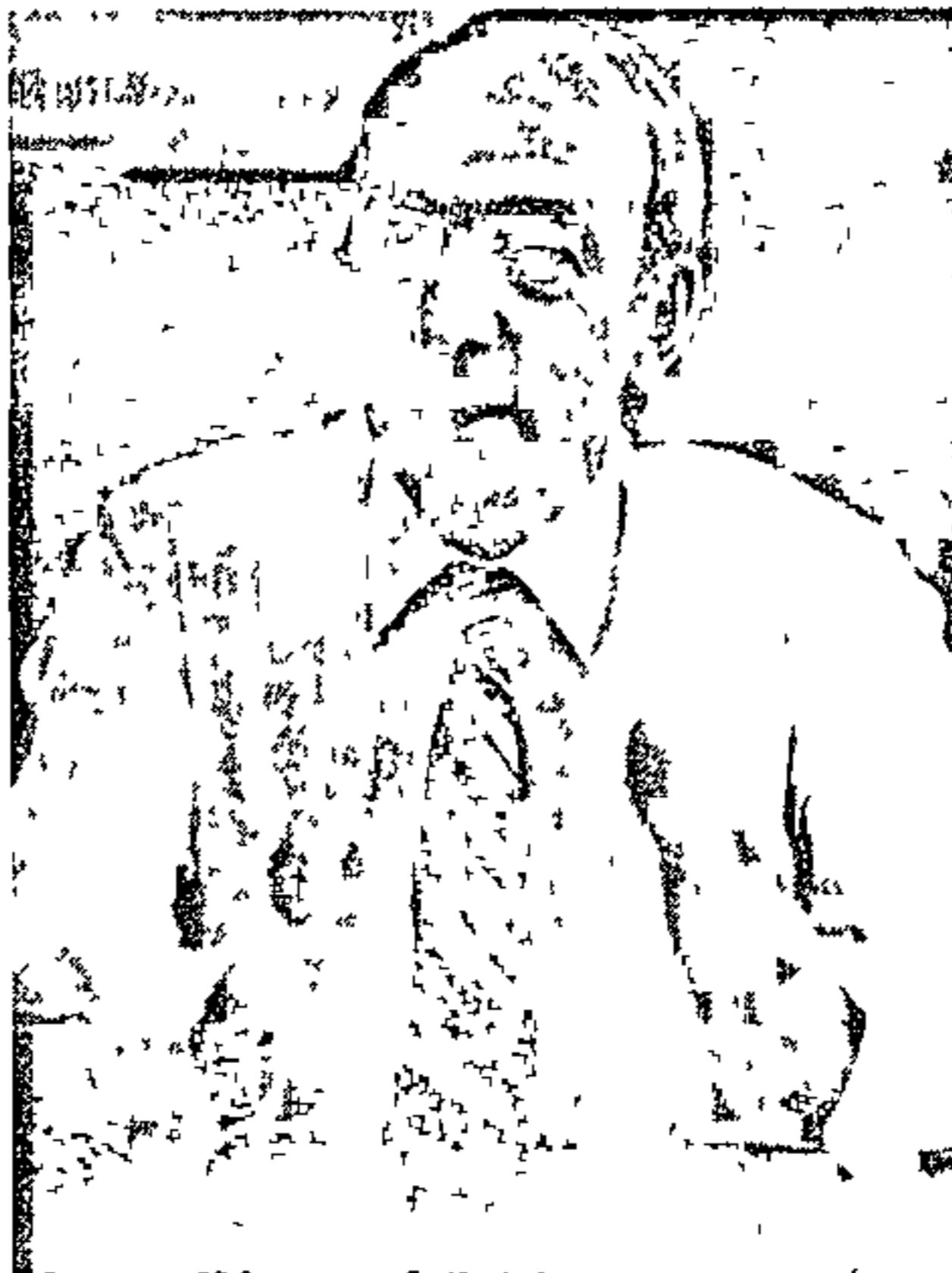
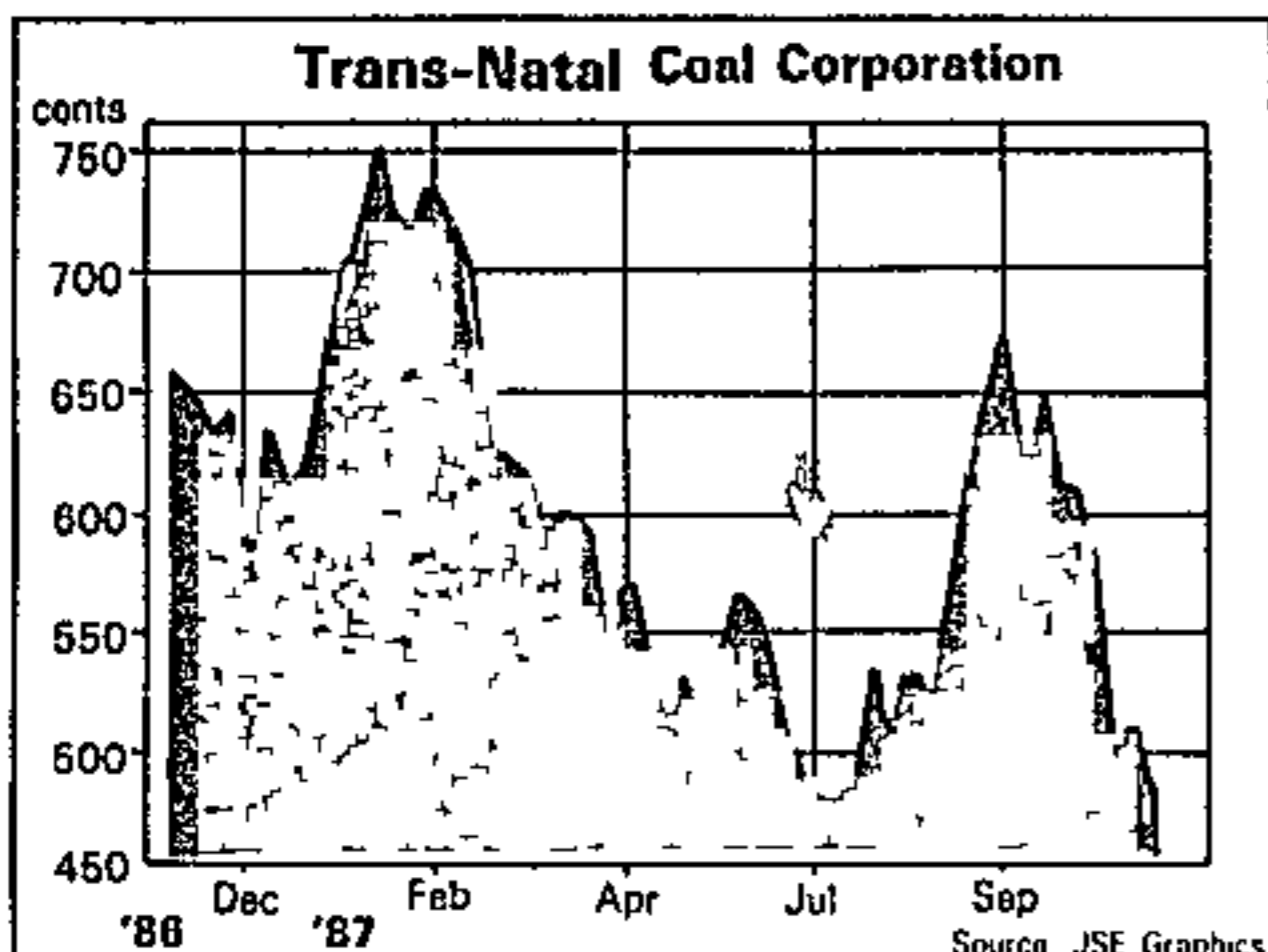
Performance:

	'84	'85	'86	'87
Turnover (Rm)	408	580	915	958
Sales (Mt)	25,5	28,7	29,3	32,2
Taxed profit (Rm)	61,8	110,7	238,8	111,0
Earnings (c)	60,9	95,7	161,2	98,0
Dividends (c)	60,0	65,0	90,0	60,0

As with other industry leaders, Amcoal and Wit Colls, Trans-Natal's coal export margins, once a significant contributor to bottom line, have thinned rapidly.

Although its exports proved so far to be relatively impervious to sanctions (last year the group did not sell to countries enforcing total embargoes) the ripple effect of a Danish and French boycott on South African coal, and the sanctions threat by EEC countries in an increasingly competitive environment forced prices down. Says chairman Steve Ellis "Spot prices fell by 30%, and South African producers were forced to accept lower prices to retain market share. This influenced Far East prices which dropped by about 20%."

At home, increased rail and harbour tariff charges, high internal inflation and a strong rand have combined to make the export market far less attractive. Ellis says current



Trans-Natal's Ellis . . . poised for an upturn

estimates suggest that total South African exports could fall to as low as 36 Mt in 1987 against 44 Mt last year

But group export sales, supported by contributions from recent acquisitions D & H and Savage & Lovemore together with a programmed increase in production at Optimum colliery, continued to grow last year — rising by 21% to 7,9 Mt (6,6 Mt). Eskom sales dropped by 5% to 18,1 Mt (19,1 Mt), but sales to the inland market, where prices have risen an average of 13% after the abolition of price control, rose by 13% to 6,2 Mt (5,9 Mt).

Overall, sales rose by 2% to 32,2 Mt (31,6 Mt)m but operating profit fell by 37% to R180,3m (R287,1m) as the impact of reduced export profits took their toll. Taxed income, at R111m (R238m), was less than half that of the 1986 figure though the dividend fell only 33% to 60c (90c).

The group seems to be worse off, particularly in comparison with cash rich Amcoal. Profits are falling just at the time when its financing costs, including amortisation of foreign exchange losses, reach peak levels. Last year, these costs reached R52,9m (R30,6m). This financial year, instalments on borrowings will increase to R74,4m (R50,1m) — analysts expect a similar sum for 1988 — just at a time when authorised capex commitments rise to R72,2m (R51,4m).

Though Ellis reckons Trans-Natal remains poised to take advantage of an upswing in the export market, that seems unlikely in the short-term. He expects worldwide production at these price levels to

be unsustainable for much longer. Presumably Optimum's favoured quality product could continue to win orders. Yet increased competitiveness in world markets seems inevitable. Columbia and China have already entered the fray and are expected to double production in the next few years, while Venezuela and Indonesia are contemplating the development of export coals.

Ellis is not specific whether production will fall this year, though manpower strength will be reduced by 10%. Higher productivity is expected as a result. But he still expects total earnings this year to fall "substantially lower than those for 1987."

The fact that the profit fall is expected to continue may well force the group to either roll over its debt or go for a rights issue. Ellis hints at such a move when he states that "opportunities to reduce the demands on cash flow in the following two years — brought about by the scheduled repayment of the major portion of its loans — are being considered."

MD Graham Thompson says there will not be a rights issue, but a debt rollover would be logical.

Trans-Natal seems to have been forced into a corner. Even though its pre-feasibility oil-from-torbanite study has proved successful, and a decision on the project will be taken early in 1989, it will cost R1 billion — yet to be raised — and could only come into production in 1992. The project could be funded as a separate exercise with outside involvement.

Dave Edwards

WITBANK COLLIERIES

Swing to Eskom

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FIM 20/11/87

Business Daily

FRIDAY, DECEMBER 4 1987

50c (45c + 5c tax)

NATAL and CAPE 80c (71c + 9c tax)

215 B/day 4/12/87

A TIME

Coal exporters hit by Sats tariff hike

SA's top coal exporters from the Witbank area to Richards Bay have been dealt a crippling blow by the doubling of railrage rates from R12 a ton to R24

Highlighting the effect of rail rate increases, Rand London, a small Natal exporter through Durban — where rail rate hikes have been in gentler stages — has reported a loss of R5,5m in the six months to September compared with a profit of R1m a year ago.

Rand London has challenged the high-

ADAM PAYNE

er Sats charges

The value to SA of coal exports is shown by the latest available figures — those for March when coal at R139,6m was second only to gold at R1,3bn

The rail rate hikes on the Richards Bay line follow an expenditure of about R2bn for doubling the line and improving harbour facilities in Natal.

The rates were held for 10 years at

about R12 a ton depending on the point of raling in the Witbank area and have been doubled because of the railway expansion at a greater rate than that wanted by the coal exporters

The exporters foresaw a tightening in export markets through over-supply and the entry of Colombia and China, and advised caution in undertaking costly rail-

➡ To Page 2

Rail rates hikes hit coal exporters

way expansion.

Nevertheless, Sats went ahead with doubling the line so creating a Catch-22 situation

The collieries are now so burdened by the extra railrage costs that their export trade is under pressure.

Export tonnages that would have justified the expansion of the railway's carrying capacity cannot be achieved under the new railrage charges.

Rand London comments with its six-monthly figures "Turnover from coal was reduced by 52,3% on a tonnage down by 48,2% This is attributable to the de-

➡ From Page 1

pressed international coal prices, the appreciation of the rand against the dollar and reduced international demand as a result of high stock levels compounded by certain seasonal demand patterns.

"Despite strong representations by the company regarding high rail and harbour tariffs, Sats charges have increased to more than 43% of coal mining operating costs. These costs, allied to the market factors, resulted in an operating loss of R2,4m compared with a profit of R3,5m in the same time last year."

Coal sanctions: 800 lose jobs

CME Trn 16 7/12 1978 215

JOHANNESBURG. — More than 800 people have lost their jobs on Rand Mines coal mines as a result of sanctions, the chairman, D T "Dammy" Watt has told shareholders in his latest annual statement.

"Regrettably, instead of encouraging reform, the sanctions campaign has resulted in a hardening of attitudes in this country, and the sufferers have mainly been the very people who were supposed to have benefited from sanctions," he says.

The Rand Mines coal division has rationalized its operations and reduced production in order to operate more effectively under the difficult trading conditions likely to persist in the export market in the short term.

Cost of railing

But SA coal producers are being severely prejudiced by the substantial increase in the cost of railing coal to Richards Bay for export, he says.

"This increase could well put certain coal producers into loss and thereby cause further reduction of jobs in this industry for 1988.

"Sanctions were initiated by Denmark, adopted to some extent by France in 1986 and thereafter applied by the USA Political sentiment in certain other countries, where no formal sanctions have been implemented, has made it extremely difficult for South African exporters to expand sales" — Sapa

Former intelligence man 'not a spy'

UK head of SA coal office has info role

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THE former British military intelligence officer who represents the South African coal industry in the UK, Robert Swain, is to visit SA early next year on a familiarisation tour

Transvaal Coal Owners Association (TCOA) MD Lesley Weiss said yesterday criticism of the appointment of the former intelligence captain to look after SA coal interests was unfounded

UK representation

"Because of his British Army connections he has been dubbed a spy in the pay of SA. That's illogical. How can that be when he has never even been to this country?"

"His knowledge of SA is obviously limited, but I understand he will be coming here early next year."

Confirming that Swain's appointment as director of the London office was made from SA, Weiss said it was vital for the industry to have representation in the UK

"We need some representation over there. This is no whitewash job. Accounts of slave labour and unsafe

MICK COLLINS

conditions on our mines are patently incorrect. We must make sure that people are made aware of this."

Rand Mines coal division deputy MD Alan Cook said Swain's appointment was not made to improve coal sales to the UK.

"Our whole objective is to counter disinformation. The amount of SA coal going into the UK is infinitely small. The people who are looking at our London office in such a hostile way should perhaps look at the offices of the Anti-Apartheid Movement or the ANC," Cook said

Monitoring

UK Labour MP Richard Caborn has called for a full inquiry into what he termed "the sanctions-busting" coal industry office in London

Caborn told The Observer newspaper at the weekend that Swain had admitted to closely monitoring the sanctions campaigns of the Anti-Apartheid Movement and the National Union of Mineworkers which he (Caborn) regarded as spying

es dominate

PRETORIA

- S. Caborn

(215) 9/12/87

SA coal shortage causes smog problem

ANKARA — Smog levels have risen in Ankara, and industry sources on Monday blamed the pollution on a shortage of South African coal for heating. Smog is an environmental and medical hazard each winter in Turkey's capital, a city of about 3 million people, set in an often windless bowl in the Anatolian heartland.

The sources said shipments of hard coal from South Africa, to supplement finer domestic coal and high-carbon lignite, had been delayed up to one month. They said the South African coal was shipped by other countries.

Many residents, with the onset of snow, are burning lignite. The government banned lignite in the city last year, which helped to curb smog, but the ban was lifted last month.

Coal shortages have forced up the price of lignite to 60 000 TL (R120) a ton from 16 000 TL (R32) before last year's ban, householders say.

Official sources said the government agreed to buy 700 000 tons of South African coal this year and initial shipments had arrived. They did not say when the next load was expected and would not comment on the size of previous shipments.

Turkey officially condemns South Africa's apartheid policy of racial segregation, but trade has expanded.

South African exports, including railway tracks, totalled R404 million last year, compared with R10 million, exports of Turkish officials say. Ankara authorities are relying heavily on the arrival of piped Soviet natural gas to cut pollution.

Sapa-Reuter

COAL EXPORTS

Another colliery cuts back

BP has withdrawn from the joint venture with Total and Trans-Natal which controls the Ermelo export colliery. The multinational has decided it can no longer sell its share of the mine's output at a profit. Its withdrawal again underlines the grim conditions facing the coal industry, and that investors buying shares such as Trans-Natal for recovery potential face a long wait.

Trans-Natal's earnings dropped 39,1% in the year to end-June while the dividend was slashed by 33,3%. Chairman Steve Ellis has forecast "substantially" lower earnings in the current financial year, and one analyst forecasts that Trans-Natal's earnings could fall to 75c this year with a further cut in the dividend to 50c.

Ermelo is an underground mine, whose operating costs are believed to be the highest of the South African export collieries. BP intends increasing production from its Middelburg open cast colliery, which is one of the cheapest producers in the industry. Ermelo's production will be cut by 40% from 3 Mt annually to 1,8 Mt annually, while the workforce is to be chopped by 55% to 970 workers from 2 135 as the mine is being put on to a single-shift operation.

A BP spokesman says the decision to get out of Ermelo resulted from the drop in dollar prices for coal, falling rand revenues because of the recovery of the rand against the US dollar and rising costs boosted by Sats' tariff hikes on the Richards Bay rail line.

Previously each of the joint venture partners individually marketed 1 Mt of Ermelo's annual production. BP will source 500 000 t of this production from its Middelburg colliery, where production is to be pushed from the 1987 level of 4,5 Mt to 5 Mt in 1988. The BP spokesman declines to say what the group would do about replacing the other 500 000 t produced from Ermelo.

He says BP will continue to seek business in line with its South African export quotas. One option could be to buy coal from another local producer.

Total is the most dependent on Ermelo's operations because it cannot replace this tonnage from other sources. The new arrangement leaves Total unaffected and it will continue to export its full 1 Mt annually from the mine.

Trans-Natal, which manages the mine, will sell about 800 000 t annually from Ermelo and will get the balance of 200 000 t from other group collieries producing Ermelo-type coal, in particular Savmore colliery near Piet Retief. Estimates are that, if it had to, Trans-Natal could draw some 400 000 t annually of Ermelo-type coal from



Trans-Natal's Ellis ... forecast lower earnings

its other producing mines.

Trans-Natal MD Graham Thompson says the two remaining partners have taken over the assets of the Ermelo joint venture and made a "small" cash settlement to BP. He says the amount will be covered by the 15% saving on working costs which the streamlined mine is expected to achieve in 1988.

Thompson says the cost of exporting from Ermelo differs for each of the three partners. In Trans-Natal's case the operation showed an accounting loss because of amortisation charges, but did not have a negative cash flow. However, he says the operation would have a negative cash flow if Trans-Natal had to pay the new September Sats rail tariffs which it had so far avoided doing.

The rationalised operations will concentrate on areas of the mine where the coal seams are thicker and give a higher yield of export quality coal after washing. Thompson says Ermelo, with the lower tonnage, will have a longer economic life than previously forecast.

Total Exploration assistant GM Derek Ive says the deal "maintains the status quo" for Total, although some industry sources reckon Total should benefit. Total is believed to have the most favourable sales contracts of the three former joint-venture members.

Meanwhile, the fight between the coal exporters and Sats over the Richards Bay rail tariffs imposed from September 1 continues, with exporters apparently making

little headway. "It looks as if Sats will only come to its senses on this issue when coal exports on the line start to dry up," a director of a major coal exporter tells me.

Brudin Ryan

TIME HOLDINGS

Time in life

For the first time in 20 years, a new life insurance licence has been granted. Time Holdings, the management and financial services group, has received the licence for its subsidiary to be called Time Life Insurance.

The obvious question is why should a life insurance licence be given to a group best known for project financing, especially in housing developments? Chairman Colin Hibbert sees some important synergies. Time's salesmen investigate the financial standing of clients before applying for a bond and, as all these clients need life insurance, it makes sense to sell the life cover at the same time, without a new company coming and repeating the investigation.

Apart from the long time since an entirely new life insurance company came into existence, Time Life breaks new ground in several other areas. It will be the first scheme providing life insurance only for bondholders, the first to be almost entirely for blacks, the first to be sold by house salesmen and the first where the signing and finalisation of documentation will be close to the homes of the black buyers.

All these advantages are expected to minimise new business strain, usually the bane of life companies. Actuarial forecasts suggest that a profit will be made in the first year — the new company will start trading on January 1 next year — and a meaningful contribution of R250 000 will be achievable by the third year of operation.

Hibbert is emphatic that Time does not intend to enter the mainstream of the life insurance business. The only business will be to insure bondholders so that the balance of the bond will be paid off in the event of death or permanent disability of the property-owner. The expense to Time will be small — shareholders' funds of R5m will have to be supplied, but most of this will come from outside sources and Hibbert says that 80% of the business will be re-insured, with re-insurers already having agreed in principle.

Hibbert is determined that Time Holdings will not try to run Time Life, but that experienced staff will be recruited. He declines to name the MD yet, but the board consists of Ron Cuthbert, Harry Lawrie, Jan Kitshoff

MINING - GOAL

1988

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Coal export crisis threat to thousands of miners

The Argus Correspondent

JOHANNESBURG — Retrenchments in coal mines threatens to push the number of jobs to be axed from 3 000 to as high as 13 000 within the next 12 months because of a multi-million-rand nosedive in exports.

The estimate was disclosed today by Mr Allen Cook, chairman of the collieries committee of the Chamber of Mines, who confirmed that sanctions alone, though only one in a list of causes of the cutbacks, had slashed exports by about nine million tons a year.

Mr Cook also blamed South African Transport Services for worsening the industry's problems with steep increases in rail tariffs on export shipments through Richards Bay.

Mr Cook said: "The industry is struggling with a host of problems. Sanctions by the United States, Denmark and France have alone cost SA exports about nine million tons a year in losses.

"Now we have Mr Arthur

Labour row

Botha's reaction was "shocking".

'Here is a case of the President playing small-time politics. After all, Mr Hendrickse is a chairman of the Ministers' Council in the House of Representatives and leader of the majority party.

Scargill, the British mine union leader, out on a campaign to try to spread sanctions to the whole of Europe.

"We wonder what explanation he will offer to his brothers of the National Union of Mineworkers in South Africa if some of them confront the realities of losing their jobs.

"South African exporters hit by sanctions are forced to seek sales on the world spot market, notorious for ridiculously low prices.

"The economic viability of several mines also comes under threat from domestic inflation, which has sent production costs soaring.

OPPORTUNITIES

"And now we have been hit by big increases in rail tariffs by Sats on shipments from the collieries to Richards Bay.

"South Africa is still a world player in international markets and there are still opportunities to be seized. We see good chances of an improvement in the near future.

"But for the moment it is feared that redundancies may have already climbed to about 3 000. And we have to face the reality that perhaps another 10 000 mineworkers will lose their jobs by the end of the year."

Provisional estimates by the Chamber of Mines indicate that coal exports tumbled from 45,4-million tons in 1986 to around 39-million tons last year.

Coal export slump puts jobs in danger

By Michael Chester

20/11/88

STAR

The toll of retrenchments in South African coal mines threatens to push the number of jobs to be axed from 3 000 to as high as 13 000 inside the next 12 months because of a multimillion-rand nosedive in exports.

The estimate was revealed today by Mr Allen Cook, chairman of the collieries committee of the Chamber of Mines, who confirmed that sanctions alone had slashed exports by about nine million tons a year.

Mr Cook also laid blame on SA Transport Services for worsening the industry's problems by recent steep increases in rail tariffs on export shipments.

Worst hit in the cutbacks so far has been Gencor's Trans-Natal Coal Corporation, whose Ermelo colliery has already retrenched 1 565 mineworkers.

The Witbank Colliery company, run by Rand Mines, has axed 550 jobs at its Welgedacht mine, and 308 jobs at Van Dyks Drift. Anglo American Coal Corporation has informed shareholders that its Landau colliery faces closure.

"The industry is struggling with a host of problems at the moment," said Mr Cook. "Sanctions by the United States, Denmark and France have alone cost South African exports about nine million tons a year in losses.

"Now we have Mr Arthur Scargill, the British mine union leader, out on a campaign to try to spread sanctions to the whole of Europe."

Mr Cook added that South African exporters hit by sanctions were forced to seek sales on the world spot market — notorious for ridiculously low prices because of an international over-supply situation.

"The economic viability of several mines also comes under threats from domestic inflation, which has sent production costs soaring.

"And now we have been hit by big increases in rail tariffs by Sats on shipments from the collieries to Richards Bay.

'WORLD PLAYER'

"South Africa is still a world player in international markets and there are still opportunities to be seized. We see good chances of an improvement in the near future."

Provisional estimates by the Chamber of Mines indicate that coal exports tumbled from 45,4 million tons in 1986 to around 39 million tons last year.

Mr Steve Ellis, chairman of Trans-Natal Coal, has warned that the total may shrink to about 36 million tons. Mr Graham Boustred, chairman of Amcoal, believes that export earnings last year may have dropped by as much as R1 300 million.

Sats also to blame' for coal slump

By Michael Chester

SA Transport Services has been warned that increases in rail tariffs on shipments from the Transvaal coalfields to Richards Bay must carry part of the blame for a downswing in coal exports that threatens thousands of jobs.

The warnings have been delivered at negotiations between coal producers and Sats, which has almost doubled rail rates in two increases in 12 months.

Pressure on Sats to cut the tariffs have been given added urgency by forecasts by the Chamber of Mines that falling exports may axe the jobs of more than one in every 10 of the 100 000 labour force in the coal industry by the end of the year.

The State President, Mr P W Botha, has ordered three Cabinet Ministers to investigate and make recommendations on a new tariff structure for the export rail line between Witbank and Richards Bay.

Mr David Rankin, managing director of Anglo American Coal Corporation, said the basic rates on rail shipments to the Richards Bay export harbour had risen by 83,6 percent in the past nine months.

A Sats spokesman said: "No comment can be made while discussions are in progress. Our executives are talking direct to the coal exporters."

● See Page 11.

Business Report

Sanctions and lower dollar hit suppliers

Export drop threatens 13 000 coal mine jobs

Cape Times 21/1/88

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JOHANNESBURG. — The toll of retrenchments in South African coal mines threatens to push the number of jobs to be axed from 3 000 to as high as 13 000 inside a year because of a multimillion-rand nosedive in exports.

This estimate was revealed yesterday by Allen Cook, chairman of the collieries committee of the Chamber of Mines, who confirmed that sanctions had slashed exports by about 9m tons a year

Hit by declining export earnings — linked to the weaker dollar — as well as by sanctions, coal mines have laid off up to 3 000 coal miners to date, according to trade unionists

The 300 000-member National Union of Mineworkers (NUM) cautioned that thousands more could be retrenched if mine owners proceed with plans to cut staff and close uneconomic pits.

“The mining houses have indicated this is only the beginning of the retrenchment,” said Marcel Golding, the NUM’s assistant general secretary

General Mining Union Corp Ltd last month laid off 1 165 miners and cut coal production by 40% at its Ermelo colliery

Last April the same mine retrenched 400 miners

The Witbank Colliery company, run by Rand Mines, has axed 550

jobs at its Welgedacht mine, and 308 jobs at Van Dyks Drift. Anglo American Coal Corp has informed shareholders that its Landau colliery faces closure

A NUMBER of opinion polls among blacks have produced varying results, but the latest, conducted last year by the Community Agency for Social Enquiry (Case), indicated majority support for punitive economic measures.

The Case survey showed 46% support for sanctions to press for the lifting of the state of emergency with another 21% wanting sanctions to remain in force until the government abdicates.

Earlier surveys claimed that blacks supported sanctions only until their own jobs were on the line.

The London-based Economist Intelligence Unit said in a report this week that sanctions were proving counter-productive.—UPI

Anglo American is also planning to close its Witbank colliery within the next few months with the probable loss of several hundred jobs

Graham Boustred, chairman of Anglo American Coal Corp, said in an annual report that the industry suffered a R1,3bn loss in foreign earnings last year

Cook, of the collieries commit-

tee, also laid blame on SA Transport Services for worsening the industry’s problems by recent steep increases in rail tariffs on export shipments

“The industry is struggling with a host of problems at the moment,” said Cook.

“Sanctions by the United States, Denmark and France have alone cost South African exports about 9m tons a year in losses.

“Now we have Arthur Scargill, the British mine union leader, out on a campaign to try to spread sanctions to the whole of Europe”

Cook added that South African exporters hit by sanctions were forced to seek sales on the world spot market — notorious for ridiculously low prices because of international over-supply

“The economic viability of several mines also comes under threats from domestic inflation, which has sent production costs soaring

“And now we have been hit by big increases in rail tariffs by Sats on shipments from the collieries to Richards Bay

“SA is still a world player in international markets and there are still opportunities to be seized We see good chances of an improvement in the near future”

Dividend threat

Activities: Has 13,76% of Witbank Collieries.
Control: Anglovaal has a 25% interest.
Chairman: R A B Wilson
Capital structure: 1,6m ords of 50c; 1,0m participating preference shares of 50c. Market capitalisation: R30m
Share market: Price 1 875c. Yields: 15,2% on dividend; 15,2% on earnings; PE ratio, 6,6, cover, 1,0. 12-month high, 2 525c; low, 1 750c. Trading volume last quarter, 13 000 shares

Financial: Year to September 30

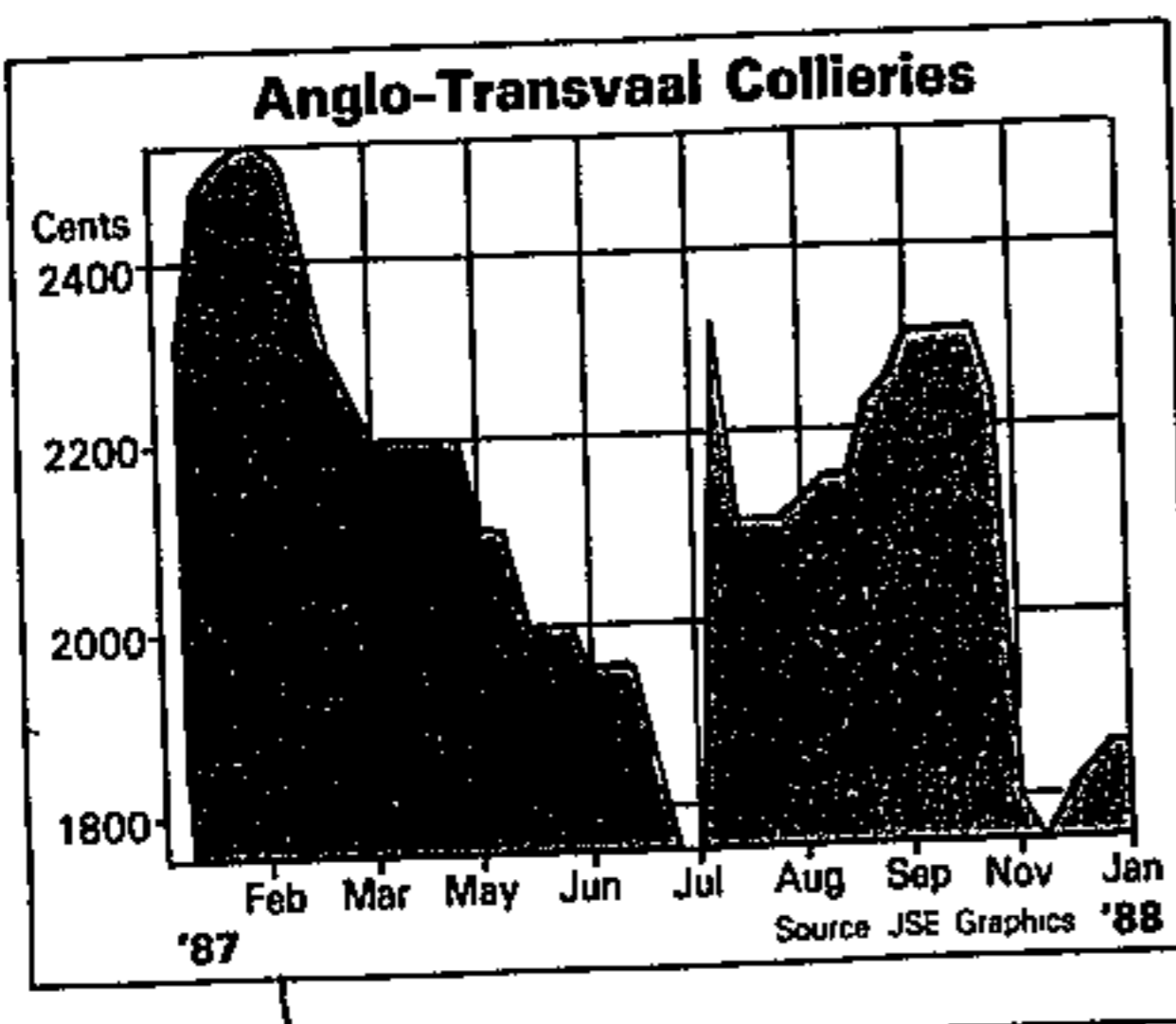
	'84	'85	'86	'87
Taxed profit (Rm)	4,3	4,4	4,8	4,7
Earnings (c)	253	258	280	285
Dividends (c)	252	257	279	285
Net worth (c)	3 707	5 291	2 497	2 060

A T Collieries' (A T Colls) outlook depends essentially on the performance of Witbank Collieries (Wit Colls), of which it owns 13,76%. With some areas still contracting, it seems too early to suggest that SA's coal industry is healing. Yet coal shares are firmly above their 12-month lows. Wit Colls is 19% up on last year's low, but A T Colls, at R18,75, has risen only 7% off its base price.

Views that A T Colls is underpriced are supported by the fact that the share usually trades at 55%-65% of Wit Colls' share price rather than the current 54%. Both shares are tightly held. A T Colls has only 1,6m shares on issue but Wit Colls, with 7,8m shares on issue, only 66 000 shares have traded in the past three months.

Wit Colls's taxed profit dived 33% in the year to end-September. Exports were cut by 21%, forcing cutbacks at Welgedacht and Van Dyk's Drift (FM November 20). This, and the potential for improved cash flow from its Eskom projects, led Wit Colls chairman Allen Sealey to conclude that the group was "better placed to operate effectively in the difficult trading environment."

Appropriations of R95m, mainly for the heavy capital expenditure programme, reversed Wit Colls' R88m profit and the group lost 83c a share. It nonetheless paid a 400c



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(215) FM 5/2/88



Wit Colls' Sealey... dividend cut possible

dividend A T Colls, whose sole income is the dividend from Wit Colls, earned 285c a share, all of which was paid out. Wit Colls has tried to protect its dividend from earnings fluctuations but Sealey warns that capital spending will rise this year.

There are also market uncertainties. International steam coal prices are rising again — by mid-January fob steam coal prices to Europe touched \$35/t against the year-ago \$24/t. But for South African producers, this rebound has been mostly offset by high local inflation and railage costs. Last year's depressed coal prices led to rationalisation and, more recently, mine closures. Analysts forecast SA's total coal exports could fall to 36 Mt this year from the peak 45 Mt.

At R18,75, A T Colls yields 15,2% on dividend against Wit Colls' 11,6% and the sector's average of 11,1%. This suggests that

this investment company's share is underpriced relative to Wit Colls' present price. But the concern is that Sealey has warned a further dividend cut could be necessary. That is why I prefer to avoid A T Colls.

Dave Edwards

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Coal industry faces oversupply problems

(SIS) (copy) CHERILYN IRETON 9/2/86

DEPRESSED world coal prices are expected to improve marginally in 1988, but the general oversupply could plague exporters for quite some time.

The International Energy Authority estimates the oversupply to be between 150 and 200-million tons, according to MB Bulletin, a new publication from the Minerals Bureau. This is roughly a full year's output from SA's collieries.

Meanwhile, MB Bulletin says coal prices must be near the bottom, and therefore should improve marginally this year.

The already saturated market will, however, have to absorb an extra 20-million tons from Columbia and China this year, together with the production from Venezuela and Indonesia, whose collieries are coming on stream.

"Competition can thus only intensify in the short to medium term, although there is understood to be customer dissatisfaction with Chinese coal not coming up to specification," says the bulletin.

However, there may be opportunities for SA's low ash coal exporters in Japan. "Despite earlier forecasts of reduced Japanese output, the latest indications are that Japan will actually increase production of the commodity, thanks to the booming construction industry. New technologies have reduced demand for hard coking coal but soft coking coal sales have increased in Japan. SA's low ash coal falls into this category."

(25)

Zimbabwe boost

Activities: Investment holding company whose principal interest is shares in Duiker
Control: W P H Investments holds 56,1% Ultimate holding company is Lonrho Plc
Chairman and MD: T A Wilkinson

Capital structure: 1,7m ords of 50c each and 2000 red prefs of 50c each Market capitalisation R39m

Share market: Price R23 Yields 4,1% on dividend, 1,4% on earnings, PE ratio, 71, cover, 0,34 12-month high, 54,50, low, R24 Trading volume last quarter, 10 000 shares.

Financial: Year to September 30

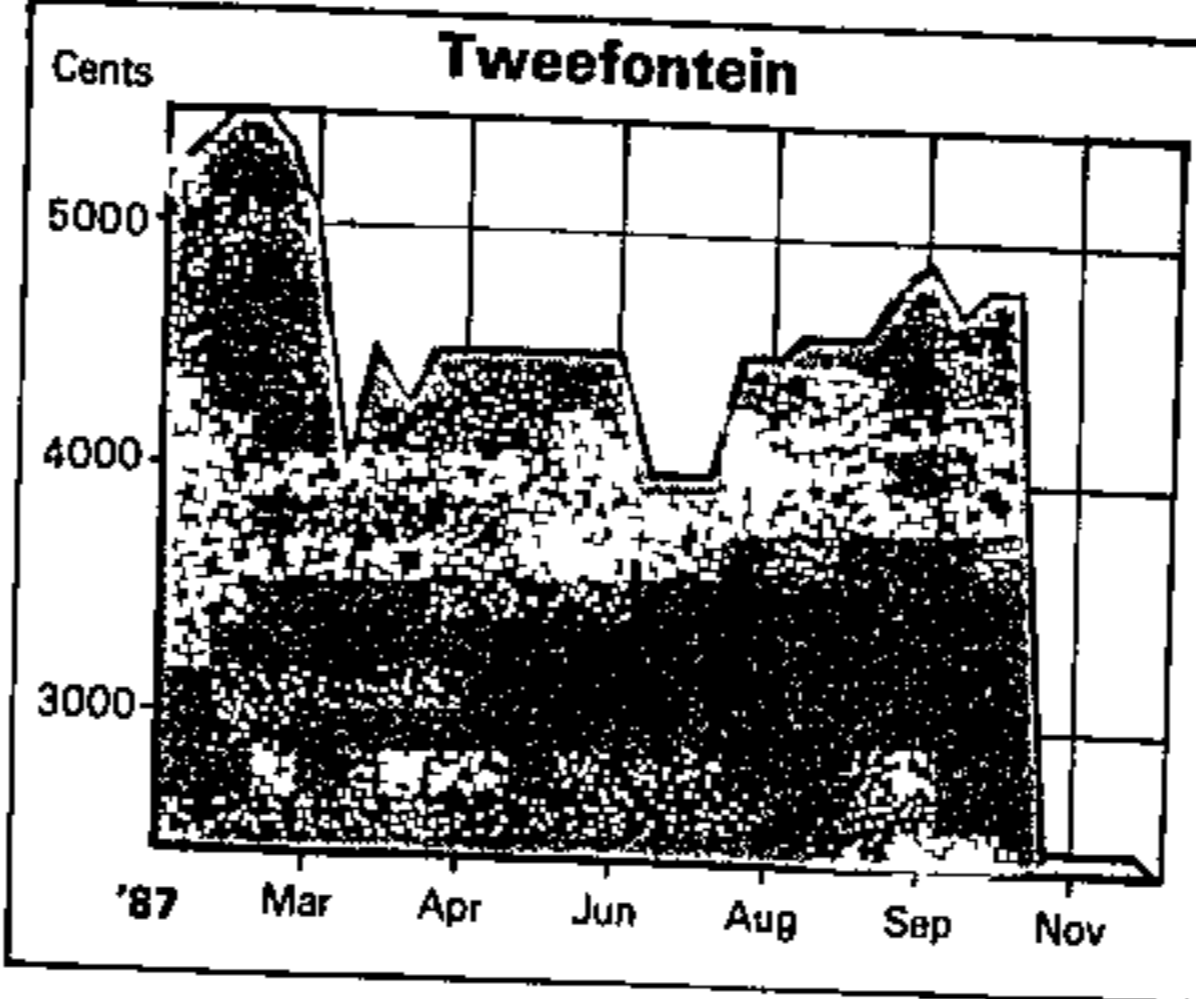
	'85	'86	'87
Taxed profit (Rm)	12,6	10,9	1,0
Earnings (c)	484	423	55
Dividends (c)	91	98	161
Net worth (c)	4 337	6 975	6 366

After the restructuring of the Lonrho group's southern African interests with effect from October 1 1986, Tweefontein's main invest-

FINANCIAL MAIL FEBRUARY 12 1988

ment is an effective 25,1% interest in Duiker Exploration. Its main source of income will in future be dividends from Duiker, which operates bituminous coal mines near Witbank, anthracite mines near Vryheid and Piet Retief and a gold mine in the Piet Retief district, it also has a 36% interest in Eastern Gold Holdings

Tweefontein holds its investment in Duiker directly and via a 62,24% interest in Coronation Syndicate, which also has other interests. In each of the next five financial years, Z\$783 000 will accrue to Coronation by way of redemptions of Zimbabwean special 4% bonds representing blocked dividends, net of withholding tax, from its former subsidiary company. The interest attributable in each amount is Z\$487 000, which will be accounted for as income in



each of the years in which they are received. This amounts to some 32,6c per ordinary Tweefontein share

In addition, last November Coronation received R950 000, representing its 25% interest in the net proceeds of the sale of a

stock of amethyst recovered in the course of legal proceedings. It received R114 000 from Lonrho Plc in respect of earlier profits and accrued interest relating to the stockpiling. The amounts total R1 064 000, of which the interest of Tweefontein's members is R662 000

Tweefontein last year paid a 161c dividend, covered only 0,34 times by earnings of 55c. At R24, the share stands on a historical dividend yield of 6,7%. However, even allowing for the non-Duiker income, it is difficult to see how this level of dividend will be maintained in view of the difficulties depressing coal profits and the need to finance expansion of the gold interests. Nor can the share be considered attractive at present, given the current weakness of equity markets

Andrew McNulty

Code	Company Name	Price	Volume
18	DISOLV	180	100
19	DAIRY AFRICA	185	200
20	DAIRY AFRICA	185	200
21	DAIRY AFRICA	185	200
22	DAIRY AFRICA	185	200
23	DAIRY AFRICA	185	200
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25	DAIRY AFRICA	185	200
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58	DAIRY AFRICA	185	200
59	DAIRY AFRICA	185	200
60	DAIRY AFRICA	185	200

Downside is done for coal counters

215
16/2/88

By Teigue Payne
Coal shares have come down so far that a further decline is unlikely — and there is a case for buying or holding counters, which are primarily directed towards domestic sales rather than exports.

This is the conclusion reached by a leading analyst, Mr Keith Bright of Frankel, Kruger Inc, in a study of the sector.
Mr Bright says most exporting collieries are doing so at a loss because of punishingly high rail tariffs. He believes that unless negotiations between SA Transport Services (Sats) and coal exporters result in a lowering of tariffs, collieries will soon begin to close or withdraw from export. This would cause great damage to the coal industry and for Sats.

PARTIAL COLLAPSE

In his study, Mr Bright assumes that negotiations will eventually be successful — although they have now been continuing for almost a year without apparent result. He says that if they fail, partial collapse of the industry may result, and then no coal share would be attractive.

He says higher shipping tariffs, likely in the future, will make export from South Africa even harder.
South Africa, which is centrally situated between Eastern and Western markets, is at an advantage when tariffs are low, as they have been recently, but not the reverse.

Another assumption Mr Bright makes about the export market is that the rand will decline against the dollar in the future. Only with this assumption could South Africa stay competitive with other major world coal exporters, whose working costs are rising much slower.

On the positive side, Mr Bright says at present most collieries around the world which export are making losses, that this situation cannot continue, and that a rise in the world price of coal is likely soon. In the longer term, most analysts believe oil prices will rise, which means energy prices generally, including coal, should rise.

Regarding competing export suppliers, Australia continues to be a limited threat in the vital Far East markets, South Africa's main targets. However, Australian producers are facing cost pressures, some have closed, and their exports are not likely to increase dramatically.

China and Columbia pose greater threats on world export markets because they are hungry for foreign exchange, and profit is not their prime motive.

Columbia has burst on to the market recently with cheap coal, which is particularly competitive in Europe. However, its reserves are limited, and big expansion from it seems unlikely.

China, by contrast, has huge reserves. It is already exporting between 15 million and 20 million tons a year (compared with South Africa's level of about 40 million tons).

Mr Bright estimates that China's exports will rise to about 60 million tons a year by the end of the century — a particular threat because it is most competitive in the Eastern markets.

Mr Bright believes sanctions have "done their worst" to the South African coal industry. Even if they are tightened, South African production could be routed via other countries.

On the domestic market, Mr Bright says, the domestic market will grow slowly, and even Eskom-sourced growth will be unexciting because newer power stations are more thermally efficient and older stations are being closed.

