ENERGY — 1991

JANUARY — OCT.

UK, Germany provide Mossgas foreign loans

55

BiDay 10/12/91

LESLEY LAMBERT

THE bulk of foreign loans secured by the Mossgas project are being provided by UK-based securities house Kleinwort Benson and a consortium of German banks, Mossgas finance manager Frank Reuvers said yesterday.

Mossgas estimates its total funding requirement will be R12bn. Almost R2,3bn of this amount has been sourced from foreign banks and companies in the form of loans or export credit facilities.

Between them, Kleinwort Benson and the German banks — Bayerische Wereins, Bayerische Landes and Bayerische Hypo — have opened credit lines for almost 85% of the R2,3bn. Other facilities have been sourced in Brazil, Italy, France and Austria, Reuvers said.

The project will pay an effective interest rate of 14,25% for these facilities. The rest of the foreign loans have been secured through the Public Investment Commissioners (PIC) at a margin over Libor.

Reuvers said R1,9bn had already been drawn down, leaving facilities worth R300m.

He said Mossgas would begin repaying its foreign creditors on July 1 next year.

Repayment would be made in six monthly tranches over five years. Some of the larger facilities, including a substantial export credit facility provided by a German manufacturer which built the Mossgas air separation plant, will be paid over eight years, Reuvers said.

GERALD REILLY reports from Pretoria that SA Bitumen and Tar Association (Sabita) executive director Piet Myburgh yesterday said after "plundering" millions from motorists for "poorly judged schemes" it was highly irresponsible of Mineral and Energy Affairs Minister George Bartlett to suggest that funds from the possible sale of Mossgas equity should be credited to government's general revenue.

Responding to comments by Bartlett last week, Myburgh said they showed a lack of sensivity towards taxpayers sick and tired of funding white elephants.

"As a former Transport Minister, Bartlett should have known fuel levies had been consistently tapped (to fund) shortfalls and poorly judged schemes," he said.

"The very least that government can do — if it is indeed contemplating a public issue for Mossgas — is to invest resources to make up for the R15bn backlog it has allowed to develop in SA's R100bn road network, which is showing signs of decay."

Mossgas was already R5bn over budget and it was hardly surprising that Bartlett was concerned the private sector might not take up options to become involved, said Myburgh.

He said revenue raised from fuel levies should be employed in areas of direct interest to motorists from whom funds had been extracted.

He said it was not clear that Mossgas, which had been "plagued by controversy and financial profligacy", was a necessary resource.

But there was voluminous evidence that SA's deteriorating roads were costing millions of rands a year in rocketing vehicle operating costs and other expenses.

"We are a developing country with an underperforming economy as it is. Until we get our basic infrastructure back to good health, socio-economic development plans are likely to flounder," he said.

PETROCHEMICALS FM 4/1/91

WATERBERG BONANZA?

Iscor, which owns the Grootegeluk coal mine in the Waterberg field, is considering involving itself in plans for a huge petrochemical plant to produce aromatics from the mine's rich deposits. (SS)

The size and cost of the plant and marketing of its products are still under investigation. It is estimated that a coal-based aromatics plant, with a capacity of 700 000 t a year, would cost about R3bn.

Talks between Iscor, the IDC and Batepro, through its subsidiary Weskem, on the possibility of such a plant have sent ripples through the petrochemical industry.

Aromatics (mainly xylenes and benzenes) valued at about R600m are imported each year as Iscor subsidiary Suprachem and Sasol can satisfy only a portion of local demand. During the past year or so Sentrachem officials have repeatedly touted the building of a R4bn naphtha cracker to produce aromatics from an imported, oil-derived, naphtha feedstock base.

Though Sentrachem is the chief promoter of such a move, Mossgas and Engen have been mentioned as possible partners. While the much-touted naphtha cracker will essentially produce ethylene with aromatics as a by-product, the proposed Waterberg plant would be focused primarily on aromatics.

Batepro (and Weskem) executive director Johann Wingard says: "We are now doing a major study on the application of the so-called direct liquefaction process developed by Ruhrkohle of Germany to the Waterberg coal.

"The special characteristics of the coal in this field make it eminently suitable for liquefaction."

Direct liquefaction involves subjecting fine coal dust under pressure in a hydrogen environment and adding recycled oil. The result, says Wingard, is the transformation of the dust into a high-quality, synthetic crude oil.

"This process is about twice as efficient as

FM 4/1/91 (SS)

indirect liquefaction, such as Sasol's Synthol process. Admittedly, Synthol can be used with virtually any type of hard coal, while direct liquefaction is successful only with highly reactive coals like those found in the Waterberg field," he says.

Exploitation of the Waterberg field in the northern Transvaal, which has about 45% of SA's known coal reserves, has lagged behind the development of eastern Transvaal fields because it lies far from the main markets.

As soon as Weskem's feasibility studies have reached "verification stage" in about six months' time, a formal proposal will be submitted to Iscor (as a major partner) and the IDC (as principal financier).

Wingard's convinced the proposed Waterberg petrochemical plant would make aromatics from a cheaper feedstock base than any oil-based option. He estimates the cost of oil-based naphtha feedstock at about R670/t (with oil prices at US $20/barrel) compared with R180/t for the coal-based Waterberg feedstock.

An added advantage would be that feedstock costs would be relatively constant compared with the volatility of Middle East crude oil prices.

But techno-economist Jan Hoogendoorn criticises some of Wingard's assumptions. He estimates that the cost per ton of the Waterberg plant's feedstock (once financing charges on the total capital cost, maintenance, wages and salaries, overheads, catalyst costs and general costs have been added in) should be around R1 500/t. To this, he says, must be added the extraction and purification costs of the aromatics.

He argues that even with crude oil at $30 a barrel, petrol and diesel can be imported from western Europe at about R725/t.

Wingard's response is that the capital cost of a stand-alone plant at the coast would be about R2,3bn. Using Hoogendoorn's own feedstock costs, even based on an oil price of $20/barrel, the net feedstock costs would be R630m a year.

Adding in capital and operating costs, running costs would total R1,34bn a year compared with around R1,13bn a year for the Waterberg plant.

Any movement of the oil price above $20/barrel, he notes, would *increase* the imported naphtha feedstock costs.

Developments in the Middle East should also determine whether Iscor and the IDC agree to go ahead with the proposal.

A sharp rise in oil prices could add to the Waterberg plant's attraction — though the volatility of the Iraq-Kuwait situation could force potential investors to put their decisions on ice. ■

COMP

SA's oil reserves should see it through a Gulf war, say experts

(55)

B Day 14/1/91.

ZILLA EFRAT

SA's strategic oil reserves and its synfuel operations are some of the factors that will ensure that SA is not harder hit than other oil-importing countries in the event of a Gulf war.

National Energy Council (NEC) group executive Lourens van den Berg says except for the additional UN restriction on crude oil supplies to SA, SA is subject to the same influences as other oil-importing countries.

Industry experts believe that despite the oil embargo, SA has no difficulty in buying fuel on the world market. What will count is having the money to pay higher prices in a war scenario.

It is also believed that SA might be able to get alternative oil supplies from Angola.

Van den Berg says SA is less dependent on foreign suppliers for its overall energy requirements than other oil-importing countries because of its synfuels projects. (Informed sources believe Sasol provides about 35% of SA's fuel requirements.)

In addition, some observers believe SA has larger strategic fuel stockpiles than other countries. But Van den Berg says the extent of these stockpiles is classified information.

A recent article in Petroleum Intelligence Weekly says SA's oil stockpile has been estimated at between 60-million and 165-million barrels. An informed source speculates that SA has enough fuel to last it two years.

In comparison, international reports say world commercial reserves are running at about 100 days of consumption. At present there is an oversupply of crude oil on the international market and many countries are believed to be increasing strategic reserves.

Van den Berg will not comment on whether SA will dip into its reserves as this is a decision for Cabinet. However, he says SA does have contingency measures, developed over years, for a war scenario.

These are being updated in case a Gulf war forces SA to reduce its fuel consumption. He says compulsory fuel saving measures will be introduced only if a Gulf war results in a reduction of crude oil supplies.

Soaring

However, forecasts depend on the extent and duration of a possible war.

Experts agree that a war will send world crude oil prices soaring, but estimates on how much vary greatly, up to $80 a barrel. But they add the effects of this rise on SA's balance of payments could be countered by the gold price, also expected to jump if there is a war.

Higher world crude oil prices will, of course, affect SA's petrol pump price. They will also benefit Sasol, which bases its producer price on a basket of oil prices east of Suez.

It appears unlikely that Sasol's pricing system will change in the wake of a Gulf war, but its repayment of its tariff protection income will strengthen the equalisation fund, easing the burden of the motorist.

When oil prices rise above $28,70 a barrel, Sasol repays 25% of its income above this amount until the accumulated protection it previously enjoyed has been recovered.

The extent of disruption of oil production and supplies caused by a war will depend on the nature of the conflict and the level of interference with production and shipping in the Gulf.

Oil wells could become the targets of military action in the Middle East, but Van den Berg says there was very little damage to Iranian oil fields during the Iran/Iraq war.

Industrial and Petrochemical Consultants MD Ray Swanepoel says a Gulf war could affect light crude supply, which is produced by Middle Eastern countries, more than the supply of heavy crude.

This will place pressure on SA's refineries, making it easier to produce diesel than petrol and increasing the amount of crude oil required to make petrol, he says.

However, given the current oil surplus and concern that some oil producing countries may not cut back to pre-crisis production levels, most observers expect world oil prices to drop significantly if the Gulf crisis is resolved — some say to below $20 a barrel.

Eskom plan may benefit mines

BDay 15/1/91 [redacted] (55)

ZILLA EFRAT

ESKOM's export incentive packages are set to benefit marginal mines and commodity producers, many of which are receiving lower international prices for their products.

Eskom pricing policy manager Dave Krumm says a scheme, being investigated, links electricity prices to commodity prices set on international markets. This incentive could benefit industries such as the hard-hit gold and base metal producers.

Another scheme, which links the electricty price to the rand dollar exchange rate, will assist commodity exporters. Clients will pay Eskom less when the rand strengthens and more when it weakens.

Krumm says the costs of this incentive will be offset by the corresponding inverse risk of Eskom's foreign exchange borrowings.

Eskom will also offer tailor-made packages in cases where the discount makes a project viable or enables operations, such as marginal mines, to continue production.

In addition, discounts are offered to organisations groups which switch to Eskom power.

Krumm says Eskom has been approached by about 20 companies since it announced in October last year that it would broaden its export incentive packages and that the electricity price increase for 1991 would be 8%.

These were part of Administration and Economic Co-ordination Minister Wim de Villiers' plan.

Eskom's inquiries have largely been from mining, chemical, steel, vehicle component and paper producers, most of which are in the primary and secondary manufacturing sectors of the economy.

No new discount schemes have yet been finalised as Eskom is being cautious not to distort the market. But Eskom has been able to assist some of the smaller applicants in more efficient plant scheduling and cost effective energy usage.

Krumm says electricity consumption is highest in the primary manufacturing sector and that the production of high value added goods uses up less electricity as a proportion of production costs.

Soekor explores for oil outside SA

CAT. TIMES 17/1/91 (55)

JOHANNESBURG. — Soekor is examining oil exploration and production opportunities outside SA.

MD Ken Graham says the state-financed exploration company is looking mainly at Africa, and will investigate other opportunities further afield. Although nothing has yet been finalised, Soekor is likely to undertake ventures alone or with private sector partners.

He will not give details.

The key factor to any decision will be the financial viability of a venture. Graham will not comment on how the capital will be raised, but says various ways are being investigated.

He says Soekor looks at all projects on a commercial basis because the strategic need of the past has largely fallen away. The company recently turned down an offer to participate in a venture in the northern hemisphere on the basis of its financial feasibility.

Graham says Soekor has not been involved in exploration work outside SA.

But the exploration company has operated as a contractor in various parts of the world for many years. The contract work is marketed abroad and is seen as a large profit generator.

Soekor's earnings in this area will run into many millions of rand for the 1990/1 financial year, but Graham will not quantify the figure.

Soekor's annual budget is R200m, the bulk of it government funds. The rest is earned from the sale of its expertise and from its partnership with Gencor's energy giant Engen.

Mandela discusses return of 3 000 exiles

LUSAKA — ANC deputy president Nelson Mandela arrived in Lusaka yesterday for talks with exiled leaders of the ANC.

ANC spokesman Tom Sebina said Mandela would discuss with exiled leaders the impending repatriation to SA of 3 000 ANC cadres still living in Zambia.

"We are making preparations for them to leave," said Sebina.

A local ANC spokesman was last night unable to say when the exiles were likely to arrive in SA. B\Day 17/1/91

Mandela is scheduled to spend two days in the Zambian capital.

He said on arrival that negotiations with the SA government were still on course.

"There is always the hope of reaching the settlement if the spirit is there."

Sapa-Reuter reports from Addis Ababa that leaders from 13 African states will meet in Harare next month to discuss political developments in SA and international reaction to its moves to end apartheid, the OAU said yesterday. — Sapa-Reuter-AP.

Soekor looking beyond SA

ZILLA EFRAT

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A number of oil discoveries were made off the Cape south coast last year, but their economic viability would not be assessed before the year-end.

B/Day 17/1/91

R386m contract awarded for water delivery tunnel

BDay 18/1/91

MARIETTE DU PLESSIS

HMC Tunnelling Venture has been awarded the R385,9m contract for the construction of the Lesotho Highlands delivery tunnel north, the Trans-Caledon Tunnel Authority (TCTA) said in a statement yesterday.

HMC, a joint venture between SA's Concor Holdings, Hochtief AG (Germany) and Marti Inter (Switzerland), was given the contract for the construction of both the Caledon and Ash tunnels.

The delivery tunnel would be the last in an 85km series of tunnels of the Lesotho Highlands Water Project's Phase 1A and which were scheduled for completion towards the end of 1996, TCTA said.

The tunnels would transfer water from the Katse Dam on the Senqu River in Lesotho to the Vaal River catchment for storage in the Vaal Dam. (55)

This water would augmentthe present water resources of the PWV area.

Finance for the project would come from a TCTA levy imposed on water supplied to the Vaal River area, loans through the Public Investment Commissioner and finance from two German banks which was still to be approved.

TCTA also announced that construction of the delivery tunnel north would be supervised by the Highlands Delivery Tunnel Consultants (HDTC) consortium at a present-day cost of R41,3m.

This was the largest consulting engineering contract to be awarded in SA.

BUSINESS DAY, Friday, January 18 1991

Oil high on agenda at Angola/SA talks

B Doc 18/1/91

EDYTH BULBRING 55

A high-powered Angolan government delegation will meet Mineral and Energy Affairs Minister Dawie de Villiers on Monday to discuss economic co-operation between the two countries.

The sale of Angolan oil to SA and mineral exploration is expected to be high on the agenda. Angola produced 450 000 barrels of oil a day last year.

The delegation, which arrives on Saturday for a five-day visit, will also meet a number of businessmen and business organisations, including SA Chamber of Business deputy director-general Ron Haywood.

Foreign Affairs director-general for Africa Rusty Evans said yesterday there was no "specific agenda" for the talks between De Villiers and the delegation. Economic co-operation in general would be discussed, he said.

Oil deposits in the north-west of Angola are the mainstay of its economy which has been devastated by a 15-year old civil war.

Angola signed an agreement to supply oil to Namibia in November last year which would reduce Namibia's dependence on energy imported from SA.

Evans declined to comment on the possibility of an SA-Angolan oil deal being concluded at the conclusion of the visit.

The visit to SA by the Angolan delegation was in response to De Villier's visit to Angola last year. The talks on Monday would therefore be a continuation of these discussions, he said.

It was reported earlier this week that a delegation of Angolan businessmen was due to arrive in Johannesburg for the possible signing of an agreement with De Beers.

Govt to relax some control of fuel price

Star 18/1/91

55

By Peter Fabricius
Political Correspondent

The Government intends to partially relax its control of the price of petrol and other fuels.

New draft legislation published in Parliament would empower the Government to set maximum and/or minimum limits for the price of fuels, rather than fixing a specific price as at present.

This would allow wholesalers and retailers some leeway in setting prices.

A memorandum attached to the Petroleum Products Amendment Bill says the aim of the change would be to promote price competition and to cut the costs of continually setting new prices.

Democratic Party energy spokesman Roger Hulley said last night that the Bill was a partial concession to the demand that free-market forces should determine fuel prices.

The DP believed that the legislation should go further and abolish all price control.

He said that large supermarket chains were urging the Government to allow them to sell fuel at discount while the smaller garages feared this would cut them out of business.

OIL AND GAS (55)

MORE LOCAL MUSCLE

While SA has yet to discover viable oil or substantial gas reserves, the Gulf crisis has spotlighted the growing importance of the local energy sector. FM 18/1/91.

Engen, which owns Mobil and Trek and has a 30% option on the R9bn Mossgas project, also has the right to 20% of future oil and gas fields developed by Soekor in certain areas, including the Bredasdorp Basin.

Engen Chairman Bernard Smith, who also serves as Mossgas CE, says the company will soon tender for oil and gas exploration concessions off the Namibian coast — that is, as soon as enabling legislation is passed by the Namibian parliament.

"We have had talks with the Namibian government, which is formulating its policies regarding offshore exploration," he says. "There is a possibility that Soekor may assist in detailed seismic surveys off the Namibian coast. Once drilling commences, we will look for the best offers on tender."

Skerf Pottas, chairman of the National Petroleum Corp of Namibia, confirms that Namibia will soon pass legislation to allow foreign oil companies to tender for the geological exploration and survey of Namibia's offshore areas. "SA companies will be welcome to tender," he says.

Meanwhile, the R200m-a-year State-owned oil exploration company Soekor is also looking to expand outside SA. CE Ken Graham says Soekor is "looking at the geology and offering its services right up the West African coast."

Graham says he's confident Soekor will eventually "find and exploit its own oilfield," which includes the possibility of developing offshore oil fields beyond SA's borders. Now small oil finds in the Bredasdorp Basin are being evaluated. ■

RIDING THE GREEN TIDE

FM 18/1/91 (55)

Nuclear power, all but written off after the Three Mile Island and Chernobyl disasters, is making a comeback. And, ironically, its resurgence is being fuelled by environmental fears.

Nuclear power plants are now increasingly seen as non-polluting alternatives to coal- and oil-burning plants. Nuclear plants release no noxious gases while coal- and oil-burning plants despoil the environment and are a major factor — in the opinion of many experts — behind the greenhouse effect. For example, in the Highveld, where most of Eskom's coal-fired plants are located, the air is considered among the most polluted in the Western world.

In June *Forbes* magazine called nuclear power "the greenest form of power" and cited the growing realisation in the US that nuclear power could be more environmentally acceptable than coal.

"Nuclear power is making an important contribution to the environment," says the president of the American Nuclear Society, Walter Loewenstein, who spoke at last year's Eskom-organised symposium on Nuclear Technology in Southern Africa. "A recent study cites France (which generates more than 75% of its electricity from nuclear power) as having reduced emissions of SO_2, NO_2 and dust by 56%, 9% and 36%, respectively, from 1980 to 1986."

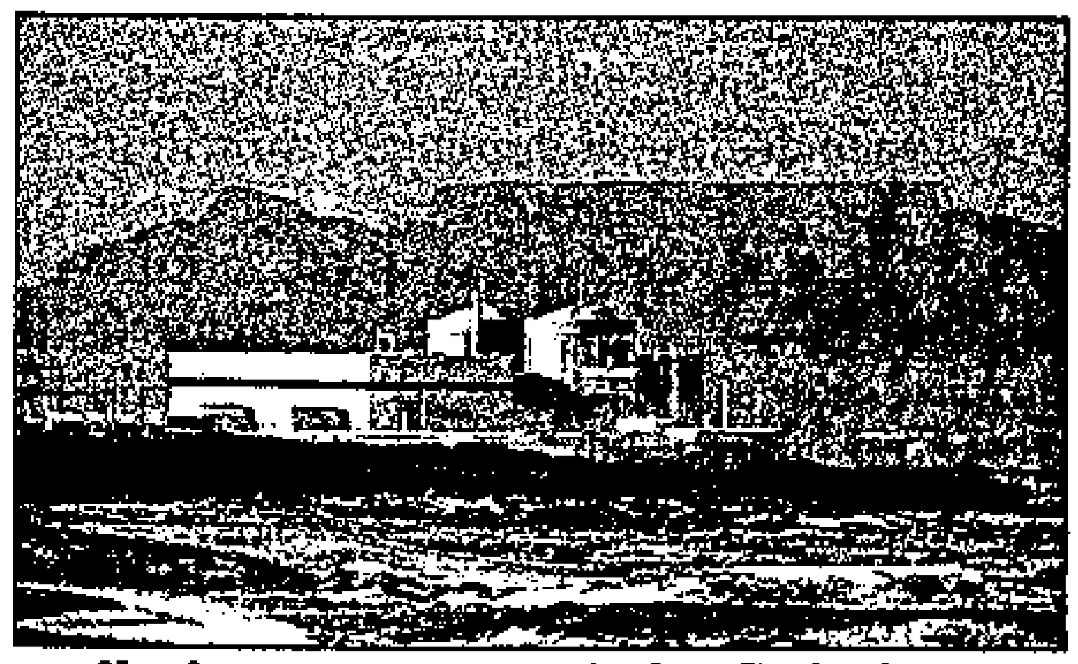
In this period, France's nuclear generation increased fourfold while total electricity generation rose by only 40%, he says.

Waste disposal has always been the Achilles heel of nuclear power, but many countries are solving the problem with state-of-the-art waste storage facilities. The Atomic Energy Corp has never had trouble with its facility for low- and medium-active nuclear waste at a remote, geologically stable site at Vaalputs in the north-western Cape. Highly active waste is sent to France for more processing.

If environmentalists drop their objections to nuclear power, plant construction could boom worldwide. And SA, sitting on 14% of the world's uranium reserves, would be a big winner.

However, with uranium prices at rock bottom for much of the Eighties, SA is squandering much of this valuable resource. Uranium is found mainly in the same rock as gold and is produced as a byproduct of gold mining. But low prices mean it is not profitable to take more than a fraction of the mines' uranium "tailings" and turn it into the "yellow cake" uranium (ammonium diuranate) used to produce U235 fuel for nuclear power generation. Unutilised tailings are either buried under tons of rubble or are simply used to fill disused mineshafts.

"These tailings will thus no longer be available for exploitation," says Atomic Energy Corp CE Waldo Stumpf. "As we expect the world nuclear industry to take off again from 1995 onwards, and as SA will need to build additional nuclear power stations, we cannot afford this waste."



Koeberg ... *it won't be SA's lone nuclear plant for very long*

With the virtual suspension of nuclear plant construction worldwide, sending the uranium price down from US \$43/lb in 1978 to below \$10/lb now, production at SA's gold mines has dropped to only 3 000 t/year, from 4 600 t/year in 1986. Gencor was also forced to close its Beisa uranium mine. But if the price revives, SA's potential is enormous: it has known uranium reserves of 432 500 t, as well as 130 000 t of thorium, which is used in converter reactors.

Stumpf reckons that the corporation could make uranium mining more profitable by developing new technologies to enrich uranium locally. "We hope to perfect these more economically viable technologies, such as the centrifuge and laser enrichment processes, over the next five years so that the 'yellow cake' can be transformed into more valuable U235, mainly for export. Should we be successful, the added value will be about 300%." The company is also working on ways of making the cost of nuclear power more competitive with coal-based power.

While the brighter outlook for nuclear power promises to rescue SA's uranium industry, it may also boost SA's own nuclear power industry. The ANC has promised a no-nukes policy — which will include shutting down SA's only nuclear plant at Koeberg and scrapping plans to build others. But nuclear power's greener image may cause the ANC to have a change of heart. In any event, it probably will have to. The country's massive coal reserves could begin running out by the middle of the next century. Eskom now estimates that its last coal-fired power station using local coal must be commissioned by 2045. And that's not as far off as it sounds, considering that it can take 10 years or more from preliminary planning to the final commissioning of a 3 500 MW power station.

Coal now provides 89,6% of SA's power. Nuclear generates 7,7% and hydroelectric the rest. In the US, by comparison, about 20% is generated by nuclear power plants, according to Loewenstein, of the American Nuclear Society. Worldwide, there were 417 nuclear plants operating at the end of 1989 producing 17% of the world's electricity, he says.

With Eskom already well advanced on choosing sites for new nuclear power stations, SA should be drawing more nuclear energy from early next century. "We have identified two potential sites — one on the Cape south coast (Bantamsklip, near Gansbaai) and one on the Cape east coast (Oyster Bay, near Port Elizabeth) — and we are also looking for sites on the Cape west coast," says Eskom CE Ian McRae.

Adds Eskom spokesman Johan van Heerden: "With the average life expectancy of any power station in the region of 40 years, SA could be totally dependent on nuclear power generation by 2085."

Oil deal with Angola mooted after talks

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EDYTH BULBRING

AN ANGOLAN government delegation has held talks with the Central Energy Fund amid speculation that the meeting could result in the sale of Angolan oil to SA.

Government sources said yesterday the talks would continue and a statement was likely to be released today.

Angola produced 450 000 barrels of oil a day last year. Deposits in the northwest of the country have been the mainstay of an economy devastated by civil war.

Last November Angola signed an agreement to supply oil to Namibia which would reduce that country's dependence on SA.

A spokesman for Mineral and Energy Affairs Minister Dawie de Villiers yesterday declined to comment on any discussions, or to confirm that they concerned an oil deal. He said De Villiers would have an informal supper with the Angolan delegation last night in Cape Town.

The Angolans — who arrived in SA on Saturday to discuss economic co-operation between the two countries — were also expected to meet top SA businessmen. They leave SA tomorrow.

Fuel cuts lead to forex savings

SEAN VAN ZYL

A REDUCTION in national fuel consumption over November and December had meant a 9% saving on foreign exchange expenditure, National Energy Council (NEC) group executive Robert Scott said yesterday.

Average fuel consumption in these months dropped by 9% from normal levels.

An NEC statement said yesterday December's consumption, as a year-on-year comparison, was 6% lower. The Free State achieved the greatest saving of 9,9% over this period, followed by Transvaal at 5,9%. The drop in consumption in Natal and the Cape was about 5,5% each.

Scott said the NEC's fuel saving campaign, which was initiated in September, had a direct bearing on November and December's drop in fuel consumption. However, October's 32c hike in the pump price of 93 octane fuel brought about the most savings in November.

He said although the fuel price was based on $26 a barrel, which meant the reserve fund was benefiting from an over-recovery on the present lower oil price, there would not be a drop in fuel prices within the next four weeks.

"World crude prices are fluctuating too greatly for a further reduction in the fuel price to be introduced at this stage."

Scott said the need to save fuel was imperative, particularly in the light of the developments in the Middle East.

"The destruction of oil wells and installations could lead to a cut in supply of crude. As a result, the authorities may then have to introduce local restrictions on fuel consumption."

B/Day 24/1/91

Indicated

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In the event that supply was threatened, Scott said government might "dip into the country's strategic reserves, but at the same time, it would have to impose strict restrictions such as reduced speed limits and trading hours of petrol stations".

In the event of higher world crude prices, government had already indicated it would not make use of the strategic reserves to protect consumers from higher costs.

In a worst case scenario, SA might have to cut consumption by about 30%.

The NEC was aiming for fuel consumption to be reduced by 10%, he said.

1 25|1|91.

lowed up by the Treasury are well-founded. The Department of Transport, in a statement that doesn't please Els, says: "The collected tax will be accrued to the Consolidated Revenue Fund until the Department of Finance has created *a trading fund*.

"The question is thus only of academic value, more so if you consider that income generated by the passenger transport tax is enough to cover only projects at Jan Smuts Airport. *David Pincus*

OIL PRICES (55) FM 25|1|91.

WAITING FOR RELIEF

Oil prices have plummeted since the start of the Gulf War, but SA consumers probably won't see any relief at the petrol pump until March.

The current PWV price of R1,35/*l* for 93 octane is based on a landed cost of oil of US $26 a barrel. But the price of benchmark Brent oil has fallen to below $20 a barrel. Jakkie Olivier of the National Energy Council, which monitors oil prices and compiles monthly averages, says "by March, we may be looking again at local pump prices." The price was last changed on December 21, when it dropped by 10c/*l*.

Of course, oil prices could shoot up again if the war takes an unexpected turn. But there seems to be no real threat to Saudi Arabia's refining capacity and supply lines.

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Of course, oil prices could shoot up again if the war takes an unexpected turn. But there seems to be no real threat to Saudi Arabia's refining capacity and supply lines. And with the rest of Opec now pumping more oil than before the war, global crude oil reserves have been topped up.

Former Saudi oil minister Sheik Yamani speculates that prices could drop to as low as $12 a barrel when the war premium vanishes.

However, don't expect pump prices to fall as steeply as the cost of landed crude, cautions Lourens van den Bergh, the council's group executive. "Certain margins and charges levied against local fuel prices will create a differential." These include the levies to support Sasol. When crude prices exceed $28,70 a barrel, Sasol pays 25% of its profits into the fuel equalisation fund. Sasol draws from this fund when crude oil prices fall below $23 a barrel.

Consumers will get some relief this year if parliament approves a proposal that would allow more flexibility in the petrol price and more competition for petrol stations. The proposal would enable government to set minimum and maximum prices for petrol, instead of one fixed price.

Meanwhile, lower oil prices are not good news for the R9bn Mossgas synthetic fuel scheme. The sagging oil price confronts Engen, the project manager for Mossgas, with a

Govt's policy on AEC outlay 'badly skewed'

B Day 1/2/91

MATTHEW CURTIN

THE financial priorities of the Department of Mineral and Energy Affairs, which allocated 70% of its 1990/91 budget on its loss-making nuclear energy programme, were badly skewed, Johan Kruger of Wits University's Geophysical Research department said yesterday.

Kruger estimated government's funding for the Atomic Energy Corporation (AEC) to be about R1bn a year for the past 10 years although the budget was cut last year.

All AEC had to show from this funding was the high-cost Valindaba uranium enrichment plant that was unable to compete on the international market. SA would do better to rely on cheaper foreign supplies of nuclear fuel, he said.

Kruger, who is about to complete a paper advocating the establishment of a state minerals corporation to be managed privately as a replacement for the department, cited government statistics which showed the department allocated R713m to nuclear research out of a total budget of R1,1bn for 1990/91.

Oil exploration was allocated R194m, but mineral activities received little more than 10% of the total (R152m). In all, R63m was allocated as assistance to the mines, R50m to Mintek, R22m to Geological Survey, R16m to the government mining engineer, and R3m to the Minerals Bureau.

The department's assistance to the mining sector was "woefully out of proportion" to the mines' contribution to government revenue. Kruger said government's income from mining profits and mining taxation last year amounted to R2,8bn.

The department should concentrate on training and research geared to manufacturing metallurgy to achieve the beneficiation of mineral production which would reap greater economic rewards. SA was heavily dependent on primary production; 60% of exports were mineral-related.

He said the future of nuclear power was far from certain, being dependent on a new political dispensation and a future government's attitude towards both nuclear power and nuclear weapons.

University research of all kinds had "been slashed", while the department had starved the mining sector, which provided "the bread and butter" of the economy, of valuable funds.

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Costs

Department director-general P J Hugo would not comment yesterday on the way his department's funds were distributed.

He said the high proportion allocated to AEC probably reflected the high costs of the AEC operation.

AEC CE Waldo Stumpf said yesterday he could not comment on departmental policy.

But he said SA's coal supplies were set to run out by the year 2040 and the country would then be heavily dependent on nuclear power.

AEC's task was to maintain SA's nuclear power capability, and the corporation attached great importance to beneficiating uranium ore on a competitive basis.

Stumpf said AEC had adopted a commercial strategy recently and was intent on long-term financial independence from government.

Power to the people, cry unions

Star 11/2/91

55

Unions organising workers at Eskom set out their objections to the operation of the parastatal and the structures by which it supplies electicity. SHAREEN SINGH reports.

ELECTRICITY is a basic necessity for uplifting living standards, creating stability and prompting peace. Yet, 70 percent of the people of South Africa do not have electricity.

Research figures indicate that some 208 black townships with more than 20 million people, are only partly electrified or are without electricity.

Yet Eskom decided last year to make 4 700 workers' jobs redundant, due to its streamlining and mothballing exercise.

In total, Eskom reduced its workforce from 66 000 in 1985 to 59 000 in 1990.

Eskom is adamant that most of its redundant workers took up offers of voluntary retrenchment or were deployed to other jobs. The fate of about 800 was still being discussed with the unions.

But the unions argue that voluntary retrenchments were part of the problem because Eskom was adding to the unemployment market.

With more managerial creativity, training and consultation with civic organisations and trade unions these workers could be used to distribute power to townships that were in darkness, they said.

In the past, unions organising Eskom workers — the National Union of Metalworkers, National Union of Mineworkers of SA and the Electrical Workers' Union — said they had dealt with job redundancies at Eskom in the narrow sense, looking at retrenchments only.

Their current thrust links retrenchments to the broader problem of providing electricity for all. This would require wider consultation between Eskom, unions and civic organisations to find solutions for both problems which unions believe are interlinked.

Questioned

In the first instance, unions have questioned Eskom's role, which is limited only to supplying electricity as cost-effectively as possible.

The unions say that because of its important role in providing essential services in a new South Africa, the corporation's role should be extended so that it can ensure the affordable electrification of all households, industries and agriculture.

Although Eskom had launched an "electricity for all" campaign in August 1987, the process of electrifying black households had taken place at a snail's pace due to numerous legal and capital constraints.

Eskom is a parastatal, but it is believed that Government involvement at present consists primarily in guaranteeing loans which are raised by Eskom. The corporation receives no State subsidy.

Currently the Electricity Council which controls Eskom consists mainly of representatives from big business and Government.

Unions believe fundamentally that this forum should have more democratic participation, in that trade unions organising Eskom workers and civic associations should at least be represented on this council where joint solutions could be worked out.

The issue of State subsidy needs to be challenged in the Electricity Council, unions believe. They feel the State is evading its responsibility in ensuring that essential services were being provided.

At present, Eskom — bound by legal constraints — sells electricity to municipalities, on request, and not directly to consumers.

Municipalities then take responsibility for distributing to households through private contractors, at an estimated cost of R1 000 to wire a township house and a further R1 000 for the extension of power cables. This is beyond the reach of most township dwellers.

It should be Eskom's responsibility to provide electricity directly to households and not the responsibility of local authorities, the unions say, and any legislation stopping this must be scrapped.

Black town councils have proven to be inefficient in providing services, they argue, and the existence of such structures is being challenged by civic associations.

The unions have proposed that Eskom establish work teams to extend cables to houses, instal metres and wire houses.

Dropped

These work teams should be primarily composed of workers made redundant in power stations and those retrenched after the closure of three coal mines that were supplying these power stations.

According to the unions, Eskom's argument that the demand for electricity has dropped due to the economic conditions becomes academic, considering that the vast majority of people do not have a power supply.

But electricity demand had dropped in the sense that industrial growth has been limited and industries generally indirectly subsidise electricity in residential areas.

The demand from black municipalities has also dropped because these municipalities, hit by rent and service charge boycotts cannot afford to buy electricity.

But the demand from residents has not dropped. The unions say that township dwellers stopped paying electricity bills because of inadequate services and astronomical electricity bills caused by faulty meters.

The Johannesburg Metropolitan Chamber, with representatives from business, civic associations, Eskom and the TPA among others, plans to discuss the formation of nonracial municipalities.

This could mean the possibility of bringing black and white residential areas under one municipality — for instance, Soweto and Johannesburg could unite.

Soweto residents would then have cheaper and more efficient access to services such as electricity because industries in Johannesburg would be indirectly subsidising the entire area rather than Johannesburg alone. □

Engen well ahead on lead-free petrol

B/Day 12/2/91.

ROBERT LAING

55

ENGEN might have stolen a march on its competitors if government rules in favour of lead-free petrol.

The company began upgrading its Genref refinery in December to produce unleaded petrol by 1994, while the rest of the industry is waiting for government's decision on future exhaust emission standards before making its move.

Local oil companies are busy studying the cost and lead time of introducing lead-free petrol to SA. The National Energy Council (NEC), which is co-ordinating the study, said it hoped to place its findings before government in May. Its deadline is June.

NEC transport energy group executive Robert Scott said: "The study is only looking at the economics of lead-free petrol. We are steering clear of the environmental debate over the need for tighter exhaust emission standards."

Industry sources estimate it would cost R500m to upgrade SA's four refineries to lead-free capability. Higher quality crude oil would have to be imported, which would add 7c to every litre. The final petrol price increase would be at least 10c a litre. Filling stations and most of SA's cars would also have to undergo alterations for lead-free capability.

"The question is who will pay — the government or the motorist? The British example shows that less than 1% of motorists were prepared to pay extra for lead-free. The government had to subsidise it," an oil company spokesman said.

The lead content in SA petrol has been gradually reduced from 0,836 grams to the present 0,4 grams a litre. Lead remains by far the most economic way of boosting the octane rating of petrol, so refineries use the maximum permissible limit.

A Sasol spokesman said the company's synfuel could be made lead-free: "If the maximum lead limit is further reduced, all SA's refineries — including Sasol's — would have to install additional units at considerable cost."

The organisation lobbying for lead-free petrol, Lead-Free Campaign, says the need for tighter legislation on exhaust emmissions is desperate. It claims blood-lead levels 40% above the US Environmental Protection Agency's safe limit have been found in SA children. The study has, however, been criticised for being conducted in an area where water was contaminated by lead pipes.

"In Europe the environment is a major issue. In SA, housing and education should be given precedence," the oil company spokesman said.

(2) whether he communicated with Brigadier Oupa Gqozo regarding this information; if so, what are the relevant details?

Hansard 12/2/91 B52E

The MINISTER OF FOREIGN AFFAIRS:

(1) Yes. Since the coup of March 1990 frequent rumours of impending coup attempts against the government of Brigadier O J Gqozo had come to our notice, including rumours concerning the attempt of 27 January 1991. These rumours were brought to the attention of the South African Embassy in Bisho from time to time by Brigadier Gqozo who requested that South Africa take no action.

(2) No.

Crude oil: landed cost

*19. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs and Public Enterprises: Hansard 12/2/91 (SS)

In respect of the latest specified date for which figures are available, (a) what was the landed cost in South Africa of crude oil in United States dollars per barrel and (b) what, in respect of 93-octane petrol, was this cost expressed in cents per litre at the pump?

B53E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES:

(a) US Dollar 27,9682 during January 1991. Payment is effected thirty days after the loading date at the price negotiated at the time of concluding the contract.

(b) The above-mentioned cost is not directly taken into account in the South African price for 93-octane petrol. The average landed cost of 93-octane petrol for four refineries—three in Singapore and one in Bahrain—is being used as basis to determine the South African price. The landed cost currently reflected in the price of 93-octane is 59,242 c/ℓ.

93-Octane petrol: pump price

*20. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs and Public Enterprises:

(1) What average pump price for 93-octane petrol is it estimated will be applied when the average price of light crude oil available to South Africa is (a) 20 and (b) 25 United States dollars per barrel;

(2) when is it anticipated that the present fuel price structure will be reviewed?

Hansard 12/2/91 B54E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES: (SS)

(1) (a) and (b). Fuel prices in the RSA are based on the weighted average of the international market prices of refined products of four refineries with export capacities of which three are in Singapore and one in Bahrain. In addition to crude oil prices, international demand and supply considerations in respect of refined products also play a role in the determination of the levels of these international prices. Pump prices in South Africa are therefore not only determined by crude oil prices and especially not only one type of crude oil. After a price adjustment has been made on the landed cost of refined products, it is possible to calculate a derived average price for crude oil which, however, should only be regarded as a guide-line price. Presently, crude oil prices are being influenced much more than refined product prices by other factors.

(2) Fuel prices were reduced on 21 December 1990 and currently there is no change in the price structure that justifies further adjustments.

INTERPELLATION

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

Own Affairs:

Schools: status quo model Hansard 12/2/91

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

What arrangements have been made by his Department to ensure that, at schools where a vote is taken on a choice between education models, parents can make a clear choice in favour of the status quo model?

B159E.INT

*The MINISTER OF EDUCATION AND CULTURE: Mr Speaker, parents of schools that are considering one of the additional models have at least two opportunities to express themselves in favour of the status quo, if that is what they wish.

It is well-known that school communities need not vote for a model, but when management boards or parent communities begin to send out feelers, for example by means of information meetings or informal opinion polls, every parent has the right to express themselves opposed to change, or rather for the retention of the status quo. I think it happened in quite a number of places that it was resolved during such prior meetings not to proceed with an official vote.

In this connection one must also remember that management boards are elected by the parent communities themselves. Indirectly the guidance emanating from the management boards are therefore the result of parental involvement, and if management boards do not represent the opinion of most parents, it is their democratic right to establish another management board. This happens periodically at various schools.

When a school community proceeds to vote on the matter, the choice on the official ballot-paper is clear. Each parent must make a cross next to one of only two alternatives, namely he or she must indicate whether he or she is voting for one of the additional models—the model involved is clearly defined on the ballot-paper—or whether he or she is voting against it. If the parent votes against the proposed model, he or she is of course voting for the status quo, and he or she has every right to indicate in that way that he or she is satisfied with the present admission policy and does not want any change.

Every parent has an equal opportunity. Each one of our parents received an information document in which the options were clearly defined, and therefore no one can be misled. Every parent receives timeous notification if an official vote is arranged according to a fixed procedure, and provision is even made for postal votes and special votes.

*Mr A GERBER: Mr Speaker, in spite of the attempt by the hon the Minister to furnish an explanation, it is as plain as a pikestaff that he is not doing anything to ensure that parents who have been misled—there are parents who have been misled in this connection—are able to cast a clear vote in favour of the status quo.

*An HON MEMBER: Misled by the CP.

*The ACTING SPEAKER: Order!

*Mr A GERBER: The ballot-paper prescribed by his department makes provision only for voting either for or against one of the additional models. In practice, particularly at English-language schools, parents are being erroneously brought under the impression that only the three additional models are involved. They have to choose between Model A, B or C. Models A and C—this is the argument—are not affordable. All that remains is model B, and therefore it is logical that that model should be voted for.

I want to quote an example to the hon the Minister. Under the official letterhead of the Durban High School the following was written to parents under the signature of the principal on 1 October 1990:

> The school committee at their recent meeting felt that of the three models available . . .

Please note, I am emphasising "of the three models available"—

> . . . model B should be the one to be seriously considered.

This gross form of deception was brought to the attention of the hon the Minister's department from more than one source. The question now is what is being done about this deception. I maintain that the hon the Minister is turning a deaf ear to valid objections that were raised in this connection. The reason for this is obvious. The Government is actually trying to promote Model B, the open State school model. The Government wants to force Model B on parents.

Last week the hon member Mr P J Swanepoel boasted in this House about the number of schools which—

> . . . have already applied to admit pupils of colour.

In reaction to an interjection he admitted that he preferred the open State school model.

Petrol price is likely to be cut

(55)

Sowetan 13/2/91

TWO cuts in the price of petrol and other petroleum products may take place soon, informed sources indicated in Pretoria yesterday.

The first - possibly by 5c a litre for 93-octane petrol - may be announced by the Government next week after the National Energy Council this weekend releases its January figures relating to prices of crude oil imports.

This would drop the pump price in the PWV area to R1,30c a litre, with corresponding cuts in other areas.

A second cut, by "a much greater figure" a source said, would probably take place in mid-March provided the Gulf War situation did not adversely affect ruling international prices for crude.

Crude oil was yesterday being traded at 20,20 US dollars a barrel on the Tokyo Stock Exchange, a price similar to the closing figures in New York yesterday.

The price has been see-sawing between 19 and 23 dollars for about three weeks after, at an early stage of the Gulf crisis, reaching over 40 dollars a barrel.

Campaign

NEC spokesman Hennie de Villiers said yesterday that he could not confirm a change in the price of fuel. He added, however, that if crude oil prices remained at current levels and the State's over-recovery on the price of petrol continued, "the Government may have to look at it (the price of fuel)."

It is understood that until January 15 there had been a slight under-recovery on the price per litre of petrol, but since then the crude prices had dropped considerably, raising hopes of a reduction in the price of petrol.

Meanwhile, South African motorists achieved a nine percent saving in petrol during November and December, as a result of a fuel saving campaign launched by the NEC and the oil industry. The figures for January are expected next week. - *Sowetan Correspondent*

(B44) Star 13/2/91

Two cuts in petrol price likely

By Norman Chandler (55)
Pretoria Bureau

The price of petrol and other petroleum products may be cut twice soon, sources in Pretoria indicated yesterday.

The Government could announce a cut of 5c a litre for 93-octane petrol next week after the National Energy Council (NEC) releases its January figures relating to imported crude oil prices.

This would bring the pump price in the PWV area to R1,30 a litre.

The sources said there would be a second "much greater" price drop in mid-March, provided the Gulf War did not adversely affect ruling international crude prices.

Crude oil was yesterday being traded at $20,20 a barrel on the Tokyo Stock Exchange. The price has been seesawing between $19 and $23 for about three weeks. In the early stage of the Gulf crisis, the price shot up to more than $40.

The South African fuel price is based on a barrel price of $26 and a rand/dollar exchange rate of $1 to R2,52.

NEC spokesman Hennie de Villiers yesterday could not confirm a change in the price of fuel, but said that if crude oil prices remained at current levels and the State's "over-recovery" on the price of petrol continued, the Government might re-examine the price.

South African motorists achieved a 9 percent saving in petrol during November and December as a result of a fuel campaign launched by the NEC and the oil industry.

Free State motorists appear to be the top savers, with a saving of 14 percent during November and 9,9 percent in December.

Cape motorists saved 7 percent and 5,5 percent, Transvaalers just on 5 percent and 5,9 percent and in Natal 2,8 percent and 5,5 percent.

NEC group executive Dr Robert Scott said in Pretoria that as long as Iraq occupied Kuwait, the threat to oil production remained imminent.

Minister quashes rumour of imminent petrol price drop

(55)

LESLEY LAMBERT

CAPE TOWN — Mineral and Energy Affairs Minister Dawie de Villiers yesterday quashed rumours of an imminent decline in the fuel price and said underrecoveries of fuel would cost the Equalisation Fund about R100m this month.

In a statement issued after Parliamentary debate on the Petroleum Products Amendment Bill, De Villiers said there had been no changes in the pricing structure to justify a decline. DP politicians had called for a 10c reduction in the fuel price during the debate. B Day 15/2/91

He said although there had been a slight overrecovery on petrol this month, higher landed costs had resulted in underrecoveries on petrol, diesel and illuminating fuel from November to January. These would result in an accumulated underrecovery of about R100m at the end of February.

"The Equalisation Fund is in a position to finance these underrecoveries on a temporary basis should they not increase further or to too high a level. However, a price increase is not foreseen in the immediate future," he said.

Apart from the effects of the Gulf war on crude oil prices, other unrelated factors, such as a shortage of refining capacity, lower levels of Russian exports and cold weather had contributed to a large increase in international prices of refined products. These prices formed the basis of fuel pricing in SA, De Villiers said.

He said lower current prices of crude oil were misleading if the abovementioned factors were taken into account.

Responding to questions related to the Petroleum Products Amendment Bill, which proposes fixed maximum and minimum fuel prices, Deputy Mineral and Energy Affairs Minister Piet Welgemoed said government would maintain both the secrecy of the fuel industry and some form of price fixing as long as there was an oil embargo on SA.

Both DP and CP politicians called for the implementation of just the maximum price to enable retailers to sell fuel products at competitive prices.

Star 15/2/91

Govt denies petrol price cut rumours

By Peter Fabricius
Political Correspondent

55

The Government has dismissed press speculation that it is to reduce the price of fuel during the next few weeks and again at the end of March.

Minister of Mineral and Energy Affairs Dr Dawie de Villiers said in a statement yesterday that no changes in the pricing structure of fuel had occurred to justify a reduction.

He said the Gulf War had raised the price of shipping and insurance.

Market prices of refined products, the basis of SA prices, had increased substantially because of the war, lower exports from the USSR, Europe's cold weather and panic purchases.

This had led to the following under-recoveries of fuel prices in South Africa in January:

- 93 octane petrol — 0,158c/litre.
- Diesel — 6,061c/litre.
- Illuminating paraffin — 1,105c/litre.

In February the under-recoveries for diesel and illuminating paraffin had increased but there was now a small over-recovery on the petrol price. The equalisation fund was able to finance the under-recoveries temporarily if they did not increase too much.

But Dr de Villiers did not foresee a price increase in the immediate future.

- Democratic Party energy spokesman Roger Hully says the DP will oppose the Petroleum Products Amendment Bill, now before Parliament, because it violates the principle that petrol prices should be determined by the market.

The Bill allows the Government to set an upper and lower limit for the retail price of duel — rather than the present system of a fixed price.

55

Local petrol price sky-high - DP

Sowetan 15/2/91

THE petrol price could be immediately cut by 10 cents a litre.

Speaking about the probable drop in price during during the debate on the Petroleum Products Amendment Act yesterday, Mr Roger Hulley (DP Constantia) said on Thursday he believed South Africans were payng too much for petrol.

The DP opposed the Bill because it violated the principle of market-related pricing.

"Government interference and price fixing of a vital commodity like petrol invariably costs consumers more than pricing resulting from free competition."

On a purely temporary basis, the DP accepted the present need to set a maximum price for petrol, but it could see no justification for any minimum price.

Plunging townships into darkness is no solution — Eskom

55

W/Mail 15/2 – 21/2/91

An Eskom spokesman acknowledges to PHILLIP VAN NIEKERK that the quality of electricity supply to black townships is far from ideal, and that consumers have legitimate grievances

BLACK consumers have legitimate grievances over the quality of supply and management of electricity in certain townships and cutting their electricity off is not the way to address these demands or get people to pay up, says Eskom spokesman Johan du Plessis.

As the country's supplier of electricity, Eskom has been drawn into the middle of the battles raging over electricity boycotts and cut-offs in black townships.

Though this is a seemingly inappropriate role for a public utility, Eskom increasingly views itself as an agent of social change, tied to the realisation that electricity can be a major factor in socio-economic development.

Du Plessis says the corporation is avowedly non-political but that there has to be a solution to the political problems in the townships before Eskom can be an efficient supplier to its customers.

He says that many of the grievances raised by the civics are legitimate. "The civics want to oust the town councillors, they see them as incompetent and corrupt. I would say, as far as my experience goes, there is substance to what they say.

"The quality of supply to many townships is poor. They have frequent interruptions, the networks are dated and the management of the supply is not good.

"Then there is the question of billing. People know that their meters aren't read and they also know that when they are read, they aren't always done accurately. A guy goes away from his home, switches off all the electricity for a month, and still gets a bill of R500 when he gets back. That's not the exception.

"If the civics asked only that the billing must be correct and fair and as well managed as it is in the white towns, it would be difficult for some black local authorities to comply."

Du Plessis claims that Eskom is apolitical. "We just want to get our product to our customers. We cannot solve the political issues. The politicians must do that. However, we can make a contribution to solving the problems which relate to the quality of supply."

He has been sitting in on the negotiations between the Transvaal Provincial Administration (TPA) and the Civic Associations of Southern Transvaal (Cast) and believes that many of the problems encountered could be resolved through centralised bargaining.

"You can't have literally dozens of towns throughout the country negotiating locally to try to find a way out of the problem. Natal, the Cape Province and the Orange Free State may be handling the problems completely differently.

"Unless we take a central approach, say this is how we are going to move and take civics along with it, you aren't going to find a solution."

Du Plessis believes cutting electricity is not the best way of getting people to pay.

"We have not cut electricity to one town. Our stance is still not to do so, firstly because legitimate grievances relating to the quality of the supply should rather be resolved before you can ask people to pay.

"If you cut to a whole town, you also cut those individuals who have been paying all along — often 20 to 30 percent of the total residents.

"The third major problem is that you also cut supply to essential services, for instance to hospitals. You cut supplies to the electric pumps for the sewage. In places like Thokoza where the electricity has been cut, the sewage runs around in the road and creates a health problem.

"You cut the street lighting, and that creates a safety problem at night. When you cut electricity, it triggers violence and damage, and we don't want to be party to that.

"In any case, once you've cut, people carry on. They are prepared to go to the inconvenience of using alternatives to energy rather than succumbing to political pressure. At the end of the day you have not resolved the basic problems.

"People in the townships know they must pay for electricity, and they are prepared to do so — it is in their interests to have electricity."

Du Plessis says that Eskom believes that the existing system of supplying electricity to people is not the most efficient.

"There are investigations underway to overcome this problem. Minister Dawie de Villiers requested an investigation into the matter — and the National Energy Council is preparing a report which is due out in April."

Star 19/2/91

SA petrol price should drop, says analyst

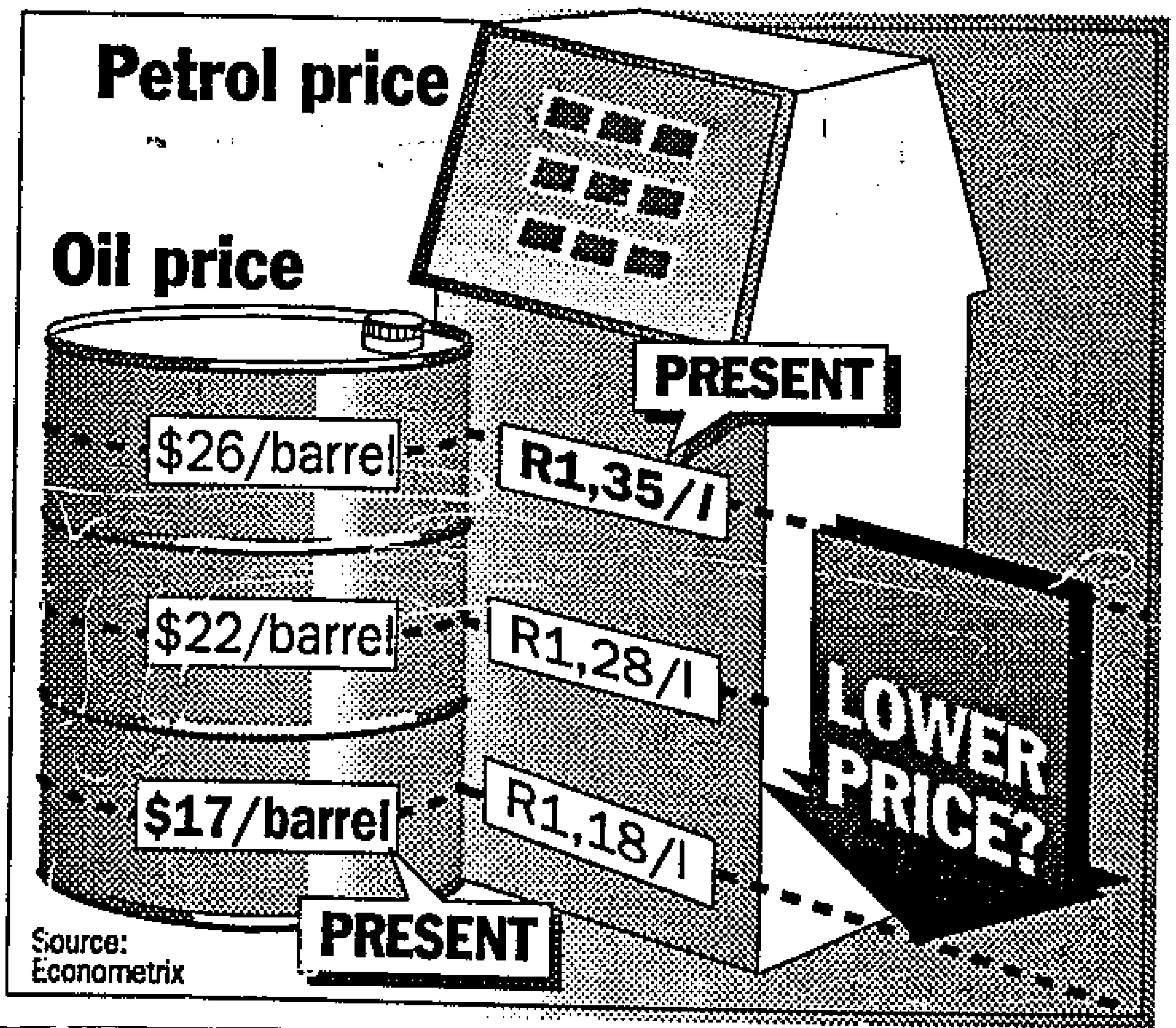
By Mark Suzman (55)

Although the Government has said there will be no petrol price reductions in the near future, the world oil price has continued to drop, increasing the discrepancy between local and international fuel prices.