Sats is switching to electrification, and the major coal-using synfuels projects are now completed.

As Eskom, the biggest domestic user, buys coal on a cost-plus-margin basis, the collieries tied to its power stations have assured returns on large loads.

The JSE coal index has been declining steadily since 1986, completely contrary to the rise in the overall index (see graph). After Black Tuesday, the coal index fell far less than the overall index, before beginning a mild rally in January.

The pattern indicates that the index may be showing longer-term strengthening, especially as historic yields are now particularly high. The average earnings yield in the coal sector is now 17.5 percent, and the dividend yield is 10.5 percent. This compares with 14.9 percent and 5 percent for the diamond sector and 16.5 percent and 6.1 percent in the runnings — other sectors.

In this scenario, the question to be asked is which counters are to be most favoured.

GROWTH DIRECTION

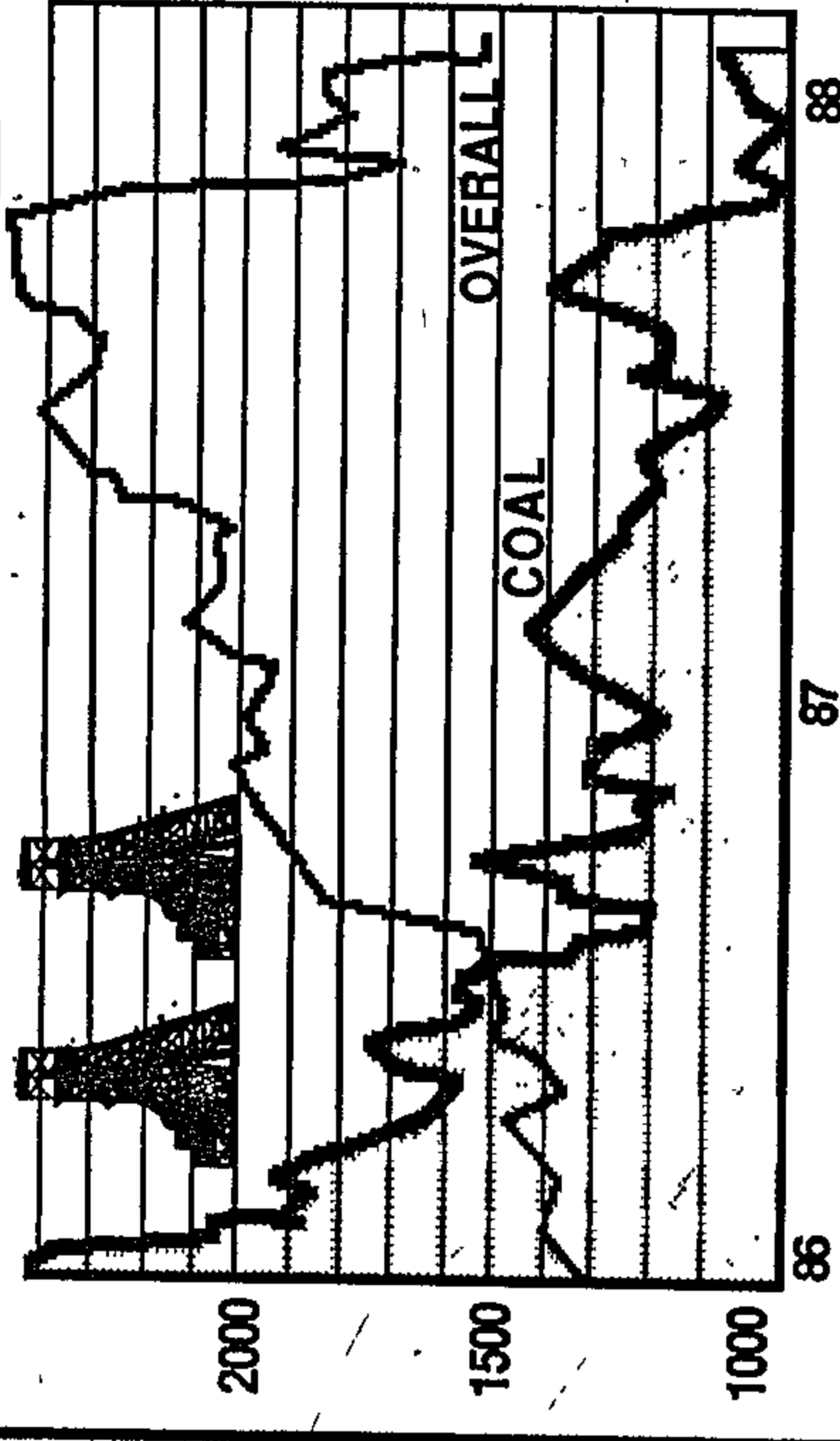
Mr Bright says that in the short term, Gold Fields Coal is favourable because of its Eskom-tied collieries. Although some of these collieries are old and will be phased out soon, this should be accompanied by compensation in the longer term, the company has no obvious growth direction.

In the medium term, Amcoal has a good base load, he says, and is well balanced between export and domestic. It is strongly linked with Eskom, and has two large new tied collieries — Letaba and Tutuka. Amcoal also has big cash reserves and can maintain its dividend for a number of years.

Mr Bright describes Witbank Collieries as "very cheap", but says it is highly exposed to exports. Trans-Natal is not a buy, he says, because it has no new Eskom stations and has large export allocations which it cannot meet.

BUSINESS

COAL INDEX VS. OVERALL INDEX



86

87

88

FRANKEL KRUGER

Spirit of optimism at AAI

By Stan Kennedy

There is a new, more vibrant atmosphere at Associated Automotive Distributors (AAD), formerly Leyland SA, in Elandsfontein, after having acted merely as a conduit for Leyland and Rover products and having little scope for using management's latent entrepreneurial skills, or even to find out what the market really wanted.

The company was a subsidiary of Rover UK, when the initiatives nearly always came from England, but the new management team, which bought the subsidiary last year, is beginning to develop an independent spirit.

Leading the company is Mr Roman Szymonowicz (35), who has spent most of his working life in the motor industry, in

cluding four years with Rover. There he was manager of overseas finance, looking after more than 30 subsidiaries in 17 countries.

Being a great admirer of Sir Michael Edwards, the man who turned Leyland around a few years ago, Mr Szymonowicz is keen to emulate him by attempting to raise the phoenix from the ashes.

For a long time before the management buyout, Leyland SA was struggling. Mr Szymonowicz says part of the reason was the bulk of its business was conducted in areas where the Rover group no longer operated.

AAD has made such a confident start that in its first six months of operation to end-December last year, it had turned the business around, and the prediction is that it

will have a R100 million turnover this year.

"I had known of the potential of the South African subsidiary and when the British Government started privatising companies in which it had a stake — Rover was one of them — the local management and I decided to buy the South African operation." Is there a sound future for AAD in a country that is going through difficulties and one in which there are highly competitive trading conditions?

"I would not be here if I did not have total confidence in the future of the business.

"We have built up a strategy for the future so that we can become masters of our own destiny. That means we have no one in the UK telling

what we must or must not do

"Of course, we don't have that direct support and a bottomless pit of money to bale us out of difficulties."

The business is already becoming significantly more customer-oriented. In the past, the balance of business was incorrect and it was essentially a vehicle assembler and a seller of overseas products.

Part of the new strategy is that service and parts will become more of a key element in the business. The company will look to what the customer wants and try to provide it.

It sees itself becoming a specialist vehicle assembler. New bus products are expected soon from its factory at Blackheath in the Cape. The

DUIKER

Gold play

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Activities: Operates bituminous coal mines near Witbank, anthracite coal mines near Vryheid and Piet Retief, and a gold mine in the Piet Retief district. Holds 36% interest in Eastern Gold Holdings, which is administered by Anglo American and owns 85% in a new gold mine being established by Freegold. Also has a 25% interest in quarrying operations near Richards Bay

Control: Ultimate holding company is Lonrho PLC WPH Investments owns 44,69%, Tweefontein United has 22,57% and Witbank Consolidated has 11,91%

Chairman and MD: T A Wilkinson

Capital structure: 14,2m ords of 35c each
Market capitalisation R178m

Share market: Price. 1 250c Yields 2,4% on dividend; 2,5% on earnings, PE ratio, 40,8, cover, 1,0 12-month high, R32, low, R12 Trading volume last quarter, 28 000 shares.

Financial: Year to September 30

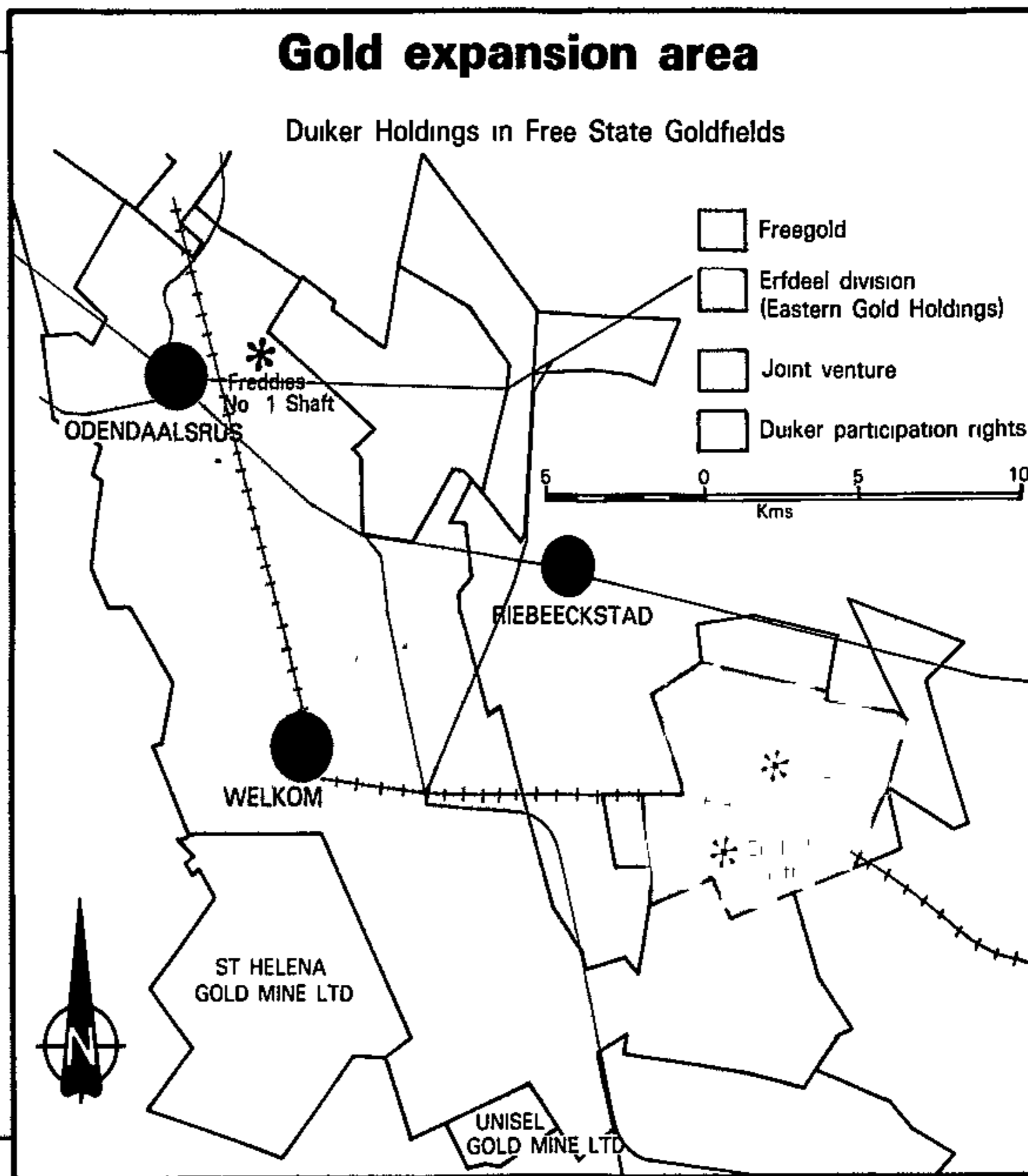
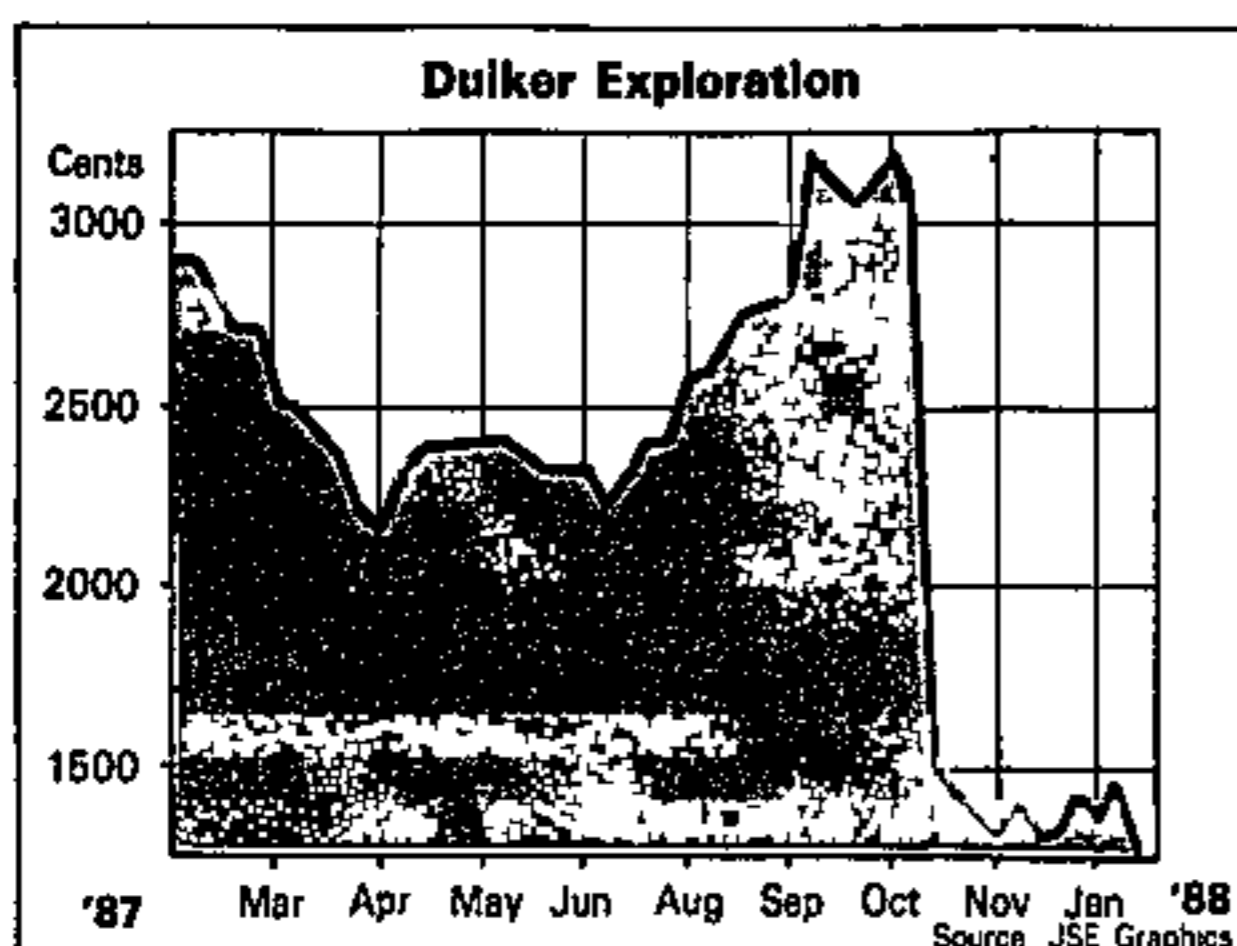
Performance:

	'85	'86	'87
Turnover (Rm)	97,7	110,3	88,8
Taxed profit (Rm)	16,7	14,3	4,3
Earnings (c)	118,6	100,8	30,6
Dividends (c)	48	48	30
Net worth (c)	670	734	734

For Duiker, the past year saw shrinking coal income — at this stage still the major contributor to group profits — accompanied by rising potential for future profits from gold mining. The immediate effect was that earnings slumped for the second year since the peak levels of 1985 and this time the dividend, maintained the previous year at 48c, was cut by 37,5%. Cover was reduced from 2,1 to 1,0 times.

Although sales volumes of bituminous coal rose from 2,6 Mt to 2,8 Mt, income before amortisation and tax fell from R20m to R7,5m, reflecting a substantial drop in earnings from Transvaal Coal Owners' Association exports and the effects of stacking large tonnages of duff on the mines. Higher exports of bituminous coal meant a greater squeeze on margins.

Anthracite operations, where the previous pre-amortisation income of R4m in 1986



swung to a loss of R5,9m, were hurt by a 16% drop in sales and lower rand prices following weaker dollar prices and the firmer rand. Spiralling inflation and railage costs added to the squeeze.

Gold production at Klipwal rose from 191 kg to 201 kg and income before amortisation climbed from R1,6m to R1,9m. Asbestos mining operations were suspended owing to continued poor demand for Cape Blue asbestos, with large stocks in the marketplace.

Chairman and MD Terence Wilkinson offers little prospect of short-term improvement. He says every indication is that the coming year will be at least as difficult as the last and he adds that serious consideration is being given to curtailing certain of the company's coal operations by eliminating, or at least reducing the scale of loss-making operations.

However, he adds that the longer-term future of the company in relation to its gold interests has never looked brighter. Duiker's 36% interest in Eastern Gold Holdings has become more important with the start of production at Eastern Gold's Erfdeel, whose output is expected to increase markedly over

the next few years. Output, produced entirely in the September quarter, totalled 146 kg of gold, resulting in a working income of R700 000.

According to the Freegold annual report, a favourable financial position enabled work at the F S No 5 (Duiker) shaft system to be advanced and the commissioning date of 1991 is likely to be met. Design capacity of the mine when both shafts are fully operational is 225 000 t milled per month.

In addition, an extensive diamond drilling programme is in progress on the area held by the new OFS joint venture with Freegold and Anglo American, of which Duiker's share is 25,8%. The 3 026 ha area is contiguous to Freegold's northern division. Wilkinson says that drilling results to date augur well for the longer term; of five diamond drill holes sunk, two have intersected Basal reef, with encouraging results.

However, development of these gold interests has to be funded. Duiker's loan to Easthold last year increased by R9,09m to R51,08m and additional loans for this year are estimated at R4,93m. At year-end, Duiker had interest-bearing loans amounting to R23,03m (nil). Wilkinson says that

Border boosts coal firm dividend 250pc

D/D 25/2/85
(215)

by Matthew Moonieya
business editor

EAST LONDON — The acquisition of East London and Border Coal, as well as Bisho Coal, has enabled Macphail Holdings Ltd to increase its total dividend for the year by 250 per cent

The company, which distributes and markets coal nationally, is paying 1,75c an ordinary share, according to the results released yesterday. Last year the dividend was 0,5c

The directors says all divisions of the group have contributed strongly

Turnover is up almost 18 per cent from last year at R67,5 million but the operating profit is almost 250 per cent higher, at almost R2,8 million than for the comparative period

Income attributable to ordinary shareholders is R1,8 million before deduction of an extraordi-

nary loss of R0,30 million which resulted in the main to the write off of goodwill and losses in share dealing

The company's new chief executive, Mr Sidney Weintroub, formerly managing director of the wholly-owned subsidiary, East London and Border Coal, said the group had retained a high level of liquidity, not only to complement its strategic policy of increasing its stock levels, which allows it to respond rapidly to fluctuating and urgent demands

"It also enables the group to continue to seek opportunities for expansion in the area of coal distribution while looking to expand its operations in other fields of distribution," he said

He said the substantial improvements were largely due to the continuing commitment of a highly motivated management team and the

support which they enjoyed from their staff

Income taxation this year is R1,8 million (1986 R0,72 million). The ratio of interest bearing debt to total shareholders' funds has been reduced to 3,4 per cent from 4,8 per cent of the previous financial year.

The directors said the group should experience further positive growth during the next financial year. The increase in taxation is ascribed to the full utilisation of assessed losses carried forward from the previous financial year

The price earning ratio of 6,4 compares with the industrial holding sectors prevailing one of 9,1. The dividend yield of 7 per cent compares with the industrial sector average of 4,1 per cent and the industrial holding sector's of 4,3 per cent

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LONDON — South Africa's coal exports to Europe are coming under a renewed threat of sanctions in the wake of Pretoria's clampdown on extra-parliamentary activity.

This has emerged after Anti-Apartheid Movement president Archbishop Trevor Huddleston and general secretary

SA's coal exports under new threat

Sowetan Foreign News Service

of Britain's Trades Unions Congress, Norman Willis, called on the foreign secretary Sir Geoffrey Howe

Unionists, activists and opposition politicians are pressing the Thatcher government to take a tougher line with Pretoria. They say the action taken against the UDF, Cosatu and other groups is proof that

"appeasement" is failing to persuade President P W Botha to change

Tougher

They believe the time has come for a tougher approach in the form of

sanctions. In particular, Archbishop Huddleston and Mr Willis sought clarification from Sir Geoffrey of Britain's position and an EEC coal ban.

Proposals for sanctions The foreign office said he made clear Britain's belief that sanctions would be ineffective, but acknowledged that Britain would not go against a coal ban within the EEC if there was

consensus on imposing one. In the past West Germany and Portugal have opposed a coal ban. The EEC makes policy on the basis of consensus, rather than a majority vote. If it is not clear if Portugal and Germany are now prepared to abandon their opposition to a coal ban

Iscor to spend R250m on coal mine project

215 SIT 6/3/88

ISCOR will spend R250-million on expansion of its Tshikondeni coal mine on the border of the Kruger National Park and Venda.

The project, which will start in the middle of this year, will involve construction of a 123km rail link between the mine and the Messina line near Hunteleigh in the Northern Transvaal

The mine is north of Punda Maria in the Kruger National Park near the Zimbabwe border

The mine was established as an experimental operation in 1983 to obtain information about underground conditions. This was necessary because of the many faults in the area and the sloping nature of the coal seam

Blast furnaces

Additional tests were made to establish whether the coking coal from Tshikondeni could be successfully blended with other types for use in Iscor's blast furnaces

The studies were so successful that the original production rate of 1 000 tons a week was lifted to 2 000,

By Don Robertson

to 3 000 and finally to 4 000. However, with the present infrastructure, production increases could not be achieved

The project will include construction of a beneficiation plant, additional shafts, the purchase of equipment, construction of the rail link and development of residential areas and sports facilities

The project will be financed partly by Iscor. The rail line will be funded through loans from the Development Bank of Southern Africa

Grootegeluk

When at full production in 1991, the mine will employ 900 people

Because the mine is close to the game reserve, Iscor says it has ensured that the environment will be disturbed as little as possible

An environmental study was conducted by consultants as well as the corporation's specialists. Development will comply with their recommendations

Iscor has established an environmental council. Habitat rehabilitation plans for nine of the 10 Iscor

mines have been completed and six of them have been approved by the chief inspector of mines. The plans for Tshikondeni and Glen Douglas are under consideration

Iscor, likely to be one of the first Government operations to be privatised, used 5,2-million tons of coking coal last year. A total of 1,2-million tons were bought from outside sources.

Most of Iscor's coal needs are supplied by the giant Grootegeluk mine which is being expanded at a cost of R438-million to lift output from 4-million tons a year to 12-million. The additional coal will be supplied to Eskom's Matimba power station

The upgrading of Tshikondeni mine is part of Iscor's continuing exploration programme

A deposit which may be suitable as a source of direct-reduction and Corex coal is being examined in the Eastern Transvaal, and an anthracite deposit in Kangwane is also being looked at. Full-scale tests with this anthracite in the direct-reduction process are planned

There are fears, however, that Iscor could end with considerable spare capacity

Sanctions have severely hit steel exports and domestic demand has

fallen

Last year, Iscor sold 5,4-million tons of steel. However, domestic demand fell by 1% because of declines in plate and sheet metal (9%), rail transport equipment (50%), industrial, mining and construction equipment, motor vehicles (18%) and construction (14%)

These declines were countered by improved demand from the iron and steel industries (2%), metal pipe and fittings (10%), container manufacture (16%) and the canning industry (16%)

Export prospects

In the current year, Iscor can expect a modest improvement in SA demand because of the Mossel Bay gas project. Iscor will supply about 60 000 tons of specialised steels for the offshore platform

Although the numbers are small, production of this speciality steel will make Iscor one of only six producers in the world with this technology. It could lead to export orders

Negotiations are taking place with SA vehicle manufacturers for the supply of up to 26 000 tons of galvanised steel which has previously been imported from Germany and Japan

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INVESTMENT

'Coal shares appear to have bottomed'

From TEIGUE PAYNE

JOHANNESBURG — Coal shares appear to have bottomed, and are entering falling wedge formation, and no major rise or fall in the coal index is expected in the next six months, according to a leading analyst

Mr Keith Bright of brokers Frankel Kruger Vinderne told the South African Coal Processing Society recently that technically, when the index line reached the end of the falling wedge, it should break out either up or down

This meant there was little likelihood that the index would make any major move, either up or down, until about year-end, when the end of the formation would be reached

UNCERTAINTIES

On fundamentals, he said, there were too many uncertainties to predict whether the index would move sharply either way

Last year, 17-million coal shares were traded on the JSE, a tiny fraction of the total volume of 3,1-billion shares

However, the value of the shares traded was more significant — R145-million, or one percent, of a total turnover of R19,4-billion This compared with 62 percent by value turn-

over of gold shares

While gold shares thus dominated the market, coal shares dominated the non-gold mining shares

The coal index performed well in the late 1970s It fared badly in the early 1980s, but then rose rapidly between 1984 and 1986. Thereafter, it entered the current "total" bear trend

He said coal shares had underperformed gold shares in the past two years However, he believed the coal sector had now bottomed out and found support at a long-term support level slightly above 1000 point on the index

DIVIDEND YIELDS

He said meanwhile, the gold index had continued to decline, and there had been a significant percentage rise of the coal index against the all gold index

Mr Bright said earning yields in the coal sector now averaged about 18 percent, and historic dividend yields about 9 percent

This dividend yield was significantly better than that of the gold board, and better than most other minings. Copper — Palamin — was probably the only sector outperforming coals in this regard

SAP captain says he was warned of phone tapping

JOHANNESBURG — "The investigating team were after my blood. They wanted the big fish," the former head of the East Rand murder and robbery squad, Captain Jack la Grange, said in the Supreme Court yesterday.

Captain La Grange said he gained the impression Lieutenant-Colonel Karel Britz, head of the team investigating the murders of Mr Bennie Alex Ogle, Mr Dennis Godfrey Pillay and the attempted murder of Mr Ernest Molokoane, was being sly in his approach to the case.

"I was suspicious of the police. A technician had established they were tapping my home telephone as well as my legal representative's telephone.

"I also suspected they had eavesdropped on a consultation I had with my legal team after my arrest," said Captain La Grange.

"That is why I decided to shave my moustache off before attending an identification parade," he said.

Captain La Grange, 40,

and Det-Sgt Robert Edmundt van der Merwe, 30, of the Brixton murder and robbery squad, are appearing on charges of murdering Mr Ogle, an import-export agent of Ennerdale, and Mr Peter Godfrey Pillay, a taxi owner of Eldorado Park, and the attempted murder of Mr Ernest Molokoane, a building contractor from Soweto.

They have both pleaded not guilty to the charges.

Earlier in the trial, Sergeant van der Merwe, who confessed to the killing of the two men and shooting of Mr Molokoane, said Captain La Grange asked him to eliminate them in a clandestine operation because they were ANC men, drug dealers and supplied arms to robbers.

Captain La Grange told him the instructions were from head office.

He had shot the men because he believed it was in the interests of the country.

Captain La Grange said he was arrested while on holiday in Mar-

gate on December 9 in connection with the attempted murder of Mr Molokoane.

Early in November he received an anonymous telephone call in Benoni in which somebody who claimed to be a policeman told him to be careful because his telephone at home was being bugged.

"Major Oosthuizen of Soweto listens to the telephone tapes of your conversations daily.

"Head office are investigating allegations that you were involved in the murder of Mr Ogle and Mr Pillay and the shooting of Mr Molokoane.

"Colonel Engelbrecht, your former commanding officer and Brig Basie Smit of head office are handling the matter," the anonymous caller told him.

"I telephoned Colonel Engelbrecht and told him my phone was tapped and about stories going around that police were investigating my involvement with Mr Pillay.

Colonel Engelbrecht appeared taken aback

but said he knew nothing about this.

"Nothing further happened until I was arrested while on holiday in Margate and flown to Johannesburg.

"I made no comment when Colonel Britz showed me thick files on Mr Ogle, Mr Molokoane and Mr Pillay."

Colonel Britz told him he fitted the description Mr Molokoane gave — a dark man with a moustache — and said Mr Molokoane would point him out at an identification parade.

Captain La Grange decided to shave his moustache off because he believed Mr Molokoane should be able to identify him with or without his moustache.

"I did not trust Colonel Britz. Also, the police would not be able to tell Mr Molokoane to point out the man with the moustache."

Mr Molokoane pointed out a Sergeant Classens at the identification parade.

"I was not pointed out," said Captain La Grange — Sapa.

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D/D 22/3/88

ANXIETY OVER COAL PRICES

PRICES attached to Japanese contracts with SA coal producers — potentially worth about R500m — remain unsettled after a high-powered delegation of SA coal executives returned from negotiations in Japan last week, say sources.

The delegates — including Transvaal Coal Owners' Association MD Les Weiss — are due to return to Japan before April to conclude the price negotiations, which could have a profound effect on the SA coal industry.

Japanese demand accounted for 18% of SA coal exports in 1986, and the imposition of sanctions by the US, France and Denmark has emphasised the importance of this market.

Growing international criticism of Japan's role as SA's foremost trading partner has nurtured fears that the SA coal industry will be damaged further by a reduction in Japanese coal imports from SA.

However, Business Day's correspondent in Tokyo reports that the Japan-

ese Foreign Ministry has met strong opposition from the Ministry of International Trade and Industry (Miti) over its proposal that Miti reduce trade with SA by 10%.

As SA is regarded as an important competitive element in the Far Eastern coal market, some analysts say it is unlikely that Japan will abandon SA coal supplies completely.

The importance of negotiating good prices with Japanese consumers was highlighted by claims last week that Gencor's Trans-Natal and Amcoal have agreed to supply steam coal to Italian electricity utility Enel at only \$25,90 a ton — a price described as "disasterous" by one analyst.

A cut-throat price-war after the imposition of sanctions sent SA coal prices into a downward spiral.

Analysts say the industry needs to present the world markets with a united front to achieve better prices.

REINIE BOOYSEN

Coal industry men to visit UK

(215) SMC The Star Bureau 5/4/88

LONDON — Representatives from the South African coal industry will visit Britain later this month as part of an attempt to have sanctions against the industry withdrawn.

South African coal, which can be produced more cheaply than British coal, has never captured a large slice of the market because of political opposition and the relationship between the Central Electricity Generating Board and British Coal.

However, a privatised electricity industry is likely to consider buying South African coal if prices and delivery schedules are attractive.

There has been speculation that South African coal interests could invest in the British electricity industry.

The delegation follows a visit to South Africa by four MPs — Sir Ian Lloyd, the chairman of the Commons Energy Select Committee, Mr Michael Brown, a member of the committee, Mr David Mudd and Mr Neil Hamilton.

They claim the South African coal industry should not have sanctions applied by Britain or the European Community.

They also feel it should be supported in its opposition to the discriminatory legislation enforced by the South African Government.

The delegation from South Africa represents the South African Coal Industry Group, which is separate from the Chamber of Mines and the Government.

The delegates will include Mr Allen Cook, the chairman of Rand Mines, Mr David Rogans of Anglo-American, Mr Bernard Holtzhausen of Gencor, and Mr Mike Hawarden, of Johannesburg Consolidated Investments.

Reports of SA coal plan denied

LONDON — The SA coal industry's office has angrily rejected reports that SA producers are planning to buy into Britain's electricity industry when it is privatised.

The London Daily Mail reported yesterday that SA businessmen were planning to buy into the electricity industry in a bid to secure an assured market for

MIKE ROBERTSON

coal exports

The report noted SA exported just 500 000 tons of coal to the UK, as opposed to the 103-million tons produced locally

● To Page 2

B/day 7

88

No plan for SA to buy into UK electricity

and total imports of 10.75-million tons.

"Since the privatisation plan for electricity was announced, the South Africans have been secretly drawing up a strategy to get in on the act, turning Britain into a key overseas market for its coal," the Daily Mail said.

"Because of the secrecy shrouding the entire operation, it is not known what form any SA interests will take, whether they will involve the buy-out of generating and distribution installations or simply take the form of a shareholding in some of the privatised set-ups," the report continued.

Robert Swain, director of the office of the SA Coal Industry, said the report was a complete fabrication.

He agreed the privatisation of British electricity — which will result in individual power stations being able to import coal from the cheapest source rather than being locked into contracts to buy British coal — did represent an opportunity for SA coal exporters to increase their market share.

But, the suggestion that they would try to achieve this by buying into the privatised electricity companies was completely devoid of truth.

Swain said he had written to the Daily Mail rejecting its claims and also com-

← ● From Page 1

plaining about its attempt to link the SA coal industry with the SA government.

Swain said a planned visit by coal industry chiefs to Britain later this month was chiefly concerned with opposing any moves to impose sanctions on SA coal.

Swain also denied that a recent trip to SA by a group of Conservative MPs was linked to the claimed secret plan to buy into British electricity.

The MPs, he said, had gone to SA to see for themselves conditions in the mines and to see what the effect of sanctions against SA coal would be.

A report issued by the MPs — Energy Select Committee chairman Sir Ian Lloyd, Neil Hamilton, Michael Brown and David Mudd — concluded that "Sanctions against the SA coal industry should not be applied by the British government and should be vigorously opposed in the European Communities, the industry should be supported in its opposition to the remaining discriminatory legislation maintained in place by the SA government, the industry's non-discriminatory employment practices should be recognised and supported"

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SA coal denies UK link

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Daily Dispatch
Correspondent

LONDON — The Office of the South African Coal Industry has rejected reports that South African producers are planning to buy into Britain's electricity industry when it is privatised.

A London newspaper reported yesterday that South African businessmen were planning to buy into the electricity industry in a bid to secure themselves an assured market for coal exports.

The director of the Office of the South African Coal Industry, Mr Robert Swain, said the newspaper report was complete fabrication.

He agreed that the privatisation of British electricity — which will result in individual power stations being able to import coal from the cheapest source rather than being locked into contracts to buy British coal — did represent an opportunity for South African coal exporters to increase their market share.

However, he said the suggestion that they would try and achieve this by buying into the privatised electricity companies was untrue.

The article freely interchanged the South African coal industry with phrases like "the apartheid regime" or the "Pretoria regime".

Mr Swain stressed that the South African coal industry operated in the free market and was in the forefront of opposing apartheid.

A planned visit by coal industry chiefs to Britain later this month was concerned with opposing any moves to impose sanctions on South African coal, he said.

He also denied that a recent trip to South Africa by a group of British Conservative MPs was linked to any secret plan to buy into British electricity.

The MPs had come to the country to investigate the conditions in the South African coal industry, he said.

11/4/84

SA coal will flood Britain after privatisation of electricity — MP

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LONDON — Cheap South African coal will flood into Britain once electricity is privatised, Britain's shadow energy secretary, Mr John Prescott, claimed at the weekend

Labour MP, Mr Prescott, was commenting on reports here of an impending visit to Britain by a party of South African coal chiefs later this month

In a meeting at Ruge-

ley in Staffordshire Mr Prescott said "Morally, politically and economically, it is unacceptable for our electricity industry to be dependent on apartheid coal"

The South African group will explore the possibility of an increased market for their coal in the wake of the impending privatisation of British electricity

The party will include the Rand Mines chair-

man, Mr Allen Cook, Mr David Rogans of Anglo America, Mr Bernard Holtshousen of Gencor and Mr Mike Hawarden of Johannesburg Consolidated Investments

No official sanctions apply to South African coal imports at present but figures have fallen sharply in recent years

This was due to political pressure, Common Market subsidies for European Economic

Community coal and preferential treatment for British coal by the Central Electricity Generating Board

Once British electricity is privatised, however, individual electricity producers will have more freedom in selecting their own suppliers

Mr Prescott is at present embattled in a bid to wrest deputy leadership of his party from Mr Roy Hattersley — DDC

Report claims aid in evading sanctions

Dutch 'assisting SA coal exports'

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(S)

B/dcm
18/4/88

LONDON — The Netherlands has been accused of helping SA evade the sanctions blockade by re-distributing SA coal shipments as Dutch coal.

The Observer newspaper reported yesterday coal shipped from SA was being off-loaded at Dutch ports, from where it went to European customers as Dutch coal — even though the Netherlands stopped producing coal 20 years ago.

The report said "Faced by anti-apartheid pressure to cut SA coal imports, coal traders in Britain, along with those in West Germany, France and Italy, have sought to maintain their supplies of cheap steam coal by imports of (this) 'Dutch Coal'."

The newspaper quotes 1986 statistics, in which SA recorded British sales of 300 000 ton, whereas the UK admitted only to 100 000 tons.

During the same time, the Dutch Bureau of Statistics listed some 1,1-

Own Correspondent

million tons of SA coal being transhipped to Britain via Dutch ports

"Imports of what is officially classified as Dutch coal account largely for the discrepancy."

The coal allegedly arrived in Britain in two ways

□ As re-exports of a "Dutch blend", a relatively inexpensive mix of SA and Chinese coal — the two cheapest sources in the world — which had an altered kilojoule content to disguise its origin. This was reissued with papers which replaced SA with the Netherlands as country of origin.

□ Or as transhipments not officially imported into the Netherlands. This method involved reloading coal from bulk carriers at Rotterdam's deep-water port onto smaller vessels which then went on to other European ports, apparently again passing the cargo off as from the Netherlands.

Both imports and transhipments of SA coal to the Dutch had risen in response to the demand for non-SA coal within the EC.

SA coal imports by the Netherlands rose from 200 000 tons in 1982 to nearly 2-million tons last year, while transhipments via Dutch ports had trebled from 1982's figure of 2,2-million tons

"The Dutch government ignores the problem by condoning the secrecy surrounding coal shipments. Port authorities no longer report calls to SA by bulk carriers, and shipowners instruct their masters not to state SA as the destination or previous port of call. Shipping industry publications, such as Lloyd's List, therefore no longer show calls to SA by coal-loading ships," the newspaper said

It named oil companies Shell, BP and Total as the owners or charterers of most of the ships.

Dutch helping to bust sanctions — claim

AMSTERDAM. — The polished anti-apartheid image of the Netherlands has been tarnished by evidence that it is helping Britain and its European Community partners to break coal sanctions which have denied South Africa access to a third of its traditional markets.

It has been claimed that coal shipped from South Africa is unloaded at Dutch ports from where it is distributed within Europe as "Dutch coal" — even though the Netherlands stopped producing coal 20 years ago.

Faced by anti-apartheid pressure to cut South African coal imports, coal traders in Britain, with those

in West Germany, France and Italy, are reported to have sought to maintain their supplies of cheap steam coal by increasing imports of "Dutch coal".

In 1986, for example, Pretoria recorded British sales of 300 000 tons, while Britain admitted to 100 000 tons. Records at the Dutch Bureau of Statistics, however, indicate that in 1986 about 1.1-million tons of South African coal were transhipped to Britain through Dutch ports.

Imports of what is officially classified as Dutch coal account largely for the discrepancies.

The coal is believed to be sent to Britain in two ways: as re-exports of a "Dutch blend" and as tranship-

ments, not officially imported into the Netherlands.

The "Dutch blend", a relatively cheap mixture of South African and Chinese coal, has an altered calorific value which disguises its origins while keeping the cost low.

The coal is mixed in bunkers at Dutch ports, where it is reloaded on to other vessels. The re-exported coal is accompanied by reissued papers which omit the South African label by stating "the Netherlands" as the country of origin.

Increased handling

In spite of calls by the Dutch Foreign Minister, Hans van den Broek, for more pressure on South Africa, the Dutch last year increased their handling of South African coal while most other European countries reduced theirs.

South African coal imports in the Netherlands rose from 200 000 tons in 1982 to almost 2-million tons last year.

Most of the ships used are owned or chartered by Shell, BP and Total Shell Nederland and Shell Tankers (UK) play a key role in the transshipment of coal from the Richard's Bay terminal in Natal through Rotterdam. — Observer News Service

17 nations at conference on mining

International call for boycott of coal from SA

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B/day
25/4/88

GENEVA — Coal-miners, industrial and governmental representatives from 17 nations have called for safer mining conditions and a total boycott of SA coal.

In a communique issued after a seven-day meeting under the International Labour Organisation (ILO) at the weekend, the 100 delegates said the coal mining industry's future depended on workers' ability to cope with new technology and fluctuating market conditions.

"Better training and skill upgrading make for safer, better and ultimately more productive workplaces," it said.

Improved safety and health at work should receive high priority from governments, employers and workers.

In a resolution delegates expressed "unqualified support to the SA miners' struggle against apartheid, inviting the ILO governing body to use all means available to ensure the total and effective boycott of SA coal".

SA is the world's third largest coal exporter after Australia and the US, despite import blockades imposed by several nations in 1985 — Denmark,

France, Norway, Sweden and the US.

SA withdrew in 1986 from the UN labour agency, which seeks to promote social justice and improve workers' conditions.

Arthur Scargill, who led British miners in a 1984/85 strike and is president of Britain's National Union of Mine Workers (NUM), was elected miners' spokesman at the ILO meeting, the first since 1982.

An ILO report submitted to the talks said the coal mining industry was grappling with estimated world reserves of black and brown coal of about 10 000 billion metric tons — enough for several thousand years at current rates of consumption.

The study warned the coal industry had to become leaner, more productive and competitive, adding: "A profound structural change is a must."

The 17 participating nations were: Argentina, Australia, Brazil, Canada, Colombia, Czechoslovakia, East Germany, India, Japan, Nigeria, Pakistan, Soviet Union, Spain, Turkey, UK, the US and West Germany. — Sapa-Reuter.

SA COAL PROFITS CUT 55% IN LAST QUARTER OF '87

SA COAL producers' net profits in the December 1987 quarter fell 55% in comparison with the final quarter of 1986

This fall in profitability is a result of the sanctions campaign against SA commodities and lower international prices.

Sanctions by the United States, France, Denmark, Norway and Sweden came into effect last year.

The total net profit achieved by a sample of SA coal producers — representing about 90% of the total — fell from R243m in the December 1986 quarter to R110m in the December 1987 quarter, according to the Central Statistical Service (CSS)

Although sanctions caused SA coal exporters to shift their attention to the Far East, they were unable to replace the lost tonnage

REINIE BOOYSEN

entirely.

Analysts estimate that SA export tonnage dropped by 14% or 6,5m tons to 39m tons from 1986 to 1987. This represents a 27,9% or R881m drop in revenue.

According to Frankel Kruger Vinderine coal analyst Keith Bright three other factors affected the profitability of the coal industry:

- A continuing situation of world oversupply due to increasing competition from other producers — both established and aspirant;
- Depressed crude oil prices;
- A radical increase in Sats rail-age charges.

The above factors have also had a negative effect on the fiscal con-

tribution made by the coal mining industry. Income tax and company tax contributions from coal producers fell by 74% between the two December quarters.

According to analysts, the sanctions campaign placed SA producers in a weak bargaining position with the world's major coal consumers. As a result producers resorted to aggressive price-cutting to sell their produce.

Some even accepted below-cost prices in order to maintain a cash-flow.

A study conducted by Wharton Econometric Forecasting Associates concluded that this led to a marked fall in world coal prices.

During the twelve month period, there was an 8% growth in stock-piles from R259m to R281m at the end of the December quarter

D17 24 7 88

Daily Dispatch Correspondent

SA coal industry denies UK investment plans

LONDON — The South African Coal Industry has strongly denied British Labour Party allegations that South African companies are planning to buy into Britain's electricity industry after privatisation, in a bid to boost coal exports.

The denial yesterday follows a visit to London last week by South African delegates who were here to discuss the effects of sanctions on the industry, said the director of the South African Coal Industry Board in London, Mr Robert Swain.

The visit, including a lunch at a London hotel which was the centre of anti-apartheid protests on Thursday, was part of a drive to counter "misleading" information.

The delegation, headed by Mr Allen Cook from Rand Mines, Mr Bernard Holtshou-

sen from Gencor and Mr David Rogans of Anglo America's Amcoal company, said South African coal could be landed in Britain at a third of the price being paid by the Central Electricity Generating Board (CEGB) for domestic supplies.

Mr Cook said South African companies knew it would be a political risk if they tried to replace British coal.

Labour Party MPs recently called on Energy Secretary Mr Cecil Parkinson to give categorical assurances that South Africa would be specifically excluded from any involvement in the privatised industry.

He said when the British Government announced there would be

was in dire need of investment. South African companies, therefore, would not invest elsewhere.

● The coal industry did not have spare cash to invest, export tonnage were down by about 14 per cent over the past year and sanctions compounded by weak markets had already resulted in about 8,000 retrenchments with the prospect of another 2,000 within the next 12 months.

● The industry was in the business of mining coal and was not interested in investing further.

● Coal companies in South Africa dealt with their consumers inde-

pendently, not jointly. They were competitive, except for a small amount of business done through Transvaal Coal Owners Association (TCOA). If the industry was to invest in Britain, it would do so through the TCOA.

The TCOA would have approached the CEGB privately and would not have sent a delegation to London.

Mr Cook said South African companies could ship supplies to Britain for between £17 and £20 a ton compared to £40 a ton for local supplies.

France and Denmark were the only European Economic Community countries to have banned South African coal imports so far. Europe accounts for half of South Africa's coal exports which have been running at over 40 million tons a year.

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 and the Dow, we find that they
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Low growth in coal demand

Star 3/15/88 (215)
 Finance Staff

Coal demand in South Africa will grow at a low annual rate of 1,6 percent over the next 12 years says a confidential study which has just been completed by the Institute for Energy Studies at the Rand Afrikaans University (RAU).

The report on the study, which covers the country's energy situation and projections of energy demand to the turn of the century, is authored by Mr C J Cooper and Professor D J Kotze.