According to Tony Twine, a director of economics think-tank Econometrix, the present petrol price of R1,35/litre is based on an international oil price of $26 a barrel at an exchange rate of R2,52 to a dollar.

In the past month the oil price has rarely strayed above $22 a barrel and in recent days has dropped to $17.

At these levels, says Mr Twine, the local price should at least be reduced to its September 1990 level of R1,28/litre, which was based on a $22 a barrel oil price and could easily be reduced to its pre-war level of R1,18/litre if the price remained at the $17/barrel level.



Despite this, Minister of Mineral and Energy Affairs Dr Dawie de Villiers on Friday denied speculation that there would be any drop in the price of fuel.

Dr de Villiers pointed out that although crude oil prices had been dropping, the price of refined petrol had in fact increased because of the war, lower exports from the Soviet Union, Europe's cold weather and panic purchases.

In addition, higher marine insurance rates had led to increased shipping costs.

According to Dr de Villiers, the combination of these factors had actually led to under-recoveries of fuel prices in South Africa in January, although he said it would not be necessary to raise petrol prices to cover these as the Government's Equalisation Fund would finance the difference.

He warned that, given the overall situation, it would "be unwise to implement price adjustments because circumstances could change substantially in the short term".

But according to Mr Twine, while it is true that factors such as those mentioned by Dr de Villiers could affect the petrol price in the short term, lower crude prices should translate into lower prices at the pump.

Hansard 1/1/2/11

Counter Officer
Mail Handling Officer
General Clerk
Sorter
Typist
Exchange Superintendent
Telcom Assistant
Telephonist
Clerk
Assistant Administrative Officer
Security Officer
Postman
Part-Time Branch Postmaster
Part-Time Sorter
Senior Telcom Electrician
Technician
Telcom Officer
Assistant Telcom Officer
Senior Telcom Assistant
General Assistant, 1
General Assistant, 2
General Assistant, 3
Cook
Senior Superintendent
Telcom Electrician

(2) No. No need exists in this regard as no official's services will become redundant.

SAP action

*8. Mr P H DE LA REY asked the Minister of Law and Order:†

Whether members of the South African Police took any action against the persons who, on the day on which Mr Oliver Tambo arrived at the Jan Smuts Airport, allegedly removed the flag of the Republic and replaced it by an ANC flag; if not, why not; if so, what was the nature of the action taken?

Hansard 19/2/91 B71E

The MINISTER OF LAW AND ORDER:

No, not against any particular person or persons, because those concerned could not be identified in the large crowd.

On 13 December 1990 at approximately 13:17, the South African Police noticed that the flag of the Republic in front of the Jan Smuts Airport Building was being replaced by an ANC flag. With the help of, *inter alia*, the Dog Unit, the Police moved into the crowd of approximately 7 000 to 8 000 people and lowered a small ANC flag and replaced it with the flag of the Republic. Hansard 19/2/91

Petrol/dieseline: amount received 55

*9. Mr P H DE LA REY asked the Minister of Finance:† Hansard 19/2/91

What total amount did the State receive from the sale of (a) petrol and (b) dieseline in the Republic during the latest specified period of 12 months for which figures are available?

B72E

The MINISTER OF FINANCE:

In the period 1 January 1990 to 31 December 1990 a net amount of R4 389 million accrued to the State from the sale of petrol and diesel. Itemization amounts cannot be furnished as the Petroleum Products Act 1977, (Act No. 120 of 1977) prohibits the disclosure of sale statistics of individual petroleum products.

Paul Kruger Memorial Hospital: alterations

*10. Dr W J BOTHA asked the Minister of National Health:† Hansard 19/2/91

Whether any alterations of and/or extensions to the section for Blacks at the Paul Kruger Memorial Hospital in Rustenberg are being planned; if so, (a) what progress has been made in this regard, (b) what total amount has already been appropriated for this purpose and (c) when will these alterations and/or extensions be commenced?

B73E

The MINISTER OF NATIONAL HEALTH:

Yes, planning for extensions is taking place,

(a) the Bill of Quantities is nearly completed and the planning is therefore just short of the tender stage,

(b) no amount has been appropriated in the current financial year for this purpose and

(c) if funds are available, probably 1992/93.

Certain person: retirement benefits

*11. Dr W J BOTHA asked the Minister of Foreign Affairs:† Hansard 19/2/91

(1) Whether a certain person, whose name has been furnished to the Minister's Department for the purpose of his reply, received any retirement benefits from the State when he left the Public Service; if so, what retirement benefits;

(2) whether these benefits were paid in terms of existing regulations; if so, in terms of what regulations; if not,

(3) whether any special arrangements were made in respect of the payment of these benefits; if so, what are the details of these arrangements?

Hansard 19/2/91 B74E

The MINISTER OF FOREIGN AFFAIRS:

(1) No, he did not receive retirement benefits from the State, but he did receive a resignation benefit.

(2) The resignation benefits was paid in terms of Regulation 13(1) of the Government Service Pension Act, 1973 (Act 57 of 1973);

(3) Not applicable.

Pollsmoor prison: purchase of land

*12. Mr J H MOMBERG asked the Minister of Correctional Services:†

(1) Whether it is the intention to purchase land in Tokai with a view to expanding the Pollsmoor prison; if so,

(2) whether this land has already been purchased; if not, why not; if so, when are the building operations expected to be commenced?

Hansard 19/2/91 B79E

The MINISTER OF CORRECTIONAL SERVICES:

(1) There is no intention of purchasing land in Tokai. Application was made however to retain land at Westlake, which currently belongs to other State Departments, for the Department of Correctional Services should those State Departments decide to withdraw. No purchase transactions will be involved but only transfer of land.

(2) No, no land was purchased in Tokai. Land was however purchased in Retreat (Steenberg) during 1970. Building works will, in all probability and if funds are made available, commence during 1991/92.

Suburban trains: crime

*13. Mr J H MOMBERG asked the Minister of Law and Order:† Hansard 19/2/91

(1) Whether there has recently been an increasing tendency in crime on suburban trains between Simonstown and Cape Town; if so, what are the relevant details;

(2) whether any steps are being taken to combat this crime; if so, what steps?

B80E

The MINISTER OF LAW AND ORDER:

(1) No, during the three months from 1 November 1990 to 31/January 1991, 51 serious crimes were committed on trains between Simonstown and Cape Town, in comparison with 73 crimes during the corresponding period a year previously. This represents a decline of 69,86%.

The details are as follows:

	Nov 89	*Dec 89*	*Jan 90*	*Nov 90*	*Dec 90*	*Jan 91*
Theft	1	2	3	2	—	—
Theft from person	5	7	7	3	5	5
Rape	—	2	—	—	—	—
Robbery	12	8	18	6	18	7
Attempted robbery	—	—	—	—	—	3
Armed robbery	1	—	—	—	1	1
Attempted murder	—	—	1	—	—	—
Sodomy	—	—	1	—	—	—
Assault with intent to do grievous bodily harm	—	3	2	—	—	—
	19	22	32	11	24	16

(2) In addition to the deployment of mobile units of the South African Police on this, as well as other rail trajectories countrywide, the Rail Commuter Corporation, in co-operation with the South African Police, is at present safeguarding Rail Commuter Stations, which will ensure more effective access control, in order to more effectively keep criminal elements off trains.

Extradition of certain persons

*14. Mr L FUCHS asked the Minister of Justice:

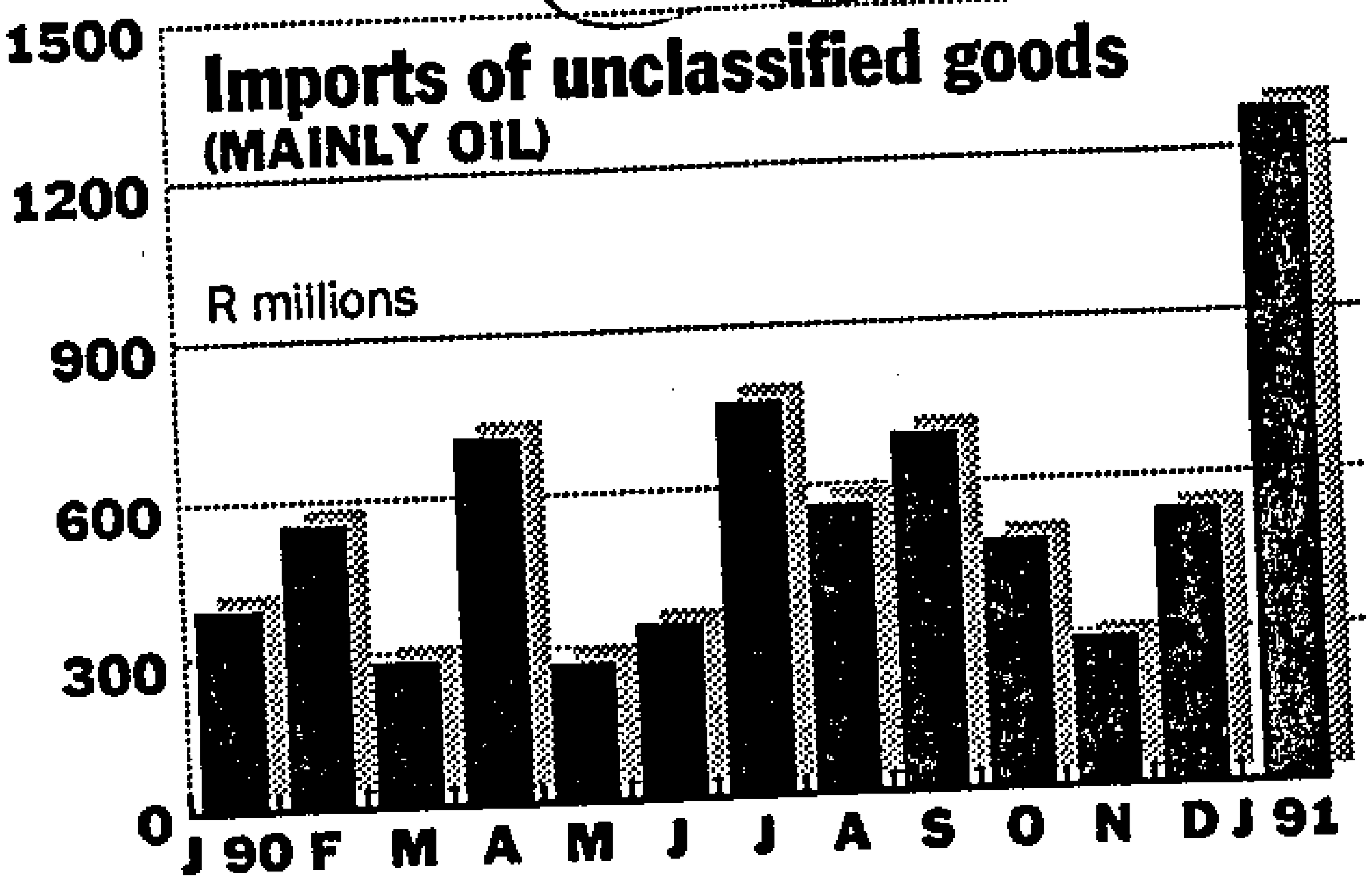
Hansard 19/2/91 (1) Whether a request has been received from the Namibian Government for the extradition of (a) Mr Leonard Veenendal and (b) Mr Darryl Stopforth; if so, with what result;

January oil import bill impacts on trade surplus

(55)

20/2/91

By Sven Lünsche



The Government boosted the strategic oil stockpile by almost R1,3 billion in January, thereby drastically reducing the trade surplus for that month.

Figures released by the Department of Customs and Excise yesterday show that imports of unclassified goods soared from R395 million in January 1990 to R1,275 billion last month.

Imported unclassified goods denote mainly oil products and, to a lesser extent, arms.

The boost in oil imports, however, is only a temporary setback to the trade surplus, with economists expecting the surplus to return to its normal levels next month.

The trade surplus in January plunged to R145 million — 92 percent down on December's R1,8 billion and 87 percent below the January 1990 surplus of R1,12 billion.

Imports in January jumped by a year-on-year 27 percent to R4,827 billion (January 1990: R3,775 billion), while exports over the period improved by a marginal 1,6 percent from R4,894 billion to R4,972 billion.

Edward Osborn, chief economist at Nedbank, believes that the authorities held back from importing oil in the initial stages of the Gulf conflict, when world prices rose above $30 a barrel, reducing local reserves to supply the SA market.

However, when oil prices fell back to just over $20 in November, SA bought crude on the forward market to raise its depleted reserves. These imports were cleared by Customs and Excise last month.

Other economists suggest that the Government has been selling off stockpiles of strategic resources over the last few months to raise funds for socio-economic development programmes.

However, Trade and Industry Minister Kent Durr said in Parliament this week that this only referred to non-oil strategic items.

The import bill was also raised by a 31 percent surge in the value of transport equipment from R544 million to R711 million, which Safto economist Bruce Donald suggests is due to the purchase of aircrafts in January.

The heavy import bill in January was only partially offset by an eight percent rise in unclassified exports to R2,517 billion (R2,323 billion), suggesting a substantial rise in gold sales.

Mr Osborn says that arms sales, which provided a boost to exports in the fourth quarter last year, have fallen back to their pre-Gulf crisis levels.

A significant decline in most commodity exports, reflecting the recent depressed prices on international markets, was largely responsible for the marginal rise in export earnings.

Diamond exports fell by almost 55 percent to R217 million (R480 million), vegetable products to R85 million (R156 million) and mineral products to R521 million (R575 million).

However, merchandise exports continued to do well, despite the steady rand and the economic slowdown of South Africa's major trading partners.

Exports of chemicals rose by 71 percent in January to R212 million (R111 million), textiles by 32 percent to R124 million (R94 million) and pulp and paper products by 56 percent to R126 million (R80 million).

Fuel price 'dropped 40% in past decade'

ZILLA EFRAT

THE petrol pump price of 93 octane in the PWV area has fallen in real terms by about 40% over the past decade, research by Sasol has found.

This fall is attributed to relatively low real increases in levies and taxes and a 37% fall, in real terms, in the international market price at the coast over the period.

Sasol says the higher efficiency of modern vehicles, combined with the lower real price of petrol, has resulted in, on average, a smaller percentage of personal disposable income being allocated to petrol purchases.

Average annual petrol price rises have been lower than other energy sources over the last 10 years.

Sasol says the price of electricity and coal increased on average during this period by 14,7% and 12,5% a year respectively, while the petrol price rose only 9,6%.

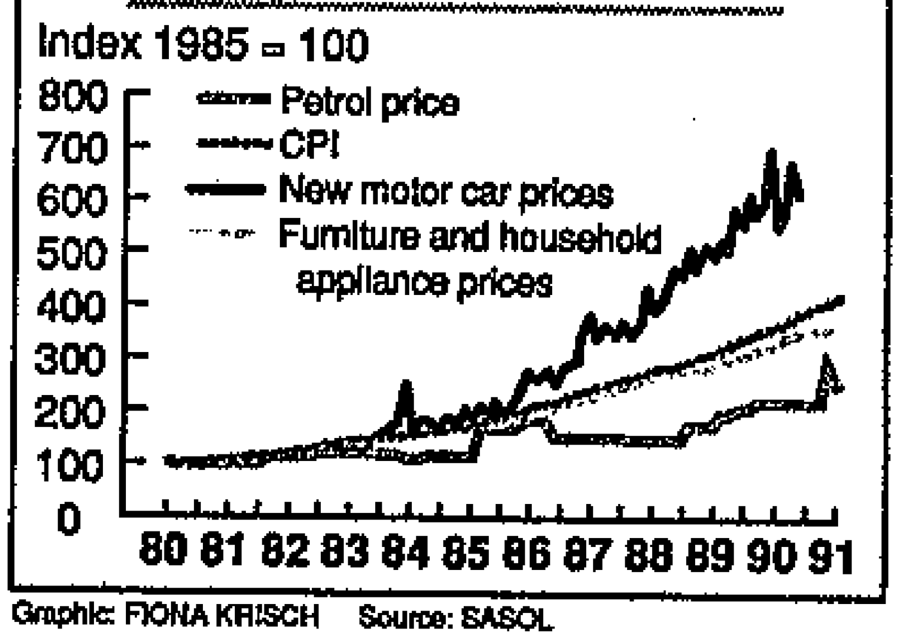
An analysis of the percentage rise in the components of the petrol price over this period shows that levies and taxes showed the greatest drop — 60,9% in real terms from 1980 to 1990.

The international market price fell 36,6% and inland transport costs declined 41,2% in real terms. While the industry margin showed a 24,3% decline, the retail margin rose 2,4%.

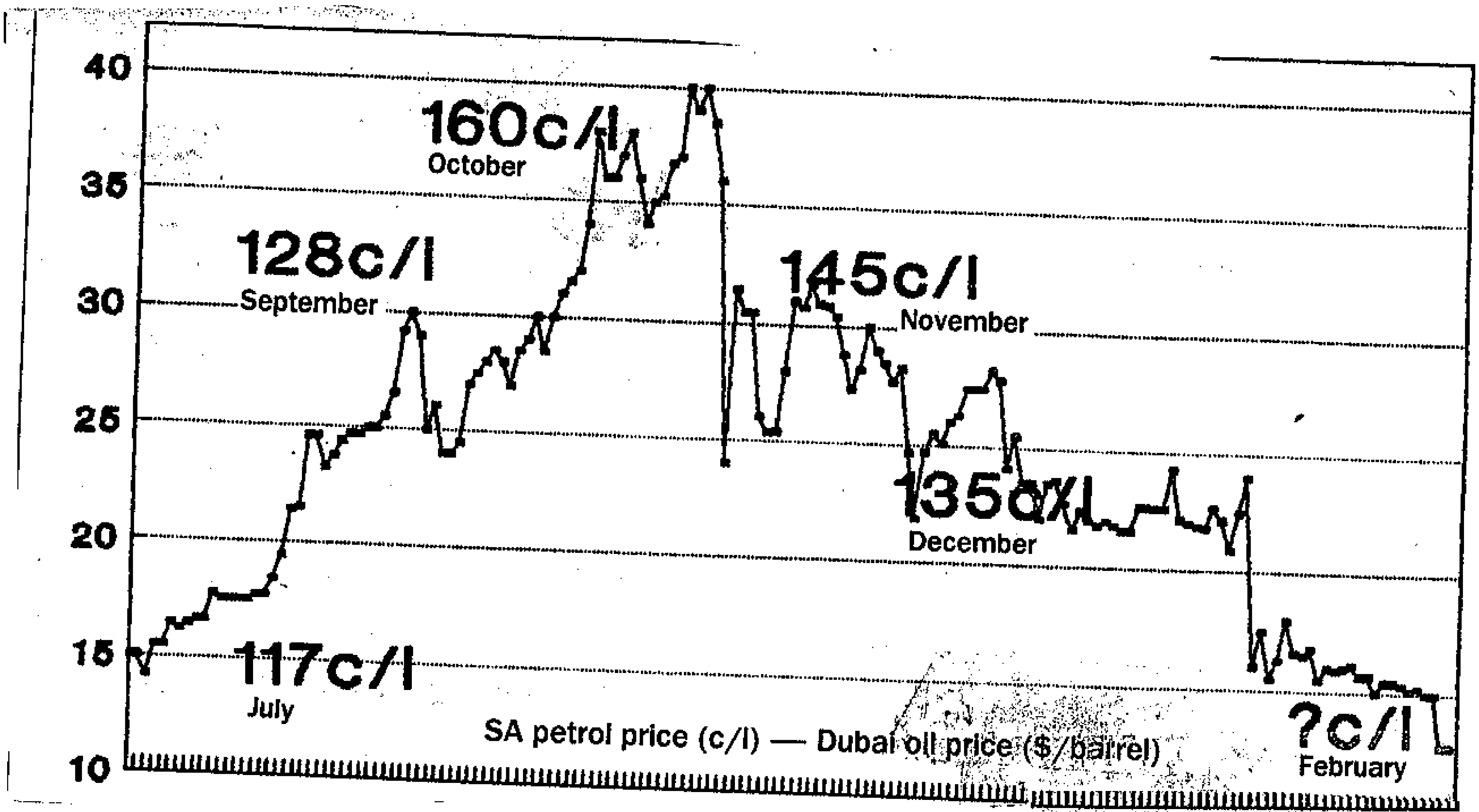
In addition, the integrated netback price — which is the international market price plus the wholesale and retail margins — received by the petroleum industry has shown a real fall of 27% since 1980.

Sasol says this is because SA's petrol price is derived from international product prices and is not increased with the higher cost of production.

Petrol price versus durable goods and CPI



Graphic: FIONA KRISCH Source: SASOL



No quick cut in petrol price

By Derek Tommey (55)

Oil prices have fallen to their lowest level since before the start of Gulf crisis.

However, the SA petrol price so far has shown few signs of dropping. Star 21|2|91

Government spokesmen attribute the stickiness to a shortage of refining capacity and to higher freight and insurance rates stemming from the Gulf war. Another factor is is that SA is believed to have made heavy oil purchases in January.

Although these were made at prices well below last year's peak, they were still some way above this month's average price.

It seems this oil will have to pass through the system before motorists benefit from lower world prices.

(1) Whether there has been any meeting between the Government and representatives of the United Nations High Commission for Refugees; if so, (a) when did the meeting take place, (b) by whom was it attended and (c) what was the (i) purpose and (ii) outcome of the meeting;

Hansard 26/2/91

(2) whether any further meetings are due to take place; if so, what are the relevant details?

B242E

The MINISTER OF FOREIGN AFFAIRS:

(1) Yes

(a) The meeting took place in Cape Town on 12 February 1991.

(b) It was attended by a delegation of four UNHCR officials under the leadership of Mr N Bwakira, Director of the UNHCR Regional Bureau for Africa and the Ministers of Foreign Affairs, National Health and Population Development and Home Affairs, the Deputy Minister of Justice and senior South African officials.

(c) (i) The purpose of the meeting was to explore with the delegation of the UNHCR the basis on which that organisation might assist in facilitating the return of exiles to South Africa should it be decided to extend an invitation to it to play a role.

(ii) The meeting was purely exploratory.

(2) None are scheduled as of now.

Pretoria Minute: work completed

*21. Mr C W EGLIN asked the Minister of Correctional Services:

Hansard 26/2/91

(1) Whether it is anticipated that the work in connection with the release of prisoners and the granting of amnesty referred to in the Pretoria Minute will be completed by 30 April 1991;

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

B243E

The MINISTER OF CORRECTIONAL SERVICES: Hansard

(1) and (2) 26/2/91

The target date as set is attainable provided that the applicants for release and indemnity give their full co-operation.

Fuel price: criteria

*22. Adv C H PIENAAR asked the Minister of Mineral and Energy Affairs and Public Enterprises:†

55

(a) What criteria are applied in fixing the price of fuel on a differentiated basis in the various fuel zones and (b) how many fuel zones are there in the Republic at present?

Hansard 26/2/91 B252E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES:

(a) Fuel prices differ only in respect of transport costs. The different price zones reflect the costs of transport to a particular area and for this purpose magisterial districts are used. All magisterial districts with the same transport cost element are combined in a price zone. The transport cost also represents the most economic mode of transport which can be used in an area, for example pipeline, rail or road, or a combination of these modes as applicable. The Pretoria-Vereeniging-Witwatersrand is price zone 14C and is based on pipeline tariffs. The increased transport cost that became effective on 1 January 1991 has thus far not been passed on to consumers and is still separately financed by the Equalisation Fund.

(b) 60

*23. Dr F Hartzenberg—Justice.† [Withdrawn.]

White schools: pupil/teacher ratio Hansard 26/2/91

*24. Mr A GERBER asked the Minister of National Education:†

(1) Whether his Department is considering adjusting the pupil/teacher ratio in White schools; if so, what ratio is envisaged by his Department in this regard;

(2) whether it is foreseen that some White teachers are going to lose their posts in White schools as a result of this adjustment; if so, what steps are contemplated in respect of such teachers?

B258E

The MINISTER OF NATIONAL EDUCATION: Hansard 26/2/91

(1) Strictly speaking, the issue of the pupil/teacher ratio in schools is not a line function of the Department of National Education and it does not fall within the Department's jurisdiction to determine the day-to-day ratio.

The Department is, however, closely concerned with the determination of overall general policy and planning and will probably, as a result of reports related to the Education Renewal Strategy, attend to this matter, and to the implications, if any, that it may have for teaching staff, in consultation with relevant interested parties in the near future.

It would not be appropriate to anticipate those representations and consultations at this stage.

(2) Lapses.

Acacia Park: domestic servants

*25. Mr A GERBER asked the Minister of Public Works and Land Affairs:†

Whether his Department places any restriction on domestic servants of colour living in flats and/or houses in Acacia Park; ~~if so~~, why; if not, why not?

Hansard 26/2/91 B261E

The MINISTER OF PUBLIC WORKS AND LAND AFFAIRS:

Yes, but in the rules and conditions of occupation, drawn up in consultation with the Acacia Park Control Board, no reference is made to race or colour. The applicable rule only states that *servants* may not be allowed to stay overnight in houses, flats or store-rooms.

In Acacia Park there are various types of dwellings ranging from three-bedroom houses to single flats. To ensure that dwellings are allocated in a fair and just manner, a points system is used. The number of people in the particular household who have to be accommodated is an important element of the points system. Tenants with larger families who have to be in Cape Town for the duration of the Session of Parliament receive preference in the allocation of the larger homes. There are not enough two- or three-bedroom dwellings available to provide accommodation for servants of tenants as well. Store-rooms at dwellings are also not considered to be suitable accommodation for continuous human occupation. For these reasons specific provision were made for servants' quarters in Acacia Park.

Hansard 26/2/91

P160-1 road (N4)

*26. Dr W J BOTHA asked the Minister of Transport:†

(1) Whether the detail planning of the two uncompleted sections of the P160-1 road (the N4) has been completed;

(2) when is it expected that the construction work on these two sections will be (a) commenced and (b) completed?

B272E

The MINISTER OF TRANSPORT:

(1) Yes.

(2) (a) and (b) Due to the fact that restricted funds have to be used for other priorities the requested information is not determinable at this stage.

P160-2 road

*27. Dr W J BOTHA asked the Minister of Transport:†

Whether the construction work on the P160-2 road has been discontinued; if so, (a) when, (b) why, (c) when is it expected that the construction work will be (i) resumed and (ii) completed and (d) what amount had been spent on compacting the shoulders of and other construction work on this road when the construction work on it was discontinued?

B273E

The MINISTER OF TRANSPORT:

Yes.

(a) During May 1986;

(b) Due to a lack of funds;

(c) (i) and (ii) The requested information is not determinable at this stage; and

(d) R15,65 million.

Power project begins in Lebowa

Sowetan 28/2/91

(55)

AN electrification project in Lebowa's Green Valley township was officially opened this week by Eskom's North-Eastern Transvaal regional manager, Mr Hennie Huyser.

This is Green Valley's first experience with Eskom electricity.

Residents said they viewed the development as a major boost to their living standard.

About 200 of 1 300 households have already been supplied and 427 others have submitted applications.

They pay for their electricity in advance through the so-called budget meters.

Green Valley residents visualised monthly savings of R120 to R160 on what they had previously spent on firewood, paraffin, candles and rechargable car batteries.

Mr Sydney Nyanthi said he had spent about R200 a month to provide energy for his household: R110 a month minimum for paraffin, R80 to recharge batteries for his television set and a considerable amount for firewood.

The electrification of his home by Eskom cost R240. For this money, a so-called "ready-board" was installed, consisting of three wall plugs and a light. His electricity supply costs him about R40 a month.

His wife Aggreninethi was pleased she would no longer have to walk great distances to get firewood.

"I can now prepare food for my husband and children early in the morning. It is nearly too good to be true," she said.

A teacher, Miss Beauty Mathunasi, said a wheelbarrow of firewood cost them R6. This normally lasted three days.

Another resident, Mrs Rodina Mogakane, said the morale of the community had risen remarkably and the electricity grid's installation would have a marked effect on the area's economy.

Mr Koos van der Westhuizen of Eskom's Phalaborwa district office believed the demand for electrical appliances would be stimulated -- and that job creation would be promoted. - *Sapa*

BUSINESS DAY, Friday, March 1 1991 3

Oil glut may mean lower fuel prices this month

(55)

GERALD REILLY

PRETORIA — A decrease in fuel prices later this month is a distinct possibility if crude prices continue to fall, informed sources predict.

They pointed out yesterday that government was committed to keeping prices of basic industrial inputs as low as possible as part of the overall economic regeneration programme.

It was reported from Dubai this week that the end of the Gulf war could see a global crude glut, depressing the price to as low as $5 a barrel.

However, this trend could be offset by producers agreeing to limit production.

A National Energy Council spokesman said all relevant February figures were not yet available and it was not possible to say whether January's overall underrecovery had been turned around.

In January there was a slight overrecovery on petrol and underrecoveries of 6c/*l* on diesel and 1,105 c/*l* on illuminating paraffin. This added up to an accumulated underrecovery of about R100m.

FM · 1/3/91

LASER/SUREGRO (58)

STILL TALKING

There has been silence from both Laser and Suregro since the cautionary announcements issued by the companies in December, when a merger appeared imminent (*Fox* January 4). Laser's evaluation of Suregro revealed debt well in excess of shareholders' funds.

Many aspects of the company are attractive to Laser, which has now offered the creditor banks, including Nedbank, a settlement that could prove satisfactory to all concerned.

Should Laser's offer be accepted, it will assume certain of Suregro's debt and in return take over assets, including stock and debtors. Laser has offered the banks an undisclosed cash sum and proposes to issue enough Laser shares to satisfy the portion of the banks' liability. With this offer, creditors should be paid in full. It is expected that the banks will accept or reject the Laser offer within the next 10 days.

Laser MD Denis Kaye contends that Suregro has lacked financial and administrative systems and skills but has "superb operational management." He says Laser's systems could easily be adapted in a merger and synergies would be significant.

According to Suregro MD Keith Blair, the group is trading with positive cash flow and budgets for the current year show an operating profit before interest. He concedes that Surego is highly geared but adds that sales of surplus assets are designed to reduce interest-bearing debt in the event that a sale to Laser or another buyer does not go through.

Gerald Hirshon

BASIL READ

SASOL

LIMITING THE RISK

55 FM 1/3/91.

After diversifying its profit sources substantially over the past decade, Sasol has again increased its exposure to volatile, but potentially stagnant, petroleum product prices with its R2,9bn takeover of Sasol 3. But formulae agreed with government have limited the potential effect on earnings and dividends of a renewed slide in the oil price.

Sasol's 1979 prospectus stated the group would acquire the 50% it did not already own in Sasol 3 by 1993. In September, when international oil prices were around $30 a barrel, it was announced that Sasol was negotiating to buy the outstanding shares from the Central Energy Fund (CEF.)

Sasol 3 is primarily a synfuels producer. This week the price of Brent crude dropped below $17 a barrel and the rand remained firm against the dollar, suggesting a more bearish outlook for synfuel profits than appeared likely five months ago. Given that, and the group's plans to spend R2,6bn on capital projects over the next three years, the price for Sasol 3 looks a hefty commitment. Chemical markets have slackened, so profit from that source is also being restrained.

However, the Sasol 3 deal does offer advantages. Firstly, the terms of the deal will help to cushion a severe drop in product prices. There are two main elements to the R2,9bn price. The CEF equity in Sasol 3 is acquired for R617m, payable in cash; and Sasol 3 redeems its loan from CEF, amounting to R2,28bn, by payment of R133m cash followed by four annual payments of R400m and a final payment of R550m.

This was a soft loan, which has been commercialised from the date of the transaction. Amounts outstanding will bear interest from July 1 1990 at 16% annually, payable six monthly in arrears. Interest payable may rise or fall, depending on the revenue Sasol 3 receives from petroleum products during the period of the loan.

Should Sasol 3's actual revenue exceed the revenue calculated on the $23 a barrel oil equivalent price in terms of the tariff protection mechanism, then the interest payable to CEF up to December 25 1993 will rise by an amount equivalent to half the additional revenue. Thereafter, the increase will be pro rata to the ratio of the loan amount then outstanding to R2,9bn.

Essentially, the interest cost increases when product prices rise above a $23 oil equivalent; if prices weaken and the revenue from Sasol 3 drops below the $23 oil equivalent, then first the interest and then the principal will be reduced by the shortfall.

Sasol's Kruger ... *arm's length negotiations*

According to MD Paul Kruger, the price resulted from arm's-length negotiations, and both seller and buyer had to adjust their initial expectations. In fact, the price for the equity does not seem excessive, even allowing for softer product prices.

The price values the total equity at R1,234bn, which gives an historical earnings multiple of just under 4,5, based on Sasol 3's (untaxed) profit of R275m for the year to June 1990. However, GM Russell Kennedy says that, based on sustainable levels of profitability, and taking account of cash reserves and Sasol 3's assessed loss, the p:e would be closer to 12,5 times.

While consolidation of Sasol 3 from July 1 has lifted Sasol's interest-bearing debt from R417m to almost R3bn, there was substantial cash in Sasol 3. Kennedy declines to quantify Sasol 3's present cash holding but the total cash balance is now close to R1bn, so the net gearing ratio is about 40%.

Until now, Sasol has brought to account only Sasol 3's dividend income, which in the 1990 year totalled R76m, with R25m in the first half, but it fell away in the latest half-year. With Sasol 3 consolidated, the product mix, and profit sources, have changed markedly.

In the past, synfuels, chemicals and oil refining each provided about a third of total trading profit. Because of the acquisition, as well as higher product prices and slacker chemical profits, the contribution from synfuels has jumped to about 50%. Turnover for six months was up by 70% on the year-ago half-year, but net operating income rose by 59%.

Kruger cites several factors influencing the interim performance but says the single most important cause of the profit surge was an increase in production volumes at Sasol 2. Higher throughput at Secunda, after problems during the previous two years, would have helped considerably. It underscores the fact that a higher contribution of synfuels to the product mix has depressed the overall margin.

Aside from the terms of the CEF loan, Sasol benefits from the tariff protection formula. This is based on a floor price mechanism which gives the group protection when relevant product prices drop below $23 oil equivalent (*Leaders* September 14). The average price is still around $26.

After a net interest payment of R204,5m, compared with interest income of R4m for the year-ago interim, pre-tax profit is up by 20%. This was reduced to an after-tax decline of 9%, because of an increase in the effective tax rate from the previous unusually low level of 20% to 39%. Sasol 3 is paying no tax. The group's 1990 tax charge has been adjusted to reflect a change in the deferred tax accounting policy but it was the large allowances allowed on the polymers plant that reduced the rate. Kennedy says the present tax rate is a more realistic indication of future levels.

Similarly, the 20% pre-tax advance is probably the most reasonable indication of current profit performance. The after-tax figure fell by a tenth but attributable earnings rose by 29% because no transfer was made to the equalisation reserve.

Chairman Joe Stegmann says the Sasol 3 acquisition will initially have a relatively small effect, though favourable on EPS. Longer-term, EPS would increase with reductions in interest payable, as the loan is redeemed. Profit growth is expected to continue in the 1991 second-half, but at a lower rate.

Sasol now has full access to Sasol 3's large cash generating capacity. Risks related to the more volatile product prices have been limited and the cost should not unduly hamper dividend growth. However, markets remain soggy, and there is the potential sale of the IDC's 30% holding in Sasol. Should this be sold, it would involve a large rights offer, though Kruger says nothing is on the table now. Sasol should remain a growth stock, but the price could be unexciting for a while and it may well be possible to buy at lower levels.

Andrew McNulty

AFTER SASOL 3

Six months to	Dec 31 '89	Jun 30 '90	Dec 31 '90
Turnover (Rbn)	2,36	2,67	4,0
Operating inc (Rbn) .	613	618	974
Dividend rec (Rm) .	25	51	0,2
Net interest rec (paid) (Rm) ..	4,0	19,7	(205)
Earnings (c)	63,8	68,6	82,5
Dividends (c)	27,5	32	32,5

Another cut in the petrol price justified

Star 2/3/91. 55

DAVID CANNING

ANOTHER cut in local petrol prices could be one of the most positive effects to flow from this week's ceasefire in the Gulf.

While gold markets responded to the peace news by pushing the metal higher towards the weekend, Econometrix economist Tony Twine cautioned the effect on the metal could be limited as speculators, caught on the wrong foot by an early end to the war, had simply been covering short positions.

However, he said, there now were good prospects for lower petrol prices and slightly improved chances of a lowering of local interest rates.

Mr Twine said that current crude oil prices of around $17 suggest that the correct level for 93-octane on the reef should be R1,18 per litre — substantially lower than the current R1,35 which was pitched at a crude oil price of $26.

Mr Twine said one obstacle could be the fact the National Energy Council bases its fuel price-setting calculations on world prices for refined oil — and not crude oil. These refined costs have been boosted by high insurance and other charges.

Engen rights issue looms

BDay 5/3/91

MATTHEW CURTIN

FUEL and energy giant Engen is on the verge of announcing a multimillion-rand rights issue to fund the second phase expansion of its Durban Genref refinery.

Engen chairman Bernard Smith said yesterday the rights issue would "take place soon, as the group is seriously considering the phase two expansion of the refinery and examining other downstream possibilities".

The group approved the first phase expansion at Genref on December 4 last year, at an estimated cost of R670m. MD Rob Angel said at the time the "three-phase expansion project will make Genref a world-class refinery in terms of its complexity and physical size".

The group gave notice it was considering raising extra funds, although it was able to fund the first five-year expansion phase from existing funds.

Smith yesterday reiterated remarks he made in Engen's annual report last year that "the financing of available opportunities cannot take place entirely from internally generated funds". (55)

Engen investor relations spokesman Abbas Gani said yesterday the combined cost of the three-phase expansion programme would exceed R2bn.

Gencor and Genbel had 84% and 9% holdings respectively in Engen, and were seeking to place shares with SA's largest institutions to reduce their combined stake in Engen by about 20%.

☐ To Page 2

Engen

BDay 5/3/91

(55)

☐ From Page 1

Genbel MD Anton Botha said a rights issue would be inadvisable without a wider shareholding.

Genbel had made formal offers of Engen shares, at a discount to the current market price, to institutions last week, and an official announcement concerning the allocation would be made later this week.

Botha said once "a proper spread" of shares had been achieved, Gencor and Genbel would be in a position to underwrite the rights issue.

Analysts said yesterday the parties were going ahead with the rights issue despite low market prices.

Engen's prospects were good, but not as healthy as they were six months ago when the oil price soared and Gulf refining was disrupted in the wake of the Iraqi annexation of Kuwait. It was important to launch the issue sooner rather than later.

There was speculation yesterday Engen would formally announce the rights issue tomorrow, after institutions had been offered shares at a R1 discount on the current share price of R32,50.

THE WEEK AHEAD by William Richards

Oil price should restrain PPI

B Day 11/3/91 (55)

FURTHER falls in oil prices during January should have helped to slow the rate of SA producer price inflation in figures expected tomorrow.

The increase in the producer price index (PPI) in the 12 months to January is set to dip again from the 14,7% posted in the year to December. Another deceleration from the 1990 PPI high of 15,8% posted in November will confirm a peaking in the most recent PPI upswing, which started last year.

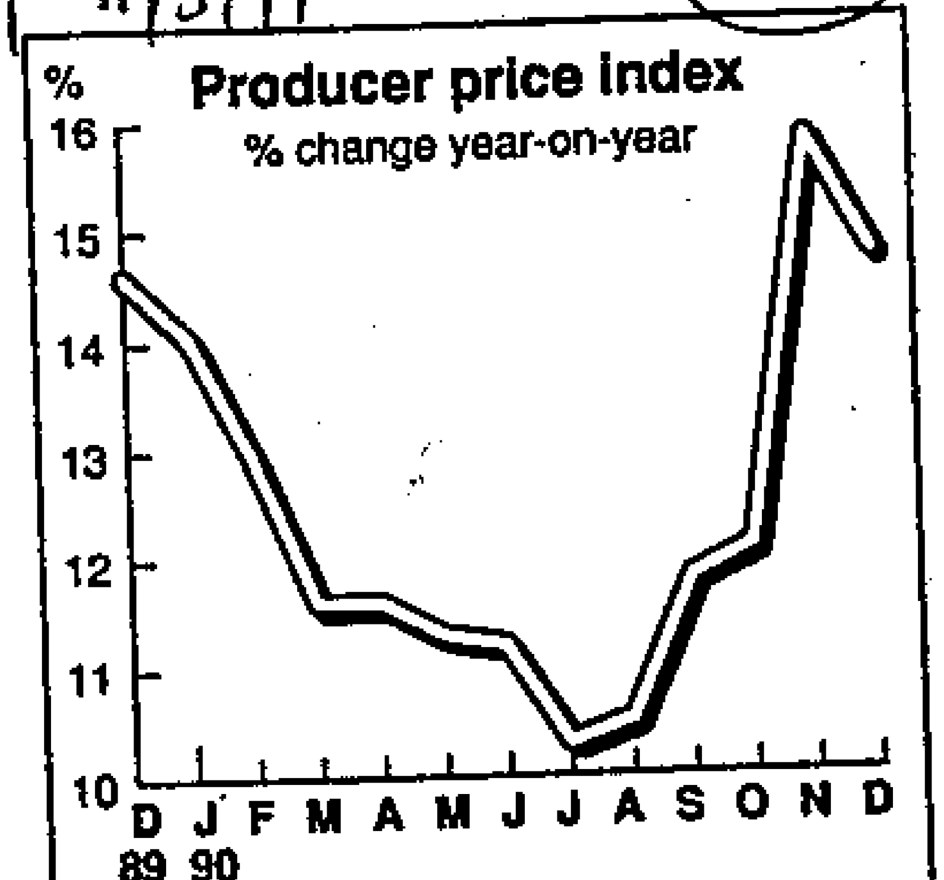
Because the price trend in the PPI tends to lead that of the consumer price index (CPI) by two to three months, a confirmed downtrend in the PPI in January should herald a more sustained fall in consumer price inflation this year.

The upward surge in PPI inflation in the second half of 1990 was mainly oil-driven, as oil prices soared temporarily on fears of supply disruption following the invasion of Kuwait. Similarly, the expected downturn in the PPI during the first quarter of this year should reflect relaxation of war anxieties in the oil market.

Lower oil prices were principally responsible for the PPI's dip in December, as the average price for a barrel of Brent crude — the most widely traded blend — fell from \$33,10 in November to \$28,15 in December. Its average eased again in January to \$23,65.

Overall import prices should also continue to ease, given the recent stability in the trade-weighted rand, which has tended to strengthen. This, as the Reserve Bank acknowledges, is a major contributor to suppressing imported inflation.

Internationally, the oil market re-



Graphic: FIONA KRISCH Source: CSS

turns to centre stage today with an extraordinary consultative meeting of Opec ministers in Vienna. Opec last met in July 1990, agreeing on an output quota of 22,5-million barrels per day (bpd). This was an attempt by the cartel to take about 800 000 bpd off the market and drive the oil reference price up to \$21 a barrel.

Iraq's invasion of Kuwait within a week of the July agreement resulted in the suspension of the new quota until the Gulf crisis passed. During the crisis, Brent soared to \$40 and plunged again to \$17, performing just the kind of roller-coaster that Opec at its last meeting sought to avoid.

Today's meeting is designed to maintain the oil price at the previous reference level of \$21. With the Gulf war over, there is no further danger of supply interruptions. The market is comfortably supplied even without contributions from Iraq and Kuwait. Opec's problem is that demand levels are about to fall as the northern hemisphere moves into summer after a relatively mild winter, and oil prices are poised to plunge.

What the cartel has to do is to persuade members, some of whom are desperate for oil earnings to finance post-war reconstruction, to accept limits on oil output in a new quota agreement. Readoption of a quota should curb production and maintain oil prices at levels above \$20. To curb the extent that Opec members revert to their old habit of cheating on the quotas and overproducing, inflationary inputs to importer countries will be restricted.

On Wednesday the state of US retail sales in February will be published and will guide markets on the depth and duration of the US recession. No change in the recent pattern of negative outturns is expected. The US PPI on Friday should continue to show slowing US inflation, removing price rises as any restraint on a further easing in US interest rates to combat the recession.

US industrial production and capacity utilisation data for February are also expected on Friday. They are unlikely to indicate any turnaround in industrial performance, showing lower output and lower levels of plant use despite the supposed stimulus of the Gulf war and ceasefire.

Meanwhile, the short-term course of UK interest rates could be affected by Thursday's release of British average earnings growth in January. The figure is likely to be steady at December's 9,75%, showing that inflationary pay settlements remain a potential problem. The British unemployment level is also expected on Thursday, and set to rise again — a possible barrier to thoughts of an early British general election.

Govt has billions ready for Mossgas

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BDay 11/3/91

KEVIN DAVIE

GOVERNMENT is sitting on billions of rands which it will pump into the controversial R9bn Mossgas project when its comes on stream next year.

The extent of the funding will depend in part on whether Gencor's energy arm, Engen, takes up its 30% option in Mossgas at a cost of about R1bn.

A special audit by Auditor-General Peter Wronsley into cost overruns has been partially completed and the results made known to Mineral and Energy Affairs Minister Dawie de Villiers.

Wronsley said last week that a full audit would follow the partial investigation.

De Villiers said he would not comment until he had received the full report.

The project, which is about 80% complete, is 65% funded, said Central Energy Fund (CEF) chairman Danie Vorster. He said peak funding would occur in 1992. Arrangements, which included foreign loans of R2,3bn, were in place to fund the projected requirements.

Vorster said R3,4bn which CEF had invested with financial institutions (R3,14bn), in the money markets and the Public Investment Commissioners (R275m) was also earmarked for Mossgas.

Engen has to decide whether to take up its rights in Mossgas only when the project is producing commercially at the end of next year. Engen chairman Bernard Smith said yesterday the approximately R1bn for the rights to 30% of Mossgas was about 12% of the cost of the total project.

Sixty percent of the project is financed by loans from the CEF and commercial loans, and the other 40% by the three shareholders, CEF (Pty) Ltd (50%), Engen (30%) and the Industrial Development Corporation (20%).

It is understood government has looked at the CEF as part of a continuing attempt to cut government expenditure. Critics have suggested that money tied up in the CEF may be freed for other spending such as road building, but Vorster said all monies within the fund would be used. "CEF has no income other than interest earned on investment (R910m last year) and these funds are earmarked for Mossgas."

CEF assets include a loan of R2,9bn which Sasol will repay for CEF's sale of its 50% interest in Sasol III. Sasol agreed to pay R617m in cash, the rest coming in four

☐ To Page 2

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☐ From Page 1

annual payments of R440m and a final payment of R550m.

Vorster said this money did not have any specific allocation, but that the Minister had indicated it would be used for "energy related projects".

"There are, apart from the future inflows from the sale of Sasol III, therefore no funds which can be freed for other purposes at this stage," Vorster said.

The Auditor-General's annual report shows that CEF (Pty) Limited has R10,8bn, including foreign loans of R1,2bn. Until April 1988 the fund was built up by a levy on motorists at the petrol pump.

DP energy spokesman Roger Hulley said a vast amount of money was involved, and that the public needed to be properly informed. He said a more appropriate use of money built up from levies on motorists would be to maintain the road system.

Latest estimates are that Mossgas will achieve real yields at $37 a barrel. Break even (zero real return) is at $20. The three shareholders will get a positive return on their investment at $25 a barrel.

Late last year De Villiers told Business Day the project's financing details would be made known on completion in 1992. When the project was announced, the cost estimate was R5,5bn. By November it had risen to R8,8bn.

Govt's secret crude oil sales aided Mossgas

KEVIN DAVIE (SS)

GOVERNMENT has sold a secret quantity of crude oil, possibly from the strategic oil reserve, to help finance the R9bn fuel-from-gas Mossgas project.

The Auditor-General's report which was tabled in Parliament last month states that Mineral and Energy Affairs Minister Dawie de Villiers gave approval for the net proceeds of "a specific quantity of crude oil to be used to partially finance capital requirements of the Mossel Bay projects".

The authorisation was given on August 29 1989. The report does not say whether the sale was from recent imports or the strategic oil reserve. Senior government officials previously have suggested this reserve could help finance Mossgas.

Attempts to get more details about the sale were not successful. De Villiers referred inquiries to Central Energy Fund chairman Danie Vorster, who said all information on oil imports, sales and movements in the oil stockpile was classified.

In an inverview laste last year De Villiers said he had argued against tapping the reserves to ease the burden on motorists as oil prices topped $35, because "we've not completely financed Mossgas".

SA's strategic reserve is estimated by overseas bodies to be between six months' and two years' supply.

The Auditor-General's report also showed that SA's oil procurement agency, the Strategic Fuel Fund (SFF), is embroiled in a R100m dispute but details are cloaked in secrecy. B/Day 12/3/91

The report disclosed that a R98,6m claim for compensation has been brought against the SFF "due to an expropriation in order to protect the oil containers".

An amount of R4,1m had been paid as a counter offer, but the matter had not yet been finalised, Auditor-General Peter Wronsley said in his report.

A spokesman for the Mineral and Energy Affairs Ministry declined to make further details available.

SFF's statements of account are not published by the Auditor-General because of the oil secrecy laws.

Hansard 12/3/91

set aside or alter such order or to issue another order which he may deem just. The procedure to be followed by such a member is set out explicitly in Prisons Regulation number 78. In terms hereof a member who wishes to appeal to the Minister against an order of dismissal or demotion in rank or seniority must within fourteen (14) days of written notification to him of the issue of such order, lodge a notice of appeal in writing to his commanding officer for transmission to the Commissioner. The member concerned must clearly and specifically set out the grounds on which the appeal is based and he may at the same time himself or through his legal representative submit written arguments or representations in support thereof. The Commissioner must then submit the notice of appeal and written arguments or representations together with the record of the proceedings of the inquiry and the findings and reasons of the commissioned officer who conducted the inquiry to the Minister for consideration.

Of the thirty six (36) members concerned six (6) have appealed against the decisions. These applications for appeal are being dealt with at present.

In conclusion I would like to mention that strikes by members of the Department of Correctional Services are seen in a very serious light, in as much that a Bill was passed by Parliament as recently as 1990 making provision for the summary dismissal of members who make themselves guilty of this practice.

Petrol: maximum price

*11. Mr W U NEL asked the Minister of Mineral and Energy Affairs and Public Enterprises:†

(1) Whether he envisages prescribing only a maximum price for petrol in all the fuel zones in the Republic; if not, why not; if so, when; SS

(2) whether such maximum prices will be calculated on exactly the same basis as the present fixed prices; Hansard 12/3/91

(3) whether this arrangement in respect of a maximum price will also apply to the wholesale price of diesel;

(4) whether consideration is being given to reducing the price of paraffin; if not, why not? Hansard 12/3/91 B417E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES: SS

(1) In accordance with Government's policy on commercialisation and deregulation, an investigation into Government's involvement in the petroleum industry is also being conducted. The investigation is a comprehensive exercise and is still not fully finalised. The Competition Board was also approached for advice. Any possible change to the existing pricing policy can only be considered after the lifting of oil sanctions against South Africa.

(2) Falls away.

(3) The prices of petrol, diesel and illuminating paraffin have for many years been controlled on wholesale level only as maximum prices.

(4) Yes, an announcement will be made in the not too distant future.

Independent Black states: reincorporation into RSA

*12. Mr A E DE WET asked the Minister of Foreign Affairs: Hansard 12/3/91

(1) Whether the South African Government has been approached by any of the four independent Black states with a view to reincorporation into the Republic; if so, (a) by which states, (b) when and (c) what was the response in each case; if not,

(2) whether the Government will take steps to facilitate the reincorporation of these states into the Republic at the earliest opportunity; if not, why not; if so, (a) what steps and (b) when;

(3) whether he will make a statement on the matter? B431E

The MINISTER OF FOREIGN AFFAIRS:

(1) and (2)

I have already replied to these questions in my response today to question 1 of the interpellation.

(3) No, not for the time being.

Group areas permits: abolishment

*13. Mr L FUCHS asked the Minister of Planning, Provincial Affairs and National Housing:

Whether, in view of the reply by the Minister of Justice to Question No 20 on 19 February 1991 in regard to prosecutions against persons contravening the Group Areas Act, No 36 of 1966, he will take steps to abolish the necessity to apply for group areas permits; if not, why not; if so, (a) what steps and (b) when? B432E

The MINISTER OF PLANNING, PROVINCIAL AFFAIRS AND NATIONAL HOUSING: Hansard 12/3/91

No.

In view of the announced repeal of the Group Areas Act, I have requested all institutions which are concerned with the administration of permits, to grant permits on a free basis. No further group areas or free settlement areas will be proclaimed.

(a) and (b) Fall away.

Nurses: salary increase

*14. Mr B B GOODALL asked the Minister of National Health:

(1) On what date did nurses receive their most recent salary increase;

(2) whether radiographers were given a salary increase at the same time; if not, why not; Hansard 12/3/91

(3) whether it is the intention to increase radiographers' salaries in the near future;

(4) whether she will make a statement on the radiography profession in South Africa? B441E

The MINISTER OF NATIONAL HEALTH:

(1) 1 July 1990;

(2) no, the occupational class Radiographer was not identified by the Cabinet for an occupational specific investigation during the 1990/91 financial year;

(3) finality has not been reached yet about which occupational classes' salary structures will be improved during the 1991/92 financial year. An announcement in this respect will be made soon;

(4) no. Hansard 12/3/91

Single department of health

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

(1) Whether her Department has taken any steps to consider the administrative, financial and national health implications of a single department of health for South Africa; if so, what steps; if not, why not;

(2) whether she will make a statement on the matter? Hansard 12/3/91 B446E

The MINISTER OF NATIONAL HEALTH:

(1) The Department of National Health and Population Development is at present in the process of considering various models for the restructuring of health services. Extensive deliberation and consultation by the Department with the relevant role players take place at high level on a continuous basis. In the consideration of the different models various factors, including the administrative, financial and health implications, are taken into account;

(2) no.

*16. Mr P G Soal — Home Affairs. [Withdrawn.]

Johannesburg: rapid rail transit system

*17. Mr P G SOAL asked the Minister of Transport:

Whether, with reference to his reply to Question No 106 on 2 March 1988, a decision has been taken on the introduction of a rapid rail transit system for Johannesburg; if not, why not; if so, what was the decision? B461E

The MINISTER OF TRANSPORT:

No. Upon recommendation of the then National Transport Commission (NTC), the former Minister of Transport approved, in September 1988, a full feasibility study to a mass transit system for the Greater Johannesburg Area. This comprehensive study, which is being conducted by the Masstran Consortium, will include an investigation into a rapid rail transit system as an alternative transport system and is expected to be completed by the end of June 1991. A report will then be

NEC bows out, fuel policy goes

(55)

STimes 17/3/91.

THE deregulation of the petroleum industry seems imminent following the government's decision to disband the National Energy Council.

In what will probably be its last major assignment, the council is to present a report on the deregulation of the industry later this year.

An informed source says the report examines in detail the most radical deregulation options and discusses their suitabilty for South Africa. Among those considered is the situation where suppliers would no longer be obliged to buy petrol from local oil refineries and be free to import from low-cost producers overseas.

By CURT VON KEYSERLINGK and DON ROBERTSON

The report is causing concern among oil companies that have for years had their profits guaranteed by statutory control of minimum and maximum wholesale and retail petrol prices.

The law allows oil companies to have an elaborate market-sharing agreement that determines, among other things, the number and location of filling stations each may have. Were it not permitted by legislation such an agreement would fall foul of South Africa's laws against collusion.

Privileges

The industry received these benefits partly because government wanted to persuade international oil companies to stay in South Africa (and possibly help with the acquisition of crude oil) during the height of this country's international isolation.

But as sanctions fall away the arguments for stripping away the industry's privileges mount.

"Deregulation would lead to higher petrol prices in the platteland and big layoffs at oil companies and filling stations," says an oil company man, who may not be named.

"This would involve white staff as well as unskilled labour. The oil embargo is still in force and I am sure that our industry will be the last to be deregulated."

Deregulation probably would lead to higher prices in remote areas (as is the case with many products) because they are at present partially subsidised by prices paid in urban areas.

It would probably result in oil company layoffs because they will no longer be able to maintain the uneconomical depot system with its duplication of facilities.

It could also cause many service stations to lay off pump attendants in favour of cheaper, computerised self-service systems.

But the government's new views on industrial protection in general indicate that it has accepted the idea that such short-term sacrifices are unavoidable if the country is to become internationally competitive.

If deregulation is to be complete, requirements that each petrol station has its own workshop and trained mechanic will also have to go — so will the agreement that provides for one Sasol petrol pump in each garage in certain areas and an agreement that limits the sale of Sasol petrol through these pumps to less than 10% of the market.

Also to be addressed are the super profits made by the Transnet pipelines transporting fuel inland. These profits have been used to offset losses on black rail-commuter services.

What will probably stay is government protection on fuel produced by Sasol and Mossgas, which receive compensation if the oil price falls below a certain level.

In the "next few days" Dawie de Villiers, the Minister of Mineral and Energy Affairs and Public Enterprises, will meet members of the private sector, including oil companies, to discuss deregulation.

Government sources emphasise that this is a continuation of previous meetings.

Established in 1987, the NEC advises government on all energy matters, including electricity and coal, and administers its liquid fuel policy.

This policy includes the administration of the Central Energy Fund, the Petroleum Products Act and the Liquid Fuel and Oil Act, which determine the acquisition, manufacture, fixing of prices and the supply and stockpiling of liquid fuels.

Levies

Because of the oil embargo, most of the activities of the NEC have been secret.

Earlier this month Dr De Villiers said the NEC's functions would be transferred to the Department of Mineral and Energy Affairs in an effort to eliminate the funding of state activities outside the budget. This will take effect from April 1.

Since its inception the NEC has developed a "private sector culture" and has been financed largely by consumer funding. Government's contribution has been cut accordingly from 69% in 1989 to 49,8% last year.

In the current fiscal year, the Treasury made no contribution to the NEC. Instead, the NEC has survived on levies on electricity, fuels and coal.

Legislation for the transfer of the NEC and supporting staff to the Department of Mineral and Energy Affairs will be tabled in Parliament during the current session, as will legislation abolishing the levies.

Piet Hugo, director-general of the Department of Energy Affairs, says NEC councillors, who are largely private sector businessmen, will be replaced by a new "mechanism" responsible for administration.

Mossgas project: cost estimate

*13. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs and Public Enterprises: Hansard 19/3/91

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

(2) whether he will make a statement on the viability of the project? B499E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES:

(1) (a) The budgeted fixed capital cost for the FA gas field development phase and the onshore facility was R6 895 million in escalated terms.

(b) (i) During October 1990 it was indicated to the press that the estimate for the fixed capital cost of the FA-development was R8,8 milliard at that stage and that the final cost would be reported at the completion in 1992.

(ii) July 1990.

(2) A full statement was issued on 13 February 1990 and until the date of commencement of production, when more information regarding capital and operating costs and future world oil prices would be available, there is nothing to add to that statement.

Private satellite dishes

*14. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs and Public Enterprises:

(1) Whether any applications and/or representations have been received by the Post Office for the licensing of private satellite dishes; if so, how many;

(2) whether any permits for such dishes have been refused; if so, why;

(3) in respect of what date is this information furnished? B503E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES:

(1) Yes, 29;

(2) no;

(3) 6 March 1991.

*15. Lt-Gen R H D Rogers — Defence. [Withdrawn.]

*16. Lt-Gen R H D Rogers — Defence. [Withdrawn.]

Radiographers: emigrations

*17. Mr B B GOODALL asked the Minister of Home Affairs:

(a) How many radiographers emigrated from South Africa during the latest specified 2-year period for which figures are available and (b) to which countries did they emigrate? Hansard 19/3/91 B516E

The MINISTER OF HOME AFFAIRS:

(a) 1989 1990
13 13

(b) Not available.

*18. Mr L F Stofberg — Finance.† [Question standing over.]

Ussalep: objects

*19. Mr L F STOFBERG asked the Minister of Foreign Affairs:† Hansard 19/3/91

(1) Whether he is conversant with the objects of Ussalep (the United States–South Africa Leadership Exchange Programme) in granting scholarships; ~~if so~~, what are these objects;

(2) whether his Department has any statistics on the number of public servants with the rank of director and higher who have obtained university degrees in the United States of America with the aid of Ussalep; if so, what is the relevant figure? B544E

The MINISTER OF FOREIGN AFFAIRS:

(1) The United States–South Africa leadership Exchange Programme (Ussalep) is a private organization and I cannot speak on behalf of the organization. Ussalep does not, to my knowledge, grant scholarships. Hansard 19/3/91

(2) My Department does not handle such statistics.

Japan fishing vessels: restrictions

*20. Mr R J LORIMER asked the Minister of Environment Affairs: Hansard 19/3/91

(1) Whether fishing vessels registered in Japan will be permitted to fish in South African waters in 1991; if so, how many;

(2) whether any restrictions are imposed on such vessels in regard to the (a)(i) species and (ii) quantity of each species that may be caught and (b) method of capturing that may be employed; if not, why not;

(3) whether he will make a statement on the matter? B574E

The MINISTER OF ENVIRONMENT AFFAIRS:

(1) Yes. Two trawlers and ~~90~~ tuna longliners.

(2) (a) (i) Yes.

(ii) Yes in respect of trawlers; no in respect of tuna.

(b) Yes.

(3) Yes. A formal Bilateral Fisheries Agreement between Japan and South Africa has been in existence for the last 10 years. A limited number of Japanese vessels are, subject to strict and specific conditions in accordance with the Agreement, permitted to catch certain fish species in South African waters. Permit conditions are strictly enforced. The quotas allocated to Japan have been substantially reduced year after year.

Before 1991 there were no restrictions on the number of tuna-vessels. The number of Japanese tuna-vessels permitted to fish in RSA waters, have been limited to 90 in 1991. Those vessels do not fish in RSA waters on a full-time basis and they do not compete directly with the local tuna industry. There are no resource reasons why further limitations should be introduced.

Japan has already been informed that its fishing in RSA waters stands to be phased out because South Africans can catch available resources themselves.

Hansard 19/3/91

Tunny catches

*21. Mr R J LORIMER asked the Minister of Environment Affairs:

(1) What was the quantity of tunny caught by South African vessels in South African waters in 1989 and 1990, respectively;

(2) whether he will make a statement on tunny catches in South African waters by local and foreign vessels? B579E

The MINISTER OF ENVIRONMENT AFFAIRS: Hansard 19/3/91.

(1) 1989: 6 452 tons tuna
1990: 2 290 tons tuna

(2) Yes. The catch of tuna in South African waters was very poor in the last year compared to previous years. The exact reason for low catches is unknown, but was probably due to unfavourable environmental conditions in the sea. According to the International Commission for the Conservation of Atlantic Tunas, of which South Africa is a member country, those stocks of tuna which occur in South African waters are not overfished and there is consequently no reason to introduce catch limits. Tuna are highly-migratory species which occur seasonally in South African waters and the difference in catch success from one year to the next is not sufficient to determine catch limits.

Foreign vessels, specifically from Japan and the Republic of China, fish for tuna sporadically in South African waters under strict permit conditions. Japanese and Chinese vessels authorized to fish in RSA waters are now for the first time limited to a maximum of 90 and 30 vessels respectively.

Dukuduku Forest: Black squatters

*22. Mr J CHIOLÉ asked the Minister of Planning, Provincial Affairs and National Housing:† Hansard 19/3/91

(1) Whether there are any Black squatters living in the Dukuduku Forest near St Lucia; if so, (a) how many as at the latest specified date for which figures are available and (b) since when;

Hansard 19/3/91

Local Authorities Act, 1982 (Act 102 of 1982) is considered when a quorum for decision-making no longer exists at a local authority, in order to ensure the continued administration and rendering of municipal services in Black local authority areas.

(2) (a) Presently nil.

(b) Falls away.

Reporting Organizations and Persons: report

*8. Mr D J DALLING asked the Minister of Justice:

Whether the Registrar of Reporting Organizations and Persons has submitted a report in terms of section 7(1) of the Disclosure of Foreign Funding Act, No 26 of 1989; if not, (a) why not and (b) when is it anticipated that the report will be (i) completed and (ii) tabled?

B484E

†The DEPUTY MINISTER OF JUSTICE:

Yes,

(a) and (b)(i) fall away.

(b)(ii) The report will be tabled in Parliament shortly.

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

Pollsmoor Prison: differences in facilities

*9. Mr D J DALLING asked the Minister of Correctional Services:

Whether there were any differences in the (a) accommodation, (b) recreational facilities and/or (c) remuneration offered to White and Coloured warders at Pollsmoor Prison as at 31 December 1990; if so, (i) what differences in each case and (ii) why?

Hansard 19/3/91 B485E

The MINISTER OF CORRECTIONAL SERVICES:

(a) I refer the Honourable Member to my reply in the House of Assembly to question no 18 of 20 February 1990 (Hansard col 78 and 79) in which I reacted to a similar question from him. With regard to part (a) of the Honourable Member's latest question, part (a) of my reply to question no 18 of 20 February 1990 still applies. Nevertheless, I wish to inform the Honourable Member that against the background of the Government's initiatives, I have already approved a new policy which is presently being implemented in this Department.

In terms of this new policy living accommodation on premises country-wide is now accessible to all personnel in accordance with Prisons Regulation 25. This implies that accommodation is allocated discretionarily by commanders at the hand of inter alia the following:

— functionary requirements;

— allocation according to level of post;

— merit and efficiency principle; and

— advertising of available accommodation. Hansard 19/3/91

The following norms will automatically be applicable in respect of the allocation of housing on reserves in order to ensure orderly community life:

— the combating of overpopulation on living premises;

— a prohibition on subleasing;

— keeping premises tidy and hygienic;

— promotion of healthy neighbour relations and the combating of behvaiour which may upset these relations on such premises; and

— the orderly use of public facilities on reserves according to accepted norms and standards.

The aforementioned policy will naturally not result in an overnight change in the current situation at Pollsmoor. A progressive phasing-in will be followed in order to prevent large-scale disruption, costs, dissatisfaction and artificiality.

(b) In order to keep abreast of government policy with regard to the utilization of recreational facilities, all available recreational facilities at the Pollsmoor Prison have been accessible to all members since November 1990. All the recreational facilities at Pollsmoor are now accessible to all members of the Department of Correctional Services.

(c) No. Hansard 19/3/91

(i) and (ii)

All disparity in respect of remuneration has already been eliminated with effect from 1 March 1988. There is thus no difference in the remuneration in respect of the mentioned population groups.

Nuclear Non-Proliferation Treaty

*10. Mr C W EGLIN asked the Minister of Foreign Affairs: SS

Whether the Government has taken a decision to sign the Nuclear Non-Proliferation Treaty; if not, why not; if so, when does it intend to sign the treaty?

Hansard 19/3/91. B489E

The MINISTER OF FOREIGN AFFAIRS:

The South African Government stated publicly in September 1990 that it was prepared to accede to the Non-Proliferation Treaty in the context of an equal commitment by other states in the Southern African region.

The South African Government together with a number of other Governments of Southern Africa supports the idea of a nuclear weapons-free zone in the Southern Africa region. The Government would also like to see this concept extended to the entire continent of Africa as a nuclear weapons-free zone and in this regard has noted with interest the support for this idea by a number of African states at the Fourth Nuclear Non-Proliferation Treaty Review Conference in Geneva during August-September 1990.

In the meantime the South African Government has agreed to conclude a comprehensive safeguards agreement with the International Atomic Energy Agency in respect of the country's nuclear facilities as a demonstration of the Government's commitment to adherence to non-proliferation responsibilities and objectives.

Two persons: applications for indemnity

*11. Mr L FUCHS asked the Minister of Justice:

Hansard 19/3/91

(1) Whether he has received any applications for indemnity by two persons, whose names have been furnished to the Minister's Department for the purpose of his reply; if so, (a) what are the names of the persons concerned and (b) what was the outcome of these applications;

(2) whether the Government has any intention of entering into an agreement with the ANC in regard to the release of either of these two persons? Hansard B490E

The MINISTER OF JUSTICE: 19/3/91

(1) (a) The persons concerned have applied for release.

(b) The applications are currently being prepared for consideration.

(2) No.

Certain prisoner: health

*12. Mr L FUCHS asked the Minister of Correctional Services: Hansard 19/3/91

(1) Whether he will make a statement on the state of health of a certain prisoner, whose name has been furnished to the Minister's Department for the purpose of his reply; if so, (a) what is this prisoner's name and (b) what are the relevant details;

(2) whether the State intends releasing this prisoner on humanitarian or other grounds; if not, why not; if so, (a) when and (b) on what grounds? B491E

The MINISTER OF CORRECTIONAL SERVICES:

(1) No.

The privacy of prisoners as well as the professional independence of the medical practitioners who are responsible for their health care, is respected. It is therefore policy not to make details available or to comment on the state of health of individual prisoners. However, it can be confirmed that he has access to adequate medical and psychiatric treatment.

(a) and (b) Fall away.

(2) The person in question was declared a State President's patient by the Cape Provincial Division of the Supreme Court of South Africa and his status can only be changed if the provisions of Section 29 of the Mental Health Act, 1973 (Act No 18 of 1973) have been fully met.

(a) and (b) Fall away.

Hansard 20/3/91

Chief Radiographer: R29 205—34 629 + 10% non-pensionable allowance

Control Radiographer: R38 697—44 976 + 10% non-pensionable allowance

(3) yes, the salary structures correspond with those of radiographers in the Public Service of the RSA.

Central Energy Fund: balance

182. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs and Public Enterprises:

What was the balance in the Central Energy Fund as at (a) 31 December 1990 and (b) the latest specified date for which figures are available? Hansard 20/3/91 (SS) B498E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES:

(a) R2 880,1 million

(b) R2 873,8 million on 31 January 1991.

Central Energy Fund: amount collected

183. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs and Public Enterprises:

What total amount was collected on behalf of the Central Energy Fund in the 1990-91 financial year? Hansard 20/3/91 (SS) B500E

The MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES:

	R-million
Interest on Sasol Three loan	306,3
Interest on investments	717,2
Dividends (Sasol Three)	75,0
Total	1 098,5

Own Affairs:

High schools: Latin

39. Mr D J DALLING asked the Minister of Education and Culture:

(a) How many high schools fall under his jurisdiction and (b) how many of these schools offer Latin as a matriculation course? Hansard 20/3/91 B548E

The MINISTER OF EDUCATION AND CULTURE:

(a) *659

(b) 75.

*Public secondary schools.

HOUSE OF DELEGATES

QUESTIONS

†Indicates translated version.

For written reply:

Own Affairs:

M L Sultan Technikon: admissions

7. Mr A SINGH asked the Minister of Education and Culture:

How many (a) Indian, (b) White, (c) Coloured and (d) Black students were admitted to the (i) M L Sultan Technikon and (ii) hostel of this technikon for the 1989, 1990 and 1991 academic years, respectively? Hansard 20/3/91 D44E

The MINISTER OF EDUCATION AND CULTURE:

			1989	*1990*	*1991*
(i)	(a)	Indian	4 622	4 584	3 837
	(b)	White	240	321	361
	(c)	Coloured	227	223	221
	(d)	Black	810	1 144	1 820
(ii)	(a)	Indian	95	60	18
	(b)	White	2	1	3
	(c)	Coloured	6	4	3
	(d)	Black	122	235	201

Durban-Westville: admissions

9. Mr M ABRAHAM asked the Minister of Education and Culture: Hansard 20/3/91

How many (a) Indian, (b) Coloured, (c) White and (d) Black students were admitted to the (i) University of Durban-Westville and (ii) hostel of this university for the 1989, 1990 and 1991 academic years, respectively? D46E

The MINISTER OF EDUCATION AND CULTURE:

			1989	*1990*	*1991*
(i)	(a)	Indian	4 502	4 474	4 874
	(b)	Coloured	166	154	172
	(c)	White	355	377	403
	(d)	Black	2 379	2 637	2 914
(ii)	(a)	Indian	282	91	60
	(b)	Coloured	16	10	8
	(c)	White	2	7	4
	(d)	Black	574	848	950

Hansard 20/3/91

State-aided schools

11. Mr M ABRAHAM asked the Minister of Education and Culture:

(1) Whether State-aided schools are being used by his Department; if so, (a) how many, (b) what are the names of these schools, (c) subject to what conditions are they being used by his Department and (d) how many grantors are there for each such school;

(2) whether he will furnish the House with the names of these grantors; if not, why not; if so, what are their names? Hansard 20/3/91 D55E

The MINISTER OF EDUCATION AND CULTURE:

(1) Yes

(a) 38

(b)

SCHOOL	*GRANTOR*
Primary	
A I Kajee	Mr N A Allawoodeen
Amatikulu	Mr Flook
Ashville	Mr S Dhunpath
Anjuman Islam	Mr E A Timol
Doornkloof	Mr R Lekha
Emona	Mr B Ganas
Harding	Mr M I Mahomed
Illovo	Mr P H Nel
Ixopo	Mr A Badat
Juma Musjid Trust	Mr A G Khan
L Bodasing	Mr V K Sing
M L Sultan	
Krantzkloof	Mr Govindsamy
M L Sultan	
Blackburn	Mr M L Raman
M L Sultan Colenso	Mr S Naidoo
M L Sultan	
Umzinto	Mr G H S Kadwa
Madhosingh	
Memorial	Mr D V Moodley
Moonsamy	Mr R Mooragan
Mountain View	Mr R Siphali
Natest	Mr P Govender
Northdene	Mr P Ramnunun
Ntumeni	Mr B S Crossley

Paraffin price slashed

Sowetan 21/3/91

THE price of paraffin will go down by at least nine cents a litre.

This was announced yesterday by Minister of Mineral and Energy Affairs Dr Dawie de Villiers.

De Villiers said the Government was doing this to help consumers save costs.

The announcement was made along with that of the drop in the petrol price. (SS)

The petrol price will decrease by at least 5 cents on the Reef and diesel by four cents a litre.

The new prices will come into effect on Monday.

Petrol down 10c – Govt takes half

By Mark Suzman

Star 21/3/91.

The petrol price will drop by 10c/litre on Monday but only half the reduction will reach the consumer — the rest will go to the Government as part of a new petrol tax.

Mineral and Energy Affairs Minister Dr Dawie de Villiers yesterday said improved prices in refined petroleum had allowed for a reduction of 10c/litre in the price of petrol and 7c/litre for diesel.

However, when combined with an additional 5c/litre tax on petrol and 2c/litre on diesel announced in yesterday's Budget, the overall price drop will amount to 5c/litre.

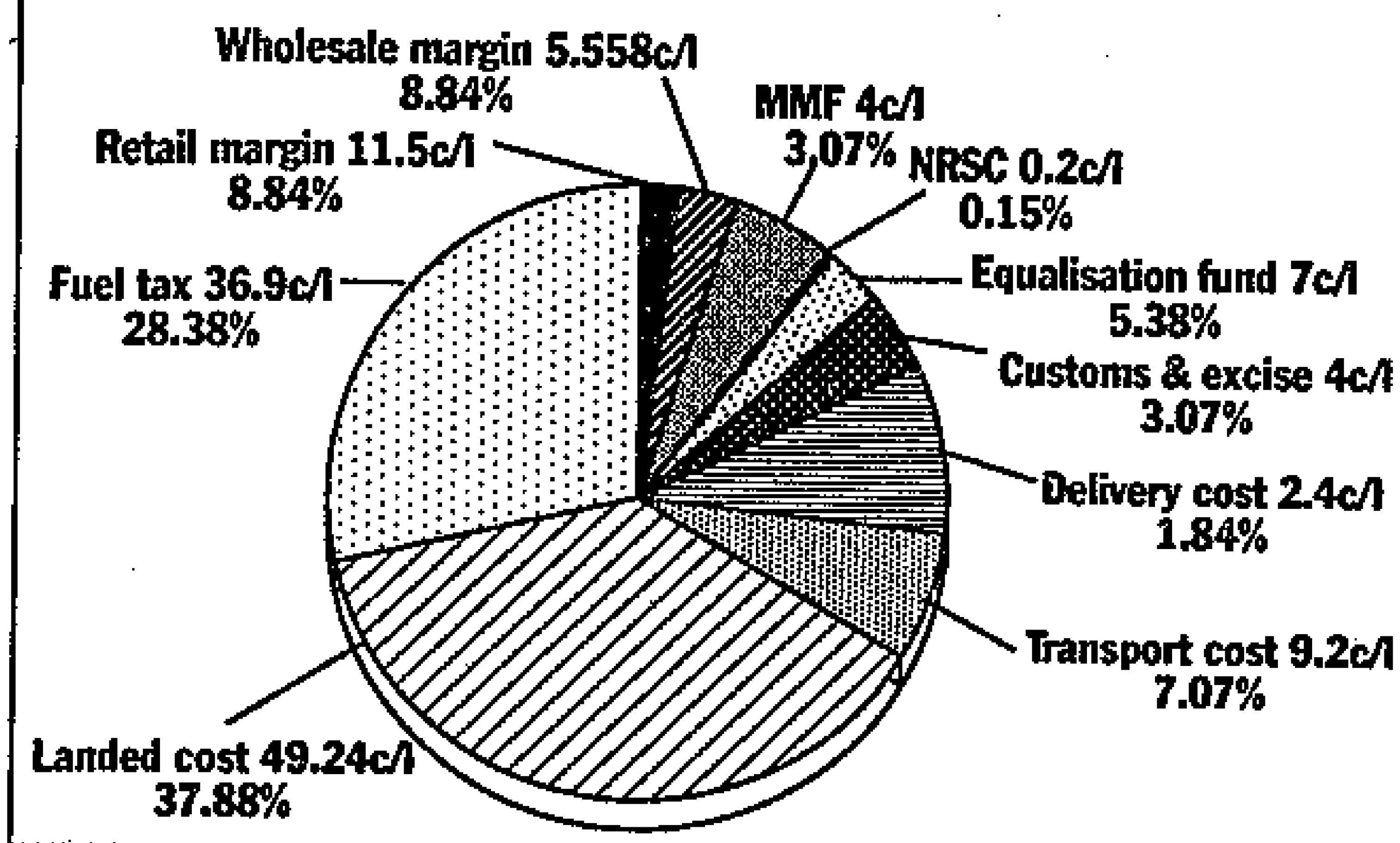
Mr du Plessis said the new taxes would raise an estimated R533 million in additional revenue for 1991/92 without a great burden on the consumer.

However, Dr de Villiers warned that in some areas the reductions would be as low as 3c/litre due to higher transport costs.

But in the PWV area, where transport costs are based on a pipeline tariff, the petrol price will effectively drop a full 5c from its present R1,35/litre to R1,30/litre, while the diesel price will effectively drop only 4c/litre.

Petrol price 130,0 cents per litre

93 - Octane : PWV (zone 9c)
25 March 1991



Black councils still owe Eskom R120-m

55

By Sven Lünsche Star 22/3/91

Black town councils owe Eskom R120 million in outstanding electricity payments, Eskom chief executive Ian McRae said yesterday.

Presenting the group's 1990 annual report, he said the supply of electricity to the townships had become almost completely politicised over the past year.

Many township residents had refused to pay their electricity rates to the city councils, who pay bulk rates to Eskom. In response Eskom had cut off electricity supplies to many of the councils.

Eskom general manager of finance Mick Davies yesterday said Eskom sold about R250 million worth of electricity to black townships last year.

Total arrears this month were recorded at about R120 million and Eskom listed R95 million of this as an abnormal item in its latest balance sheet.

Although Mr Davies stressed this was not a write-off, listing the amount separately on the balance sheet is an indication that repayment will be difficult.

Despite these financial problems, Mr McRae said Eskom was committed to the electrification programmes in black townships.

"Roughly two-thirds of South Africa's population still have no electricity at home," he said.

Mr McRae said the availability of electricity was essential for the country's stable economic growth.

● Eskom annual report — Page 15

Eskom trims funding requirement by R1,5-bn

55

By Sven Lünsche Star 22/3/91

Eskom's total funding requirement for 1991 is over R1,5 billion lower than last year as tighter cost control and the benefits of the recent mothballing of three power plants come through.

Presenting the utility giants 1990 annual report, finance GM Mick Davies said Eskom plans to raise R2,84 billion this year compared with funds of R4,35 billion raised last year.

Of the funding requirements for 1991, R1,6 billion will be raised on the local capital market and R300 million on the money market.

Eskom has also budgeted for R250 million of foreign loans, but this will mainly comprise the refinancing of existing loans.

Mr Davies says that Eskom raised a new loan worth R160 million on the German capital market last year, but said it was unlikely that new loans would be forthcoming this year.

"Elements of political acceptability are fast disappearing as reasons against new loan to SA, but bankers and investors are now worried about the political and economic future of the country," Mr Davies says.

Eskom's total funding last year was over R1,2 billion ahead of its budgeted targets as the economic downturn hit revenue income and the group realised lower swop cash flows.

Total revenue last year of R10,74 billion was 15,8 percent ahead of 1989 sales of R9,27 billion, reflecting largely the 14 percent increase in electricity tariffs.

New sales of electricity increased by only 1,4 percent as improved sales to bulk and rural customers was more than offset by lower sales to commercial, industrial and mining customers.

Despite lower revenue earnings, Eskom's net income rose by 16,1 percent to R845 million (R728 million), which chief executive Ian McRae ascribes to tighter cost controls and lower than anticipated finance and interest charges.

Over the year costs of construction works and capital expenditure were also reduced by 13,1 percent to R5,77 billion and 8,3 percent to R3,66 billion respectively.

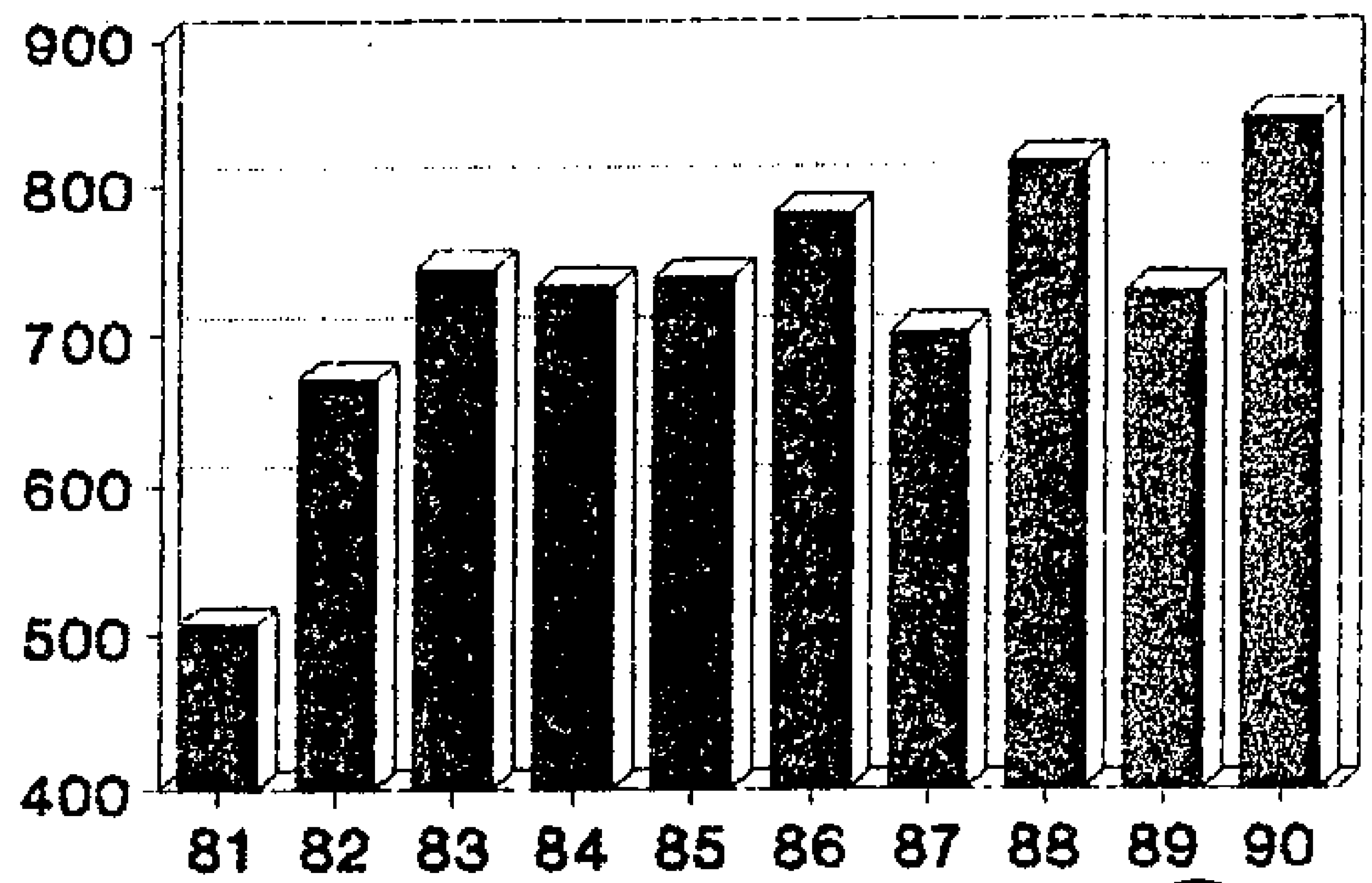
In 1991 Eskom is faced with another significant shortfall between its tariff increase of eight percent and an expected inflation rate of roughly 13 percent.

However, Mr McRae is confident that Eskom will make up the five percent gap despite the continued economic recession.

"We are constantly improving productivity and making more efficient use of our borrowing, but the main cost benefit will arise from the mothballing exercise," he says.

Last year Eskom decommissioned the Vierfontein power plant and mothballed three of its other operations. Camden, Grootvlei and Ingagane.

Mr Davies says the mothballing of the plants cost about R128 million, but this would be more than offset by substantial cost savings at these plants this year.



Eskom's net income (R-millions). 55

Star 22/3/91

Engen is planning R1,1-bn rights issue

(55)

By Ann Crotty Star 22/3/91

Engen is having a massive R1,1 billion rights issue to help fund its capital expenditure programme.

Shareholders will be offered 44 million new shares at R25 a share. The issue, which is underwritten by parent Gencor, will lift the number of shares in issue by 40 percent to 154 million.

The size of the issue and the price at which it has been pitched appear to be at the top end of market expectations.

Towards the end of calendar '90 Engen announced a R670 million programme to expand its core business at the Genref refinery in Durban.

Announcing the rights issue, Engen chairman Mr Bernard Smith noted that in addition to the expansion at Durban, "we continue to plan to participate in the exploration and production of crude oil, the manufacture of petrochemicals and the Mossgas project."

Earlier this year Gencor and its associate Genbel had a combined 93 percent stake in Engen. This has been reduced to 73 percent following the placement of 20 million shares with a number of institutional investors over the past few months. It is understood that these shares were placed at around R29.

According to Mr Smith, the investment community had been keen that more shares be made available to it in order to make Engen shares more marketable. He believes that as a result of these moves the marketability of Engen shares will improve "quite significantly".

Engen which was listed through Trek last April traded at around R28 for most of last year but kicked up to R30 towards the end of the year. Yesterday it was trading at R31,50.

If all of the minorities take up their rights then Gencor (and Genbel) will be picking up 32,12 million of the new shares for a total cost of R803 million. So the market will only be contributing around R300 million to the rights issue.

Analysts believe that at a later stage, when the short-term prospects for Engen are more obviously bullish, Gencor may be prepared to release more shares to the market — at a higher price.

The offer is open to Engen shareholders registered at the close of business on April 12.

SA to supply crude oil to Indian Ocean region

star 22/3/91

Finance Staff

Mauritius and Madagascar are finalising a trade agreement which will make oil-embargoed South Africa the major oil supplier to the Indian Ocean region, says the latest issue of International Research and Information Services (IRIS). SS

In terms of the deal, crude oil that SA has agreed to supply to Mauritius will be shipped to the Toamasina refinery in Madagascar.

Part of the crude will then become Malagasy property, a move officially explained as in lieu of payment for Toamasina's processing work.

But the deal allows Madagascar to resell the SA-refined oil to any other Indian Ocean state. Thus, South Africa ends up in the role of regional oil supplier, says IRIS, a Cape Town-based economic newsletter.

The World Bank is aware of the deal and it has given its full approval. Routing the oil through the Toamasina refinery means that it will have to be revamped. South Africa and Bahrain will finance the work.

The financial aspect of this project, and the Mauritian-Madagascar agreement, is a complicated arrangement. Mauritius will pay South Africa partly in sugar and tea, with the balance in Mauritian rupees.

As the Mauritian rupee is not a strong currency on world markets, South Africa will redirect this money to Madagascar as part payment of her share in the Toamasina deal.

Comoros is also negotiating secretly to buy oil from South Africa in a deal that will involve Total and Shell. Until now Moroni has bought oil from Total Afrique.

Oil executives in the Indian Ocean zone believe that South Africa is grabbing an excellent opportunity to sell off her enormous oil stocks she has been forced to hoard during the sanctions years.

Neither the Department of Mineral and Energy Affairs nor the National Energy Council would comment on the report.

More electricty to rural areas

Sowetan 28/3/91

(55)

DESPITE a downturn in the economy, Eskom's net income for 1990 was R845 million, according to chairman of the Electricity Council, Dr John Maree.

He said through strict cost control, cutbacks in administration costs and effective management, last year's income reflected a net income of R117 million over the 1989 figures.

Although Eskom experienced an overall increase of 1,4 percent in units of electricity sold, this should be seen against a five-year average increase of 3,9 percent.

An analysis of this growth reflects that sales to mining, commerce and industry declines, reflecting the slowdown in the economy while sales to bulk and rural consumers increased.

Low growth is expected to continue into 1991 but Eskom will continue to make every effort to increase its sales through proactive marketing and price incentives.

Dr Ian McRae, Eskom's chief executive,said in his review that South Africa was facing two great challenges; one political, the other economic.

"The political solutions would not be long lasting unless they were supported by a fast growing economy and in this Eskom was able to play a role through its ability to keep electricity prices down," McRae said.

He added that Eskom supplies electricity at lower prices in real terms than it did five years ago.

FINANCE

Supply of electricity outstripping demand

(55)

B/Day 26/3/91

BRENT VON MELVILLE

WITH about two thirds of SA's population still without electricity at home, and despite the advent of large-scale urbanisation which will require the electrification of about 2,5-million urban households, electricity supply is still broadly outstripping demand.

Lion's share

Eskom's annual report for 1990 shows total sales up a very marginal 1,4% to 136 168 gigawatts an hour (GW.h) (1989 — 134 347 GW.h) compared with a 3,7% increase from 1988's figure of 129 493 GW.h and the 5,7% improvement over 1987's 122 524 GW.h.

Sales to other southern African countries have apparently taken up much of the slack. Sales to 10 southern African countries improved by 19% to 5 245,7 GW.h compared with 4 401,1 GW.h last year. The increase represents 3,8% of total sales compared with 3,2% in 1989.

Bophuthatswana took up the lion's share, buying 21% more electricity to 2 972 GW.h (2 453,1 GW.h), and large increases came from Transkei, which showed a rise of 74% to 191 GW.h (109,7 GW.h) and Swaziland, moving 49% to 409,5 GW.h (274 GW.h).

Figures indicate that while total power station capacity moved up to 33 843 MW (32 403 MW) during the year in spite of the mothballing of, or reserves stored at, six power stations, peak demand actually sagged slightly to 21 863 MW (21 871 MW).

● MCRAE

Eskom CE Ian McRae said this was startling. "I don't recall any time in Eskom's history when the peak demand has failed to increase on a year-on-year basis."

Aside from the lowered industrial demand for electricity, McRae believes the utility's biggest threat lies in the increasing trend to politicise electricity sales.

That politicisation last year resulted in a number of townships not paying their electricity bills and, after bridging finance from government ceased, Eskom ended up instituting legal proceedings against local authorities.

Eskom GM: finance Mick Davis puts arrears from last year at R95m, and has estimated that to now be in the region of R120m.

Another "abnormal item" was the mothballing of plant, which was reflected on the income statement as a cost of R128m. However Davis is expecting this to be more than made up for by savings on the closure of the plants, the effects of which should be felt from the beginning of the 1991 financial year.

He says that ongoing rationalisations should save the utility R40m to R50m in administration costs alone.

When Eskom's latest power stations were planned and orders placed, electricity demand was growing at 7% — 8% per year. This growth has since slowed down to a yearly average of 3,9% over five years due to local and international conditions.

As a result Eskom is now faced with a 4 686 MW surplus generating capacity, making it uneconomical to keep older, inefficient plant operating. Eskom's annual report shows that a total of 5 260 MW of plant has been mothballed or reserve-stored at Taaibos, Highveld, Ingagane, Komati, Grootvlei and Camden power stations since 1989.

At the same time new, more efficient capacity of 1 892 MW was commissioned at Lethabo, Matimba and Tutuka, which was officially opened in October 1990.

Cheaper

Davis reckons the moves will save about R118m a year cash flow on operating maintenance and primary energy costs alone

McRae says the specific programmes — such as cheaper electricity for night-time use — aimed at the larger industrial concerns to manage the excess capacity has so far resulted in an additional 1 250 MW being used.

SA a big-time fuel exporter

S/Times 31/3/91 (55)

ROB ANGEL: We're going into Africa in a big way

OIL-EMBARGOED South Africa is set to take the leading role of fuel supplier to the Indian Ocean islands.

The development would mark a major breakthrough in the crumbling sanctions wall and it would put the country in the lead of the drive to stimulate the economies of the sub-Saharan region.

Two proposals calling on SA's financial muscle and its oil technology expertise to help secure the Indian Ocean states' strategic supplies of fuel are being considered.

By IAN SMITH

The first involves a trade agreement between Mauritius and Madagascar which calls for crude oil supplied from SA to be processed by the Toamasina refinery in Madagascar.

The refinery would have to be upgraded.

Mauritius has asked SA to share in construction of a refinery on the island. The request was made at the annual summit meeting of the Indian Islands Commission on Madagascar early this month.

Oil industry sources say there is room for only one of the projects — but SA is well placed to supply the technology, refinery equipment and to act as a conduit for crude oil or to supply it from its huge stocks built up in the sanctions era.

Support

SA Government officials are reluctant to comment on the projects, preferring to leave developments in the hands of the private sector until at least all sanctions are scrapped.

But a senior trade official in the Department of Foreign Affairs tells Business Times: "If our companies have the funds and are prepared to help the Indian Ocean states to secure their fuel supplies, we will support them. We do not have the funds to undertake this type of development."

He says several businessmen have discussed plans with government departments.

"This type of deal will increase co-operation among countries of the sub-region — and it is something we favour."

Mauritius depended on imports of refined fuel from Kuwait until the Persian Gulf crisis. A delegation visited SA to ensure an alternative source if the traditional supply line was disrupted.

The Mauritian move at the Indian Islands summit also indicates a conflict about the best way to secure its fuel supply.

Details of the project to upgrade the Malagasy refinery were disclosed by the authoritative Cape-based business newsletter International Research and Information Services (Iris).

It says the World Bank is aware of the deal and has approved it.

In terms of the deal, part of the crude oil from SA which is refined at Toamasina would become Malagasy property in lieu of payment for the processing work.

Madagascar would then be allowed to resell the the remaining refined products to any other Indian Ocean state.

It is suggested that SA interests and Bahrain will finance the work on the Toamasina refinery. This could increase the petrol and diesel yield from crude from the current 55% to 60% to about 75%.

The beal between Mauritius and Madagascar is complicated. It is suggested that Mauritius will pay SA for refined fuel partly in sugar and tea, with the balance in Mauritian rupees.

Because the Mauritian rupee is not a strong currency, SA could redirect this money to Madagascar as part of its share in the Toamasina deal.

Secret

Meanwhile, the Comoros are also negotiating secretly with SA interests to buy oil in a deal that will involve Total. Until now Moroni has bought oil from France-based Total Afrique.

Mauritius has suggested that if a refinery is built there it could be financed by SA, Malaysia and India, a country which has particularly good relations with the island state.

More refining capacity for the Indian Ocean countries makes good sense for SA's oil industry because its refineries are under pressure to keep pace with demand.

Gencor subsidiary Engen has announced a R1,2-billion programme to expand capacity at its Durban refinery. A R670-million "de-bottlenecking" project will increase output by 30% by the end of next year.

Sensitive

A decision on the second stage of the expansion is expected soon.

Engen managing director Rob Angel says the group is not involved in discussions about the Indian Ocean projects, but it is watching developments closely.

"All the deals in this are are sensitive," he says.

The group has set its sights on increasing exports to Africa and the Indian Ocean area, and it has had remarkable success.

Export volumes from Engen to Africa doubled in the six months to September 30 last year.

The international shortfall of refinery capacity has been exacerbated by damage to Kuwaiti facilities.

Demands for electricity and threat of global warming

Ecological issues are essentially tied up with the quality of life in a new South Africa. The right to light, heat, water, communication facilities and waste disposal is fundamental, yet the provision of these basic necessities is entangled in a variety of local and global issues, argues DAVID LEWIS.

Southside 4/4-10/4/91

55

About 30 minutes drive from the centre of Cape Town, thousands of squatters live in squalor and deprivation — and with little hope that things will get any better. "It's not an easy life," says Vivienne Manong of Site B in Khayelitsha. "When it's raining the damp comes up, everything gets wet. The wind blows and everything gets spoilt with sand. There are no lights inside our shacks."

Vivienne Manong's response is typical of the many "illegal" squatters living on the borders Cape Town.

Long denied the basic rights of land ownership, the squatters are the legacy of apartheid. Even with changes in the air and the repeal of the infamous Land Acts of 1913 and 1936, the residents of Site B squatter camp in Khayelitsha on the Cape Flats, hold little hope that things will be any different.

Some have waited over four years in a "temporary" section dubbed The Yard, after what used to be a school playground, for housing in one of Khayelitsha's newer areas. The Yard is an area without sanitation or electricity.

Thomas Nobanda expressed the feelings of the community plainly, saying that "it's hopeless to even think about it".

Ecological issues in South Africa are essentially about the quality of life in a new South Africa. In a recent paper, Albie Sachs, the ANC's constitutional spokesman, said: "The environment is a poverty issue and the right to light, heat, water, communication facilities ... is fundamental to any environmental programme."

Yet, the provision of these basic necessities is perhaps far more complicated than would appear, reflecting the increasingly untenable nature of our modern lifestyles. Electricity supply, for one, is entangled in a variety of local and global issues.

For many South Africans the fact that less than a third of the population has access to electricity in their homes comes as a surprise. It is not for lack of generating capacity or equipment that the majority of black South Africans have been denied this modern necessity. Indeed, the country generates 60 percent of the continent's entire electrical output

Furthermore, Eskom, South Africa's electricity supply commission, is faced with an oversupply problem with many power stations being underused, some even mothballed — a result of over optimistic predictions of the country's economic growth made by Eskom in the 1970s

Things are changing though. Eskom has begun to focus its attention at last on the electrification of so called developing areas as well as squatter settlements.

According to Mr J C van der Walt, Eskom's Western Cape regional manager: "Eskom sees ordered squatting as part of the solution to alleviate the housing problem in South Africa and has begun to investigate the electrification of certain squatter areas."

However, while investigations continue, the most convenient and affordable supply of domestic energy — electricity — is unavailable to many black townships and squatter areas.

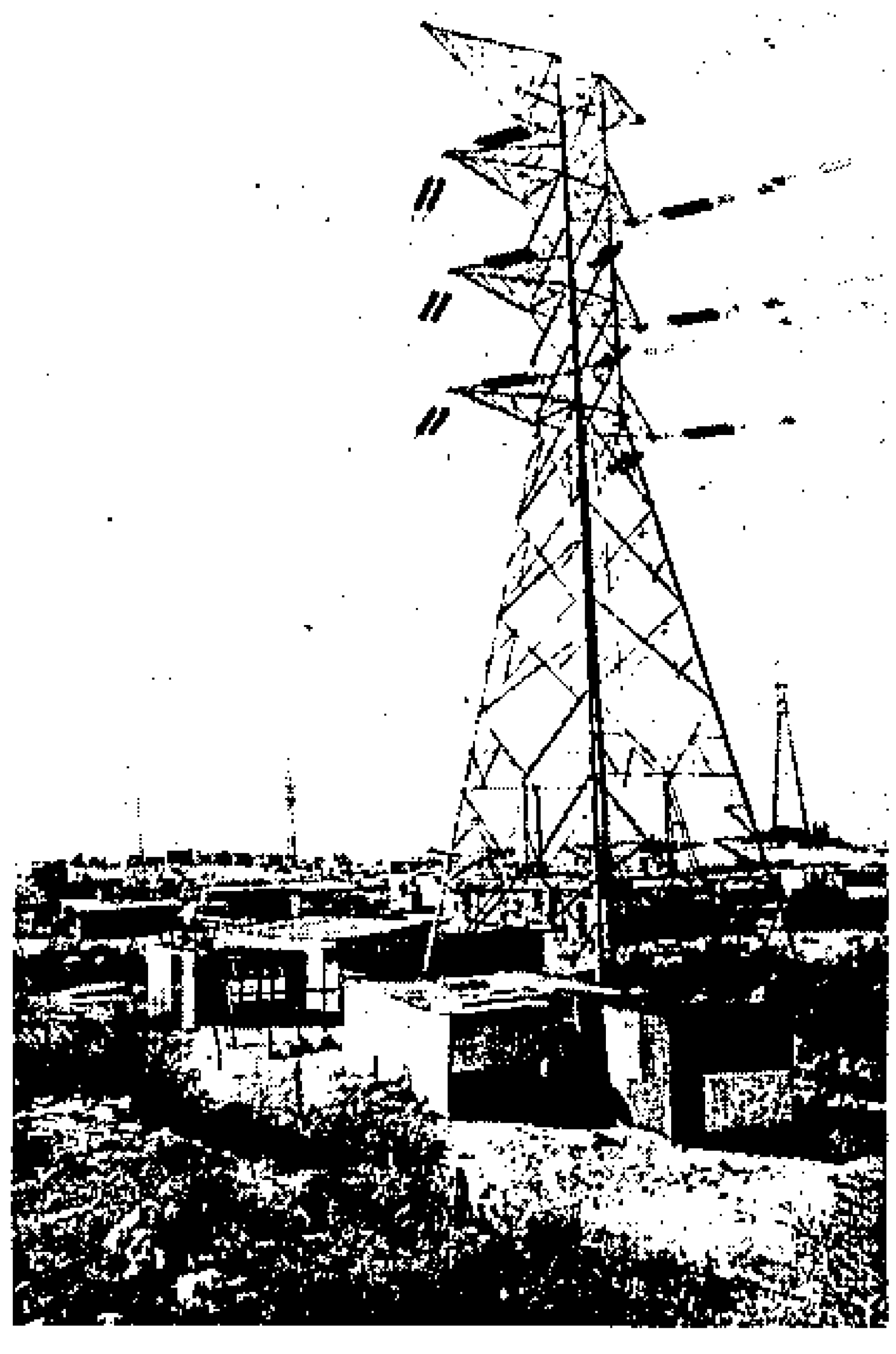
Consequently, people are forced to use fuels such as paraffin, coal, candles, wood and gas or car batteries. Fuels which are both costly and inconvenient

Wood is used predominantly in rural areas where it was once a readily available source of cheap energy. Now demand is outstripping supply, causing the forests to be cut down and the topsoil to be washed into the sea at an unprecedented rate.

The use of wood declines dramatically as one draws closer to the cities.

There is mixed emotion regarding the use of paraffin in Khayelitsha. In those households dependent on the fuel for most of their daily needs, while paraffin is seen as an affordable although dirty alternative.

There is always the constant threat of fires, says Thomas Nobanda. Paraffin is also not cheap. "I spend R3 a day on paraffin and it takes a long time to cook," complained Ms Mahdlomo from Browns Farm squatter camp.



Indeed, the perception that paraffin is cheaper is not borne out by surveys taken by the Energy Research Institute of UCT. Says Professor Anton Erberhard: "Those who use wood or paraffin can no longer afford not to use electricity."

Once the initial costs of installation is paid, electricity is in most instances cheaper than other fuels. The question is, who exactly is responsible for the costs of installing electricity in low income areas?

It is quite feasible for shacks to be electrified. A good example is the experience of Brazil where more than 70 percent of squatter settlements have access to electricity.

Unfortunately, there is another dimension to the issue of electricity supply in Southern Africa. Much of South Africa's electricity is generated by coal-burning power stations whose excessive output of carbon dioxide is contributing to the subtle warming of the earth's climate.

South Africa is one of the world's top 20 major contributors to global warming, pumping an average of 246 million tons of carbon dioxide into the atmosphere every year, according to a report to the Presidents Council last year.

Coal fired power stations are responsible for about 182 million tons of this astronomical figure.

The exact consequences of this unrestricted altering of the earth's climate is not entirely clear. However, what scientists do know is that the world is experiencing a slow but consistent rise in temperature and that this is a direct result of a process called the "Greenhouse Effect".

Carbon dioxide in the atmosphere traps heat from the sun allowing the earth to support life. If this "Greenhouse Effect" did not exist, our planet would be an icy wasteland. Nevertheless, the 20th century has seen a rapid increase in the amount of carbon dioxide in the atmosphere as well as other allied Greenhouse gases.

This is a direct result of burning fossil fuels such as the coal and oil used to power industry and to run our petrol-dependent motor cars.

Temperature records have already begun to show significant increases in average global temperatures and one of the most disturbing consequences of this warming is a predicted rise in the sea level of one meter by the year 2070.

Sea level measurements taken at Port Nolloth on the West Coast and Simon's Town in False Bay, have led researcher Peter Hughes of the Sea Level working group at UCT to conclude that large parts of the False Bay coastline will be vulnerable to flooding and erosion.

Unless serious prevention measures are taken, Mitchells Plain and Khayelitsha will experience immense problems with waterlogging caused by a rising water table.

At present the residents of Khayelitsha are plagued by severe storm water damage during winter. Rainwater often collects on open ground where it lies for days. The lack of drainage is a result of the shallow water table and complicated by an almost nonexistent storm water system.

Squatters often complain of waking up with their blankets soaking from the rising damp.

Predictions that Cape Town's population will increase by eight million people by the year 2020 leave little hope that the housing problem will be alleviated or that waterlogged areas will not have to serve as locations for shacks and prefabricated housing.

Another immediate effect of the rising sea level would be the encroachment of the coastal dunes on the township. Forced back by the erosion of the False Bay coastline, the dunes would exacerbate the sandy conditions that afflict Khayelitsha when the wind blows. Removing the dunes would take away an important natural barrier to storm flooding from the Indian Ocean.

Global warming would have still other local side-effects. The cold fronts that bring the Cape rain in winter could be pushed further south by warmer weather from the interior until they might eventually miss the Peninsula entirely.

This would change the Cape from a winter to a summer rainfall area. The result would be quite startling. Agriculture would be severely affected, threatening food supplies and creating unemployment.

With a dryer climate, fresh water would become a scarce resource. The fynbos vegetation would diminish, perhaps even become extinct, severely affecting the ability of mountain catchment areas to hold the little rainwater that falls and increasing the likelihood of flooding and erosion.

The Cape has never been blessed with extensive supplies of fresh water and any decline in the water reserves would have serious economic consequences. Some severe predictions see the Cape becoming much like the dry Karoo in which case the land would only be able to hold one tenth of today's population

The irony then is that the electricity long denied the many squatters on the Cape Flats will most likely be the cause of greater hardship and then possibly at a time when access to the long awaited electrical facilities are finally within reach.

As usual, it will be the poor who are most likely to suffer from the changes in climate.

This future scenario is not necessarily correct because there are alternatives that South Africa might very well implement.

The obvious solution is to reduce the country's output of carbon dioxide. The Intergovernmental Panel on Climate Change (IPCC), has called for an immediate 60 percent reduction in man-made emissions of carbon dioxide and other Greenhouse gases.

This would entail shutting down most of the country's coal-fired power stations and implementing a considerable alternative energy programme.

Eskom favours nuclear power as an alternative but there are serious doubts as to the wisdom of relying on such a fuel. The relative safety of the nuclear industry is still open to debate while the cost and effort of keeping nuclear waste safe for the necessary thousands of years, stretches the imagination.

Clearly the answer lies in the often neglected area of "renewable" energy.

A recent study found that solar energy installations covering just 0.1 percent of Natal/KwaZulu, could produce all the electricity needs of the region.

Wind energy is another source of clean and relatively free power. A report by the National Energy Council noted that South Africa's coastal areas (such as Khayelitsha) have promising wind potential. More research needs to be done on inland areas. It is quite conceivable that somewhere on the Cape Flats a small wind station will provide free electricity to the local community

Hydroelectricity is perhaps the most promising source of renewable energy. Central and Southern Africa is rich in hydro-electric resources with many powerful rivers capable of delivering thousands of megawatts.

Of course, the simplest way to cope with the crisis would be to lower demand for the electricity in the first place. South Africa's industry which uses 75 percent of the electricity generated by Eskom has been criticised for wasting energy unnecessarily.

Instituting laws requiring energy efficiency would save the country money as well as making renewable energy more attractive.

However, there is no single solution that will cure the country's electricity needs. That is why renewable energy works best when used as an assortment of complimentary projects.

The ability of a future South African government to satisfy the aspirations of the majority of its citizens will depend heavily on how this issue is dealt with. □ PHOTOGRAPH: Yunus Mohamed

We're piggy in the middle, says Eskom

Star 8/4/91

By Esmaré van der Merwe
Political Reporter

Eskom has strongly denounced the punitive blackout of townships by white local authorities in response to massive outstanding electricity accounts.

Communications manager Johan du Plessis said this practice was extremely unfair because it posed serious security and health risks to black communities and punished residents who paid their accounts.

Eskom was firm on its views that non-paying individuals should have their electricity cut off, but not entire towns, he said.

Mr du Plessis said Eskom's negotiations with community organisations confirmed that 80 percent of township residents were prepared to pay their accounts once affordable tariffs and accurate metering and billing systems were implemented.

He said black local authorities owed Eskom about R120 million countrywide, but Eskom had not cut off power supplies to any of the defaulting black towns.

"Some people blame us because we don't cut off electricity.

"This is because they believe blacks don't want to pay for services. But white people would not pay their accounts either if they were to have the problems black residents have.

"On the other hand, most blacks blame Eskom for the mess in which they have been caught up. They don't understand that Eskom cannot bypass the local authorities which have the right of supply."

Power and pollution: Eskom seeks greener future

Star 17/4/91

(55)

South Africa's electricity giant, Eskom, the 10th largest utility on Earth, is growing and has pledged to come clean on environmental issues.

Call it the Commonwealth of Electricity.

South Africa's huge power-generating undertaking, Eskom, now exports energy to every one of South Africa's neighbours and may soon extend an integrated grid to the borders of East Africa.

Eskom runs Africa's only nuclear power station as well as 24 other power plants, including some of the biggest coal-fired plants on Earth.

Increasingly observers have expressed concern about the existing and potential environmental threats posed by such a huge undertaking — its massive outpourings of greenhouse gases and acid fallout; the impact of open-cast coal pits on food production, and its water demands in water-short regions.

Eskom, last week, boldly answered the challenge.

In its annual report it announced it intends to call in independent experts to conduct "an environmental audit" — a full and frank report on Eskom's total impact. The report will be published for public scrutiny.

Eskom, 10th largest utility on Earth, is one of very few utilities to agree to the international "greens" request that all industries volunteer to undergo an annual audit.

Such audits are similar to financial audits, but they assess gains and losses regarding the human environment.

The audit will take three years and will enable Eskom, from then on, to measure its annual progress in relation to curbing air pollution, water consumption and landscape changes.

Chief executive, Ian McRae (61) says: "We have set ourselves the goal of achieving a net positive impact on the natural environment and our programmes have led to an increased environmental awareness."

Fresh stand . . . Ian McRae says Eskom's executives are bound by a green policy.

Eskom's impact is felt across the lower third of Africa, to which it provides electricity amounting to two- thirds of Africa's total.

The utility also has an impact on international relationships.