The director of the institute, Professor D J Kotze, says the demand for energy to the year 2005 is lower in the current forecast than in forecasts prior to 1980 because there has been very little economic growth since 1980 and because a much lower economic growth is projected.

Professor Kotze says the growth in electricity demand is expected to be 3 percent a year, compared with the average growth rate of 7,8 percent between 1964 and 1984, while the oil demand growth rate is expected to be 2,1 percent a year.

The prospects for coal are more pessimistic, he adds. "Apart from the effect of sanctions on the export of coal, local final demand for coal is expected to increase at the relatively low rates of between 1,1 percent and 3,8 percent for the years 1987 through to 2000, depending on the assumed economic growth rate. For a growth rate of 2,7 percent, coal demand is expected to be 1,6 percent per annum."

The report also evaluates the expected life of South African coal reserves. It estimates that coal production will peak between 2043 and 2060. By 2010 growth in coal production will, however, not be able to keep pace with the growth in total energy demand and increasing use of alternative energy forms, such as nuclear power, will be necessary.

The report identify two aspects which could have an influence on energy demand as requiring further study. These are Government policy decisions on local ore beneficiation and fabrication and further sanctions against South Africa.

Missing table

In a report in this week's Sunday Star's Finance section on the comparative returns between "granny bonds" and life assurance lump-sum plans, a table was inadvertently omitted.

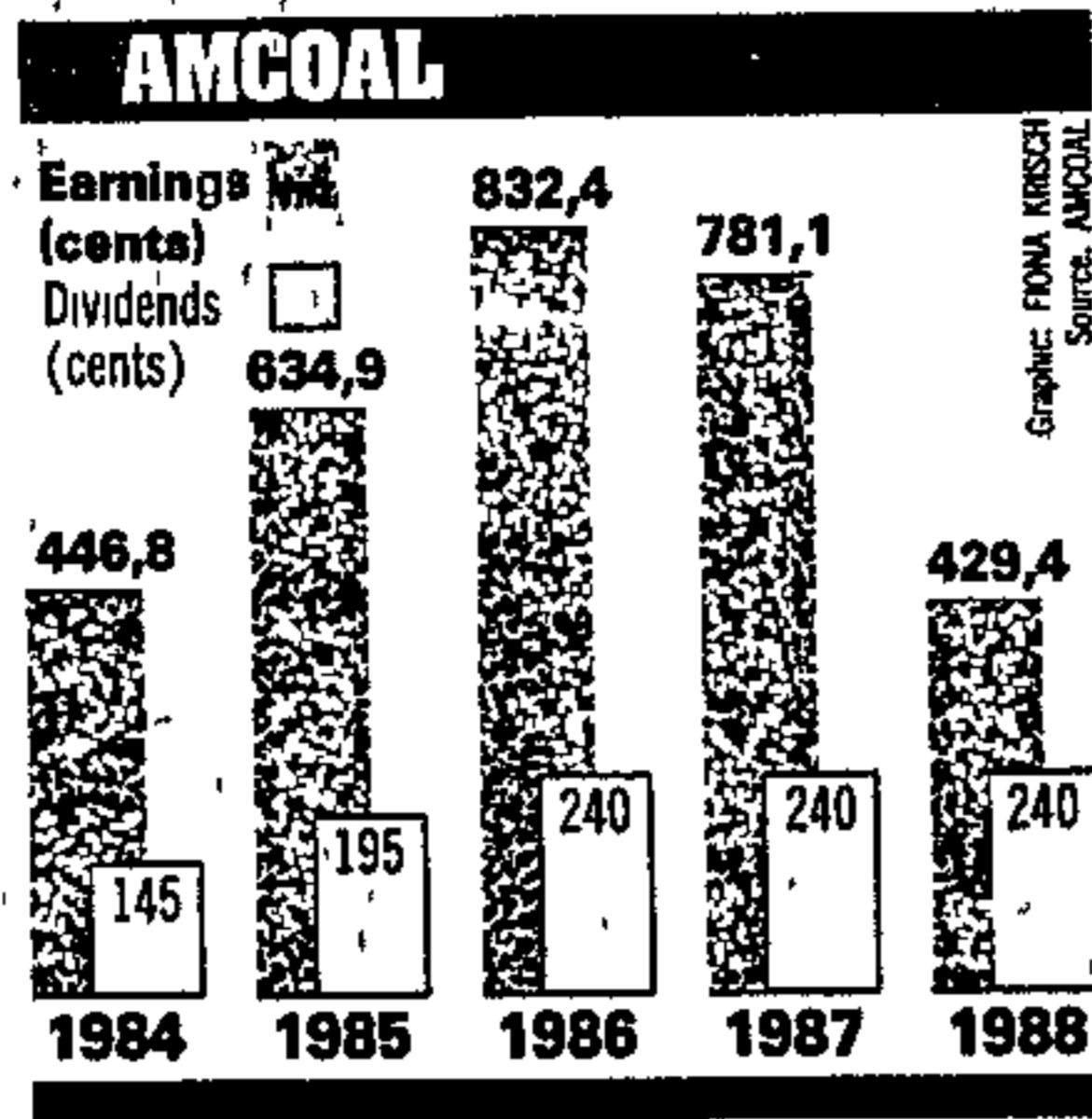
We take this, the first opportunity of publishing the table concerned.

After-tax monthly income to investor aged 65 (non-smoker), R30 000 investment.

Marginal Tax Rate %	Assured 10-year Income Plan		Granny bond (12-month fixed deposit) R
	Female R	Male R	
0	355	359	375
15	320	323	319
30	284	287	263
45	249	250	206

(Source: Sage Life)

LISTEN TO THE WORLD



ROBERT GENTLE

REDUCED coal exports and lower profit margins hammered Anglo American Coal Corporation's (Amcoal) earnings down 45% in the year to the end of March.

Attributable profits were down to R105m (R191m). However, the company expects improved earnings for the coming year, and has decided to maintain a final dividend of 160c.

This brings the total dividend to 240c for the third consecutive year. However, the same dividend in the face of reduced earnings has meant a steep drop in dividend cover — from 3,5 in 1985 to 1,8 times this year.

Amcoal says the reduced earnings had been forecast in the previous annual re-

Sanctions hammer Amcoal's earnings

port and shareholders had "been advised".

Thus, despite a 4% increase in sales of coal and coke to 43-million tons — largely due to higher sales to Eskom — operating profit fell 40% to R274m (R455m). A substantially lower tax bill did little to offset the reduced operating revenues.

Earnings for the second half of the year were nevertheless marginally ahead of those for the first half, and Amcoal expects improved results for the year ahead.

This, the group says, is based on trends in the international coal markets and the lower rand/dollar exchange rate — which makes exports more competitive. However, these anticipated improvements are conditional on there being "no further sanctions".

215
Biday
15/88

Amcoal pays same again

By Sven Lunsche
Plagued by diminishing export earnings and a lower rand exchange rate, Anglo American Coal Corporation (Amcoal) once again reported a reduction in earnings for the financial year to end-March.

While earnings for the second half of the year at R54,7 million were nine percent ahead on the R50,2 million recorded for the first half, attributable income for the year as a whole declined by 45,2 percent from R190,9 million to R104,9 million.

Earnings a share fell from 781,1c to 429,4c.

Amcoal declared a final dividend of 160c, maintaining the annual dividend at 240c, despite, what the directors described as, lower earnings due to the decreased level of exports and reduced profit margins.

Operating profit before amortisation and tax was R273,7 million — 40 percent below that achieved in the previous year.

Amortisation of mining assets and depreciation of

refractory assets absorbed R6,1 million more at R43,8 million, leaving pre-tax profit of R229,9 million, compared to R417,7 million in the previous financial year.

Normal and deferred tax were down by almost R105 million to R118,2 million.

The directors reported that total sales of coal and coke were 42,5 million tons — 1,6 million tons more than last year. However, turnover decreased by three percent to R1,144 billion, mainly as a result of lower export revenues.

Commenting on the results the directors said "Based on recent trends in international coal markets, the lower rand dollar exchange rate and subject to no further sanctions, Amcoal's earnings from coal exports are expected to show some improvement. There should also be further growth in domestic earnings.

Accordingly, the group was forecasting improved results for the year ahead

Rand Mines profit down 18% after difficult half-year

ster 6/5/58
215

Rand Mines has come through an "extremely difficult" half-year to end-March with an 18 percent drop in bottom-line profits from R83 million to R68,4 million — equivalent to earnings a share of 610 cents (740 cents), the group says in a statement.

However, the interim dividend has been maintained at 105 cents.

The fall in earnings is unlikely to surprise the market, which must be aware of the difficulties that have confronted the group, including:

- Tonnage, cost and grade problems at Harmony Gold Mine, which recently had to pass its interim dividend.
- A weaker performance by Witbank Colliery, which saw its after-tax profits drop in the six months, mainly as a result of increased rail tariffs and a seven percent stronger rand
- A continued weak property market, which limited the contribution from the property division of subsidiary Rand Mines Properties (RMP).

Improving

However, Rand Mines expects improved performances in both the coal and property divisions in the remainder of the year.

While earnings for the full year are expected to be somewhat lower than last year, the percentage decline will be less than the 18 percent for the first half, says the statement.

The interim report makes no reference to the outlook for Harmony, but Rand Mines said last month that grade and tonnage at the mine are now significantly better and the operation has turned the corner — although it

is still feeling the effects of a shortage of miners.

Group turnover for the half year was marginally lower at R386,1 million (R389,7 million), but operating profit dipped from R119,3 million to R94,6 million — primarily a reflection of Witbank Colliery's difficulties.

Dividends from investments (which are mainly in managed gold producers) were almost halved from R22 million to R11,4 million — showing the effects of a passed dividend from Harmony

Tax burden

After taking exploration expenditure of R5,2 million (R8,3 million) into account, pre-tax profits were R100,8 million, down from R133 million in the first half of last year.

The tax burden was lighter by R10 million (R26,6 million against R36,7 million) and minority interests accounted for R5,8 million (R13,3 million).

New ventures are reflected in the balance sheet, which shows:

- Long term loans up from R367,5 million to R406,7 million, mostly related to the new Eskom-tied coal mines Majuba and Khutala.

- An increase in outside shareholders interest from R81,9 million to R260,4 million representing the interest of minorities in the share and debenture capital of newly-listed platinum producer Barplats.

The effects of the October JSE crash which, as shown in the last annual report, reduced the value of the group's listed investments by 36 percent before the end of November, comes through in net asset value, which drops from 11 585 cents to 8 175 cents a share.—

Sapa

80% of takers 'a strong endorsement'

Amcoal workers accept shares

215
B/day
10/5/88

MORE than 80% of eligible Amcoal employees had elected to accept five Anglo American shares in terms of the employee-shareholder scheme launched last year, Amcoal chairman Graham Boustred said yesterday.

He said in his annual review that represented a strong endorsement by employees of the scheme's objectives and a measure of the effectiveness with which these were communicated to employee.

Boustred said "The scheme will allow employees to experience wealth as a resource and will show how money invested in

Business Day Reporter

well-managed enterprises creates wealth for the community in addition to providing a worthwhile reward to the investor."

He also expressed concern at the lack of progress in abolishing statutory job reservation in the mining industry.

On labour relations at Amcoal, Boustred said the NUM wage strike last August was a setback in the process of building a sound and constructive relationship with trade unions and employees.

But, he said: "The willingness of NUM to reach a negotiated settlement in respect of employees dismissed during the strike last year was a positive development, especially as the settlement provides for a code of conduct which will enable Amcoal and NUM to act against workplace violence."

Boustred said the safety record for Amcoal collieries had deteriorated, with 1,05 fatalities a 1 000 employees, compared with 0,42 the previous year. However, the reportable accident rate was reduced from 5,89 to 5,5 a 1 000 employees a year.

Management was directing its efforts for increased supervision at all levels to achieve greater safety

Amcoal employees for shares

CAPE TOWN 10/5/88

Own Correspondent 215

JOHANNESBURG. — More than 80% of eligible Amcoal employees have each elected to accept five Anglo American shares in terms of the employee shareholder scheme launched last year, Amcoal chairman Mr Graham Boustred said in his annual review published yesterday.

He said this represented a strong endorsement by employees of the scheme's objectives and a measure of the effectiveness with which these were communicated to employees.

"The scheme will allow employees to experience wealth as a resource and will show how money invested in well-managed enterprises creates wealth for the community in addition to providing a worthwhile reward to the investor," Mr Boustred said.

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Armcor No 5 in sales of weapons

Stev 19/8
(10)
Pretoria Bureau
Armcor is the world's fifth largest defence contractor with current orders for more than R9 billion, according to an article in the international news magazine *Time*.

In its latest issue, *Time* details Armcor's decade of growth from "only two small factories" in the late Seventies to an exporter of R1.8 billion-worth of armaments to 23 countries last year.

Armaments are South Africa's third largest export after gold and coal, according to *Time*

"The weapons that South Africa produces are mostly modernised and rebuilt versions of systems the armed forces imported or built under licence in the pre-embargo days

"In many cases, however, Armcor's experts have introduced so much new technology that the result is almost a different product," says the article.

South African arms have surfaced in Sri Lanka, Morocco and are on order by Iraq, says *Time*.

Amcoal workers now own shares

Stev 10/5/88
(215)
By Michael Chester
As many as four in every five of the 25 000 miners and staffers employed by the Anglo American Coal Corporation have joined the elite ranks of shareholders on the Johannesburg Stock Exchange.

Amcoal chairman Mr Graham Boustred disclosed in an annual review today that over 80 percent of employees had elected to accept invitations from the board of directors of the Anglo American Corporation to join the group employee shareholder scheme.

The scheme, seen by the directors as a radical

new approach to better industrial relations and black advancement but still a controversial issue inside trade union circles, allows employees to become shareholders as soon as they have been on the payroll two years or longer

Mr Boustred said the scheme would allow employees "to experience wealth as a resource and will show how money invested in well managed enterprises creates wealth for the community in addition to providing a worthwhile reward to the investor".

But Mr Boustred, in a wide review of industrial

relations issues, voices concern about the lack of progress by the Government in abolishing the statutory job reservation provisions of the Mines and Works Act *(1207)*

Referring to last year's strike by members of the National Union of Mineworkers, he adds "While Amcoal remains committed to a policy of constructive relationship with trade unions, such unions must accept that the best interests of their members cannot be served by policies and actions which threaten the long-term viability of the industry."

'SADF' chief going to Lisbon?

Stev 10/5/88
(10)
The Star's Africa News Service
The chief of the South African Defence Force, General Jannie Geldenhuys, will travel to Lisbon in a few days time, the Mozambique News Agency, AIM, reported from Lisbon.

No comment was available from the South African Department of Foreign Affairs at the time of going to press. The Defence Force referred inquiries to Foreign Affairs.

AIM linked General Geldenhuys's visit to the current peace negotiations on Angola, but some observers say it could be connected with negotiations on security arrangements for the Cahora Bassa dam

AIM said General Geldenhuys will meet the Portuguese armed forces chief of staff, General Lemos Ferreira,

and may also hold talks with officials of the Portuguese foreign ministry

The agency did not give any further details on the talks, but said a number of political and diplomatic figures connected with the Angolan issue will visit Portugal within the next few days

Cuban Deputy Foreign Minister Mr Roaiul Roa is expected in Lisbon today for a meeting with Portuguese Foreign Minister Mr Joao Pinheiro, AIM said

Later this month, Soviet deputy foreign minister Mr Anatoly Adamishin, who has been the Soviet Union's main negotiator on African affairs, will also visit Lisbon

The Prime Minister of Cape Verde is also visting Portugal at the moment and there has been speculation that a conference on Angola could take place on Cape Verde

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Amcoal employees for shares
Own Correspondent 215

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He said this represented a strong endorsement by employees of the scheme's objectives and a measure of the effectiveness with which these were communicated to employees

"The scheme will allow employees to experience wealth as a resource and will show how money invested in well-managed enterprises creates wealth for the community in addition to providing a worthwhile reward to the investor," Mr Boustred said.

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BUSINESS DAY, Friday, May 13 1988

3

British port plan to scuttle SA coal imports blocked

LONDON — British Labour MPs have blocked a private Bill in the House of Commons that would allow a £30.5m extension to a port on the grounds it would be used to import large amounts of cheap SA coal.

MPs David Hinchcliffe and Keith Barron argued the extension to the port of Immingham, on England's eastern seaboard, would leave it open to being used to import SA coal which is now banned under EC guidelines. After a 2½-hour heated debate on Wednesday, Speaker Bernard Weatherill ruled the Bill needed to be debated further but denied the opportunity for a second reading.

Own Correspondent

Hinchcliffe said the Bill's sponsor, Conservative MP Michael Brown, had been part of a delegation that was pressing for an end to sanctions during a recent visit to SA, which included the Richard's Bay terminal.

Brown said yesterday extensions to the port were necessary because Britain's facilities were inadequate and in

10 years' time would be completely "gummed up".

He said the port would be used for varied cargo, including coal, but was not designed exclusively for importing coal.

He stressed existing EC guidelines forbade importing SA coal, making it irrelevant to the debate

Falling prices add to problems

SA coal trade hit hard by ^{stew} sanctions

215
14/5/88

By Michael Chester

The combination of sanctions and cut-throat competition on world markets cost South African coal mines almost R1 billion last year, according to new estimates by the Anglo American Corporation

Mr Graham Boustred, chairman of the Amcoal network of collieries, discloses in an annual review that total export earnings plunged from R3,2 billion to R2,3 billion compared with 1986

Exports shipped through the Richards Bay coal terminal dropped by 2,1 million tons as South Africa felt the impact of sanctions by the United States, France and Denmark in particular.

But the overall fall in total shipments was held at a relatively modest 6 percent — down to 42,6 million tons — as coal was re-routed to alternative overseas outlets

Markets over-supplied

Unfortunately, the problems of running the sanctions gauntlet were compounded by a dramatic decline in world coal prices as markets became over-supplied in fierce international competition

Mr Boustred confirms that significant quantities of coal had to be exported by South African producers at a loss as spot prices were driven below \$20 a ton

Fortunately, price levels had improved in recent months, and contract and spot coal prices were now in the range of \$25 to \$27 a ton.

The improvements stemmed from China's inability to meet its contractual deals in both Europe and the Far East

"While current price levels can probably sustain established operations," says the Amcoal chairman, "prices will need to increase further to justify any new investment in export capacity."

Discussions were still in progress between the coal industry, SA Transport Services and the Government on increases in export rail rates, which had dented export earnings by a further R300 million

While it was encouraging that Sats had agreed to maintain the current rates until April 1989, it was hoped that further relief could be negotiated.

AT Coll profits down

SPV 175188 (215)
Lower dividends from its 13,76 percent holding of Witbank Colliery shares reduced Anglo-Transvaal Collieries' after-tax profit to R2 375 000 for the six months ended March 31 from R2 967 000 in the year-ago period, the interim report shows. These figures were equivalent to earnings of 140,7c (1987: 175,8c) a share.

Turnover declined to R2 436 000 (R3 023 000) which, apart from interest received of R13 000 (R8 000), comprised dividends from the Witbank Colliery investment. Dividends received from Witbank during the period amounted to 225c a share — down 55c.

Expenditure rose to R55 000 (R50 000), leaving a pre-tax profit of R2 381 000 (R2 973 000) and, with taxation remaining constant at R6 000, there was an after-tax profit of R2 375 000 (R2 967 000).

The market value of the company's 1 076 730 Witbank Collieries' shares on March 31 was R39 839 000 (R37 686 000) with an unchanged book value of R3 337 000. The net asset value of Anglo-Transvaal Collieries' shares on that date was 2 501c (2 364c) each.

AMCOAL

215

Better times ahead

Activities: Coal mining for sale on export and domestic markets

Control: Anglo American holds 51% of the equity

Chairman: W G Boustred; managing director D Rankin

Capital structure: 24,4m ords of 50c each
Market capitalisation R848m

Share market: Price 3 475c Yields 6,9% on dividend, 12,3% on earnings, PE ratio, 8,1, cover, 1,8 12-month high, 4 150c, low, 2 850c Trading volume last quarter, 159 000 shares

Financial: Year to March 31

	'85	'86	'87	'88
Turnover (Rm)	841,9	1075,4	1182,3	1144,1
Coal Sales (Mt)	36,2	37,3	40,9	42,5
Taxed profit (Rm)	163,8	206,8	194,8	111,6
Earnings (c)	634,9	832,4	781,1	429,4
Dividends (c)	195,0	240,0	240,0	240,0

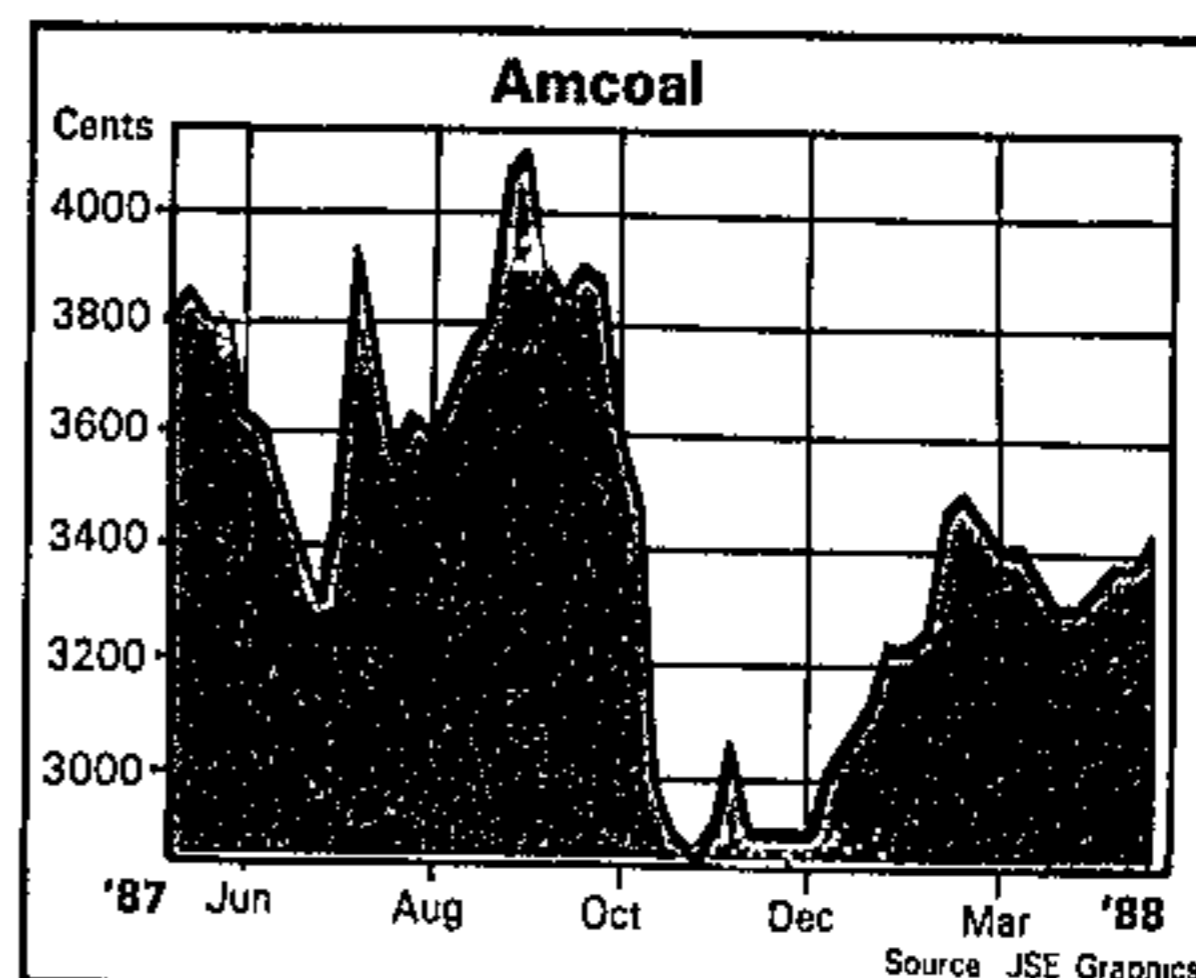
Shareholders who last year got that sinking feeling when reading chairman Graham Boustred's review, which detailed just how much trouble the South African coal industry was in, can relax this time. Some light is at last appearing.

Boustred confirms what a number of analysts indicated earlier this year. Dollar spot prices for export coal have recovered, and coal exporters have won a temporary respite in their battle with Sats over the Richards Bay rail tariffs.

He says Sats has agreed to maintain the current rail tariffs until April 1989, and it is hoped further relief can be negotiated. It was by no means certain that Sats would agree to hold the tariff unchanged this year, but it seemed likely after the decision to freeze general rail rates as part of the campaign against inflation. That means exporters will continue paying rates imposed from September 1, which were about R24,50/t from the Black Hill station west of Witbank.

Dollar steam coal prices fob Richards Bay have recovered from as low as US\$19/t in December to between \$25/t and \$27/t currently. The rand has weakened over the period from about US50c to US45c, so export revenues for coal mines have risen from about R40/t to about R55/t. The improvement came just in time, as Boustred confirms, significant volumes of coal were exported at a loss last year.

Mathison & Hollidge analyst Steve Oke estimated that last December nearly all exporters were losing money because they needed a price of about \$27/t to break even. With current rand/dollar exchange rates and dollar coal prices, the breakeven point



has fallen to about \$25/t. This is an improvement but nothing to get excited about.

Boustred says current price levels can probably sustain established operations but prices will need to be increased further to justify any new investment in export capacity. Still, the tide may be turning provided no further sanctions measures are imposed on the industry, particularly from major customers Japan and Italy.

Boustred attributes the higher dollar coal prices to China's inability to meet contractual arrangements. Analysts say Columbia is in the same position, although the problems at Columbia's huge El Cerrejon mine are short term. Hopefully, from the South African standpoint, China's production problems are longer term. It is felt the overhang of excess coal over world markets will be removed this year or next, and improved dollar coal prices will be maintained.

Amcoal continues to benefit from its expanding business with Eskom, which is providing domestic growth to offset some of the drop in export profits. The group has maintained an impressive cost control record. Unit working costs went up 10,2% in 1987 compared with the comparable 15,4% rise in the CPI, and, over the past five years, Amcoal's unit working costs have risen by 57,9% against a CPI increase of 100,5%. That has been achieved because of steadily increasing sales tonnages, combined with a rationalisation programme to close high cost production facilities.

Amcoal's earnings could rise by 15%-20% in the current year but there is no certainty the dividend would be increased. However, if you want an exposure to coal then Amcoal shares should be in your portfolio.

RM 20/5/88
Brendan Ryan

(215)

COMPANIES

SA coal producers in 'destructive price-war'

SOME SA coal producers are "shooting themselves in the foot" by resorting to extensive price-cutting under sanctions pressure, retired Trans-Natal Coal Corporation CE Graham Thompson says.

The May edition of Gencorama — a Gencor (Trans-Natal's parent) in-house publication — quotes Thompson saying "Some people hold the view that the SA coal producers are their own worst enemies. It is hard to argue against that when one sees them shooting themselves in the foot."

In a move which surprised the industry, Thompson retired at the age 53 shortly before the release of Trans-Natal's dismal report for the December quarter, which revealed an 88% drop in earnings.

Trans-Natal's poor results reflected deteriorating conditions throughout the SA coal industry, brought on primarily by sanctions on SA coal by the US, France, Denmark, Sweden and Norway.

Analysts have supported Thompson's contention that SA coal producers exacerbated these conditions by engaging in a cut-throat price-war when their markets

REINIE BOOYSEN

were narrowed by sanctions

Frankel Kruger Vinderine coal analyst Keith Bright says "In retrospect, there was no reason for SA coal producers to accept prices at the beginning of last year as low as \$23/ton of steam coal. Instead they should have presented consumers with a united front. Make no mistake, they needed our coal."

In Gencorama Thompson explains his reasons for retiring

"One of the principal ones has been that for a long time I have been working extremely hard without seeing any real results of my work. This was beginning to take its toll on me in terms of job satisfaction and also my health."

Gencorama continues "It is no secret that much of Graham's frustration stems not only from the effects of sanctions, low US dollar export prices for coal coupled with a relatively strong rand/dollar exchange rate and high rail-tariff increases which have impacted almost catastrophically on all the SA coal exporters, but the price-cutting measures taken by some of this country's own coal producers"

Unchanged dividend from Anglo

GMT Times 2/6/88 ~~215~~ ~~215~~

Own Correspondent

JOHANNESBURG. — Anglo American has cautiously elected to pay an unchanged dividend despite satisfactory growth in equity accounted earnings

Although equity accounted profits grew 20% growth to R1,8bn, the dividend of 225c a share is unchanged. This represents an increase in dividend cover from 2,92 to 3,5 times

Nevertheless Anglo's attributable earnings showed only a slight growth on account of the fact that the corporation and its subsidiaries such as Amcoal endured extremely difficult conditions.

Associates, on the other hand, collectively achieved vastly improved results. A glowing performance from associates such as De Beers, JCI and Minorco overshadowed the lower revenue from Amgold.

Although the results are slightly better than market expectations, some analysts believe income for the next financial year may be disappointing

In view of the pipeline effect which results in a lag between Anglo's receipt of dividends from associated companies and distribution to its own shareholders, the good equity accounted year may not accurately reflect current trading conditions, said an analyst

The past year has been gloomy. The poor performance of Anglo's coal and gold interests are the major cause for Anglo's caution.

Anglo American Gold Corporation dropped its dividend by 11%, reflect-

Anglovaal: Final divs

HIGHER rand prices from gold sales and increased gold output are cited by Anglovaal as the main reasons for improved final dividends from Hartebeesfontein and Eastern Transvaal Cons.

Village Main has declared an unchanged final for the year to end-June, but the total is higher thanks to an increased interim

Harties has lifted its final from 80c to 90,5c for a year's total of 153c (140c).

Eastern Transvaal Cons has lifted its final to 185c (155c) for a year's total of 310c (280c).

Village Main's unchanged final is 12,5c which, with the higher interim of 12,5c (10c) gives a total of 25c (22,5c).

ing the general decline in gold mining profitability as result of poorer grades and increasing mining costs.

Anglo American Coal Corporation fared even worse largely as a result of the industry-wide depression brought on by coal sanctions on the part of the USA, France, Denmark, Norway and Sweden.

Nevertheless, the frailty of these sectors is counter-poised by the strength of Anglo's diamond, platinum and industrial interests. Good dividends from these sectors were largely responsible for the 7,6% growth in net income from investments to R1,015bn.

Anglo says the 35% drop to R274m in trading income reflects the adverse trading conditions experienced by the coal sector

Mining industry turns away from hostels

(215) The mining industry is moving away from the hostel concept and taking a lead in a new accommodation lifestyle is the management of Khutala coal mine, near Witbank.

Taking a leaf out of the Family Housing Association book which is providing home-ownership in a project at Phola about 26 km away, Khutala miners now have the option of family life at the mine.

General manager, Mr Peter Mabbett, says "The all-in wage system allows workers the choice of either living in a hostel or buying or renting a house

"This means that we are moving towards providing less hostel accommodation as most people prefer to have a home where they can be with their families"

FHA officials have explained the scheme to the workers and an estate of-

Stnr 7/6/58
fice has been opened

Already, 75 workers have shown interest in the project

Of the 1 421 stands in the housing project, 430 are allocated to owner-builders, who can build under FHA supervision

More than 380 stands are for contractor-built homes and 141 are for sale directly to individuals

Papers stolen on SA coal imports

(215) ~~6/6~~ b/day 8/6/88

AMSTERDAM — A small anti-apartheid group said yesterday it had broken into the offices of a Dutch shipping agent and stolen documents on imports of SA coal.

The Split Apartheid group said the documents it had stolen from Combined Amsterdam Shipping Agencies (Casa) in Zaandam showed where booming imports of SA coal via Amsterdam port were actually going.

A spokesman for Casa, in which the Royal Dutch/Shell oil group has an indirect shareholding, said all the company's business documents had been stolen in the overnight burglary.

Shell has been the focal point of a violent anti-apartheid campaign in the Netherlands and scores of petrol stations owned by Shell have been attacked in recent months in protest against the oil group's presence in SA.

Responsibility for the latest incident — an arson attack on two Shell sta-

tions on Monday — was claimed in an unsigned statement by anti-apartheid militants yesterday.

Split Apartheid claimed Dutch companies were actively helping SA beat coal import boycotts in France and Denmark, and were also aiding importers in countries like Britain and West Germany in disguising the origin of the coal.

It pointed to a sharp climb in Dutch imports of SA coal from only 250 000 tons in 1982 to 1.7-million tons in 1987.

Typically, Split Apartheid said, Pretoria's coal was shipped out of the Netherlands labelled as Australian, or even Dutch — disregarding the fact that the Dutch ceased mining coal 20 years ago.

The Casa spokesman denied any knowledge of such practices, but pointed out that the Netherlands did not operate an embargo on SA coal imports. — Sapa-Reuter.

Durban's coal

terminal is privatised

5
SATS
1/16/88
215
230
Coal exports through Durban could be increased from 1,8 million to 5 million tons a year, as a result of a joint venture agreement between SA Transport Services (Sats) and the Durban Coal Terminal Company

The agreement will enable private enterprise to upgrade and operate the historic Bluff Mechanical Appliance, which has been operating since the early 1920's

The terminal will now be controlled by a non-profit company in which Sats will have a 50 per cent stake

A Sats' statement says the new agreement is in line with the government's policy of privatisation and with SA Harbours strategy of becoming more business-orientated — Sapa

TCOA quits local market

Stev 15/6/88
The Transvaal Coal Owners' Association (TCOA) is to discontinue marketing in South Africa from next March

This follows a decision by the Competition Board to withdraw the exemption under which it operates

The co-operative selling organisation, which represents 16 collieries controlled by seven mining groups, last year marketed and distributed 19,5 million tons of coal, of which 5

million tons was exported and 14,5 million tons sold on the South African market.

In May 1986, the Competition Board issued Notice No 801 prohibiting a number of practices, including market-sharing and price-fixing. It initially exempted TCOA from these provisions. But despite representations from TCOA, it has now indicated this exemption will not be extended beyond December

1989

(215)
"What has happened is that while the activities of the TCOA have not changed, the board's rules have. In the light of the board's attitude, our shareholders decided that it would no longer be possible to continue our domestic activities, and that we would have to withdraw from the local market," says Leslie Weiss, TCOA managing director.
— Sapa

The axe falls

The Transvaal Coal Owners' Association (TCOA) is to stop its coal marketing activities in southern Africa from March 31 1989. This follows a decision by the Competition Board (CB) to withdraw the exemption under which TCOA has been operating.

TCOA, the 65-year-old selling organisation representing 16 collieries controlled by seven mining groups, last year marketed and distributed 19,5 Mt of coal, of which 5 Mt was exported and the balance sold on the local market

Five years ago, following an investigation into the coal industry, the CB found the existing co-operative coal marketing system was not "harmful to the public interest" But in May 1986, the CB prohibited a number of existing practices, including market sharing and price fixing. While initially exempting TCOA from the effects of this notice, it has now allowed the axe to drop.

"While TCOA's activities have not changed, the board's rules have. Our shareholders, therefore, decided that it would no

longer be possible to continue our domestic activities and we would have to withdraw from the local market," says TCOA MD Leslie Weiss.

He adds "Any price reductions which result from TCOA's demise will at best have short- to medium-term advantages to consumers."

Warning that serious winter shortages may well become a feature of SA life again, he adds that "a price war in the local market will almost inevitably lead to further colliery closures."

Local consumers will in future have to negotiate with individual collieries and mining groups. TCOA's export activities will not be affected. ■

LONDON — SA coal producers' decision last year to compete with all comers to offset sanctions could now be seen as having "shades of foolhardiness", a report said yesterday.

Coal Year 1988, published by the Financial Times, said the foolhardiness resulted from a decision by the industry to individually rather than collectively sell hard to make up for lost ground by moving coal into markets still open to it.

"This was coupled by regular statements by the industry's leaders that exports would fall by 10mt, statements by people who either did not know better or should have

(215) 8/20/88 22/6/88

SA coal producers action rather foolhardy — report

MIKE ROBERTSON

done."

The outcome was different to what was being predicted SA coal exports fell by 2,9mt to 42,6mt, but as a result of the decision to compete vigorously, producers saw "already miserable levels in ARA spot prices fall

from US29/t in January to US27/t in July.

"It was only after August when it became clear that a drying up of supplies because of Australian and SA strikes, because of China's failure to deliver the goods (a shortfall in the year of 3mt) and because demand was rising — not as had been expected, falling — that prices began a

vigorous recovery."

The report said SA producers also did not appreciate until the beginning of August the extent to which US steam coal was disappearing from the market (a 5,1mt drop in the year).

The report said: "What SA producers had not counted on at the start of the year was the resistance within some of its major customers notably Hong Kong, Japan and Israel, not to take more SA coal than they had in 1986."

Talk of SA coal being smuggled had not noticeably proved to have had a substantial result.

Wankie coal sales at record high (215)

Finance Staff

Wankie Colliery enjoyed a successful year both operationally and financially with the dominant activity during the financial year ended February 29, 1988, being the rebuilding of the coke oven battery and the rehabilitation of the by-products plant, says Mr DD Kadenhe, chairman of the company, in his annual review published

today.

Record coal sales of 4 577 256 tons represented a 35 percent increase on last year's tonnage of 3 393 448

Total turnover at Z\$108 million was four percent below the record of Z\$113 million achieved last year. The shortfall was attributable almost entirely to the temporary loss of export sales of coke during the coke oven battery shut-

down in 1987

Net profit for the year was Z\$17 492 000 compared with the record of Z\$21 497 000 last year

Final dividends of 7,5 cents on the ordinary shares and 10,0 cents on the 'A' ordinary shares were declared, giving total dividends of 12,5 cents on the ordinary shares and 16,67 cents on the 'A' ordinary shares during the year. These dividends absorbed Z\$5 982 000.

577 256

Coal shares are stars of the JSE

215 pt/day 12/7/88

COAL SHARES dominated the list of largest price gains on Diagonal Street yesterday, sweeping the coal index up 15,4% or 195 points to a new peak of 1 454

Further devaluation of the rand against major currencies — and the obvious benefit to exporters' revenue — has transformed coal shares into rand hedge stocks and has been the main factor driving up share prices.

The coal index has now risen 54,7% since slumping from its September high of 1 411 to a low of 940 at the end of last year, with most of the gains coming in the last few weeks.

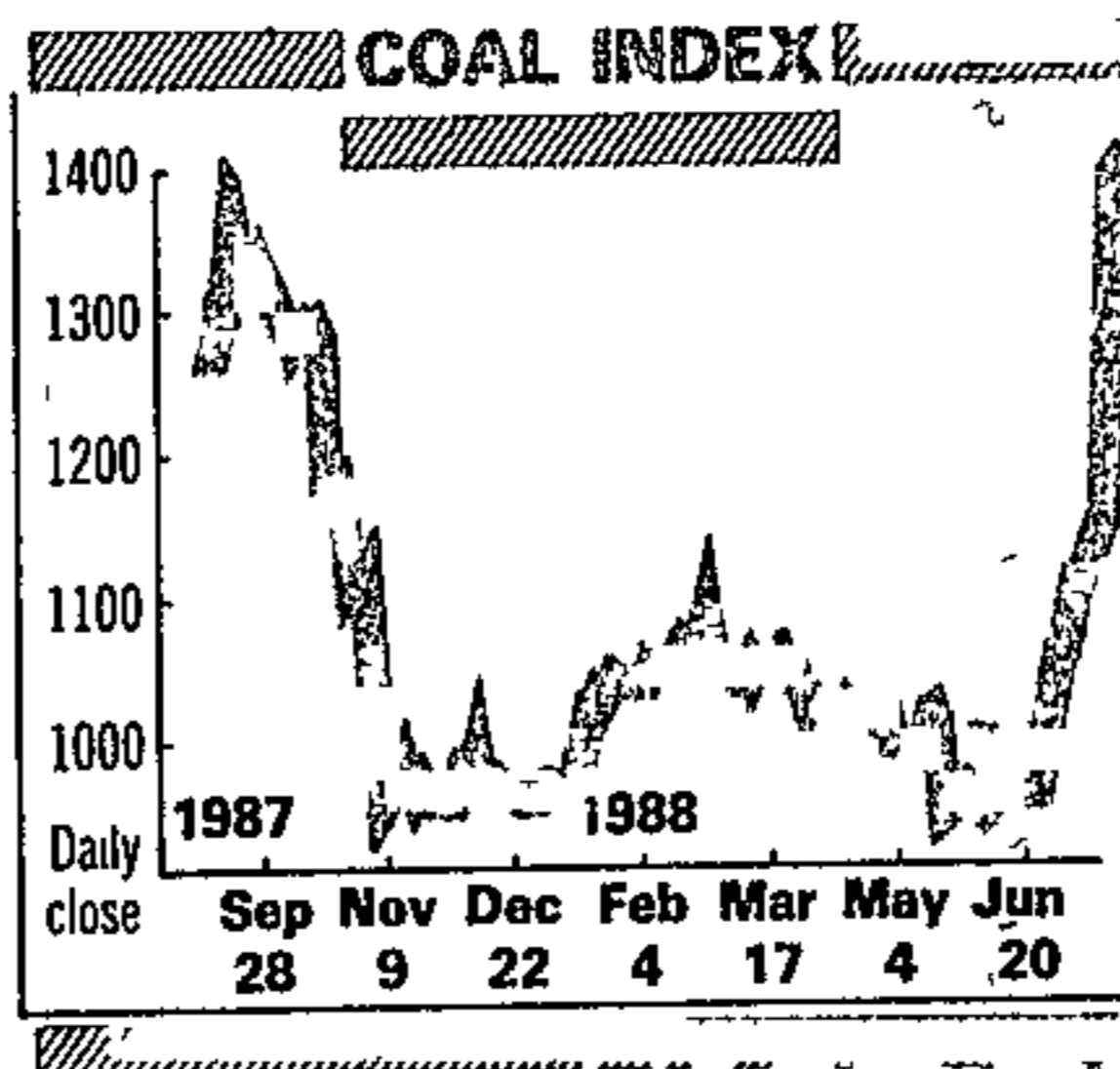
Diminishing world stockpiles, noticeably higher rand coal prices and the Sats freeze on rail tariff increases for the current year have combined to swing investor sentiment back in favour of coal shares.

Other factors influencing the shares are the perceptions that SA producers will benefit from the labour problems and rationalisation facing the Australian coal mining industry, and the drought in the US, which is affecting coal shipments

MERVYN HARRIS and
CHERYLYN IRETON

The resurgence of interest on the JSE, came yesterday as both the financial and commercial rand weakened further. The commercial rand ended at R2,3633 (\$0,4213) from Friday's close of R2,3458 (\$0,4263) and the finrand lost further ground, ending the day at R3,54 (\$0,2825) from R3,49 (\$0,2865) on Friday

The weaker finrand cushioned the impact the \$5 fall in the gold price had on gold shares. The All Gold index ended only one point lower at 1439. Gold closed in London at \$435,10.



Profit-taking puts halt to surge in coal shares

Star
13/7/88
(215)

By Roy Cokayne
Profit taking and a strengthening of the financial rand led to a slump in coal shares on the JSE yesterday following the 160 point surge in the coal index to a close of 1419 on Monday

The coal index closed at 1332 yesterday — 87 points down on Monday's close

Stockbrokers Ed Hern, Rudolph director Mr Andre Laas said profit taking more than anything else and a strengthening of the financial rand were responsible for the dip in coal share prices.

He attributed the stronger financial rand to the Reserve Bank's announcement that it would now allow commercial banks to take positions on the financial rand.

The financial rand was 7c stronger at R3,45 yesterday against Monday's close

FINRAND

Mr Laas said the financial rand was important from a shares point of view because overseas investors bought shares via the financial rand and if its rate increased in relation to the US dollar it meant they were paying less for shares while shares became more ex-

pensive if the financial rand rate dropped

He said the commercial rand rate was also important because coal was more competitive on world markets if it was exported when the commercial rand was weaker

Coal share prices jumped dramatically on Monday and the index has increased more than 50 percent since the end of the last year

Mr Laas said the short-term outlook for the South African coal export industry had improved but the long-term picture remained bleak

He said the short term outlook had improved because contract and spot prices had firmed, which had relieved downward pressure on export profits and company dividends.

However, the long term picture remained bleak because of Orimulsion, the brand name given to Venezuela's extra heavy crude oil and water emulsion

Mr Laas said Orimulsion could be used as a power station feedstock in direct competition to steam coal and should become commercially available during the course of this year

In addition, he said Venezuela's heavy crude reserves amounted to 1200 billion barrels — approximately equal to South Africa's total coal reserves

Mr Laas attributed the recent surge in coal shares to

- Diminishing world supplies
- Higher rand coal prices
- The SATS rail tariff increase freeze for the cur-

rent year

● Labour problems affecting the Australian coal mining industry, which could benefit South African producers

Australian coal-mining companies have been hit by a second strike in less than two weeks and have been warned that mines could be forced to close if the stoppage continues

Australia's 28 000 coal workers brought the country's major export industry to a temporary halt when it started a one-week strike last Tuesday — only nine days

after ending a 10-day work stoppage because of industry restructuring plans

"The companies' cash flow position has deteriorated to such a point that mass sackings and mine closures may happen," Reuters quoted New South Wales Coal Association executive director Barry Ritchie as saying

Australia is the world's largest coal supplier and the commodity contributes about 15 percent of the country's total exports

SM 18/8/88

Plan to build railway line to coal mine is criticised

By Dirk Nel,
Northern Transvaal Bureau

TSHIPISE — There has been sharp reaction from hunters and conservationists to the news that a proposed railway line, to serve a remote Venda coal mine, might cut across a game reserve and 25 game farms in the northern Transvaal.

Iscor, in co-operation with the Venda Department of Works, plans to start construction of a 123 km line between Tshikhondeni Coal Mine, in north-east Venda about 20 km from the Kruger Park boundary, and Huntleigh, on the existing Lous Trichardt-Messina line, in January 1989.

Venda's tourism department is strongly opposed to the move, claiming it will destroy the character of both the Nwanedi National Park and Sagole Spa.