It recently signed a technical assistance contract with Mozambique, is negotiating one with Zimbabwe; has a training agreement with Malawi and a project management agreement with Swaziland.

Botswana and Zimbabwe have asked it to look at the potential for giant coal-fired power stations in those countries.

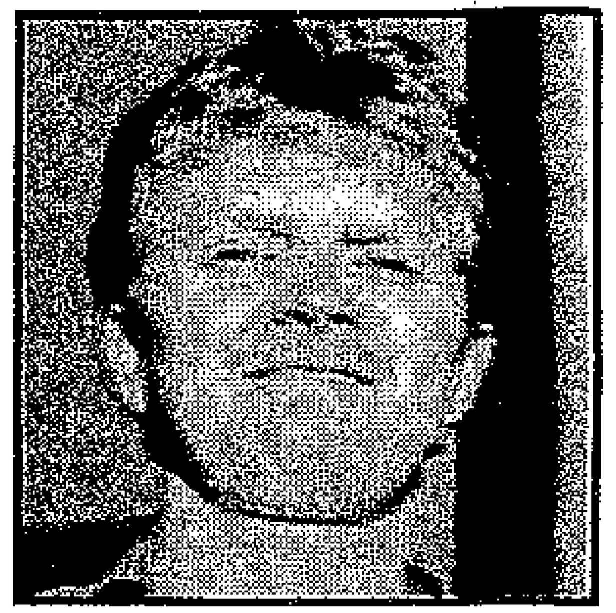
It has for some years been talking to Zaire and, more recently, to Tanzania. It is discussing with Zaire the possibility of hydro schemes on the River Zaire, capable of supplying 140 000 MW — 100 000 MW more than Eskom's expected end-of-the-century output.

On Friday The Star reported that Eskom, after a surprise telephone call from Kenneth Kaunda of Zambia, might now extend its southern Africa network to include Zambia. It has also been talking to Kenya.

It is now politically possible for Eskom to become involved in helping most of sub-Saharan Africa to establish a reliable international electricity grid. But this will entail using more massive amounts of coal.

Currently, Eskom burns 70 million tons of coal a year and this puts about 150 million tons of carbon monoxide (a major greenhouse gas) into the atmosphere — more than the national output of many countries.

Eskom's annual report states frankly that "many" of its existing power stations are unable to "consistently comply with legal air pollution requirements".



Gary Aldwin . . . Eskom staffer praised in the annual report, invented a balloon-mounted camera to inspect smokestack emissions.

"While studies are regularly conducted to apportion impact on air quality and (farm) crops, Eskom is unable to quantify conclusively the impact it is having on the environment.

"At this stage, although good environmental intentions exist, generally there is insufficient understanding in Eskom of the extent of the organisation's actual and potential impacts on the environment and of the ways of managing these issues."

Eskom is also a huge consumer of water but, after South Africa's "Great Drought" in the early 1980s had threatened to rob the giant Eastern Transvaal power stations of coolant water, Eskom has redoubled its efforts to develop "dry cooled" stations and is a leader in the world for "dry cooling".

But dry cooling still requires water. Eskom is steadily decreasing its water comsumption per kilowatt and last year further reduced it by six per cent.

Eskom's contribution to acid rain is considerable. So far there have been no serious effects reported but acid rain and dry acid fallout (from sulphur released by burning coal) tends to be cumulative. In Europe coal-fired power stations have led to the destruction of large areas of forests.

Eskom is likely to score high when it comes to positive social impacts; the independent, self-financing undertaking, whose headquarters are in Sandton, employs 50 000 people.

It has recently built eight schools in record time and at record low costs, and is supporting, at high school level, almost 38 000 children as well as training 766 teachers.

JAMES CLARKE

Transport prices hit by Gulf crisis

B/Day 18/4/91 55

In this, the third of four articles on inflation, SHARON WOOD examines the various trends in transport costs

THE Gulf crisis abruptly halted the steady downward trend in transport prices — a 32c/*l* petrol price hike in November 1990 boosted the year-on-year rate of increase by about 8% in that month.

All components of transport costs — vehicle prices, running costs and public transport fares — were hit by higher global oil prices and domestic petrol prices.

A series of petrol price hikes boosted running costs directly and the effect only began to filter out of the figures in January this year in line with falling petrol prices.

The petrol price soared by 36% to R1,60/*l* in October after the outbreak of tensions in the Gulf. It has since fallen by 23% to R1,30/*l*, but remains above the pre-crisis level of R1,18/*l*.

Vehicle prices slowed down in the first half of 1990 as a result of a stable rand, which dampened the large imported component of vehicle costs. But prices rose again after the outbreak of Middle East tensions.

Public transport costs suffered directly from higher local petrol prices. But these prices had been rising sharply prior to the crisis and have not yet fallen.

Prices for domestic and international airfares soared during 1990, partly as a result of the crisis. But fares have remained at high levels despite the reduction in petrol prices. The fuel levy imposed directly in response to the level of petrol prices was, however, abolished in December 1990.

Bus services have been hard hit by the growing black taxi business and the reduction in subsidies from the government, putting substantial upward pressure on bus prices.

The fall in the petrol price to R1,30/*l* for 93 octane in March will lead to falling transport prices. This effect will first be seen in running costs, where the petrol price is directly measured, and then possibly in producer transport costs. But the latter effect will be more difficult to measure and experience has shown that these prices are inelastic downwards and thus cannot be expected to fall to the level seen prior to the crisis.

Car price increases have outstripped all other commodities monitored by the CPI since 1985. Vehicle prices are up a significant 229% from 1985 prices, compared with a 122% rise in the overall inflation rate.

The main reason behind this spectacular rise since 1985 is the depreciation of the rand. Car prices have a large imported component — as high as 50% — which is directly affected by the strength of the rand, particularly against the Deutschmark and yen.

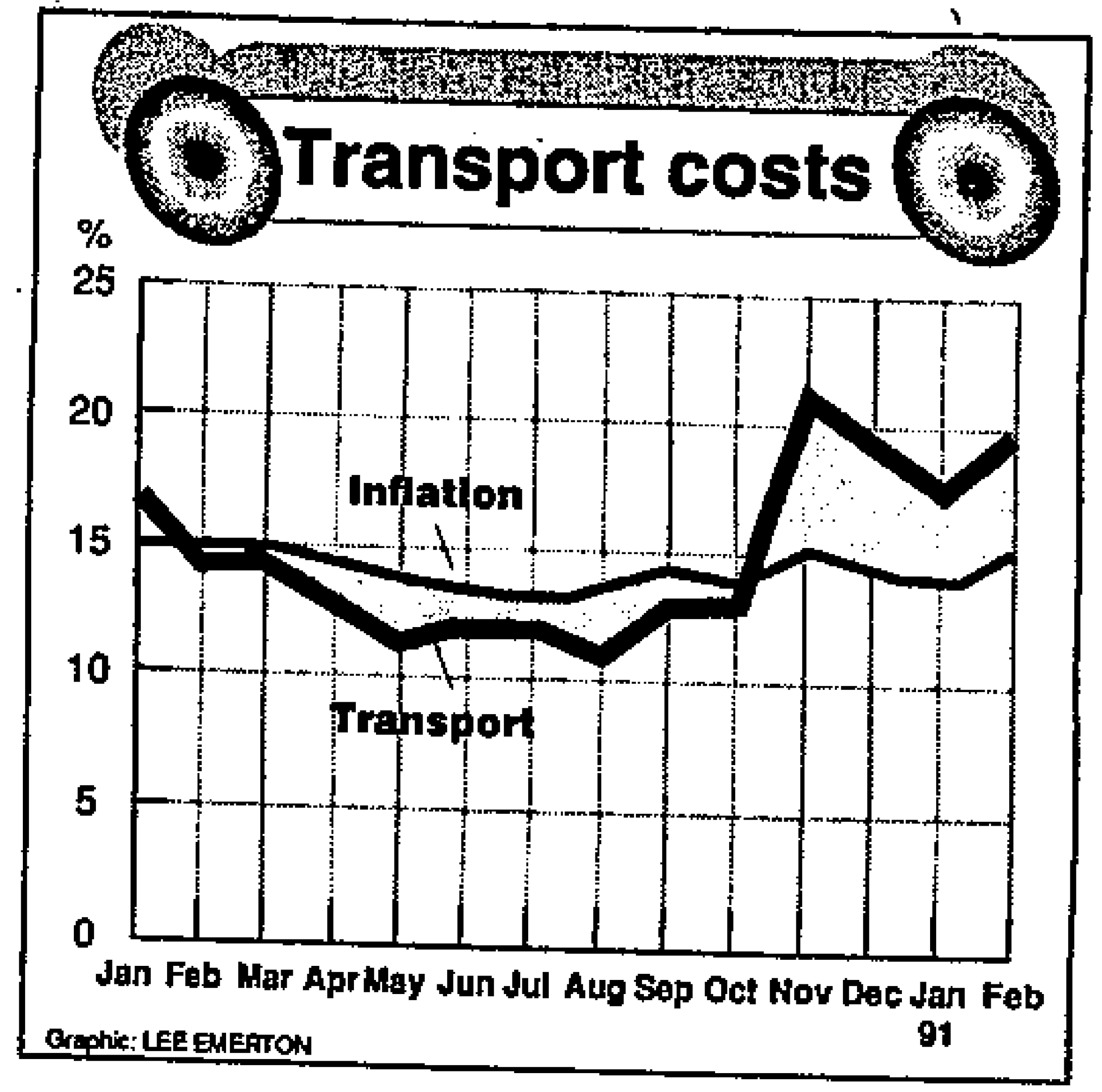
The maintenance of a relatively stable rand over the last two years slowed down the rate of increase in car prices.

The new local content programme, which is determined by the value of components as opposed to the original mass criteria, could have a profound upward effect on car prices, say motor industry analysts.

By increasing the price of a car the local content specification is more easily reached, they say.

In addition, company sales consist of about 80% of the new car market, which enables car companies to pass on price increases instead of reducing margins, they say.

Used car prices have also soared in the last few years, with a move from the private new car market to the used car market, they say.



LETTERS

Electrification's R5bn boon to SA

(55) BDay 25/4/91

BRENT VON MELVILLE

A CAPITAL injection of R5bn over the next four years into a "massive electrification" programme would indirectly supply a million jobs and provide a much needed boost to SA's economy, Eskom chairman John Maree said on Tuesday.

In an interview, Maree said a recent study commissioned by Eskom and undertaken by the University of Pretoria's bureau of economic and political analysis indicated that a massive electrification campaign could improve SA's GDP by 10% and create 1-million new jobs within the next nine years.

Maree said the premise of the report was that 3-million homes or about 60% of the population would be provided with electricity by 2000.

The study added that as many as 2,5-million new jobs could be created by 2015.

Maree said that a programme slanted at supplying electricity to 2-million households by 1995 was realistic provided the necessary funding could be arranged. Such funding, he said, could come from a combination of development and normal commercial financing arrangements.

Maree made the point that electricity could not be supplied on an uneconomic basis but that Eskom has developed systems which substantially reduced the cost of reticulation and ensured revenue flow by means of prepaid meters.

In line with this and Eskom's longer term strategies Maree said Eskom had been developing new tariff structures to encourage better and more efficient industrial use of excess electricity capacity.

At the same time Maree believes that with the improvements in productivity Eskom could ultimately be run with 45 000 people while at the same time generating more electricity. Eskom employs about 50 000 people at present.

● MAREE

"We believe that electricity is one way of stimulating the economy and that if we are going to have growth we must bring more people into the economic arena by supplying them with electricity. A man without electricity is really not a player in the economy," he said.

Recent violence in the townships had served to cloud the issue but the longer term objective had to be the electrification of urban communities.

Towards that end Eskom had at present about 120 projects running where electricity was being used in the both formal and informal urban communities.

DP: total electrification will boost economy

Star 26/4/91

(SS)

An estimated 25 million people were without electricity in South Africa, although Eskom's present capacity could supply every non-electrified household, **Roger Hulley (DP, Constantia)** said in Parliament yesterday.

All South Africa's households could be electrified at half the cost of Mossgas, he said during the privatisation and public enterprise debate.

"This would boost the economy to a significant extent by stimulating the labour-intensive appliance and manufacturing sectors."

A national electrification expansion board with widely representative membership was needed to achieve this largescale electrification, the MP said.

"What is missing is a really determined and concerted effort by Eskom and the Government to implement this programme of expanded electrification."

Powerlines marched across vast tracts of land without feeding current to the people below.

"This is a source of great anger among the black masses."

Electricity greatly increased the quality of domestic life, and it was safe, convenient, cheaper, efficient and environmentally friendlier than wood, coal or paraffin.

Mr Burrows accepted that the use of prepayment meters would be an essential component of an electrification expansion drive. — Sapa.

Premium on oil price stays

B/Day 29/4/91 (55)

ZILLA EFRAT

SA WOULD continue to pay a premium on imported oil until the international oil embargo against it was lifted, Mineral and Energy Affairs Minister George Bartlett said at the weekend.

Speaking at Fuelsave 1991 at Kyalami on Saturday, he said the end of the Gulf war and the decrease in the international crude oil price did not signal easy energy times for SA.

Oil imports would continue to exert a strong pressure on SA's balance of payments until the rand stopped sliding against international currencies.

Bartlett said shortly after the start of the national fuel saving campaign in October last year and the higher fuel prices in the wake of the Gulf crisis, fuel consumption began to drop. The trend had reversed in January.

Mossgas has been excellent exercise for the industry

SS

B Day · 3/4/91.

THE local petrochemical industry received a boost with the Mossgas project — and consulting engineering firm Broadhurst, Oliver & Parker, which recently merged with De Leuw Cather, is at the forefront of the developments.

Former senior partner of BOP and now a director of DLC Rob Parker says: "We were virtually the first consultant appointed for the on-shore project in January 1988, which is still underway.

"It is a huge project for us — the fee income alone is over R3m.

"Despite all the criticism it has received, Mossgas has been an excellent exercise for SA as a whole.

"It has created a tremendous amount of employment at a time when something of this nature was needed to stave off complete economic collapse.

"At the same time, the project has motivated skills training and has resulted in technical transfer from overseas."

But the firm's involvement in the industry is not limited to Mossgas.

"The unrest of the past few years made the introduction of fire control systems at petrochemical plants a priority.

"For instance, in Durban Total SA invested R5,5m in a fire protection system at one of its plants and in Alrode, Total and Sasol have invested about R2,5m each in similar systems."

This process, he says, is close to completion and future plants will have fire control systems installed at the construction stage.

Another aspect of activity within the oil industry promises to keep DLC busy for some time.

N83

Allowed

"In terms of amendments to the Transport Act, oil companies are allowed to transport their products greater distances by road than was previously allowed.

"Because of this, the oil companies are consolidating their depot operations — which in some cases calls for extensions to existing depots.

"At the same time, the oil companies have become aggressive in their marketing programmes, with the result that numerous new service stations are being built.

"The oil industry is highly specialised and there are few firms in SA able to offer the full range of civil engineering, mechanical engineering and project management expertise that we can," says Parker.

Deregulation of fuel industry 'unlikely'

ZILLA EFRAT

GOVERNMENT is believed to have been advised not to go ahead with the full deregulation of SA's fuel industry.

The authorities declined to comment yesterday, but Mineral and Energy Affairs Minister George Bartlett is expected to make an announcement in his departmental budget speech in Parliament on Friday.

A source said it was found deregulation would not work in a small country like SA, but added that some streamlining could be expected in the fuel industry. B/Day 30/4/91

Department of Mineral and Energy Affairs director-general Piet Hugo said certain recommendations had been made to Cabinet by the National Energy Council (NEC).

Cabinet had made a decision on these on Wednesday which would be confirmed by its minutes today. Hugo and an NEC spokesman declined to comment on the decisions.

It has been reported that deregulation could bring about some price competition at the refinery and filling station level. It could also create more freedom for imports and exports of refined and unrefined products and lead to some retrenchments in the industry.

SA sells off some oil reserves (55)

W/Mail 3/5-9/5/91.

Weekly Mail Reporter

PRESIDENT FW de Klerk has stated that R1-billion will be raised by selling off part of our strategic oil stockpile.

But confirmation of persistent rumours that South Africa is already selling off strategic oil reserves comes from *Africa Confidential.*

The newsletter sources the information to London oil traders. It says that in December when world oil prices were around $30 a barrel South Africa sold into Europe between three and five very large crude carrier cargoes of heavy crude oil, of Iranian origin.

Marketing was undertaken by several firms, including the Marc Rich company, it says.

The newsletter puts our strategic oil reserves at 60-million barrels, stored underground in converted mines.

people".

But a former member of the AN(

Sowetan 3/5/91

Go-ahead for power proposal

THE giant Cahora Bassa hydro-electric scheme in Mozambique may yet supply electricity to the sub-continent following the agreement of Mozambique's Renamo rebel movement to the rehabilitation of power lines from the project to South Africa.

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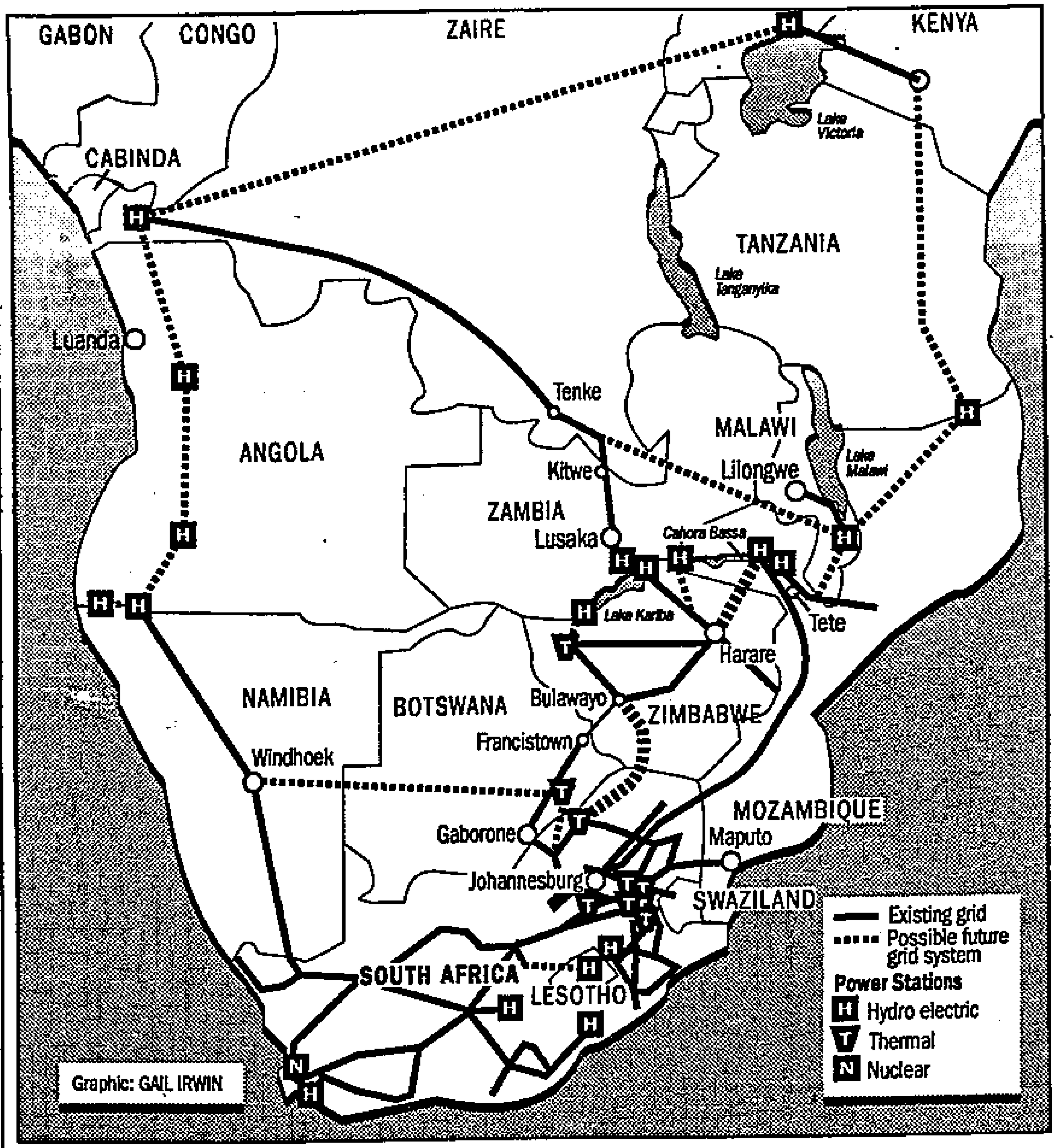
Rebel leader Alfonso Dhlakama has publicly agreed to the repair of transmission lines sabotaged by Renamo.

Confirming the agreement this week, Eskom's corporate secretary and secretary to the Permanent Joint Committee on Cahora Bassa, Mr Dries Loots, said the scheme could now be on line in less than three years.

"Now that we have the go ahead from all parties, we can finalise financial arrangements," he said - *Sowetan Correspondent*



Graphic: GAIL IRWIN

Power for Africa

New, enlarged grid will galvanise a huge region

Star 4/5/91

DEREK TOMMEY

THE men running Eskom, this country's electric power producer, are working on an imaginative plan which promises to make Southern Africa one of the world's industrial giants in the next 30 years.

They aim to harness the sub-continent's huge resources of hydro-electric power and, through an international grid, provide all the countries in the area with the world's cheapest electricity.

This electricity, in addition to its low price, will also have other advantages. It will be largely renewable and, being non-nuclear, will be environmentally friendly — increasingly important qualities as fears grow about the harmful effects of nuclear and carbon fuels.

All this will give the sub-continent a huge competitive boost within the industrialised world. It could make the region one of the world's major industrial workshops. It is certainly expected to significantly elevate general standards of living just about everywhere from South Africa to Zaire.

"It will not happen tomorrow," said Mr Jac Messerschmidt, Eskom's general manager in charge of planning. "But it could happen within 15 years."

He emphasised that it was not a pipe-dream. Only political differences could prevent it from happening, and this was unlikely. "We have spoken to most of the countries in the area and have had a good response from just about everybody. They are most enthusiastic," he said.

Several parts of the master plan are already receiving attention. These include repairing the power line from Cahorra Bassa in central Mozambique to the South African border; building a power line from Cahorra Bassa to Harare; and the possibility of building a power line from Matimba, Eskom's new power station near Ellisras in the north-western Transvaal, to Bulawayo.

Mr Messerschmidt said the existing line from Cahorra Bassa has been sabotaged. But Eskom is helping HCB, the operating authority, in its planning to get it back into operation.

"The big problem is finance. You need an assurance that this will be available. Encouragingly, plans for raising the money are almost complete. The moment we secure the money we can start repairing this line," he said.

Ensuring the security of the repaired line should not be too much of a problem. "There is a growing understanding that it is not a good idea to sabotage this line."

Mr Messerschmidt said that the sabotage of the Cahorra Bassa power line had been a great tragedy. "You have a magnificent power station capable of producing 2 000 MW and it is producing no more than 20 MW.

Once the finance was there it would take between two and three years to repair the line, so it should be completed in 1994-95.

The proposed line between Cahorra Bassa and Harare will take about two years to build and should be completed in 1993-94.

Eskom and ZEZA, the Zimbabwean electricity supply authority, are also considering building a power line between Matimba and Bulawayo. Once this line is constructed there will be a strong connection between the southern part of the sub-continent's grid, mainly in South Africa, and the northern part which stretches to Inga on the Zaire River and the South African section.

The Cahorra Bassa-Harare line and the Matimba-Bulawayo line will provide Zimbabwe with two alternative sources of power and South Africa with a second link to Cahorra Bassa.

Once the grid between Inga in Zaire and South Africa is complete, attention will be turned to greatly expanding power production at Inga which is said to have "exciting potential". At present the power station there is generating 2 000 MW from a "run of the river" turbine.

"You do not need a dam to generate power at Inga," said Mr Messerschmidt. "The river is so strong that all you need do is put a turbines in the river."

South Africa has the capacity to produce 35 000 MW. On a cold winter's morning the country consumes 21 000 MW. Inga has the potential to produce between 100 000 MW and 140 000 MW — and at a price well below that of Eskom.

"It makes more sense to develop Inga than build power stations in South Africa. In fact it is possible that Eskom might have built its last power station.

"If we get Inga power we will be the cheapest power in the world and will give us the potential to turn this part of the continent into an export power house." he said.

At present both Zimbabwe and Zambia are short of electric power said Mr Messerschmidt. For the next five years or so South Africa, which has surplus capacity, could make good their short-falls.

But the long-term aim is to feed power from the north to the south. The hydro-electric resources are all in the north and ideal would be to encourage the northern countries to develop and sell this power to South Africa.

There is the problem that bankers overseas claim that you can pour money into Africa and nothing will happen, warned Mr Messerschmidt.

"But I think that if you tackle a project like this with Eskom and it is properly managed, the IMF and World Bank should have no problems advancing the money."

Paraffin price to come down by 10 cents

Cape Times (SS) 4/5/91

Political Correspondent

THE wholesale price of illuminating paraffin will be decreased by 10 cents a litre from Monday, the Minister of Mineral and Energy Affairs, Mr George Bartlett, announced yesterday.

Speaking during the debate on his Budget vote, Mr Bartlett said that apart from a few minor changes, the government had decided to retain existing regulations regarding the petroleum fuels industry.

The changes accepted, he said, concerned the "depoliticising" of market-related price adjustments, the deregulation of oil-refinery activities and the scaling down of some requirements relating to service station rationalisation.

The minister said existing regulatory measures had been developed over the years, and "constitute a fine balance between the interests of the various groups involved".

Most of the measures, especially retail price maintenance, could not be repealed without disturbing the balance.

Changes which had been accepted, he said, were that:

- DEcisions on price adjustments would in future be dealt with by the Minister and Department of Mineral and Energy Affairs;
- there would be a return to the pre-1984 situation with oil-refinery profits based on the post-refining margin, and;
- the service station rationalisation plan would be continued, but the requirement in respect of motor repaid facilities with which a station has to comply, would be scaled down. This would be done only in the "longer term" and would place all service stations in the country on an equal basis.

Electrification 'a priority'

CM Trib 4/5/91 (55) 103

Political Correspondent

THE electrification of about 570 000 formal and informal private dwellings in South Africa should become a national priority, the MP for Caledon, Mr Lampie Fick, said yesterday.

"In view of the immeasurable benefits in the form of improved quality of life, educational technology, reduction in the birth rate and savings in medical and related costs, the electrification of metropolitan townships should pay for itself," he said.

Speaking during the Mineral and Energy Affairs budget debate, Mr Fick said Eskom's installed capacity of 35 000 megawatts had a surplus of about 10 000 megawatts, of which only about 3 000 would be needed to electrify every single formal and informal household in the country.

The electification of 570 000 formal and informal metropolitan dwellings would improve the quality of life of 2,9 million people.

"The savings in direct medical treatment and improved health of about two million people is immeasurable."

Eskom helps to bring light

S/Times (Bus Times) 5/5/91

A PRIMARY area of co-operation between South Africa and Mozambique is electricty supply.

Eskom supplies Maputo thorugh the Infaleni line from Komatipoort. Maputo is frequently short of power and residents are accustomed to sudden blackouts.

Eskom has signed a tripartite agreement with the Mozambique electricity corporation, Electricidade de Mozambique (EDM).

Under it, SA will buy most of the power supplied by the Cahora Bassa hydro-electric plant in northern Mozambique.

Cahora Bassa, on the Zambezi River at the head of the Cahora Bassa dam, is in perfect running order, but is supplying electricity only to the surrounding areas because the transmission lines between it and SA are frequently sabotaged in the civil war.

Financing is virtually in place for the recommissioning of the lines and export credits have been guaranteed.

Eskom has committed itself to the development of the Southern Africa grid, which would involve financial and technical assistance.

Studies have been carried out to investigate the feasibility of building a line from Cahora Bassa to Harare because the Zimbabwe Electricity Supply Commission (ZESA) will require more power soon.

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Cede

An Eskom spokesman says: "We have agreed to cede some of our rights to Cahora Bassa power should this project prove feasible."

An agreement signed in November 1990 committed Eskom to providing technical assistance to EDM as part of a World Bank-funded rehabilitation of the Maputo thermal power station. The duration of the agreement is three years, during which Eskom will second to Maputo an operating manager, a maintenance manager and specialist.

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

Persons under 18 awaiting trial

271. Mr D J DALLING asked the Minister of Law and Order:

How many persons under the age of 18 years were awaiting trial in police cells as at 31 December 1990?

B692E

The MINISTER OF LAW AND ORDER:

611 persons.

Note:

Children are not, if it is at all possible to accommodate them in any other approved place, detained in police cells. When it is unavoidable that a child be so detained by the Police, the strictest precautionary measures are taken to prevent children from coming into contact with adult prisoners.

The children detained on 31 December 1990 were in police cells because there were no approved places or places of safety to which they could be sent, and in single instances where places did exist, they could not be accommodated because those places were full.

There were also instances where parents were not prepared to take the children into their care, and where the Police had grounds for believing that the parents would not bring the children to court.

Methanol/ethanol research: funds voted

328. Mr J CHIOLÉ asked the Minister of Mineral and Energy Affairs:† SS

(1) Whether any funds have been voted in respect of research in regard to (a) methanol and (b) ethanol for the 1991-92 financial year; if so, what amount in each case; SS

(2) whether a study has been made as regards the total diesel consumption of the Republic being supplemented by means of diesanol (methanol specially adapted for diesel engines); if so, what conclusion has been reached;

(3) whether a study has been made of how long it will take to make the Republic totally self-sufficient in respect of diesel needs in the event of a total oil boycott; if so, what were the findings;

(4) whether any amount for socio-economic upliftment has been set aside for the above-mentioned financial year out of the funds used for the supplementation of oil supplies and other strategic raw materials; if so, what amount?

B866E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) (a) and (b) No specific research projects concerning methanol and ethanol have been budgeted for the 1991-92 financial year. However, the National Energy Council is continuing to monitor worldwide developments in this regard.

(2) Yes, when a diesel shortage was anticipated during the early 1980s thorough studies were conducted and it was concluded that diesanol could be used as a diesel substitute subject to specific technical and safety conditions which would need to be complied with. Technical reports in this regard are available.

(3) Yes. A study was done regarding increasing the level of self-sufficiency in liquid fuels, including diesel, and it was concluded that it would not be economically viable to become fully self sufficient in diesel requirements within the foreseeable future.

(4) Concerning the activities of the Department of Mineral and Energy Affairs, no funds were put aside to augment oil stocks and other strategic materials for the 1991-92 financial year.

AEC signs with Avis Lease

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MARC HASENFUSS

THE Atomic Energy Corporation (AEC) signed a full maintenance leasing (FML) contract with Avis Lease this week — a move representing the largest commercialisation of a state or semi-state owned vehicle fleet in SA. B/Day 10/5/91

Avis Lease MD David Hyman said AEC was the fourth semi-state enterprise to opt for FML with Avis Lease. The company had acquired half the 500-strong fleet on lease-back and would replace the remainder.

An AEC spokesman confirmed that the company was proceeding with detailed contract negotiations with Avis Lease. "The scheme enables us to control costs, allows greater flexibility and our fleet is put to maximum use." Avis Lease retains ownership of the fleet and carries all risks and responsibilities.

The maintenance operation will be managed through Williams Hunt Delta, while Avis also takes over management of AEC's fleet of pool vehicles.

Fuel giants to spend billions

BDay 14/5/91.

(55)

ZILLA EFRAT

THE SA fuel industry is set to invest billions of rands in refinery capacity in the wake of forecast growth in demand and planned deregulation of refining activities.

Engen has announced a R1,5bn expansion of its Durban-based Genref refinery and Caltex will spend R240m upgrading and expanding its Milnerton refinery.

A Shell spokesman confirmed that the company would expand its refinery over the next three years.

Total and BP are also looking at capacity expansion.

Industry experts say demand for fuel is forecast to grow at a real rate of 4% a year. However, while investment in SA refinery capacity is driven by local market requirements, the prospects of exports, and therefore increased throughput, could make this investment more attractive.

Once the oil embargo is lifted, SA is set to become a large fuel exporter to certain southern African countries. Strong demand from the east coast of Africa and Indian Ocean islands is expected.

But with SA refineries running close to capacity, new investment is required to meet the demand after the mid-1990s.

While the multinationals based in SA had continued to upgrade their refineries, they had stopped investing in increased capacity when Sasol 2 and Sasol 3 came on stream in the early 1980s, observers say.

Some oil companies were also reluctant to be seen making large investments in SA.

Investment in new synthetic fuel projects appears highly unlikely at current oil prices and as strategic needs fade, experts say.

An important factor opening the way for new investment in refining capacity is government's recent announcement that refining activities will be deregulated, making them market-orientated.

Completed Mossgas to slash 13 000 jobs

B10 cy 14/5/91. (55)

LESLEY LAMBERT

CAPE TOWN — The Mossgas workforce in Mossel Bay will be slashed from about 14 000 to 970 by the end of the year, when construction work has been completed and contract workers' terms have expired.

Mossgas spokesman Harry Hill said yesterday bulk construction work on the R8,8bn petro-chemical refinery would be completed by year-end. Only 970 employees would be kept on to operate the completed oil-from-gas project.

The "demobilisation" of the workforce would begin at the end of next month.

"As work reaches completion, the labour profile changes from civil to mostly mechanical and electrical installation," Hill said. Most contract workers were brought to Mossel Bay from other parts of SA and had been housed temporarily.

Sapa reports that trade unions representing more than 10 000 contracted construction workers have already started negotiations on retrenchments.

The National Union of Metalworkers of SA, which represents about 6 000 on-shore site workers, entered its fifth round of retrenchment talks with Mossgas this week, a union spokesman said.

Negotiations have focused on procedural matters and severance pay.

Work on the project began in 1988, with construction starting the next year. Since then strikes and bad weather had delayed completion by about six weeks, Hill said.

NEC figures on petrol price

(55)

GERALD REILLY

PRETORIA — PWV motorists paid on average 1,08c/l too much for 93 octane petrol last month, says the National Energy Council (NEC). BIDay 15/5/91

A statement yesterday said the rand had deteriorated against the dollar since the fuel price reductions of March 25.

The NEC put the February overrecovery at 3,36c/l. Between March 1 and March 24 it was 12,13c/l; from March 25 to March 31 2,134/l; and in April 1,08c/l.

It added international diesel market prices had decreased since March 25. The lower landed cost of diesel resulted in an average overrecovery of 5,16c/l last month.

Govt oil sales 'will halt crude imports'

(55)

B Day 15/5/91

ROBERT LAING

GOVERNMENT intends selling oil hoarded in disused coal mines to local refineries, resulting in a three-month halt in crude imports beginning in June, the Petroleum Intelligence Weekly has reported.

"Pretoria is hoping to raise some R2bn through the sale to domestic refiners of stocks held in former coal mines in the Transvaal, much of it Iranian oil in storage since before the revolution more than a decade ago," the US-based newsletter said.

It estimated SA's strategic oil stockpile at between 60- and 80-million barrels.

President F W de Klerk announced last month that government would reduce its strategic stockpile to raise R1bn for socio-economic upliftment and this could be raised to R2bn as SA's international economic position improved.

The newsletter said: "Assuming the crude is sold in the $16- to $20-a-barrel range, Pretoria's goal would translate into 38- to 48-million barrels over a three- to four-month period."

This meant local refineries would be able to buy their oil locally for about three months starting June, "with the attendant drag on our crude markets east of the Suez", the report said.

The Gulf had been the leading source of SA's 300 000 to 400 000 barrels-per-day imports, but orders had become increasingly eratic with SA becoming a major player in the forward market for Dubai crude.

The National Energy Council's response to the article was: "We regret that all information regarding crude oil movements in SA is classified information and we are therefore not able to comment on the factual correctness of the report."

Oil company spokesmen also said they were gagged by security legislation.

☐ The newsletter also reports that the expansion of SA's four refineries, which will boost the 430 000bpd capacity by between 150 000bpd and 200 000bpd, is aimed at regional as well as domestic markets. Local oil groups are looking at future supply contracts in neighbouring countries and leaders from Tanzania, Zambia and Angola are expected to begin negotiations soon.

"Down the road, a crude-processing agreement with Angola, which has 515 000bpd production and only 37 000bpd of refining capacity, would be a natural move," the newsletter said.

Argus 18/5/91.

Outlook for fuel industry good

John Spira
in Johannesburg

SOUTH Africa's fuel industry is in the throes of huge new investments aimed at enlarging refining capacity against a background of growing demand for fuel products and the planned deregulation of refining activities.

Now is therefore a good time for investors to take positions which will yield them benefits once the fruits of such activities ripen.

Although investment opportunities on the JSE linked to the prospective expansion of the fuel industry are limited, one really needs look no further than Engen.

South Africa has four crude oil refineries:

- Two in Durban, one of which is owned by Engen and the other by BP and Shell.
- Sasolburg, jointly owned by Natref, Total and Sasol.
- Cape Town, owned by Caltex.

Shell, Total and BP are expected to expand their refining capacities in the next few years, while Engen is expanding its Durban refinery by an initial 50 percent, to be followed by further phased-in expansions.

Spare refining capacity is small. The surplus capacity created by Sasol's synfuel production in the 1980s has now evaporated in the face of rapid growth in demand.

The demand for petroleum fuel products has been growing at twice the rate of economic growth, while Sasol's production of synfuels, which satisfies about one-third of demand for fuel products in South Africa, is stagnant.

This means that demand for fuel from other refineries in the country is rising at a rate roughly three times that of the growth in the economy.

These circumstances alone are boosting investment expenditures in this sector.

Adding to the process are:

- The crumbling of sanctions — which is freeing domestic foreign-owned oil companies from investment constraints on their expansion in South Africa.
- No new synthetic fuel projects are in prospect for the next few years owing to the erosion of sanctions and the poor projected profitability of such prospects given the current level of the oil price.

In contrast, the potential viability of oil refining operations is considerable.

Local refining margins are largely determined by international refining margins, with the latter poised to improve owing the absence of global spare refining capacity.

Enhancing the outlook for South Africa's refiners is the prospect of exporting fuel products once the oil embargo disappears.

Local oil companies are reported to be looking at future oil supply contracts with neighbouring countries as well as nations in East Africa and the Indian Ocean.

The industry's profitability should likewise be boosted by pending deregulation moves, with the industry having requested the authorities to deregulate the returns achieved by the refineries in the light of plans to expand refining capacity.

Given this background, it isn't surprising that Engen, South Africa's ninth-largest industrial group in terms of market capitalisation, has attracted Diagonal Street's attention.

Some 75 percent of its profits are derived from oil refining, with the balance stemming from its retail distribution activities. Its refining capacity is being expanded and upgraded, with projects costing R800 million already off the drawing boards.

In the year to August 1990, Engen earned 194c a share and paid dividends of 97c. A four-for-10 rights issue at 2500c a share has just been completed.

For the current financial year, it would not be unreasonable to expect earnings to advance to 230c and the payout to 115c for a forward yield of 3,8 percent — not at all unattractive, bearing in the exceptional potential.

R1bn windfall in oil awaits Reserve Bank

SHARON WOOD 55

THE current account surplus could be boosted by up to R1bn this year if government implemented its plan to sell SA's strategic oil pile to local refineries, economists said on Friday.

A recent Petroleum Intelligence Weekly report said that government would sell oil hoarded in disused coal mines to local refineries, resulting in a three-month halt in crude oil imports from June.

Some economists expressed doubt that oil imports would be completely halted for three months. But if they were, the savings of R1bn on oil imports, an estimated quarter of SA's annual oil import bill, would boost the current account surplus by the same amount. BDay 20/5/91

First National Bank international economist Simon Willson said halting oil imports for three months was possible and he had had "independent, semi-official corroboration" that this would take place.

The sale of oil stockpiles locally would help meet two objectives, he said. It would generate funds for socio-economic development and it would help the Reserve Bank achieve its target of building up three-months import cover.

"The suspension of oil imports would conveniently reverse out the sudden rush of unclassified imports in January. It would also be conveniently placed to help over the next bulk debt repayments in August," said Willson.

Safto CE Wim Holtes said it would be a good idea to sell strategic oil stockpiles. "At current interest rates the stockpiles are very expensive to keep and the money should be used now," he said.

"The stockpiles are keeping money out of the economy and they should be sold to put in a bit more liquidity while interest rates are kept high," he said.

Nedbank chief economist Edward Osborn said: "If this (the sale of stockpiles) is true it will have a significant effect. But it would be extraordinary to cut off supplies totally and then hope to resume them again after three months."

"We are looking at a current account surplus of R2,7bn and if oil imports are halted for three months this would be boosted to about R4bn," he said.

☐ To Page 2

Windfall

BDay 20/5/91.

☐ From Page 1

55

He said a higher current account surplus on the BoP would ease the burden of a debt redemption of about R5,5bn this year.

With a current account surplus of R4bn, SA would have to roll over about 30% of its debt this year — as opposed to 50% with a R2,7bn surplus.

Bankorp chief economist Nick Barnardt said that the sale of oil reserves would raise liquidity in the money market, which would make liquidity management more difficult for the Reserve Bank.

The money raised from the sale of oil stockpiles would be used to finance development.

This would eventually have a negative effect on the BoP by raising imports, although this effect was difficult to quantify.

Government authorities have refused to confirm or deny that they intend selling strategic oil stockpiles, because this is considered classified information.

Transvaal a winner in fuelsavers' stakes

ZILLA EFRAT

THE fuel-saving campaign launched by the National Energy Council (NEC) and SA's nine oil companies seven months ago has contributed to a marked and sustained reduction in fuel consumption.

Lower consumption had saved SA an estimated R160m in foreign exchange, the NEC said in a statement yesterday.

The NEC said South Africans used 1,8% less fuel in March, compared with March last year.

Transvaal motorists were the best fuelsavers, with petrol consumption 2,7% down on the previous March.

While consumption fell 1,5% in Natal, it declined by only 0,5% in the Cape Province and 0,2% in the Free State.

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NEC Transport Energy group executive Robert Scott said: "These savings are particularly meaningful when the normal expected growth in consumption is taken into account."

However, despite the savings already achieved, Scott emphasised that SA remained under pressure to restrict costly oil imports.

Litre-wise drivers save R160-m fuel

Star 21/5/91

Staff Reporter (SS)

South Africa saved an estimated R160 million in foreign exchange since the start of a fuel saving campaign seven months ago, the National Energy Council (NEC) announced yesterday.

The NEC said the campaign, launched in conjunction with the country's nine oil companies, contributed to a marked reduction in fuel consumption.

South Africans used 1,8 percent less fuel in March compared to March last year.

Transvaalers were the best fuel savers with consumption down 2,7 percent.

In Natal consumption decreased by 1,5 percent, in the Cape 0,5 percent and in the Free State 0.2 percent.

"These savings are particularly meaningful when the normal expected growth in consumption is taken into account," NEC Transport Energy group executive Dr Robert Scott said.

Dr Scott said petrol usage decreased consistently in the six month period till the end of March, with the exception of January when fuel usage showed a slight increase.

However, he emphasised that South Africa remained under pressure to restrict costly imports.

Dr Scott said the NEC would continue to:

- Discourage wasteful driving habits;
- Encourage local authorities to create systems which provide an easy flow of urban traffic;
- Encourage fleet owners to save fuel.

Nuclear energy's role 'must grow'

BDay 23/5/91

NUCLEAR energy will have to play an increasing role in satisfying SA's future electricity demands, Atomic Energy Corporation chairman Wynand de Villiers said in Johannesburg on Wednesday.

Coal resources would be depleted during the first half of the next century, he added.

De Villiers was speaking at a conference of the Southern African Institute of Energy in Johannesburg.

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The installation of nuclear power stations could not be delayed until all coal resources had been exhausted, he said. — Sapa.

Mossgas to retrench 13 000

Argus 25/5/91

(55) (~~335~~) (33 ~~161~~)

Weekend Argus Correspondent

GRAHAMSTOWN. — Agreement has been reached over a retrenchment package for 13 000 Mossgas project workers in Mossel Bay after negotiations with various unions representing the workers ended this week.

Separate agreements were reached between the civil engineering contractors and the mechanical, electrical and instrumentation (MEI) contractors with the various unions representing the workers in these sectors.

Mossgas said the main feature of the agreement with the MEI contractors was reached between the National Union of Metal Workers of South Africa (Numsa); the South African Boilermakers, Iron and Steel Workers, Shipbuilders and Welders Society and the South African Iron, Steel and Allied Industries Union.

Need mandate

The agreement included the payment of a project completion bonus based on an employee's period of service on the project; an undertaking by the contractors and the trade unions to assist in obtaining training opportunities for employees; a commitment to industrial peace for the duration of the project; and an undertaking that workers be retrenched on a last-in first-out basis (Lifo), subject to contractual obligations and the retention of special skills.

A Numsa organiser for Mossgas, who refused to be named, confirmed today that an agreement had been reached over the retrenchment of the workers.

He said he would need a mandate from the union to release details of the agreement.

Meanwhile civil engineering contractors and the Construction and Allied Workers Union (Cawu) agreed on a demobilisation procedure; retrenchment packages based on the period of service on the project; and that retrenchment criteria would be based on Lifo, subject to special skills experience.

Cawu could not be reached for comment.

The 13 000 workers will be retrenched gradually from the second half of this year as the onshore Mossgas project nears completion.

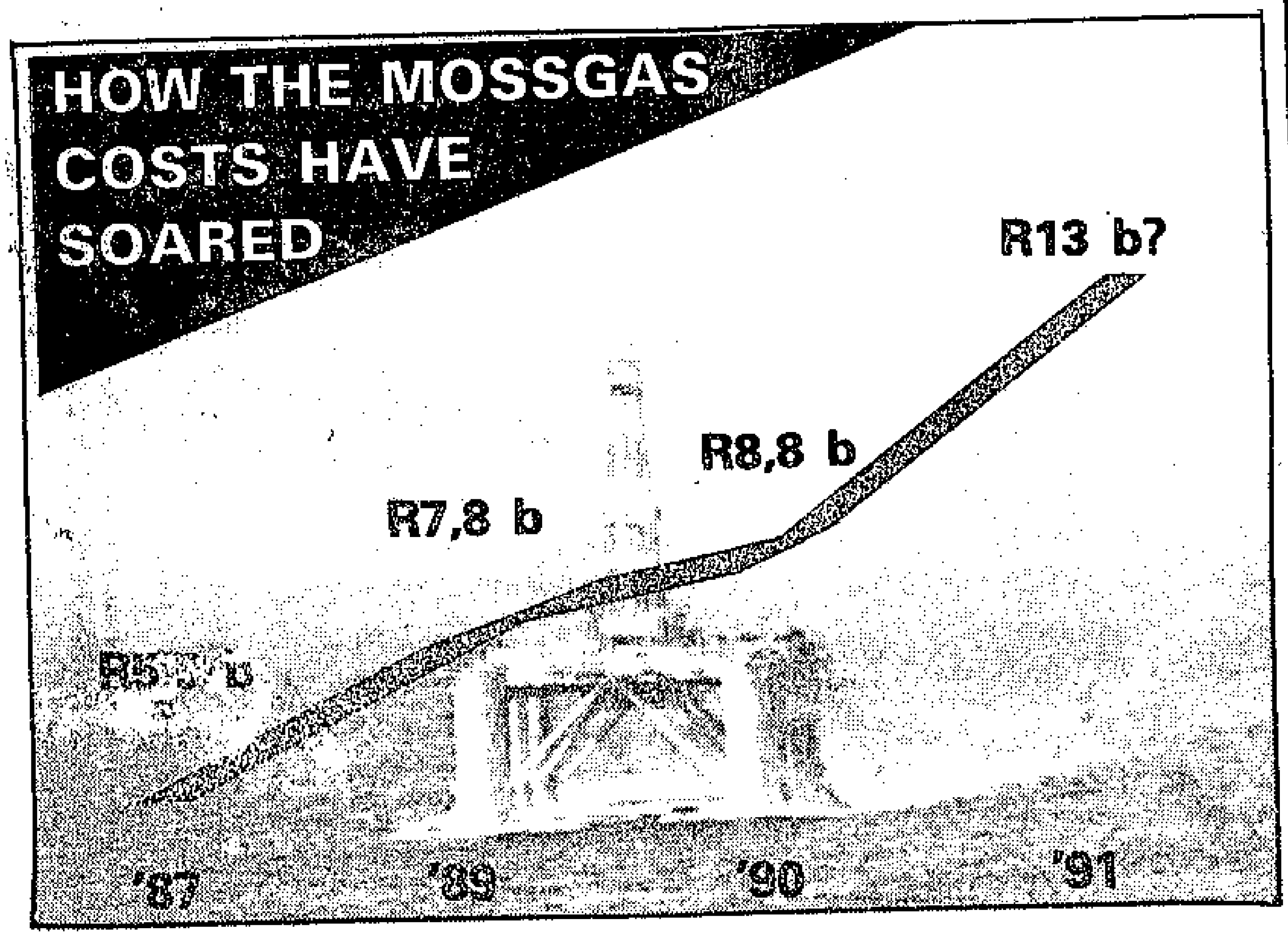
LATEST PRICE TAG: R13-b?

Mossgas balloons

(55) ARGUS 25/5/91

Weekend Argus EXCLUSIVE

FRANS ESTERHUYSE
Weekend Argus
Political Correspondent



COSTS of the giant Mossgas fuel project are set to balloon again — this time by a staggering R4-billion.

This information, obtained by Weekend Argus from unofficial sources, raises new fears in business and political circles that the project is destined to become South Africa's biggest "white elephant" — and a growing additional burden on taxpayers.

So far, the information has not been confirmed or denied by the government following a request for further details and comment, faxed earlier this week to the new Minister of Mineral and Energy Affairs Mr George Bartlett.

The 17-line Weekend Argus request was referred to top officials in the department, but a spokesman said it might take anything up to a week to provide answers.

Both the government and Mossgas have lately been maintaining a tight-lipped silence on cost estimates, which have so far almost doubled since an original R5,5-billion estimate when the project was launched at Mossel Bay in 1987. Since then, in mid-1989, Mossgas reported a capital cost estimate of R7,8-billion and this figure rose to R8,8-billion last year.

In recent times — as the cost estimate grew bigger and bigger — Mossgas has come to be regarded as a costly left-over of former President P W Botha's "siege economy". With sanctions against South Africa crumbling, the relevance of Mossgas to the country's economic priorities is said to be declining fast.

Mossgas retrenches 13 000 — page 8

The latest unofficial cost estimate given to Weekend Argus by sources close to government is about R13-billion — nearly R4-billion up from the 1990 official estimate of about R8,8-billion.

Mossgas managing director Mr Bernard Smith this week described the suggested R4-billion increase as "completely unrealistic", but he declined to disclose the latest figures. While admitting there will be cost increases, he says they

■ Turn to page 3

Mossgas balloons

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■ From page 1. ARGUS 25/5/91

will be "minor" in relation to the figure mentioned to Weekend Argus.

However, Democratic Party energy spokesman Mr Roger Hulley says that, earlier this year, he heard "whispers" about a big cost increase. The figure mentioned to him put the total cost at about R12-billion.

It was this information — from an "authoritative source" — that had prompted Mr Hulley to table questions in Parliament in March about the estimated total cost and viability of the Mossgas project.

Among questions he put to the then Minister of Mineral and Energy Affairs, Dr Dawie de Villiers, were: What is the latest estimate for the total cost of the project, and in respect of what date is this estimate furnished?

No information

The Minister replied: "During October 1990 it was indicated to the press that the estimate for the fixed capital cost of the FA development was R8,8-billion at that stage, and that the final cost would be reported at the completion in 1992." The date given by Dr De Villiers for the estimate he mentioned was July, 1990.

Mossgas's Mr Smith gave as his reason for non-disclosure of the latest estimates that Dr De Villiers had indicated no further information would be given until the final cost was reported at the completion of the project in 1992.

According to Mr Smith, Mossgas reviews its cost estimates on a monthly basis and "there are changes from time to time."

It could not be established this week whether or not the new Minister, Mr Bartlett, would continue his predecessor's policy of withholding further information until the project has been completed. Officials in his department who were asked about this did not know the answer.

White elephant

Meanwhile, Mr Hulley has called on the government urgently to issue a new, revised White Paper on energy policy. He says expenditure on the synthetic fuel programme should be "slashed to the bone" in the light of political developments — and current projects should be shelved.

Mossgas should be re-evaluated, he says. Consideration should be given to having the project "moth-balled", or to diverting it to other uses, or slowing it down.

Mr Hulley, during debate in parliament earlier this month, described Mossgas as "a gold-plated white elephant" and said it was "a spectacular waste of money which was inspired by the siege mentality of the P W Botha era."

It was a project that created only about 1 000 highly specialised jobs — often for people who had to be imported — and it could only satisfy about five percent of the nation's fuel requirements, at a real cost price that was more than double the present and projected market price of crude oil. This seemed to be a "gross distortion" of economic priorities.

Mr Hulley suggested that for less than half the cost of Mossgas, electricity could have been supplied to all South Africa's homes, bringing a direct benefit to 20-million South Africans, and creating tens of thousands of new jobs.

Mossgas spending set to soar by R4 bn

Star 25/5/91 (55)

CAPE TOWN — The estimated total cost of the Mossgas fuel project is set to rise again — this time by a staggering R4 billion, according to unconfirmed information.

The information, obtained from unofficial sources by Saturday Star's sister newspaper, Weekend Argus, raises new fears in business and political circles that the project is destined to become South Africa's biggest-ever "white elephant" and a growing additional burden on taxpayers.

A request for further details and comment was faxed earlier this week to the new Minister of Mineral and Energy Affairs, George Bartlett. The 17-line Weekend Argus request was referred to top officials in the department.

Tight-lipped

However, a spokesman said it might take anything up to a week to provide answers.

Both the Government and Mossgas have lately been maintaining a tight-lipped silence on cost estimates, which have so far almost doubled since an original R5,5 billion estimate when the project was launched at Mossel Bay in 1987. Since then Mossgas in mid-1989 reported a capital cost estimate of R7,8 billion, and this figure rose to R8,8-billion last year.

In recent times — as the cost estimate grew bigger and bigger — Mossgas has come to be regarded as a costly left-over product of former President P W Botha's "siege economy".

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SIEGE YEARS ... P W Botha.

Burden of billions for 'white elephant'

FRANS ESTERHUYSE

suggested R4 billion increase as "completely unrealistic", but he declined to disclose the latest figures. While admitting there will be cost increases, he says they will be "minor" in relation to the figure mentioned.

However, Democratic Party energy spokesman Roger Hulley, says that earlier this year he heard "whispers" about a big cost increase. The figure mentioned to him put the total cost at about R12 billion.

It was this information — from an "authoritative source" — that had prompted Mr Hulley to table questions in Parliament in March about the estimated total cost and viability of the Mossgas project.

According to Mr Smith, Mossgas reviews its cost estimates on a monthly basis and "there are changes from time to time".

New policy

It could not be established this week whether or not Mr Bartlett would withhold further information until the project has been completed.

Meanwhile, Mr Hulley has called on the Government urgently to issue a new, revised White Paper on energy policy. He says expenditure on the synthetic fuel ...

should be "slashed to the bone" in the light of political developments — and current projects should be shelved.

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Controversy

Energy expert Jan Hoogendoorn, who sparked off a fierce controversy more than a year ago when he claimed Mossgas was not economically viable, said this week he still stood by the views he expressed then.

According to his calculations, taxpayers are having to support interest charges on capital loans for the project to the tune of about R540 million a year.

Mr Hoogendoorn, a former Sasol senior general manager and now an independent energy consultant, says the cost of Mossgas is not justifiable — not even for strategic reasons.

He suggested last year that if the project were to be scrapped then, a saving of R3 billion could be made. However, this was disputed by the then Minister of Energy Affairs, Dr Dawie de Villiers, who said the project had gone

Lead-free fuel: firms will cope

B/Day 28/5/91

SS MARC HASENFUSS

THE local motor industry is able to cope with the expected introduction of lead-free fuel to SA within three to five years, according to motor industry sources.

They said no additional tooling up would be required as engines fitted with catalytic converters would come from parent companies abroad.

Volkswagen SA chairman Peter Searle said all Volkswagen and Audi vehicles produced in Europe were equipped with catalytic converters.