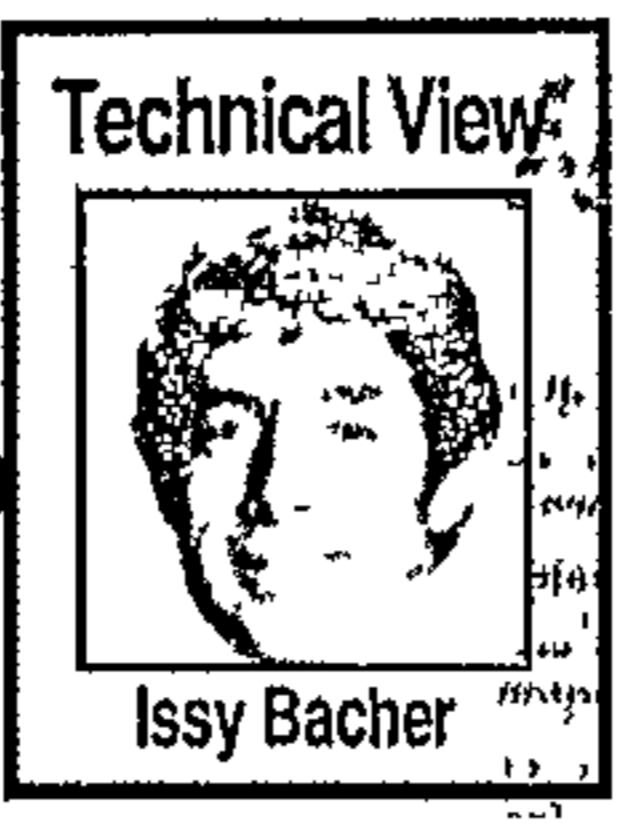
This week Mr Peter Knott, of Tshipise, one of 20 game ranchers affected by the rail plan spelt out some of the implications of the proposed project.

- The line could take 18 months to build and safari operators may go without income for two seasons.
- Poaching, pollution and the danger of fire
- The destruction of mopani woodland, savannah and marula veld.
- The planned line will run through a riverine area, which is a natural habitat for nyala
- The rail link would also cut between a large natural watershed and a game-rich area, seriously affecting the migratory habits of browsing animals

This week, Iscor claimed that it had commissioned independent consultants to study all the ecological effects of the line

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Coals:
5 for 20/7/88
the fires
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burning



It is illuminating to look back at previous articles that have appeared in this column to see how accurate deductions made on the basis of technical analysis can be

On February 15 of this year, the heading of the weekly review was "Coals burn brightly"

The article showed that despite the bearish news that was being continually reported in the financial press, coal shares were perversely holding firm in an overall declining market

Amcoal, South Africa's largest coal producer, had just reported a 51,6% plunge in earnings. Yet its shares price had just bounced for the second time from its low of R28,50

This double bottom formation is potentially one of the major reversal formations seen on charts

The top graph is the exact one which appeared on February 15

It illustrates the double bottom formation admirably, showing the bounce from 2 850c at Point B

The sudden surge of coal shares in the past two weeks has lifted them convincingly into a long-term bull trend. The bear market that had reduced the price of Amcoal from its 5 900c level in 1985 to its 2 850c low is over

Variety of reasons

The rise of coal shares is due to the rise in the price of coal, a direct result of a variety of reasons, including the US drought, which is strangling traffic on the Mississippi. As with many commodities, there is more demand than supply

The point, however, is that the bullish coal position was showing up in the charts months ago, though the reason was not apparent then

The current technical picture is shown by the two lower graphs. The middle graph depicts the bull market status of Amcoal. It has risen above its 45 week moving average (A) which, though still in a descending trend, will soon turn smartly

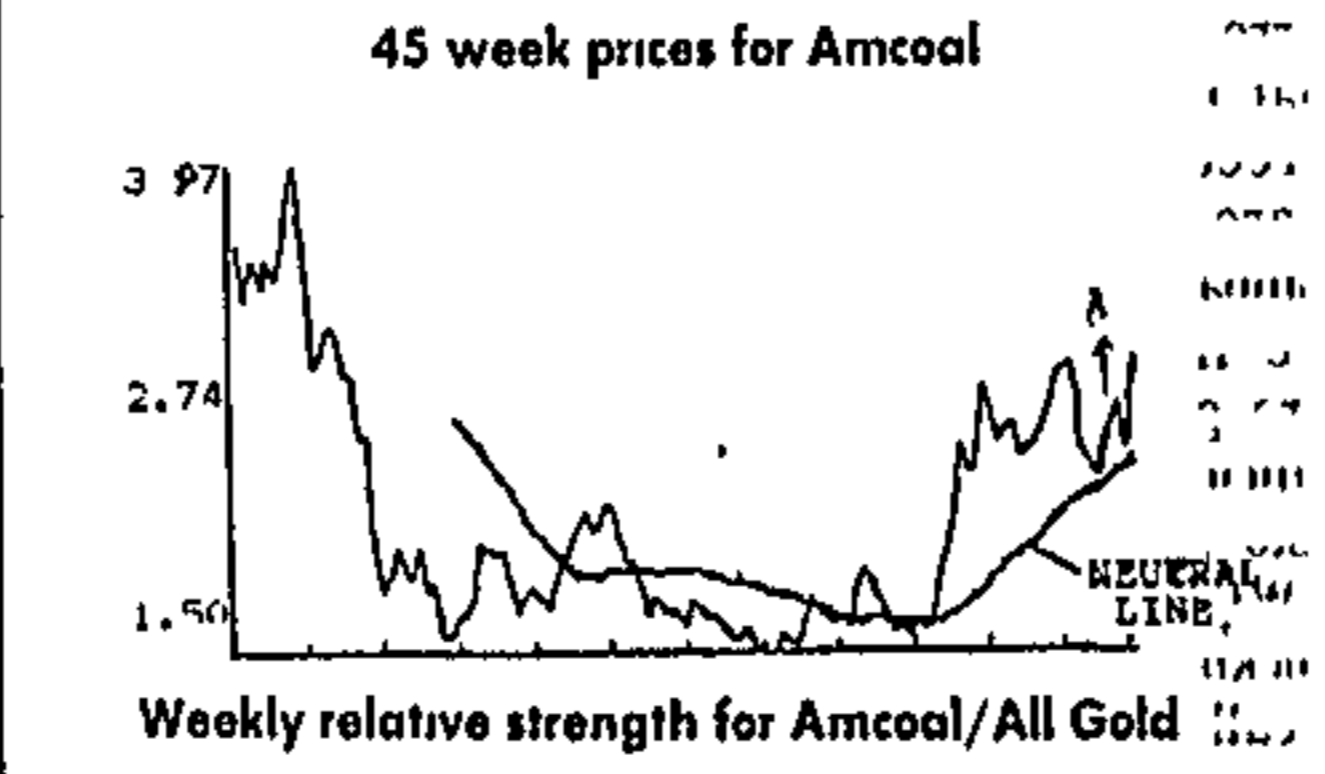
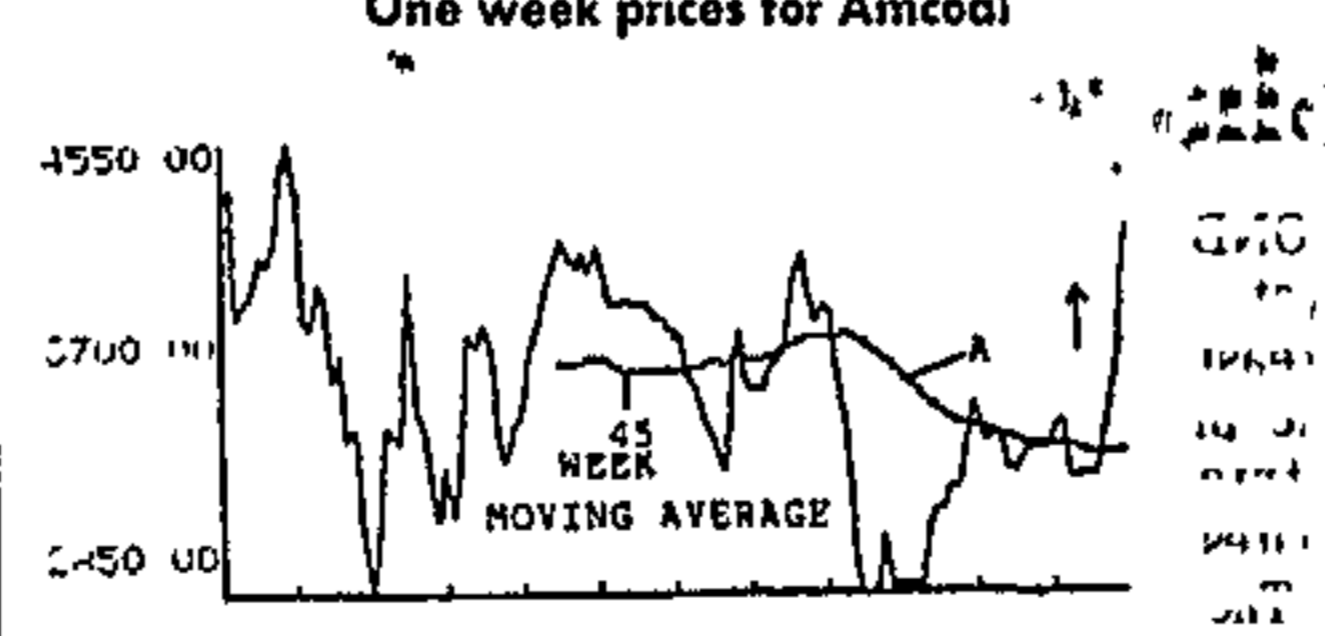
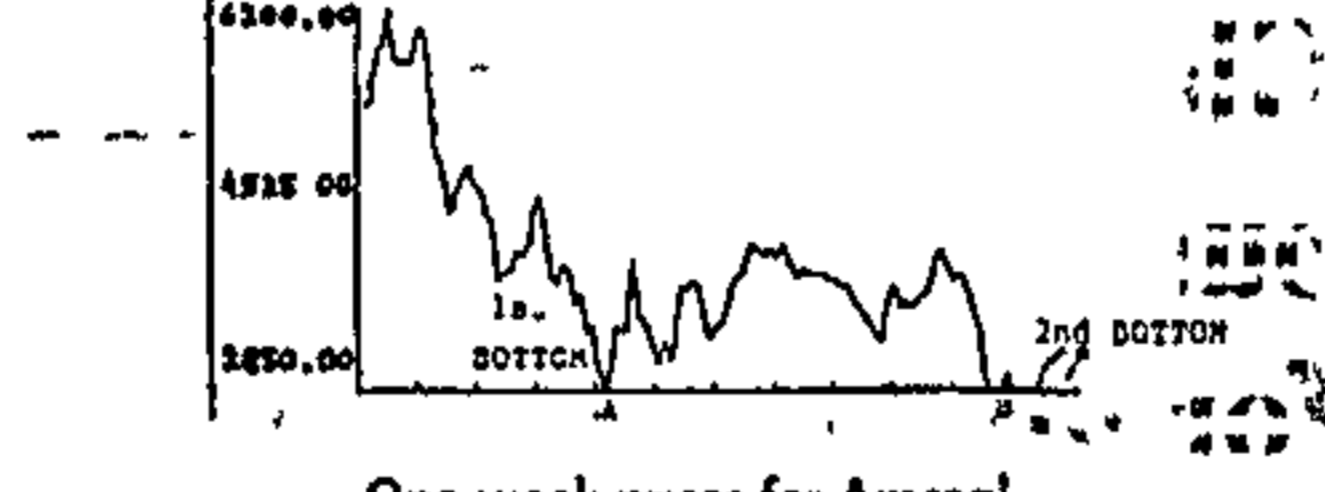
The 45 week moving average separates the bull from the bear areas

The lower graph is significant. It compares Amcoal to the All Gold index over the past 2,5 years

It clearly shows that Amcoal is out-performing the All Gold index (arrow at A) and has the potential to keep up this performance

CONCLUSION. When journalists start reporting on the obvious and start writing bullish articles after the event, it is very often time to start selling

Having said this, though coal shares are already in overbought zones, they, after consolidating and absorbing profit-taking, should register further gains in the medium term



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29/8/88

(215) B/Day

BRONWYN ADAMS

Liquidators to hold inquiry into the closure of coal mine

AN inquiry into the unexpected closure of the privately owned Anglo-Belgian coal mine at Dundee would be launched next week, mine liquidator Mark Lynn said at the weekend.

The investigation would be conducted by the Master of the Supreme Court in accordance with the Companies Act. Anglo-Belgian owner Eugene Berg and directors Graham Gard and Malcom Pryde were among those subpoenaed.

Anglo-Belgian Coal owes 79 major creditors and 200 employees

about R3m, a spokesman at Lynn's office said.

According to Berg the original mine, Talana Anthrasiet, was saved by Anglo-Belgian Coal from bankruptcy 18 months ago through an "offer of compromise".

A close relationship existed between the original Talana Anthrasiet and Anglo-Belgian Coal prior

to the takeover. The three major creditors of Talana Anthrasiet were members of the Anglobel group, and Anglo-Belgian Coal directors Gard and Pryde were also directors of the original Talana.

Lynn said Talana Anthrasiet owned all the equipment used in the mine. This could not be attached to the present mine for liquidation.

Rand Mines leads way in houses for colliery workers

By Norman Chandler

Rand Mines, one of the country's biggest mining based conglomerates, has taken a dramatic lead in the industry by providing home ownership facilities to its colliery workers

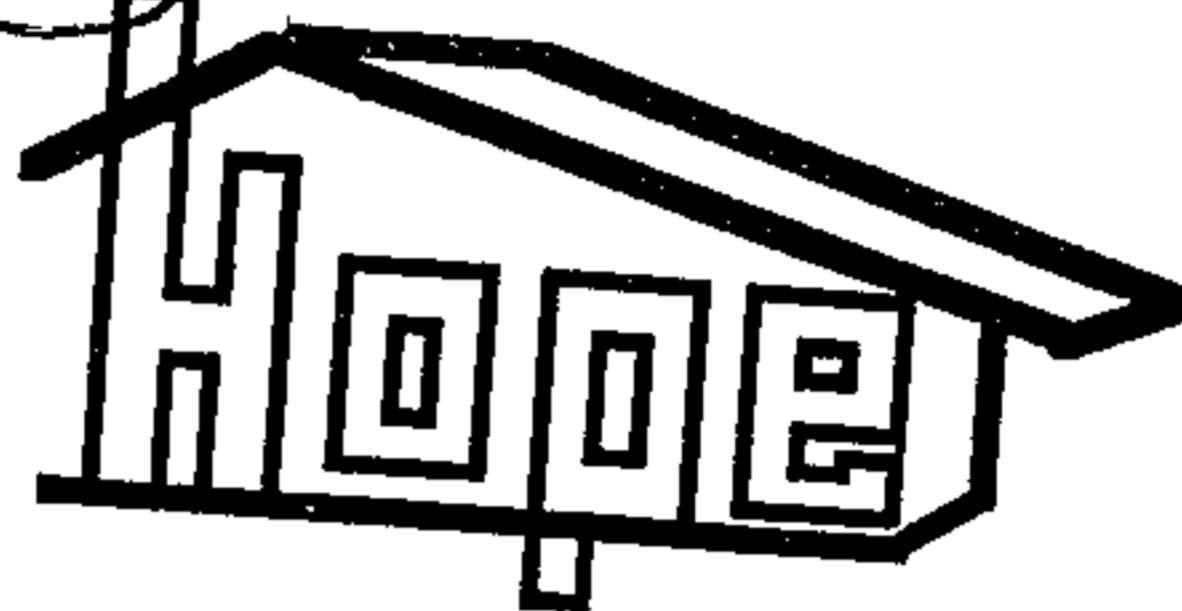
The scheme is described by Rand Mines' deputy chairman, Mr Allen Sealey, as "a decisive departure from tied housing and hostel paternalism" which has for years characterised mining operations in South Africa.

It is also seen as a move away from migratory labour as "the scheme is designed to encourage and speed up realistic alternatives to the migratory labour system and to enable employees to live with their families in a locality of their choice", Mr Sealey said in an interview

Hundreds of stands in eastern Transvaal towns have already been allocated to employees of all races

At kwaGuqa, near Witbank, they are available to Duvha opencast mine workers at below the market value and dozens of homes are being built at Phola (near Ogies), Reyno Ridge (near Witbank) and at Mhluzi (near Middelburg)

A number of private sector building companies, such as FHA Homes, Time Housing and Goede Homes, are now involved in developing township extensions



Agreements have been reached with four major financial institutions to provide 95 percent housing loans, with the remainder of the financing arrangements being negotiated through the State's first-time home ownership scheme and company guarantees.

Employees will be able to rent, buy or build, although existing mine housing will continue to be available for purchase by employees where mine-owned housing is within local authority jurisdiction

If an employee chooses not to acquire a house and instead to live in company accommodation, he will be required to pay a market-related rental but will be compensated by receiving higher earnings

Rand Mines said the scheme is designed to give employees the "same freedom of housing choice and the same economic clout in the market as their counterparts in other private enterprise operations".

It also represents a move towards paying market and skills-related wages — the group calls it "clean wages" to mine employees

Mr Sealey told The Star: "The shackles which made miners less mobile have been removed

"No one is any longer tied to the company. If they leave the company, they could, if they so wish, still rent the house

"We decided that we did not want a situation which would tie a man to the company. It was a fear when this scheme was first devised that such a situation could arise — it would have been a shackle on the worker, and also smacked of paternalism."

He said that forward planners in the group's coal, gold and base minerals divisions had discussed the need for "a radical new approach to mine housing" and the job of pioneering it had gone to the coal division because of special circumstances, which favoured its immediate implementation.

● See Page 7M.

SA coal: Belgian probe under way

BRUSSELS — The Belgian government was investigating allegations that officials re-exported SA coal illegally disguised as Australian coal, an Economics Ministry spokesman said yesterday. He said Economics Minister Willy Claes had ordered the probe after discovering that a ministry department had issued re-export documents describing SA coal as Australian. He said "SA coal imported into Belgium was rebaptised as Australian for re-export to a neighbouring country,

which could be France." Unlike France, Belgium does not boycott SA coal

But it has said it would be prepared to ban imports if the EC decided on a joint boycott to protest against SA's apartheid policies.

The spokesman said Belgium would ask its EC partners to discuss again a proposal for an EC-wide ban, which member states had failed to back so far. — Sapa-Reuter.

(215) B/day 7/10/88

France gets SA coal despite embargo

CAPT TMTS 12/10/88 215

—Own Correspondent

PARIS. — SA coal is reaching France in defiance of a government embargo.

A Belgian newspaper, De Morgen, has claimed that huge volumes of SA coal are being re-exported from Belgium to France as Australian coal.

SA coal exports to France have been banned since 1985.

Both the Belgian and French governments have now opened formal investigations into the matter. Sources here report that a number of Belgian civil servants alleged to have falsified export licences are to be brought to court.

At the same time, the scandal has rekindled calls for a ban on SA coal exports to Belgium, in line with the demands of the Flemish Socialist Party.

The Belgian government is said to be planning to ask its partners

in the EEC to consider a general boycott of SA coal.

Investigators were alerted by the rapid rise of coal exports from Belgium to France. From 6 000 tons in 1984 exports rose to 81 000 tons in 1985 and 337 000 in 1986 and reached 540 000 tons in 1987.

According to reports, the volume of Australian coal documented as being re-exported to France now exceeds the total volume of Australian coal imported into Belgium. Most of the coal is bought by big merchants in France for resale to the steel and electricity industries and cement works.

The extent of the coal merchants' involvement in the scandal has yet to be established. The investigations should show whether or not the merchants paid an unusually low price for the coal which, since SA coal is

considerably cheaper than the Australian product, would suggest they knew its real origin, or whether, on the contrary, they themselves were tricked into paying "Australian" prices for the cheaper SA coal.

Imports of coal into France are run by a monopoly, the Association Technique Pour L'Importation Charbonnier (Atic). In general, Atic checks the origin of coal imported into France and analyses its quality. But in the case of trade of coal within the EEC, Atic does not intervene directly between suppliers and buyers. Atic admits to being "embarrassed" by the whole affair.

The Documents of Origin supplied by the Belgian traders were in conformity with the imports, Atic said in a statement. "If the French importers did not know the real origin of their purchases, they have been tricked."

'Huge volumes' re-exported

215

SA's coal in ban scandal

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ALIDE KOOY

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ATIC admits to being embarrassed by the whole affair.

More s

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SA coal: New row in France

Own Correspondent

PARIS — A new storm is likely to break here over clandestine imports of South African coal directly into France.

A week after claims in Belgian and French newspapers that South African coal was being transhipped through Belgium to France in defiance of the 1985 embargo, the satirical weekly *Le Canard Enchaîné*, has disclosed that South African coal is being imported into French ports in secret.

Le Canard reported on Tuesday that the cargo vessel *Crusader Venture* had unloaded 60 000 tons of South African anthracite in the French port of Dunkirk last Saturday. The coal, imported by the Association Technique pour L'Importation Charbonnier (Atic) and destined for the French steel industry, came from Richards Bay.

Other major cargoes

Two other major coal cargoes are expected to enter European ports from South Africa this year, making a total of some 600 000 tons worth \$25 million (R60m) in 1988.

Coal imports from South Africa were banned in 1985 by the Socialist government in France. The ban has not been lifted.

In documents published by *Le Canard*, the imports were described as the continuation of contracts signed before 1985. One such continuation was signed on January 20, 1988 between Atic Renwick Coal, registered in Guernsey in the Channel Islands and represented in France by Merkuria-Sucden, a subsidiary of the French Sucres-Denrees group, with offices on the Champs Elysee.

The document clearly shows that the coal came from South Africa. But following the scare over illegal coal imports through Belgium, Atic decided to conceal the origin of the shipment.

All cargoes imported by Atic have a code number according to their country of origin: 04 for South Africa, 12 for Great Britain and 23 for Australia.

Origin to be concealed

In a circular dated October 11 and published by *Le Canard*, Atic staff were told to note that the code for the shipment carried by the *Crusader Venture* was to be changed from 04 to 80 which would identify it as coal coming from various different countries. Its origin was to be concealed in this way.

Neither Atic nor the Ministry of Industry would comment on the publication's disclosures.

A spokesman for the Ministry of Industry merely confirmed that his department was investigating the coal traffic through Belgium to France but would not comment on allegations that coal was being imported directly — and clandestinely — from South Africa by Atic.

Escapees deny

French firm's 'secret cargoes'

(215) B/200y 29/10/88

New report of ban-busting SA coal shipments

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ALIDE KOOY

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A ministry spokesman merely confirmed his department was investigating the coal traffic through Belgium to France.

~~215~~ 215

Cape Times, Tuesday, October 25, 1988 3

SA coal profits 'pocketed'

Own Correspondent

PARIS. — A serious row is brewing over claims that extra profits from the clandestine importation of sanctions-busting South African coal may have been going to France's state-owned coal importing company ATIC

Newspapers revealed last week that cargoes of SA coal were imported and then marketed as Australian coal

Reports in a French daily said ATIC has been selling SA coal to French users — mainly the steel industry — and pocketing the difference

The profits on these clandestine operations could have been as much as 33 million French francs (about R82 m) in 1986/87

The Belgian and French governments have instigated investigations into clandestine imports from South Africa.

Neither the French Department of Industry nor ATIC would comment yesterday.

Rand Mines resumes profit growth

By Derek Tommey

Rand Mines surged back into the growth stakes in the second half of its financial year with a 36 percent rise in attributable profits to R96,1 million

Coming after an 18 percent drop in profits in the first half of the year, this sharp increase enabled the company to report R164,5 million in attributable profits for the 12 months ended September, an increase of 7 percent on last year's R153,5 million

Earnings increased from 1369c to 1467c a share. An increased final dividend of 345c (330c) has been declared to make a total dividend payment of 450c (430c) for the year.

A number of developments contributed to the second half upturn, says Rand Mines' chairman, Mr DT "Dammy" Watt

These included

● The strong turnaround at Harmony which has resumed dividends,

● Better results from coal and base minerals. Coal alone contributed R10 million more in attributable earnings,

● More income from Rand Mines Properties which increased its after-tax profits by 44 percent.

The R10 million increase in coal earnings resulted from higher export demand. Other suppliers were unable to meet their international commitments and this led to better dollar prices

The group's sand/slime treatment operations at City Deep, Crown Mines and, most recently, Pilgrim's Rest, have now become a significant contributor to profits, said Mr Watt

Other points made

● Khutula Colliery has started contributing to group profits,

● Barbrook gold mine will be commissioned in the fourth quarter of next year, as planned,

● Newly acquired Lefkochrysos will produce platinum next June

Gencor, Trans-Natal agree on T-Project

GENCOR and its coal subsidiary Trans-Natal have agreed in principle that Gencor will take over management of the T-Project (aimed at producing synthetic fuel from torbanite).

Final capital expenditure if the T-Project is implemented is estimated at more than R3bn. Trans Natal said its 51% responsibility for this amount would strain its resources

Trans-Natal chairman Brian Gilbert-

TANIA LEVY

son said yesterday shareholders would be asked to ratify the agreement at the AGM on November 23.

Completion of the Phase 2 feasibility study under way would have cost an additional R14m over the coming months before its completion in mid-1989

Subject to shareholders approval, Gencor will pay half of Trans-Natal's expenditure so far, R7,7m, to take over the project.

Another R7,7m will be refunded should the Phase 2 feasibility study show the project is economically viable

Gilbertson said Trans-Natal would then acquire a 2,5% free ride in the T-Project and the right to subscribe to another 17,5% of the venture

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Edum

Coal exports take brighter turn

COAL export earnings have swung dramatically to enhance profitability of two major producers.

Increased sales volumes, rising dollar prices and a weaker rand/dollar exchange rate have overshadowed the likely impact of reduced Eskom demand and are the key to the turnaround in fortunes for Anglo American Coal Corporation and Gencor subsidiary Trans-Natal Coal.

Amcoal, reporting for the six months to September, lifted its interim dividend to 95c a share (80c) after a 50% increase

11/88
CHERYLYN IRETON

in attributable profit to R50,2m. Earnings a share have increased to 305,9c (205,4c). Chairman Graham Boustred says full-year earnings should show similar improvement.

His forecast co-incides with Trans-Natal's prediction of improved profitability after the worst financial year in the Gencor subsidiary's 25-year history.

Trans-Natal recorded a first-quarter profit of R13m.

● See Trans-Natal report Page 10

Amcoal lifts dividend after improved sales performance

Significantly higher earnings due to increased sales, higher dollar prices for exports and a weaker rand enabled Anglo American Coal Corporation (Amcoal) to raise its interim dividend by 15c to 95c a share for the half-year to September.

Pre-tax profit was R171,9 million, an increase of 56,8 percent. An effective tax rate of 53,8 percent (53,4 percent) resulted in a tax bill of R92,5 million (R56,3 million).

Attributable earnings rose by 49,6 percent to R75,1 million. Earnings per share at 305,9c increased by 48,9 percent.

Total coal and coke sales were 23,7 million tons, an in-

crease of 23,1 percent over the first six months of the previous year which included the 1987 miners' strike.

Sales to Eskom increased by 27,4 percent and export sales by 22,1 percent.

But sales to other domestic customers decreased by 10,7 percent.

The announcement by Eskom that certain of its older stations were to be de-activated and that the level of operations at others was to be reduced, will result in the closure of Cornelia and New Largo collieries and a reduction in output at Springfield.

Although tonnages sold to Eskom will decline marginally

initially, the consequential effect on Amcoal's current and future earnings will be minimal.

Amcoal chairman Mr Graham Bousfield says that because of Eskom's planned reduction in coal consumption, sales volumes for the second half are expected to be marginally lower than those achieved in the period under review.

However, the sales volumes in both the export and domestic markets will be higher for the year.

Thus, together with the improved dollar coal export prices and the forecast level of the rand, should result in a similar improvement in earnings for the year as a whole. — Sapa

Weakened Trans-Natal back in profit

By Derek Tomney

Trans-Natal, the giant coal company which went through a bad period in 1987-88, expects to resume dividends later this year, says the chairman, Mr BP Gilbertson.

However, shareholders should not get too excited by this news. He warns the dividends will be at a lower level than any other time in the 1980s.

He also balances this piece of more cheerful news with a report that the Japanese, who are one of the major purchasers of South African coal, are under pressure from the United States to reduce their South African coal purchases.

The Japanese have cut Trans-Natal's 1988 deliveries by 20 percent and have warned that further cuts were likely in the future, he says. However, this loss has been made good by sales to other coun-

tries.

But Mr Gilbertson also points out that when Europe becomes a single market in 1992, the restrictions in some countries on the import of South African coal could be extended to all the countries.

He reports that the company has made a satisfactory agreement with Gencor, subject to the approval of shareholders, on the financing of the costly torbanite project, should this be started.

Back in profit

Reviewing current operations, he said the group was still weak after its difficult year but it was again making profits and had earned R13 million after tax in the September quarter.

Providing there were no setbacks and the rand/dollar exchange rate remained steady Mr Gilbertson said Trans-Natal would maintain this rate of profit for the rest of the financial year.

Efforts had been made to solve the many problems facing the group. The company had asked the Receiver of Revenue to approve a restructuring of the group.

Thus would avoid a recurrence of last year's situation where it had to pay R12,1 million in tax, even though it had a pre-tax profit of only R1,3 million. An outstanding tax claim dating from 1986 had also been resolved.

The \$61 million foreign loan, which was due to be repaid by 1991, had been renegotiated and was now payable between 1990 and 1997.

The management structure had been revised. This had led to increased individual accountability and also to a 20 percent reduction in head office staff.

Satisfactory negotiations have been conducted with Gencor which will make it unnecessary

for Trans-Natal to have to find 51 percent of the R3 billion estimated cost of the "T-project" (to make oil from torbanite), should it be decided to go ahead with it.

Gencor will now refund half of the amount Trans-Natal has already spent on the project and all the amount expended if the project is started.

Trans-Natal would also receive a free 2,5 percent participation in the project and a right to subscribe for a further 17,5 percent.

These rights could also strain the group's cash resources, says Mr Gilbertson, which suggests that the company might pass them on to its shareholders. A decision is expected to be taken on the "T-project" by the middle of next year.

Mr Gilbertson says that steps

are being taken to improve productivity. "I'm not yet satisfied that we have identified all the reasons why the group's performance deteriorated so much more markedly than those of its principal competitors," he says.

Market analysts see this statement partly as a reference to the fact that Trans-Natal has been an unsuccessful tenderer for Eskom contracts in recent years. As a result it does not have the strong and growing domestic base that its competitors have.

Mr Gilbertson also emphasises that productivity improvements are necessary if South Africa is to remain competitive in the export markets.

"At current inflation and exchange rates, the cost advantage which South Africa enjoys over Australia will all but disappear within two years."

Finansbank, UAL

expensive furniture

COMPLETE OFFICE R499

Desk, Chair, Lamp

America, Australia would benefit

Coal price will soar ⁽²¹⁵⁾ if SA supplies are cut ^{Star 8/11/88}

By Chris Whitfield

LONDON — A substantial reduction in South African coal supplies, either through boycott or internal supply problems, would force up the international price by between 15 percent and 23 percent

That is the prediction of international consulting firm Wharton Economic Forecasting Associates (WEFA) in a study of future international coal trading

The report says that because of abundant supplies, coal prices are expected to rise slowly — by about 5 percent — over the next 12 years.

“But it was found that the level of South African supplies is the single factor most likely to influence prices.

“In 1987, South Africa shipped over 40 million tons, mostly steam coal, to EEC Europe (48 percent), Japan (18 percent), South Korea (14 percent), Hong Kong (6 percent) and Israel (5 percent)

“Exports have clearly been increasing during the

year, despite the growing political pressure from anti-apartheid campaigners”

The higher South African supplies are a result of its competitive price — it enjoys a \$20 (R90) a ton price advantage over its nearest rivals in Australia and the US — and an intensive marketing campaign, says WEFA. It says that the coal is cheap to mine and of a high quality.

It suggests two scenarios under which coal from the Republic might be limited

“The first scenario assumes that South African supplies are severely disrupted, either through local political problems or through a disciplined globally imposed boycott of South African coal.

“Prices would rise by up to \$17 a ton above base case prices in the Far East, where alternative purchases would have to be made to the greatest degree and would impact on European import prices by around \$11 dollars a ton”

The report says the main beneficiaries of any restrictions to South African coal shipments would be Australia and the United States.

9/17/88
Amcoal
deal
approved

JOHANNESBURG — Anglo American Coal Corporation's (Amcoal) acquisition of minority interests in Vereeniging Refractories (Verref) has been sanctioned by the Supreme Court.

At a meeting of ordinary shareholders on November 8, 98% of the Verref minority shareholders voted in favour of the scheme. This excluded Amcoal's existing 67% holding in Verref.

In terms of the scheme, Verref ordinary shareholders have a choice of accepting 1625c in cash for every share, or they can acquire Amcoal shares in the ratio of 36 Amcoal shares for every 100 Verref shares. They can also take a combination of the two.

The rationale behind the scheme to delist Verref was to strengthen Amcoal's hand in expanding Verref.

Some analysts questioned the amount of the cash offer, as 100-year-old Verref's assets had never been revalued and net asset value was thus considerably higher than reflected.

However, Amcoal justified its scheme by stating that Amcoal earnings growth was substantially higher than Verref's. In the event Amcoal's attributable earnings rise of 50% to R75,1m in the six months to September, against Verref's 12,7% increase in interim earnings to R5,4m, sustained the weight of this argument.

Star 22/11/88
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SA coal imported on Aussie labelling

By James Tomlins, The Star's
Foreign News Service

PARIS — France has imported 1 million tons of South African coal labelled as Australian since an embargo was clamped down in mid-1986.

The total value was in the region of \$25 million (about R60 million).

The industry ministry released yesterday the findings of a report started three weeks ago following complaints that South African coal was being shipped to Belgian ports, relabelled Australian and sent by rail to France.

The report said it could not discover whether the French purchasers, the steel industry and the EDF electricity grid were aware of this embargo-breaking traffic.

South African coal sells at \$25 a ton against an average of \$35 from other countries

The evening newspaper *Le Monde* commented: "It is difficult to believe that such huge quantities of coal could be imported without the buyers being aware of its real origin."

France also imports South African coal legally. An embargo was declared by Socialist Prime Minister Mr Laurent Fabius in April 1986, but he said current contracts could be honoured.

In 1985 France was importing 6,4 million tons, which fell to 780 000 tons in 1987.

The figure for 1988 is about 500 000 tons.

It is presumed that the French government will be forced to take legal action to stop illegal imports of South African coal labelled as Australian.

and kept firing his pistol
and rifle repeatedly

SA warns Angola and Cuba against bid to 'crush' Unita

Star 25/11/88

The Star Bureau

WASHINGTON — South Africa has told Angola and Cuba that any attempts to crush Unita militarily will wreck peace efforts.

This emerged in a television interview with the director-general of Foreign Affairs, Mr Neil van Heerden, broadcast in the US last night.

"We have told Angola and Cuba that if there is any effort to annihilate Unita militarily, the negotiations will be off," said Mr van Heerden, who led the South African negotiating team in seven months of peace talks.

Mr van Heerden was appearing on Christian Broadcast Network, interviewed by US evangelist and former Republican presidential candidate, the Rev Pat Robertson.

Mr van Heerden's assurance may come as a relief to conservatives in Washington who are highly suspicious that Unita and its leader, Dr Jonas Savimbi, are being left to the mercies of Angola's Marxist government.



But Dr Savimbi said he supported the announced South Africa-Cuba-Angola agreement on Cuban troop withdrawal.

Speaking to Mr Robertson while in South Africa this week, Dr Savimbi said his meeting with the President, Mr P W Botha, had gone very well. The only concern Unita had was how the withdrawal of 52 000 troops from Angola would be verified.

Dr Savimbi said he did not know details of this, but suggested that the United Nations might take part. He also wanted South Africa involved. "It will be good that all those who have negotiated agreement will be part of verification."

He said the US should not halt its military aid to Unita now that the goal of SWA/Namibian independence and Cuban withdrawal from Angola was in sight. Unita wanted to keep both the US and South Africa as allies.

SA equips Maputo to defend lines

Star 25/11/88

The Star's Africa News Service

MAPUTO — South Africa is to deliver an unspecified amount of "non-lethal" military equipment to Mozambique on Monday, it was announced here yesterday.

The Mozambican news agency, AIM, said a South African ship would dock in the central Mozambique port of Beira on Monday with "a cargo of non-lethal military equipment" but gave no details about the kind of equipment to be supplied.

It said the military equipment would be used to provide logistical support for the defence of the power lines that run from the Cahora Bassa Dam in the northwestern province of Tete to the South African border.

The supply of the equipment was part of the agreement reached in Lisbon in June between South Africa, Mozambique and Portugal on the repair and protection of the power lines.

Left-wing still talks of unity

Star 25/11/88

By Esmaré van der Merwe, Political Reporter

The leaders of the three left-of-Government parties which are engaged in unity talks today expressed hope that their initiatives would bear fruit, but reiterated their conditions for a political realignment.

The Progressive Federal Party, the Independent Party and the National Democratic Movement shared a platform at a congress held by the Institute for a Democratic Alternative for South Africa (Idasa) in Johannesburg.

The involvement of extra-parliamentary groups in a realignment received much attention, especially from IP leader Dr Denis Worrall and NDM leader Mr Wynand Malan.

Dr Worrall said that with an early general election probable, every attempt should be made to influence white public opinion to facing up to demographic, economic and po-



litical realities

Mr Malan said parliamentary and extra-parliamentary groups which could decidedly influence political developments should be involved.

PFM leader Dr Zach de Beer expressed pleasure at the prospect of co-operating with the IP and the NDM.

● In an editorial, the Government-supporting morning newspaper *Beeld* today encouraged the formation of a new liberal political party.

"No fault can be found with the principle of an alliance to the left of the National Party. It can bring balance to a debate which mainly focuses on what happens to the right of the NP."

The Bookie's Bet

Gosforth Park tomorrow
Best bet — Hatch, Race 9.
Best eachway — Fire of Life, Race 5

(215) (75) (40)

French to halt illegal SA coal

By James Tomlins
The Star's Foreign
News Service

PARIS — The French government has acted to halt clandestine South African coal imports which are beating the 1986 ban.

Industry Minister Mr Roger Fauroux told the National Assembly: "The official French coal buying authority, ATIC, took steps two months ago to tighten their controls and halt this traffic.

"The South African coal was being shipped to Belgium and then unloaded to be sent here by train. Somewhere along the line, it was relabelled Australian."

The Minister said that the clandestine traffic since mid-1986, totalling one million tons worth R60 million, "was made with the connivance of agents in the Benelux countries (Belgium, Holland and Luxembourg)".

Mr Fauroux said that the French ban on SA coal had brought imports down from a high of 6,5 million tons to 750 00 tons.

The Minister's statement, made on Wednesday evening, came at the end of a month-long press campaign in France and Belgium over this "Australian" coal.

Main French customers are the State-run EDF Electricity Authority and the new State-run steel plants SA coal sells in France at R60 a ton, compared with R82 from other suppliers.

Star
25/11/88

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'Losses have been minimised'

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B/day
1/12/88

SA coal ban has failed — unions

BRUSSELS — The world's largest non-communist trade union group said yesterday an import ban on SA coal by some western nations had failed to have its desired effect, reports AP-DJ.

In a report yesterday, the International Confederation of Free Trade Unions (ICFTU) said SA's mining industry initially suffered from the ban's effect but had since been able to diversify exports to minimise losses.

The trade union group said the boycott had to be internationalised and better coordinated to hurt SA.

The report said the industry was affected early on and boycotts partly caused a drop of 10% in coal exports in 1986.

SA's mining industry "was badly hurt by the bans on coal imports already imposed by some countries, such as the US and Denmark", the report stated.

Other countries that boycott SA coal are Canada, Australia, and several members of the 12-nation EC.

The report said that because of the boycott SA now gave a 15% "political discount" on coal to offset the effects of an import ban by some nations.

This year exports were expected to stage a "mild recovery", the report said.

The brussels-based ICFTU represents 87-million workers world-wide, grouping 141 trade unions in 97 countries

□ REINIE BOOYSEN reports that J D Anderson coal analyst Dave Russell said yesterday it was unlikely that SA exporters were giving a 15% "political discount" He said there was currently a shortfall in world coal supplies, and that SA producers, therefore, were in a position to ask for market-related prices

Shortfall

He said many consumers had been caught by the tightness in the world coal market. In Australia, labour problems interfered with supplies, while Chinese producers were finding it difficult enough to meet local demand. The unreliability of their supplies had led to their failure to attract long-term supply contracts, Russell said.

Flooding of an open-pit operation also led to a shortfall in supply from Colombia.

However, he agreed that there would be a recovery in SA coal exports this year. He estimated that SA would export about 42-million tons of coal this year, compared to about 39-million tons last year.

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Double death for Welkom murders

Leave to appeal on only one count

Star 1/12/88

1/12/88
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By Jo-Anne Collinge

A double death sentence has been imposed on a National Union of Mineworkers shaft steward by the Free State Supreme Court with leave to appeal granted in respect of one conviction only, a spokesman for a Johannesburg attorney said yesterday.

The capital sentences have been imposed for the murder of a mine engineer and a mine security guard in June 1987.

An appeal for clemency for Dilizintaba "Lucky" Nomnganga would be made to the State President in respect of the murder conviction for which an appeal had been turned down,

the spokesman for the attorneys, Krish Naidoo and Associates, added.

Eight other NUM members at Welkom's Western Holdings gold mine were convicted of murder but Mr Justice van Coler found extenuating circumstances and they received jail sentences ranging from an effective 18 months to 10 years.

The murders for which they were convicted occurred during a riot sparked by dismissals at the mine in June 1987. Two mine officials — engineer Mr Kevin van Dyk and security guard Mr Lukas de Wet — were stabbed and beaten to death by a mob. Six mine workers were shot dead in the same clash.

Originally 243 people were arrested over the killings. All wore amulets which the State alleged had been provided by a witchdoctor to protect them against bullets.

Eventually, 16 of the group were brought trial and seven were acquitted.

The witchdoctor, 67-year-old Seitimband Nqungu, died in detention six months after being apprehended.

NUM shaft steward Nziwamadoda Gogela also died in custody before the trial began.

Nomnganga's attorney said he had been convicted on grounds of showing common purpose with the mob. There had been no direct evidence that he inflicted any of the fatal wounds, the attorney said.

But he was alleged to have given a whistle to signal the start of an attack. And it was the State's case that the killings had been planned at a meeting two days before the riot.

The attorney said that allegations of police torture had been made during the hearing.

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TRADE

'Pressure could slash S A coal exports by 85 pc'

By **DICK USHER**
Business Staff

SERIOUS political pressures on South Africa could reduce coal exports by 85 percent from a projected 55-million tons at the turn of the century to 8-million tons, according to a major report by Wharton Econometric Forecasting Associates of London.

Intensive marketing of South African coal was helping hold down prices on the world market and real prices had fallen back to the levels held before the oil price explosions of the 1970s.

But any substantial reduction in South African exports could push prices up by 15 to 23 percent, said the report, a projection of the world situation until the end of the century.

CHEAP TO MINE

South African exports last year had continued their rise, in spite of pressure from anti-apartheid campaigners, to reach about 40-million tons from the lows of the past few years.

South African coal was cheap to mine, of high quality and enjoyed a price advantage of about \$20 a ton over its nearest rivals in Australia and the US.

But the report said there was considerable uncertainty about South African exports and if serious political pressures substantially reduced shipments, either through widespread boycott or internal supply problems, prices could rise by 15 to 23 percent which could boost them by up to \$17 a ton in the Far East and \$11 in Europe.

STEAM COAL

The main beneficiaries of any restrictions on South African exports would be Australia and the US, who would be encouraged by the higher prices to boost exports

Otherwise the report expected steam coal prices to rise only 5 percent by 2000

By the end of the century, Colombia and Venezuela would join Australia, the US, South Africa and Canada as the main international coal suppliers

BIGGEST PRODUCER

Its other conclusions were that China, the world's biggest coal producer, would remain only a minor exporter and might even become a steam coal importer

This was because domestic demand would outstrip local supply and because the Chinese infrastructure remained inadequate for domestic consumers and for the export terminals.

There could be a surge of imports by West Germany and the UK.

Coal exporters encouraged by higher Japanese prices

Star 20/12/88

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By Derek Tommey
Coal exporters have been cheered by the news that the Japanese steel industry has agreed to pay US and Australian producers \$2 to \$5.50 a ton more for coking coal next year.

Japan is a major buyer of SA coking and steam coal, taking about 8 million tons a year. Because of Japan's premier position in the coal trade, the price it pays has an important influence on the price paid by other coal-importing countries.

Mr DF Rogans, deputy managing director of Amcoal, which exports coking coal to Japan, has welcomed the news.

Amcoal and other SA coking-coal producers will soon begin their own negotiations with Japanese mills on the 1989-90 contracts, he says.

The South Africans obviously would use the higher prices paid to the Australians and Americans as a lever to get a better price, he says.

However, he would like to see the Japanese award South Africa a bigger tonnage.

For political reasons, the Ministry of International Trade and Industry (Mit) has imposed limits on Japanese imports of SA coal.

Mr Hans Smith, MD of Trans-Natal, another major coal producer and exporter, is encouraged by the increased prices being paid to coking-coal producers.

Trans-Natal does not export coking coal, only steam coal. But there is a link between the price of coking coal and steam coal. There is also some connec-

tion between the price of coal sold in Japan and in other export markets.

This gives him confidence that Trans-Natal will be able to get a better price for its exports next year.

Trans-Natal will negotiate its 1989-90 contracts with the Japanese in March. By that time the results of the negotiations conducted by other countries will be known, which should give Trans-Natal a base from which to start, he says.

Mr Smith says the industry is expecting an increase in the dollar price of export coal of 10 to 20 percent next year.

South Africa is getting \$27.50 to \$36.00 a ton for its export coal, depending on its quality. Coal exports this year are expected to be about 40 million

tons. The *Financial Times* reports that the lead in striking the first world coking contracts for 1989-90 was taken by the Japanese steel mills — the biggest coking-coal buying bloc in the world.

In a matter of hours they settled with the two biggest coking-coal exporters, Pittston of the US and BHP/Utah of Queensland.

Pittston agreed to a price increase of \$2 to \$52.85 a ton for 1989-90. Within hours, a series of settlements from Australia were also agreed to.

The Australian increase is \$3.50 a ton for hard coking coal, bringing the new FOB export price to \$50.40 a ton.

The Australian increase for poorer quality coking coals is

\$5.50

But whether this applies to weak or soft or semi-soft coking coal remains unclear.

It was accepted that there would be an increase. World and Japanese steel production is at an extremely, and unexpectedly, high level and Japanese production at least is expected to stay strong until the second half of the next financial year.

The only question in doubt was how large the price increase would be.

US producers had been openly talking of rises of \$5 a ton, while the Australians, including Utah, had mentioned price rises of up to \$10 a ton.

“Such talk now seems nothing but bar-room bravado on the eve of the big match,” the *Financial Times* said.

MacPhail explodes onto takeover trail

By Sven Forssman

MacPhail Holdings is to acquire 100 percent of Reef Coal and 99 percent of Reef Coal Bophuthatswanate for a purchase consideration of R2 782 614, to be settled through the issue of 9,3 million new MacPhail ordinary shares at a price of 30c per share, FSI Corporate Services said yesterday

MacPhail rose sharply to 40c on speculation of the deal yes-

215 ~~222~~ star 23/12/88
terday on the JSE, but settled back to 35c — 2 000 shares changed hands in one deal ahead of the announcement

For MacPhail, the deal means a diversification of sources of supply and expansion into new market sectors.

Reef coal serves different market sectors market sectors

It owns and operates the country's only independent plant

for production of char, a beneficiated process coal used in the metallurgical industry

It markets coal produced by independent mines operating outside the traditional TCOA framework

Reef Coal this month signed a contract to act as an agent for coal produced for the SA market by Gold Fields Coal from Greenside and New Clydesdale Collieries

COMMODITIES

Boost for SA coal exporters

From DEREK TOMMEY

JOHANNESBURG. — Coal exporters have been cheered by the news that the Japanese steel industry has agreed to pay US and Australian producers \$2 to \$5,50 a ton more for coking coal next year

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MINING - COAL

1989

Coal exports drop by 23%

By Day 4/11/89

(215)

REINIE BOOYSEN

SA'S coal exports show a 23% decline from July to September last year, according to the latest official figures from the Minerals Bureau. Exports declined from 3,3-million tons in July to 2,9-million tons in August, and again to 2,6-million tons in September.

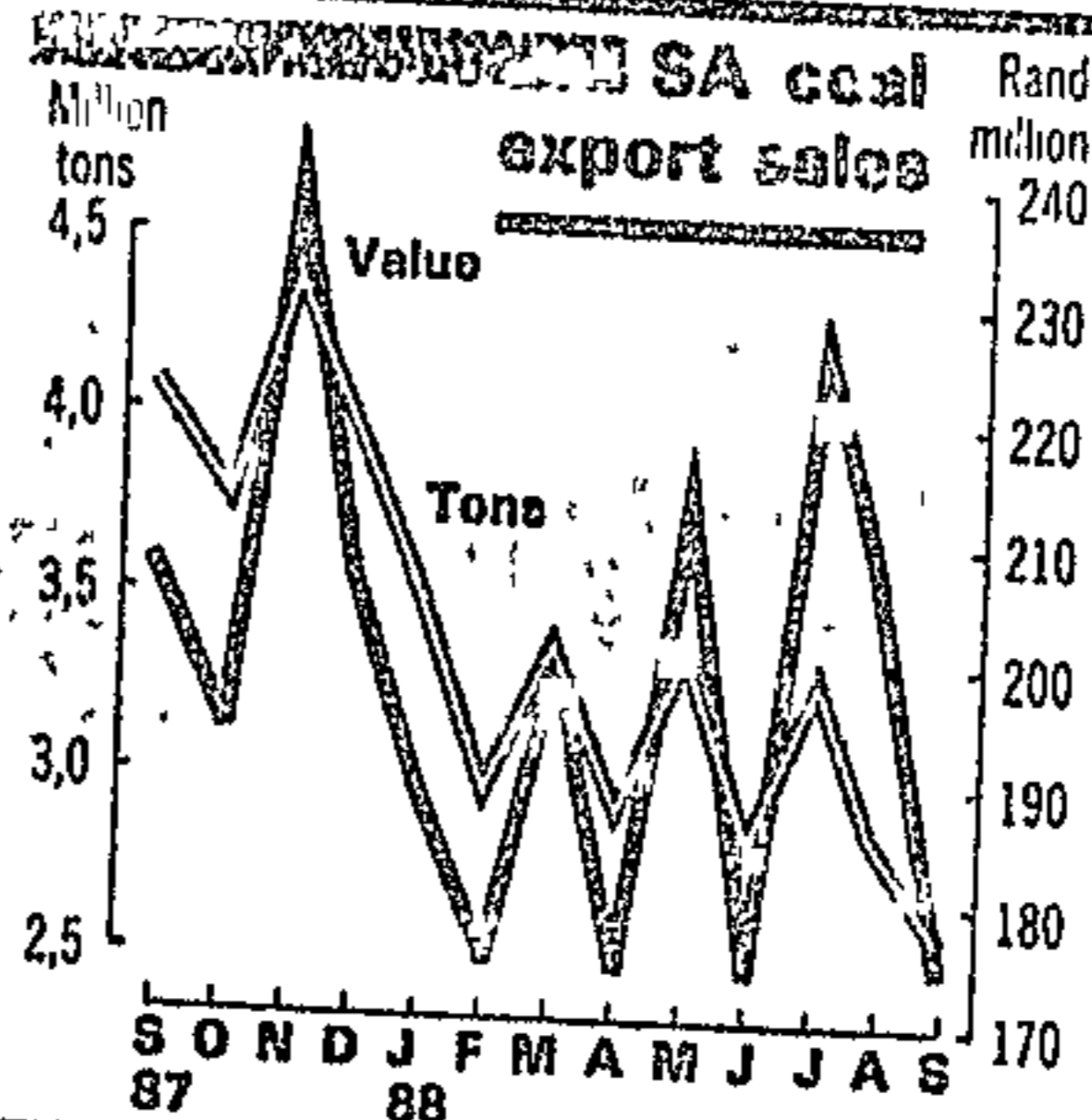
But JSE analysts say this may be a cyclical phenomenon due largely to the Northern Hemisphere summer, which appears to have been hotter than in previous years. "If this is the case the demand for coal for domestic heating would have been lower," says Simpson McKie mining analyst Kevin Kartun.

The total value of SA's exports declined from R229m in July to R210m in August, and R175m in September.

But the industry remains cautiously confident, having lifted exports to about 42-million tons in 1988 from 38,5-million tons in 1987. During 1988, the coal market became increasingly tight and, as a result, dollar prices rose steadily.

This improvement is reflected in the 32% rise in the average price of total SA coal exports, from R50,78/ton in September 1987 to R67,02/ton in September 1988 — although analysts point out that part of this improvement must be attributed to the decline of the rand against foreign currencies.

Although analysts said the outlook for 1989 was far brighter than it was in



Graphic: FIONA KRISCH Source: MINERALS BUREAU

January 1988, sanctions remained a perpetual damper on the industry's confidence.

JD Anderson analyst Dave Russel said industry executives devoted a lot of effort to marketing in 1988, and the fact that the Richards Bay coal loading facility worked close on full capacity in some months was an indication of their success.

But, one mining house executive confided that marketing efforts were still being hampered by the overseas sanctions campaign.

Russel says Gencor coal-producer Trans-Natal experienced forced volume cuts of up to 20% (from 2,4-million tons) imposed by the Japanese government.

WITCOAL chairman Allen Sealey

Coal producers meet Sats

said yesterday at the company's annual general meeting that Transvaal coal producers had started discussions with Sats about tariffs on the Richards Bay line for the fiscal year starting in April 1989.

Producers failed last year to persuade government to amortise the costs of constructing the Richards Bay railway line over a period longer than 20 years, in order to give them relief from the 50%-70% increase in tariffs imposed in 1987.

Analysts said this decision had a huge impact on the SA coal export industry,

REINIE BOOYSEN

13/04/89
which was already constrained by sanctions and the weak coal market. In January Frankel Kruger Vinderime coal analyst Keith Bright said the tariff "could be the death knell for an industry already reeling from collapsed prices and volumes"

But Sealey said the negotiations were not entirely fruitless "At least we now know how the tariffs were arrived at. It took us about 18 months to find that out"

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Trans-Natal coming right

Troubled Trans-Natal is not only on the road to recovery, but could get back to where it left off sooner than expected

MD Hans Smith confirms that the turnaround has exceeded original expectations. He elaborates that with the return to profitability secured, the relevant issue now is the speed of recovery.

Trans-Natal's financial year to June 1988 took the wind out of its sails as a combination of adverse factors resulted in a loss of R3,3 million, compared with an attributable profit of R76,5 million in the previous year.

In addition, there was a huge extraordinary item bill of R24,6 million. The latter was prompted by the observation that the provisions for some future liabilities were inadequate.

Tax provision

Turnover was down, costs were up, and there was a huge tax provision of R12,1 million.

To its credit, management lost no time in taking the bull by the horns. A team of senior group executives were assembled to investigate the situation, the management structure was revised, and the Receiver of Revenue was consulted to establish future tax liability.

Mr Smith comments that after a very thorough analysis, he believes that the major causal factors have now been identified.

He says a significant performance handicap was the freight contracts which has forced the group to pay about R33 million more than current

215 Sharespot
LYNNE PEACH

market rates. The last of these contracts expires in March 1991.

Another reason for Trans-Natal's performance deteriorating so much more markedly than that of its principal competitors is that, being the biggest relative exporter of coal, it is more vulnerable to international conditions, including the rand/dollar exchange rate.

The management structure was altered in order to improve decision-making and to clearly allocate individual accountability. Mr Smith says that the changed structure is working exceptionally well. He also points out that the whole accounting system is a lot sounder.

This suggests that Trans-natal will step out of the gloom as a more efficient organisation with stronger management control.

Trans-Natal's largest customer by far is Eskom which takes up more than 50 percent

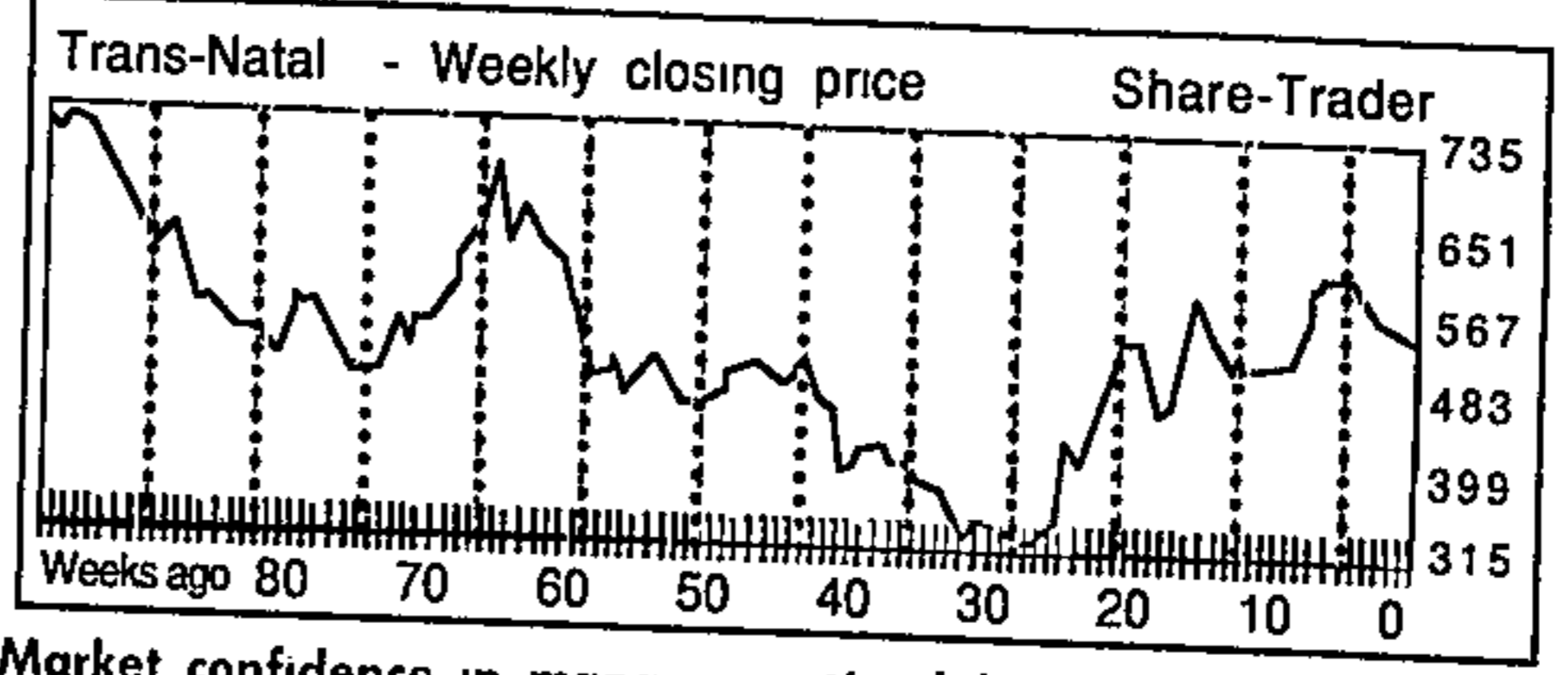
of group production, according to Mr Smith. Over the next few years Eskom is unlikely to award any new coal supply contracts. It has also decided to phase out some of its older power stations sooner than initially planned and to operate others at a reduced burning rate.

Although Trans-Natal is budgeting on an 18 percent decline in Eskom tonnages in financial 1989, Mr Smith believes that price rises will enable profits on these sales to approach last year's levels.

International outlook

The international outlook is, in the other hand, a lot more favourable. Mr Smith says that the poor export situation has turned around in the last nine months. He says there is a shortage of supply on world markets and the dollar price has firmed.

This should prevent Trans-Natal, the single largest SA supplier to the Japanese steam coal market, from feeling the effects of volume reductions from Japan.



Market confidence in management's ability to turn Trans-Natal around is depicted in the upward trend of the share price. The price has risen to 540 cents, well off its low of 315 cents about 7 months ago. The share has also been outperforming the JSE coal index. Barring unforeseen circumstances, the price could rise significantly above 600 cents in the medium term.

Star 18/11/89

Iscor report on mine plan

By Therese Anders,
Highveld Bureau

MIDDELBURG — An Iscor-funded environment report on its controversial proposed suburban opencast colliery 1,5 km from the up-market residential area of Gholfsig, was presented to Middelburg Town Council last night

The leader of the report group, Professor Alfred Brown of the Department of Mining Engineering at the University of Pretoria, said he recommended that the mine went ahead.

Blasting, vibration and dust would all be strictly controlled

The mine, which will have a 40 to 50-year lifespan, will use covered conveyor belts to transport coal to a rail siding 3 km away. This would cut down on dust

CSIR HELPED STUDY

The report was called for by the then National Party council in September.

According to Professor Brown, it is now law that an environmental report is completed before tenders are called for the selling of mining rights.

Asked why this had not been done in the Iscor-Middelburg case — the tender was awarded to Iscor last year — he said he did not know

The study was carried out by senior Iscor personnel with the University of Pretoria and CSIR.

No date has been set yet for the Middelburg council — now controlled by the Conservative Party — to make a decision

Wit Colls benefits from higher exports

RAND Mines-controlled Witbank Colliery's December quarterly results reflect the improved prices and higher sales volumes on the export market

Tonnage sold rose 205 000 tons to 4,8 million tons — boosting taxed profit by 15% or R3,6m to R27,7m

Eskom and inland sales tonnages during the quarter were at the same level as in the September quarter.

Working profit increased by 9,5% to R30,9m, representing 633,4c/ton (603,6c/ton previous quarter)

REINIE BOOYSEN

With net sundry expenditure at R1,26m (R3m) and taxation at R1,8m (R985 000), profit before tax was R29,6m (R25,1m)

Capital expenditure during the quarter amounted to R29,5m (R58,4m)

Witbank has capital expenditure commitments amounting to R83,4m, and the estimated total capital expenditure for the remainder of the current financial year is R128,7m

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B/DAY 7/11/70

Dirt starting to spread in SA-Aussie coal-switch scandal

ROBERT GENTLE

BRUSSELS — Belgian importer Meurisse has been named the key firm in a R22m-profit sanctions-busting scandal over the sale of SA coal to European markets. An Economic Ministry spokesman said yesterday Meurisse was not the

only firm involved but names of others could not be released because the probe was continuing. The Finance Ministry now has to

find out who falsified shipping documents that enabled companies to pass off SA coal as Australian and cash in on higher prices. A French Industry Ministry spokesman in Paris said it was an old affair and considered it closed.

CM 7/15 25/1/89 (215) (50)

Sanctions-busting firm named

BRUSSELS— Belgian importer Meurisse has been named as the key firm in the R22-million sanctions-busting affair involving the sale of South African coal to France and other European markets. This was revealed this week after an investigation by the Belgian Economic Affairs ministry into allegations that South African coal imported into Belgium was being re-exported to France and other Western European markets under falsified shipping documents.

Falsified shipping documents enabled the sanctions busting companies to pass off South African coal as Australian coal, and thereby cash in on the latter's higher market price.

New signs of coal recovery

BIDay 6/2/89

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REINIE BOOYSEN

SA COAL exporters are well on the recovery path and have virtually overcome problems created by sanctions.

The interim results posted by Gencor's Trans-Natal last week confirmed the trend towards greater profitability in the industry suggested by earlier company results.

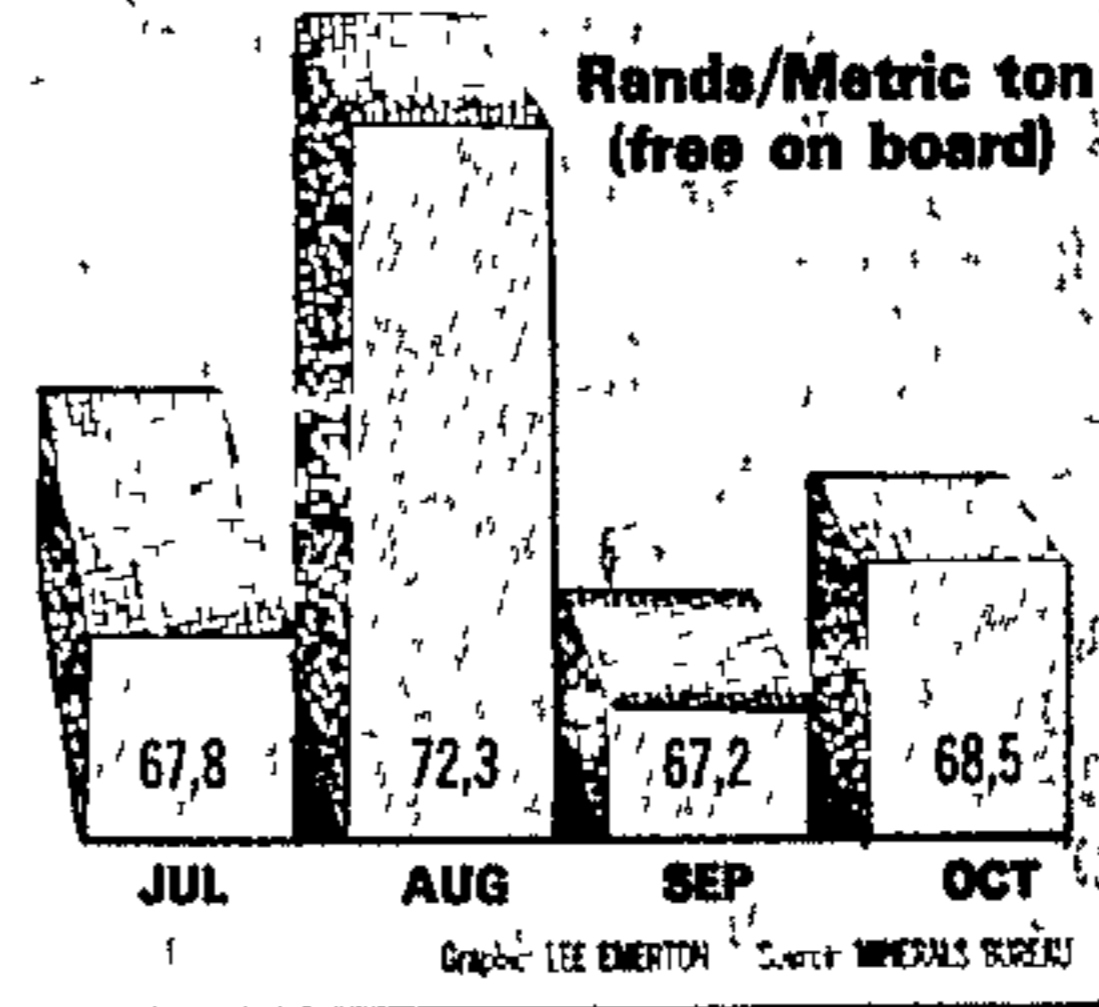
JSE coal analysts first suspected coal producers' fortunes were past their nadir and on a strong uptrend in May/June last year when news filtered through that SA producers were achieving better prices for their steam-coal overseas.

Analysts estimated they were receiving about \$26/ton — a big improvement on the previous year when some SA coal producers had accepted as little as \$19/t.

The JSE coal index, after languishing around 1 000 points, rose steadily to above 1 400 when company results confirmed the news of better prices.

The first such confirmation came from Rand Mines' Witbank Colliery (Witcol), which announced a 39% rise in taxed profit to R19,7m (R14,2m) for the

SA BITUMINOUS COAL EXPORT PRICES



June quarter last year. In the September quarter, its profit rose another 10%.

Anglo American Coal Corporation (Amcoal) reported a 50% increase in attributable profit to R75m (R50m) for the half-year to September. Chairman Graham Boustred predicted a similar

● To Page 2 ➔

New signs of recovery in coal industry

improvement for the full year and sentiment on the JSE warmed further in regard to coal shares a day later when the coal index rose to 1 461.

But Trans-Natal is by far the most exposed to variations in the export market and the strong resurgence in profit from this company — after it made an attributable loss of R3,3m (before extraordinary items) in the year to June 1988 — is final proof that the overseas market is booming.

Attributable income rose 218% to

R26,7m (R8,4m), in spite of a 2,1-million-ton drop in volume sales (to 15-million tons) resulting from Eskom's reduced coal requirements.

According to the January Minerals Bureau Bulletin, export prices of bituminous coal — which constitutes most of SA coal exports — ranged between \$27,42 and \$29,45/t from July to October last year.

215 ← ● From Page 1

BIDay 6/2/89

215

pricing "

He does, however, expect more competitive pricing of coals of D grade and below, and this has already been indicated by the low prices in recent tenders.

The end of the TCOA would seem to offer opportunities to the independent coal distributors. Market leader MacPhail and its recently acquired subsidiary Reef Coal expect to distribute 3 Mt of the total inland market of 21 Mt in 1989 — but they have the infrastructure to double this.

The upfront costs of setting up a marketing infrastructure, especially to deal with clients of less than 100 000 t a year, are immense. MacPhail says it would like a relationship with the mining houses similar to Metro Cash and Carry's relationship with the food manufacturers.

Conversely, Reef Coal director Paul McNaughton, who has concentrated on distribution for non-TCOA members up to now, says the prospects for independent distribution have diminished as the larger mining houses are buying stock from independents for export.

"With the seven members of the TCOA all marketing their own coal in their own way there will be further competitive pressures."

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ing operations at the end of March will have to be patient.

At this stage, the prospect of a savage price war among producers looks rather vague, with caution decidedly the better part of valour.

Although the TCOA looks set to continue, it will become an export sales organisation with a staff of six. MD Les Weiss will leave the organisation.

Mining houses are taking different approaches to domestic coal marketing for the new situation which will apply after the TCOA.

Rand Mines and Trans-Natal have set up in-house marketing divisions, but Gold Fields Coal (GFC) has left domestic marketing and distribution to Reef Coal, except for special contract customers such as Highveld Steel. Amcoal refused to divulge its plans.

Says Trans-Natal MD Hans Smith "We've been preparing to set up a marketing department for two-and-a-half years as we didn't expect the TCOA to continue indefinitely."

Although there is no longer a cartel, none of the mining houses look likely to start a price war. GFC chairman Peter Janisch says "There will be some initial jockeying for position but order should be restored to the market in six to nine months. Prices are bound to reflect mining costs."

A Rand Mines spokesman says there is very little surplus coal and so little chance of bargain basement prices. "We're in a low-margin business and it's not in anyone's interest to start a price war."

Smith says there may even be higher prices for high-grade coal as the supply diminishes. "It's been impossible to open new mines with the prices that prevailed over the last few years — and the industry now realises it has burnt its fingers through under-

COAL PRICES 215 FMMAC

Settling dust 10/2/89

Coal consumers expecting cheaper prices after the demise of the Transvaal Coal Owners' Association's (TCOA) domestic market-

R4-billion black granite mine comes on stream in Transkei

Business Staff

BLACK granite, in short supply on world markets and much sought after by the building industry, is now being mined at Willowvale in Transkei near the wild coast fishing resort of Cobb Inn

The granite, which when polished is a flawless black colour of excellent quality, is being exported to Italy where it yields US\$650 per cubic metre

Tony Barradas, chairman of Transkei Pioneer Mining Company (TPMC) which after two years of prospecting has obtained mining rights to the granite deposits, estimates that there are reserves of approximately 750 000 cubic metres

When the company is in full production it will export 5 000 cubic metres a year which at current prices will yield approximately R13-million

Overall deposit value is estimated in the region of R4-billion

"The logistics of getting the huge 30-ton cuboid blocks to the market are not as formidable as one would think," said mine manager Mike Zappa

"They go by road from the mine to Idutywa, by rail to East London and from there they are shipped to Italy"

Work to date has barely peeled the top off the mountainside, which is expected to have a mining life-span of 150 years at the current production rate

TPMC plan to open a granite polishing base in umtata to supply the transkei and south african markets which will employ about 100 people

The granite find, coming after Transkei's discovery of coal and deposits of heavy titanium

bearing mineral sands, has renewed hope that the geological survey to be undertaken in the near future may reveal a wealth of unsuspected minerals

It is also reported that Gen-cor has recently had consultations with the Transkei government with a view to reopening the nickel mine, at Mount Ayliff

Transkei's first coal mine is due to be officially opened by the head of the ruling military council, General H B Holomisa on Thursday, February 16

Mining industry layoffs 'severe'

JOHANNESBURG — The 1988 decline in staffing levels in the two main sectors of SA's mining industry — gold and coal — was far more severe than the announcements of about 10 000 layoffs during the year suggest, statistics released by the Chamber of Mines reveal

Provisional figures, computed jointly by the chamber and the Minerals Bureau, show the average number employed on goldmines in June at 523 687, 40 765 down on the previous year. This represents the first decline in gold mining employment figures in more than a decade

And staffing levels on SA's collieries, at 87 125, were down by 6 554 on the year and at their lowest mark in a decade

It appears most of these jobs were lost through natural attri-

tion
CME TMB 13/2/89
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Chamber senior GM, external relations, Johann Liebenberg warned that the next 12 months "do not look promising" as regards job creation on the gold mines

For twelve of the 31 goldmines affiliated to the chamber, it cost \$385 or more to extract each ounce of gold last year

Regarding the collieries, Liebenberg said things were looking up, but this was only relative to the 1987 downturn "The domestic market is dead. The international market is picking up both in terms of volumes and prices"

National Union of Mineworkers (NUM) assistant general secretary Marcel Golding said the union was discussing the economic conditions in the industry, including the retrenchments suf-

fered in the last year. However, he conceded the union faced difficult choices in dealing with the problem of marginal mines and retrenchments. A most unpopular solution, which the union had traditionally opposed as divisive, was differential wage rates at those mines

But, he added "We are not oblivious as to what is going on. We have always been pragmatic. That is why we settled last year"

He stressed, though, the NUM's preparedness to compromise was dependent on an open and frank approach by the industry "We want real and timeous proof of the difficulties the industry tells us it is facing," he said

The NUM accepted the need for fair dividends, he said. But this had to be put into perspective next to the need for a living wage

Coal mine injuries at new low

215 ALAN FINE

THE injury rate on SA's coal mines last year reached a record low of 5,08 per 1 000 employees at work, maintaining the improving trend of the past four years, Chamber of Mines collieries committee chairman Peter Janisch announced yesterday.

Speaking at a coal mine safety function in Ermelo, Janisch said the fatality rate of 0,57 per 1 000 employees at work in 1988 was an improvement on the 1987 figure.

According to the chamber's 1987 review, the unusually high 1987 fatality rate, at 1,58, was in large part a

function of two major accidents — a methane explosion and a mudrush — in which 47 miners died.

The lowest colliery fatality rate ever achieved was 0,36 per 1 000 employees in 1986.

Janisch said there had been no multi-fatality accidents in 1988.

The chamber also announced yesterday the successful development of a sophisticated new video probe designed to improve the chances of finding and rescuing miners.

COAL EXPORTS

In from the coal-d

The recovery in coal exports has been welcomed, but is unlikely to lead to a major expansion of the coal industry

Dollar prices of coal have improved by 50% since January 1988, and are now around US\$30/t fob

Total coal exports improved only slightly from 42,5 Mt in 1987 to an estimated 43 Mt in 1988, but the average price increased from R54 to R65

Exports are expected to increase to 45 Mt this year, but analysts are wary of predicting sales for 1990 and beyond

Italian electricity utility Enel has just agreed to buy SA coal at \$29,50/t. Low ash coal is being sold into the Japanese market at between \$38/t and \$40/t

On the debit side, Ferguson Brothers analyst Derek Ritchie says the cost of mining coal and raiing it to Richards Bay increased from R51/t to R59/t between 1987 and 1988 (see graph)

He expects the cost to increase to R70/t this year, compared with an expected average selling price of just under R85/t

Though the current cost structure would lead to higher margins for coal producers, this could be jeopardised by any strengthening of the rand

Witbank Collieries chairman Allen Sealey says local coal producers can justify investing in new equipment on existing mines, but margins are insufficient to consider opening new ones

"We are aware of the cyclical nature of this business and have fresh memories of a few years ago when we over-estimated the likely expansion of exports."

But he adds: "Our present mines are being depleted, so eventually we're going to have to dust off our 1985 plans for new mines."

Prices will have to rise above the level of SA inflation, which is already reducing the country's international competitiveness. Says Sealey "If our inflation rate continues at around 16% compared with America's 4%, soon we will be the high-cost producer and not them"

Simpson McKie analyst Kevin Kartun says a weaker rand won't help much, either "There is a trend towards opencast mining, which means more capital equipment will have to be imported

"A low rand would obviously drive up costs. But we can't do without this equipment as we need to modernise our mines to keep a competitive edge"

Kartun says there are several good signs for exporters. Poland has announced it will phase out steam coal exports over the next 11 years, and the strong Australian dollar has reduced that country's competitiveness

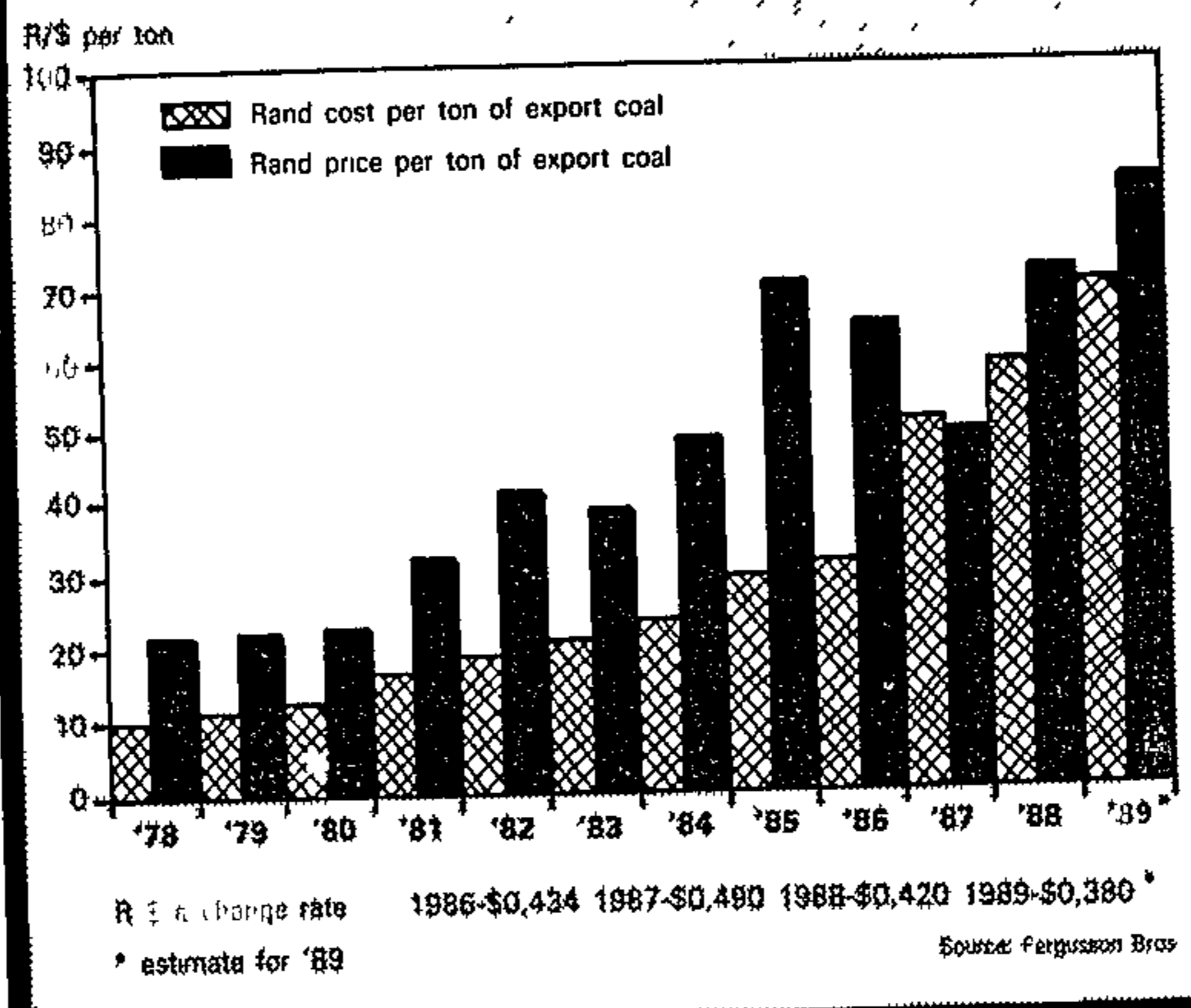
In addition, the Chinese impact on coal exports has been less severe than anticipated because the forecast exports of 30 Mt last year, in reality, totalled barely half that. Much of the coal is not up to export standard and there is stronger domestic demand because of the industrialisation programme in China

SA exporters are now waiting to see the extent of the Sats tariff increases on April 1

Sealey is optimistic "Unless the tariffs are calculated in a manner other than we believe they should be, the increase should not be substantial"

Margins up

Rand cost per ton of export coal compared with the Rand prices



SA coal mixed to cover up origins UK miners

Star 9/3/89 The Star Bureau 215
LONDON — Britain's National Union of Mineworkers believes South African coal shipped into the country is being mixed in Rotterdam to disguise its origins

Union officials say the volume of coal coming in through the Seaham and Sunderland docks has increased by 30 000 tons to 120 000 tons in the last 12 months.

The secretary of the Wearmouth lodge of the NUM, Mr Alan Mardghum, said "We are extremely worried about what is an obvious increase in cheap coal imports"

The NUM opposes South African coal imports on economic and political grounds.

Coal industry man rejects mine conditions allegations

A SPOKESMAN for the South African coal industry has rejected as completely false allegations made about the industry at a conference in Harare this week

Chamber of Mines collieries committee chairman Peter Janisch was reacting to a report quoting Andrew Kailembo, head of the Africa desk of the International Confederation of Free Trade Unions, in an address to the Miners International Federation conference.

Janisch said "The safety and fatality records on South African coal mines compare very favourably with those of other mining countries

"The figure of 8 000 lives lost is grossly false. Last year 32 people lost their lives in the South African coal mining industry. B/Daw 10/3/87

"South African coal mines offer very acceptable employment conditions to all grades of employees and are non-discriminatory in every way. There is no cut-price black labour. Conditions of service are negotiated annually with all recognised unions, in particular the National Union of Mineworkers, which last year accepted the chamber offer on behalf of its black members.

"The essential reasons for the relative cheapness of our coal are related to the geology of our coal deposits and their geographical location in relation to available infrastructure" — Sapa.

Eskom buys mine in R31m cash deal

B/Dm 28/2/81
ANDREW BUDDEN *US*

ESKOM has bought TransNatal's Natal Navigation Colliery (NNC) for R31m cash.

The mine supplies Eskom's Ingagane power station.

Had the deal not gone through, the Gencor subsidiary would have closed the mine because of Eskom's planned cutback of capital expenditure over the next decade.

In rationalising its operations, Eskom was concerned that if it forced mines to close, it would not have the productive capacity to increase supply when electricity demand increased again, Brian Gilbertson, deputy chairman of Gencor's mining division, Genmin, said yesterday.

"By acquiring the mine for itself, Eskom will have on tap the coal resources it needs for use at its own discretion," he said.

Eskom is expected to cut capital expenditure from the current R3,5bn a year to about half that amount during the 1990s.

As a result of the transaction, TransNatal's net asset value will increase R30,5m, or 38,6c per capital unit.

Since this income will be treated as an extraordinary item in the income statement, it will not materially affect normal earnings.

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15/12/81 28/12/81
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GF Coal
profits
drop

Z.S.
CAF 7m 1/5
12/4/89

JOHANNESBURG. — In the March quarterly results for the Gold Fields Group coal and base metal companies released yesterday, Gold Fields Coal company's production reflected a decrease to 2,2m tons compared with the previous quarter's 2,3m tons, while sales showed a corresponding drop to 1,8m tons from 2m tons.

Profit before tax was accordingly lower at R6,6m (R9,7m) giving a net profit of R4,9m (R6,3m) after a lower tax bill of R1,7m (R3,4m). Capex was significantly lower at R532 000 (R1,4m).

Rooiberg Tin's tonnage treated, which increased to 78 000 tons from the previous 77 000 tons.

Net profit showed a corresponding increase to R751 000 (R463 000), while capex rose to R79 000 (nil).

O'okiep Copper tonnage of ore treated was lower at 486 700 tons (502 400 tons).

Profit, in spite of a lower tax bill of R13,8m (R20,3m) increased only slightly to R17,4m (R17,3m).

The Zinc Corporation of SA recorded a decrease in production to 20 361 tons (23 374 tons), but this was offset by higher sales of R95,7m (R78,6m).

Profit before tax was accordingly higher at R14,3m (R10,7m), and after a tax bill of R6,9m (R5,6m) profit amounted to R7,3m (R5,1m) — Sapa

Coal shares prove pricey as dividend yields slip below 4%

The strong performance of coal shares in recent months has placed them in relatively expensive territory compared with their past trading history.

The accompanying chart, which is based on earnings and dividend yield considerations, shows coal shares should be avoided.

The latest market rally, which has carried the JSE coal index near the 2,000 level, has caused the dividend yield on these shares to slip significantly below 4%. This has occurred only twice since 1960 — between 1976 and 1977, and 1980 and 1981.

At the same time, earnings yields have fallen below 10%, which also represents expensive territory.

In both instances, once these levels were reached and a certain period of consolidation allowed for, coal shares began to lose favour as earnings and dividend yields rose.

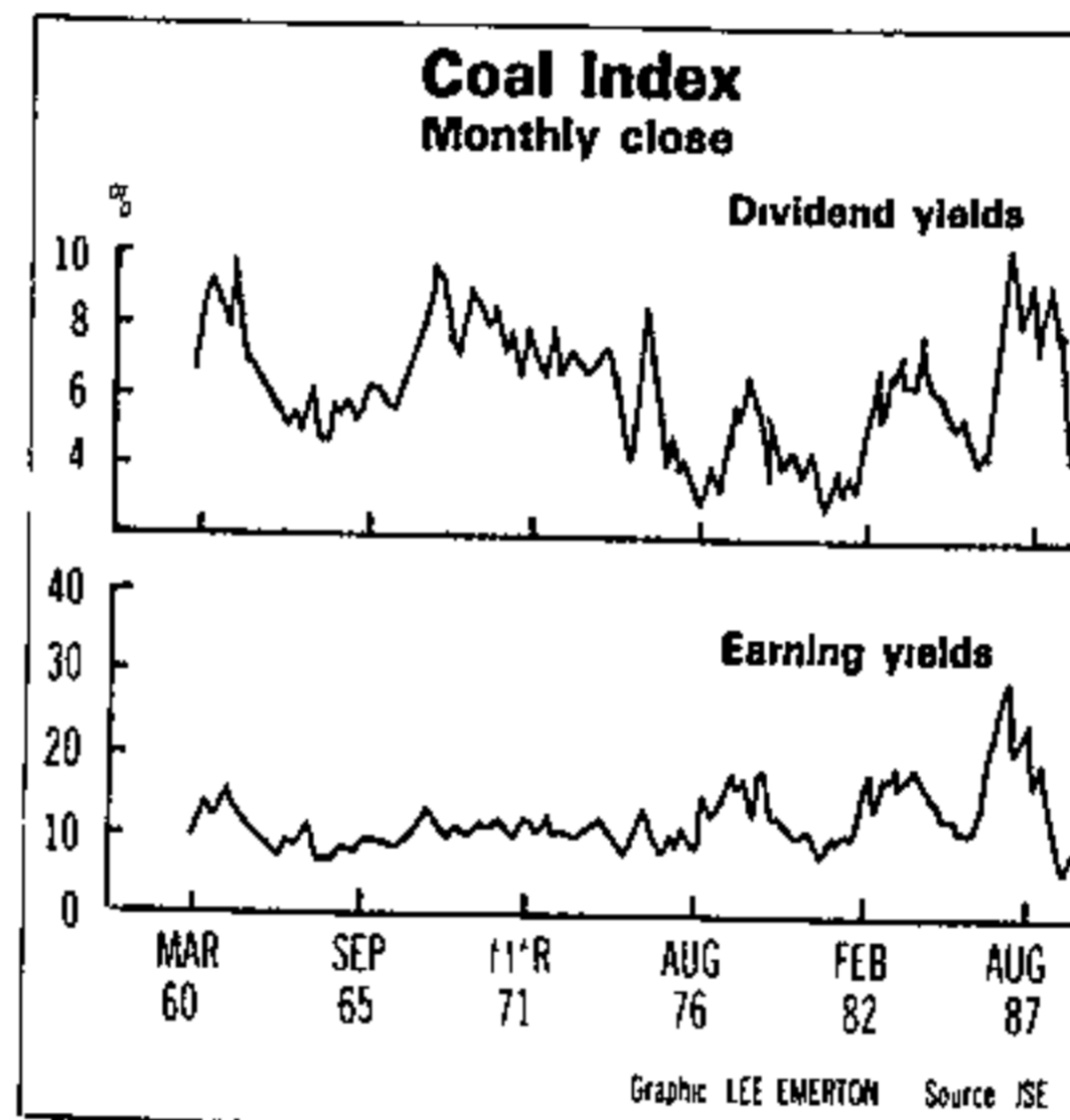
It is, therefore, not easy to say whether shareholders should begin to sell their holdings. Analysts appear to disagree about where coal share prices are headed. Derek Ritchie, an analyst at Fergusson Bros, Hall Stewart feels the coal counters represent "one of the most over-valued sectors in the market." By this time next year, he expects the coal index to retreat significantly from present levels.

He supports this view by pointing out that JSE volumes over the past six months have been small. He says the

STEPHEN RICHTER

strength has come from a limited number of buyers who have been chasing up prices based on the short-term view of stronger US dollar prices for steam coal. Since mid-1987 coal prices have jumped from \$22 a ton to the current \$32.

But Ritchie did not expect this to



continue as the huge price jump on international markets during this period corrected an over-sold situation.

By the end of this year, he predicts, this price could rise to \$34 a ton or \$35. That would represent an annual increase of less than 10% which would be far less than the 18% rise in costs of producing local coal.

Consequently, the investor purchas-

ing coal shares at current levels is counting heavily on the rand to continue falling to enable local coal companies to maintain their export margins. Taking this a step further, Ritchie points out that most countries importing coal are experiencing inflation rates in single digit figures, which indicates that most will be unwilling to accept coal price increases which exceed 10% a year. This is especially so since the demand and supply scenario for coal is basically in equilibrium with no major changes in this situation expected.

But while some analysts may agree with Ritchie and expect a correction to occur, others are content to continue holding their coal counters. Dave Russell of J D Anderson says rand prices for export coal are at their highest levels since 1985.

He says coal shares are rand-hedge stocks, which will continue to attract buying interest if the rand continues to weaken. With prices on overseas markets beginning to stabilise, and Eskom rationalising its power-generating capacity, the rand-hedge factor is the most attractive feature for these shares.

The most attractive share at the moment appears to be G F Coal, while Wit Colls is considered the most over-valued at current levels. With many companies due to report their results in the coming weeks, it will be interesting to see how the market reacts.

'Suburban' colliery still an issue

By Therese Anders, Highveld Bureau

MIDDELBURG — Iscor would not go ahead with its controversial "suburban" opencast colliery without reaching agreement with Middelburg Town Council on the issue of pollution, an Iscor spokesman said yesterday.

She confirmed that Iscor was still very interested in the project.

"Negotiations between Iscor and the council on the pollution aspects of the mine are still under way."

Areas still being looked into were dust, noise and ground water pollution, and the effects of blasting on nearby houses. She said Iscor would like all parties, including residents, to be "sa-

tisfied in the end"

The chairman of the new Conservative Party-controlled Middelburg Town Council, Mr John Carlisle, would say only that the ball was back in Iscor's court. He promised that the interests of the residents would be safeguarded

When news of the proposed colliery came to light last year it caused an uproar among residents. A "Stop the Mine" rally was held and 2 500 signed a petition. Angry ratepayers claimed the previous NP-controlled council had not notified them adequately of the Iscor deal, or the closeness of the mine to residential areas. The site is 1,5 km from the nearest house

215
10/4/85

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Star 20/4/87
AAM moves
for EC ban
on SA coal

The Star's Foreign
News Service

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BRUSSELS — Anti-apartheid movements in the 12 countries of the European Community have presented a manifesto they want prospective members of the European Parliament to support during elections in June. And they have disclosed that representatives of the Frontline states in Southern Africa are to meet all 12 EC Foreign Ministers in Luxembourg on June 12 or 13.