"VWSA will soon be exporting converters to its mother company in Wolfsburg and it is therefore possible for us to equip our Audis and fuel injected Volkswagen cars with the same converters."

However, this would add to the cost of the vehicle, Searle said.

New comprehensive gas-from-coal study

BDay 29/5/91. 55

ROBERT LAING

SA might never build another synfuels plant unless government changes its mind on assistance, but the National Energy Council (NEC) has just completed one of the world's most comprehensive studies on competing gasification processes.

The 15-month study of gas-from-coal technologies was presented to representatives of SA's heavy industries yesterday. The study of 112 coal gasification projects around the world was produced by a group of local and foreign experts under the auspices of the government's NEC and a German engineering firm Industrial Machinery Supplies (IMS).

The researchers listed what they believed to be the 11 best available methanol-from-coal technologies, but they expressly did not address the question of economic viabilities. A later report is expected to cover that. The 11-best list included the Lurgi process, which AECI and Amcoal had hoped would form the core of their still-born methanol project. All of the 11 methanol technologies, the report said, could produce gas for electricity generation along with chemical feedstock by-products such as ammonia, mixed phenol, crude diesel and naphtha.

IMS GM Hugh Brown said the aim of the study was to provide recommendations for a local gasification policy. AECI, Engen, Sasol, Eskom, JCI, CEF and the IDC contributed to the report.

An Eskom engineer believed that if SA's environmental regulations were tightened the electricity utility might consider switching to gas-fired generators. The alternative would be to spend about R1bn at each of the country's coal-fired power stations to control sulphur emissions.

The research team found that secrecy led gasification project designers into common mistakes.

Team member and US risk management consultant William Tuppeny said there was little to show for the financial support provided by governments.

"Of the 112 methods, all of which received state funding, only about 30 went beyond the design phase, and half of those failed to work properly."

Panel power . . . most of this Karoo farmhouse's electricity needs are supplied by solar panels and batteries.

The sun has enough power for Africa

Star 29/5/91 (55) (56)

Twenty million South Africans do not have electricity — but can we afford to give everybody electricity?

The question was raised at a conference last week when the feasibility of Eskom's commitment to bring electricity to every house in the land was discussed.

Rural areas are the problem. It costs R20 000 a kilometre to string up an Eskom power line.

But Dudley Filippa of Johannesburg asks: "Who needs pylons?"

He offers as proof the above picture of a well-lit Karoo farmhouse many kilometres from a powerline.

Mr Filippa, of BP Solar, says that for R40 000 one can install a system, which uses solar panels and storage batteries, to run everything in the house except the kitchen stove and hot water system.

"It can run a colour television set, all the lights, the dishwasher, washing machine, refrigerator, power drill, welding machine . . .

"Maintenance is negligible. The batteries last five years and the photovoltaic panels 20 years."

On a much smaller scale a single R1 000 panel, the size of a desktop, runs six lights (15 W fluorescent tubes) all evening, or three lights amd a black and white TV set.

The R1 000 battery will last five years. That's the main running cost. It works out at R16 a month — a third of what farmers normally spend with diesel generation.

Mr Filippa says solar power is more reliable than wind power because the sun shines most of the day and provides energy even in overcast conditions.

JAMES CLARKE

Locals sour over Mossgas

Star 11/6/91

MARK SUZMAN (SS)

LOCAL contractors are complaining that much of the money that has been spent on South Africa's "biggest white elephant", the Mossgas project, was wasted on employing foreign technicians when there were just as many equally qualified South Africans available who would have done the job more cheaply.

According to Stuart Coullie, senior partner of the Association of Contracting Technicians of South Africa, many of the skilled contracting jobs involved in the project have been doled out to Poles, Yugoslavs and Portuguese.

"It is a sore point among lots of South African contractors."

This comes on top of the report in the Saturday Star last week that the cost of developing the Mossgas operation, which experts now reckon will never be commercially viable, has risen to R14 billion — over double its original budget.

"The whole thing should have been stopped years ago," says Mr Coullie, "but the Government kept going by claiming that it at least provided jobs. But the jobs are going to foreigners."

And, Mr Coullie claims, local contractors could have done the work more cheaply than their foreign counterparts — and saved the taxpayer millions of rands in the process.

Hourly rates

"Foreigners are being paid between R85-R150/hour while South African rates tend to be in the R35-R45 range."

On top of this, Mr Coullie reckons that the entire Mossgas project has been badly managed, citing unnecessary facilities and check-ups that add hundreds of millions to the cost.

"Last year the Government promised to release an audit of the Mossgas project, but they haven't done so. Where is it?" he demanded. "It's time the Government told the public exactly what has been going on."

discrimination in education against Whites, Blacks, Coloureds or Indians.

The hon member for Pinetown made an important point about the concept of "discrimination" and the interpretation of that concept. As the hon member for Pinetown indicated, there is undoubtedly a difference between discrimination with regard to skin colour and differentiation with regard to the mother tongue. It is internationally regarded as non-discriminatory when a specific language group maintains its own language. I am therefore not in favour of discrimination against any of the groups.

The hon member spoke about affirmative action. We could debate at length about affirmative action. Once again the issue would be what the meaning of that affirmative action was and what interpretation we gave to it. The hon member did not give me his specific interpretation of the phrase "affirmative action", and I will therefore not say any more about that. [Time expired.]

*Dr F H PAUW: Mr Speaker, the Education Renewal Strategy Document has been made available today and an important point is that the uniform structure of education is going to enjoy preference. In contrast to what the hon the Minister has just said about distinctive education as a right, distinctive education is reduced to a so-called "possibility" in this document.

In a new South Africa which is a unitary state with general citizenship, we will have a government in which the majority is going to dominate. That is what the NP envisages. The NP now says that it is going to protect the rights and interests of minorities, also in education. It does not say exactly how, but it refers to a bill of rights. That is the NP's guarantee of minority protection. Earlier the NP wanted to use the own affairs concept for this, but in the hands of the NP own affairs were no guarantee of the rights of Whites. The NP failed in this regard.

Now a bill of rights is being proposed as a protection for Whites and as a mechanism of protecting their rights and education. In the hands of the NP and those of a Black majority government, a bill of rights would offer no protection for Whites. According to NP policy, Whites are not going to be recognised as Whites in a new constitutional and educational dispensation. The proposed bill of rights of the SA Law Commission provides that there may be no discrimination on the grounds of race, unless discrimination takes place in the form of affirmative action. [Time expired.]

*Mr A GERBER: Mr Speaker, the hon the Minister has not really answered the question which I asked, but I want to ask a further question of the hon the Minister. Does he envisage a bill of rights similar to that of the USA?

I want to mention to the hon the Minister two examples which took place in American schools. A school boy and his mother who were atheists, objected to the school's regulation that there should be a reading from the Bible and that the Lord's Prayer should be used. The Supreme Court agreed with the boy and ruled that a reading from the Scriptures and prayers in a school were unconstitutional.

A second example is that an anthology of poems in which a smutty poem appears in sexually explicit language, was discovered in the library of a school. The court ruled that this piece of pornography may not be removed from the library, because such action would infringe on the pupils' right to read. How is the hon the Minister going to prevent such events in a new South Africa with a bill of rights? [Interjections.] How will he manage that?

*The MINISTER OF EDUCATION AND CULTURE: Mr Speaker, the future bill of rights will not determine everything in this country or the way in which the country is governed.

I want to say at once that as I see it there will be a government in the future—regardless of how it is constituted—and there will be a bill of rights which will ensure that individual rights and also group rights are protected. There will also be a judiciary which will act as arbiter if a difference in interpretation should arise. But I want to state this categorically now. We said very clearly and unequivocally that in a new constitutional dispensation there would be no discrimination in education on the grounds of race or colour. Let us therefore say this to one another. It is not the bill of rights which must protect or not protect. This Government accepts that if one had an education system in the future in which one could say that a person may only be admitted to a school if he was White, that would constitute discrimination.

What is going to happen, however, is that there will be an opportunity to say that on the grounds of common values such a group, within an own community life, may create its own school.

*Mr S C JACOBS: Name a court ruling in the world to that effect!

*Mr SPEAKER: Order!

*The MINISTER: May I offer the hon member who is shouting so loudly a comb! [Interjections.] Perhaps that would keep him busy. [Interjections.]

*Mr SPEAKER: Order!

*The MINISTER: The fact of the matter is that it is possible and it is also internationally acceptable that there are specific educational points of departure which will stand the test of time and against which one can test these values. I want to ask hon members whether they are in favour of Christian values as a norm. Are they in favour of mother tongue education? [Time expired.]

Debate concluded.

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

Cahora Bassa: capital amounts invested

349. Mr L F STOFBERG asked the Minister of Mineral and Energy Affairs:†

(1) What capital amounts had been invested in the Cahora Bassa hydro-electric scheme or made available for this purpose by (a) the South African Government and (b) Eskom as at the latest specified date for which information is available;

(2) whether he will furnish information on capital amounts invested by other South African financial institutions in this scheme; if not, why not; if so, (a) what are the relevant details and (b) in respect of what date is this information furnished;

(3) (a) how much electric power have South African consumers received from this scheme to date and (b) in respect of what date is this information furnished?

B933E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) (a) The South African Government has invested R35 million in the Cahora Bassa hydro-electric scheme according to the agreement with Portugal in 1969.

(b) Eskom acts as agent to the South African Government on the Cahora Bassa hydro-electric scheme. According to the agreement between Eskom and the South African Government no capital was invested by Eskom in the Cahora Bassa hydro-electric scheme. The South African Government has, however, paid over R143 million to Eskom for the capital costs of the erection of the transmission line between Pafuri and the Apollo Power Conversion Station, and for the erection and equipmnent of the Apollo Station.

(2) (a) The IDC made export credit loans available to Portugal to the amount of R41 million (capital) in support of contracts with South African companies who participated in the construction of the Cahora Bassa hydro-electric scheme. These loans have been repaid in full.

(b) 1969 to 1976.

(3) (a) 37,47 million Gigawatt-hour.

(b) 1977 to date.

Toll-road companies: guarantees against losses

388. Mr H J COETZEE asked the Minister of Transport:†

(1) Whether any provision has been made for guarantees to toll-road companies in order to cover them against possible protracted losses; if not, why not; if so, for what guarantees;

(2) whether such guarantees have been given to any toll-road companies; if so, what are the relevant details?

B1020E

The MINISTER OF TRANSPORT:

(1) No, not since 1 April 1991. There is no requirement to provide such guarantees

Industry, business urged to switch pupils on

DURBAN — Local business and industry could revolutionise education by providing electricity to schools, Education Foundation executive director Johan van Zijl said yesterday. B Day 5/6/91

He told delegates at a Wild Coast Sun conference 90% of black schools did not have access to electricity.

"Provide electricity and at one stroke you can turn a simple school into a 16-hour-a-day education facility, the basis for a community college after school hours, a study and homework facility for students, an adult literacy and even a community centre." Business and industry could turn the provision of power into localised self-help projects. SS

He said primary school education, which yielded the greatest economic returns to investment, should be a priority, and called for the re-opening of the tax concession debate for funding. — Sapa.

Mosselbay to keep singing the blues

South 6/6- 12/6/91. (55)

The Mossgass project brought a mini-boom to Mossel Bay. But it also brought a squatting problem, which looks set to remain once the project is complete. **BEVERLEY GARSON** and **SHADLEY NASH** report:

EVERY FORTNIGHT, Mossgass workers "paint" the seaside town of Mossel Bay blue. The most vivid colour in the town's streets on these occasions is blue — the colour of the overalls worn by the men as they come directly from their workplaces, where they have just been paid, into town to do some shopping.

A visit to Mossel Bay last week showed that even the inclement weather could not dampen the spirits of the men in blue as they filled the sidewalks and pedestrian crossings.

Payday for Mossgas workers is the busiest time of the month for the town's banks, supermarkets, liquor stores, clothing stores and restaurants.

The town's "blue" period all started with the Mossgas onshore and offshore project, which involved some 15 000 people working in the town — with obvious financial spinoffs for local business.

Retrenched

However, the men in blue could soon be a legacy of the past as 13 000 of them will gradually be retrenched from the second half of this year.

Mossel Bay is expected to experience a decreased monetary flow and the colourful addition to the town will also disappear.

An investigation into the impact of the project on the town revealed there has been both positive and negative spinoffs.

While Mossgas has been good for local business, the town is now faced with a major squatting problem that won't necessarily disappear once the construction phase is completed.

The chairman of the Chamber of Commerce, Mr Johan Steyn, said although many businesses would experience a slump after the Mossgas workers left, they had known all along that "the boom would not last forever".

"Mossgas has put Mossel Bay on the map and the property market is booming since the 970 people needed to run the project have had to be housed," Steyn said.

ON THE MARCH: Mossgass workers demonstrate during a labour dispute

"Another spinoff from the Mossgas project is that many small businesses are popping up and tourism has picked up."

However, Steyn said some people seeking work at Mossgas had flocked to the town only to be disappointed. With nowhere to go, they had started squatting.

The squatter population had already reached 15 000 and was still increasing by approximately eight people a day.

Steyn said the town was also worried that some of the 13 000 workers soon to be retrenched might decide to stay and thus increase the squatting problem.

The town clerk of Mossel Bay, Mr Willem van Heerden, echoed Steyn's concern that the squatter problem might increase after the Mossgas workers are retrenched.

"We are anticipating a problem, but we hope that common sense will prevail and that people realise that after the Mossgas project there will be no work in Mossel Bay," Van Heerden said.

He said the council — with other interested bodies such as the Chamber of Commerce, the Department of Interior, the Coloured Management Committee, the black town council and Mossgas — had formed a committee to help seek solutions to the squatting problem.

Assistance

The committee had made representations through various bodies to the government for assistance.

"Already land for the squatters has been identified and within four weeks we will finalise the infrastructure."

Van Heerden noted that, with the influx of 15 000 men into the town, social problems had arisen because "these men come from places with other values and qualities which are different to those of the conservative community of Mossel Bay.

"This has caused friction, and we are expecting more problems as these men leave," Van Heerden said.

He said that since the start of the project, there had been more road accidents and the crime rate had increased.

The spokesperson for the Mossgas project, Mr Harry Hill, said Mossgas had not anticipated the squatting problem.

He said the company had worked with the civic associations in the town and had organised buses to transport some of the squatters who had failed to find employment back to their home. — *ECNA*

Star 17/6/91.

Cheap electricity is Eskom goal

By Des Parker (SS)

DURBAN — Eskom chief executive Ian McRae's vision of running one of the top electricity utility companies in the world includes reducing the price of power, after allowing for inflation, to about 75 percent of what it was in the mid-1980s.

The Eskom chief executive told members of the SA Sugar Technologists' Association when he opened their annual congress in Durban that his organisation would have to use its surplus capacity to achieve this reduction in the next few years.

Challenging other sectors of business to put their surplus capacity to similar use, Dr McRae said South Africa would not be a strong economic power until it could bring electricity to the developing sector.

About 23 million people in SA — about 70 percent of the population — had no access to electric power.

"Successful nations like Germany and Japan provide affordable power to virtually all their people. In Taiwan the figure is 99,9 percent and in Korea 99 percent.

"In South Africa, it is somewhere around 30 to 33 percent. There is no way that people deprived of this resource can play a major role in the economy unless we can do something about it."

Eskom could afford to extend electrification to 60 to 70 percent of South Africans in the next decade and remain viable.

"People say blacks and coloureds won't pay for electricity once you bring it to them. People want electricity and because it will save them money, they will pay for it provided we give them a decent service."

Electrification of homes at the rate of one million a year, deemed necessary to kickstart the economy, would not be possible under the present bureaucratic system of power reticulation.

Eskom was doing everything possible to treble its target of electrifying a million homes a year to meet the requirement identified by Old Mutual and Nedbank in a widely publicised future scenario.

Ian McRae . . . find ways to deal with constraints

"We will have to find ways to deal with the constraints that might prevent us doing this," he said.

"One thing is certain, it will not be possible to achieve this under the present bureaucratic system whereby just about every local authority takes responsibility for reticulating electricity to consumers in its area of jurisdiction."

Dr McRae urged the sugar industry and all sectors of the economy to search for success by being outward-looking.

"We have to become and to develop an economy that is export-driven and market-driven. If we fail to perform to high standards and to fulfil our role, we face the danger of a future government intervening to change the way we do things.

"Fortunately, today the degree of government control in Eskom is relatively light.

"It is about the right level. We have to continue to achieve high standards if we want to maintain this desirable situation into the future."

alleged political partiality, such as the blood bath at Swanieville.

The hon the Minister may perhaps look at the multiparty conference as a starting point where that central monitoring role can be determined and where the matter can be settled, but then on condition that the police forces of the self-governing territories become part of a central, national police force in South Africa.

Mr P H P GASTROW: Mr Chairman, this hon Minister has the choice, firstly, of saying that they will wait until the negotiations have been concluded and then sort this out—which is what he is doing today—or he can say that he is primarily interested, as Minister of Law and Order, in stability and law and order during the transition period. I believe he ought to choose the second. [Interjections.]

We are talking about a transitional period during which one wants a Police Force which has the broad respect of the population as a whole. The hon the Minister must take steps to achieve that—he is not doing it now. The negotiations will decide whether, in addition to a national Police Force, regions can complement the Police Force. I agree that that is an open question, but is the hon the Minister interested in stability during transition or not, or is he going to hide behind legal-technical excuses, saying that he is not touching the status quo because of the Constitution? I suggest that the hon the Minister is abrogating his responsibility. Steps need to be taken now, otherwise the SA Police Force will not be able to cope on its own with so many other police forces and militias around. The hon the Minister needs to do something now.

*The MINISTER OF LAW AND ORDER: Mr Chairman, one can understand why the DP are sitting in those benches and we in these. [Interjections.] They are really putting the cart before the horse now. [Interjections.] It is a terrible charge against the hon members that we are implementing their policy better than they can proclaim it! [Interjections.]

The fact remains that the hon members cannot expect us to take away policing powers which were given to independent territories in terms of legislation in a constitution. [Interjections.] I am in favour of looking at these and of negotiating, but the SA Police cannot anticipate the negotiation process.

We have an open mind about this and in the meantime, in order to make sure that the standard and balance are maintained, we are training and assisting in the training of all these people. The co-operation is good and we go out of our way to co-ordinate, because we are more concerned about security than those hon members.

I agree with hon members and I am in favour of having one big police force in the country—it would be more manageable—but one has to do it the right way. We are doing it the right way; hon members are suggesting the wrong way. [Interjections.]

The hon member for Ermelo has communism on the brain. I fail to understand it.

*Mr J H HOON: You are a minion of the communists!

*The MINISTER: The hon member for Kuruman can say that I am a minion of the communists, but it is not true. [Interjections.] I want to beat communism in South Africa. They have already lost against the communists—that is the point. [Interjections.] The hon members are so afraid of communism that they have run away. [Interjections.] They should instead stand up with us and fight communism!

*Mr J H HOON: It is because you are a minion of the communists!

*The MINISTER: They run away, they do not want to fight communism; that is why they are now accusing me of being a minion of communism. [Time expired.]

Debate concluded.

QUESTIONS

†Indicates translated version.

For oral reply:

General Affairs:

Monitoring of seaworthiness

*1. Mr J H MOMBERG asked the Minister of Transport:

Whether the seaworthiness of vessels in (a) international waters and (b) South African territorial waters is subject to any monitoring; if so, (i) who is responsible for carrying out such monitoring, and (ii) in terms of what statutory or other provisions is this done, in each case?

B1119E

†The MINISTER OF TRANSPORT:

(a) Yes.

(b) Yes.

(i) With reghard to international waters, monitoring of seaworthiness is done by the states which own ports (port state) and with regard to South African territorial waters by the Department of Transport specifically.

(ii) In international waters as well as South African territorial waters, monitoring is done in terms of international coventions and local legislation of the relevant port state.

†Mr J H MOMBERG: Mr Chairman, arising out of the reply of the hon the Minister, I just want to ask him what laws and conventions affect the seaworthiness of vessels?

†The MINISTER: Mr Chairman, the laws and international conventions involved are for monitoring purposes, for seaworthiness of vessels there is South African legislation, namely the Merchant Shipping Act, Act 57 of 1951, and the Marine Traffic Act, Act 2 of 1981. The international conventions are the International Convention for the Safety of Life at Sea, 1974, the Convention on International Regulations for Preventing Collisions at Sea, 1972, the International Convention on Load Lines, 1966, the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1978, and the International Convention on Tonnage of Ships, 1969.

*2. Mr P J Paulus—National Health.† [Withdrawn.]

Assault at Doornkop base

*3. Mr J H MOMBERG asked the Minister of Defence:

(1) Whether he or the South African Defence Force has been informed of an incident in which a certain person, whose name has been furnished to the Defence Force for the purpose of the Minister's reply, was allegedly beaten up at the Doornkop military base; if not, why not; if so, what is this person's name;

(2) whether an investigation is taking place into this incident; if not, why not; if so, what progress has been made in the investigation;

(3) whether any (a) suspects have been traced and (b) arrests have been made in connection with this incident; if so, what are the relevant details?

B1168E

The DEPUTY MINISTER OF DEFENCE:

(1) to (3) The matter is at present being investigated by the SA Police and is *sub judice*. No further information can thus be made available.

Strategic oil reserves: revenue allocated to roads

*4. Mr A J LEON asked the Minister for Economic Co-ordination and Public Enterprises:

(1) Whether any of the revenue from the sale of strategic oil reserves has been allocated to roads; if so, how much; if not,

(2) whether it is the intention to allocate part of the above-mentioned revenue to roads; if not, why not; if so, how much;

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

SS

B1169E

†The MINISTER FOR ECONOMIC CO-ORDINATION AND PUBLIC ENTERPRISES:

(1) Up to now no specific allocation has been made to roads from the funds derived from the sale of strategic oil reserves;

(2) It is the intention to allocate part of the income concerned to roads. The hon the State President had already made his intention clear during the discussion of his budget vote when, amongst other things he announced that "in view of the fact that the road user has also made an important contribution to the creation of those funds, a contribution towards the maintenance of essential road infrastructure will also receive special attention, particularly where secondary roads are concerned". With regard to the amount to be allocated to roads, a comprehensive

survey of the requirements is being undertaken under the direction of the Department of Transport, taking fully into account the guidelines, such as cost effectiveness, priorities, economic growth and job creation, which were spelt out by the hon the State President concerning the allocation of these funds. These needs will be set off against other priorities determined on a similar basis, such as socio-economic infrastructure, before final allocations will be made.

(3) It is still to be decided whether or not there will be further statements. All allocations will be handled according to normal accounting procedures and will therefore be subject to final parliamentary approval.

†Adv J J S PRINSLOO: Mr Chairman, arising from the reply of the hon the Minister, has the sale of the strategic oil reserve already begun; if so, when, and if not, when is it intended to begin?

†The MINISTER: Mr Chairman, the strategic oil reserve is administered, which means that from time to time sales are effected and replenished by purchases.

There is not a fixed reserve which remains constant and is then sold at a particular starting-point. Various reasons necessitate the administration of that reserve and the administration will be directed in such a way that approximately R1 billion's worth of stock will be sold, from which these funds can then be obtained. [Interjections.]

†Adv J J S PRINSLOO: Has the sale of this approximately R1 billion's reserve already begun?

†The MINISTER: I must again tell the hon member that it is a process. [Interjections.]

†The CHAIRMAN OF THE HOUSE: Order!

†The MINISTER: Sales and purchases are made continuously. These purchases and sales are administered in such a manner that in time to come sufficient reserves will be sold to generate R1 billion. [Interjections.]

†Adv J J S PRINSLOO: Mr Chairman, further arising from the hon the Minister's reply, surely he does not want to profess that they are going to sell R1 billion's worth of the reserve now and then later in the year or a while later again buy R1 billion's worth? [Interjections.] Will he not consider telling us whether this process of reducing the strategic oil reserve by selling it, has already begun or not? [Interjections.]

†Mr J H VAN DER MERWE: Come, tell us the truth!

†The CHAIRMAN OF THE HOUSE: Order! What is the hon member for Overvaal insinuating?

†Mr J H VAN DER MERWE: Mr Chairman, I am merely encouraging the hon the Minister to tell the truth. I am not insinuating that he is not telling the truth.

†The CHAIRMAN OF THE HOUSE: The hon the Minister may proceed.

†The MINISTER: In saying to the hon member that the reserves are administered, it means that sales are effected from time to time. Yes, these sales will increase as and when necessary, but purchases are also effected on a continuous basis. This administration process is simply directed in such a manner as either to fulfil our requirements, or to sell a surplus, from which the funds for this special job creation programme are obtained. [Interjections.]

†Dr P J GOUS: Mr Chairman, further arising from the reply of the hon the Minister, we would like to know how much of this billion has already been collected and is now available for expenditure. Can the hon the Minister give us a figure on that?

†The MINISTER: Mr Chairman, that is information which is not released. [Interjections.]

Posmed subsidy: all races

*5. Mr J CHIOLÉ asked the Minister for Economic Co-ordination and Public Enterprises:†

(1) Whether he has indicated that the subsidy of the Department of Posts and Telecommunications for Posmed for 1992 will only be paid if Posmed is opened to all races; if not,

(2) whether such a step is being considered; if so,

(3) whether any provision has been or will be made for alternative medical benefits for Posmed members should they refuse to agree to a racially integrated scheme; if not, why not; if so, what are the relevant details?

B1179E

The MINISTER FOR ECONOMIC CO-ORDINATION AND PUBLIC ENTERPRISES:

(1) and (2) Yes, Posmed was informed on 14 March 1991 that its subsidy for 1992 will not be paid if its membership is not opened to all race groups within six months of the commencement of the current financial year, that is 30 September 1991;

(3) yes, provision will be made for present Posmed members who have no objection to belonging to a scheme which is open to all population groups. There are several alternative arrangements that can be considered, such as the establishment of a new medical scheme open to all race groups or the integration of the existing members of Posmed who so desire with one of the three other medical schemes serving Post Office officials and whose membership is already open to all race groups, namely Bonitas, Sanitas and Pro Sano. There is no sound reason why officials should not belong to an open medical scheme and existing members of Posmed who do not wish to join such a scheme may, if Posmed decides against opening, remain with that scheme or join another scheme of their choice, but they cannot rely on financial support from the Department for medical expenses.

†Mr J CHIOLÉ: Mr Chairman, further arising out of the reply of the hon the Minister, will he give us an indication of how many offences involving what amount, he is aware of which occurred in respect of the other medical funds that do in fact make provision for open membership, with specific reference to the Black medical fund? [Interjections.]

†The MINISTER: Mr Chairman, if the hon member would care to have that question placed on the Question Paper, I should be glad to furnish him with a reply.

†Mr J CHIOLÉ: Mr Chairman, further arising out of the reply of the hon the Minister, will he please give us an indication of the extent to which the other funds are being funded in comparison with the White fund?

†The MINISTER: Mr Chairman, if the hon member would care to have that question placed on the Question Paper, I should be glad to obtain the information.

†Mr J CHIOLÉ: Mr Chairman, further arising out of the reply of the hon the Minister, I would just like to know whether he will confirm that Post Office officials were responsible for Posmed's coming into being, and whether or not it is an outonomous body. [Interjections.]

†The MINISTER: Mr Chairman, Posmed came into being because the Post Office contributes R2 for every R1 which its employees contribute. All the other medical funds are funded on the same basis. The fact is that the Post Office follows a personnel policy which does not leave any room for racial discrimination.

†Mr J H HOON: That is forced integration.

†The MINISTER: No, it is equal opportunities. [Interjections.] If the hon members want to make race an issue in every situation, we want to tell them that as far as the personnel policy of the Post Office is concerned, it does not apply. We treat our members on an equal basis. We have no problem subsidising all our members' contributions to a medical fund. The only basis on which we are prepared to do so, is that other employees are not discriminated against on a racial basis. [Interjections.]

This gives the employees of the Post Office every opportunity to have access to full medical services. [Interjections.] There are various schemes of which the obligations as well as the benefits differ. Employees therefore have a choice, and we shall continue on the same basis, but we cannot allow discrimination on the basis of colour.

†Mr J CHIOLÉ: Mr Chairman, further arising out of the reply the hon the Minister has just given, will he therefore confirm that this drastic step was taken because his request in this regard had been turned down at Posmed's general meeting on 25 October 1990?

†The MINISTER: Mr Chairman, at the general meeting which the hon member is referring to, 78 of Posmed's 50 000 members were present. [Interjections.] The board unanimously recommend the opening-up of the fund. A circular in

Soekor discovers major gas field

B 10 ay 20/6/91 (SS)

LINDA ENSOR

CAPE TOWN — State-financed exploration corporation Soekor has struck very encouraging gas wells off the south coast near Mossel Bay.

Reserves of 500-billion cubic feet of gas are estimated to exist in the field.

Announcing this yesterday chairman Danie Vorster said Soekor's future activities would be directed towards developing a commercially viable production project.

He also announced that Soekor would soon start drilling well-defined areas off the west coast where much larger quantities of oil were expected to be found.

The gas find 110km southeast of Mossel Bay and about 42km southeast of the Mossgas platform had yielded flow rates of 31,4-million cubic feet of gas and 144 barrels of condensate a day — believed to be one of the highest yields discovered by Soekor.

The total reserves struck by Soekor in the Bredasdorp Basin off the south coast since 1986, excluding the FA and FM fields earmarked for the Mossgas project, were now estimated at 200-million barrels of oil as well as 700-billion cubic feet of gas spread over several fields.

With the addition of the estimated reserve of 500-billion cubic feet of gas re-

☐ To Page 2

Soekor

B 10 ay 20/6/91. (SS)

☐ From Page 1

cently struck, total estimated gas reserves discovered amounted to 1,2-trillion cubic feet. This would be equal to about 10 months' gas output from the North Sea fields.

"Engineering studies are in progress to determine the feasibility of producing some or all of these fields by means of a floating production facility," Vorster said.

On the west coast, certain well-defined large structures would be drilled and tested and were expected to contain larger quantities of oil than the smaller fields in the Bredasdorp Basin.

Vorster said due to the phasing out of two rigs and the delayed arrival of a deep-water drillship, the revised exploration programme would have a softer impact on Soekor's planned expenditure in the 1991/92 year.

Gas strike off Mossel Bay

(20) CT 20/6/91 (55) (185)

Own Correspondent

JOHANNESBURG. — State exploration company Soekor has struck "very encouraging" gas wells off the Mossel Bay coast.

The field is estimnated to contain reserves of 500 billion cubic feet of gas.

Making the announcement yesterday, chairman Mr Danie Vorster said Soekor's future activities would be directed towards developing a commercially viable production project in the area.

He added that Soekor would, in the next few months, start drilling well-defined areas off the West Coast where larger strikes than those to date were expected.

He said the gas find 110km south-east of Mossel Bay and about 42km south-east of the Mossgas platform had yielded flow rates of 31,4 million cubic feet of gas and 144 barrels of condensate per day — believed to be one of the highest yields yet discovered by Soekor.

"As is always the case in such discoveries further drilling and evaluation is required to determine the extent of the reserves and economic viability. Soekor is currently also testing very encouraging oil and wet gas shows about 100km south of Mossel Bay."

Disclosing for the first time the total reserves struck by Soekor in the Bredasdorp Basin off the southern coast since 1986, Mr Vorster said that, excluding the FA and FM fields earmarked for the Mossgas project, reserves were estimated at 200 million barrels of oil as well as 700 billion cubic feet of gas spread over several fields.

With the addition of the estimated 500bn cubic feet recently struck, total gas reserves amount to 1,2 trillion cubic feet — equal to about 10 months' gas output from the North Sea fields.

"Engineering studies are in progress to determine the feasibility of producing some or all of these fields by means of a floating production facility," Mr Vorster said, adding that exploration activities in the Bredasdorp Basin would now slow down and emphasis would be given to commercial production.

Because the fields were all small, a floating production system would be cheaper and quicker to get into operation.

He said the services of only one semi-submersible rig would be required for further drilling and testing.

Regarding the West Coast, certain well-defined large structures would be drilled and tested and were expected to contain larger quantities of oil than the smaller fields already discovered in the Bredasdorp Basin.

Mr Vorster said Soekor planned to release two of its semi-submersible rigs, the Nymphea and the Actinia, because of the changed nature of its programme.

The third, the Omega, would drill one West Coast well, but the others lay too deep and a drillship would have to be leased.

The Actinia is being used temporarily as a Flotel for the hook-up and commissioning phase of the Mossgas platform.

"In the light of changed circumstances on the international front, the leasing of custom-designed drilling platforms on the international market has become easier for SA, which makes it less essential for Soekor to have its own platforms."

Mr Vorster said the revised exploration programme and the delayed arrival of a deep-water drillship would impact on the planned level of expenditure by Soekor this financial year.

"It is now expected to be lower than the actual expenditure last year, but depending on the success achieved on the West Coast, drilling activities could increase again to previous levels."

● Cape Business News said in a recent report that Soekor had found "almost nothing over the past six years — at a cost of over R1 billon and after more than a hundred exploratory wells".

The report said the Nymphea had been fitted with a top drill in the hope that it could be chartered, but North Sea and Australian operators had turned it down.

'Soekor strike insignificant'

CT 21/6/91

Staff Reporter

THE 144 barrels of light crude oil and 31,4 million cubic feet of gas per day being produced by a Soekor oil well was yesterday dismissed by an international oil trader as "insignificant".

The light crude sells for four dollars above the market price of about $18 (about R45) and at present production levels represents about $3 000 (about R7 500) a day.

A multi-national oil refinery plant in Durban can process about 120 000 barrels of oil a day, the trader said.

REI
leas

Mossgas, Soekor may do gas deal

(55)

B/Day 21/6/91.

LINDA ENSOR

CAPE TOWN — Mossgas and Soekor could conclude an agreement over the gas reservoir recently struck by Soekor, which could potentially add about 500-billion cubic feet of gas to estimated Mossgas reserves of 2-trillion cubic feet.

The reserves could, if confirmed by further tests, lengthen the 29-year lifespan of the Mossgass reserves by several years.

Soekor chairman Danie Vorster this week announced that a gas field had been struck with estimated reserves of 500-billion cubic feet of gas. He said that total gas reserves discovered since 1986 during Soekor explorations in the Bredasdorp Basin off the southern coast amounted to 1,2-trillion cubic feet.

This 1,2-trillion cubic feet together with Mossgas's estimated 2-trillion is equal to about 27 months of gas output from the North Sea fields.

A Mossgas spokesman said yesterday a commercial arrangement whereby Mossgas purchased the gas from Soekor was possible. He welcomed the possibility of additional gas being made available to Mossgas.

"In Mossgas we have an existing infrastructure for the processing of gas and condensate. The availability to Mossgas of additional reserves will improve Mossgas's viability," the spokesman said.

He said the SA market was easily large enough to absorb production from both the Soekor and Mossgas reserves if it was turned into fuel or other petrochemicals.

It is considered likely that some arrangement would have to be made with Mossgas before the recently discovered field is exploited.

Government's Central Energy Fund owns Soekor and has a 50% stake in Mossgas and it is thought likely that priority would be given to the Mossgas project in which about R8bn has been invested already.

"There is no chance of developing the reserves outside of a deal with Mossgas whether in the form of increasing Mossgas's throughput or as an addition to Mossgas's life. One would want to produce Mossgas's reserves first before going into another project," an industry source said.

It is believed that Soekor undertook the exploration on behalf of an undisclosed third party, but it was not considered likely that this would play a role in the Central Energy Fund's decision to give priority to Mossgas.

Only one well has been tested in the field struck recently and it is considered necessary by experts for one or two more wells to be sunk to confirm the extent of the estimated reserves.

If estimates proved correct, the find — about 42km southeast of the Mossgas platform — was "significant", one source said

Vorster said Soekor's future activities would be directed towards developing a commercially viable production project in the Bredasdorp Basin. He also announced that Soekor would in the next few months start drilling well defined areas off the west coast, where much larger quantities of oil were expected to be found.

(a)	1 June 1989 until 31 December 1989	18
	1 January 1990 until 31 December 1990	68
	1 January 1991 until 31 May 1991	16
	Total	102
(b)	1 June 1989 until 31 December 1989	238
	1 January 1990 until 31 December 1990	634
	1 January 1991 until 31 May 1991	103
	Total	975

Statistics of serious injuries are not accounted for separately. They are included in the broad spectrum of injuries sustained by members while on duty.

(2) No.

(a) and (b) Fall away.

(i) and (ii).

To equip all members of the Force with protective clothing and equipment is not cost effective, especially where members normally perform office duties. There is also no specified category of members who come into consideration for the issuing of protective clothing and equipment. Adequate clothing and equipment is available to members who act in potentially dangerous situations.

The protective clothing comprises light- and heavy duty bulletproof jackets. Investigations are being instituted so as to make lighter protective equipment available to members.

Members in unrest situations mainly make use of Casspir, Nyala, Nongqai and Boerbok armoured vehicles which provide members with sufficient protection while they are in such vehicles. Research is, however, constantly being undertaken to make vehicles which are used in unrest situations even safer. Riot Units also make use of crash-helmets, small personal fire-extinguishers and riot shields.

(3) Yes, should a member die while on duty, and he has contributed to the Government Pension Fund for less than 10 years, his widow and/or dependants are entitled to a gratuity equivalent to his yearly salary notch at the time of his death, as well as a widow's pension.

If a member has contributed to the Government Pension Fund for more than 10 years his widow and/or dependants are entitled to a gratuity which is calculated according to a prescribed formula, a 5 year guaranteed annuity which is also calculated according to a formula and converted into a gratuity, as well as a widow's pension.

Such a deceased member's widow and/or dependants also receive an additional gratuity from the State which is calculated on a formula based on the period from the time of his death until the age of 65, as well as a 5 year guaranteed annuity which is calculated on a formula, based on the period set out above, and converted into a gratuity.

Thirdly, such a deceased member's widow and/or dependants also receive a monthly pension from the Workmen's Compensation Commissioner in terms of the Workmen's Compensation Act, 1941 (Act 30 of 1941).

The Government is deeply concerned regarding the senseless deaths and injuries to which members of the Force are exposed every day. Therefore, all means are being utilised to make duties in dangerous situations safer. The Government has only the highest praise and appreciation for these members and the duties which they must often perform in extremely dangerous conditions. Their sacrifices deserve only the highest appreciation of the entire South African society.

Investigation into "Project Goldie"

466. Mr J J WALSH asked the Minister of Law and Order:

(1) Whether the South African Police have completed their investigation into "Project Goldie"; if not, (a) why not and (b) when does he anticipate that this investigation will be completed; if so,

(2) whether any further action is contemplated in this regard; if not, why not; if so, (a) what action and (b) by whom? B1208E

The MINISTER OF LAW AND ORDER:

(1) No.

(a) At the request of the Attorneys-General of the Witwatersrand and Cape Town supplementary statements are being taken to enable them to reach a decision on whether or not to prosecute.

(b) As the investigation is being done in conjunction with the search for the missing CCB files, no indication can be given at this stage as to when the investigation will be completed. Everything possible is being done, however, to conclude the investigation as quickly as possible.

(2) (a) and (b) Falls away.

CCB members: unauthorised amounts paid

467. MR J J WALSH asked the Minister of Defence:

Whether all unauthorised amounts paid to members of the Civil Co-operation Bureau in terms of "Project Samoesa" have been recovered; if not, (a) why not, (b) what (i) are the individual amounts and (ii) is the total amount outstanding and (c)(i) when and (ii) how does he intend recovering these amounts? B1209E

The MINISTER OF DEFENCE:

Yes. (a), (b) and (c) fall away.

Cahora Bassa: interruptions of power supply

468. Mr L F STOFBERG asked the Minister of Mineral and Energy Affairs:†

(a) On what dates was the power supply from Cahora Bassa to South Africa interrupted since the supply of power to South Africa commenced in about 1977, (b) what was the duration of each of these power failures, (c) what were the reasons for each failure and (d) how much power per hour was supplied after each of the above-mentioned failures? B1220E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

A power supply interruption is defined as an event where the supply drops to nil. Supply interruptions since 1977 are listed below:

(a) *Date of interruption*	(b) *Duration*	(c) *Reason*	(d) *Power supply after interruption (megawatt)*
6 Dec 1980	6/12/80—3/2/81	Technical problems	900
3 April 1981	3/4/81—23/10/81	Sabotage	900
22 Dec 1981	22/12/81—5/5/82	Sabotage	600
7 May 1982	7/5/82—10/5/82	Technical	600
14 May 1982	14/5/82—20/5/82	Technical	600
8 Aug 1982	8/8/82—30/10/82	Sabotage	600
25 April 1983	25/4/83—30/6/83	Sabotage	600
28 Oct 1983	28/10/83—31/1/85	Sabotage	900
12 Feb 1985	12/2/85 to date	Sabotage	—

Parkmore: offences committed

469. Mr R J LORIMER asked the Minister of Law and Order:

(a) How many instances of (i) theft of vehicles, (ii) theft from vehicles and (iii) housebreaking and theft occurred in the suburb of Parkmore, Sandton, during the 12-month period ended 31 March 1991 and (b) how many convictions resulted in each category? B1229E

The MINISTER OF LAW AND ORDER:

(a) (i) 594

Star 24/6/91.

Lead-free petrol in sight for SA

By Roy Cokayne

PRETORIA — South African motorists can look forward to vehicles capable of running on unleaded petrol in the next few years.

Many of the oil companies in South Africa are now moving towards unleaded petrol and last week Natref — owned 64 percent by Sasol and 36 percent by Total — announced that once a R400 million upgrading programme at its refinery in Sasolburg was completed in the second half of 1993, it would be able to produce more than 50 percent lead-free petrol if required.

The availability of unleaded petrol in South Africa would not be a problem to existing vehicle ranges.

It would result in some manufacturers gaining access to a larger variety of models because many of the technological developments taking place in the motor industry worldwide today involve engines using unleaded petrol.

All capable

Toyota general manager, vehicle safety and legislation, John Nimmo said by the time unleaded petrol was introduced in South Africa all Toyota vehicles would be able to run on it.

"Certain engines are denied to us by the Toyota Motor Corporation because we don't have lead-free petrol.

"All our vehicles are capable of running on lead-free petrol and as a company we would welcome its introduction, although we're concerned about the cost implications. It must result in increased costs."

It would not be worth converting a vehicle to run on unleaded petrol because it would cost between R1 000 and R2 000.

A BMW South Africa spokesman said the introduction of unleaded petrol would not have any implications for BMW owners.

All BMW models introduced in the past five years could run either on leaded or unleaded petrol.

"It possibly makes about a 0,5 percent difference to performance but nobody can feel the difference."

A list prepared at the beginning of the year by the Department of Environmental Affairs on the most important sources of air pollution listed lead in petrol as the eighth and exhaust emissions as the 10th most important causes, the spokesman said.

Converters

Erich Glanz, Mercedes-Benz South Africa management board member responsible for engineering and procurement, said his company would welcome the introduction of unleaded fuel at the earliest possible opportunity.

All Mercedes-Benz cars had been lead-free compatible for more than 15 years.

"As soon as lead-free fuel becomes available we would fit catalytic converters to all our cars in SA production.

"All our engines are designed for catalytic converter application and therefore the fitment of catalytic converters would add less than 0,5 percent to the average price of our cars.

"Catalytic converters are now standard in Mercedes-Benz cars for virtually their total production and only a very low percentage has to be built without them for those few markets in the world where lead-free fuel is not yet available."

ARGUS 25/6/91

Petrol sold cheap, claims council

55

From MICHAEL CHESTER

JOHANNESBURG. — South African motorists had a good deal at filling stations last month, according to the National Energy Council. They were buying petrol at less than they should under the real cost formula.

The NEC said yesterday the selling price of petrol at 130 cents a litre in Johannesburg and the rest of the PWV region was 2,65 cents below the proper level for refined 93 octane.

Motorists can give credit to an equalisation fund that rode the blows of a complex formula that measures a weakened rand exchange with the US dollar alongside an upward tilt in international oil prices.

NEC spokesman Mr Pieter Jacobs explained that as a result the cost of imported refined 93 octane petrol jumped from 48,16c to 51,89c a litre.

The impact was felt in turn by the NEC equalisation fund, used to balance out the profits and losses made out of the current level of petrol prices at the pumps. In short, the fund subsidised the difference between the landed cost of refined petrol and actual selling prices at the rate of 2,65 cents a litre.

But it seems motorists can reserve any thanks for escaping another price increase.

Motorists were paying 12,134 cents a litre more than landed import prices in the first three weeks of March.

They paid 2,134 cents a litre over the odds in the fourth week of March. And last month they were paying a little more than 1c over the odds.

"Motorists enjoyed a bonus last month," said Mr Jacobs. "Of course, it made a dent in the equalisation account, known as 'the slate', but that can be matched against the higher prices they had been paying in previous weeks.

"At the end of the day, the balance sheet still looks fairly strong. We are not planning petrol prices increases at the moment to remedy the shortfall. Motorists can be assured that petrol prices look fair at the moment, quite a good bargain, in fact."

Eskom 'selling' electricity

55 ACG 25/6/91

Staff Reporter

AN electricity marketing centre has been opened by Eskom's Western Cape region.

It will be used to market the concept of electricity and to demonstrate the most economical ways of using it.

A free advisory service will be offered to the domestic, agricultural, commercial and industrial sectors.

The centre was officially opened by the deputy-mayor of Goodwood, Mr Koos Sadie, and includes an auditorium and an exhibition hall.

The hall will be used to display devices employed in using electricity cost-effectively.

Developments are also under way outside, where a squatter shack fitted with the new low-cost technology has already been erected.

A solar system, solar pumps and a step-up step-down 1000-volt reticulation system are among other devices that will be installed on the grounds within the next month.

The centre employs a sales manager who will arrange promotions, a development engineer who will do testing work at various sites to determine the feasibilty of electricity, and a technical clerk.

Lack of power burning up SA

ARGUS 55 28/6/91

BLOEMFONTEIN. — South Africans burn 24 000 tons of material every day to provide food and warmth in a country that generates 60 percent of Africa's electricity. This is because more than 60 percent of South African households do not have electricity.

Mr Z N Roos, a lecturer of the Department of Geography at the University of the Orange Free State, told a meeting of the National Council of Women in Bloemfontein that there were 12 million people in the rural areas and each person used about 2 kg of wood or cowdung per day for warmth or to cook food.

South Africa's "greatest export" is its topsoil, while its limited water resources are directly or indirectly polluted, he said.

It was environmentally detrimental to continue with these practices.

The so-called developed people blamed the poorer groups for the environmental crisis, but it was just "both sides of the same coin", said Mr Roos.

He appealed to South Africans to be ecologically sensitive, to reduce the consumption of products, to get involved and to let their voices be heard.

On the question of water, he said it was not only whether or not one had a tap, but it was also the amount of water that was used.

In Mangaung (the predominantly black area of Bloemfontein), the average water consumption was 5 litres per person per day, whereas in the "white" areas the average was 260 litres a day. At the end of the day, both groups had the same consumption impact.

Mr Roos said there were 50 plant and animal species that disappeared each year.

Among these were plants that might be used medicinally to cure diseases. — Sapa.

(55)

'Little to gain' from nuclear pact

GERALD REILLY

PRETORIA. — SA's signing of the Nuclear Non-Proliferation Treaty (NPT) would not dramatically effect its uranium sales, Nuclear Fuels Corp of SA (Nufcor) CE John van Riet Lowe said at the weekend.

He said in an interview although SA had not been a signatory, it had always complied with the uranium sales requirements laid down in the treaty and its protocols.

"Countries that wanted to do business with us have done so. We have not been materially inhibited in our operations."

However, the signing of the treaty would greatly improve SA's image in the nuclear field which would be an important factor in sales volumes.

When sanctions were lifted SA would have access to the US and Japanese markets which together historically accounted for about two-thirds of SA's uranium exports.

However, even if demand for SA uranium did increase because of the signing of the treaty, the gain would be small as the world market was heavily oversupplied and production costs in SA were substantially higher than international prices.

Looking 10 years ahead, he said it was clear the nuclear power sentiment was gaining wide support throughout the world.

"The long-term outlook is good, but not spectacular. Improvement in sales could, however, start in the mid 1990s."

Lowe said it took 10 to 12 years from the time it was decided to establish a nuclear power unit before the plant became operational.

There had been a lull in the planning of new stations worldwide, but a more realistic attitude to nuclear power was emerging as a "good" energy option.

In industrialised countries there was little space left for hydro-generated power and even hydro stations were being labelled as environmental threats.

"In the long term there is no doubt nuclear power will again come into its own and the demand for uranium will climb," Lowe said.

Sapa-Reuter reports from Cairo that Egypt has welcomed SA's decision to sign the treaty, and expressed the hope that Israel would soon follow suit.

Foreign Minister Amr Moussa said yesterday: "This step strengthens the effectiveness of the treaty which grows stronger as more countries, particularly those with nuclear programmes, join it.

"I hope all states neighbouring Egypt in the African continent and the Middle East will join this treaty especially those that have nuclear facilities which do not undergo inspection ... like Israel," Moussa added.

Israel will neither confirm nor deny it has nuclear weapons.

However, Western military sources have said it has at least 100 nuclear warheads and missiles to deliver them.

● Comment: Page 8

Soekor explores further afield

BIDay 2/7/91

LESLEY LAMBERT

CAPE TOWN — Soekor has been talking to several African countries, including Angola and Mozambique, about exploring oil and gas deposits off their coastlines.

The state-funded exploration corporation recently struck encouraging gas wells off the south coast near Mossel Bay.

It has publicly stated that it intends raising additional funds by selling its technical expertise outside SA.

Recent improvements in relations between SA and the rest of the African continent have paved the way for new exploration opportunities reasonably close to home.

Sources confirm that Soekor officials have visited several African countries to talk about hydrocarbon exploration.

They say Soekor has shown particular interest in Angola and Mozambique.

Delegations from Africa have also visited SA. (55 2)

The talks have been exploratory and to date no formal agreements have been reached.

Angola has a sizeable oil field which it exploits commercially, while Mozambique has made discoveries of both oil and gas but requires additional funding and expertise to explore further.

Both countries are understood to be exploring new prospects and Mozambique has made it known that it requires foreign assistance.

Sources say that if Soekor did become involved it would be looking for new deposits rather than at existing oil fields or gas.

Support for daylight saving

BD 3/7/91 (55)

GERALD REILLY

PRETORIA — A proposal to give SA an extra hour of sunshine in summer was likely to get overwhelming support, the chairman of a lobby group for extended daytime said yesterday.

President F W de Klerk last week announced a President's Council committee would study the feasibility of putting the clock forward.

It would call for memoranda on the issue and assess the response and advantages of such a step.

Durban city councillor and National Action Group on Summer Time chairman Malcolm Prentice said his group had been formed earlier this year and the response had been "more than enthusiastic".

Hundreds of letters had been received in support of the idea, Prentice said, indicating it was likely the vast majority of South Africans would favour an extension of daylight in the summer months.

The advantages included more daylight leisure time, a probable decrease in twilight crime and fewer traffic accidents because evening peak traffic would operate in daylight.

Most letters expressed amazement that it had taken SA so long to seriously consider the obvious advantages of daylight saving.

Prentice said summer time would not make the day any longer or the night shorter. It was not stealing time from anyone.

Sacob economist Bill Lacey said questionnaires had been sent to Sacob's affiliate chambers to test their views on the issues.

Sacob was likely to support the idea, he said.

The demand for daylight saving was strongest in the eastern part of the country. Areas in the west already had about 50 minutes more daylight than eastern areas.

Afrikaanse Handelsinstituut executive director Joe Poolman said the system worked in the UK and European countries and there was no reason why it should not work in SA.

There were no major obstacles but some distinct advantages, including a "likely significant energy saving".

But the AHI had not taken an official stand on the issue so far.

Nuclear-treaty somersault fuels power plan

WMail 5/7-11/7/91

Behind Pretoria's willingness to curb its nuclear-weapons industry is an aggressive plan to market nuclear fuel for civilian purposes.

By EDDIE KOCH

SOUTH Africa's new-found willingness to sign the Non-Proliferation of Nuclear Weapons Treaty (NPT) will help curb Pretoria's nuclear-weapons industry, but signals an aggressive government plan to market locally made nuclear fuel for civilian power stations on international markets.

President FW de Klerk's about-turn on the NPT last week — when he said South Africa was willing to sign it after years of resisting international pressure to do so — was designed to boost the country's ability to sell fuel rods for civilian nuclear-power stations, says Earthlife Africa nuclear expert Mike Kantey.

"The treaty prohibits trade in nuclear weapons and allows non-civilian nuclear installations to be monitored by officials of the NPT," says Kantey. "But it does not affect the civilian programme, and South Africa's signing will certainly help it to sell nuclear fuel on world markets."

De Klerk's announcement follows an official Atomic Energy Corporation (AEC) report late last year that it was seriously investigating the possibility of exporting nuclear fuel from its processing plant at Valindaba, where fuel rods for use at the Koeberg nuclear-power station near Cape Town are manufactured.

AEC chief executive Waldo Stumpf said then that although there was a downturn in international sales of enriched uranium, prospects for export were expected to increase from the second half of 1990, when nuclear-power generation was expected to increase around the world.

The AEC's news followed a report from the state-run corporation stating that it was capable of meeting all demand from Koeberg for fuel rods.

Until last year South Africa had relied on imported uranium fuel to power Koeberg's twin reactors — and the change-over reflected AEC's intention to enter the international nuclear market as an aggressive seller rather than purchaser.

"AEC invested more than R500-million to build its fuel-fabrication plant at Valindaba (near Pretoria) and the capital cost of the plant must have increased dramatically in the past decade," says Kantey.

"Ways have to be found for this to be paid back. There is a glut of uranium on world markets and a downturn in international sales of uranium since Chernobyl and the end of the Cold War. So AEC is in a pickle. It needs a marketing campaign — and that is what the signing of the NPT is about."

Energy specialist Marc Gandar told *The Weekly Mail* that AEC's stepped-up production of nuclear fuel indicates the government has committed itself to a full-blown nuclear programme for civilian purposes, and the environmental hazards that go with it.

Eskom, which owns the Koeberg power station, last year announced it was planning to build a new nuclear-power station every five years, starting in 1995, as a means of supplying electricity to southern Africa.

Since then there have been talks with a number of neighbouring states about building large hydro-electric dams to supply the regional power grid and it is unclear if the nuclear scheme will go ahead.

But Kantey and Gandar point out that little attention is being paid to alternative forms of generating energy that have less-damaging environmental impacts.

Kantey notes that Pretoria allocates just one rand for the development of renewable energy for every R1 000 it spends on nuclear research.

Earthlife and the Natal-based Society Against Nuclear Energy (Sane) believe solar energy and wind-generated turbines can provide renewable and environment-friendly alternatives to the coal-fired power stations that have turned parts of the eastern Transvaal into some of the most polluted zones on earth.

Foreign Minister Pik Botha denied the government's somersault on the NPT was motivated by a desire to accelerate the lifting of sanctions. He reiterated De Klerk's claim that the cabinet had decided to sign the NPT because the world order and the military situation in southern Africa had improved.

De Klerk and Botha said Pretoria agreed with the Organisation of African Unity's principle that the continent become a nuclear-free zone. Negotiations had already taken place with several Frontline states to create a nuclear-free zone in southern Africa, Botha added.

When Pretoria signs the NPT, it will have to open all aspects of its nuclear programme to inspection by members of the United Nations' international Atomic Energy Agency — including its uranium-enrichment facilities and fuel-fabrication plants at Valindaba and Pelindaba.

Kantey says the treaty will inhibit the ability to use enriched uranium developed at Valindaba or plutonium generated at Koeberg — both the vital elements of nuclear bombs — for military purposes.

"The treaty will impose an audit that will make it difficult to divert these fuels. But it's a very leaky treaty and will by no means guarantee nuclear weapons won't be made here.

"Recent experience in Iraq after the Gulf War has highlighted how easy it is to hide nuclear facilities for military use from monitoring officials."

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IDC's R750m export boost

B/Day 5/7/91

ANDREW GILL

GOVERNMENT's new growth strategy will gain further impetus with R750m being redirected into mainly export projects.

This is as a result of the Industrial Development Corporation's withdrawal from further backing of the Mossgas project.

IDC chairman Koos van Rooy announced yesterday that it had decided not to follow its rights for a 20% shareholding in Mossgas as the financing had been arranged with the Central Energy Fund.