Mr Mike Terry of the British Anti-Apartheid Movement said: "It is a follow-up to the meeting in Lusaka in February 1986. The Frontline states have been pushing for it but some EC member states held back. It represents a significant new initiative."

A liaison group of anti-apartheid movements was formed in September last year and co-ordinates national movements.

It is now finalising arrangements for an EC-wide conference called "No to Apartheid Coal" in Rome next month.

DUIKER EXPLORATION REPORTS SHARP INCOME DROP

PROFITS were down sharply at Lonrho's Duiker Exploration in the March quarter because of lower steam coal sales and a decline in gold production.

Mining income fell to R4,5m from the previous quarter's R7,9m while net taxed profit plunged to R2,7m from R4,5m.

Steam coal sales fell to 734 620t (962 297t) while gold sales were down at 37kg (51kg) Anthracite

LIZ ROUSE

sales increased to 149 832t (133 209t)

However, Duiker's taxed profit amounted to R7,2m in the six months to March 1989 (R1m loss in 1988 half-year) and a 10c dividend was declared on March 16.

There was no shaft sinking at the No 5 Shaft complex during the quarter but 1 946 m of station cut-

ting was accomplished

Shareholders' attention is drawn to the March announcement by Freegold and Eastern Gold Holdings that capex in the Erfdeel area of Freegold's Free State Saaiplaas mine has been curtailed because of the present rand gold price

Work on the Saaiplaas No 5 shaft will be stopped once it has been sunk to its final depth, which is due to be reached in April/May 1989

R/14/2/1/4/69

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10 Cape Times, Friday, April 28, 1989

Business Report

Amcoal lifts earnings 58%

JOHANNESBURG — Anglo American Coal Corporation (Amcoal) has increased its attributable earnings by 58% to R165,6m for the year ended March 31, 1989

Consequently, dividends of 300c per share have been declared for the year, a 25% increase, and dividend cover raised from 1,8 to 2,2 times

The group's operating profit increased by 69,1% to R311,2m and interest and investment income rose by R10,3m to R54,7m.

After amortization and depreciation of R50,2m, profit before taxation was R364,2m, an increase of 58,5%.

Taxation amounted to R193,7m, representing an effective tax rate of 53,2%.

Total sales of coal and coke for the year were 45,5m tons, an increase of 3m tons.

Coal mining turnover increased by 28,0% to R1 200,0m.

The Verref division, whose 33% minority shareholding was acquired by Amcoal in November, increased turnover by 18,9% to R245,7m.

Total group turnover rose by 26,4% to R1 446m.

In the year, Amcoal's gross capital expenditure amounted to R206,2m, of which R10,8m was funded by customers (1988: R245,2m, of which R39,9m funded by customers) Group's future capital expenditure programme, including escalation, is estimated at R530m, of which R265m is to be funded by Amcoal. These commitments relate mainly to New Denmark and New Vaal collieries. — Sapa

Unittrusts

General Equity Funds Buyers Sellers Yield

Higher exports boost earnings at Amcoal

skw 28/4/87



By Syen Lünsche

A substantial recovery in exports, combined with the decline in the rand, helped Anglo American Coal (Amcoal) boost attributable earnings by 58 percent to R165,5 million for the year to March.

The total dividend has been raised by 60c to 300c. Operating profit for the group was up 69,1 percent to R311,3 million on a R300 million rise in turnover to R1,446 billion.

In his chairman's review, Graham Boustred is decidedly optimistic on the outlook for the SA coal industry in general and Amcoal in particular in the year ahead.

SA coal exports rose by one percent to 43 million tons last year, boosting export earnings to R2,8 billion.

Mr Boustred expects an increase of about one to two million tons for exporters this year.

"South Africa's longer-term competitive position in world markets nevertheless remains a cause for concern. While further weakening of the rand exchange rate will serve partly to compensate for increased costs brought about by high levels of inflation, the longer-term result will inevitably be the further erosion of the industry's competitive position," he says.

He says Amcoal's export tonnage rose by 700 000 tons to 10,2 million tons. This, in conjunction with improved

world coal prices and a lower rand, boosted export earnings.

Total sales of coal and coke were 45,5 million tons, an increase of three million tons, raising coal mining turnover by 28 percent to R1,2 billion.

Mr Boustred says Amcoal's sales to Eskom rose by 8,7 percent to 32,7 million tons.

The continued build-up in output at both New Denmark and New Vaal collieries, together with significant increases in tonnage at Kriel colliery, more than offset reductions in output at Amcoal's other collieries.

Eskom's rationalisation and closure of some of its power stations had a limited effect on earnings.

"The rising level of Amcoal's investment in New Denmark and New Vaal collieries will ensure income growth from its Eskom business, notwithstanding a reduction in the total annual tonnage supplied to Eskom," he says.

The capital expenditure programme, including escalation, is estimated at R530 million. It relates mainly to expansion at the two collieries.

The Verref division, whose 33 percent minority shareholding was acquired by Amcoal in November, increased turnover by 18,9 percent to R245,7 million.

Mr Boustred forecasts further profit growth from the division in the current financial year.

Amcoal profits up 58% on improved exports

BIDM 20/4/89

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HIGHER export tonnages, improved dollar prices and a weaker rand helped increase Anglo American Coal Corporation's (Amcoal) attributable earnings by 58% to R166m in the year to end March, from R105m the previous year.

Total coal and coke sales for the year increased to 45,5-million tons (42,5-million tons), mainly on improved production at the recently commissioned New Denmark and New Vaal collieries. This led to a 28% increase in coal mining turnover to R1,2bn.

Dollar prices for the year, currently at \$30/ton FOB were higher on average than the \$19-\$23 early in 1987

Cutback

Sales to Eskom were 9% up at 32,7-million tons (30,1-million tons), in spite of a lower overall coal consumption by the electricity giant.

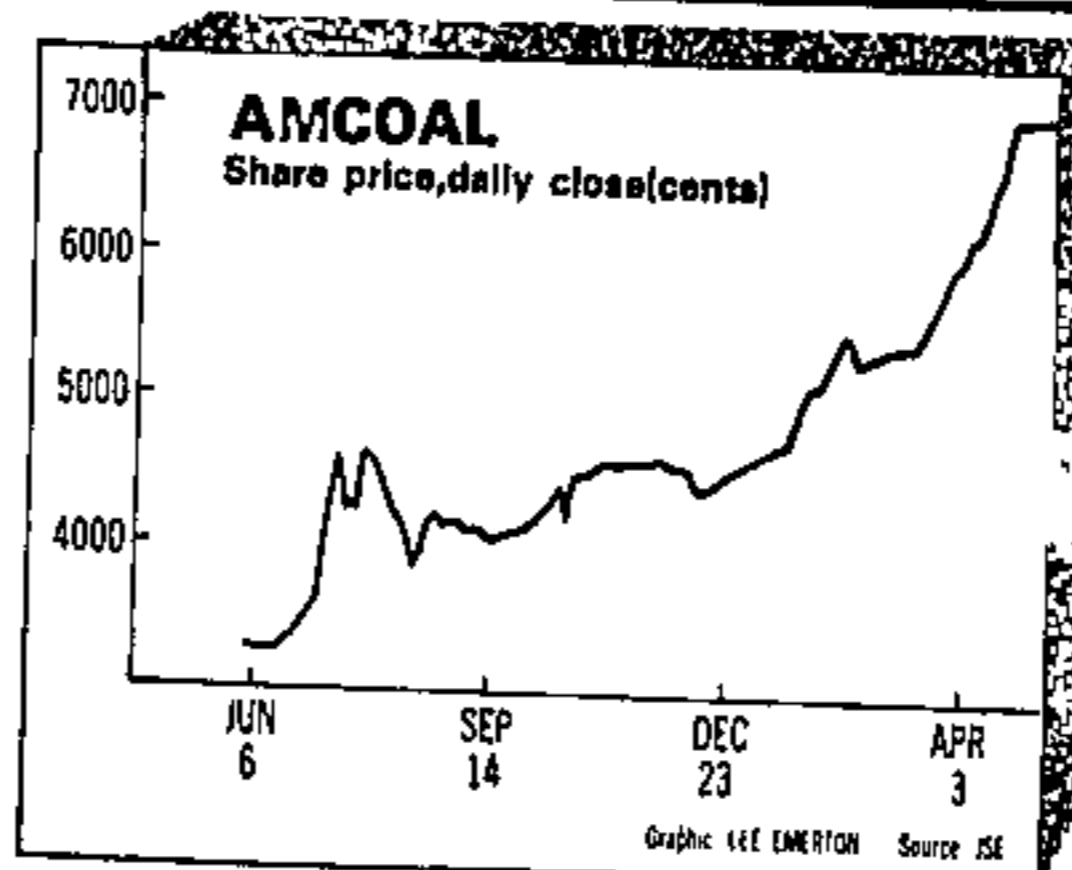
In the 1988 financial year, Eskom bought 64,5-million tons of coal from local producers, 2% less than in 1987 as newer thermal power stations increased output on lower tonnages.

Eskom's excess capacity and planned cutback of coal consumption directly affected three power stations supplied by Amcoal, leading to the retrenchment of 900 Amcoal employees.

The move has also forced a delay in the opening of Amcoal's New Cornelia colliery, which will supply the planned Lekwe power station.

Investment in this colliery will be postponed until early next century. Chairman Graham Boustred said in

ANDREW BUDDEN



AMCOAL

his annual report that SA's inflation would continue to erode the industry's international competitiveness.

He said the production of liquid fuels from coal, along the lines of Sasol, represented a major investment opportunity for the group.

Investment in this area was under consideration, and would probably begin in the mid-1990s, he said.

Working costs for the group were maintained below the quarter's inflation rates, and operating profit was pushed up 58% to R361m (previous year R228m).

In addition, revenue of R53m from cash and investments continued to play a significant part in earnings, contributing 15% (20%) to pre-tax profits of R364m.

A ruling by the SA Competition Board's on sales of bituminous coal by

the Transvaal Coal Owners' Association (TCOA) forced the withdrawal of the TCOA from the domestic market, and Amcoal now markets its own bituminous coal.

The Vereeniging Refractory (Verref) division, in which a 33% minority shareholding was acquired by Amcoal in November last year, increased turnover 19% to R246m (R199m).

Its refractory division yielded higher operating profits as exports improved, while higher building activity in the economy boosted earnings of the building materials division.

Protracted technical problems at Havercroft andalusite mine meant unsatisfactory performance for the minerals division.

Capex

Group capital expenditure for the year was 16% down at R206m (of which R11m was funded by customers) from the previous year's R245m — R40m of which was funded by customers.

Capital expenditure commitments relating to the New Denmark and New Vaal collieries are estimated at R530m, of which R265m is to be funded by Amcoal.

Dividends of 300c a share for the year have been declared, a 25% increase.

At the same time, dividend cover has been increased from 1,8 times to 2,2 times.

Boustred forecast an improvement in earnings for the year ahead, though at a more modest rate than achieved this year.

Coal share prices drop as prospects in UK market fade

ANDREW BUDDEN (215)

Down 17/5184

COAL shares dropped sharply over the past week on sentiment that they had become overpriced in the past 10 weeks

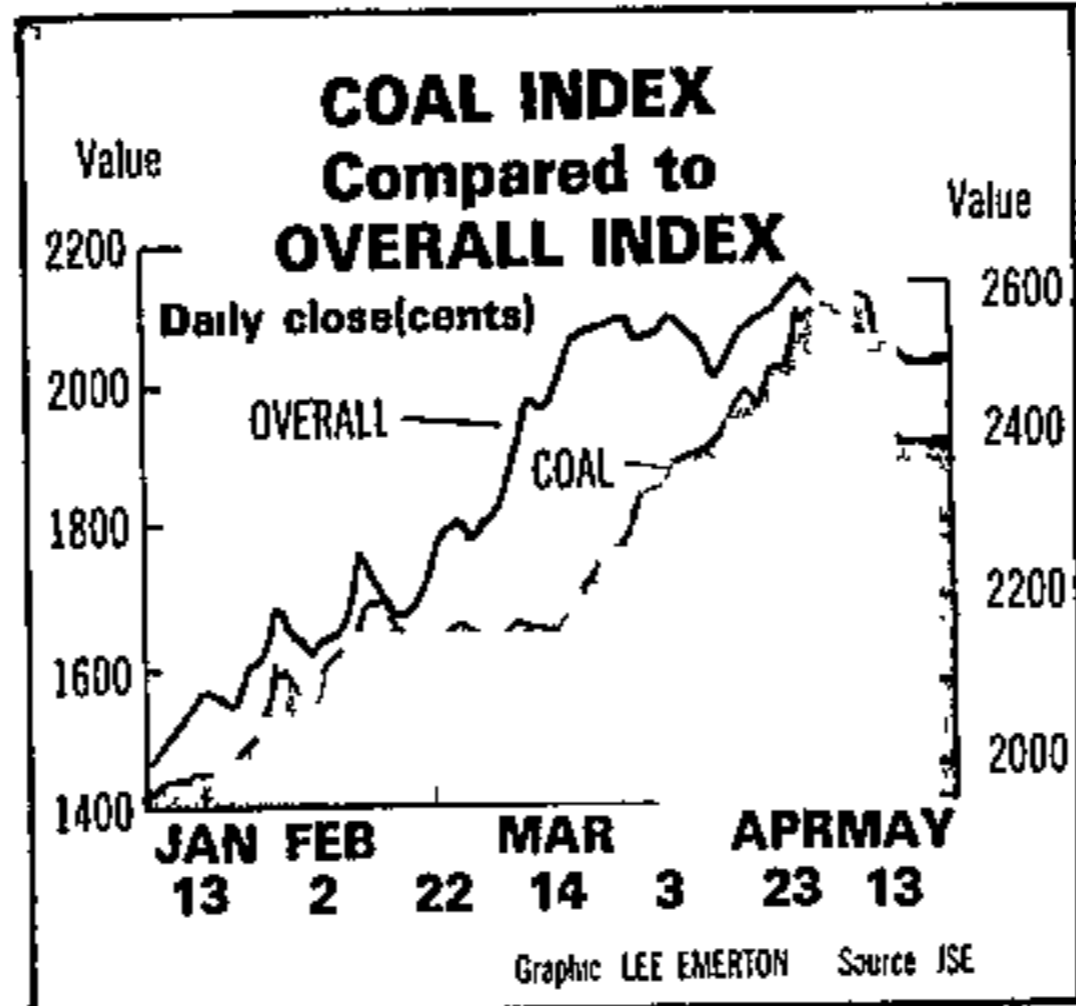
Prices have firmed significantly since February on relatively low volumes of institutional trading

The falling rand pushed shares higher on hopes of good export profits but quarterly results indicate these have not transpired.

The mining industry faces a 20% inflation rate and this has prompted some analysts to question prospects for export improvements

"Our customers have a very low inflation rate. They won't be prepared to keep paying higher dollar prices as SA working costs rise," said one

The same analyst predicted a further price slide in the month ahead



This is especially so in the wake of Business Day London correspondent's reports of British Coal's recent offer to cut the price by 20% for its supplies to power stations

The move was taken to protect a large section of its market from imports and fend off another round of colliery closures

SA exports little coal to the UK but the British market was seen as an area of possible expansion

British Coal price reductions will apply to a special stock earmarked to generate power for large industrial users of electricity on terms resembling those available to big consumers of gas

The offer was disclosed in London yesterday by Michael Gibbons, ICI's chief fuel purchaser, who said it should be accepted to help keep UK manufacturing competitive

Weak interim rise in profit at A T Colls

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ANGLOVAAL-Transvaal Collieries (A T Coll) managed a weak increase in taxed profit to R2,391m for the six months to March from R2,375m in the same period a year ago

This is equivalent to an earnings per share increase of less than 1c to 141,6c

Dividends from the company's fixed investment in Witbank Colliery (Wit Cols) totalled an unchanged R2,42m but, with interest received a little higher at R21 000 (1988 R13 000) and expenditure reduced to R44 000 (R55 000), the pre-tax profit was R2,4m (R2,38m)

Taxation was R3 000 higher at R9 000

During the period, A T Coll bought an additional 1 000 Wit Cols shares for R48 000

The market value of the company's total holding of these shares had risen to R64,7m (R39,8m) on March 31, while their book value was R3,39m (R3,34m)

The net asset value of A T Coll's shares on that date was R40,50 (R25,05) each.

Shares of most coal producers have fallen over the past week amid rumours that the high price experienced in March and April was the result of low volume share pushing by institutional shareholders — Sapa

AT Col's profit ^{Sta} ~~17/5/87~~ higher ~~215~~ ²¹⁵

The taxed profit of Anglo-Transvaal Collieries (AT Col) for the half-year to March rose to R2,391 million from R2,375 million in the year-ago period, equivalent to 141,6c and 140,7c a share respectively.

According to the interim report released yesterday, dividends from the company's fixed investment in Witbank Colliery were an unchanged R2,423 million

But with interest received a little higher at R21 000 (1988 R13 000) and expenditure reduced to R44 000 (R55 000), pre-tax profit was R2,4 million (R2,381 million).

Tax was R3 000 higher at R9 000.

SHARES

Over the period, Anglo-Transvaal Collieries bought an additional 1 000 Witbank Colliery shares for R48 000.

The market value of the company's total holding of the shares had risen to R64,664 million (R39,839 million) on March 31. Their book value was R3,385 million (R3,337 million).

The net asset value of Anglo-Transvaal Collieries' shares on that date was 4 050c (2 505c) each — Sapa

SHIPPING

Good demand for coal fixes

β1 Dam 22/5/87 (215) 207

STEADY conditions are now being experienced in most areas just prior to the normal commencement of the northern hemisphere summer holiday period, Afromar reports

In the Atlantic, good type Panamax sized vessels have been obtaining employment in excess of US\$14 000 per day for medium-term time charter employment of between three to five or six to eight months

Forward enquiry tends to be lacking and time will tell if this is because charterers have been holding back their orders in view of the recent high levels or a genuine lull is about to be experienced

Conditions for early positions are still firm in the South African market for most sizes

More fixing was reported in the coal sector this week. A fixture was arranged for 100 000-tons from Richards Bay to Milaki in Greece at US\$10,50 for a June loading, which subsequently failed. However, owners then re-fixed the vessel to Hong Kong at the same rate.

A slightly larger cargo of 110 000-tons was arranged from Richards Bay to Rotterdam at US\$9,60, also for June loading. French charterers took a part cargo of 65 000-tons in two grades from Richards Bay to Rotterdam at US\$10,10 for loading during the second half of June.

Three ports

A prompt cargo of 46 000-tons was fixed from Richards Bay to Italy at a rate of US\$16,75 on the basis of discharging at three ports.

A trading house was quoting two cargoes of 30 000-tons each from Maputo to Taiwan for loading during May and June and was indicating a rate in the region of US\$21-22 per ton.

Spanish charterers were indicating a rate of US\$16-17 per ton for 30 000-tons from Richards Bay to two ports in northern Spain

There seemed to be more interest in loading grain out of SA, with charterers indicating around US\$27 per ton for 30 000-ton cargoes of maize on the basis of discharging at one port in Japan

Turkish charterers were looking for tonnage to lift about 18 000-40 000-tons of wheat and were thought to be considering doing the business on time charter basis.

Unsuccessful

Taiwanese interests were still trying to fix a 25 000-ton cargo of manganese ore from Port Elizabeth to Kaohsiung, with shipment during the second half of June, but were seemingly not successful in getting owners to consider a rate under US\$20

There was interest in shipping 4 500-tons of steel rebars from Durban to Birmingham at the end of June, and 15 000-tons of steel billets from Cape Town to Taiwan on a prompt position

A parcel of 3 000-5 000-tons of ores was quoted from Greece to Cape Town, with shipment during June.

American charterers had an enquiry for a vessel to lift about 28 000-tons of ores and alloys from SA to several US Gulf ports

Base metals outshine gold

REINIE BOOYSEN

GROWTH in SA's coal and base-metals industries eclipsed gold by a substantial margin last year

It is well known that the importance of SA's gold mines has been waning with the decline in ore grades, the rise in working costs and the unexciting gold price

Less well known is the extent to which the rest of the minerals industry outperformed gold last year

Growth in SA's gold production was a paltry 1%, in dollar terms, to \$8,7bn (\$8,6bn). By contrast, the rest of the minerals industry grew 10%, to \$6,1bn (\$5,5bn)

There is an even greater contrast if one includes figures for Bophuthatswana, the only substantial mineral producer among the homelands. Bophuthatswana's minerals production — primarily platinum, nickel, chrome, vanadium and granite — rose by 17% to \$888m in 1988 (\$762m in 1987). Thus total southern African non-gold mineral production rose by 12% to \$7bn (\$6,3bn)

Surge in demand

In rands the picture for southern Africa is slightly different, because of the decline of the rand against the dollar: revenue from gold sales rose 13% to R19,7bn (R17,5bn), while revenue from the sale of other minerals rose 25% to R16bn (R12,7bn)

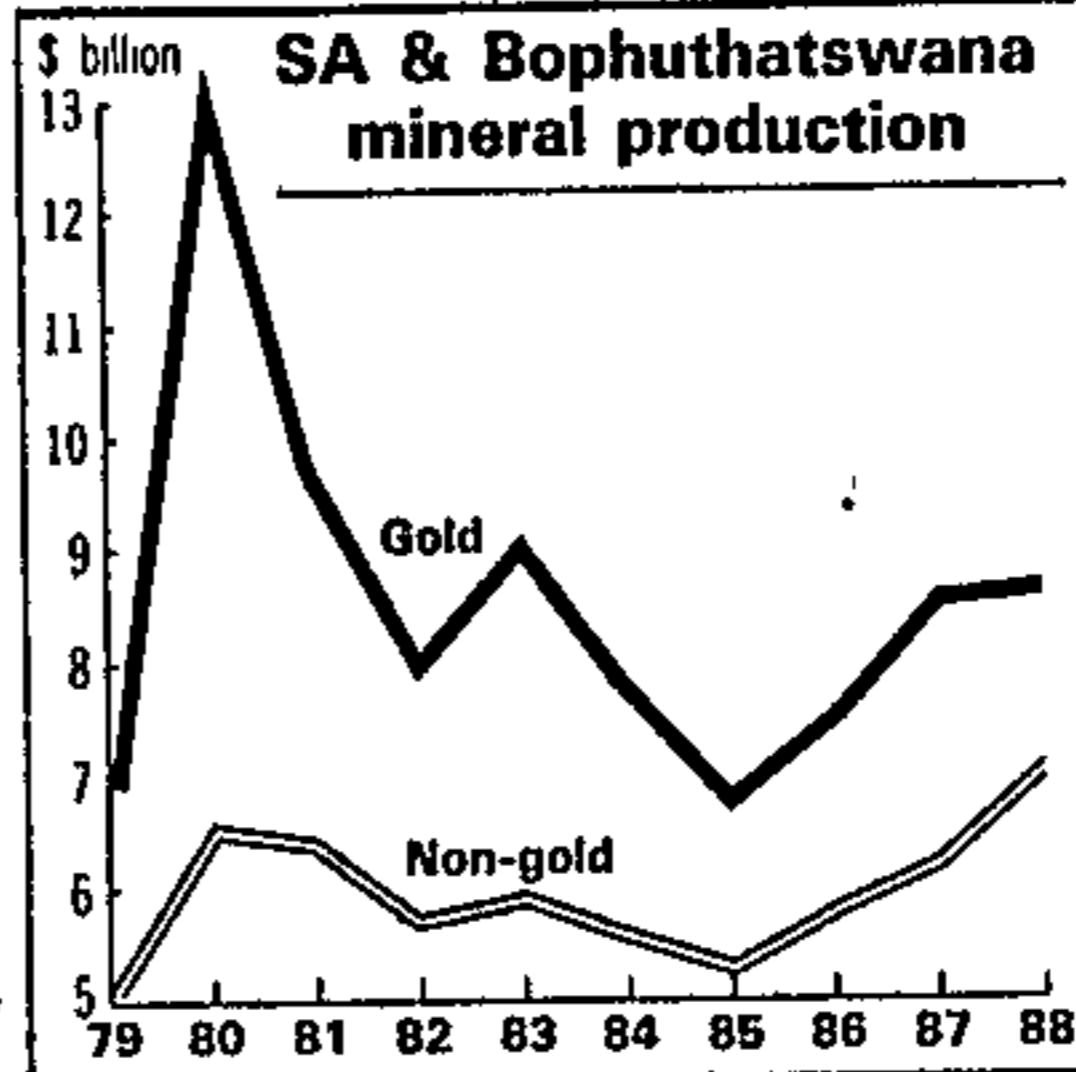
Analysts have been surprised by the duration of the current boom in the major industrialised economies, which has caused a surge in demand for the basic ingredients, including coal and base-metals. After the over-optimism of the '70s, most analysts have been cautious in their forecasts. Recently some have hesitatingly suggested that the boom might continue into the 1990s

This is good news for the coal and base-metal producers, and bad news for gold. Economic booms usually create greater confidence in non-gold monetary instruments, more so because Western governments have shaken off past fears of tackling inflation by raising interest rates

In SA coal and base-metal producers benefited from a double "bonus" last year while the rand weakened (in concert with the gold price), coal prices recovered and most base-metal prices soared to record highs on international markets

Besides the coal industry, which lifted total sales by 20% to R5,7bn (R4,8bn), a number of other minerals made significant gains. The largest was manganese ore, which lifted sales by 90%, from R177m to R337m

There are two JSE-listed manganese producers. Gencor-controlled Samancor, which lifted attributable profits 20% in the six months to December (R225m), compared with R188m for the year to March 1988 after a change in year-end, and Associated Manganese, which lifted distributable profit in the year to end-1988 by 273% to R57m (R15m). The company increased



Graphic FROM IRISCH. SOURCE: MINERALS BUREAU & BOP ECONOMIC AFFAIRS DEPT

deliveries of ore by 641 000 tons to 1,519-million

Middelburg Steel & Alloys, also a substantial ferrochrome producer, lifted taxed profit by 37% in the year to September, to R115m (R84m). Total SA chrome ore sales were 29% higher last year, at R312m (R242m).

The copper industry lifted sales by 53%, from R619m to R947m, after the enormous gains in copper prices in tight overseas markets. Two JSE-listed companies were responsible for most of these sales.

The largest is Palabora Mining, which virtually doubled taxed profit in the year to end-1988, to R175m (R89m). Dividend distribution was also virtually double, at R5,65 a share (R2,95).

The second largest is Messina, which lifted net income (before extraordinary items) in the year to end-1988 by 155% to R46m (R18m). Another copper producer, O'okiep achieved record profits of R71m (1987: R21m) in 1988.

The platinum industry profited from a lucrative by-product of platinum production, nickel, sales of which were 61% higher at R160m (R106m).

High ratings

Granite is another sector of SA's minerals industry which made extraordinary gains last year, lifting sales by 51% from R74m to R112m. The three JSE-listed granite producers have also achieved high ratings, and most directors say there is enormous potential for further expansion

Iron ore lifted sales by 15%, from R473m to R545m. A large proportion of this (R227m in 1988) is consumed locally

The boom in iron ore sales will no doubt benefit Iscor, the soon-to-be-privatised state iron and steel concern, which lifted taxed profit to a record R249m in the year to June 1988, from R97m in 1987

Iscor has not published interim results but the continued strength of the international steel markets has led analysts to expect yet another good performance in the year to June 1989

Associated Manganese's results were also bolstered by its iron ore division, which lifted iron ore deliveries by 362 000 tons to 1,479-million tons

Frigate sets sail for listing on JSE in a few months

THE JSE could see its first new coal mining listing in 25 years within months if Frigate Mining — a little-known independent operation — succeeds in its proposed listing

The group, run by founder and MD Mike Stanley, started as a plant hire operation 12 years ago and grew to become one of the largest independent coal producers

Group turnover for the year to June was R31m, up from R1,6m in 1984, when it began expansion into coal mining

Company officials were reluctant to give details of the proposed listing

"Negotiations with our merchant banker are at a stage where no dates have been finalised," said one

Stanley attributed a large part of the group's success to its policy of mining deposits which are too small to attract larger producers. In this way it kept operations low-cost and small scale, he said

Frigate has total coal reserves (owned or under long-term option) of 34-million tons

ANDREW BUDDEN

Mines are generally opencast with a short life and minimum on-site facilities

The original plant hire operation still exists but its contribution to group turnover has fallen to about 6%

The group has four operational mines in the eastern Transvaal producing 3,2-million tons a year. These will contribute R50m to the group's R53m turnover in 1989

Underground

A mining lease negotiated with recently-listed Southern Witwatersrand Exploration (South Wits) has further expanded potential operations. The lease covers development of a 5-million-ton deposit of export and domestic grade coal near Delmas

In terms of the agreement, Frigate will mine the deposit over which South Wits holds the options, and market the product. In turn Frigate will pay South Wits a royalty, which analysts put at about 5% of the pit-

head price. At production rates of 100 000 tons a year this would be worth about R1,2m annually to South Wits

The group's Hillside Colliery near Kendal in the eastern Transvaal will begin underground operations in August

The mine produces 120 000 tons a month from its opencast operations but further reserves totalling 1-million tons will become available only with underground mining

Underground operations are planned to produce an extra 50 000 tons a month

Stanley said the group's lack of experience in underground mining would not present a problem at Hillside. Opencast operations had exposed the overburden to a depth of 25m and drives would be made directly from the bottom of the high-wall, he said

No shafts would have to be sunk and, with a coal seam 3,5m thick, he did not foresee complications

The group has earmarked R20m for capital expenditure over the next three years

FISI'S MacPhail, the largest coal distributor, is set for further growth after acquisition of the Reef Coal group and a plan to consolidate its shares

The acquisition broadened MacPhail's coal distribution base, opened up new markets, expanded traditional areas of operations and added depth of management to the group, says chairman Ivan Posniak, in a review of the year to December

"With the enlarged group, we are anticipating further substantial growth, well ahead of the inflation rate," he adds

Management of the group's assets continued to improve and should assist in increasing profitability in 1989

MacPhail will consolidate its shares on a 4-for-1 basis — subject to the approval of shareholders at its annual meeting, — because the number of shares in issue is considered too large

The move will reduce issued share

MacPhail acquisition spurs all-round growth

ZILLA EFRAT

capital from 52.9-million ordinary shares to 13.2-million

Posniak says the group will continue to evaluate further investment opportunities to broaden the scope of its business

In the the year to December turnover increased 48% to R100m, while attributable earnings jumped 118% to R3.5m

After adjustments for the proposed consolidation, earnings rose 69% to 26.4c (15.6c) a share. A total dividend of 11c (7c) a share, covered 2.4 times, was declared

The current ratio of 1.4 1 was slightly

down on the 1.5 1 of the previous three years. Return on shareholders' equity improved to 22.8% (16.6%)

CE Sid Weintrob says organic growth continued at a high level with attributable profits from ongoing operations up 77%. The Reef Coal acquisition increased attributable profits by R664 000

He says "Our financial goal is to maximise the average rate of growth in earnings per share and dividends over the long term, through providing a distribution service that enables coal producers to deliver supplies to industrial and consumer markets in the most cost effective and reliable manner"

CALL FOR BOYCOTT

AMSTERDAM — Holland's biggest transport union, FNV, is to call for a boycott of all South African coal by its sister unions in all the harbours of north-western Europe. The move will be made at this week's International Transport Federation's meeting in London. An FNV spokesman, Mr Bert Duym, said his

Sowetan 30/5/89

Sowetan Foreign News Service

union wanted trade unions in Belgium, West Germany, Britain, Ireland and France to put pressure on their harbour authorities for such a boycott.

The FNV-transport union's initiative was taken after an investiga-

tion into the South African coal trade revealed that only a boycott of the north-western European harbours "would have the desired effect of ending South Africa's lucrative coal trade in Europe."

An FNV report, *Breaking the Chain: Boycott of South African Coal in North-Western Europe*, contradicts the view of the Dutch foreign affairs minister.

Wankie hoping to come in from cold

Star 5/6/89 By Derek Tommey

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Wankie Colliery, Zimbabwe's major source of coal, is listed on the JSE

In view of the increased demand for energy in that country it should be a sound investment for South Africans and could be one day (if the Zimbabwe authorities permit the payment of dividends to South Africa)

But at the moment the company is not paying dividends because it is plagued by the inability of the railways to move its output and also by the need to make heavy capital repayments.

Wankie's executive chairman, Mr DD Kadenhe, reports that sales in the 12 months to February dropped 5,5 percent owing to the inability of the National Railways of Zimbabwe to deliver Z\$5 million worth of coal

Power station demand was met only by transferring additional wagons to this traffic, which resulted in other customers, including agriculture and industry, going short

Coal processing operations were satisfactory, but a shortage of spare parts, particularly bearings, piping, screen frames and cyclones are a cause for concern.

Financially, Wankie appears to be holding its own, with a net profit of Z\$18,6 million (Z\$17,5 million) for the year to March, after making loan repayments of Z\$11,5 million and paying Z\$10,9 million in interest

But this year Z\$30,6 million will be needed to repay loans and interest and a further Z\$19,7 million for capital expenditure, but insufficient cash has been generated for this purpose

However, Mr Kadenhe remains optimistic about the prospects

"Given adequate transport of coal and coke to all our customers and an appropriate price adjustment to implement our capital expenditure programme and see us through the immediate loan repayment hump, the future is bright"

He says Wankie is negotiating to supply clean coke-oven gas to Hwange Power Station as a replacement for imported oil and is participating in a coaltar and benzol plant next to the Zimbabwe Iron and Steel Corporation.

British Petroleum to sell off coal interests

Star 16/6/89

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By Sven Lunsche

Oil giant British Petroleum (BP) is to sell the bulk of its world wide coal business, including mines and coal reserves in the US, Australia, South Africa and Europe, the company announced yesterday

Earlier this year BP sold its mineral subsidiary to mining giant, RTZ, for \$4,3 billion

The sale of a large part of its coal business, thought to be worth about \$600 million, will allow BP to concentrate on its oil business.

BP has about 440 million tons of coal reserves in South Africa, and while the company said it would like to sell the interests as a single business, BP did not rule out the possibility of selling some assets separately

Apart from a number of coal mineral rights, BP also controls or has a substantial stake in three major South African collieries.

A number of buyers are lining up for the various South African interests, with Rand Mines and Gencor's Trans Natal the major contenders.

BP's major asset in the country is an 88,5 percent stake in open-cast mine Middelburg Mines, which last year accounted for 19 percent of South Africa's coal exports of 43 million tons

This puts Middleburg Mines steam coal exports at over 8 million tons and, based on an average R64 per ton price achieved by South African exporters last year, values the mine's export earnings at a sizeable R512 million.

Kanhym and Rand Mines, though its coal subsidiary Witbank

Collieries, are the two other shareholders in Middelburg Mines

A Rand Mines spokesman said this morning that the group would certainly be interested in acquiring any of the assets BP is selling in South Africa

Trans Natal's chairman Brian Gilbertson also reportedly indicated an interest in buying BP's local operations

His company's current links with BP extend to two ventures, namely a joint opencast and underground operation at Eikeboom Colliery and a similar venture at Ermelo Colliery

BP owns 50 percent of Eikeboom and 33 percent of Ermelo Oil group Total also has a stake in the latter

Patrick Gillam, BP managing director, said in London yesterday that the sale would strengthen BP's balance sheet and place the group in a better position to take advantage of future investment opportunities, the *Financial Times* reports.

The sale will not include BP Coal's operations in Indonesia and Canada

The sale by BP could influence other major oil companies, who invested in coal in the 1970's, as a hedge against difficulties in the oil industry, and who may now be thinking of selling these businesses

Coal is becoming less attractive as the main power station fuel for electricity in the industrialised world because of concerns about pollution and the increased competition from natural gas

CAN. Times 2/6/89

(2/6/89) 215'

China imports SA coal

Own Correspondent

LONDON — China is importing coal from South Africa to make up for a critical shortfall in local production estimated at 500 000 tons a year

The first of 10 shipments from South Africa, part of a large contract of steam coal, was unloaded in the southern province of Guangdong last week

The coal is being shipped from Maputo. The actual importation is being handled by a Guangdong firm based in Hong Kong

According to Mr Gerard McCloskey, editor of the authoritative International Coal Report, the coal is being imported by the Guangdong General Power Company

He said that when he was in Hong Kong a few weeks ago, the Chinese authorities vigorously denied importing South African coal

Nevertheless, it had been established "beyond doubt" that the first shipment had already arrived

"I would expect these imports from South Africa to become even more important in the near future," he said

The news took the market by surprise, as China had until only recently presented itself as a coal exporter

However, Guangdong, like many other provinces in China, has been plagued by a critical shortage of coal that has led to rolling blackouts in many factories

Areas particularly at risk are those like Shanghai and Guangdong near the so-called special economic zones. These areas contain manufacturing plants dependent on a regular supply of energy

The Chinese authorities say that current production problems will be solved once a 100 million-ton-a-year rail link to the large coal terminal at Qinhuangdao comes into operation

However, though the line is already in place, sufficient new rolling stock will only be available in 1994

There is as yet no indication which companies are involved in the export deal. The most likely candidates are Amcoal, Gencor, Rand Mines and BP Coal

China takes
coal from
SA - report

Star 2/16/89
The Star Bureau

LONDON — China is allegedly importing steam coal from South Africa.

The first of 10 shipments of a large contract for coal from the Republic was unloaded in the southern province of Guangdong last week, according to the *Financial Times*

Guangdong, like many of China's provinces, is critically short of coal and has already instituted a programme of rolling blackouts.

The China Coal Import-Export Corporation (CCIEC) insists that no Chinese company is involved in buying South African coal. But last week it admitted that annual imports of 500 000 tons would be needed from the end of this year.

The crisis in China is also benefiting other mineral exports of South Africa, with prices of antimony and manganese increasing sharply in the past fortnight

Events in the country could dampen efforts of the pro-sanctions lobby in the US Congress, say metals dealers.

Further sanctions against South Africa could provoke counter moves in the form of reduced material supplies

● See Page 12.

Coal industry glows as exports grow

IN 1987 the coal sanctions began to bite — or so it seemed. But last year the coal industry recorded its highest ever earnings of R5,7-billion, up almost 19 percent on 1987's R4,8-billion in 1987.

Chamber of Mines president Colin Fenton describes the coal industry in 1988 as having "recovered from the imposition of embargoes against the country's coal exports by certain nations". It had also recovered from the depressed international coal market which had seriously affected earnings in 1986-87.

His remarks, contained in an addendum to his presidential address to the chamber's annual general meeting, were in contrast to then president Peter Gush's remarks at the 1987 AGM, describing the coal industry as "experiencing extremely difficult circumstances". Coal exports had been growing for many years but in 1986 were 45,5-million tons — hardly up on the 44,7-million in 1985. In 1987 things got worse — exports were down to around 40-million tons.

Fenton focused last week on the in-

By HILARY JOFFE

dustry's increased earnings. In volume terms, last year's exports were up — to 42,6-million tons — but had still not regained the levels of 1986.

This was despite favourable world conditions: "South Africa's reputation as a reliable supplier of coal of consistent quality at competitive prices was enhanced further in 1988, particularly as all its major competitors had delivery problems of one kind or another," Fenton said. There were strikes or production problems in Australia and Poland, cuts in China's exports volumes because of domestic demand, and delivery problems from Colombia and the United States.

South Africa remains the world's third largest coal producer, with a market share of 12 percent, according to the chamber.

Three countries have explicit sanctions on coal — Denmark, the US and France — and others have official and unofficial quotas. But as sanctions have bitten, the industry appears to have found new markets,

particularly in the Far East and to some extent in Europe.

Last year's earnings increases came equally from domestic and foreign sales of coal — both categories showed increases of 20 percent in earnings. But in volume terms the local market showed more of an increase — seven-percent.

In the addendum to the presidential address, the chamber also notes that

- Total South African mineral sales in 1988 were valued at R33,4-billion, up 16,4 percent on 1987;

- Exports were up 13,1 percent to R27-billion, with the strongest gain by manganese (up 140 percent to R278-million), followed by copper (up 33 percent to R494-million) and iron ore (up 19 percent to R318-million).

- Gold was the major contributor to export revenue (it accounts for around 40 percent of South Africa's total exports) but the export earnings it generated were up only 12 percent over the previous year. Gold production increased by only two percent to 619 tons in 1988



President of the Chamber of Mines, Colin Fenton

68/7/9 - 9/00

Wmald

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Coal Industry Stock Prices UP Record Export Fires

SKW 4/17/89

215

By Derek Tommey

Export coal sales are booming

If current conditions continue, the industry could see export earnings this year of a record \$1.5 billion (R4.1 billion), a 46 percent increase in rand terms on last year's earnings and a 30 percent increase in dollar terms.

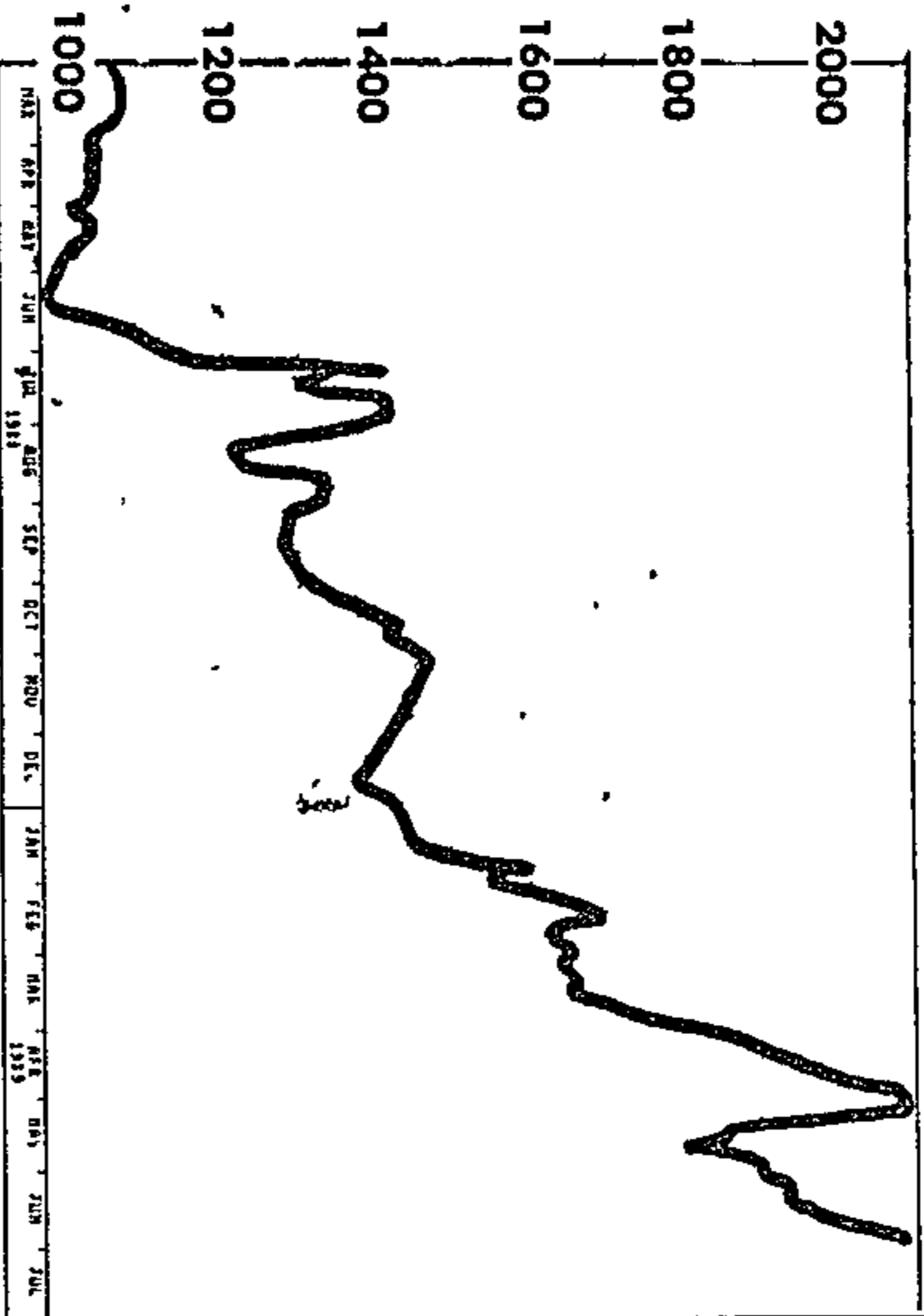
To ensure that the harvest continues, the Richards Bay coal terminal last night announced a major expansion programme costing R239 million to enable it to handle an assured minimum of 48 million tons of coal a year and, under favourable conditions, to ship at least 52 million tons a year.

At current prices the expansion would boost the value of export sales to \$1,76 billion (R4.9 billion) a year.

Richards Bay is now shipping coal at an annual rate of 44 million tons and expects to maintain this level. This is about 10 percent more than was shipped last year.

Mike Brown, a senior investment analyst with Frankel, Kruger, Vunderne said yesterday there was a serious shortage of coal worldwide and that the industry was doing its best to meet it.

As well as being short of coal, users are having to pay more for it.



Graph shows surge in coal shares on the JSE

Stock Market Solutions

A senior coal official said SA coal exporters were currently receiving \$34 a ton for ordinary steam coal — \$5 a ton more than the industry was getting a year ago.

When converted in rands the increase becomes an even more impressive — R70 last year to R122 a ton this year.

The price of low-ash coal has risen even more steeply following the strike in the US coking coal industry.

Although the Japanese, who are

the major buyers of coking coal, have been trying to prevent the price of low-ash coal from rising more than \$1,50 a ton, local industry officials say the price is now \$42 a ton, against \$37 a ton a little while ago.

Industry officials have welcomed the expansion programme. They say that should there be a mishap at the terminal, sales could drop to a minimum of 36 million tons a year, which could embarrass its customers who want reliable suppliers.

The shortage of coal is partly the result of China's failure to meet its commitments.

Although China is a major coal producer, the growth of its own needs has increasingly left it with less to export.

A few days ago it was reported that China was even importing coal from South Africa.

According to industry officials, even when China fulfils its export contracts on volume it does not supply the grade required.

Columbia, which has also become a major coal producer recently, also has a reputation for shipping undressed coal.

The strike in the US coking coal industry is creating great concern. According to the *Financial Times*, the US is the world's second-biggest coking-coal exporter after Australia. In 1987 it shipped 47 million tons, while Australia shipped 55 million tons.

European buyers say that unless the strike ends in the next six weeks, the world market for coking coal will be affected.

While this may be good news for South African exporters, it might not be so good for exporters of steel and ferro-alloys.

Any reduction in supplies of coking coal must reduce steel production and world demand for South African ores and alloys used in steel-making.

Volkscas strategies one of street mer

SKW 4/17/89

The Volkscas strategy of being more selective, both in the nature of operating assets under its control and the quality of banking business that it chased, was a winner in financial 1989, helping to lift net income 27.6 percent.

But it seems a repeat performance in 1990 is not on the cards. Not only because growth will be off a much higher base, but because of tighter trading conditions.

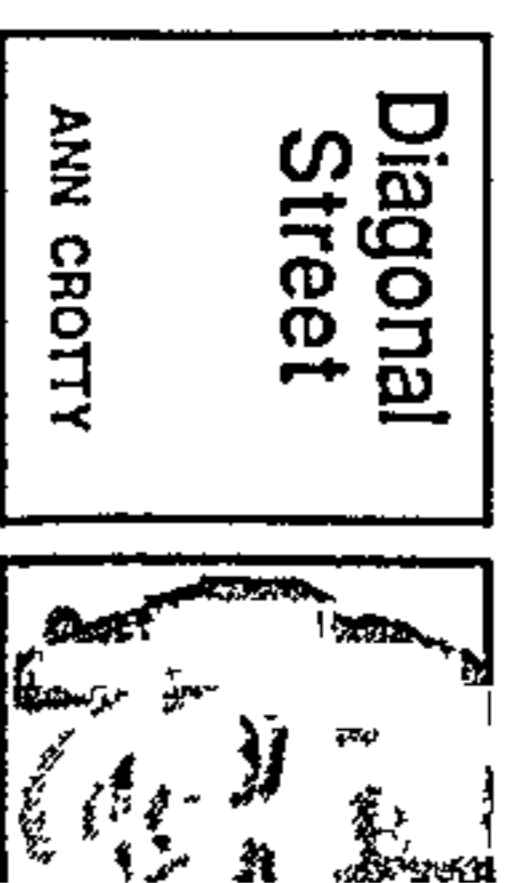
In the annual report chairman Johannes Stegmann refers to a number of difficulties: "It would appear that in the immediate future bank credit will expand more slowly than in the past year."

"Moreover, the increase in the rate of inflation is expected to gain momentum, with serious implications for operating costs."

The decline in economic activity, coupled with higher interest rates, is expected to aggravate the industry's risk exposure.

On the brighter side, Mr Stegmann says "the SA economy has proven time and again that it has surprising resilience and powers of recovery".

He concludes, "The current year will therefore present enormous challenges to the management of the company



Diagonal Street

ANN CROTTY

and its subsidiaries. Everything into consideration expect group profit to further in the present financial year."

It is thus outlook that is venting shares in the banking sector from providing excitement for investors.

In late 1988 and early the sector index made a strong recovery from the to which it plummeted in the 1988 (brought down by a talk of slow economic growth and high interest rates). But this recovery was out between March and May of this year as the same old turned sentiment against the financial sector.

The release in May of Volkscas' strong results (which the share onto a strong recovery path), vindicated the strategy of a more aggressive marketing strategy and the aim to target business quality, rather than quantity. The same strategy should help it through the tough times ahead.

...found gassed in his car — about 10 30 am yesterday at his home in Fifth Avenue, Parktown North, police said

members have the option of a paid holiday in lieu of June 16, either on March 21 or May 1"

Judgment reserved on Ian Smith's pay

HARARE — Judgment was reserved in the Harare Supreme Court yesterday during an appeal in which the former Rhodesian Prime Minister, Mr Ian Smith, was seeking the Supreme Court to set aside a High Court decision to reject his application for repayment of his salary and allowances held back after he was suspended from Parliament in 1987.

Mr Smith was suspended from Parliament in April 1987 for alleged contempt of Parliament.

Arguing the appeal before the Chief Justice, Mr Justice Dumbutshena, and four other judges of appeal, Mr Julian Colegrave submitted that although Mr Smith was suspended from Parliament, he should not have been deprived of his salary and allowances because he remained a Member of Parliament.

Sapa

Seven in court over R360 000 robbery

Work on coal mine project on schedule

Stw/17/87 Pretoria Bureau 215
Iscor's R400 million Grootgeluk coal mine project near Ellisras, in the north-western Transvaal, is on schedule. It will increase the mine's capacity to produce coal from the current 4 million tons to 12 million tons a year.

Iscor's official publication, *Iscor News*, says in its latest edition that commissioning of sections of the plant will take place in March next year.

The Grootgeluk project comprises the construction of a beneficiation, crushing and screening plant, a coal-blending bed, offices, workshops, and residential flats and houses.

Civil work on the beneficiation plant should be completed by the end of November and will be commissioned in March, the publication says.

Meanwhile, Iscor is doing rehabilitation work at the old Coastal mine near Middelburg, Transvaal, which should be completed by the end of the year.

Coal-export market healthy

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REINIE BOOYSEN

THE decision by the Richards Bay Coal Terminal Company to upgrade its coal-handling facilities is final confirmation of the healthy state of the coal-export market

The terminal is to be upgraded from its rated capacity of about 44-million tons a year to about 48-million tons by December 1991

It is known that the terminal is working at full capacity — if not more, in some months — to meet the strong international demand for steam coal

The latest Minerals Bureau statistics are revealing. For example, in January this year SA producers earned R281,5m on exports — the highest monthly level in at least two years — on total sales of 4,1-million tons

Although the monthly rate declined after January, this export rate represent-

ed an annualised figure of 49,2-million tons — compared with 43-million exported by SA last year. Of this 40,5-million tons were shipped through Richards Bay (according to Anglo American's 1989 annual report)

The average price for a ton of coal exported in January was R68,50 — compared with R53,80 in January the previous year

The equivalent average price in dollars was \$28,70 a ton. Since then coal prices have risen even higher, to more than \$30 a ton (5 900 kilocalories/kg, fob Richards Bay). At the lowest point of the slump in 1987, the same coal was sold for as little as \$18 a ton.

However, analysts are uncertain about how much longer the boom will last.

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COAL EXPORTS

World market improves

Coal men are smiling again. Only 18 months ago they were considering closing down marginal mines. Now, increased international demand, problems faced by their competitors and the low rand offer a much brighter future.

Export volumes are up as producers move to take advantage of the changed scenario. Consequently, SA should earn more than R3bn from coal exports this year.

Rand prices have firmed considerably. In May, export steam coal sold for R65/t compared with R54/t in January 1988. Anthracite prices were R99/t, as against R62/t, according to information contained in the Minerals Bureau Bulletin (MBB).

Simpson McKie mining analyst Kevin Kartun says the prices quoted could be a bit conservative. He says the industry has negotiated contracts for ordinary steam coal with the Italian electricity utility Enel for US\$29/t (R79). But even higher prices of \$32/t (R87) have been struck for optimum coal to Japan, West Germany and Israel, while contracts have been closed at \$42/t (R115) with the Japanese steel mills for low ash coal.

Even if the MBB's lower average prices are maintained, coal should earn SA R3,2bn in foreign exchange this year — up 14% on 1988. And, if contract prices continue to rise — most SA coal is sold on contract negotiated annually — SA could earn R3,7bn or a 32% increase.

Now that its fortunes have turned and longer-term prospects look brighter, the industry is gearing up for a steadier flow of exports. An additional tippler and stacker/reclaimer will be commissioned by the Richards Bay Coal Terminal (RBCT) in December 1991 at a cost of R239m. The facility will have a local content as high as 95%.

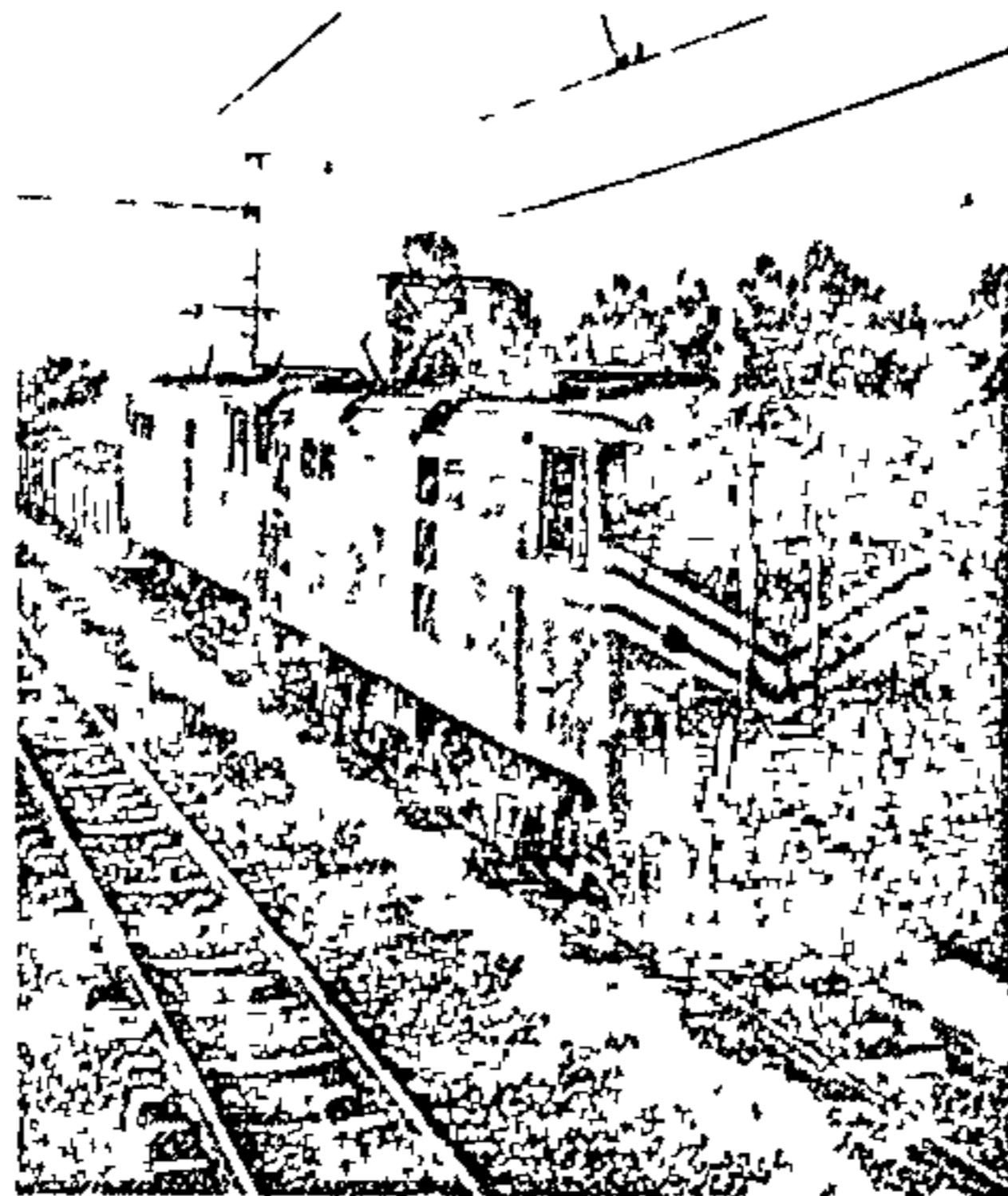
Says RBCT MD Michael Dunn. "The majority of our equipment has been in operation since 1976. When a major refurbishment takes place, our capacity is reduced to 40 Mt a year. We'll now be able to secure a capacity of 48 Mt."

This is well short of some previous plans to increase capacity to 56 Mt or even 64 Mt — equal to the total capacity on the Richards Bay railway line.

Witbank Collieries chairman Allen Sealey says the RBCT refurbishment was needed as capacity would have been stretched if any equipment broke down. But he is sticking to the statement he made to the *FM* earlier this year (*Business* February 24) that local coal producers can justify investing in new equipment on existing mines but margins are insufficient to consider opening new ones.

"We are aware of the cyclical nature of this business and have fresh memories of a few years ago when we over-estimated the likely expansion of exports," he says.

Amcoal chairman Graham Boustred says it's tricky to try to predict when significant expansion of the RBCT will be needed, as much depends on political considerations. "Expansion won't be worthwhile unless ex-



SA coal ... meeting a growing demand

ports are growing at 4 Mt-5 Mt a year," he notes.

But producers must be sorely tempted to expand. According to Fergusson Bros analyst Derek Ritchie coal exports increased from 9,9 Mt in the first quarter 1988 to 10,8 Mt in the first quarter of this year. He expects overall exports for the year to increase marginally from 42,6 Mt to just over 44 Mt.

SA is the number three coal exporter after Australia (99,6 Mt in 1988) and the US (85 Mt). It's followed by Canada (32 Mt) and Poland (32,2 Mt). Poland, however, has decided to phase out coal exports over the next 12 years.

International prices are set to rise, according to American coal analyst Vince Calarco. "Oil prices are recovering to levels which are conducive to sustained growth in the coal markets — namely above \$15 a barrel. Global demand for electricity must continue to grow, underpinning the demand for steam coal."

And the anticipated arrival of new competitors to SA exporters hasn't materialised. Says Kartun "The Colombian mine at El Cerrejon, which was expected to provide SA with head-to-head opposition, is running at a loss and will only break even when steam coal prices exceed \$40/t. The Chinese, far

from cutting into SA markets have actually imported SA coal — both directly and through Hong Kong."

But he says only a few countries are increasing their imports of SA coal, including Turkey, Israel, Portugal and Spain.

There has been a firming, generally, of energy prices since the mid-Eighties. And, apart from the failure to meet commitments by potential competitors such as China and Colombia, there is a continuing trend for Western Europe to run down its coal industries. These have become increasingly uneconomic because of high wages and technical factors like the depth of mining.

It seems likely, then, that SA coal exports might soon breach the record 1986 level of 45,5 Mt.

FCI SURVEY

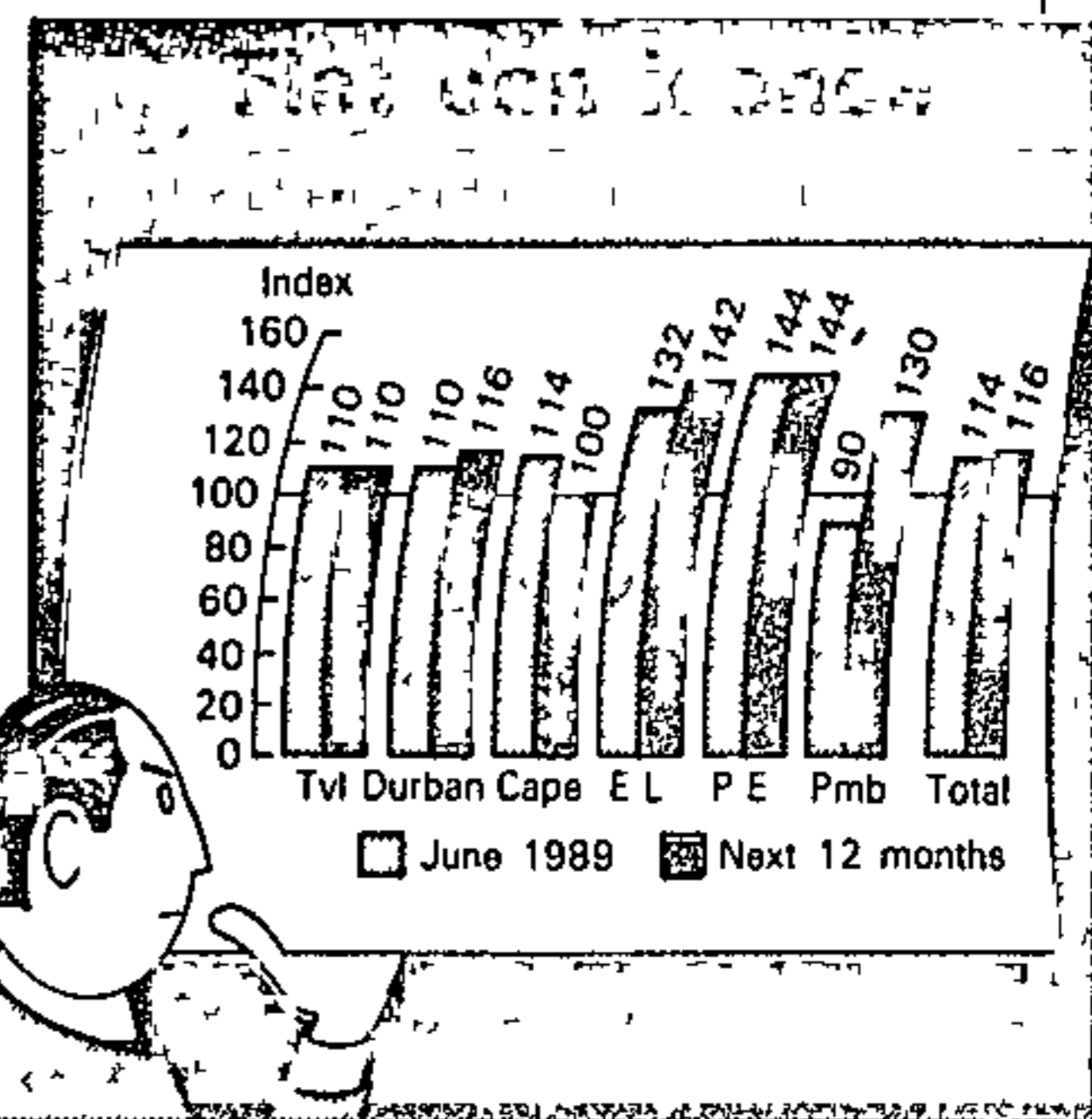
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Hanging in there

There is a marked contrast between confidence among consumers and that in the manufacturing sector.

The latest Bureau of Economic Research consumer confidence report plunged by 12% to 88 points for the second quarter of the year, which is 12 points below the neutral point of 100.

The Federated Chamber of Industries (FCI) survey of manufacturers' expectations told a different story. Manufacturers who



were canvassed in early June registered 114 points for their expectations of the month ahead — two points more optimistic than their expectations for May.

FCI executive director Ron Haywood says the difference is understandable.

"Many manufacturers have been exporting to take up the slack in the local market, and they've also enjoyed a certain amount of

Mixed results at GFSA coal and base metals

Finance Staff

GFSA's coal and base metal companies recorded mixed results in the June quarter as international prices stagnated over the period.

However, Gold Fields Coal posted sharply higher taxed profit for the June quarter thanks to increased tonnage mined and sold, in line with the better performance of the SA coal industry in general.

Tonnage mined rose to 2,5 million tons (2,2 million) and tonnage sold showed a corresponding 300 000 ton increase to 2,1 million tons.

Pre-tax profit more than doubled at R15,4 million but after a higher tax bill of R6,6 million (R1,7 million), taxed profits were up by R4 million to R8,8 million.

Capital expenditure rose by almost 300 percent to R2 million.

Tin producer Rooiberg's tonnage treated increased to 81 000 tons from 78 000 in the previous quarter, but a slight drop in the grade to 0,48 percent resulted in lower production of 291 tons (306 tons).

Revenue from sales of 274 tons (348 tons), however, rose to R7,1 million

(R6,6 million) and combined with the lower cost of sales of R5,4 million (R6,1 million) and higher sundry revenue of R389 000 (R258 000), pre-tax profit was sharply higher at R2,1 million, compared with R751 000 previously.

Profit after a tax bill of R310 000 (nil) rose from R751 000 to R1,8 million.

The Zinc Corporation, however, reported a R1,6 million decline in taxed profit to R5,74 million as the cost of sales increased to R86,19 million (R79,44 million) and zinc sold dropped slightly by 500 tons to 22 202 tons.

O'okiep Copper increased its sales by R3,5 million to R68,13 million, but higher costs and a small rise in tax reduced taxed profit by R2 million to R15,45 million.

Mines in the Gold Fields Namibia stable recorded a combined increase in tonnage to 513 000 tons (482 000).

This resulted in higher sales of R95,8 million (R92,8 million), but taxed profit dropped by R2,2 million to R15,1 million, with net profit after extraordinary items falling to R9,6 million (R13,8 million).

Capital expenditure was lower at R1,7 million (R2,3 million).

Minerals in 'vulnerable' position

CHAMBER of Mines CE Tom Main says if sanctions were to succeed they would have to be applied efficiently to minerals *to 13.7.89*

He adds in the latest SA Forum that about 90% by value of minerals are exported and are, therefore, highly vulnerable to trade embargoes.

Importance of mining in the economy is illustrated by the fact that mineral earnings represent 56% of the gross domestic product

Main says that, in spite of sanctions imposed on coal by the US, France and Denmark, and non-renewal of contracts by Japan, coal exports of about 42-million tons last year

He adds this was the second highest volume ever

Strategic

Main describes this as an achievement because the international coal market is already overtraded.

An effective embargo on gold is, however, highly improbable because it is a low-volume, high-value, easily transportable commodity universally sought for a variety of purposes.

A study shows the cumulative direct economic cost to the US of an embargo on six SA strategic minerals would amount to \$1,85bn a year.

Coal exports are performing well and it is expected about 43-million tons will be shipped from Richards Bay this year

Rand Mines Coal chairman Alan Cook says the turnabout, after a number of lean years, can be attributed partly to difficulties being encountered by SA's main competitors on the world market.

He cites internal problems in China, sporadic unrest at coal mines in Australia and higher mining costs in Poland — Sapa

Kanhym sells off coal interests

Star 14/7/89

215

By Ann Crotty

Rand Mines has acquired Kanhym's stake in Middleburg Mines for R20 million in a move that could be the first step towards Rand Mines gaining full control of a mine that in 1988 accounted for 19 percent of SA's 43 million tons coal exports

Last month, British Petroleum said it intended to sell the bulk of its worldwide coal interests

Its major coal asset in SA is its 88,5 percent stake in Middleburg Mines

Middleburg's steam coal exports of eight million tons, valued the mines' export earnings at a sizeable R512 million at the average R64 per ton South African coal fetched on the international markets last year

Kanhym and a Rand Mines

subsidiary were the other two shareholders in the mine

At the time Rand Mines said it would be interested in acquiring any of BP's SA assets

Yesterday, Kanhym said it had disposed of its Middleburg Mines stake to Rand Mines subsidiary, Douglas Colliery

For Kanhym, the sale is the realisation of a long-term objective to sell off assets that are not central to its food activities.

Reflecting the weak state of the world coal market at the time, Kanhym's coal investment showed no contribution to group profit in the 12 months to August 1988

The improvement in the market is reflected in the fact that the investment has been making a contribution in 1989

Kanhym chairman Dirk

Jacobs says that for the current financial year, the sale (effective June 1) will have no effect on earnings as the interest on the R20 million is in line with the income being generated by the coal investment

The sale — at a very attractive price for Kanhym — makes great strategic sense for the group as it leaves it looking better focused

It will help reduce gearing from a comfortable 50 percent at the end of financial 1988 to 30 percent at end-August 1989, which means that management has tremendous financial scope for pursuing its objective of making further inroads into the branded, fast-food business

This area has been a big money spinner for the group in recent years

Duiker's earnings increase to R4.8m

21/7/81 CHERILYN IRETON 215

IMPROVED offshore coal prices, coupled with the weak rand, were the main reasons behind Duiker Exploration's 75% rise in taxed income in the June quarter.

The Lonrho-managed mining company recorded taxed income of R4.8m against R2.7m in the March quarter, yielding earnings of 33.4c a share (19.1c)

Volumes of steam coal sold rose 28% and anthracite sales were up 6.2% on the previous three months

It was largely as a result of better rand prices received from coal exports that mining rose 87% to R8.2m

Gold sales almost doubled to 57kg (37kg) in the quarter

Duiker financial director, Don Harris said the volatility in the coal markets, coupled with the tailing off of seasonal domestic demand, made it difficult to anticipate whether Duiker's performance could be repeated in the current quarter

Port limitations seen boosting world price of steam coal

215

Star 24/1/89

By Neil Behrmann

LONDON — World steam coal prices could surge in the nineties because port constraints in South Africa and Australia will limit its availability

David Price, a coal expert at Wharton Econometric Forecasting Associates, predicts coal prices in real terms could rise by 80 per cent by the year 2005

"The driving forces behind our forecast price rise is rising demand for steam coal (mainly by electric utilities) and infrastructural supply constraints

"The two lowest-cost coal-exporting nations are Australia and South Africa where current free on board steam-coal prices are \$36 and \$31 per ton respectively," says Mr Price

The two countries contribute the biggest proportion of coal to world trade. In 1988, Australia shipped over 41 million tons of steam coal (nearly 30 percent of global seaborne trade), while South Africa exported approximately 37 million tons (27 percent)

Since they are the biggest suppliers to the international market, says Mr Price, and also the cheapest, "they exercise a vital role in keeping down international coal prices"

According to forecasts of a Wharton study *World Coal Supply to 2000 and Beyond*, considerable port and infrastructure development is necessary in both countries. Otherwise they will not keep up with customer requirements.

But infrastructural plans suggest they will not be able to meet future demand

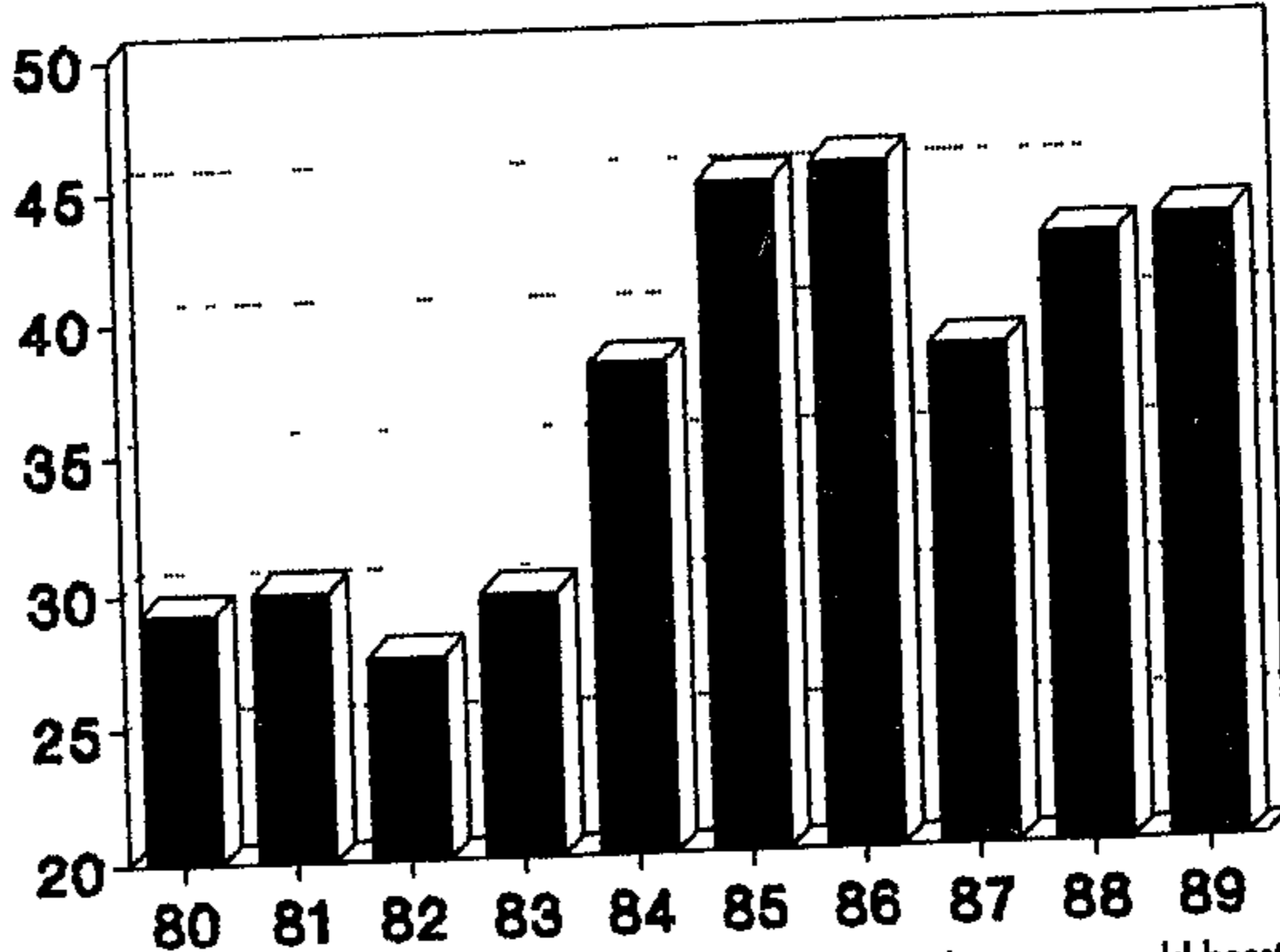
In terms of its forecast, Wharton is assuming the SA Government will bow to international pressures and give blacks political rights

On the other hand, if the political climate worsens, there will be greater supply disruptions which, in turn, will lead to even higher world prices

Unless supply facilities are expanded swiftly, SA will lose market share to the US and Colombia, says Mr Price

Since the US and other producers will not be able to satisfy demand, prices will be driven up in the nineties, he says

Wharton estimates annual port capacity of South Africa will rise to



The graph shows SA's coal exports in millions of tons. Higher prices could boost export revenue to new highs this year as volumes are expected to reach over 43 million tons.

90 million tons in 1995 from 45 million tons in 1990. It will then remain constant until 2005 when capacity will rise to 135 million tons

Similar developments will occur in Australia. But in either case the increase in capacity will be too little, too late and world coal prices will be on the way up

Wharton is confident about rising steam-coal demand, despite misgivings of several other analysts. It predicts that power generation will rise by one to three percent per annum in most industrialised countries and between three to eight percent in developing nations

"Electricity output growth is already exceeding current electricity production capacity in some countries. Shortfalls of power will be met primarily through the planned construction of coal-fired plants"

Mr Price believes coal will not encounter serious competition from other fuels

Firstly, governments have halted or delayed nuclear plant construction. Secondly, while natural gas is rapidly emerging as a power generator, supplies and transport capacity are limited. Finally, heavy fuel oil is likely to enjoy renewed popularity, but refiners have changed production practices.

There is thus little likelihood that fuel oil consumption will revive to levels seen in the seventies

Wharton contends coal will continue to account for 40 percent of the EEC's incremental power genera-

tion and will fuel 85 percent of the power in the Far East

Total seaborne trade in steam coal is thus forecast to rise by 250 percent in the next 15 years

The optimistic forecast contrasts with market pessimism, even though coal prices have recovered from their lows in 1987

The majority of coal dealers and analysts expect coal prices to remain relatively depressed in the next year or two

There is likely to be an excess of coal supplies overhanging the market for some time to come, says Phil Rogers of Simpson Spence Young Shipbrokers

Malcolm Edwards, commercial director of British Coal, warns that environmental pressures against coal and the large conventional coal-fired power stations will reduce growth in demand in coming years

Electricity consumption is continuing to rise, he says, but this demand will be met by higher supplies

He estimates that the amount of steam coal traded internationally could jump to 180 million tons in five years from the present annual level of 145 million tons

Most of the increase will come from Colombia, Central America and Third World nations

"About 75 percent of all the steam coal produced in the world is now burnt at power stations and coal is the biggest source of electricity," says Mr Edwards

Outlook for coal industry looking rosier and rosier

Star 28/7/89

215

By Derek Tommey

South Africa's coal industry has, to echo the words of the late British Prime Minister Harold Macmillan, "never had it so good"

And it looks very much as if its prospects could improve even further.

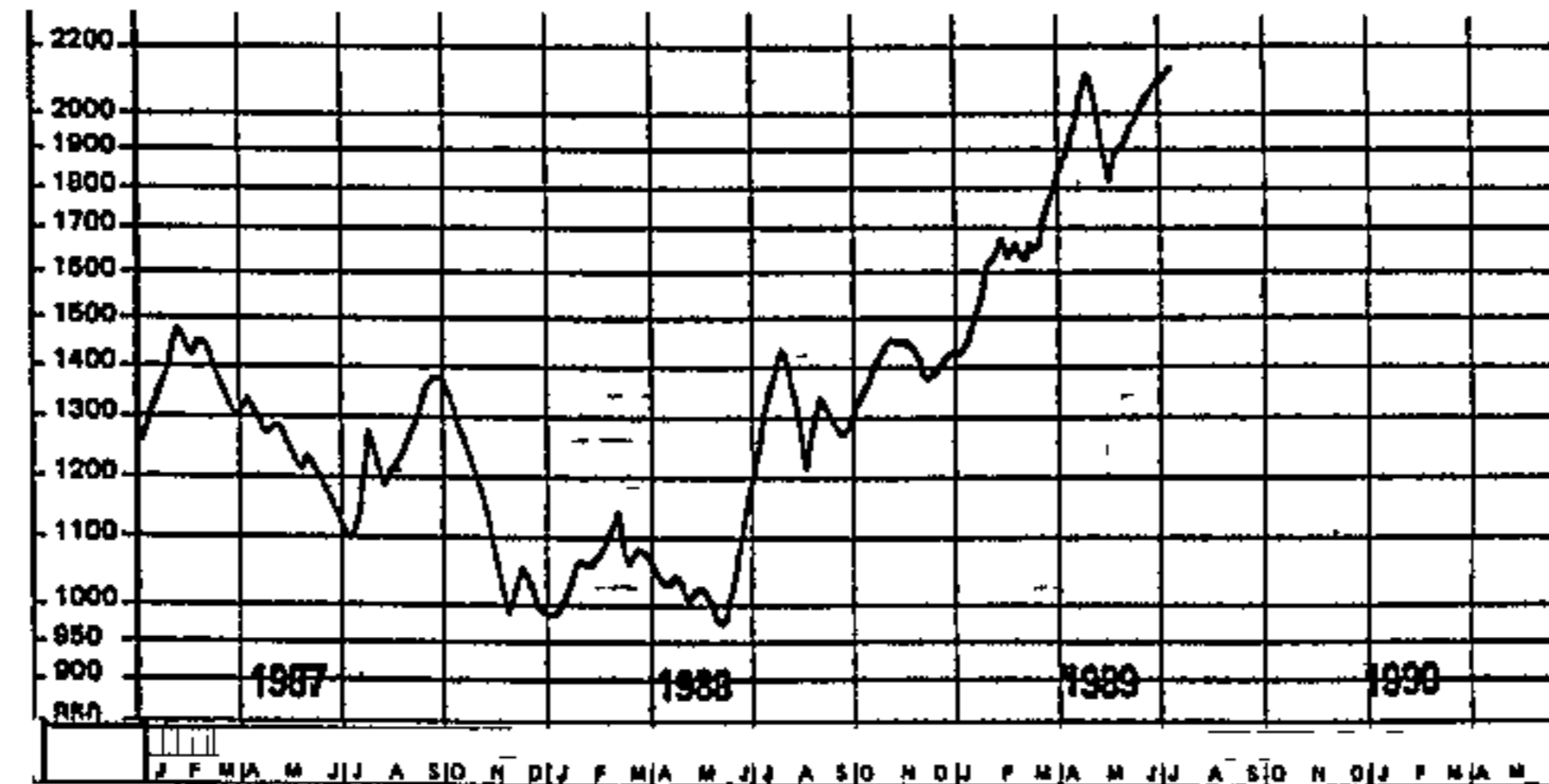
According to The Star's London Bureau, the British Electricity Generating Board has been talking about importing up to 15 million tons of coal a year after it is privatised next year

It has been hinting that a significant part might come from South Africa.

Coal industry sources in Johannesburg said last night they had no knowledge of plans by the British electricity industry to start buying coal from South Africa

However, if Britain were to start importing coal on a large scale, SA would be an attractive supplier

But local sources said that while SA would be interested in lifting sales, it was already



The coal index has almost doubled in the last 13 months

shortage, several of South Africa's customers have asked for deliveries to be expedited and the industry is doing its utmost to meet the requests

However, the Richard's Bay coal harbour is already working at full capacity and there seems little possibility of expanding coal sales through Durban or Maputo

But the industry does expect to be able to ship coal through Richard's Bay at an annual rate of 46 million tons a year in the six months to December, up from the 43 million to 44 million tons a year shipped in the first half of the year

A major increase in exports will come only when the recently announced extensions to increase peak coal throughput at Richard's Bay to 56 million tons a year are completed in 18 months' time

The JSE has sensed the improved outlook for coal and in the past 13 months the coal share index has risen 94 percent from 1115 to over 2170

hard-pressed to meet existing contracts

Coal industry executives tend to look a little dazed when they consider how the industry's prospects have changed in the past 18 months

The news that China, Brazil and Australia had plans to become major exporters had been casting a dark cloud over the local industry

But the failure of China and Brazil to meet export contracts, the disruption of Australian supplies after the introduction of

new work practices (though Australia is said to be coming back strongly) has, together with the recent coal strike in the US, created a shortage of steam and coking coal

On the other side of the coin, the higher oil price is resulting in a switch from oil-fired to coal-fired power stations

Taiwan recently announced such a move. Several Pacific Rim countries are reported to be planning a major expansion in coal-generated power

Because of the current coal

~~176574/8/89/215/~~
● **TRANS-NATAL COLLIERIES** showed a remarkable turnaround with net profits of R84,2-million for the year to June against a loss of R27,9-million a year ago

But special payments held down operating profits in the second half to R66,3-million and prevented it from matching first-half earnings of R70,8-million

The company, which is Gencor's coal-producer, showed taxed profit of R60,3-million (loss of R3,3-million) and as a result of R23,9-million in extraordinary income attributable profits were R84,2-million

The final dividend was 20c a share, making a total of 30c for the year. Financial difficulties last year prevented it from paying a dividend

Sales figures are in a strong upward trend, helped by buoyant exports and an increase in domestic and export prices

Sales jumped 22 percent be-

● **PEPKOR** management has agreed to a management buy-out of Hyperette to MD Hein Ehlers.

● **COMMERCIAL Union** has reported improved after tax profit for the six months to end June of R16,4-million, up 25,7 percent from the same period last year.

The interim dividend increased 30 percent to 30c a share

Company chairman AMD Gnodde, described the results as most satisfactory and said that continued growth in both short-term and long-term business was a commendable achievement

The main contributor to better profit was investment income, about 30 percent up at R16,7-million

● **ADMARK Recruitment Advertising**, the only agency of its kind listed on the JSE (under Adcorp), says it has strengthened its position in Cape Town by the purchase of Bates' recruitment advertising division

Frail

COAL EXPORTS

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Higher targets?

Coal industry spokesmen don't expect SA's coal exports to double from 45 Mt in 1990 to 90 Mt by 1995. But rumour has it that the Richards Bay coal terminal (RBCT) is already being readied for bigger things.

Local experts say the entire infrastructure from pithead to the RBCT is geared to handle 48 Mt/year — and it will stay at that level for some time.

Says Amcoal MD Dave Rankin: "A sustained increase in demand will only occur in the long term. There won't be any sudden surges. Major customers have already made their supply arrangements."

Keith Bright of Frankel Kruger Vinderine adds that "mines don't have spare draglines hanging around. And it wouldn't be in the industry's interest to go after too much business too quickly."

But, despite a chorus of denials, indications are the industry is aiming at a higher target. Infrastructure is being upgraded in such a way that it should be possible to expand quickly. The RBCT is now being refurbished at a cost of R239m. GM services John Keates says design capacity is 44 Mt/year, but it can handle 48 Mt/year. "And when the work is completed, it will still be able to handle that amount." That seems a lot of money for an overhaul which increases capacity by only 4 Mt/year.

Speculation has it that the RBCT can handle 48 Mt/year, using only a portion of the plant. In addition, the coal line to Richards Bay should be up to 56 Mt capacity when work at Sikame is completed in November. Sources say it won't take five years to increase its capacity to 90 Mt/year.

According to Richards Bay port director Willem Kuys, the port handled 39 Mt of coal last year and he expects this to increase to 42,4 Mt in 1989. On an annualised basis, 46 Mt was handled in May "and probably because ships were delayed elsewhere by storms, we handled only a 40 Mt equivalent in June. Indications are that July exports will be very high. We're handling six to seven 200-truck, 2,5 km-long coal trains a day, each with 18 600 t of coal."

Maputo

In addition, Durban can handle 4,2 Mt/year and, between them, Cape Town, PE, East London and Maputo can handle a further 2,4 Mt/year.

Analyst David Price of Wharton Econometrics Forecasting Associates states in *World Coal Supply to 2000 and Beyond* that demand for SA coal will be such that the handling capacity of its ports will have increased to 90 Mt/year by 1995. By 2005, he reckons, prices for steam coal will have increased by 80%, in real terms, from their current levels of around US\$32/t fob. The only factor that could hamper SA (and Australia) initially would be a lack of port facilities.

Price says demand should increase because electricity utilities will have to increase output. Washington Energy Information Administration (WEIA) takes a slightly different view: there will be an increase in demand — and fewer suppliers. WEIA's projected pattern of exporters for 1995 does not mention Russia, which exported 32 Mt last year. By then, it believes, Russia will be a net importer, mainly from Poland, which also exported 32 Mt last year. Having to supply Russia will reduce the amount Poland can export to other countries. In 1995 Krupp Energiehandel GmbH of Germany predicts Russia's exports will be down to 6 Mt/year by 1993. A Johannesburg coal analyst says: "Coal will also be used to replace primitive fuels such as wood and straw. There won't be

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Frail

enough of those fuels left to burn in a few years and people will have to start using coal. Imagine the effect on the industry of giving 700m people in the East and South America one bag of coal a month." Another positive factor (*Business* June 30) is that China, which was expected to become a major supplier, has now been forced to import coal from SA. It is losing customers because of unreliability and poor quality control.

S/Times 6/8/89.

Trans-Natal does the phoenix act

(215)

COAL producer Trans-Natal arose from the ashes of last year's disaster to report earnings a share of 76,4c in the year to June 1989.

The loss to June 1988 was 4,2c a share. Dividend totalled 30c for the year, none was paid last year.

Sales revenue climbed 23% to exceed R1-billion. Exports increased, as did domestic sales, and prices were higher.

But take-off by Eskom was lower because of the reduced burning rate at power stations served by Trans-Natal and the suspension of sales from the Kilbarchan colliery to Ingagane.

Margin

Cost of sales was 15% up and included the discharge of all obligations under existing contracts of affreightment.

Capital expenditure for the current year is budgeted at R93,7-million. A major item is the Gloria shaft at Koornfontein. A payment of R21-million was made towards rehabilitation.

It was a bonanza week for SA's non-gold mineral exporters. Highveld Steel & Vanadium's turnover jumped from R499-million to R777-million in the six months to June 1989, and the profit

By Julie Walker

margin increased from 14% of turnover to almost 40%.

Earnings a share nearly trebled to 237c, and an extraordinary dividend of 20c made a total interim payout of 50c.

The extraordinary dividend relates to the high profits earned as a result of exceptional export prices for some products.

Western demand for steel continues to grow from record highs, but domestic demand levelled off.

Hiveld reports that the feasibility study of a joint venture with Samancor to make stainless steel will be complete by the end of the year.

Barring unforeseen circumstances, Hiveld expects second-half earnings at least to equal those of the first.

Platinum

Copper and cash contributed to Messina's improvement in the six months to June. Extraordinary income of R21-million was almost as much as that attributable. It arose from the sale of all but one of the non-mining divisions.

The group earned 201c a share and paid 32c. Messina reports delays, but good progress on the platinum mineral leases.

One ventilation shaft has been sunk. Sinking of the other is in progress. Bulk samples are being extracted for test work and the infrastructure for trial mining is being installed.

The shares remained strong in spite of the directors' warning that, taxed losses have been used and earnings will not be significantly higher than 1988's.

Diversified

Anglo-Alpha's interim to June was fair. The diversified cement group's turnover grew by 20% to R291-million in spite of the slowing down of the economy in the second quarter of 1989.

Financing costs declined by 19% to R8,3-million, and earnings were lifted by 17% to 125,9c on a historic cost basis. The dividend was hoisted a third to 40c to bring the interim and final payouts closer together.

Kiln overhauls and higher tax contributed to lower profits from cement, which nonetheless chipped in half of the profits. But the stone division gave a solid performance because of better prices. It contributed 20% to profits.

Industrial sales volumes were higher and taxed income 56% up at R4,4-million.

Subsequent to the half-year, Anglo-Alpha sold its loss-incurring Newcastle Coal Mines at an extraordinary loss of R24-million, but this will not have a material effect on shareholders' equity.

Pressure

Standard Bank continued to set the pace with outstanding interim figures to June 1989. Profit before tax jumped by 35% to R206-million and taxed profit rose by the same margin to R96-million.

Earnings a share reached 143c and the dividend was increased by 5c to 32c. Standard says there was a moderate reduction in demand for credit, but satisfactory growth was achieved from foreign business, service fees and commissions.

Bad debts trebled to R35-million but remained acceptable, and staff and operating costs climbed a little faster than did inflation. Stannic's contribution to income declined because of pressure on margins.

The directors expect interest rates to remain high for the rest of the year with a further reduction in credit demand, but expect to achieve satisfactory growth.

Crime

SA Eagle's decline in earnings was in line with directors' expectations.

"The company is experiencing unabated pressure from rate reductions in all sections of the business," says managing director Peter Martin.

He blames the increasing incidence of burglaries and hold-ups as well as the cost of motor claims due to high inflation and import surcharges for the deterioration in loss ratio.

But the group's solvency margin climbed from 57% to 83% in the six months to June. Mr Martin expects 1989 results to be in line with last year's.

"It is only as results deteriorate that the industry will be forced to call a halt and return to a more sensible approach to underwriting."

Vogels more than doubles dividend

9/18/89

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By Derek Tommey

Investors with shares of companies engaged in producing coal and base minerals are having an excellent year

The latest to score are those with shares of Vogelstruisbult, a Gold Fields company with investments in coal, copper and zinc.