Analysts said the move was further evidence of government's export drive in attempts to set the country on the road to sustained economic growth.

The additional cash would be used instead to promote industrial growth and boost foreign exchange earnings through various schemes "with the full financial resources of the IDC".

The move is one of the first resulting from President F W de Klerk's opening of Parliament speech in February when he announced a restructuring of the IDC with a view to boosting exports.

The announcement said schemes were aimed at utilising idle capacity in industry, beneficiating local raw materials and establishing projects, currently being investigated and implemented, which would result in large scale earnings and savings of foreign exchange. (55)

Van Rooy said possible projects which could benefit from the IDC funds were the R2bn Columbus stainless steel joint venture being investigated by Highveld Steel and Samancor and the R3bn Alusaf smelter project under investigation by Gencor.

The projects involved beneficiation of raw materials and could have a significant effect on the country's balance of payments. The Alusaf project, for instance, is expected to generate $400m a year in foreign exchange if it gets off the ground. The IDC owns more than 40% of Alusaf.

☐ To Page 2

IDC

B/Day 5/7/91

(55) ☐ From Page 1

The IDC was investigating some projects itself, he said, many of which required "substantial" capital commitments.

Another sector which could benefit from IDC funds was the textile industry with a view to import replacement, he said.

Discussions had taken place with many of the bigger companies and groups on the issue of utilising idle capacity and Van Rooy was waiting for their reaction.

Incentives in this regard would include favourable transport and electricity rates and financing from the corporation.

The IDC already had R530m invested in Mossgas, which would be repaid over time.

Engen chairman Bernard Smith said the IDC's withdrawal was no problem at all as Engen's position was secure. The company has a 30% interest in Mossgas.

Van Rooy said the withdrawal was not a "thumbs down" for Mossgas but had happened because the project was adequately financed and had well-established private sector participation. As a result, the IDC's presence was not essential.

Although the IDC would not participate directly in Mossgas, the corporation would remain involved in the possible development of downstream petrochemical facilities based on surplus gas and byproducts from Mossgas.

Koeberg unaffected by new radiation limits

B/Day 9/7/91. 55

BRENT VON MELVILLE

KOEBERG power station will not be affected by new radioprotection regulations which will soon be incorporated by the International Commission on Radiological Protection (ICRP).

The new international limits are lower than the current ones by a factor of 2,5 — reducing annual exposure limits from 50 milliSieverts (mSv) to 20mSv.

Eskom spokesman Andre van Heerden said yesterday the new regulations would have little direct affect at Koeberg as standards applied were far more rigorous than elsewhere in the fuel cycle industry. He said worker exposure to radiation at Koeberg was among the lowest levels in the world, and general exposure levels were lower only in Finland.

According to the latest issue of Nucleonics Week, industry representatives feel the regulations — which are in accordance with last year's ICRP recommendations — will result in major facility redesign and reorganisation of work practices, with their attendant cost increases.

Officials from the French and Belgian nuclear industries voiced their apprehension about the impact of the new norms at a recent meeting in Brussels.

Van Heerden said workers at French-built Koeberg — SA's only nuclear power station — were exposed to a total cumulative dose in 1990 of 2 800mSv, or about 1,9mSv per worker.

Of the approximately 1 500 workers at Koeberg, 10 workers (of whom five were contract workers) were exposed to levels above the new limits while 15 people were exposed to a level of between 15 and 20mSv.

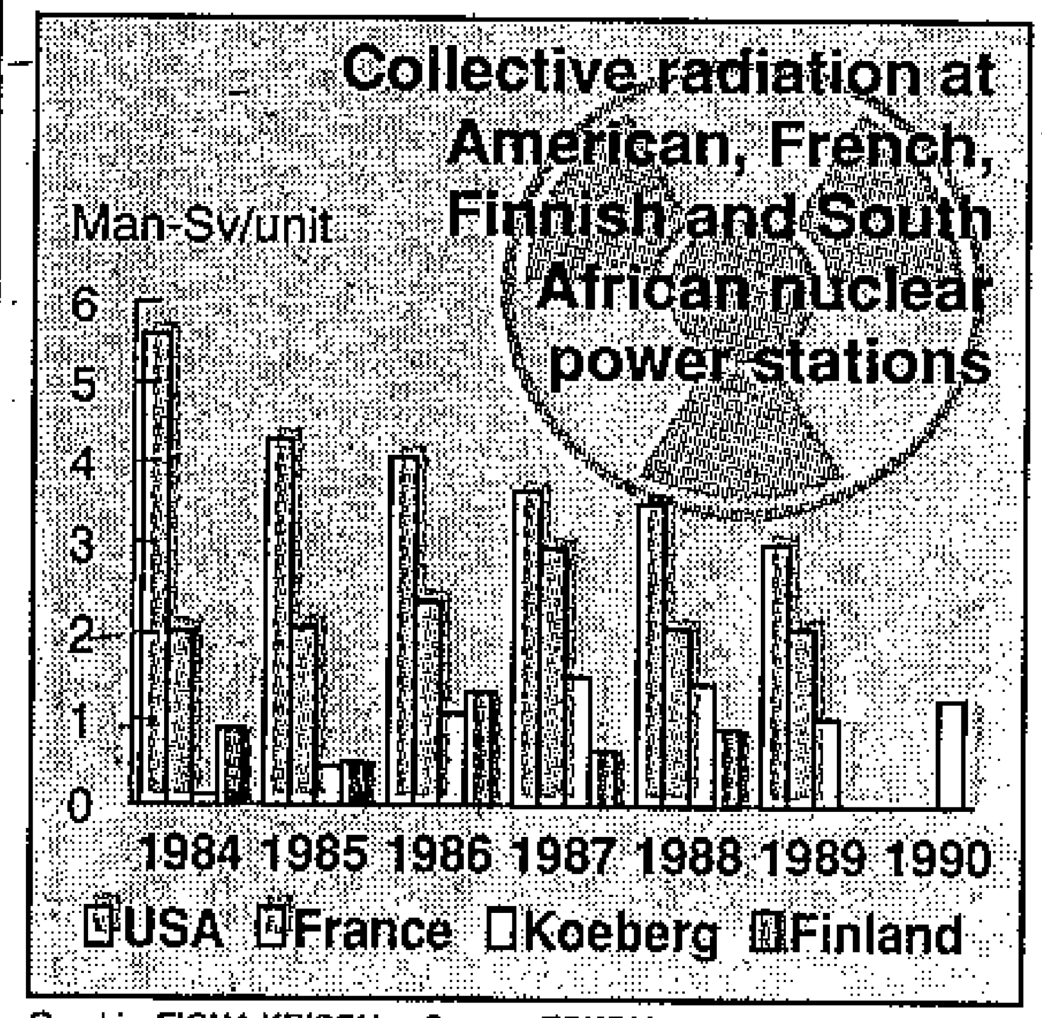
Normal background radiation from natural sources varies between 1 and 2mSv in the Cape Town area, and the allowable annual dosage for radiation workers such as radiographers and people working with X-ray machines, is still at 50mSv.

Sapa reports that Foreign Affairs Minister Pik Botha yesterday signed accession to the nuclear Non-Proliferation Treaty (NPT) on behalf of SA.

The signed document will be deposited with the US in due course.

The accession would be deposited with the US, not to exclude Britain, but because it was appropriate to do so, Botha said.

The signing of accession to the NPT meant SA's nuclear facilities would now be open for inspection.



Graphic: FIONA KRISCH Source: ESKOM

After MossGas a giant MossCity

Argus 13/7/91.

55

BLAISE HOPKINSON

Business Staff

A KEY new regional shopping centre is to be built at Mossel Bay to serve the area in the wake of large-scale development surrounding the MossGas project.

Offshore funding for the R73 million complex has been secured from an overseas bank at a minute 11 percent interest rate.

MossCity will not only be a boom for retailers in the area but will also provide much-needed employment for scores of people retrenched after the completion of large sections of the infrastructure for the MossGas facility.

The project will be put out to tender soon for the 25 000 square metre centre which will be situated just off the N2 national road.

Project managers are RMS Syfrets (Cape) and executive in charge Mr Coenraad van der Bergh said construction could begin as early as September as completion is slated for October next year.

"Our research said there was a very real need for a high-calibre regional shopping centre which will serve the areas surrounding Mossel Bay even as far afield as Plettenberg Bay," he said.

The MossCity complex will be on a par with modern shopping centres in Cape Town and Johannesburg and will feature a major supermarket chain, four cinemas, restaurants and an entertainment centre.

Rentals will be pitched at about R32 a square metre (gross) and Mr Van der Bergh said he expected MossCity to be fully let on completion.

There will also be an office block which will overlook the atrium which will offer suites from 50 square metres upwards.

A day clinic, sport and health centre and parking for 1 500 cars will be provided.

The developers are Suidwes Kaapland Ontwikkeling Beperk, a subsidiary of the S Noor Group.

Mr Van der Bergh said thousands of workers employed on MossGas had been retrenched but had refused to return to their homes and were currently squatting in the area.

The MossCity development would bring welcome jobs to both skilled and unskilled workers, he said.

On the lighter side, Mr Van der Bergh said the four cinemas, already committed to Starnet, would be the first in the area.

Link man scoffs at Eskom supplying Renamo

Star 13/7/91

SS

KEN VERNON
ARGUS AFRICA NEWS SERVICE

JUST what, if anything, did South African electricity giant Eskom give Mozambique's Renamo rebel movement in return for not sabotaging the Cahora Bassa power lines?

This is the central question in a row that has blown up over the unusual relationship that has developed between an odd couple that only have 800 km of power lines in common.

Destroying

On one side is Eskom CEO Ian McRae, a man with a dream of linking southern Africa with a grid of power lines that would develop the entire region and bring prosperity to all.

On the other side is Afonso Dhlakama, a man with a dream of a new Mozambique built upon the ashes of the old, ashes that he has helped create through a strategy of destroying his country's infrastructure — including the thin ribbons of copper constructed to bring power from Cahora Bassa to South Africa.

This week a Johannesburg newspaper alleged that ammunition, uniforms and food formed the quid pro quo Renamo received for their apparent agreement to stop sabotaging the first step of Mr McRae's dream.

In the report Mr McRae admitted that either he or members of his organisation had met Mr Dhlakama several times discuss security for the rehabilitation of the power lines and that attacks on the lines had since ceased.

In an interview earlier this year, Mr Dhlakama admitted meeting Eskom several times, but denied that any agreement had been struck.

Uncontactable

Approached for comment on the allegations, Eskom politely asked me to come back week. Pressed, a spokesman said Mr McRae was "uncontactable". In fact he was in Cape Town.

Acting as intermediaries between the odd couple is an even odder single, Garth Barrett, former Rhodesian SAS and SADF officer and renowned anti-communist crusader.

It was he who came up with the answer to the question.

What Dhlakama and Renamo hope to gain from any agreement with Eskom is good publicity.

Mr Barrett said it was "laughable" that Eskom would place itself in a position of endangering its links with the Permanent Joint Commission on Cahora Bassa and with other African states, to say nothing of violating the Nkomati Accord, by supplying anything to Renamo — especially ammunition.

"Besides, where would Eskom get ammunition?"

He said that while Renamo have agreed in principle to the rehabiliation of Cahora Bassa, nothing has yet been put on paper.

Uplift

"Most of the Cahora Bassa lines run through Renamo territory and the PJC have suggested that in the event of the lines being rehabilitated, this would have to be accompanied by a social upliftment programme in the area — further benefitting Renamo".

"I agree, no one does anything for nothing, but if the rehabilitation programme goes ahead, everyone stands to benefit".

BP returns to Nigeria with $250m

LAGOS — British Petroleum would invest $250m in oil exploration in Nigeria, a company official said at the weekend. This move ends a 12-year ban linked to sanctions-busting with SA.

BP exploration CE John Browne said survey work and data analysis had started on two blocks the company had been awarded. He gave no details. B/Day 15/7/91

Browne spoke at a news conference with Nigerian Petroleum Minister Jibril Aminu, who said: "BP will return as a fresh company and its new operations will not in any way be linked to its past operations."

In 1979, the government nationalised BP's interests in Nigeria, Africa's biggest oil-producer, after the company's participation in an oil-swap deal that led indirectly to the shipment of Nigerian petroleum to SA.

Latest statistics, for 1985, show that Nigeria was the fifth-largest producer in 13-nation Opec, providing about 3% of world production. — Sapa-AP.

55

Little hope of market gains for uranium

BiDay 15/7/91

BRENT VON MELVILLE

YEARS of sanctions have hit the SA uranium market hard, leaving it at a stage from which it will take several years to recoup its world market position — if it is able to do so at all.

Sluggish conditions in the uranium market in the past few years, along with rising mining costs, have resulted in rationalisation in the uranium industry and the closure of a number of SA uranium mines.

In response to the lifting of US sanctions last week Nuclear Fuels Corporation (Nufcor) manager Charles Scorer said the effect of sanctions had been to significantly limit access to markets, and an immediate pick-up of sales was unlikely.

Nufcor markets most SA uranium.

Scorer said that while the dropping of US sanctions would level the playing field, the market was not likely top pick up for years.

SA has been traditionally regarded as the world's largest producer of uranium. The US represents by far the largest market.

The London-based Uranium Institute believes the uranium mining industry will suffer from low demand and poor prices for the remainder of the 1990s. Soviet supplies have added to the glut.

Scorer says the spot market for uranium is about $9,20/lb, compared with about $44/lb 12 years ago..

PWV motorists had cheap petrol in June

GERALD REILLY

PRETORIA — PWV motorists paid on average 7,746c/l too little for 93 octane petrol during June, latest National Energy Council (NEC) figures show. B/Day 16/7/91

An NEC spokesman said yesterday this was sharply up from the May under-recovery on 93 octane of 2,65c/l. Under-recoveries were also realised on 97 and 87 petrol in June.

The spokesman said although the June under-recovery was the highest this year there was no immediate need to consider a fuel price increase. The rand/dollar exchange rate had since improved and the international market price for petrol had ~~softened~~ in the past few days. (55)

Petrol and diesel price increases in the last week of May and the deterioration of the average rand/dollar rate to R2,865 in June increased the landed cost of petrol and diesel by 5,096c/l and 0,261c/l respectively. This reduced the under-recovery on 93 octane and slightly reduced the over-recovery on diesel.

Average over-recovery on diesel was 4,983c/l in June, compared to an over-recovery of 5,244c/l in May.

Mega-project signals new era

ARGT 20/7/91 (SS)

■ From page 1

tre of Mossel Bay.

Waiting at the refinery are 650km of above-ground and underground piping, 12 615 tons of structural steel, 186 968m3 of concrete and 2 137km of electrical and instrument cables installed by dozens of contractors since 1988.

The on-shore project is, however, running two months behind schedule with 94 percent of the project completed, project director Ben Nel reported this week, because a lot of skilled people such as pipe-fitters and welders are lured away by job possibilities closer to their homes.

Mossgas waged an unfruitful recruitment drive across the country recently and were forced to look overseas for more that 100 Polish tradesmen two months ago.

A Mossgas official disputed the negative publicity over the project's cost overruns. "Compared with other mega-projects in the world, if you look at our percentage overrun we haven't done that badly," he said.

Mossgas was launched by the government in 1987 as a strategic project to increase South Africa's self-sufficiency in transportation fuels.

Its economic viability may now come under question with the lifting of sanctions against the country.

"Whether or not the same decision (to go ahead with Mossgas) would be made now as three to five years ago, I'm not prepared to comment on," the Mossgas official said.

"But the plant will produce a good cash flow and will save billions in foreign exchange over the lifetime of the project."

Mr Theo pointed to the money injected into contracts around the country.

"I think Mossgas has been the saviour of the engineering industry and has provided a lot of employment in times of the downturn," he said.

As another long-term benefit of Mossgas, Mr Nel cited the 7 800 people who learnt new skills at the East Cape Training Centre for the project.

"The economy and the construction industry have benefited from the Mossgas project," said Mr Nel. "And South Africa now has the technology to compete in international markets."

■ Pictures and full story in WEEKEND FOCUS on page 15.

Mossgas to pump gas soon

ARGUS 20/7/91 (SS)

ADRIAN CLOETE
Weekend Argus
Special Correspondent

GAS will begin flowing any day now in South Africa's grand R9 000-million scheme to tap the fossil fuel reserves of the Agulhas Bank, off Mossel Bay.

The Mossgas mega-project is set to signal a new era for SA's fuel self-sufficiency when the drilling derrick goes into action on the off-shore platform 85km south of Cape St Blaize.

In a few months, the platform will begin pumping the gas and condensate to a gleaming new refinery on the outskirts of Mossel Bay where it will be converted into petrol, diesel, kerosene and alcohol.

"The off-shore project is 99 percent complete and the commencement of drilling is imminent," a Mossgas official said in Mossel Bay this week.

The joint government-private sector initiative will tap gas and condensate trapped in geological formations more than 2 500m into the seabed.

From the Mossgas production platform, 18 boreholes in a radius of 4,2 km will be made through vertical and directional drilling at the first of two earmarked gas fields.

Based on gas reserves at the present site and another field 47km to the west, the project has a "conservatively projected" lifespan of about 30 years.

"However, we're not looking at just a 25-year function for the project but to look for continued reserves, and the signs are pretty encouraging," reported Mossgas general manager (operations) John Theo.

With the help of the giant crane vessel Micoperi the installation of the massive platform's six modules, drilling derrick and flare boom was completed in January.

Various sections on the platform have been undergoing testing and commissioning with the drilling module expected to swing into action within days.

The off-shore platform and the on-shore refinery will go into full operation by the middle of next year, Mr Theo said.

Initial processing to separate the gas from the condensate will take place on the platform before they are piped to the on-shore plant 18km west of the cen-

■ Turn to page 3

COMPANIES

Masterbore wins oil contract

MATTHEW CURTIN

DRILLING company Masterbore has won a multimillion-rand contract to drill for oil in Etosha Pan in northern Namibia as it seeks to reduce its reliance on gold mining business. BDay 22/7/91

A spokesman said the well would be drilled by subsidiary Universal HS Drilling for Overseas Petroleum and Investment Corporation (Opic), a subsidiary of Taiwan's Chinese Petroleum Corporation.

He said the Opic concession was the only one being explored in advance of a number of other concessions the Namibian government would release later this year. 55

Masterbore posted a drop in earnings from 5,3c a share to 3,8c a share as attributable earnings fell from R697 000 to R583 000 for year ended February.

While the company's turnover plummeted from R38,5m to R22,9m, Masterbore converted a R765 000 operating loss in 1990 into a R1,4m operating profit this year.

The spokesman attributed the turnaround to the restructuring of the company and a 50% cut in bank borrowings, through the issue of debentures worth R3,3m.

Masterbore liquidated its Cliff's Engineering subsidiary in which it had a 51% stake in January and has undertaken an investigation into events leading to the move in order to recoup its losses.

Despite the depressed conditions in the gold mining industry, the spokesman said Masterbore's order books for the next year were fuller than expected.

Masterbore is working in Mozambique, Botswana and has bid for a large contract in France. MD Wilf Davies has said the Gulf war sparked renewed interest in onshore drilling for oil and gas in Europe.

Homelands on line for electricity

55 ~~104~~ ARGUS 25/7/91

Staff Reporter

HOMELANDS and other underdeveloped areas of southern Africa will be getting electricity following an agreement between Eskom and the Development Bank of Southern Africa (DBSA).

The partnership, signed yesterday, will ensure these companies use their full resources to achieve this goal.

A joint committee between Eskom and the DBSA has been set up to liaise with governments and local authorities.

The homeland of Kangwane has already benefited from this type of liaison.

Kescor, the Kangwane electricity supply body, has obtained a loan of R17-million. It is estimated 4 000 households in the rural and urban areas of the homeland will get electricity through the project within the next two years.

● The provision of electricity to townships in South Africa will also be considered by Eskom if representations are made by township authorities.

Eskom in pact to give power

(55)

Star 25/7/91

By Kaizer Nyatsumba
Political Staff

The Development Bank of SA and Eskom have signed a partnership agreement which will have a major impact on the provision of electricity to under-developed areas of southern Africa.

The agreement, announced in a joint statement by Eskom and the DBSA, provides for the "optimal application" of the two institutions' respective resources to alleviate the plight of poor communities which had no electricity supply.

The statement said a liaison committee had been established between Eskom and the DBSA.

The committee would give joint, co-ordinated attention to liaison with governments and local authorities to support policy formulation and overall electricity planning and the implementation of a joint project cycle for electricity development projects in developing areas.

DBSA spokesman Frans van Rensburg yesterday told The Star the new arrangement would not be used to bail out black local authorities whose electricity supply had been disconnected as a result of rent boycotts.

The new scheme, Mr van Rensburg said, was meant for new development projects and would cater for people who had never had electricity

The statement referred to a R17 million loan from the DBSA to the KaNgwane Electricity Supply Commission (Kescor) to supply electricity in the homeland as "a direct example of this kind of interaction".

It was estimated that the agreement, signed yesterday between Kescor and the DBSA, will result in the provision of electricity to an estimated 4 000 households in KaNgwane in the next two years.

Energy for the people, health for the planet

South 1/8-7/8/91. (55)

South Africa's energy inequalities pose a dilemma for environmentalists and liberation movements alike. If everyone is to be part of the electricity generation, we can expect even more pollution. The answer lies in developing new technologies. KATE DE SELINCOURT reports:

EXTENDING ELECTRICITY TO THE townships and rural areas would improve the quality of life in the short-term, but the long-term effects on the environment could be devastating. Environmentalists are now asking whether introducing alternative, renewable sources of energy for the poor areas would solve the problem, or become the poor person's option.

South Africa's power stations produce the world's cheapest electricity, yet this is available to only 30 percent of the population.

The majority have to rely on fuels like paraffin or coal, or generate energy by using rapidly dwindling fuelwood supplies or burning cow dung or mielie husks.

Coal and paraffin are dirty and expensive; cutting trees, keeping dung and removing mielie husks is costing South Africa its top soil, which now washes away in every rainstorm.

Up to a million new customers each year are being connected to the grid and Eskom has devised the "Redibox" system, which can provide cheap electricity to a shack or rondavel.

Nevertheless, many formal townships, and most of the squatter settlements, remain without electricity, as do rural settlements.

Extending the national electricity grid into the townships and rural areas would improve the quality of life of new consumers.

But electricity generation itself causes pollution. South Africa's coal-burning power stations emit sulphur and nitrogen oxides, which fall to earth as acid rain.

Power stations, along with motor transport, are the main sources of carbon dioxide, the greenhouse gas. In the greenhouse effect, carbon dioxide acts like an invisible blanket which traps the sun's heat close to the earth.

Scientists disagree on whether the climate is warming up already, but carbon dioxide levels are rising so fast that almost all agree the damage will start soon if nothing is done. Neither South Africans nor anyone else could expect to prosper on a hotter, drier planet, with familiar weather patterns swingingout of control.

Environmentalists maintain, therefore, that it is not right to encourage more electricity consumers, to make yet more pollution.

"But South Africa is a developing nation," cry the liberatión movements. "You cannot ask poor black people to forgo what all the rich whites already have!"

Environmentalists reply that "developing" parts of the country should concentrate on renewable energy; hydroelectric power harnessing the flow of rivers; solar panels and windmills.

These low-tech systems make good sense in remote areas of low density population: Karoo farms have been using wind power for years.

Devices to absorb the sun's heat would save heating fuel. Photovoltaics, which convert light energy to electricity, or tiny hydroelectric devices in streams, could run lighting and television, and could pay for themselves by powering irrigation pumps to increase crop yields.

HOWEVER, THE FACT REMAINS that renewable power is still not "equal". Many systems produce only a limited current — not enough to run an industrial motor, for instance. And in a dense township, such systems are ludicrously more expensive than being plugged into Eskom.

Aubrey Meyer, Cape Town-born and now co-ordinator of the "Save the Forests" movement in London, believes the environmentalists and liberation movements are both right. Everyone in South Africa should have access to the same amount of energy, and that renewable energy is the way forward — for everyone.

He recently described the situation from the world point of view to "The Other Economic Summit", held in London last month.

"The Intergovernmental Panel on Climate Control has calculated that world carbon emissions should immediately be cut by 60 percent from 7.5 to 3 billion tonnes a year. That allows .6 of a tonne for everyone on the planet today."

Meyers says:"In South Africa you have a perfect model of the world. A minority, mostly white, are very high polluters, while the majority, mostly not white, are living on very little."

The Worldwatch Institute in Washington calculates that the average white lifestyle and white share in the economy represents about 9 tonnes carbon emission per year, 15 times higher than the recommended 0.6 tonnes.

If everyone is entitled to the same, then noone is entitled to the average white lifestyle. Not in South Africa, not in the world.

South Africa receives a lot of wind and sun. For a mass electricity supply, wind and sun farms could feed into the grid in the same way power stations do today.

However, they would never make enough electricity to replace the megawatts currently generated by coal burning.

Some people at Eskom, as well as Professor Richard Dutcowicz at UCT's Energy Research Institute, are keen to replace the whole of Eskom's capacity from a "renewable" source. They are looking very seriously at plans for a hydroelectric plant on the Zaire river.

This raises the prospect of driving roads into the Zaire rainforests. Amazonia has discovered to its cost that this can open up the way to destroying both the forest and its inhabitants.

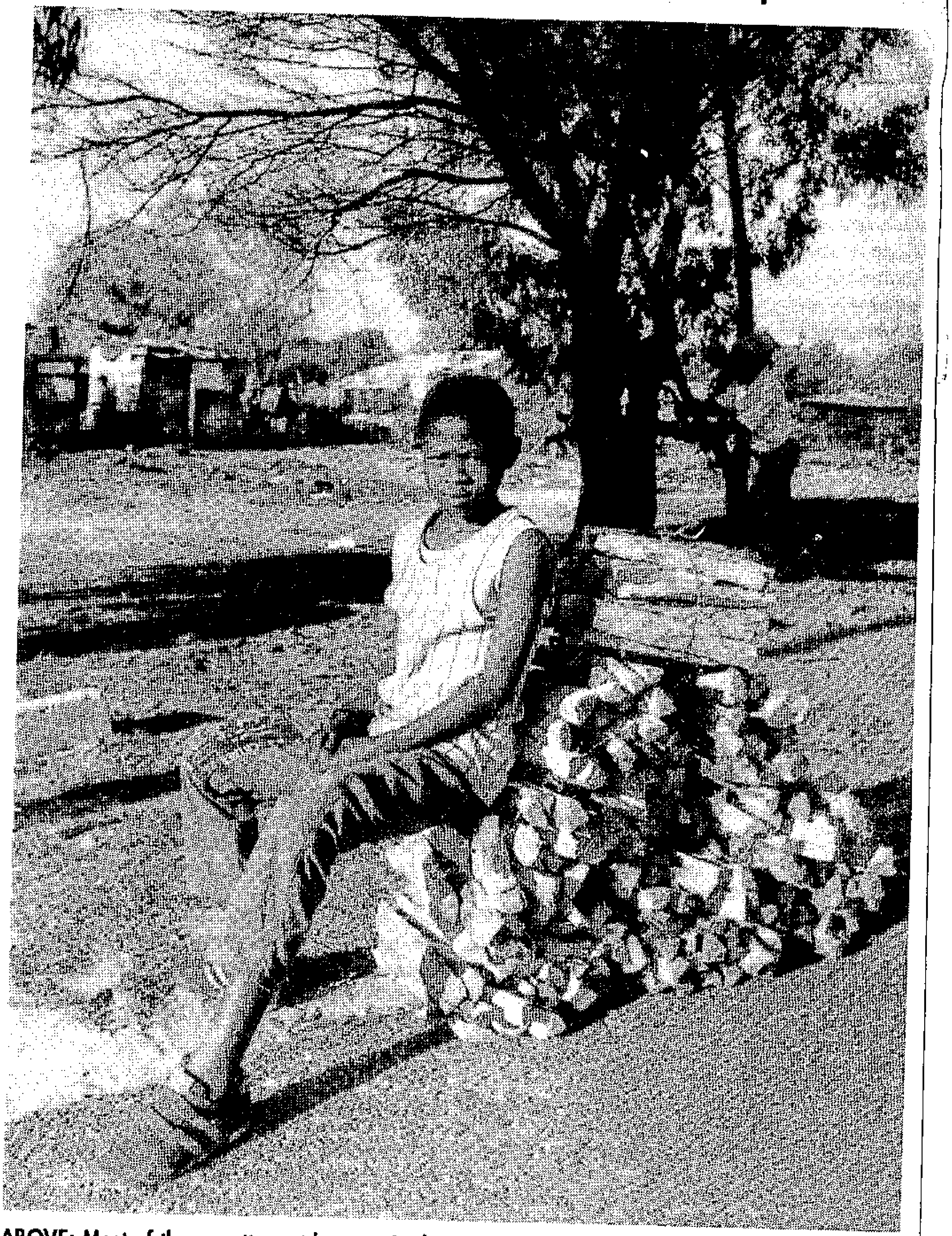
Such a vast energy supply means business could continue as usual for South Africa's industrial economy. At present this means filling the rivers with mine wastes, pesticides and toxic metals; shattering the atmosphere with our aerosol sprays; ploughing away the topsoil; and generally fouling the nest.

Alternatively, South Africa could think small, think local, think renewable, think appropriate, think clean. The universities are already teaming up with people in poorer parts of the country to develop such technologies.

"The problems faced by South Africa are those faced by the planet at large," says Meyer.

"If South Africa can get to the point, by a combination of confrontation and negotiation, of tackling these energy inequalities while protecting the environment, a lot of people in the West will probably sit back and applaud.

"At the moment I think these people totally fail to see how their own lifestyles are also indicted. But South Africa is in a position to be an example to the world." □



ABOVE: Most of the squatter settlements in the Cape remain without electricity and depend on Port Jackson for fuel
PHOTOGRAPH: Yunus Mohamed

E Rand township to pay Eskom

CP Correspondent

ABOUT 25 000 Daveyton residents this week agreed to pay the Benoni City Council R100 a month for service arrears and undertook to pay future power bills directly to Eskom.

Agreement was reached after a one-day stayaway in the East Rand township organised by the Daveyton Interim Committee.

Early this year the committee, the Daveyton council and the Transvaal Provincial Administration, agreed that residents should pay a flat rate of R70 a month and that the council would pay directly to Eskom.

But Eskom complained that some residents were not paying and cut off power several times.

The new Benoni tariffs are: R60 for electricity; R12,80 for sewerage; R13 for refuse removal and R14 for water.

ANC Daveyton secretary Zizi Nduna accused the Daveyton council of using residents' payments for staff salaries.

"That is why they must resign. They considered their stomachs before the residents."

Daveyton council spokesman, MR Morapane, would not comment on the allegations.

Oil imports show no sign of easing

B Day 6/8/91.

(SS)

SHARON WOOD

OIL imports have shown no signs of abating despite government's assurance that sales of SA oil stockpiles are under way.

Central Energy Fund chairman Danie Vorster says government has been selling off some of the strategic oil stockpiles for "some time".

The sale of oil stockpiles to local refineries was expected to halt crude oil imports for three months from June, saving the government about R1bn in foreign exchange.

But Customs and Excise trade figures show cumulative "unclassified" imports (mainly oil and arms) for the six months to June were up 43,1% to R3,4bn from R2,4bn last year.

Unclassified imports rose by about 8% in June month-on-month, and 52,9% from last year.

Although it is not possible to quantify the volume of oil imports from the trade figures available, economists estimate that oil imports comprise about 80% of the unclassified import category.

This category was created to keep information about SA oil imports secret, after the oil embargo in the late 1970s.

Analysts say long-term oil contracts will probably delay the effect of sales of local oil stocks on SA crude oil imports.

Vorster says: "Existing long-term oil supply contracts do influence the rate of sell-off to some extent.

"Offtake under these contracts has reduced in line with the stockpile sales."

He says local oil stockpile sales have reduced the level of oil imports.

Although this did not show up in the June trade figures, it is possible that July trade figures, which will be released later this month, will show the beginning of a downtrend in oil imports.

When asked how much foreign exchange could be saved, Vorster said: "Actual figures with regard to oil volume sold and the amount of money realised are classified information and cannot be commented on."

Despite the continued growth in crude oil imports, the current account has continued to perform well and Reserve Bank foreign reserve holdings have grown steadily during the year.

Reserve Bank figures for the first quarter show the current account surplus was R973m.

The Reserve Bank's holding of gold and foreign exchange reserves reached a new high of R7,44bn in June.

Engen in group bidding for Namibian oil rights

B Day 7/8/91.

LINDA ENSOR

CAPE TOWN — Gencor's energy giant Engen is a member of an international consortium currently bidding for the rights to explore for oil in an area off the Namibian coast.

The step follows Engen's recent £24m purchase of 27% of Gencor's 8% interest in the oil and gas exploration project in the Alba and Kilda fields in the North Sea.

Engen MD Rob Angel also said the group was "aggressively" pursuing the possibilities for oil exploration in West Africa and was looking into the feasibility of participating in refineries elsewhere on the continent to supplement its export drive.

Angel said the existence of a large gas field off the Namibian coast had been confirmed but the exploration consortium's interest was not in gas but in oil exploration.

"We are keen to get in there and are quite optimistic about finding oil because it is probable that the geology of the area where oil has been found along the West African coast extends down to Namibia."

He said the absence of a large and close industrial and domestic market for gas made it unlikely that the gas field would be developed for some time. The cost of converting it into petrol or transporting it as liquefied natural gas would be prohibitive.

"We are primarily interested in oil which would serve as a back-up to Engen's refinery not necessarily by being transported there but in making oil swaps possible."

The outcome of the bid opened by the Namibian government is expected to be announced early in 1992.

Angel said the deal with Gencor, concluded on July 1, included the transfer to Engen of the management of all of Gencor's interests in the North Sea off the Scottish coast.

He was very excited about the deal because, apart from generating income for the group, it represented the first entry by Engen into the physical production of oil and brought credibility to the group as an international player in the petroleum industry.

Development of the Alba field, which has proven reserves of about 300-million barrels of oil, was moving ahead quickly and oil production should start at the end of 1993.

Gencor's and Engen's share of the oil produced would not come to SA because of the distance but would be traded out, Angel said.

Production of gas and gas condensate at the large Kilda field, physically located underneath Alba, had been fast-tracked because of additional reserves and condensate discovered. Whereas production had been scheduled for 1998/99, this had been brought forward to about 1996.

The cost of the project is expected to be about £650m.

(55)

Move to plug govt into electricity deals

B/Day 8/8/91

WILSON ZWANE and THEO RAWANA

CIVIC associations are set to establish a national forum to negotiate township electricity supplies directly with government.

Civics Association of the Southern Transvaal (Cast) president Moses Mayekiso said this week provision of electricity was an issue which needed to be tackled "by trade unions and other mass-based organisations at national level".

Mayekiso, who is also general secretary of the National Union of Metalworkers (Numsa), said Cast would ask the organisations to convene a national workshop soon at which the "whole electricity issue" would be thrashed out.

"It is hoped the workshop will pave the way for the forum, which will in turn negotiate with government about provision of electricity to townships," he said.

Such a forum was necessary because agreements reached by local civic structures and Eskom had not been honoured. Eskom was reneging on these agreements, in terms of which township residents would pay bills directly to Eskom.

"Eskom has not, as yet, set up neutral pay points in Alexandra township as agreed," he said. Establishment of such points was provided for in the Alexandra

To Page 2

Electricity

B/Day 8/8/91

From Page 1

Accord signed by Eskom, the Alexandra Civic Organisation (ACO), the Alexandra City Council and the Transvaal Provincial Administration (TPA) early this year.

Mayekiso reiterated Cast's call on Monday for a campaign aimed at encouraging Eskom to depoliticise electricity.

Eskom corporate electrification manager Johan du Plessis said the utility fully supported the belief that electricity should be depoliticised. "We are a service organisation; not a political one."

He added that the Alexandra accord had not been implemented as yet and the utility was ready to collect payments directly from residents as soon as it was.

TPA spokesman Piet Wilken said Cast was free to take the electricity issue to central government level, "but our doors are always open for discussions".

FM 9/8/91 (55)

OIL PRICES FM 9/8/91

Ripple effect

(55)

The three-month surge in oil prices after Iraq's invasion of Kuwait last August raised consumer prices in industrial countries by 0,5% and lowered their real GNP by 0,25% in 1990, says IMF MD Michel Camdessus.

"The external current account balances of industrial countries also deteriorated," Camdessus told a recent Paris oil seminar. "And the real GNP of oil importing developing countries is estimated to have been lowered by about 0,5%."

He pointed out that these estimates don't reveal the full underlying costs of adjusting to a sharp change in the oil price.

"Changes in relative prices induce large scale and costly reallocation of resources. For instance, the oil price increase in 1979-1980 resulted in large capital losses for oil importing countries, as parts of their capital stock became economically inefficient under the new pattern of relative prices."

The fall in the mid-Eighties also brought adjustment costs — mainly in terms of exploration and extraction projects which became uneconomic as energy prices dropped precipitously. The further effects of higher oil prices in 1990 are still rippling through.

Camdessus suggested a broader market could reduce volatility "and alleviate (its) impact on both consumers and producers." To maximise the positive effects, "further development of market mechanisms should be encouraged to minimise distortions and reduce uncertainty in government policies." ■

Eskom backs daylight-saving drive

Star 10/8/91

ESKOM is to support the campaign to introduce daylight saving to South Africa.

After a 10-week investigation into daylight saving, the organisation concluded that the system offered significant environmental and sociological benefits.

Eskom has made recommendations to the President's Council subcommittee commissioned to study the feasibility of a daylight saving programme. The Durban-based action committee on daylight saving has welcomed the decision. — Sapa.

55

R450m expansion for Sapref

BDay 12/8/91 (55)

ANDREW GILL

A R450m expansion is being planned for Africa's biggest oil refinery, Sapref, the Durban-based plant jointly owned by Shell SA and BP SA, the companies announced at the weekend.

The 200 000-barrels-per-day (bpd) refinery is set for a 30% (60 000 bpd) boost. This is despite recent reports that it was to lose a 30 000 to 40 000 bpd supply contract with Trek, which has entered the Engen stable, at the end of the year.

Financing for the project looks set to come mainly from inside the country but BP could be looking for some offshore funding.

The programme was being undertaken to ensure Sapref maintained its competitive edge and would enable it to meet the growing demand for petroleum products in SA.

Also, the new equipment will cater for other furture environmental demands, particularly that of low sulphur diesel. New technology being installed will facilitate the refinery's ability to produce unleaded petrol.

The move follows similar announcements by two other major refineries, Genref and Caltex.

Engen's Genref announced a R670m expansion which will see a 50% increase in capacity to 150 000 bpd. Caltex is developing its previously mothballed plans.

The programme is due to get under way towards the end of the year and is likely to take two years to complete. At peak construction phase about 800 people will be employed. About 65% of the R450m will be spent within SA.

Advanced processing technology and the use of energy-saving techniques will lessen emission and improve environmental control by reducing atmospheric pollution. Facilities will also be installed to improve control of water pollution.

Shell, BP pump R450m into Sapref oil refinery

55

CT 12/8/91

Own Correspondent

DURBAN. — The Sapref oil refinery in Durban is to be expanded at a cost of R450 million the joint owners, Shell and BP Southern Africa, announced yesterday.

At the height of the building project there will be 800 people employed with about 65% of the expenditure occurring locally.

This will give a sizeable shot in the arm to Durban's economy.

The company said yesterday that Sapref is the largest refinery in South Africa and one of the largest in Africa and the expansion project will ensure that it retains its competitive edge and remains the country's largest and most efficient refinery.

Growing demand

The expansion programme will take place over the next two years and will enable the refinery to meet the growing demand for fuel and petroleum products in the South African market.

The project includes the installation of equipment designed to cater for future environmental demands particularly in the area of low sulphur diesel.

Further additions to the refinery which will be facilitated by this expansion are anticipated for the future production of unleaded petrol.

Although capacity will be increased advanced processing technolgy and use of energy-saving techniques will lessen emissions and improve enviromental control by reducing atmospheric pollution.

Facilities will also be installed to improve control of water pollution.

~~244~~ 55 ~~220~~

Fuel price rise: don't be duped, AA warns

The belief that VAT will not affect the price of fuel should be viewed with some suspicion, the Automobile Association has warned. Star 12/8/91

It said although fuel would be zero-rated, there was a strong indication that VAT would be levied in the Budget next year at a higher rate than GST and would result once again in tax on tax.

R450-m boost for fuel refinery

55

Star 12/8/91

CAPE TOWN — Shell South Africa and BP Southern Africa yesterday announced a R450 million expansion project for the largest refinery in Africa — Sapref in Durban.

Sapref is owned jointly by Shell and BP.

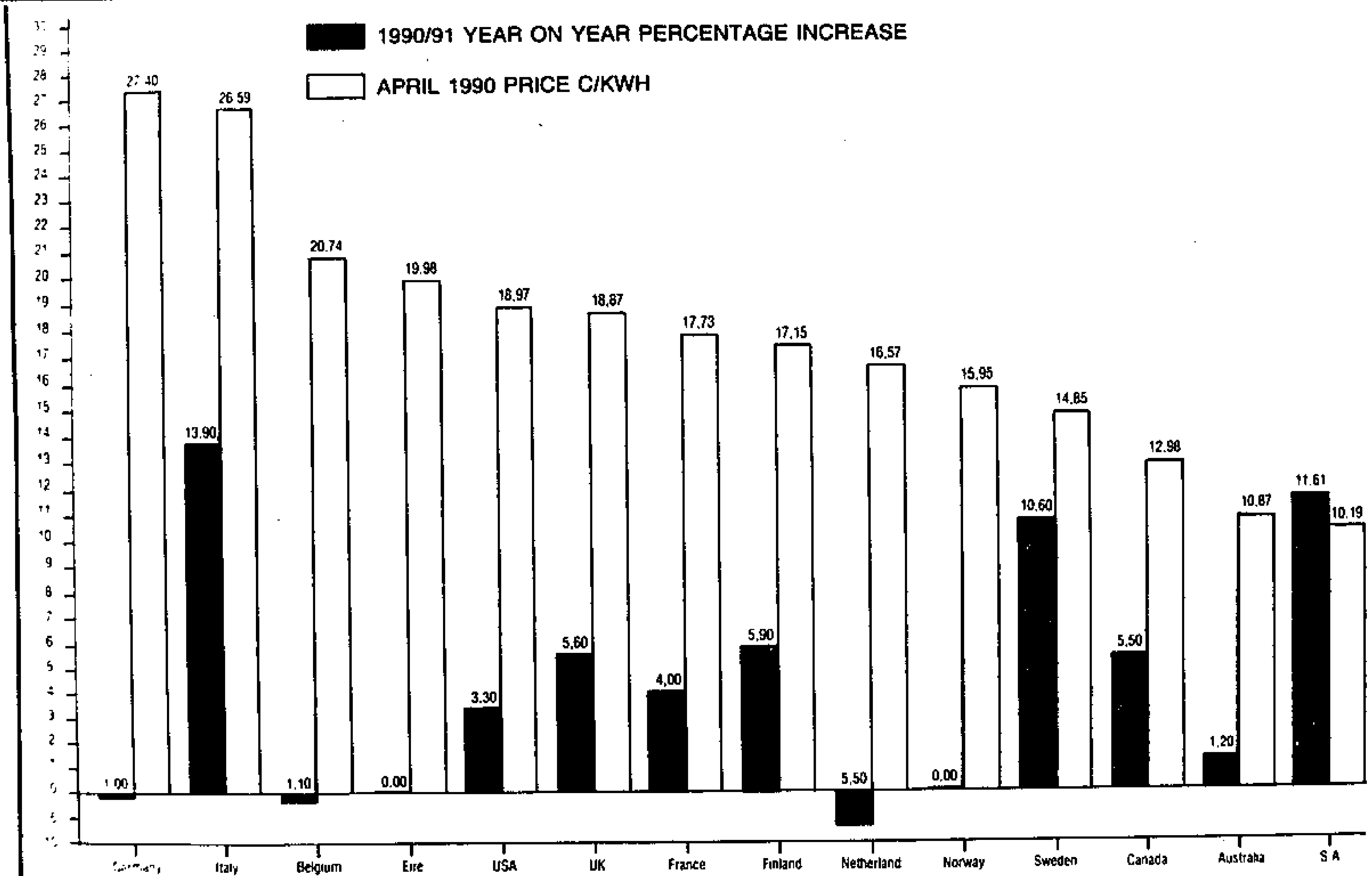
The project is to start this year and will be completed by the end of 1993. About 65 percent of the total cost will be spent locally and the peak construction phase will provide jobs for 800 people.

Shell said its share of the costs would be financed locally. It added that the expansion project was primarily designed to increase capacity to meet expected growth demand.

The project included advanced process technology allowing for the production of low-sulphur diesel fuel and an extension of capability to produce unleaded petrol.

Shell said Sapref had maintained its leading position in process efficiency.

The refinery currently conformed to rigorous pollution standards and consistently operated below regulated limits. Advanced technology and energy conservation techniques would further reduce smoke emissions and improve environmental control. — Sapa.



South Africa, with a price of 10,19c/kwh still has the lowest electricity price of 14 nations analysed in an international cost survey by National Utility Services. However, the 11,61 percent increase this year, was the second highest in the survey.

55 ARG 13/8/91

Spate of electricity cost increases seen for SA

Deputy Business Editor

THE continued closure of marginal mines on the back of the low gold price, coupled with the implementation of Eskom's planned time differentiated tariff could herald a spate of electricity cost increases, warns National Utility Services (NUS).

NUS, which has conducted an international electricity cost survey, monitors energy costs at 750 000 locations in 80 countries. It audits energy costs for more than 2 500 companies in South Africa alone, monitoring these costs at 57 000 locations.

Mines account for about 23 percent of all electricity sold in South Africa and the loss of a significant proportion of such sales would result in cost increases being applied elsewhere, says Mr Peter Cornelius, marketing director of NUS.

He said under the new tariff system, tariffs would be levied according to a time of day formula. Contrary to expectations the survey found this could also have a ripple effect on the price of electricity.

"An NUS investigation into the system suggests it would bring no benefit to large consumers with 'good to excellent' load factors.

"Nor will it benefit consumers with poor load factors — unless in the case of these users, work patterns are restructured to ensure maxium use of electricity at low consumption times which is difficult to do," said Mr Cornelius.

"Presently the time differentiated tariffs are available on application only. If they become part of Eskom's formal tariff schedule and municipalities are required to purchases supplies on so called 'T-tariffs', price increases will be passed on to the consumer," he said.

While the price of electricity in South Africa was the lowest of 14 countries analysed its 11,61 percent rate of increase in the past year was second only to Italy.

South African consumers are paying on average 10,87c/kwh against Germany's 27,40c and Italy's 26,59c.

While Eskom had held increases last year to 8,98c/kwh, it was doubtful this level of increase could be maintained due to South Africa's high rate of inflation, rising operating costs and the fall off in demand, said Mr Cornelius.

According to the survey major distribution centres applied varying increases to their electricity rates following Eskom's 8 percent increase in the year to March 1991.

The lowest increase was implemented in Durban where consumers tariffs went up by 10,5 percent while Pretoria faced the highest increase of nearly 15 percent. Cape Town tariffs rose by 12,06 percent. The most expensive municipal electricity in the country, however, is Johannesburg where consumers pay 11,23c/kwh — 25 percent more than the current Eskom rate.

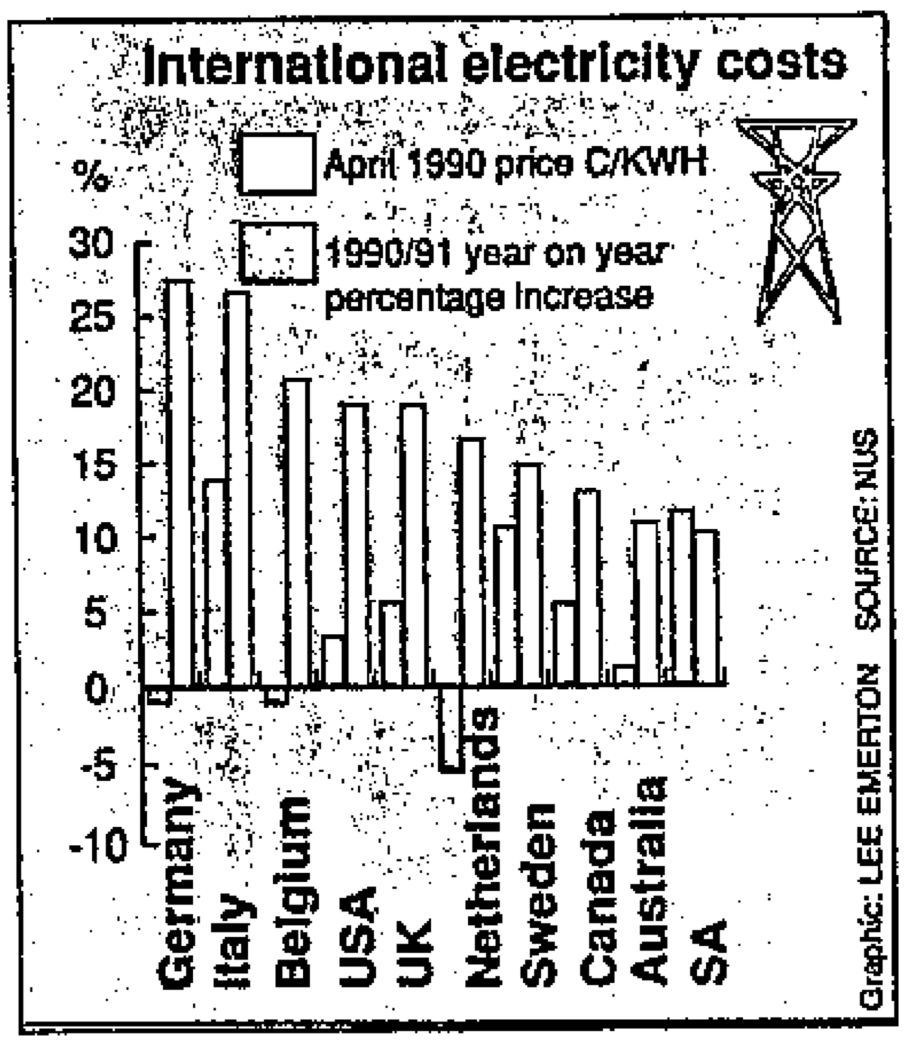
Survey throws light on electricity costs

B/Day 13/8/91 (55)

JOHANNESBURG residents are paying more for electricity than other consumers in SA, this year's National Utility Services (NUS) international price survey shows.

The survey shows that Johannesburg consumers are paying 11,23c per kilowatt per hour (kw/h) up 13,09% on last year's price. It is also a whopping 25% higher than Eskom's average base cost of 8,98c kw/h, and 10% higher than SA's average rate of 10,19c kw/h.

National Utility Services marketing director Peter Cornelius attributed the high rates in Johannesburg to the city's continuing involvement in



BRENT VON MELVILLE

the upgrading of transmission systems in heavy industry areas and the fact that the municipality generated about 50% of its own power.

In terms of price increases (with Eskom's 8% increase for the year to March 1991 as the base), Pretorians fared the worst with their municipality increasing tariffs by nearly 15%. However, Pretoria still has the second lowest average price/unit — about 7% more expensive than Eskom.

Lowest increases were in Durban where tariffs went up only 10,55%. Cape Town pushed its prices up by 12,06%. An unweighted average of all municipal price increases yielded a country-wide price hike of 11,61%, to 10,2c a kw/h.

In rand terms this is still the lowest electricity price in the world. Of 14 countries analysed, SA electricity comes in the cheapest, with only Australia (10,87c a kw/h), Canada (12,98c) and Sweden (14,85c a kw/h) within comparable levels.

Conversely German consumers paid the highest price at 27,4c kw/h, although this is an average 1% down on last year's prices, while Italians suffered the highest price increase, at 13,9%, bringing their total cost of electricity to 26,6c kw/h.

Transvaal too costly to electrify, says Eskom

(55)

BRENT VON MELVILLE

A PROGRAMME to bring electricity to townships and rural areas in the Transvaal would cost about R3bn, according to figures made availabe by Eskom.

Eskom said the electrification of the Transvaal alone would cost nearly half the total amount required to bring electricity to the 23-million South Africans without it.

Eskom corporate electricity manager Johann du Plessis said the Transvaal would account for the bulk of the cost of electrifying all of SA.

But, at the same time, the company was not prepared to fund a programme of that size by itself. B|Day|14|8|91

Hurdles

Du Plessis said while Eskom had the generating capacity to supply everyone in SA, the infrastructural costs would have to be covered by other, cheap funding.

To that end Eskom was looking to government institutions such as the Industrial Development Corporation (IDC), the IDT, the DBSA and others. But the company would not be approaching the private sector.

Du Plessis, however, pointed out that there were still major hurdles to be overcome if Eskom was to realise even a part of its vision of "electricity for all". One of the biggest problems was non-payment by townships.

Latest figures show that 27 townships countrywide owe Eskom more than R200m. Of those, according to Du Plessis, Eskom had summonsed 23 and had judgements against 20. However, Eskom had not yet taken the decision to execute those judgements.

Du Plessis said the present system of de-centralisation of supply was not optimal, and suggested there could be better synergy with other models.

He said there was a general problem of inaccurate accounting and the general politicisation of electricity supply.

On the positive side Eskom and the DBSA were already linked up in a multimillion rand funding scheme to bring power to underdeveloped areas in other parts of SA. For instance they were planning a R65m, five-year plan to electrify the two KwaZulu townships of Madadeni and Osizweni.

One of the first beneficiaries of the scheme has been the fledgling KaNgwane Electricity Supply Company, which recently received a R17m loan to supply about 4 000 homes, or about 20 000 people, with electricity.

Du Plessis said discussions were ongoing with the DBSA, the IDT and the IDC. "But it will be a mammoth task to bring electricity to all," he said.

He said an important aspect was the new technology being utilised, such as the "ready board" which would replace the wiring of houses. "The fact is that we have to largely adapt our standards. In some cases we are putting electricity into mud houses and shacks."

Alex to get Eskom metering system

(55)

BDay 16/8/91

WILSON ZWANE

ESKOM has agreed to install the pre-paid or "encoded number" system of payment for the metering of electricity in at least 50 000 households in Alexandra township within the next few months.

Alexandra Civic Organisation (ACO) official Richard Mdakane said yesterday Eskom had agreed to install the pre-paid meters in the Johannesburg township at a meeting it held with the ACO on Wednesday.

"Eskom has agreed to have meters installed in these 50 000 houses by November," Mdakane said.

Further installations would depend on the demands of the residents, he said.

Alexandra residents were in favour of the installation of pre-paid meters in the township "as such an installation will enable people to buy electricity directly from Eskom", he said.

"Electricity is the right of the people — not a privilege. The people of Alexandra are prepared to pay for electricity provided they are getting it directly from Eskom and not via the town council," he said.

He said "certain points" were also clarified at the meeting which he described as fruitful. He would not, however, elaborate saying "some of the points are sensitive".

Eskom spokesmen were not available to comment.

Electronics company Spescom special programmes manager Jonathan Youngleson said Eskom had ordered a "substantial number" of meters from his company for installation in Alexandra.

Youngleson said the meters — which use number codes of 12 digits — were suitable for use by all income groups.

Although these meters could be bypassed by people who knew how, they had an inbuilt mechanism which enabled the supplying authority to "identify fraudulent activity".

The meters operate like a telephone. When the customer's code number is punched into the meter's telephone-like keyboard, the information encoded in the number is translated — on a display — into the amount of electricity the customer has bought or consumed.

All promissory notes recovered

BDay 16/8/91

ROBERT GENTLE

UNITED Bank yesterday moved to quell possible market talk that its financial safety was at risk as a result of the recently uncovered R3,7bn international fraud involving counterfeit promissory notes.

It issued a statement saying that the bank had incurred no losses as none of the notes had been negotiated. All the originals of the forged notes had been recovered and were in the possession of the police.

"Investigations by the SA Police and United Bank are continuing and are at an advanced stage," the statement said.

The fraud, disclosed in the Sunday Press, involved the presentation of R3,7bn in forged promissory notes to a number of Zurich and London banks.