Vogels announced last night that it has more than doubled its interim dividend from 11c to 25c, and the directors indicate that the final dividend could be just as pleasing

Vogels' income from investments rose 143 percent in the six months ended June, from R3,35 million to R8,173 million. Total income increased by 158 percent to R9,317 million. Profit after administration of R258 000, and tax of R221 000 was R8,838 million (R3,372 000) equal to 48c (18c) a share

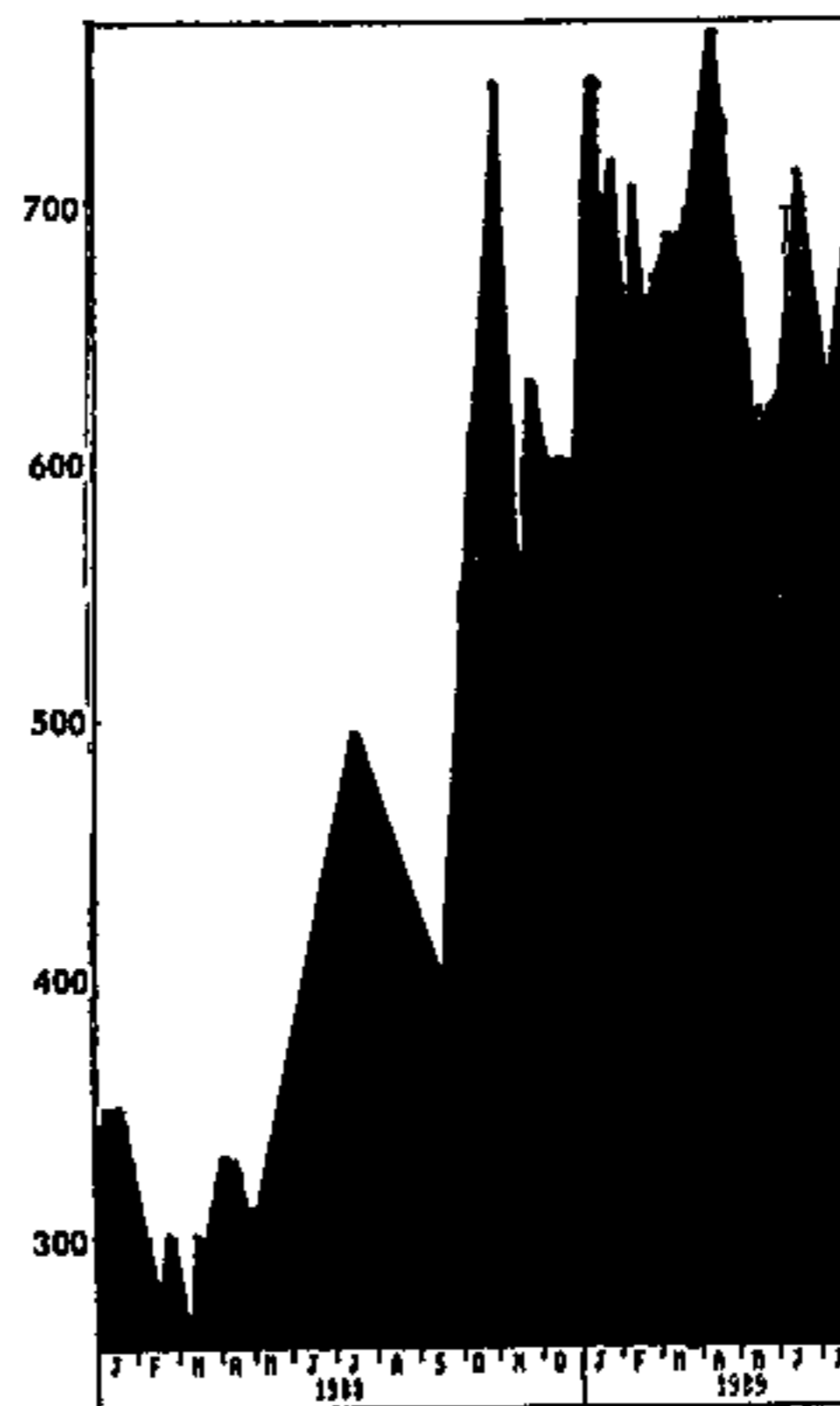
And the directors believe this strong upward trend in profits should continue

High earnings

In what seems very much like a cautionary note to Vogels shareholders not to lightly sell their shares, they say that as a result of increased dividends from its investments in base minerals producer net earnings should be significantly higher this year

And with a considerable degree of understatement they add "On this basis the final dividend for 1989 should be increased."

Just how much it will be increased is an interesting speculation. Last year the company paid out 60 percent of its earnings of 66c. If its first half year earnings are repeated in the second half Vogels earnings for the year could be around 100c a share. If it sticks to distributing 60 percent of its earnings total payments for the year should equal 60c and the



Vogel's share price has rapidly increased over the past 18 months and could go higher.
Source Stock Market Solutions

final dividend could be around 35c a share

However, as Vogels is in many ways simply a conduit for the distribution of investment income, it would not be surprising, in view of the higher earnings, if more than 60 percent of earnings were paid out in dividends

Vogels major investment is in the O'okiep Copper Mine, which has benefited from this year's extremely high copper prices and also the devaluation of the rand.

Its next biggest investment is in zinc and this is trading on the London Metal Exchange at around £1622 (R7071) a ton against £714 (2970) a ton a year ago

It also has a substantial stake in Gold Fields Coal and coal too has been doing well lately.

Vogels also has investments in tin (Rooiberg and Union Tin) and platinum (Northam Platinum)

umber of arrests In 26 of the cases
sed a firearm the suspects were fatally

Workers resume picketing Mama's
in which police shot four strikers. T
picket

Huge coal mine to be opened near Trichardt

By Therese Anders,
Highveld Bureau

Two and Three oil-from-coal
plants.

A huge new opencast coal mine
is to be built by Sasol 6 km north
of the tiny south-eastern Trans-
vaal town of Trichardt.

Coal from the new mine,
which will be opened within the
next two to three years, will be
transported to Sasol Two and
Three by conveyor belt.

The site was announced yes-
terday by Sasol managing direc-
tor, Mr Paul Kruger, during the
opening of Sasol Mining's centre
for ground conservation.

Sasol's four collieries have for
years been unable to meet Sasol
Two and Three's coal needs.

The new mine will join Sasol's
four massive underground col-
lieries near Secunda which

Sasol has had to bring in coal by
truck from mines as far afield
as Middelburg.

make up the biggest under-
ground coal mining operation in
the world, in supplying the Sasol

The coal trucks have clogged
up and damaged eastern Trans-
vaal country roads, and been in-
volved in many accidents.

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Coal exports flourish after long slump

SA's coal exports are flourishing again after a slump caused by sanctions and bitter international competition.

But anxiety that sanctions could be tightened if government does not adequately reform apartheid still hangs over the industry.

Chamber of Mines Collieries Committee chairman David Rogans said "Clearly government's actions after the elections will have an impact on our trading partners."

In 1987, SA's coal exports slumped from their 1986 high as sanctions by France, Denmark and the US took hold of an oversupplied market and other countries limited imports.

SA fought a damaging price war to defend its place as the world's third-largest coal exporter and its market share of about 12%.

Although 1988 export volumes rose only slightly to 42,6-million tons from 42,4-million tons in 1987, firmer prices yielded a sharp rise in export earnings to R2,7bn in 1988 from R2,3bn.

That was still well below 1986 levels, when SA earned R3,2bn by selling 45,5-million tons abroad.

Latest trends indicate a strong performance this year, with coal firms' profits aided by the rand's decline against the dollar, in which export coal sales are transacted.

Earnings

"The export market is very, very strong at this stage. We are going to export 44-million tons this year," said analyst Stephen Arthur of stockbrokers Anderson, Wilson and Partners.

Estimating an average price of about \$31/t FoB at the coast and an exchange rate of R2,66 to the dollar, analysts said this could mean earnings of R3,6bn for the year. Spot steam coal now fetches about \$32/t to \$33/t.

SA's good fortune has stemmed partly from setbacks in other producing nations. China last year failed to meet commitments in Europe and the Far East as domestic demand soared, while Australia and Poland faced strikes and disruptions. Colombia was hit by floods and quality control problems.

SA's producers say they retained orders partly because of consistent quality and punctual deliveries.

Better 1988 exports were reflected in colliery profits. Trans-Natal Coal Corporation this month announced net attributable profits of R84,2m for the year to June 30, after a R30m loss a year earlier.

Coal is vulnerable to sanctions because the origin of each lump can be identified easily. However, it still enters European countries which ban SA's coal via other community ports.

MacPhail shows startling share growth

FSI-controlled coal marketer and distributor MacPhail has shown strong share growth following its excellent results announced a week ago

The interim results saw the group push earnings up a hefty 71% to 12,5c (7,3c) a share which enabled the market to upgrade the share, say analysts. The resultant movement has been nothing short of spectacular. For the last two days in particular investors have



BT Day 7/9/89
BRENT MELVILLE

shown an inordinate interest in the traditionally tightly-held share

On Tuesday the share moved up by 5c to close at 230c with 21 775 shares trading hands in 11 deals. However, the big movement came yesterday when the share jumped by 8,7% or 20c to a high of 250c in 14 deals worth 45 100 shares.

In fact trade over the last two days exceeds the monthly average by 50%, with a total volume of 66 875 shares changing

hands (monthly average — 44 861)

The new price brings the share onto a historical dividend yield of 5,7% and a P/E ratio of 7,3

As of July 10 MacPhail consolidated its shares at the rate of 1-for-4, bringing the weighted number of ordinary shares in issue to 14,2m

Yesterday's increase, the sixth largest price gain on the JSE, brings the total movement for the year since January to 89,4%. Analysts expect the share to continue its growth trend

Boost expected for SA coal mines

Business Staff

THE South African coal-mining industry is in the 'pound seats' once again. While 18 months ago marginal mines were faced with closure, now increased international demand and higher prices are prompting an expansion in the volume of exports.

A combination of factors has been pushing up steam-coal prices:

● There is a continuing trend for Western Europe to run down its coal industries, as epi-

tomised by ongoing mine closures in Britain;

● These have become increasingly uneconomic because of high wages and technical factors such as the depth of mining and the exhaustion of reserves,

● The European Economic Community paid subsidies to its coal industries in 1986 and there are now reports that the EEC is set either to reduce or phase out subsidies, which

should lead to a further contraction in output in some European countries;

● There is also a possibility that the recent strikers in the Soviet coal-mining industry could accelerate pit closures. One result of the strikes has been that mines have greater financial independence, but some mines are not profitable and could be forced to close down, leading to a possible curtailment of Soviet exports; and,

M6W 7/9/87

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2/11/89

Frigate sails for JSE coal listing

By Julie Walker

FRIGATE Group will next month become the first new listing on the JSE's coal boards in several years.

The group started in plant hire 12 years ago in Welkom, but changed to mining its own collieries and on contract for other owners. Plant hire now contributes only a small amount of turnover.

Executive chairman Mike Stanley says Frigate will raise about R8-million through the placement of 10,3-million shares at 80c. Institutions have expressed interest for nearly half the number of shares on offer, and management will be given the chance to invest.

Subject to final approval, Frigate will comprise 33,3-million shares at 80c, valuing the listed entity at a conservative R27-million. Frigate's fleet of vehicles alone is worth R55-million in today's money.

Mr Stanley says the company's capital base is being strengthened to keep up with growth in business. In the year to December 1987, turnover was R24-million. By 1990, it is forecast to reach R86-million.

Coal sales from its own operations bring in R55-million and contract mining earns R12-million of the projected R71-million in 1989.

Frigate's three mines are at Kendal, Witbank and Carolina. It mines under contract at New Clydesdale. Its policy is to exploit deposits which are too small for the big companies.

Most of the operations are opencast, but Frigate is not confined to mining coal. It runs opencast operations at West Wits gold mine in Krugersdorp on contract.

DRIES gained 150c to a new high of R47,50 and **KLOOF** 50c to R38,75. **SOVAAL** notched up a further 50c to R140 and **RANDFONTEIN** the same to R229. **VAAL REEFS** closed 400c higher at R331. **GAZGOLD** went up 5c to 45c, a 12,5% rise. **LORAINE** improved 60c or 5,8% to R11, now level with its last peak reached a year ago.

Platinums and mining houses were also active. **RUSPLAT** rose 50c to R69, after touching R69,25 at one stage while **BARPLAT**, **LYD PLAT** and **IMPLATS** each gained 25c. **ANGLOS** marked up 75c to R100,25.

The reinstatement of the **JMF** and

of **DOCEM** yesterday, only 8c off the previous high for the year of 70c in February. **Ozz** will become an investment holding company and **Lucem** a cash shell. An offer of 85c a share is being made to **Lucem** shareholders. **Lucem** closed unchanged at 75c.

The release of good results from **GAHOLD** showing attributable income up 31% had the effect of lifting the price from its yearly low of 90c reached last week. In five deals it notched up 5c to 95c on a volume of nearly 30 000 compared to about 23 000 a month usually traded.

CHARLOTTE MATHEWS

Frigate looks set to join JSE coal board

67041 26/9/87
FIVE months after its listing plans became widely known, the Frigate group looks set to join the JSE coal board in a private placing this October.

The independent coal producer, run by founder and MD Mike Stanley, plans to raise R8,2m through placement of 10,3-million shares of 1c each at a share premi-

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ANDREW BUDDEN

um of 79c. Only 30,7% of the group's equity will be offered for placement, leaving Stanley with effective control.

Stanley says shareholders can expect a dividend of 2,2c a share at the end of December.

Anger at 'suburban' mine proposals

By Therese Anders,
Highveld Bureau

About 400 Middelburg residents, many visibly angry, last night tackled senior Iscor officials on the corporation's controversial proposed "suburban" opencast colliery.

At a spirited meeting in Middelburg's whites-only town hall, Iscor's senior general manager, mining, Mr Ben Alberts, was met with a barrage of questions on the possible negative effects to the town.

He admitted it was common sense that a mine adjacent to a town always had a negative effect. He raised loud cheers when he told the audience that he himself would not like to live next to a mine.

Mr Alberts said Iscor intended to be a "good neighbour and law-abiding citizen" and would stay within the regulations and laws providing environmental protection.

The coal Iscor wanted to mine next to Middelburg's prestige

suburbs and the developing black township of Mhluzi had specific qualities which Iscor needed for a particular process.

The Government could possibly overrule any decision to stop Iscor obtaining the Middelburg coal, Mr Alberts said.

Last night's meeting was arranged by Middelburg's Conservative Party-dominated Town Council which said it would let the residents decide on the issue.

Councillor Gerhard van Zyl

said Mhluzi residents had no right to be at last night's meeting because they had not raised the objections to the mine.

After the meeting, white residents were asked to vote on whether they wanted the mine to go ahead. Many were distressed to see written on the ballot paper that the town council was "by no means bound by the result of the opinion poll".

Mhluzi town clerk Mr Lehlohonolo Makae yesterday said Iscor had not notified the Mhluzi

Town Council of its proposed nearby opencast colliery.

"I first learnt of the colliery through the newspaper," he said.

Mr Makae said the proposed mine site was within kilometres of a planned 1 500-house development due to begin in about a month's time.

He said the Middelburg Town Council had not informed the Mhluzi Town Council it was selling the mining rights to Iscor.

"We are now investigating the matter," he said.

Star 27/9/89

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Middelburg residents win

CP council rules out Iscor project

By Therese Anders,
Highveld Bureau

Middelburg residents have won a long battle against Iscor's controversial proposed "suburban" open-cast colliery.

Last night, the town's Conservative Party-controlled council announced the mine would not go ahead

Management committee chairman Mr John Carlile said "When we came to power in October we said we'd back the people and the people have overwhelmingly said they don't want the mine, so it's off"

He said 90 percent of the almost 400 residents who voted on the issue at a public meeting earlier this month had opposed the mine

Iscor's R3 million tender for the proposed mine had already been accepted by the previous National Party-led

council before most residents became aware of the project.

It was due to be sited 1,5 km from the nearest house in the prestige suburb of Gholfsig. Residents were quickly in an uproar over the possibility of dust, noise and water pollution, cracking from blasting and devaluation of property

Protest meetings were held and a petition circulated. On September 11, the council arranged a public meeting for residents to question senior Iscor officials on their proposed pollution safeguards

Nearly 400 residents, many visibly angry, left the Iscor men in no doubt as to their feelings on the mine.

Mr Carlile said the council, which had still to inform Iscor of the decision, would have to foot a R183 000 bill for drilling which Iscor had already completed at the site.

The Star

Finance

Frigate to raise R8,2-m with private placing

The Frigate group which plans to be listed on the coal sector of the JSE on October 25, is forecasting after-tax profits of just over R5 million for the year to December 1989. *Sk 27/9/89*

According to the prospectus this represents 77 percent growth on the R2,8 million recorded in the previous year.

The company plans to raise R8,2 million by means of a private placing of 10,3 million one-cent shares at 80 cents a share.

The offer, which closes on October 13 is being made to institutions, business associates and staff, bringing the total number of shares in issue to 33,3 million.

The issue price capitalises the company at R26,6 million and is pitched at 9,4 times historical earnings. *215*

Managing director Mike Stanley states that several institutions have committed themselves to 44 percent of the shares on offer which will give them 13,5 percent of total equity.

However, control will remain in the hands of Mr Stanley.

A dividend of 2,2 cents is forecast for this year with an expected turnover of R72 million. Of this R55 million, or 76 per cent, will be generated by the core business of mining and selling its own coal — Sapa

Coal producers should be happy but . . .

STP
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7/10/89
DEREK TOMMEY

SOUTH AFRICA's coal producers should be happy people. Coal exports are running at record levels and the prospects for improved sales next year seem good. But instead the coal exporters are worried people.

Their concern is simply that if they move to further increase exports in the years ahead they could run into increased foreign competition, face new sanctions and finish up losing their shirts.

Some of this disquiet about the future can be seen in the statement to shareholders by Mr Brian Gilbertson, chairman of Trans-Natal, one of the country's major coal exporting companies.

He says the higher dollar price for coal and the fall in the rand's exchange rate against the dollar boosted Trans-Natal's dollar revenues by 40 percent in the year ended June.

The improved dollar prices overseas was the result of the three percent increase in world demand and the failure, for a number of reasons, of various countries to achieve their planned export tonnages.

Nonetheless, Mr Gilbertson is con-

cerned about the coal situation overseas. In view of what is happening there he says "It is surprising, indeed worrying, that steam coal prices have not risen above \$32 a ton FOB Richards Bay."

Mr Gilbertson says that the buoyant overseas demand for South African coal had led to the decision to upgrade Richards Bay, the country's main coal terminal, to handle 48 million tons a year and maintain a comfortable throughput of 44 million tons a year.

It has been suggested that Richard Bay's capacity should be further increased to a secured throughput of R53 million tons, he says. But this would not be without risk.

Although overseas demand will grow by between 2 and 4 percent a year, South Africa's overseas competitors should overcome their problems in due course.

"There is no shortage of coal reserves around the world and there are nearly 70 coal export projects with a capacity of 200 million tons which could be developed in the near future.

"None of these will face the sanctions barriers and historic price discounts that confront South African producers."

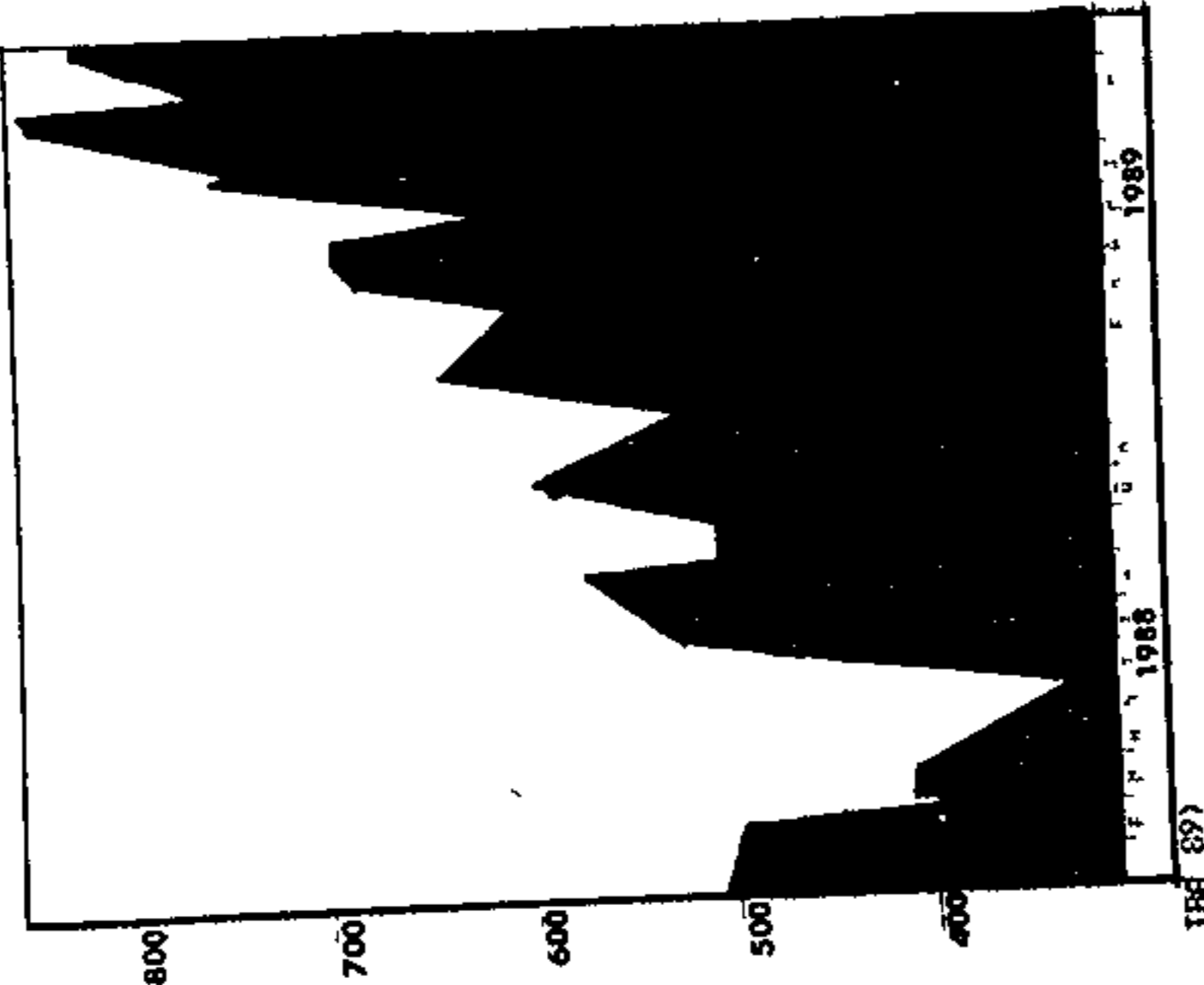
Mr Gilbertson says that South African suppliers, in order to maintain market share, might again let export prices fall as they did in the last period of oversupply. But the repeat of the hardships experienced even as recently as 1988 could not be viewed with equanimity.

As expected, the Japanese, under pressure from their Ministry of Internal Trade and Industry, reduced orders for coal from Trans-Natal by a further 15 percent.

"Our sales to Japan for the 12 month period ending March, 1990 will be around 1,7 million which is the lowest level since the current contracts started in 1984, and a material decline from the almost 2,4 million tons sold in 1987-8."

Mr Gilbertson says it would be prudent to assume that even lower quantities of coal would be sold to Japan in the future, this should not limit export sales in the next few years as Trans-Natal had developed a geographically diversified customer base.

"However, in the longer-term, the se-



UP AND UP: Trans-Natal's share price.

curity of our export markets will be affected by the international reaction to political developments in South Africa," he says.

B/day 16/10/89



Export demand for coal on the increase

MARKETS for SA steam coal are expanding and demand by the year 2005 could be for tonnages far in excess of present harbour capacity.

SA currently produces 44-million tons of steam coal. Wharton Econometric Forecasting Associates is predicting demand for SA steam coal will more than double to 90-million tons in 1995, which far exceeds present harbour capacity.

By 2005, Wharton estimates, the price will have

TERRY WILKINS

barked upon an export drive following the opening of the Richards Bay Coal Terminal in 1974 and was now third in the export league, behind Australia and the US and ahead of the Soviet Union and Poland.

Australia exported about 100-million tons, the US about 80-million tons and SA about 40-million tons.

The average depth of SA coal is about 80m below the surface, the deposits are flat and geologically undis-

covered. Working cost increases, it pushed up the cost of capital equipment. Costs of underground equipment had increased on average by 391% since 1979.

He said the most important weapon for tackling costs was increased productivity — linking productivity to pay increases.

This would require better use of people's skills. A significant step towards this end was taken with the recent abolition of job reservation on mines and so far there more than 30 black people held blasting certificates for collieries.

A comparison of productivities between major coal-producing countries showed that SA productivity was third, with about 2 250-million tons a man-year; after Australia with about 3 000-million tons and the US with about 4 250-million tons.

Expansion

Another means of improving productivity, said Cook, was by improving worker transportation.

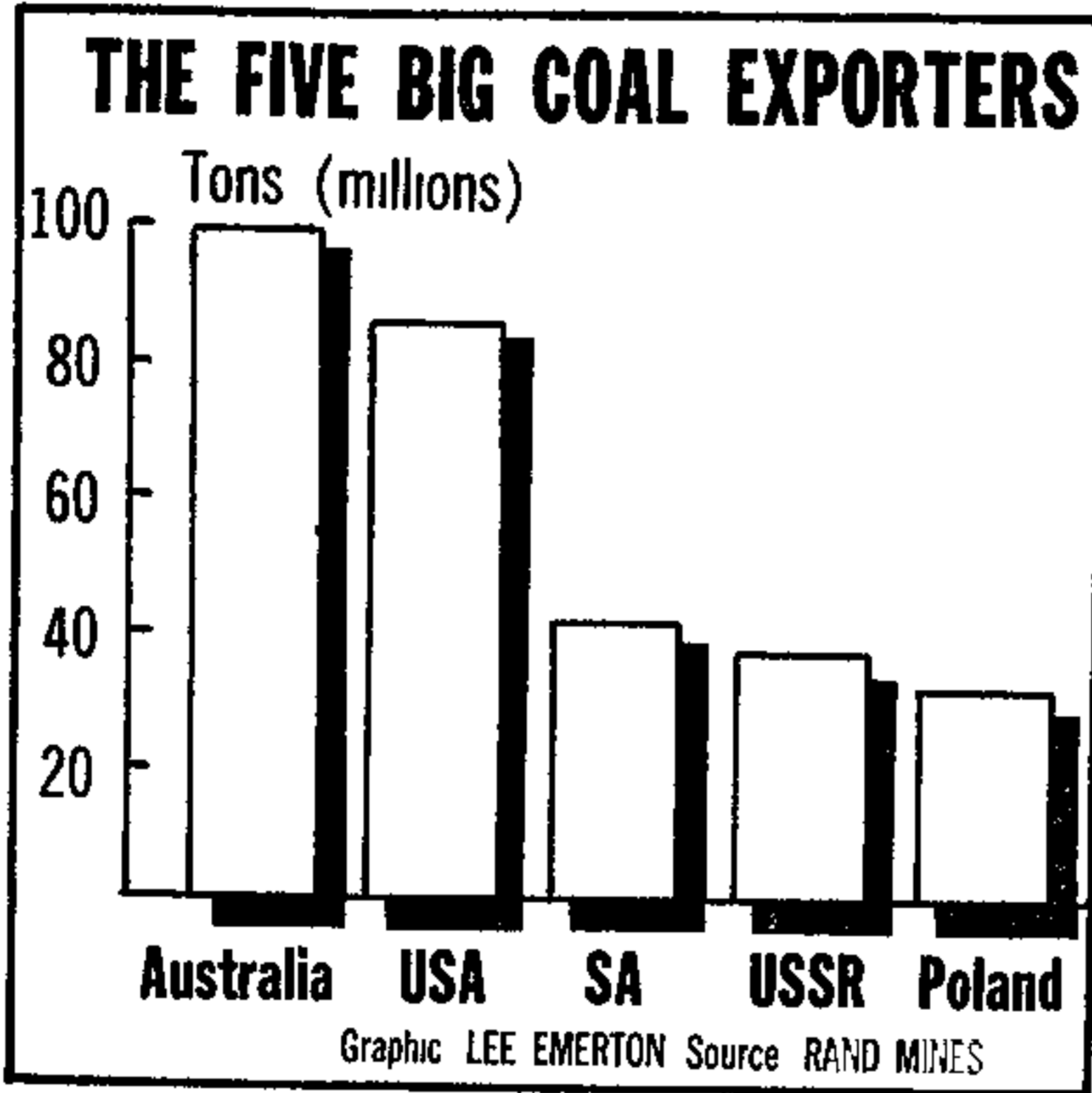
On expansion, Cook said coal prices were sufficiently low to discourage any major new investments in coal mining.

Sasol might open a large new open-cast colliery at Secunda, but major new mines from other groups were unlikely for the next few years.

Producers would expand capacity using existing infrastructures. Capex to replace depleted resources was continuing.

Iscor was upgrading the Tshikondeni mine by about 10 000 tons a week of coking coal. The upgrade also included the construction of a 123km railway line.

The costs of a major new underground mine was about R1bn in 1989 terms. At current inflation rates this could easily double in five years.



increased by 80% in real terms, to about \$57/t fob.

"South America has been cited as a potential market for SA coal. If subsidies to the domestic industries in the UK, Belgium and France are reduced — as seems likely — then western Europe will also become an expanding market for imported coal," says the latest newsletter from the Minerals Bureau.

The bulletin points out that industrial unrest continues in the coal industries of Australia, the Soviet Union and the US.

Rand Mines coal division deputy chairman Allen Cook told Mintek's sixth annual mining conference at Randburg that SA had em-

turbed and the seams thick, making SA one of the lowest-cost producers.

In a normal market, price, quality and reliability would decide which supplier was chosen, but SA coal sales continually faced the threat of sanctions. "The consolidation of the EC in 1992 may heighten the sanctions threat," said Cook.

Three major industries dominated SA internal coal sales in 1988 — Eskom bought 64,5-million tons, Sasol bought 39,4-million, and Iscor and other steel producers 8,9-million tons.

The SA coal industry was under considerable cost pressures and while the weak rand helped offset

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3/11/89.

AMCOAL

Better still

Sharply higher results for the half-year to end-September are likely to be at least repeated in the second half. Assuming they are, EPS for the full year to March will be 1 036c — 56% higher than in the 1989 year, itself 55% higher than 1988.

Pre-tax profit rose 67% on the same period in 1988, mainly thanks to higher export

BURNING IT

Six months to	Sep 30 '88	Mar 31 '89	Sep 30 '89
Turnover (Rm)	706,3	739,5	876,5
Pre-tax profit (Rm)	171,9	192,3	287,6
Attributable (Rm)	75,1	90,5	129,4
Earnings (c)	305,9	359,2	517,8
Dividends (c)	95	205	125

prices and tonnages and the weaker rand and despite lower sales in SA. Indeed, total coal and coke sales were down 8% at 21,8 Mt (23,7 Mt), indicating the importance of export sales. Turnover of the Vereeniging Refractories division increased 11%.

Interest and investment income rose 88% to R46m — at year-end Amcoal had R486m in cash and deposits with holding company Anglo American. Attributable income rose 72% and EPS 69% and the dividend was raised 32% on cover increased 28% to 4,1.

Chairman Graham Boustred says second-half sales should continue at similar levels. With maintained dollar export prices, earnings will also be similar to the first half's.

On a rand unlikely to decline against the dollar this half and other producers reporting that export coal prices are unlikely to rise much in next year's negotiations, dramatic improvements in operating results may be over for the moment. But the huge cash pile, equivalent to about half of shareholders' funds, provides a cushion.

If dividend cover is increased 28% for the full year (to 2,8, from 2,2), the share at R75 is on prospective earnings and dividend yields of 13,8% and 4,9%.

Teigue Payne

Bids tendered for BP stake

2/5 ~~15/11/89~~ CAP Times 15/11/89

Own Correspondent

JOHANNESBURG. — Four bids were tendered for BP's 89% stake in open-cast coal mine, Middelburg Mines, including a joint bid from Graham Beck's Kangra Holdings and Italian state-owned energy corporation, Agip, when bidding closed on Friday, an industry source said.

BP said earlier it was selling its coal interests in SA, the US, Australia, and Europe for strategic reasons.

The other bidders for Middelburg were Amcoal, Sasol and Gold Fields Coal.

Rand Mines (RM), which owns 11% of Middelburg, has the right to match the bid accepted by BP, and deputy chairman Allen Sealey has said the company is keen to buy the mine.

Kangra Holdings is owned by Graham Beck and earlier this year acquired Northern Natal Navigation Collieries from Gencor-owned Trans-Natal Coal (TNC) in exchange for R3,8m and mineral rights to extend the life of TNC's Savmore Colliery.

Although Trans Natal Coal said ear-

lier it would be interested in purchasing the SA assets of BP, chairman Brian Gilbertson has since told analysts Middelburg will not fit TNC's synergy.

BP spokesman Graham Barr declined to comment yesterday on the sale of coal assets.

It was not known whether BP's remaining interest, mineral rights to about 440-million tons of mainly steam coal in the northern Transvaal Waterberg Basin, was included in the bidding.

Analysts Max Pollak & Freemantle in a November 1988 coal review points out lack of infrastructure as a production difficulty in the basin although coal quality compares favourably with deposits currently being mined.

Frankel Kruger analyst Kevin Kartun estimated the mine to be worth R300m.

The price might be influenced by Middelburg's low production cost at about R20/t and its export allocation through Richards Bay. It will cost about R500m to open a new mine, he said.

4 bids for BP stake in Middelburg Mines

BP 15/11/89
Riaan Smit (215)

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Amcoal bids R550m for BP coal interests

ANGLO American Coal (Amcoal) has bid R550m for control of BP Southern Africa's (BPSA) major coal interest, an 88,5% stake in Middelburg Mine, and its 12,7% interest in the Richards Bay Coal Terminal

This makes Amcoal the highest bidder, so far, for Middelburg Mine, and success now depends on Rand Mines, which has a pre-emptive right to match the bid

Rand Mines subsidiary Douglas Colliery holds the balance of Middelburg Mine's capital (11,5%), and, in terms of a joint venture agreement with BPSA, a pre-emptive right to decide within 60 days of Amcoal's bid whether to match it

Amcoal bid against three other entities for Middelburg Mine They were Sasol,

REINIE BOOYSEN

Gold Fields Coal, and an association of Graham Beck's Kangra Holdings and the Italian state-owned energy corporation, Agip

The BP group announced in June this year that it was to offer for sale the major part of its worldwide coal interests, including assets and operations in the US, Australia, SA and Europe as part of a realignment and refocusing of its international operations.

BPSA has also sold its vast coal reserves in the northwestern Transvaal Waterberg coalfield for R40m to an unnamed buyer Analysts say one of the major attrac-

tions of Middelburg Mine is an allocation from government to export 6-million tons of coal a year Government controls coal exports in terms of its policy to preserve SA's energy independence

Middelburg Mine currently produces about 5,5-million tons of steam coal a year, all of which is exported

Amcoal already has an allocation to export nearly 12-million tons, while Rand Mines has a total allocation of just over 9-million tons

The coal export market has improved substantially since the downturn of 1987 brought about partly by sanctions by the US, France, Denmark, Norway and Swe-

□ To Page 2

Amcoal bid

□ From Page 1

den Exporters are making good profits, with export prices at about \$32 or R84 a ton free on board from Richards Bay This compares with about R52 or \$26 a ton in 1987.

Another attraction of Middelburg Mine to Amcoal is the potential for synergy flowing from coal reserves adjacent to Middelburg Mine held by Amcoal and Anglo American associate JCI.

Rand Mines deputy chairman Allen Sealey said yesterday Rand Mines was still examining the full details of the Amcoal bid before deciding on its pre-emptive right "We certainly haven't waived our rights," he added

Amcoal says the purchase will be financed from Amcoal's existing cash resources

60 days

(215)

88/1/84

60 days

WITBANK COLLIERY

Watching the rand

215
 Email 24/11/89.

Activities: Coal mining arm of Rand Mines group Sells to both domestic and export markets

Control: Rand Mines has 70,8% and Anglo Transvaal Collieries 13,8%

Chairman: A Sealey, managing director N Zolezzi

Capital structure: 7,8m ords of 200c each
 Market capitalisation, R577m

Share market: Price 7 400c Yields 7,4% on dividend, 28,2% on earnings, PE ratio, 3,5; cover, 3,8. 12-month high, 7 400c; low, 4 700c Trading volume last quarter, 15 300 shares.

Financial: Year to September 30

	'86	'87	'88	'89
Turnover (Rm)	469,5	498,4	542,8	795,5
Coal sales (Mt)	19,1	19,6	18,9	19,9
Attributable profit (Rm)	131,9	78,6	64,3	163,4
Earnings (c)	1 688	1 005	823	2 089
Dividends (c)	455	400	380	550

Mining company chairmen tend to be a cautious breed and analysts were right, this time last year, when they felt Witbank Colliery chairman Allen Sealey was being a little pessimistic in his forecast on earnings and dividend.

The group had an excellent year with the dividend boosted to 550c a share, well above expectations of 400c to 450c. How this major coal producer will fare in the year to end-September 1990 will depend in large part on, surprisingly enough, the gold price. If the gold market has turned around decisively, with prospects of a rising gold price over the next year, then it's very likely that the rand will appreciate against the US dollar. Coal company revenues will then drop unless the dollar price of coal rises enough to offset a firmer rand.

Sealey says Wit Colls is looking for further improvement in earnings this year but will not be pinned down to an estimate other than that he hopes to do better than a 20% increase.

"However, the rand/dollar exchange rate is probably the most important factor in our calculations. If it strengthens appreciably it



Witbank's Sealey ... eyes on the rand

could knock our estimates badly. In the long run, a stronger rand would, of course, help if it meant inflation was curbed and we no longer had to cope with annual cost increases of up to 19%," he says "It would also force coal companies to fight harder to get dollar price increases for their exports, because they will not have the soft option of the weak rand cushioning profit margins."

One big disappointment for Wit Colls in the 1989 year was that working costs rose by an average 19% compared with an 11% rise in 1988 and a 7% reduction in costs in 1987. Sealey blames the increased cost on imported equipment, import surcharges and higher fuel costs.

Wit Colls exported about 5,7 Mt (4,4 Mt) of coal last year, about 600 000 t above its previous best in 1986

Sealey remains optimistic about prospects for the export market. He estimates the group could lift volumes another 5% this year, assuming the Richards Bay Coal Terminal moves about 43 Mt of coal in calendar 1989 and 45 Mt in calendar 1990. Current steam coal prices fob Richards Bay are around \$32/t and Sealey says he hopes to see negotiations for 1990 delivery push the price to between \$33,50-\$34/t. However, he cautions that it will require tough bargaining.

On the negative side, he says sanctions pressures remain, and local producers do not want to push prices too high because of the danger of bringing the US coal companies back into the export market. While a few US coal exporters can make money at prices in the upper \$30s, most need at least \$40/t to export profitably.

With Richards Bay Coal Terminal expanding capacity to 48 Mt/year, Witbank Colliery is planning to meet its greater export entitlements. About R56m is to be spent on increasing production capacity at the Van Dyk's Drift section, but this is largely replacement tonnage. The next major export project is earmarked for Khutala Colliery, where the No 5 seam coal reserves were not committed to Eskom's Kendal power station but retained for the export market.

Sealey says a feasibility study for the project is under way and production might be necessary when the terminal exports 48 Mt/year. He declines to specify the size of the mine that would be set up but says the operation would not be viable at production volumes below 1 Mt/year.

This year Wit Colls will see a full contribution to profits from the enlarged 11% stake in Middelburg Colliery, which contributed for only six months last year. The group is now also earning from its investment in Majuba Colliery.

Sealey will not spell out full details of the agreement with Eskom over Majuba, which was badly affected by Eskom cutbacks, as negotiations for compensation are still under way. However, Rand Mines and Eskom have agreed that capital spent on the mine will rank for a return on the investment from March 1989. Majuba is producing 600 000 t annually, which Eskom is stockpiling pending commissioning of the first generating set at the power station.

The share is at a 12-month high of 7 400c, where it seems fairly valued taking into account uncertainty over the exchange rate

Brendan Ryan

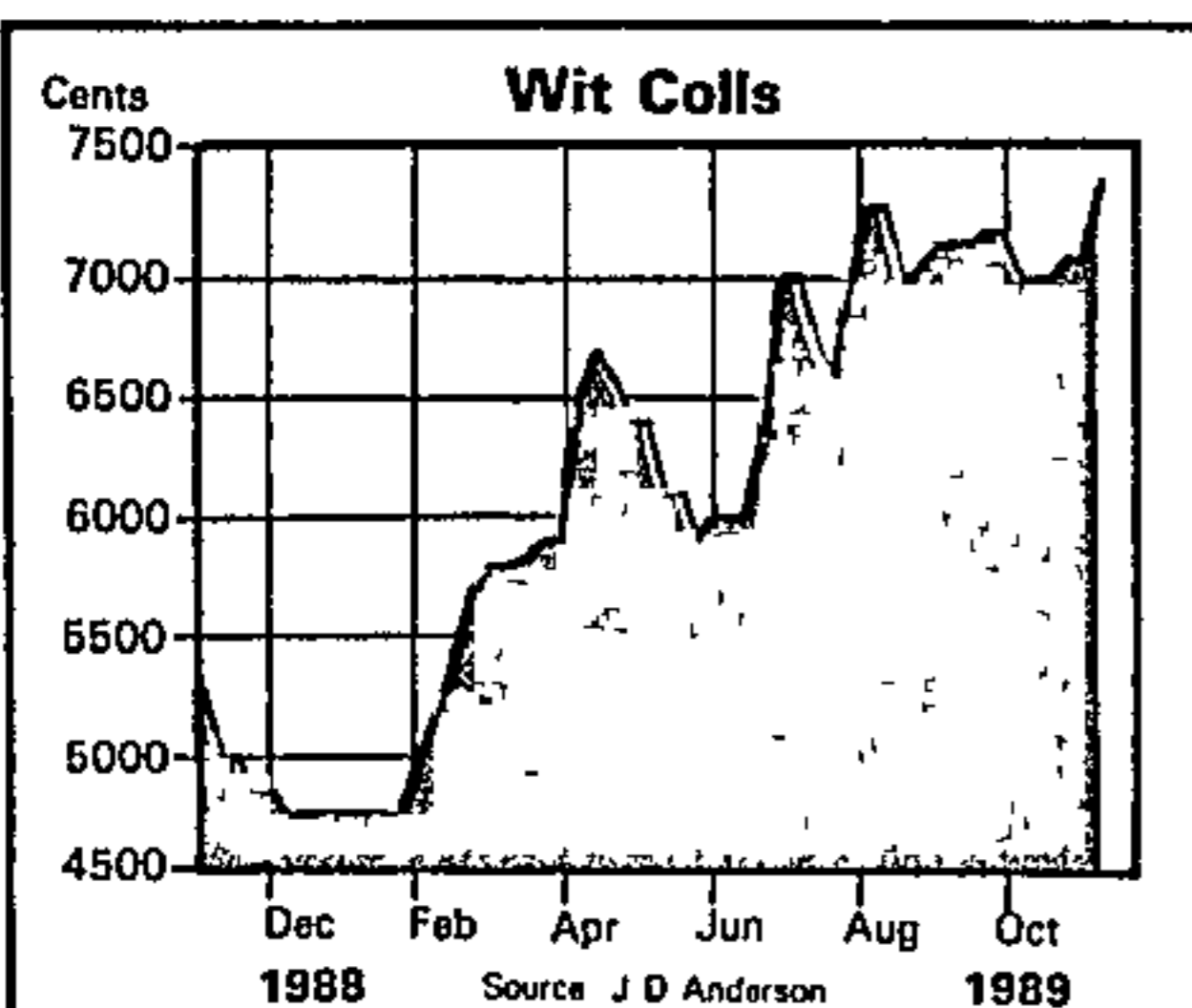
ANJET

New hope

The profit lift-off the directors promised did not materialise. Anjet's managers have long had the reputation of being technical leaders in the aircraft industry but last year their financial and asset management skills, never strong, apparently came close to collapse.

The report, nine months after the financial year-end, underscores this. Though turnover rose 28%, every other performance ratio fell. Gearing, 1,8 at the previous year-end, rose to a heady 2,9. Pre-interest profit was slightly higher at R1,1m, but was eliminated by the R1,4m (R600 000) interest bill.

The directors expanded the business, despite heavy existing debt, and the group was close to collapse when it was saved by Money & Management (M&M) and some associ-



Star 5/12/89.

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Subsidence causes coal pillar to ignite

Fire threatens Witbank pupils

By Therese Anders, Highveld Bureau

Choking black smoke and fumes are belching from a week-old subsidence over an underground coal fire close to a Witbank industrial area and within metres of where thousands of black schoolchildren take a short cut to school.

The children cut across the dangerous old Transvaal and Delagoa Bay (T&DB) colliery land as they make their way from the squatter camps and new residential areas west of Witbank to their schools in the old location. Over the years the mine fences have been pulled down and the danger signs removed.

30-year fire

The underground fire has been burning on and off for about 30 years since T&DB, now owned by Rand Mines, closed the mine in the early 50s. However, last week the heavy rains are believed

to have caused a large section of the mine surface to collapse, allowing air to reach the already smouldering fire. The result was a coal pillar igniting. The flames and thick black smoke were visible from the N4 highway west of the town.

According to painter Mr John Molefe, who uses the short cut over the mine every day, traffic officers blocked off the track last week warning the children and workers of the dangers of the subsiding ground.

"I'm scared," says Mr Molefe, "but this way is much quicker, so I take a chance."

He said he was more worried by the poisonous gas fumes along the 1 km long track than falling into the fire.

A Witbank council spokesman said the T&DB land was outside the municipal boundary and therefore not the council's responsibility.

Attempts to contact Rand Mines were not successful. A spokesman for the Government Mining Engineer's office said the onus lay with the mining company to maintain fences.