On the notes were a falsified United Bank stamp and forged signatures of senior United Bank officials and Reserve Bank Governor Chris Stals.

In an interview, United Bank deputy MD Nallie Bosman described the attempted fraud as "very amateurish".

Firstly, the notes were printed on ordinary paper, not security paper or official United paper. Secondly, foreign banks had no foreign finance lines with United Bank. Thirdly, promissory notes negotiated overseas were usually in much smaller denominations than the huge sums sought.

Initial investigations had shown that no United Bank staff had been involved in the affair, Bosman said.

Godwin Webb, 43, in police custody, was refused bail in the Johannesburg Magistrate's Court on Tuesday. The trial will resume on September 4.

32a

Upgraders may miss it

S/Times (Bus/T) 18/8/91

55

By CURT VON KEYSERLINCK

THERE is doubt that the Cabinet will approve the present version of the tax-break scheme for new investors planning to export beneficiated minerals.

Contained in the Taxation Laws Amendment Act rushed through Parliament, it gives discretion to a committee of bureaucrats to grant companies write-offs on plant in excess of its actual cost.

Unlike the present depreciation scheme that gives the benefits in the form of tax credits only after the plant starts operating, the new scheme puts cash in the hands of those qualifying while their plant is being built.

The scheme is apparently being re-evaluated because of anomalies it may cause in, among others, the petrochemical industry.

Some established companies geared primarily to supplying the SA market have complained that it could put them at a disadvantage to those receiving the benefit and who may also sell some of their output at home.

Freeze

Mossgas is one project that could suffer. Because of the low oil price, it may be forced to devote a large proportion of its effort to producing high-value petrochemicals instead of fuel which can be made far more cheaply by Sasol and conventional oil refineries.

It was originally intended that Mossgas would concentrate on producing fuel to lessen SA's dependence on imported crude oil.

"The effect of the legislation has been to freeze all decisions on investing in petrochemical plants using natural gas supplied by the Mossgas offshore facilities until investors know if they qualify," says an industry source.

It is argued that the scheme is not suited to the petrochemical industry because producers need the flexibility to sell here or abroad, depending on demand.

Power stations break legal pollution limits

BRENT VON MELVILLE

SEVERAL Eskom power stations are belching out levels of air pollution higher than legal limits, say sources close to the power utility.

They said pollution levels at the older stations were often checked by simply looking at the density of smoke emerging from smokestacks.

The sources described the coal power stations of Arnot in the Witbank/Middelburg region, and Matimba in the northwestern Transvaal near the Botswana border, as being "permanently" over their licence limits. He said figures indicated that Duvha, also in the Witbank/Middelburg region, generally operated about 65% over its limit.

An Eskom evironmental spokesman confirmed that certain older power stations frequently exceeded their limits.

Because these stations were using older technology, the limits set for them were different to the limits for newer stations. But the sources said not even the higher limits were being achieved.

The Eskom spokesman said limits varied from about 100 micrograms a cubic metre for stations such as Lethabo in the Vereeniging area, and Tutuka near Standerton, to 500 micrograms for the older stations such as Arnot and Duvha. But the

☐ To Page 2

Pollution

BIP 19/8/91

☐ From Page 1

sources said levels at some older stations were not scientifically verifiable.

Most of Eskom's coal-fired capacity (of 34 413Mw) is in the eastern Transvaal highveld. Major pollutants emitted by coal-fired stations are sulphur dioxide, oxides of nitrogen and particulate matter, or haze.

Despite several contraventions, Eskom has not been penalised. Air quality is controlled by a 1965 Act. Licences are granted by the National Health and Population Development Department.

A recent Eskom-sponsored survey found that Eskom accounted for about 42% of sulphur dioxide emissions (of about 2,8-million tons) into the atmosphere, while other industry and commerce accounted for 54%, domestic 3% and vehicles 1%.

Eskom accounted for 36% of nitrogen oxide emissions, while other industry contributed 37%, vehicles 26% and domestic 1%. Of particulate matter Eskom contributed 20%, industry 52%, domestic 24% and vehicles 3%.

The Eskom spokesman estimated that it would cost between R1,5bn and R2bn to install scrubbing equipment in older stations. But he said "scrubbing" the stations, while reducing sulphur dioxide and nitrogen dioxide emissions, would only replace air pollution with solid waste pollution.

PWV pays too little for petrol

Star 20/8/91

(55)

There was an under-recovery in the petrol price in the PWV area for the third consecutive month in July, says the National Energy Council.

Motorists in the area underpaid 5,354c a litre for fuel during the month as a result of fluctuations in the international petrol price and in spite of the weaking of the rand-dollar exchange rate.

The under-recovery was better than the June figure of 7,75c but worse than May's 2,65c. The landed cost of petrol in May was 51,89c a litre, 56,99c in June and 55c in July.

The over-recovery in diesel declined slightly in July to 4,4c a litre from June's 4,98c as a result of a slight increase in the international diesel price. — Sapa.

Eskom aims at electricity price rise of 8%

BRENT VON MELVILLE

THIS year's increase in the price of electricity is likely to remain at the level of last year's 8% rise, and in line with government's aim of keeping tariff increases well below inflation. B/Day 22/8/91

Eskom CE Ian McRae said in an interview that while he could not commit the Electricity Council to a specific price increase, Eskom itself was tied to reducing the real price of electricity for the next several years. 55

He said Eskom felt a great responsibility to the country and its economic growth and realised that the price of electricity was the key to this growth.

"We are, therefore, putting every effort into keeping the price down."

At April this year the price of Eskom electricity was 8,98c/kwh, and the average SA cost 10,19c, still the cheapest in the world.

The discrepancy between Eskom's and the average cost is attributed to the addition of municipal rates, the most expensive being Johannesburg's 11,23c/kwh, or 25% higher than Eskom's base rate.

An Eskom spokesman said it was reasonable to assume that there would be a price rise this year of from 7% to 10%. The national average premium to Eskom's rate is about 13%, meaning that the average cost of electricity next year should be in the region of 10,85c/kwh to 11,2c/kwh.

This would mean that the average rate of electricity would exceed the price of electricity in Australia, which at present has the second cheapest electricity at 10,87c/kwh.

Australia last year pushed its average price up 1,2%.

Petrol price is up by 13c

SS

THE price of petrol will be increased by 13c a litre and diesel by 8c tomorrow, Finance Minister Barend du Plessis announced at a news conference at the Union Buildings in Pretoria. Sowetan 22/8/91

On the proposed Value Added Tax system for South Africa, Du Plessis also announced that the VAT rate, to be introduced from September 30, would be 10 percent and not the previously suggested 12 percent.

The decisions followed a Cabinet meeting yesterday. - *Sapa.*

Big rises expected in spite of lower VAT

Star 22/8/91

Staff Reporters

South Africans, who will be hard hit by the 13c a litre increase in the petrol price to compensate for the drop in VAT, should also expect steep rises in the price of liquor, industry spokesmen said today.

In the face of strong public pressure, Finance Minister Barend du Plessis yesterday moved from his "inflexible" position on VAT to cut the rate from 12 to 10 percent.

However he announced a package of other measures to make up for the expected shortfall in State revenue.

Fedhasa executive director Peter Hearfield today welcomed the reduction in VAT, saying it would benefit the hotel industry. He was, however, wary of the effects of increased excise duty on the liquor industry.

He warned if the Government intended to recoup the billions of rands lost through the 2 percent loss in VAT partly through additional revenue from the sale of drink, then he "feared the worst" when the amount of the excise increase was announced.

Public anger over the announcement that petrol was to leap 13c a litre from tomorrow was illustrated by the flood of angry calls to The Star's Speakout last night.

BMW spokesman Chris Moerdyk said the 13c a litre increase was enormous.

"The trade-off between relief from VAT and an increase in the petrol price could quite easily see people pay more at the end of the day. It is therefore questionable whether the relief that the reduction in VAT is supposed to bring about will in fact be a relief at all."

The cut in the VAT rate to 10 percent has been warmly welcomed by the South African Chamber of Business, which has urged: "Now we must all throw our weight behind the system and make it a resounding success after September 30."

Executive director Raymond Parsons said the changes were in line with what Sacob originally recommended to the Minister of Finance.

Despite the petrol price increase which may offset the benefits of the reduction of VAT, the move was a positive step towards trying to make a dent in the cost of living.

On the social side, safety nets were created for the very poor which made the total package acceptable, he said.

● To Page 3

Big rises expected in spite of new tax deal

Star 22/8/91

● From Page 1

While the exemption of VAT from fees at State and State-assisted hospitals would not directly benefit these institutions which did not rely on their patients for their income, the assistance to the very poor was to be welcomed, said Professor Keith of the University of the Witwatersrand Medical School.

But Medical Association of South Africa secretary general Hendrik Hanekom said he was concerned that the benefits announced would not be passed on to the private sector.

The National Asociation of Automobile Manufacturers of SA welcomed the VAT reduction.

Fuel price warning as motorists flock to fill up

Star 23/8/91

Staff Reporters 55

The increase in the cost of petrol and diesel today will no doubt fuel inflation, says the Motor Industries Federation.

MIF executive director Vic Fourie deplored the fact that the motor industry and the motorist were again being made to fund decisions by the Government.

"The Government had over past months repeatedly made the point that VAT is not inflationary, but now the tax rate is being reduced by increasing the fuel tax, and it is generally conceded that fuel price increases are inflationary."

Fuel resellers also found themselves in a situation where overhead expenses were being increased drastically.

They were now expected to contribute disproportionately to the reduction in the VAT rate, Mr Fourie said.

"It is difficult to understand why, if the petrol increase was intended to fund the reduction in VAT, it needed to be implemented six weeks before VAT."

An MIF spokesman said garages could not be told to stay open. But it was normally considered "immoral" for a 24-hour service station to give only a few hours' service when an increase was due.

Pick 'n Pay yesterday pledged to keep all its service stations open until midnight.

Many filling stations around Johannesburg were flooded yesterday evening with motorists waiting in line to fill their tanks and save a few "desperately needed rands", as one motorist put it.

Three filling stations in the Mayfair area said petrol and diesel sales had more than doubled by 6 pm, but they had stocks for the night.

"The ongoing petrol increases, and this one in particular, is ridiculous and would seriously affect customers," said Paul Chedler of Bree Street Motors.

Jackie Skosana, a minibus taxi driver, said he was furious that "Barend could continue taking such drastic measures when the ordinary person in the street is battling to make ends meet.

"It is not the rich people who use our taxis, it is the working class who earn about R700 a month. They will have to pay the higher fares."

Most taxi fleets had not increased their fares after the previous petrol increase, he said. "But if we do not now, we will not make any profit."

Jakes Ravjee, who owns four filling stations, including two at Westgate, said the increase was unfair.

Leonard Nkosi of Total in Booysens was not perturbed by the "madness" to beat the deadline — he had a week's supply of fuel.

Suburbs dispute rates figures

BRENT VON MELVILLE

NORTHERN suburbs residents are disputing recent figures which show their Johannesburg neighbours pay the highest electricity tariffs, and say they pay almost 18% more.

A Buccleuch resident said recent figures provided by the National Utility Services (NUS) were inaccurate.

The NUS figures show that Johannesburg pays an average 11,23c/kwh, the highest rate for electricity in SA.

Buccleuch residents say because they are supplied directly by Eskom, they have to pay even more — 13c/kwh plus a basic monthly rate.

They say they are paying far more for electricity than some of their neighbours in Sandton.

Sandton Town Council management committee chairman Bruce Stewart said Sandton was in an unusual position because its area was 75% within the confines of Eskom, and it therefore provided service to only 25% of the community.

Eskom pricing policy manager Andries Calitz said the electricity price depended on the cost of supplying a customer. Size and supply voltage played an important role.

Large customers paid 8c/kwh for electricity supplied in bulk. This was the price recently quoted from NUS.

Fuel hike shocks transporters

B/Day 23/8/91.

GERALD REILLY

PRETORIA — The steep rise in fuel prices from today will dump the bus and taxi commuter industries into a crisis unless government agrees to raise subsidies substantially, say industry spokesmen.

Southern African Bus Operaters Association manager Eric Cornelius said yesterday there was no way the bus industry could absorb the 8% increase in the price of diesel.

Many companies had recently raised their fares and if a further hike was to be imposed there would be an angry reaction and possible protest action from bus users.

Most companies were working on thin margins and only a handful would survive without increased subsidies.

Finance Minister Barend du Plessis had referred vaguely to appropriate subsidy adjustments. However, he should urgently spell out in detail what he meant.

Meanwhile, SA Black Taxi Association (Sabta) adviser James Chapman said the taxi industry used about 8-billion litres of petrol a year.

The 13c/l increase would add tens of millions of rands to costs, and inevitably the entire increase would be passed on to commuters. (55)

"We are devastated by the increase.

"There is already grave discontent because of the level of bus and taxi fares and this new fuel price hike will aggravate an already worrying situation," Chapman added.

DP transport spokesman Wessel Nel said yesterday the added burden to the motorist, without any compensation, was "totally unacceptable".

CP commerce and industry spokesman Daan Nolte said yesterday Du Plessis's statement was a capitulation in the face of ANC pressure.

Stolen uranium surfaces in Maputo

B Day 23/8/91

BRENT VON MELVILLE

(55)

A LARGE quantity of enriched uranium stolen from a Soviet ship several months ago has apparently surfaced in Maputo where, it is alleged, it is being sold to Israeli and SA agents.

According to a report in the respected German newspaper Frankfurter Algemeine Zeitung, international police organisation Interpol is investigating the possible existence of a uranium black market operating from Maputo.

It is also understood that the Mozambicans have arrested four suspects in connection with the allegations.

The latest edition of Nuclear Fuel reported that several hundred drums of material, labelled with Cyrillic characters (Russion script) and the international sign for radioactive material, had been offered for sale.

The report stated that for a small canister weighing 45kg, dealers were asking \$150 000; a larger triangular container cost \$180 000; and \$70 000 was the price for an 80cm-long rectangular container — about \$3 300/kg.

That compared with the cost of natural mined uranium of about \$44/kg.

Atomic Energy Corporation (AEC) spokesman Nick Ligthelm said those prices would indicate that the uranium was highly enriched.

Ligthelm strongly doubted reports that SA was importing enriched uranium from Mozambique.

He said that SA would not threaten its recently signed nuclear non-proliferation (NPT) agreement by buying on the black market.

Society.

She was addressing a

"Estimates drawn up by the International

Fuel-price hike angers blacks

Sowetan 23/8/91

(55)

By JOSHUA RABOROKO

BLACK organisations have expressed anger at the Government's decision to increase the price of petrol by 13c today.

The Southern Africa Black Taxi Association, the National Federated Transport Organisation and the National Black Consumer Union, said the price hike was particularly unwelcome as VAT was going to hit blacks hard.

Sabta's marketing manager said in order to meet the demands of the two vicious decisions, the taxi industry would seriously have to look into a fare increase.

Nafto's president said the increase was regrettable in that it came at a time when the Government was about to introduce a new tax system.

NBCU's spokesman said representations would have to be made to the Government about the hikes.

Distribution costs

A spokesman for the Soweto Motorist Protection Club said it was a camouflage that was intended to take away much from the poor.

He said to regard cars as luxury items was the height of hypocrisy - cars were a necessity.

The managing director of OK Bazaars, Mr Gordon Hood, expressed concern that the fuel increase would lead to higher transport and distribution costs.

"We appeal to suppliers to absorb these additional costs which are inflationary and, if placed on the consumer, could negate the positive impact of the reduction of VAT."

Pick 'n Pay's chief executive, Mr Raymond Ackerman, said the majority of service stations owned by his company would remain open until midnight so consumers could fill up.

Economists send warning: 'Don't do it, Barend'

Selling off oil reserves will push inflation up

55 ARG 24/8/91

CLAIRE GEBHARDT
Weekend Argus Correspondent

IF Barend du Plessis succumbs to the temptation to sell off more of South Africa's family jewels — its oil reserves — he will undermine the fight against inflation.

And that means interest rates will not drop for at least another six months — and, in fact, could stay high until after next year's Budget.

Governor of the Reserve Bank, Dr Chris Stals, is said to be regretting his decision to lower bank rate by one percentage point in March this year, ahead of a Budget which has turned out to be substantially expansionary following the last-minute addition of funds for socio-economic upliftment.

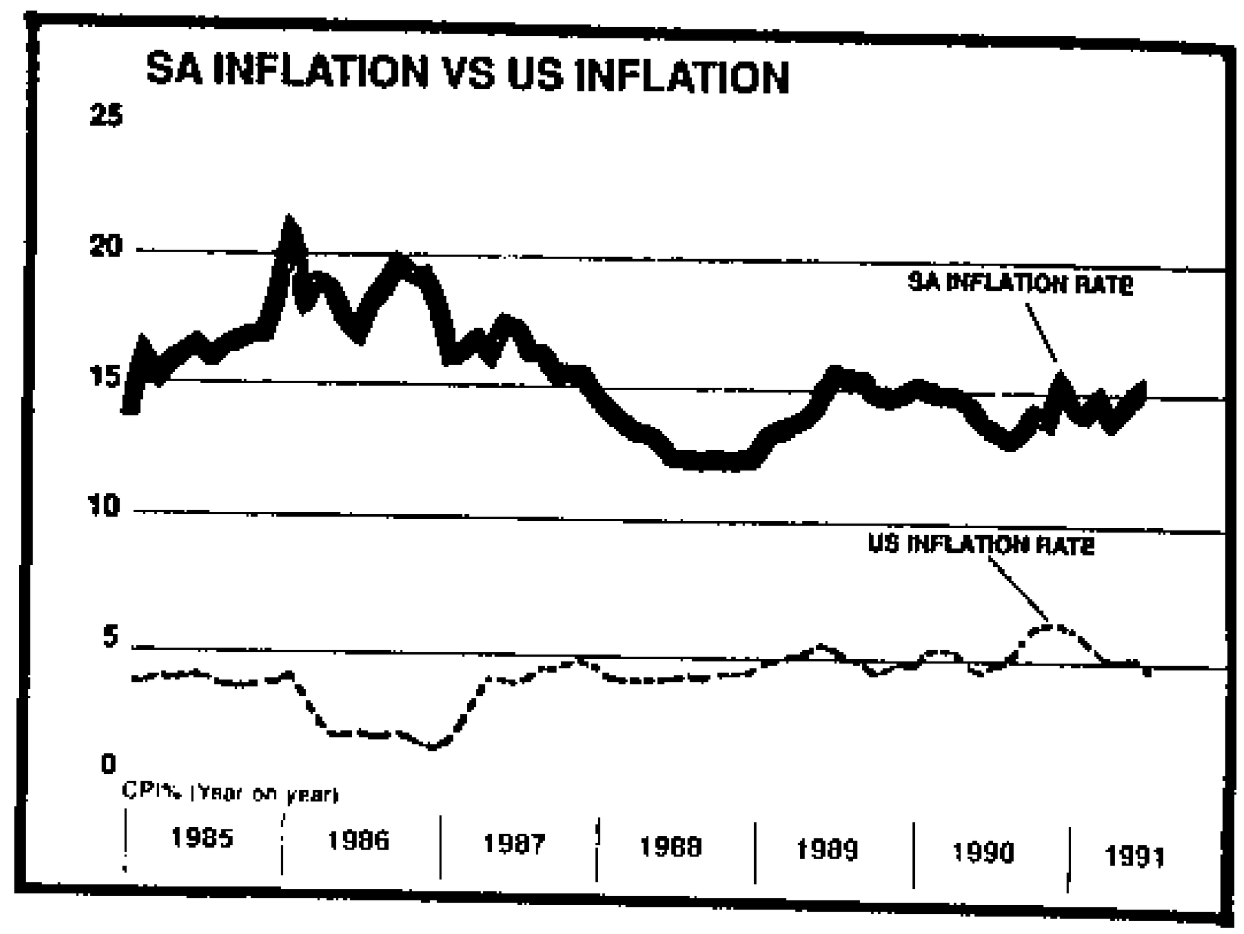
He was "conned," said one commentator, into believing that total expenditure would be held at R83billion but at the last minute, after the International Monetary Fund team visit, an extra R2billion was pumped in.

This week's announcement by the Minister of Finance that more oil might be sold to make up some of the R1,5billion lost in reducing VAT to 10percent will likely strengthen Dr Stals's resolve not to cut bank rate prematurely, warn economists.

Mr du Plessis this week said higher fuel prices and excise duties

CHRIS STALS

BAREND DU PLESSIS



would raise only R890million, and, keeping a wary eye on interest rates, more of the family silver might have to be sold.

He noted that government hesitated to borrow this money on the capital markets because interest rates would be pushed up at a delicate stage of the business cycle "and in fact might kill the upswing".

But the Minister is splitting hairs, say economists, who warn that the resultant increased liquidity in the money market from such a sale will have a negative impact on money supply - which filters through into inflation.

This will ensure that the Reserve Bank is forced to keeps its stringently tight monetary policy in place for much longer while stepping up its money market operations simply to keep interest rates at their present levels.

From a purely monetary policy point of view, interest rates should at present be one percentage point higher, it is said.

Already the IMF has criticised "the politically-inspired" decision, made in April this year, to raise R1billion from the sale of strategic stockpiles to finance social upliftment, labelling it a departure from sound long term economic strategy.

Effectively, government is selling a non-permanent capital asset to finance consumption expenditure instead of using the funds for capital expenditure such as roads, pipelines or Mossgas.

Reflecting concern in some quarters, Mr du Plessis said the R1billion already raised would shortly become available for the improvement of poor living conditions.

But this, together with the additional expenditure arising from the Independent Development Trust's capital subsidy scheme, would give "a moderately expansionistic character to the Budget."

It would also further strengthen the rising tendency in expenditure by the general government during preceding quarters.

On the other hand, the developments would assist in lifting the economy out of its current condition of structural stagnation.

'Green' Opels grow in popularity

S Times 25/8/91

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THE Delta Motor Corporation, which produced Opel passenger cars in South Africa, would like to see the local introduction of lead-free fuel as soon as possible.

The company says it is ready to produce environment-friendly cars equipped with catalytic converters and run on lead-free fuel.

"Opel engines used here have been designed to run on lead-free fuel. And by adding a catalytic converter, we could easily produce cars compatible with lead-free fuel," said Rolf Mentzel, engineering and quality assurance manager at Delta.

He said Delta would like to see local availability of lead-free fuel as soon as possible. "Pollution on the Reef is a huge problem, and cleaner exhaust emissions can improve the situation drastically."

In Europe, environment-friendly models are becoming increasingly popular as car buyers become more aware of the impact of pollution on the environment.

Increased

Motor manufacturer Opel has seen German sales soar after its decision to adapt and develop vehicles that are environment-friendly. Market share has already increased by almost two percent in only three years.

The company has addressed six aspects necessary for cars to have as little effect as possible on the environment.

Engines have to be as fuel efficient as possible, while the toxins in exhaust gases need to be cleaned up by using catalytic converters. Water-based paints, asbestos-free spare parts, a high level of recyclable components and a reduction of noise also need to be addressed.

According to Mentzel, Opel in Germany is completely committed to producing "green" cars. "Already, lead-free fuel is used widely in Europe, in conjunction with cars fitted with catalytic converters. Opel was the first manufacturer to fit these converters to all its cars sold in Germany."

Thanks to advanced engine design and aerodynamic body shapes, Opel cars also boast a high level of fuel efficiency, while water-based paints are already in use. Brake pads and clutches for Opels no longer contain asbestos, Mentzel claims.

He pointed out that while lead-free fuel was not yet available in South Africa, all locally produced Opels could be adapted accordingly.

Capital projects to benefit from oil sale

B/Day 27/8/91. (55)

BILLY PADDOCK

GOVERNMENT would disclose details today of socio-economic projects to be funded with the R1bn proceeds of the sale of strategic oil reserves, Economic Co-ordination Minister Dawie de Villiers said yesterday.

It is believed De Villiers will announce that the R1bn will be spent on one-off capital investments to fund community-based developmental projects aimed at stimulating economic growth and providing jobs over a protracted period.

A source said government realised it had a responsibility to the less privileged sections of the community and it had been decided that some of the major projects would include:

- Building community centres;
- Building 141 primary health clinics;
- Developing sports facilities in squatter settlements;
- Upgrading 50 hostels in Transvaal townships; and
- Setting up systems for drinking water in self-governing homelands.

A spokesman said De Villiers would discuss the expenditure and allocation of the R1bn at a news conference this morning.

The funds from selling off oil reserves would be spent on special projects "designed to make the maximum contribution to economic growth, job creation and social stability", the statement said.

The sale of reserves to fund socio-economic upliftment was announced by President F W de Klerk during his Budget vote in Parliament earlier this year.

Following De Klerk's announcement, the flood of proposals "oversubscribed" the fund eight times.

One source said some organisations sent in the same requests in different guises. Had this not been discovered in good time, it could have resulted in double funding.

It could not be established yesterday how the funds would be channelled to the projects. Proposals had included channelling through community or local councils, but there were objections on the grounds that the funds could be misused. Another objection was that the councils did not enjoy credibility in the communities.

Low growth a constraint on more nuclear power

(55) (26)

B/Day 27/8/91.

BRENT VON MELVILLE

ESKOM has again confirmed its willingness to embark on an extensive nuclear power scheme costing billions of rands.

Eskom CE Ian McRae reiterated Eskom's support for a programme to expand SA's nuclear energy capacity, building a new nuclear power station every few years.

In an interview, McRae conceded, however, that the current economic situation militated against any short-term decisions.

He said several factors had to be taken into account. One was SA getting back to a GDP growth rate of 4% to 5% a year. "At that level it would make sense to maintain a nuclear bridging programme, weaning SA off its total reliance on coal."

McRae, who this year won Harvard's Business Statesman Award for his contribution to the SA economy, believes it is important to maintain a strong nuclear programme as SA's coal reserves wind down. As for alternate sources, he said SA could not depend on its limited hydro-electric potential.

Eskom spokesman Andre van Heerden estimated that Eskom's last coal-fired power station using local coal would have to be commissioned by 2040. Eskom has already surveyed sites for possible future nuclear power stations. The most likely site is a stretch along the Eastern Cape coast at Oyster Bay.

But the cost of increasing SA's nuclear power is likely to be prohibitive. Koeberg, which came on stream during the mid-1980s, cost R3,2bn.

McRae said that building one new nuclear power station roughly every five years would maintain nuclear potential at about 10% of total electricity capacity. At present Koeberg represented about 8% of capacity.

However, Van Heerden said the existing situation within southern Africa — and in particular Eskom's excess electricity capacity — meant Eskom would not be embarking on any programme until the end of this century.

Sagged

Excess capacity has forced Eskom to mothball several of its older coal power stations. Eskom has six stations mothballed — Taaibos, Highveld, Ingagane, Komati, Grootvlei and Camden — with the capacity to generate a total of 5 260 Megawatts.

And despite mothballing these older plants, Eskom's total power capacity last year moved up to 33 843Mw compared with 32 403Mw the previous year, although peak demand sagged slightly to 21 863Mw (21 371Mw). McRae said this was the first time that peak demand had dropped on a year-on-year basis.

But with current technologies it was inevitable that SA would have to go the route of nuclear energy.

Van Heerden said it was critical that Eskom was not left in a similar position to France, which was forced to develop its entire nuclear facility in a very short space of time. Nuclear power now accounts for more than 70% of France's total capacity.

An advantage of nuclear fuel is that it is far more environmentally friendly than coal. Koeberg's emissions of sulphur dioxide and nitrogen dioxide (the two principal offenders) for instance, are far lower than even the newest of Eskom's coal-fired power stations.

Eskom spends about R400m a year on environmental controls, and some of its older stations still exceed legislated pollution limits.

If these stations are brought back to full capacity in the future, the cost of "scrubbing" them to make them environmentally friendly has been estimated at between R1,5bn and R2bn each, a total cost of about R12bn to bring them all back on line.

But McRae said the costs of bringing the stations to environmentally acceptable standards would have to be weighed against the opportunity cost of providing electricity to those at present without.

SA gearing up to capture refined oil export market

(55)

B Day 29/8/91

BRENT VON MELVILLE

SA is poised to become the refined oil producing engine of southern Africa as its major oil refineries gear up for a massive export drive.

Over the past four months SA's four oil refineries, Shell SA, BP SA, Caltex SA and Sasol, have announced significant expansion plans costing billions of rands.

The result will be bolstered production capacity which, market analysts say, will exceed local consumption demands and promote exports.

Industry sources say the only constraint on exports thus far has been limited capacity. The current total crude oil distillation capacity of SA refineries is about 430 000 barrels per day (bpd).

That capacity will be dramatically improved following a host of major capital programmes. One of the most significant is the planned R450m expansion for Africa's biggest refinery Sapref, which is owned jointly by Shell SA and BP SA. The 200 000 barrels per day (bpd) refinery is set for a 30% (60 000 bpd) boost.

Engen, which holds 100% of Mobil SA, 100% of Trek-Petroleum and 85% of petrol distributor Sonap, is planning a R2,2bn two-stage expansion to its Genref refinery in Durban.

Engen MD Rob Angel says much of the new expansion will be earmarked for projected growth in the export market.

Analysts say it is also on record that Engen is hoping to export oil as far afield as India.

Caltex SA, which is wholly owned by Dallas-based Caltex Petroleum Corp, is planning to spend R240m to double its 55 000 bpd production at its Milnerton refinery in the Cape.

A Caltex spokesman says SA is well placed to supply Africa with fuel requirements, but export opportunities will depend on profit margins, as well as growth in local demand.

Domestic demand is expected to rise by about 6% over the next several years, although industry sources say this may fall slightly because of the recent increase in the price of fuel. At the 6% level, local consumption would rise to approximately 468 000 bpd by 1995.

Industry sources estimate that current output of refined products is at about 390 000 bpd, with exports at about 40 000 bpd.

There are no official figures to back up these estimates.

Ed Hern, Rudolph investment analyst Peter Brown says southern Africa is the logical market for SA oil. Many southern African countries have been badly hit by the cutting of supplies from war-torn Iraq, and are desperate to get alternate sources.

He says the expansion plans must be looking at export markets because domestic demand cannot absorb the additional output.

J D Anderson & Co analyst Charles Booth echoes the sentiment. It makes perfect sense for SA to act as the main supplier to the region because few of limited refining capabilities in those countries.

Booth says it makes more sense to import fuel from SA than from the Middle East, and the fact that SA's neighbours need an alternate fuel supply dovetails with SA's eagerness to build ties and increase trade.

Of all the countries in the region, which include Lesotho, Swaziland, Botswana, Zimbabwe, Namibia, Zambia, Mozambique and Angola, only Angola produces oil, while only Angola and Zambia have refining capabilities.

Namibia is building a 15 000 bpd refinery which, it says, will make it independent of SA for its fuel needs.

A

Petrol takes bigger bite in SA

B/Day 30/8/91 (55)

BRENT VON MELVILLE

SA has had to pay dearly for its oil and petrol over the past 12 years in an attempt to get around the international oil embargo. But with sanctions falling away, is the SA petrol price out of kilter with world prices?

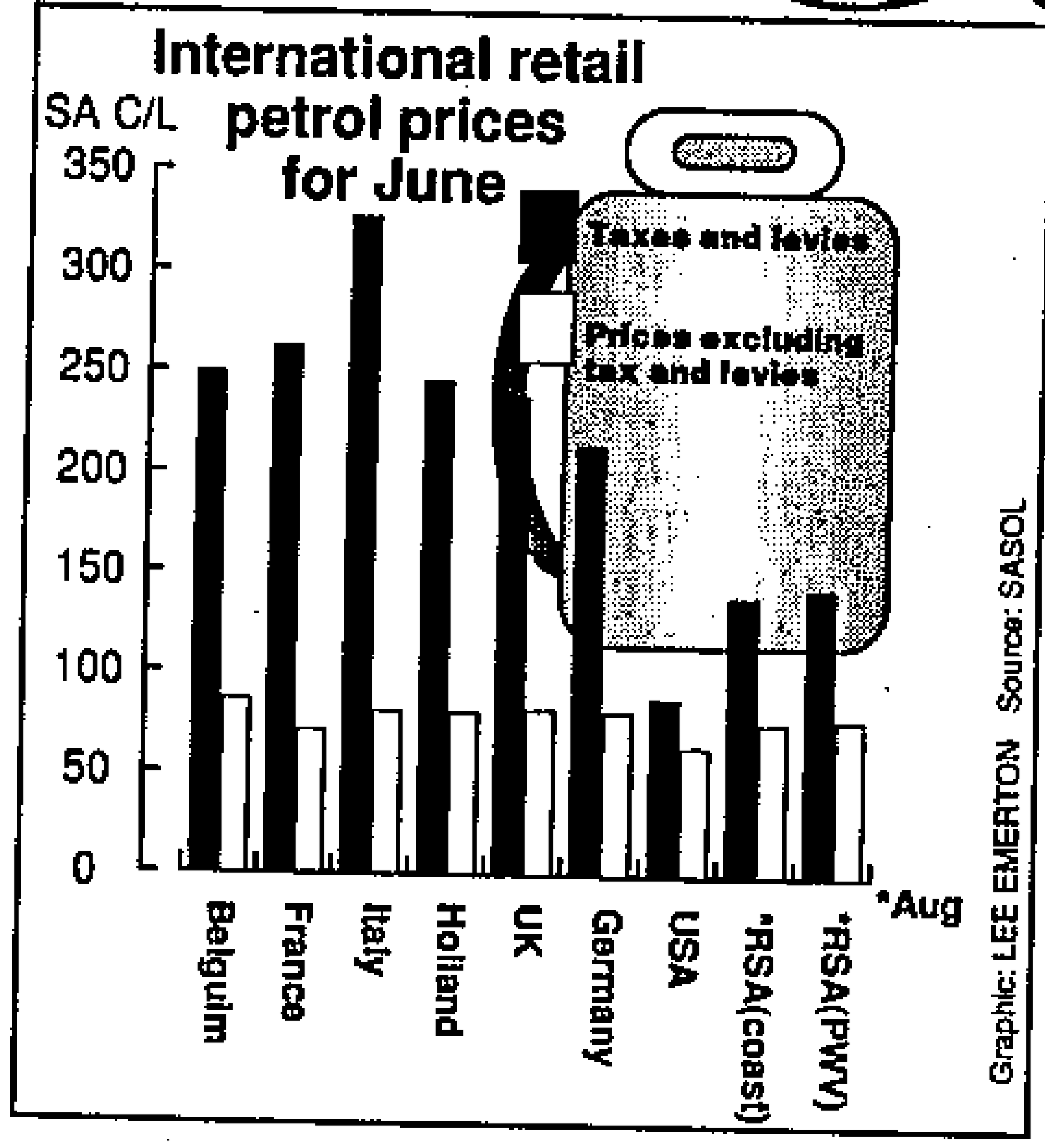
Recent comparisons between SA and international retail pricing would seem to indicate that it is not, and there is thus still room to bleed the automobile-using consumer further.

Figures indicate that, outside the US, SA has one of the cheapest petrol prices in the world. The comparisons, provided by Sasol, show that on a rand basis SA compares favourably with Western Europe.

But, as analysts point out, the comparisons are limited, and show only the pricing of eight countries in Europe and the US. Excluded, for instance, are a number of countries in the Americas (such as Mexico and Canada), the Middle East, and Australia.

Many of these other countries not only have cheaper petrol prices but offer a wider choice of alternate fuels such as propane and natural gas. One of the leaders in alternate fuels is Canada. Canadian propane costs about 74c/*l* and natural gas costs even less.

But in terms of the Sasol comparisons to June 1991, Italy comes in with the highest price at 326,4c/*l*, while the French pay 262,4c/*l*, the English 238,2c/*l*, the Germans 213,8c/*l* and the Americans 87,3c/*l*. This is compared with the current price of 93 octane (Reef) petrol of 143c/*l*.



Graphic: LEE EMERTON Source: SASOL

Of the total 143c/*l* South Africans pay at the pump, 43% goes to tax and levies. This is relatively low in contrast with government slices of 75% in Italy, 73% in France and 66% in the UK. Again looking healthy was the US consumer, who only paid 27% of the petrol price to government.

But on a per capita income basis the SA picture does not come out looking quite so rosy. According to National Productivity Institute figures for 1989 (at constant 1985 prices and 1989 exchange rates) Italy has a gross domestic product per capita of R18 719, France R23 411, the UK R20 637, Germany R25 373 and the US R41 068. SA came in with a per capita income of R3 575.

So while the Italians, for instance, pay about 2,3 times more for their petrol, their per capita income exceeds SA's 5,2 times. The French pay 1,8 times more for petrol but make, on average, 6,5 times more money a year.

And none of these countries has had the rapid and severe fluctuations in the price of petrol that South Africans have had over the past decade.

The biggest relative change from one day to the next came in 1979, when the price jumped 38% to 54,3c/*l* from 39,3c/*l*. That rise stemmed from the Iranian revolution which deposed the Shah of Iran. It had an immediate effect on SA because the Shah had continued exporting fuel to SA even after the imposition of the oil embargo against SA in 1973.

In late 1985/1986, the oil embargo prompted a jump from 94,6c/*l* to 102c/*l* in two months. That fell back by early 1986 to 83c/*l*, and it remained at that level until August 1988 when it rose to 95c/*l*.

In 1989 it again climbed above 100c to 104,5c/*l* and continued to 118c/*l* until the Gulf crisis, which spurred the price to 128c/*l* in August, followed promptly by a dramatic 25% rise to 160c/*l*. It then fell back to 130c/*l* until the recent announcement of a 13c/*l* increase.

There is also a protection formula for the indigenous fuels industry which becomes effective should oil prices drop below $23 a barrel.

Above that level the protection falls away and above $28,70 Sasol has to repay the protection it receives.

SYNTHETIC FUELS

FM 20/9/91 (55)

Making the most of Mossgas

The warning bells for Mossgas have been ringing for some time. For example, on March 6 1987 the *FM* wrote: "It is not too late for SA to reconsider the economic logic of the Mossel Bay gas-to-petrol project. On the basis of what is known, it appears to be a substantial dissipation of scarce capital resources for a modest return."

In reply (*Letters* March 13 1987), the then director-general of Mineral & Energy Affairs, Louw Alberts, said government had built "a carefully planned case" for Mossgas. The risk of a drop in the oil price, in particular, had been "thoroughly assessed." He felt that the overall risk with Mossgas was "appreciably lower" than that of Sasol many years ago.

The fact is that the oil price, measured in constant dollars, is lower now than it was then, when government still had a chance to limit the loss to the taxpayers. Instead, a decision was taken to go ahead with the strategic synthetic fuel project in its original form.

In 1988, management of this technically ambitious project was handed (wisely) to Gencor. The estimated cost stood at R5,4bn. Since then, of course, the rand has tumbled, while even in real terms the cost of Mossgas has increased markedly. Some reports put the final cost at R12bn.

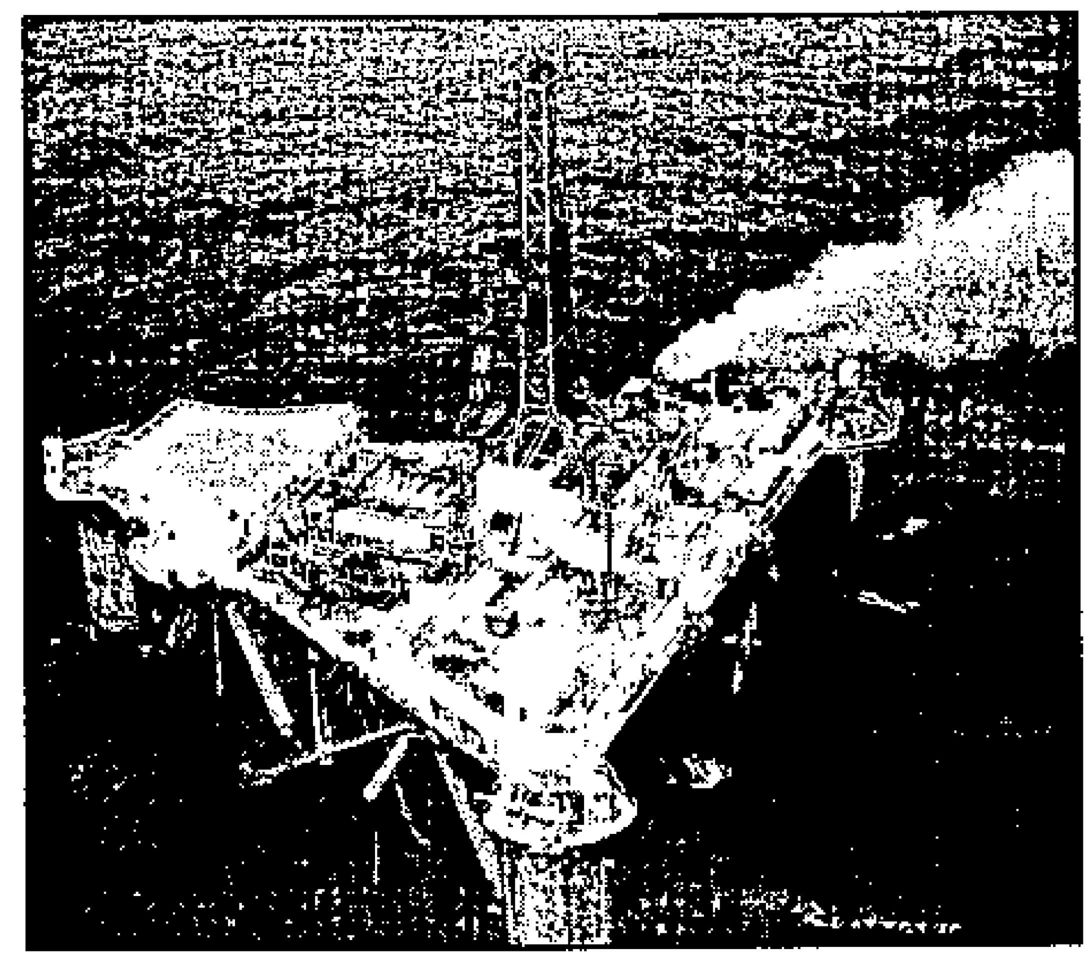
Mossgas MD Bernard Smith says Gencor took charge at Mossgas before much of the actual construction and procurement. He cites a report by the Rand Corp, a US think-tank, into the management of 52 megaprojects — defined as ones costing US$1bn or more.

The report showed that the average cost overrun, in real terms, relative to the estimates at the time of the project's detailed engineering, was no less than 1,88 times.

Though Smith declines to disclose his current estimate of Mossgas's final cost, he says he believes that the overrun, even in nominal terms, will be significantly less than 1,88 times the figure of R7,8bn that was the estimate announced in September 1989, when detailed engineering commenced.

While Gencor's energy arm, Engen, may have done a good job of managing the project, there's no doubt that it is a white elephant. Calls continue to stop work now and write off all costs incurred to date, though the onshore plant is 87% complete and the first gas is expected onshore by December 1.

Smith rejects this extreme remedy. He says the breakeven point for operating costs is $15,20 a barrel — and oil is now at around $20. Mossgas believes that the oil price will hold above $19 in real terms through the Nineties, and could even rise by the mid-Nineties. A price of $28 by 1995, in money of the day, is by no means impossible.



The multi-billion-rand white elephant
... lots of lessons

Not everyone is this optimistic. One industry source says there are many potential new fields around the world that can be brought in at prices above $18,50 a barrel in terms of current money, so any oil price rise above this level will amount only to a short-lived spike.

On the other hand, Engen's expectations of a minimum real oil price of $19 takes the nominal price above the current Sasol support price of $23 by 1993. This means that government will likely not have to subsidise Mossgas's running costs.

What Smith means by breakeven is that Mossgas's revenue will exceed the operating costs and the interest on its commercial loans, which total roughly R2bn. It does not include any provision for servicing the many billions government in the end will have poured into the project. While publicly quoted estimates differ, it seems that a vastly higher oil price would be required to service the costs of the public money — easily $40 or perhaps double.

So far, Engen has not risked any of its own money, acting merely as project manager. By the middle of 1993, it must decide whether to exercise its option to take a 30% stake in Mossgas, at the striking price of probably around R1bn. Smith hints that he might want certain terms to be renegotiated before Engen will come in. Engen will certainly not commit itself to Mossgas unless it's commercially sensible to do so.

In any event, Mossgas evidently must be completed and operated. SA has no influence, of course, over the international oil price, but there are some grounds for mild bullishness — both of the two largest producers, the Soviet Union and the US, are in decline.

Smith acknowledges that the discovery of enough additional gas in the vicinity to supply more liquid fuels capacity could greatly improve the economics of Mossgas. This follows the well-known principle that adding additional capacity at a functioning site is far cheaper than so-called greenfield construction — which requires new infrastructure of all kinds apart from production units.

And the availability of a scaled-up version of Sasol's new fixed fluidised bed synthol reactor would also improve the economics of any extension of fuel production facilities (or, for that matter, of the application of some of the feedstock to higher-value petrochemical production).

At present, there is enough gas proven to sustain the planned level of production for 25 years. (It is generally accepted that this will be the equivalent of the output of an oil refinery processing around 25 000 barrels a day of crude oil.) Smith says there will also be enough condensates (and a little oil) to add significantly to revenue.

If a lot more gas were to be found, Smith says, Mossgas would increase production from the platform now installed at the FA field, depleting it sooner than planned, before exploiting other resources. Soekor MD Ken Graham explains that the first step would be to establish "sub-sea satellite production" at FA, before moving on to exploit the proven EM field. Gas regarded as proven to date is enough for 30 years at planned rates.

He adds that Soekor is now concentrating on the discovery of further oil reserves, while regarding it as a high priority to prove further gas for Mossgas.

Soekor is optimistic that more gas will be found. It recently announced a gas strike at well F-O2, some 42 km south-east of the production platform. The find suggested that this area could contain about 16bn m³ of additional gas (adding about 33% to Mossgas's estimated reserves).

Soekor intends to drill more wells soon and believes that the geological structures should contain "significant additional quantities" of gas. But wells aimed at discovering oil are and will be interspersed with wells aimed at finding gas.

What are the implications for public policy of what has evidently been a dismal misapplication of vast sums to achieve a modest output of synthetic fuels?

First, it would make a great deal of sense if government used its influence over Soekor to require it to give total priority to gas exploration in the vicinity of Mossgas, to prove enough reserves to justify an extension of synthetic fuels capacity.

Second, government must announce the precise formula to be applied in establishing a price for the Mossgas output. Presumably it will be comparable to that awarded to

Continue →
P.T.O.

FM 20/9/91 (55)

Sasol. That is based on the notional "in bond landed cost" (iblc) of refined fuels. But will Mossgas get the inland price (with the added buffer of transport costs, or will it get a coastal iblc?) It is assumed that the oil companies will automatically absorb Mossgas product at the cost of market share for their own conventionally refined petrol and diesel.

The broader implications for public policy are far-reaching. First, government should accept blame for the misjudgments that went into Mossgas, in particular what seems to have been a naive hope that the oil price would be much higher in the early Nineties. It must then see to it that the process of policy-making that permitted a Mossgas to happen must never be allowed to operate in that untrammelled way again.

The best (perhaps the only) way to do this is, formally and statutorily, to establish a joint megaprojects committee including strong private sector participation — perhaps on the lines of the Electricity Council that oversees Eskom. No such commitment of public money should be allowed without running the gauntlet of scrutiny by the new body.

Then, government must see the folly of its obsessional secrecy over energy issues, rein-

FM 20/9/91 (55)

forced by severely worded statutes, which effectively crippled press freedom. Full public access to the numbers on which the project was based might have made a great deal of difference at the early stages. Press freedom is not a hang-on item, put in to placate Western opinion, it is a major basis of efficiency and competence (not to mention honesty) in economic affairs. It is time for government to come clean on everything — local fuels production, costing and all.

It is reasonable to expect that full disclosures will be made in about six weeks' time when government, according to Mineral & Energy Affairs Minister George Bartlett, will hold a comprehensive briefing session on Mossgas.

Lastly, the political Left must also understand that there are lessons in Mossgas for it too. In truth, it is the much-maligned private profit motive (plus media freedom) that keep economic activities aligned to reality and prevent vast wastes of resources (not to mention corruption and neglect of environmental issues).

It has taken the Russians 73 years to rediscover this simple premise — 73 years plus Chernobyl and vast misallocation of resources for dams in Siberia and other grandiose and pointless projects. Is anybody out there listening? *Robin Friedland*

(55) निर्द 13/9/91

Capetonians prefer to sleep on: 'No' to daylight saving

CLIVE SAWYER, Municipal Reporter

DAYLIGHT saving, subject of a President's Council investigation, has been rejected by the City Council's executive committee.

The system, used in Europe, involves adjusting clocks to take advantage of the hours of sunshine. Early dawns are not wasted on sleep.

Daylight saving results in fuel and power saving, an increase in daylight time for recreation, increases in productivity and a boost for tourism, say its supporters.

The President's Council is surveying local authorities, businesses and other interest groups.

A City Council report said Cape Town already had daylight saving because of its position.

Many council staff would have to rise before sunrise and travel to work in the dark if the system were introduced, the report said.

Business communications with neighbouring countries and European centres in the same time zone would be disrupted.

It was unlikely there would be a substantial cut in electricity consumption.

In a recent article in the Cape Town Chamber of Commerce Bulletin, the system was slammed.

The article said "less sophisticated" workers would not accept the system of changing clocks twice a year, which would disrupt productivity.

Tourists were not bound to working hours, so daylight saving would not really affect the tourist industry, the article said.

● South African Standard Time is based on a meridian of longitude running just east of the Witwatersrand and through Ladysmith in Natal. This means that sun time and clock time in those areas coincide.

But because Cape Town is so far to the west of the meridian, the clock time is about 45 minutes ahead of sun time, so a form of daylight saving already exists here.

How they blew the Mossgas Millions

55
ARG 7/9/91

TODAY ... AND TOMORROW

MICHAEL CHESTER
Weekend Argus Reporter

INFLATED pay packets and gross wastage at the multi-billion-rand Mossgas oil-from-the-sea project on the Eastern Cape coastline have been exposed by a former contract worker.

He produced proof that, as a storeman engaged at one of the warehouses on the vast site, he was paid almost R20 000 a month — a salary normally reserved for top executives.

"We've all been on a gravy train," he said.

"No wonder everybody says it's turned out to be a gold-plated white elephant.

"Until now I've been minding my own business," he said.

"But now that the disaster of Mossgas is out in the open I thought it time to start giving a few clues to why costs have zoomed so high."

Details he gave are bound to add to the controversy that has burst over government admissions that the R14 billion project has with hindsight proved a bad investment.

Government bogged down in Mossgass

Page 7

The controversy is expected to become still more heated when Mossgas starts the first flow of petrol and diesel ...

GREEN AND GOLD AT LAST: After three decades in the sporting wilderness ... a South African team rejoin the world, hands held high ...

MICHAEL CHESTER
Weekend Argus
Reporter

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Government bogged down in Mossgass Page 7

The controversy is expected to become still more heated when Mossgas starts the first flow of petrol and diesel in the middle of next year — and taxpayers probe deeper into their real cost.

The storeman, now back home in Germiston, told me: "When I was taken on by one of the contract companies, I picked up R4 122, plus a R750 settling-in allowance, in the first four days.

"That is more than even the most experienced storeman earns in four weeks. Pay is usually from around R2 500 to R4 000 a month at best.

"What's more, like hundreds of others, my own contract, even as a storeman, stipulated that all living expenses were covered by free board and lodging — in my case at a seaside motel where the accommodation and restuarant were excellent.

"The contract also gave the assurance of free company transport back and forth to work with the option of travel expenses at 82c a kilometre if I used my own car."

"In the next four weeks, I was paid R18 963 — R18 095 in basic wages, plus R868 every month as a so-called site allowance. Living by the sea — all expenses paid... Lekker."

Scales of pay were not the only item that shocked the

■ To Page 3

Mossgas scandal blown wide open

55 ■ From Page 1
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storeman, who asked not to be identified because leaking such information could jeopardise his chances of finding new employment.

"The dreadful mess inside the huge warehouses where I was set to work was incredible," he said.

"It would never have been tolerated for a second at the average civil engineering site."

Included in the mess, he said, were:

● "Tens of thousands of rand's worth of imported electronic and engineering components that not even the computer catalogues could trace;

● "Hundreds of crates that contained pieces of equipment that nobody was able to identify — let alone explain what they were supposed to be used for or why they had been ordered in the first place;

● "Fragile components that had been half-unpacked and left outside exposed to all weathers and the corrosive salt air from the sea — now all ruined;

● "Electric motors, worth R28 000 each and with the invoices still attached, simply left out in the veld — now worthless"; and

● "Valuable stainless steel components that had gone missing and finally found, now useless, as far as two kilometres from the warehouse out in the veld."

And he added: "On one occasion there was a desparate hue and cry to find two huge industrial air dryers that were urgently needed. Because of poor stocktaking and storage, it took us two months to find them — buried and unmarked behind a pile of packing cases.

"Nobody seemed to give a damn," said the storeman. "If a consignment was missing — order a new one, whatever the expense.

"The delays in tracing equipment, all caused by the lack of proper records, caused an untold number of hold-ups on the project. No wonder costs have been going through the roof."

The storeman said there was also constant friction about the number of highly-paid expatriates brought in

Govt 'is bogged down in Mossgas'

(55)

ARG 7/9/91

FRANS ESTERHUYSE
Weekend Argus Political Correspondent

THE rising cost of the giant Mossgas fuel project has become a major headache for the government — and is likely to be a millstone around the neck of any future government.

New calls are being made for an independent investigation into the future of the multi-billion rand project following an admission from the government this week that Mossgas was a bad investment.

The government's dilemma, according to analysts, is that the project cannot be abandoned because too much taxpayers' money has been invested in it — and, it can't go ahead without hidden costs to keep it going.

It is like riding a tiger and being unable to get off. The only difference is that Mossgas is not a tiger, but a colossal white elephant.

Democratic Party energy spokesman Mr Roger Hulley says: "Mossgas was not merely a bad investment, as stated by Deputy Minister of Finance Mr Theo Alant, but was one of the very worst economic decisions of the P W Botha era.

"It was a disastrous, ill-conceived, non-viable siege decision which has left South Africa with a gold-plated white elephant. No government in a normal society, enjoying normal international relations would have dreamed of investing in such an uneconomic project."

The total cost of the project, originally estimated at about R5 billion, is now expected to rise to more than R12 billion — and experts estimate it will have to be subsidised to the tune of R1 billion a year to keep going.

Mr Hulley told Weekend Argus he believed a committee of experts should be appointed to consider the case for mothballing the project.

"Every litre of fuel which Mossgas produces will have to be subsidised. I believe a case could still be made for mothballing the project until such time as the world crude oil price might rise sufficiently to make the project viable — although experts do not believe this is likely to happen until the next century."

Describing Mossgas as "a scandalous waste of money", Mr Hulley said the huge sum of money could have been invested to generate more than 200 000 new jobs and to provide a massive boost for the economy. Mossgas would employ fewer than 2 000 individuals, many of whom were imported specialists.

Mr Bernal Floor, a cost benefit analyst and transport economist, told Weekend Argus there could be hidden costs that would make the total cost of Mossgas even higher than some of the present estimates.

However, he believes it would be cheaper to continue with the project than to abandon it at this stage.

"It may be politically unthinkable to liquidate the project, but the government should, in the interest of the country, investigate the possible hidden costs that could make the project more expensive."

He suggests that alternative uses for Mossgas should be investigated. Attempts should be made to keep the project going as economically as possible, bearing in mind that many employees and industries dependent on Mossgas would suffer if the project were to be closed down.

Mossgas managing director Mr Bernard Smith has again defended its position, saying it would not be possible to close the project at this stage. This would mean that the capital invested so far would be lost. By continuing the project, at least part of that investment would be retrieved.

A sure profit, says Bartlett

(ES) ARG 7/9/91

Weekend Argus Reporter

BILLIONS spent on the Mossgas will go down the drain — with over R2-billion in foreign loans immediately payable — if the giant fuel project were to be mothballed now.

But the government, under fire from all quarters over the spiralling costs now estimated at R12-billion, claims it *will* make a profit.

Mineral and Energy Affairs Minister Mr George Bartlett defended Mossgas, saying it would not be an ongoing expense to taxpayers.

He was responding to questions from Weekend Argus.

Commenting on the statement this week by deputy Finance minister Dr Theo Alant that Mossgas was a bad investment, Mr Bartlett said it was "not commissioned on the commercial viability of the venture". It was based on achieving fuel self-sufficiency to a certain extent.

In addition, it was seen as making a significant contribution to stimulating the engineering and construction industries and providing jobs. This was achieved.

Asked about estimates of a R1-billion subsidy a year to keep Mossgas running, he said the project would "generate a positive cash flow" after meeting operating and borrowing costs.

It was incorrect to say there would be an ongoing cost to the taxpayer. Most of the capital in Mossgas had already been invested. Stopping now would mean only a small saving.

Foreign borrowings in excess of R2-billion would become repayable immediately should it be terminated.

Bearing in mind his predictions of a positive cash flow, mothballing it now would "not make sense".

Latest estimates of total costs — an unofficial estimate put these at R12-billion — would be reported to the Cabinet "in the coming weeks". After this a statement would "probably" be issued.

South Africa's gold-plated white elephant

(55) ARG 6/9/91

The government has finally confirmed what critics have been warning about for at least two years — that the multi-billion rand Mossgas oil project has proved a monumental mistake. The burden on taxpayers has not ended yet, reports MICHAEL CHESTER.

THE multibillion-rand Mossgas synthetic fuel project on the Eastern Cape coastline has turned out to be the costliest blunder yet forced on South African taxpayers.

When first launched four years ago the project was seen by government mandarins as a stroke of strategic genius — a new layer of protective armoury against the risk of cuts in fuel supplies from a hostile outside world turning the sanctions screws on apartheid.

But even the enthusiasm of the government has wilted as total cost estimates have soared and the economic viability of the project has slipped into thick mist.

Even before taxpayers have seen the first trickle of petrol and diesel from the vast operation, the government has at last conceded that it was all a huge error.

Deputy Finance Minister MrTheo Alant told the Free State National Party congress in Bloemfontein on Tuesday: "With hindsight, Mossgas was a bad investment."

The admission was a long time in the pipeline. As far back as April 1989 a senior lecturer at the Wits University department of chemical engineering, MrMike Smith, emerged from research with the verdict: "A disgraceful and deplorable financial disaster — a rip-off from beginning to end."

Within months the critics were multiplying. Energy consultant Mr Jan Hoogendoorn, a former senior general manager at Sasol challenged claims about the strategic importance of the project and suggested that the government should scrap the whole venture immediately.

By early 1990 even Mineral and Energy Affairs Minister Dr Dawie de Villiers was looking embarrassed and admitting that it was "highly unlikely" that the government would renew its decision, if asked to do so again now, on the basis of the new bundle of facts and figures now at hand. But he argued the project had gone too far to abandon it.

Engen, the company created by Gencor when it was awarded the contract to handle the management of the project, confirmed yesterday that Mossgas operations — both offshore, where rigs are drilling below the Indian Ocean to find gas, and onshore, where the gas will be converted into petrol and diesel — should be completed by November.

Synthetic fuel should be flowing along the pipelines by the middle of next year.

But how fast will be the flow and at what cost?

When mooted in 1987 the Mossgas project at Mossel Bay was going to cost about R5,3 billion. By mid-1989 estimates were running at R7,8 billion. By 1990 estimates had bounded to R8,8 billion.

Current guesstimates put final costs at R11 billion and perhaps as high as R14 billion.

It has been a catalogue of disasters. It was originally estimated that the labour force would reach no more than 8 000 when construction was at a peak.

It rose to 15 000 in the gale winds of labour unrest and the failure of suppliers to meet deadlines.

A year ago the planners momentarily thought they might be able to justify it all when Iraq invaded Kuwait and oil prices climbed into orbit.

When crude prices doubled from $20 to around $40 a barrel the mandarins in Pretoria settled back with assessments that Mossgas looked set to save South Africa a creditable R1 billion a year when it reached full production in 1992.

The end of the Gulf war snuffed out the euphoria.

Crude is now on sale on world markets at $16 a barrel. Few petro-economists see the price creeping even as high as $25 by the end of the 1990s.

So where does that leave Mossgas?

Its strategic relevance comes into perspective with estimates that in full production it will produce no more than about 27 000 barrels a day, compared to 120 000 a day by Sasol and total South African demands running at 330 000 a day.

It means Mossgas, even at full tilt, will be able to cope with little more than eight percent of total local demands.

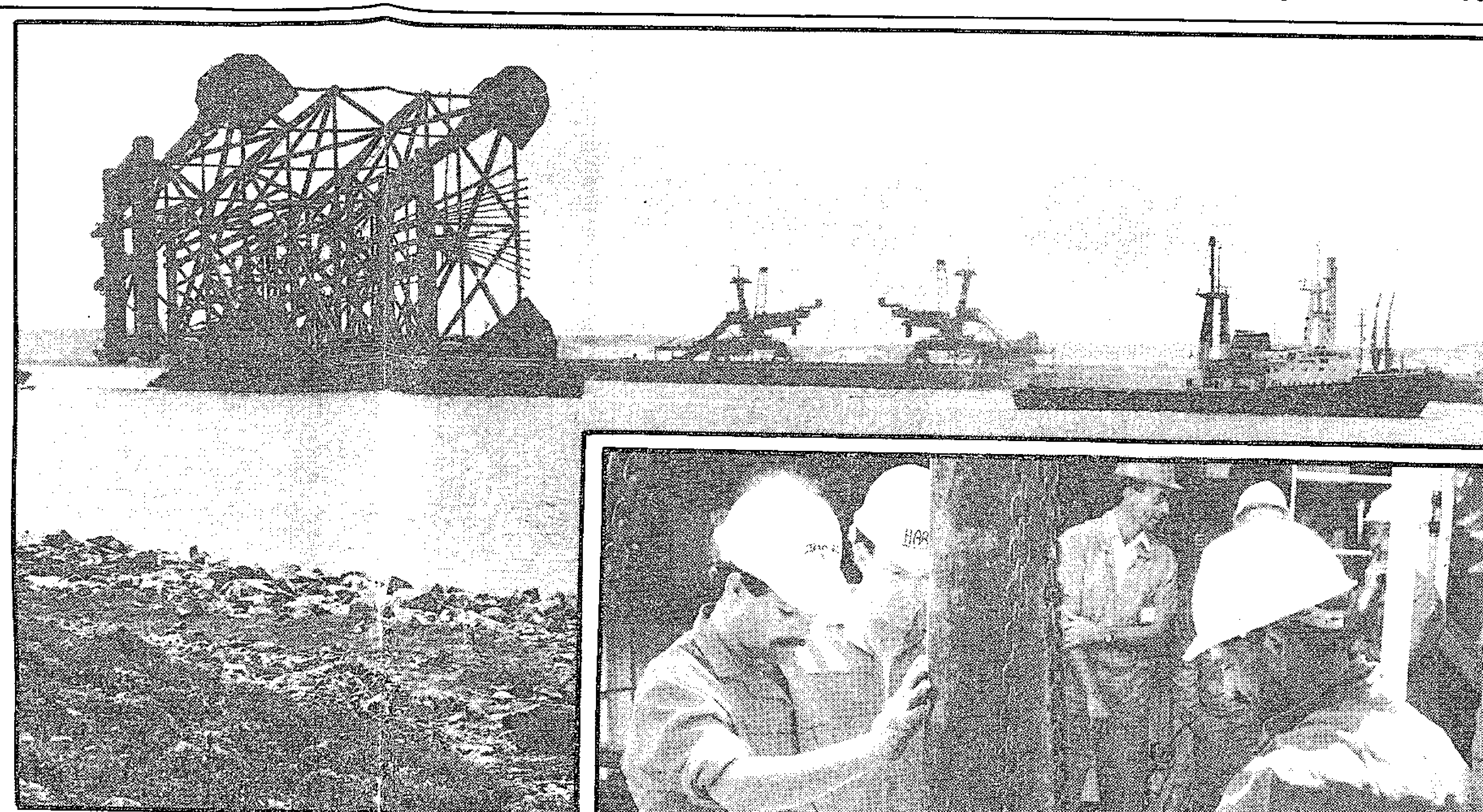
And the cost structures worsen the deeper they are examined.

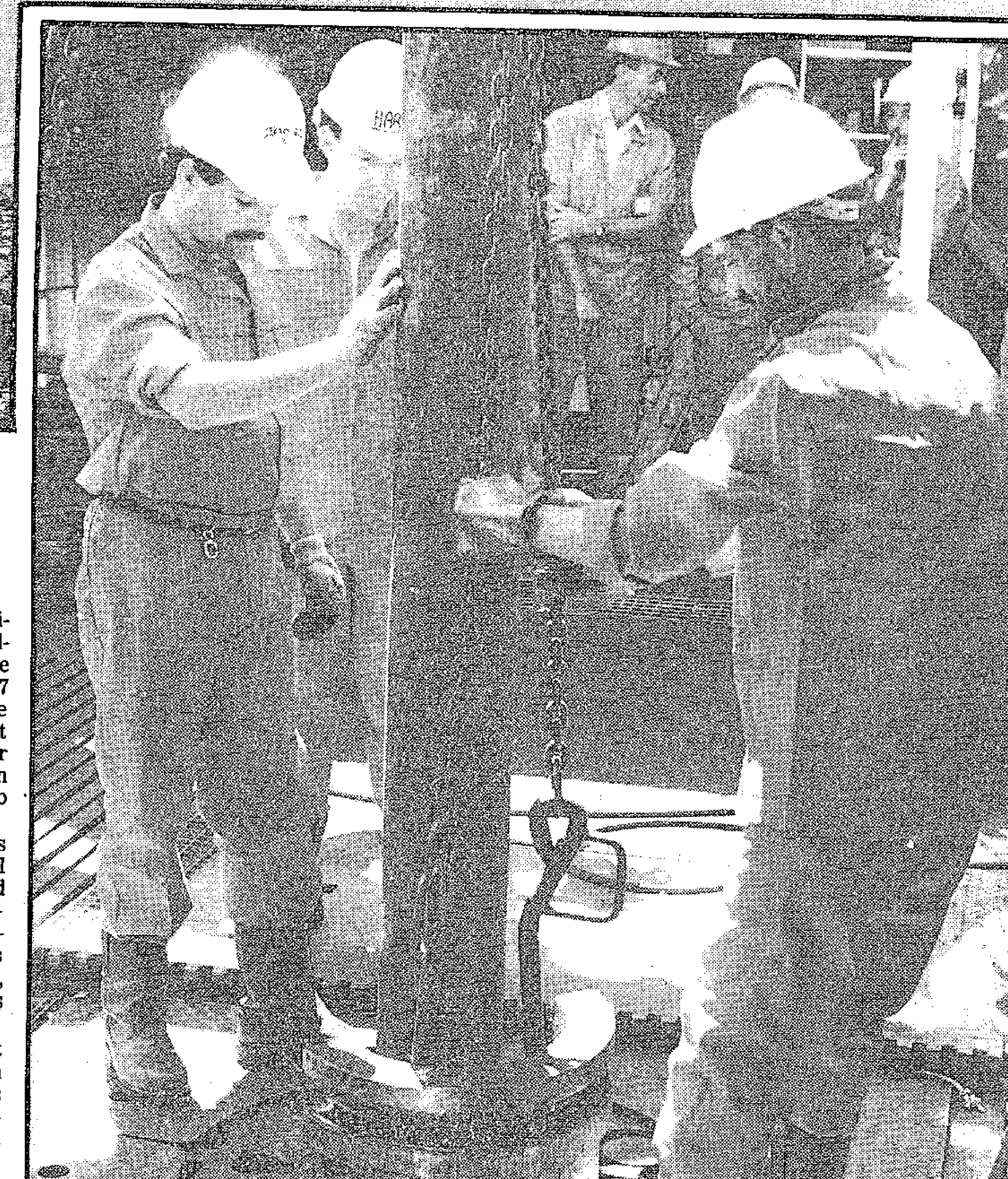
Market analysts have worked out that world oil prices would need to streak as high as $50 a barrel — beyond even the worst nightmares — before Mossgas could hope to break even as an investment.

Even Mossgas managing director Mr Bernard Smith admits that international price levels would need to touch $37 a barrel – more than double the current level – to pull out of the red and show no better than a zero real rate of return on all the funds ploughed in so far.

One independent analysis has set out to show that petrol prices at filling stations would need to rise no less than 86c — over and above recent increases – to move Mossgas into profit. That, of course, would be political as well as economic suicide.

So taxpayers have not reached the end of road even yet. There have been estimates that Mossgas will require annual subsidies running at no less than R1 billion over the next several years to keep going.





ACHIEVEMENT: An engineering first for South Africa was this rig structure which was completed last year. It is seen, above, being towed out of Saldanha Bay on its journey to the sea off Mossel Bay. Right: Workers move a huge drill into place for a test run.

CAPE

Foreigners 'raked off big profits at Mossgas'

(55) ARG 17/9/91

CAROLYN McGIBBON and STEFAANS BRÜMMER
Staff Reporters

TWO engineers who worked for Mossgas have claimed that no cost was spared in seeing to the comfort of overseas recruits working on the project.

But Mossgas managing director Mr Bernard Smith disagreed, saying that "many of the overseas recruits were cheaper than their local counterparts", although locals were not discriminated against.

The two engineers, who asked not to be named for fear of being blacklisted, claimed in an interview that hundreds of foreigners had raked off huge profits and lived in the lap of luxury.

The men said the foreigners were able to buy houses with huge settling-in allowances, and Mossgas then paid the foreigners' rent to stay in their houses.

Fat contracts included free overseas trips, expensive company cars, settling in allowances, living out allowances, furniture allotment payouts and handsome salaries.

"Although we signed secrecy agreements, we decided to talk to the Press because the taxpayers have a right to know what happened to their money.

"We are going to pay for Mossgas for the rest of our lives because of the way the project was managed. We want to see a complete investigation to show exactly where the millions went," the engineers said.

The contractors claimed local workers were not up to standard, but some expatriates had less knowledge than locals, the engineers said.

The East Cape Training Centre was set up at huge cost to provide specifically needed skills for unemployed workers in the region to work on the project.

The communications manager for the centre, Mr David Randle, said 4 206 workers had learnt metal industry skills, and 3 622 were trained in civil work. He said 90 percent had been given contracts.

The two engineers said, however, that locals were discriminated against by many of the contractors who preferred to call in their own men.

"We saw the local people standing outside the gate, and being turned away."

Said another: "You can't blame them, but the expatriates made as much money as they could. All the top positions were given to expatriates who were given huge perks, often a R20 000 settling-in allowance and furniture allotment of about R15 000. Quite a few used the money to buy houses, and then got Mossgas to pay them rent of between R1 000 and R2 300 a month, as it was part of the contract that the company had to rent properties for them."

Mossgass managing director Mr Smith commented that the reponsibility for employment was largely not up to his company: "Mosgass employees on site are very few in number. I assume that most of the employees referred to are employed by a contracting company."

He said Mossgas had, however, required that 80 percent of employees on contracts be local labour, and Mossgas figures supported this.

Although contractors made their own arrangements for labour, Mossgas had supplied housing. But "in the most part we have been criticised for the housing supplied, particularly because people had to share rooms".

And there could be no truth in the allegation that settling-in allowances were large enough to buy houses, he said.

"In respect of artisans, many of the overseas recruits were cheaper than their local counterparts, and skilled local labour did not come forward in sufficient numbers to man the project — we were forced to take on expatriate workers.

"Many of the expatriates on the project were, of course, highly skilled professionals commanding appropriate salaries. In the absence of details I cannot comment on the level of their earnings," he said.

Oil search shifts to West Coast

55

ARG 17/9/91

MICHAEL MORRIS
Political Correspondent

SOUTH Africa's search for oil shifts to the West Coast next month with Soekor's latest major probe more than 100 kilometres off Saldanha.

Results are expected by the end of the year, but Soekor has no idea at this stage whether the drilling will yield any crude.

The so-called O-A1 well, a huge, potentially oil-bearing formation of porous rock about three kilometres below the seabed 105 kilometres off Saldanha, was identified several years ago in a seismic survey.

One of the problems with the site is that it is more than 700 metres underwater — too deep for normal semi-submersible drilling rigs.

So Soekor has chartered a Dutch drilling ship, the Neddrill 2, to start exploratory boring next month.

The assistant manager of documentation and liaison services, Mr Mike Leibbrandt, said Neddrill Nederland BV's Neddrill 2 was passing Cape Town in early October en route from Singapore to South America.

Soekor had seized the opportunity of contracting the ship for the exploration.

He said the ship was ideally suited to the project and would drill at a record depth, for South African waters, of 744 metres.

Mr Leibbrandt said: "We have known about these large structures (forms of porous rock) for some years.

"We feel optimistic about the project, but until we drill, we just can't be sure," he said.

Search for oil moves to West Coast next month

Star 18/9/91. (55)

Own Correspondent

CAPE TOWN — The focus of South Africa's search for oil shifts to the West Coast next month with the start of Soekor's latest major offshore probe more than 100 km off Saldanha.

Results are expected by the end of the year.

Soekor has no idea at this stage whether the drilling operation will yield any results.

Identified

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Mr Leibbrandt said: "We have known about these large structures (forms of porous rock) for some years. They have shown up on seismic surveys. One thing the surveys cannot tell us, though, is whether the structures are oil-bearing or not.

Discover

"We feel optimistic about the project, but until we drill, we just can't be sure."

It would take between two and three months to discover whether or not the 'structures' would yield oil.

"Weather is one of the chief factors in determining how long it will take.

"The ship is obviously very vulnerable to weather," he said.

The nuclear industry is trying to win confidence, writes **Catherine Arnst**

Clean power, but a dirty image

Star 2/9/91

55

THE nuclear industry is pinning its comeback hopes on a new generation of reactors that stress safety above all else.

Seeking to woo the public away from more popular but highly polluting fossil fuel power generators, it has bestowed comforting titles on its new designs.

"Safe Integral Reactor" (SIR) and "Process Inherent Ultimate Safety" (PIUS) are meant to overcome the memory of nuclear accidents of the past.

Many governments are already reconsidering the nuclear option as a practical way to meet power demands without contributing to global warming. Nuclear energy emits none of the environmentally harmful gases released by burning oil, coal or gas.

But nuclear industry insiders acknowledge that they cannot move forward without first winning the confidence of a highly sceptical public.

Hans Blix, director general of the International Atomic Energy Agency, noted at a recent seminar that risk assessments showed nuclear power was actually 10 times as safe as coal or gas, even with existing plant designs.

But he also conceded that risk was in the eye of the beholder.

"The public, which tolerates the risk that people may die from explosions in mines, on oil platforms or at gas cisterns and pipes, may be less tolerant about the risk that anyone's health is affected by the exposure to radiation, whether in the short term or the long term."

Public anxiety over nuclear power was dramatically heightened in 1979, when the Three Mile Island plant in Pennsylvania suffered a partial meltdown of its radioactive core.

Paradoxically, nuclear advocates cite that accident as proof that Western reactor designs are safe because the radiation leakage was small. But to the public, any leak is too much and no new reactors have been ordered in the United States since that event.

Then in 1986, the Chernobyl disaster in the Ukraine that killed 30 people and spread radiation across Europe virtually destroyed any remaining public confidence in nuclear power.

The nuclear industry is quick to note the Chernobyl plant was a Soviet design rated inherently unsafe by Western experts and not found outside eastern Europe.

By far the most common design used in the West is the light-water reactor (LWR), which uses ordinary water to cool the reactor, where intense heat is emitted as atoms are split in a chain-reaction process called fission.

The water extracts the heat to generate steam which in turn spins the turbines that drive the electric generators.

The most advanced proposal is the fast-breeder reactor. Unlike LWRs, fast breeders produce more fuel than they consume so they can create their own fuel cycle.

Most countries have abandoned the fast breeder reactor as too expensive and the technology too complex, but Japan plans to start operating its first fast breeder in late 1992. — Sapa-Reuter. □

Put Mossgas in mothballs, urges DP

55

Political Staff Sas 5/9/91.

The Government was urged yesterday to appoint a committee of experts to consider mothballing the "disastrous" Mossgas synthetic fuel project at Mossel Bay.

The call from Democratic Party energy spokesman Roger Hulley followed an admission by the Government that Mossgas was "a bad investment".

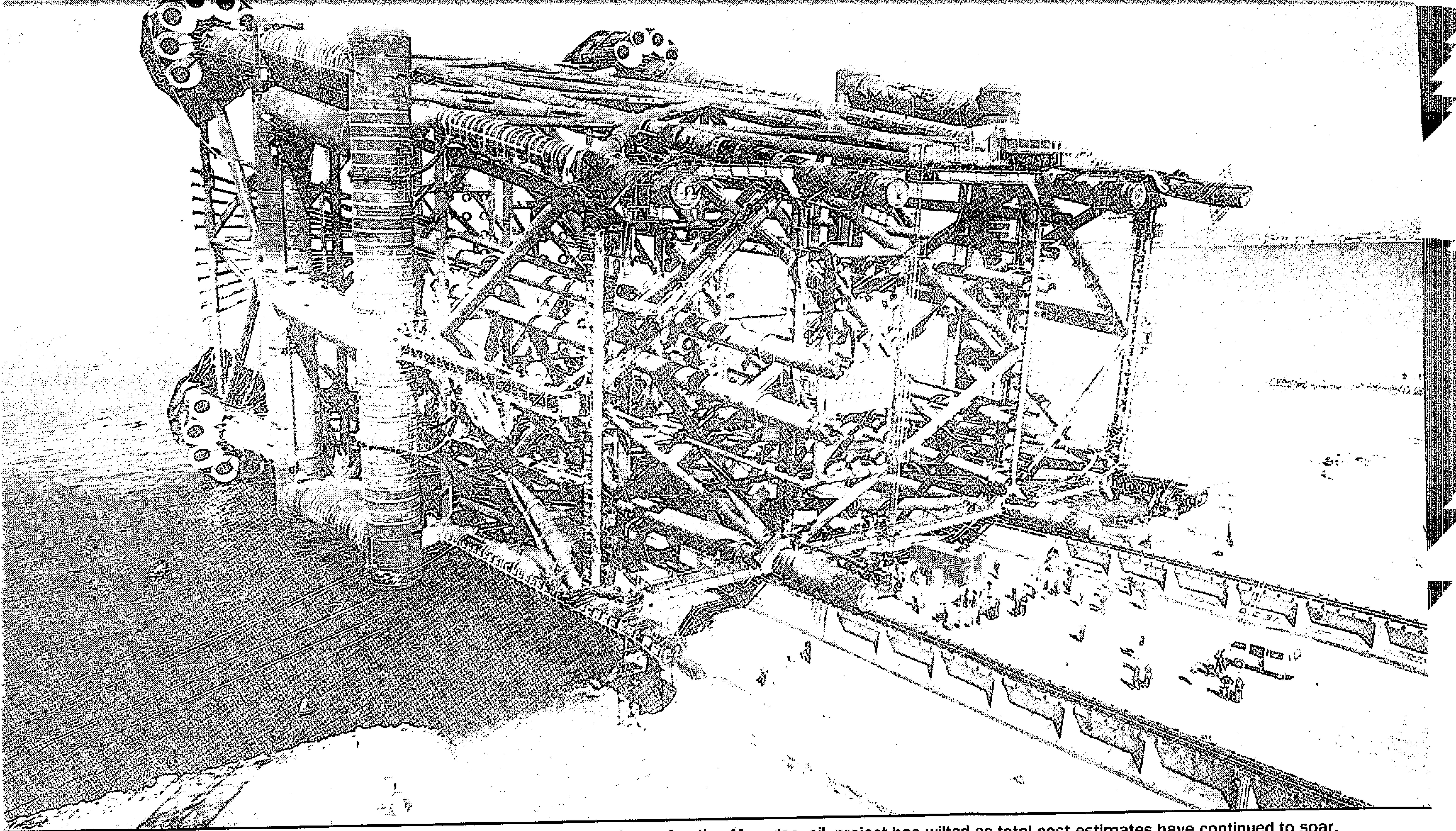
"This was not merely a bad investment, but one of the very worst economic decisions of the P W Botha era," said Mr Hulley.

It was originally estimated that it would cost about R4 billion. Now it could cost as much as R12 billion.

Mothballing could cost up to 1 200 jobs which would be moderate compared with the saving of billions of rands.

He believed experts might find it would be far better to mothball the scheme until higher crude oil prices made it viable.

● Govt's pricey pipedream — Page 19



Mammoth undertaking . . . but even the Government's enthusiasm for the Mossgas oil project has wilted as total cost estimates have continued to soar.

Govt's pricey pipe dream

Star 5/9/91.

55

The Government has finally confirmed what critics have been warning about for at least two years — the multibillion-rand Mossgas oil-from-the-sea project has proved a monumental mistake. The burden on taxpayers has not ended yet, reports MICHAEL CHESTER.

THE multibillion-rand Mossgas synthetic fuel project on the eastern Cape coastline has turned out to be the costliest blunder yet forced on South African taxpayers — a gold-plated white elephant.

When first launched four years ago, the project was seen by Government mandarins as a stroke of strategic genius — a new layer of protective armoury against the risk of cuts in fuel supplies from a hostile outside world turning the sanctions screws on apartheid.

But even the enthusiasm of the Government has wilted as total cost-estimates have soared and the economic viability of the project has slipped into thick mist.

Even before taxpayers have seen the first trickle of petrol and diesel from the vast operation, the Government has finally conceded it was all a massive

"With hindsight," Deputy Finance Minister Theo Alant told the Free State National Party congress in Bloemfontein on Tuesday, "Mossgas was a bad investment."

The admission was a long time in the pipeline.

As far back as April 1989, Mike Smith, a senior lecturer at the University of the Witwatersrand's department of chemical engineering, emerged from research with the verdict: "A disgraceful and deplorable financial disaster — a rip-off from beginning to end."

By early 1990, even Mineral and Energy Affairs Minister Dr Dawie de Villiers was looking embarrassed and admitting it was highly unlikely that the Government would renew its decision, if asked to do so again now, on the basis of the new bundle of facts and figures then at hand. But he argued that the project had gone too far to be abandoned.

So work pressed ahead — and so did all the bills.

Engen, the company created by Gencor when it was awarded the contract to handle the management of the project, confirmed yesterday that Mossgas operations — both offshore, where rigs are drilling below the Indian Ocean to find gas, and onshore, where the gas will be converted into petrol and diesel — should be completed by November.

Synthetic fuel should be flowing along the pipelines by the middle of next year.

But how fast will the flow be — and at what sort of cost?

First, the capital investment.

When mooted in 1987, the Mossgas project at Mossel Bay was going to cost about R5,3 billion. By mid-1989, estimates were running at R7,8 billion. By 1990, estimates had bounded to R8,8 billion.

Current guesstimates put final costs at R11 billion — and perhaps as high as R14 billion.

It has been a catalogue of disasters. It was originally estimated that the labour force would reach no more than 8 000 workers when construction was at a peak. It rose to 15 000 when battles began to return to schedule in the gale winds of labour unrest and the failure of suppliers to meet deadlines.

A year ago, the planners momentarily thought they might be able to justify it all when Iraq invaded Kuwait — and oil prices climbed into orbit on nervous international markets.

When crude oil prices doubled from $20 (about R56) to around $40 (about R104) a barrel, the mandarins in Pretoria settled back with assessments that Mossgas looked set to save South Africa a creditable R1 billion a year when it reached full production in 1992.

The end of the Gulf War snuffed out the euphoria.

Crude oil is now on sale on world markets at about $16 (about R45) a barrel. Few petro-economists see the price creeping even as high as $25 (about R62) a barrel by the end of the 1990s.

So where does that leave Mossgas?

Its strategic relevance comes into perspective with estimates that Mossgas, in full production, will produce no more than about 27 000 barrels a day. That compares with daily production of 120 000 barrels from Sasol — and total South African demands running at around 330 000 barrels a day.

It means that Mossgas, even at full tilt, will be able to cope with little more than 8 percent of total local demands.

And the cost structures worsen the deeper they are examined.

One independent analysis has set out to show that petrol prices at filling stations would need to rise no less than 86c — over and above recent increases — to move Mossgas into profit. That, of course, would be political as well as economic suicide.

So taxpayers have not reached the end of road even yet. There have been estimates that Mossgas will require annual subsidies running at no less than R1 billion over the next several years to keep going. □

Dorbyl joins UK group in 'platform' bidding

Star 18/9/91

By David Canning (55)

Durban is bidding to become the major centre in the country for construction of offshore oil and gas platform modules.

At a function in the city, on Monday, John Cook, a director of Press Offshore — part of the giant Newcastle-based (UK) AMEC group — announced his company and local partner Dorbyl were seeking to pre-qualify for a tender to build two shallow-sea platforms off Angola. The project is worth R500 million.

The know-how developed by Dorbyl — which bought out Sandock-Austral during its construction of the giant Mossgas module in Durban — could prove an important factor in the project.

It is believed that 10 to 15 deep-water platforms could be ordered for the west coast in the next few years.

Another speaker, Gus Kearney of the Irish-based electrical group MF Kent, said South African firms should follow the example of his company by "piggy-backing" large groups into overseas markets.

Govt set to speak out on Mossgas 55

BRENDAN TEMPLETON

Star 21/9/91

The Government is set to lift the wraps on its hugely controversial Mossgas project, which is costing the country billions each year.

This comes in the wake of rumours that Minister of Mineral and Energy Affairs George Bartlett has been called on by the Cabinet to explain the recent furore which has blown up around Mossgas.

It also follows the completion on Monday of a 10-month audit of Mossgas. Auditor-General Peter Wronsley said the findings were being studied.

Mr Bartlett's spokesman Charles Edwards yesterday said journalists would be invited to an "information session" late next week to address "the issues dealt with by recent newspaper articles".

He refused to comment on the alleged Cabinet summons: "Discussions within the Cabinet are top-secret and I am not in a position to comment on this."

Mr Bartlett could not comment either, as he was out of town on business, he added.

Mr Wronsley said he could not comment on the Mossgas audit as his powers of reporting had been limited on special request by President F W de Klerk when he started the audit.

It was led by a "recognised expert on mega-projects in the energy field", Mr Maury Brooks of New York, and the South African Police.

The furore surrounding Mossgas flows from mounting allegations of fraudulent, sky-high pay packets and wastage as the total cost of the project has rocketed from an original R5,5 billion to around R12 billion.

Some insiders predict an eventual cost of about R20 billion.

A probe by the Commercial Crime Unit has been ordered by the Auditor-General on the basis of corruption charges levelled at certain employees.

The head of the investigation, Brigadier Kerneels Taljaard, yesterday refused to comment further.

Star 4/9/91

R11-bn Mossgas bad investment, Alant admits

55

BLOEMFONTEIN — The Government has openly conceded that the Mossgas synthetic fuel plant, which could cost as much as R11 billion, was a bad investment.

Deputy Finance Minister Dr Theo Alant told the Free State National Party congress yesterday that South Africa was living in a post-war phase where the economy was still suffering from strategic proposals that had been necessary at the time.

"With hindsight, Mossgas was a bad investment, as much more could have been done with the millions spent.

"There has also, in the past, been over-expenditure on projects where, for instance, hospitals were built where they were not necessary or roads tarred where the traffic volume did not justify it. We are now trying to sort this out."

Dr Alant said low economic growth during the '80s had resulted in everyone being poorer today.

About 43 percent of the population which wanted to work could not find jobs in the formal sectors.

Over-regulation could be a contributing cause to the high rate of inflation.

"High interest rates are the symptoms of a sick economy and cannot be cured only by monetary and fiscal measures. We are busy devising other methods.

"Something is going wrong in the line between the producer and the consumer, and one feels part of this could be because of over-regulation."

Dr Alant conceded that the Inkatha funding revelations had damaged the VAT promotion campaign.

Some people thought revenue from tax was used solely for funding secret projects. — Political Staff-Sapa.

Sorting it out . . . Dr Alant.

Motorists still underpaying

By Des Parker (55)

Star 25/9/91

Motorists were still paying about two cents a litre too little for their petrol at the end of last month — despite a whopping price increase by the Government on August 23 to recover revenue that would be forfeited as a result of the reduction of the VAT rate from 12 to 10 percent.

When he announced the VAT cut last month, Finance Minister Barend du Plessis raised petrol prices by 13 cents a litre and diesel by eight cents; the full diesel increase and 10 cents of the petrol rise was to go to revenue, with the remainder topping-up the fuel equalisation fund, which has been in deficit since May.

The increase in the revenue slice of the petrol price means the Government is now taking 46,9 cents, or almost 33 percent, of the price paid at the pump for every litre of petrol.

Compensating

In spite of this, the equalisation fund — which serves to shield prices from the effects of fluctuations in the rand-dollar exchange rate on oil import costs — was still compensating motorists to the tune of 1,987 cents on every litre of 93 octane petrol sold on the Reef in the last week of August.

That figure was calculated at an exchange rate of R2,8723 to the rand.

Since then, the rand has capitalised on renewed weakness in the dollar, the rate strengthening to about R2,81. Laurie van den Berg of the National Energy Council said yesterday this had a beneficial effect on fuel procurement costs — although postings (international fuel market prices) had also to be considered.

"However, we work on a monthly average and we do our calculations at the end of the month, so it is not possible to say what the position of the equalisation fund is."

He said the recent increase in Transnet freight and pipeline charges as a result of VAT would not cause an increase in fuel prices because the oil companies would claim back the VAT portion of the rates in input tax credits.

Govt warned on Mossgas

65 CT 5/9/91

Political Staff

THE government ignored repeated warnings that Mossgas was not just a bad investment but the very worst investment South Africa had ever made, the Democratic Party's energy spokesman, Mr Roger Hulley, said yesterday.

A committee of experts should now be appointed to investigate whether the R12-billion project should not be mothballed until oil prices rose sufficiently to justify the costs, Mr Hulley said.

Mossgas, which was to have cost R4 billion but was now estimated at R12 billion, was "a siege decision and a very bad one at that".

Worker tells of massive pay packets

Shock claims of Mossgas waste

Star 7/9/91 (55)

MICHAEL CHESTER

DISCLOSURES of sky-high pay packets and gross wastage at the multibillion-rand Mossgas oil-from-the-sea project on the eastern Cape coastline have been made by an ex-contract worker.

In an exclusive interview, the former employee produced proof that, as a storeman engaged at one of the warehouses on the vast site he was paid almost R20 000 a month — a salary bracket normally reserved for top executives.

"We've all been on a gravy train," he said. "No wonder everybody says it's turned out to be a gold-plated white elephant.

"Until now I have been minding my own business," he said. "But now that the disaster of Mossgas is out in the open I thought it time to start giving a few clues to why costs have zoomed so high."

Details are bound to add to the controversy that has burst over Government admissions that the project has proved a bad investment — a political euphemism for a disaster.

Spokesmen for Mossgas and the Government were unavailable for comment yesterday. The controversy is expected to become still more heated when Mossgas starts the first flow of petrol and diesel in the middle of next year — and taxpayers probe deeper into the real cost of the new fuel supplies.

Experts have warned that production costs will be so high that the project will still be swallowing subsidies at a rate of about R1 billion a year to keep going.

Allowance

The storeman, now back at his home in Germiston, told Saturday Star: "When I was taken on by one of the contract companies, I picked up R4 122 — plus a R750 settling-in allowance — in the first four days.

"That is more than even the most experienced storeman earns in four *weeks*. Pay is usually from around R2 500 to R4 000 a month at best.

"What's more, like

● TO PAGE 2.

Mossgas (55)

● FROM PAGE 1.

hundreds more, my own contract, even as a storeman, stipulated that all living expenses were covered by free board and lodging — in my case at a seaside motel where the accommodation and restaurant were excellent.

"The contract also gave the assurance of free company transport back and from work, with the option of travel expenses at 82c per kilometre if I elected to use my own car.

"The gravy train really started rolling, even though I volunteered to work long hours, when I moved on to the monthly salary payroll.

"In the next four weeks I was paid R18 963 — R18 095 in basic wages plus R868 every month in what was known as a 'site allowance'. Living by the sea — all expenses paid. Lekker!"

Scales of pay were not the only item that shocked the storeman, who asked not to be identified for fear of jeopardising his chances of finding new employment.

"The dreadful mess inside the huge warehouses where I was set to work was incredible," he said. "It would never have been tolerated for a second at the average civil engineering site."

Included in the mess, he said, were:

- Tens of thousands of rands of imported electronic and engineering components that not even the computer catalogues could trace.
- Hundreds of crates that contained pieces of equipment that no one could identify — "let alone explain what they were supposed to be used for or why they had been ordered in the first place".
- Fragile components that had been half-unpacked and left outside exposed to the weather and the corrosive salt air from the sea. These were now ruined.
- Electric motors, worth R28 000 each and with the invoices still attached, left out in the veld. These were now also worthless.
- Valuable stainless steel components that had gone missing — and had been finally found, in an unusable condition, as far as 2 km from the warehouse in the veld.

"One one occasion, there was a desperate hue and cry over two huge industrial air dryers that were urgently needed," the storeman said.

"Because of poor stocktaking and storage, it took us two months to find them.

"No one seemed to give a damn. If a consignment was missing — order a new one, whatever the expense.

"The delays in tracing equipment, all caused by the lack of proper records, caused an untold number of hold-ups on the project. No wonder costs have been going through the roof."

He added: "And you think my wages were high as a storeman? You should just see what other guys are taking home."

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Sun power helping to light the streets

Star 4/9/91

By Louise Burgers
Municipal Reporter

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Sun beams are lighting up dark streets in several Transvaal municipalities as solar-powered lamps are switched on.

Ellisras in the far northern Transvaal will become one of the first municipalities in the country to install permanent solar-powered street lighting.

Three other municipalities — Bedfordview, Sandton and Roodepoort — have solar lighting on trial.

The head of the Ellisras electricity department, Aardt Both, said the lights would be put up at the two street boundaries of the town. It made sound economic sense to use solar power, he added.

"The erection of the lights at the entrances to Ellisras are far from our conventional electricity supply. To use electricity, we would have had to run long lengths of expensive cable."

Sandton, which installed its first solar-powered street light in a playpark in Fourways more than a year ago, has added another to a dangerous bend in Troupand Avenue.

Councillor Richard Cheary said both lamps had proved successful and he was determined to convince the council to install more in Sandton's unlit streets.

"Cars continually crashed through the wall of a house in Troupand Avenue before the light was installed. Since the area has been lit up at night, there has not been a single accident. I would like to see a lot more installed."

Sandton paid about R2 500 for each lamp. But there is no cost after the erection of the lighting apart from minimal maintenance costs.

The Bedfordview municipality has been testing a solar-powered street light in the suburb of Senderwood.

The lights gather sun power through a solar panel during the day, and store the electricity in a battery for night use. The equipment is being supplied by Omnipower Technologies, an alternative-energy group.

The company's marketing manager, Ian Johnston, said solar-powered lighting compared favourably with conventional residential illumination.

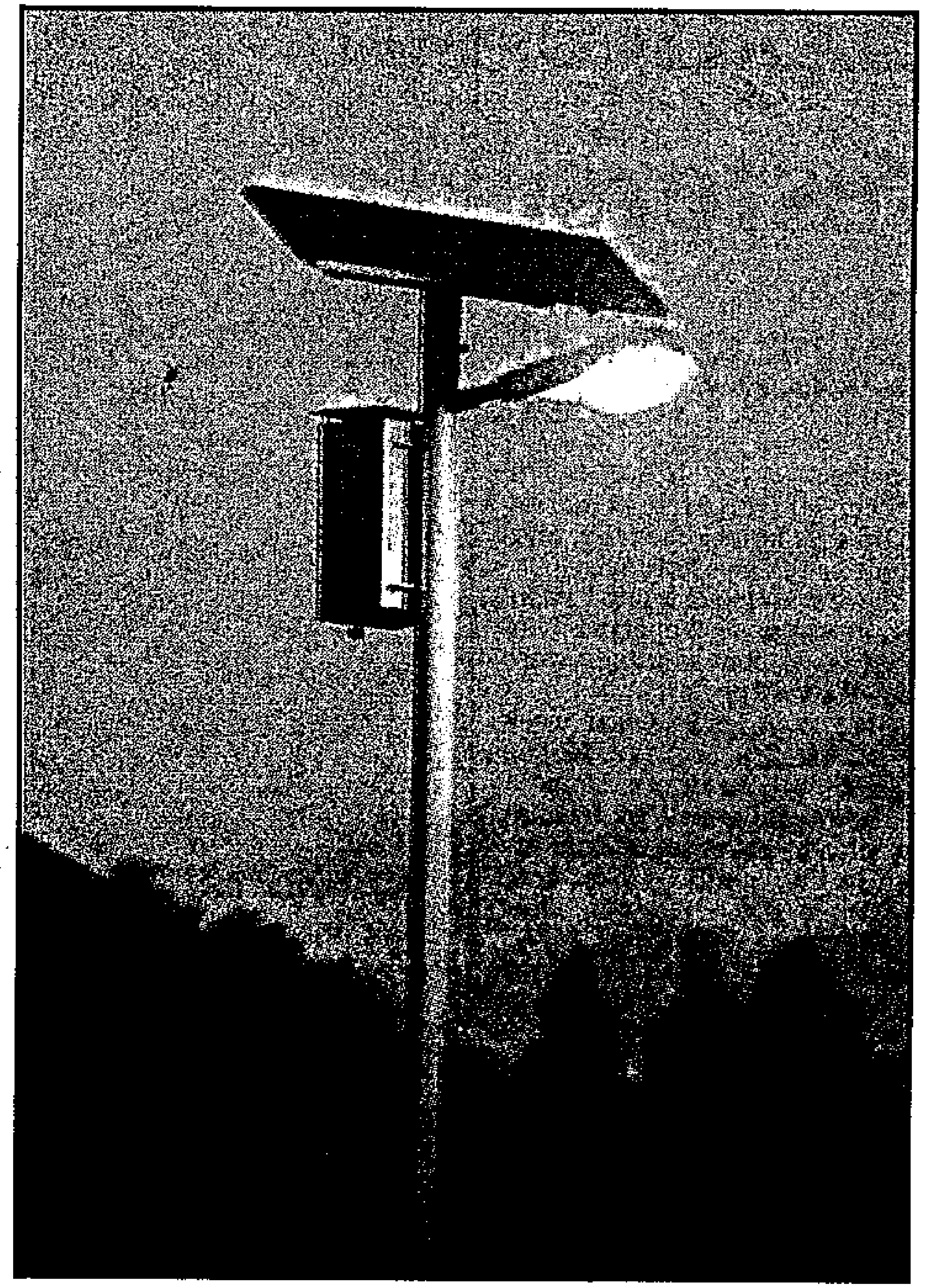
"Solar lighting is making giant strides around the world, particularly in remote areas where there is no conventional electricity."

Municipalities in South Africa faced huge costs with the installation of street lighting, and many were concentrating on lighting main roads, he said.

Developers of new townships were often required to install street lights to municipal specifications.

Because of the backlog, some existing suburban areas, however, could wait a decade or more before they received conventional lighting, Mr Johnston said.

He suggested that as an alternative, it was possible for individual householders and companies to install their own solar-powered lighting to illuminate their properties.



Lingering sun . . . a solar-powered street-lamp burns in Little Fourways, Sandton. Picture: Ken Oosterbroek

Govt claims project will make profit

Star 7/9/91. (55)

CAPE TOWN — Billions spent on the Mossgas project will go down the drain — with over R2 billion in foreign loans immediately payable — if the giant fuel project were mothballed now.

But the Government, under fire from all quarters over the spiralling costs, now estimated at R12 billion, claims it *will* make a profit.

Mineral and Energy Affairs Minister George Bartlett defended Mossgas, saying it would not be an ongoing expense to taxpayers.

Commenting on the statement this week by Deputy Finance Minister Dr Theo Alant that Mossgas was a bad investment, Mr Bartlett said it was "not commissioned on the commercial viability of the venture". It was based on achieving fuel self-sufficiency, to a certain extent.

In addition, it was seen as making a significant contribution to stimulating the engineering and construction industries and providing jobs. This was achieved.

Asked about estimates of a R1-billion subsidy a

OWN CORRESPONDENT

year to keep Mossgas running, he said the project would "generate a positive cash flow" after meeting operating and borrowing costs.

It was incorrect to say there would be an ongoing cost to the taxpayer. Most of the capital in Mossgas had already been invested. Stopping now would mean only a small saving.

Foreign borrowings in excess of R2 billion

● See "Speak Out" on Page 2.

would become repayable immediately should it be terminated.

Bearing in mind his predictions of a positive cash flow, mothballing it now would "not make sense".

Latest estimates of total costs — an unofficial estimate put these at R12 billion — would be reported to the Cabinet "in the coming weeks". After this a statement would "probably" be issued.

Eskom in drive to lift appliance sales

55

S1 Times (Business) 1|9|91

By CIARAN RYAN

THE electrical appliance trade is about to receive a boost from Eskom, which is promoting sales of electrical goods in black townships.

Up to 3-million new households could be electrified by 1996.

The proposed scheme would bring electricity to 23-million South Africans.

Eskom plans to electrify more than 300 000 houses in the next two years.

It is testing several marketing schemes in conjunction with retailers, such as Beares, Lewis and Lubners. The appliances include stoves, kettles, irons, hot plates and other heating elements. But Eskom is also investigating the marketing of refrigerators, light fittings, radio, TV and hi-fi sets.

Eskom corporate sales manager Hugh McGibbon says research shows that switching from batteries, paraffin and coal to electricity results in savings of as much as 50% in energy bills. But electrical appliances are often too costly for low-income earners.

Positive

Eskom's marketing division is exploring ways of making appliances more affordable for them.

Mr McGibbon says: "We do not wish to compete with manufacturers and suppliers of appliances which meet our customers' needs in terms of price, product and place."

Pilot schemes are under way in the low-income Orange Farm area outside Johannesburg, Bloemfontein, Natal and the southern Cape.

Appliances are being promoted by "party sales" similar to the Tupperware method. It is planned to use stokvels — groups pool their cash and take turns to buy appliances — "green stamp" schemes, personal loans to lower-income earners employed by Eskom and the franchising of appliance packages.

The scheme is aimed at households using less than 350 kilowatt hours a month.

"We will facilitate the sale of appliances in areas far from retail centres," says Mr McGibbon.

"We believe we will reach only 25% of newly electrified houses and 10% of existing ones using fewer than 350kW hours a month."

Electricity sales from these schemes are expected to be R2,2-million in 1991, R4,6-million in 1992 and R8,6-million in 1993. If the results of tests are positive, Eskom will take the schemes to other areas.

It is investigating the possibility of recovering appliance costs by tariff. Early feedback from the pilot promotions is positive, says Mr McGibbon, R19 000 of appliances having been sold in a month at a site in the Cape.

Orange Farm, with a population of 70 000, has been electrified. But only a few hundred have electricity. Some residents complain about the high cost of appliances, saying profit margins are too high.

Risk

Retailers deny the charge, claiming there is a high risk in granting credit to low-income earners.

Bears executive director for the Transvaal and Free State, Andre de Beer, says margins on white appliances are between 50% and 60%.

"They protect us against non-payment by low-income earners."

Mr De Beer says Eskom's scheme provides a new market for appliance retailers, much of whose business is in replacements.

Furniture Traders Association executive director Frans Jordaan says Eskom's marketing of appliances will boost trade.

"Eskom has indicated it will not promote any particular product. It will promote a range of makes and this we support."

Kyalami Business Park takes shape

By DON ROBERTSON

STANDS at the multi-use Kyalami Business Park, next to the Grand Prix circuit, are being snapped up — two months ahead of proclamation.

The park, long a dream of developer Anglo American Property (Amaprop), has stands of 1 900 square metres to 1,4ha, ranging in price from R100/m² to R135/m² for those immediately north of the race track.

The price of race-track stands will increase to R150/m² this month. To date, 45 of the 156 stands have been bought or committed for de- [...] regional operations. Midrand has become a focal point.

The 180ha north of the track was bought by Amaprop for about R4-million from Kyalami Enterprises (KE) in 1985. It was intended to build houses.

Storage

A minor dispute between Amaprop and KE resulted in the return of 45ha to the new owners of the track, Motor Racing Enterprises (MRE). An agreement which re-

centre, a hotel and conference centre are planned.

A motor manufacturer has expressed an interest in establishing offices at the complex. Financial institutions are investigating the area's potential.

Perimeter security with controlled access will be established and guards will patrol the area. A park owners association will maintain the gardens.

An architectural committee will guide construction to ensure it blends with the environment.

Major links with the N1 motorway as well as the Mid-

More space

R95bn State debt billows

CURT VON KEYSERLINGK and DIRK TIEMANN

S Times (Bus)

THE Government's debt commitments are billions more than its R95-billion borrowings recorded in the latest Reserve Bank bulletin, say economists. 8\9\91

Sketchy information from official sources makes it impossible to estimate the true amount.

An indication of these additional off-budget State liabilities is buried in a paragraph of the Auditor-General's 430-page report on appropriation and miscellaneous accounts for general affairs for 1989-1990. It says the Government has guaranteed to repay commercial loans totalling R22,128-billion taken by State institutions and the homelands.

The authorities had not previously released a breakdown of the guarantees. Because of persistent inquiries by Business Times at the departments of finance and of State expenditure and the Auditor-General they can now be disclosed.

But they do not make up the full amount. The Government is also liable for debts by the three separate "own affairs" administrations.

Less is known about the extent of its liabilities to the Land Bank, the provinces, black local authorities and parastatals, such as the Atomic Energy Corporation, Armscor and Mossgas.

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Transnet

Some economists include a R10-billion contingency fund for forward cover losses by the Reserve Bank and the State Pension Fund that will require an additional R42-billion in the next 20 years.

It is unlikely that the Government will ever have to repay the full amount because some of the loans included in the Auditor-General's total of R22,128-billion are to parastatals that can easily meet their debt commitments.

They include debt of R10-billion for Eskom and R2-billion for the Post Office.

Also included is a debt of R3-billion for Transnet which is more problematical because of its loss-incurring commuter service which has to be heavily subsidised.

But debts less likely to be fully repaid without assistance from central government are R2,2-billion guaranteed by the Department of Foreign Affairs for the TBVC states; R573-million guaranteed by the Department of Agricultural Economics and Marketing for control boards and other organisations; R977-million guaranteed by the Department of Public Works and Land Affairs for low-income housing; R468-million by the Department of Development Aid for the homelands.

In addition, as of March 31, 1990, it appears that the Government guaranteed R3,4-billion owed by Mossgas. No confirmation of the figure can be obtained.

But because of Mossgas' capital cost overruns it could be higher. Mossgas will have trouble repaying this amount.

Nedbank chief economist Ted Osborn says: "A comprehensive statement of Government debt guarantees should be made available for review by Parliament.

"These guarantees are serious and yet are not kept under systematic review. So far, the payouts have been small — probably the reason why the Treasury lets them slide."

Government payouts for debt it guaranteed amounted to only R36-million in 1989 and R35-million in 1990.

But with the possible abolition of homeland administrations under a new constitutional dispensation and other financial restructuring, payouts could rise soon.

But even if the Government is not required to repay these debts, they have to be serviced. In many cases the cost of servicing them is borne by direct payments from the Treasury. They are not included in central government's debt-servicing costs of R15-billion this year.

Mr Osborn says: "In the Department of Finance there is no single body with a comprehensive knowledge of these guarantees and this signifies lack of control and coordination of the information."

Potential

Rand Afrikaans University professor of economics Jack Heyns says: "It should be part of the Budget document for a better overview of debt and potential debt. If the taxpayer does not have it all in one document he cannot make sense of it.

"In the United States, for example, potential debts are reported in Budget papers."

The same is true in Britain.

Rand Merchant Bank economist Rudolph Gouws says: "Government debt guarantees are effectively part of total State debt. They should be included in the State debt figures published in the Reserve Bank Bulletin."

Mossgas boss clears Engen

(55)

S Times (Bus) 8/9/91

By CURT VON KEYSERLINCK

IT WOULD be unfair to blame Engen for cost overruns at Mossgas, says Danie Vorster, chairman of the Government's Central Energy Fund and of Mossgas.

Gencor subsidiary Engen is responsible for managing construction of the plant.

It is believed that the final cost of the project will be at least R11-billion — double the original estimate.

Mr Vorster says: "Engen has done good work. The overruns were due to factors such as inflation, the weakening rand and an original underestimation of the costs."

The Central Energy Fund is also not to blame.

Mr Vorster says allegations have been made that large-scale theft and fraud on site contributed to losses, but investigations disclosed no significant irregularities.

The commercial branch of the SA Police was involved in the investigations.

"The matter is being investigated by our internal auditors, foreign consultants and the Auditor-General who will report to Parliament."

Figures mentioned by Engen chairman Bernard Smith this week have added to the confusion surrounding the costs of the project. Mr Smith is also managing director of Mossgas.

He said operating costs and servicing of commercial loans — they account for about 20% of the total capital cost — would be covered by a crude oil price of $15,20 a barrel. But in April this year Mr Vorster put the figure at $12,50.

This suggests that Mossgas' commercial loans increased by about 20% since then.

Mr Smith says the reason for the discrepancy is that he was quoting figures in today's values and Mr Vorster used 1989 values. But at the time Mr Vorster made no mention that his calculations were based on values of two years ago.

Issue

Questioned by Business Times, Mr Vorster said he should have used $14 a barrel. But this is still below Mr Smith's figure.

Mr Vorster cannot say by how much the capital cost will exceed the last official estimate of R8,8-billion.

Another issue to be resolved concerns the production cutbacks that SA's conventional refineries will have to make to allow Mossgas to sell all it produces. Oil companies are demanding compensation from the Government for their expected losses.

If they receive compensation, it will probably be financed by additional levies on petrol.

R1bn subsidy for Mossgas yearly

S/Times (Business) 1/9/91 (55)

By CURT VON KEYSERLINCK

THE MOSSGAS synthetic fuel plant will have to be subsidised by about R1-billion a year to keep going for the foreseeable future.

This emerges from calculations by Business Times and fuel industry sources who say the project's capital cost will be about R11-billion — double the Government's initial estimate.

Minister of Mineral and Energy Affairs George Bartlett says in reply to written questions from Business Times that the cost was estimated at R9-billion late last year.

But he adds: "The final cost depends on whether completion is delayed. Project delays are being experienced and the effect that this, as well as other cost factors, could have on the final cost is being evaluated."

Using the R11-billion capital figure and an assumed operating charge of R525-million a year, calculations show that Mossgas will have to sell its petrol at 2½ the price now charged by SA refineries merely to cover its running costs and 16% interest on capital.

That makes no provision for a reasonable return on investment, let alone capital repayment.

The project will therefore require State subsidies, ultimately paid by motorists and taxpayers, to cover the difference between Mossgas' costs and refinery prices.

Unlikely

At current fuel prices this would come to R1,231-billion a year.

The subsidy would not be needed if the crude-oil price rose to more than $50 a barrel. That would force conventional refineries to sell at prices in line with Mossgas' costs.

But this is highly unlikely. Crude oil is selling at about $16 a barrel and most observers do not expect it to rise much above $25 in this decade.

Mossgas managing director Bernard Smith says Business Times' figures are misleading. He says only 20% of the capital cost is funded by commercial loans. The rest comes from 40% in soft loans from the Government Central Energy Fund and 40% from equity put up by the fund.

Engen, of which he is a chairman, has the right to acquire a 30% equity stake.

Mr Smith says: "We calculate that oil would have to be priced at $37 a barrel to provide a zero real rate of return on all the funds invested in the project."

He declines to mention the capital cost figure used in his calculation, saying it is the minister's prerogative to disclose this information.

But losses will be enormous even on Mr Smith's figures. Industry sources say they are misleading because the Government had to borrow most of the money it put into Mossgas. *It will have to service these loans at commercial rates while receiving no interest payments from Mossgas for the rest of the decade.*

On Mr Smith's figures, Engen is highly unlikely to take up its 30% share allocation in Mossgas.

Industry insiders say large-scale and concealed bad management was responsible for the Mossgas cost overruns. Most occurred at the onshore plant that converts natural gas tapped from under the seabed into petrol and diesel fuel.

One of the biggest cost-raising factors was the decision to maximise the plant's SA content.

"This is like asking to be raped," says an engineer. "There are few contractors in SA which can do the sort of work required. In some cases, there was more to be done than they could handle. Since there was no foreign competition for the business they could charge what they liked."

At least one SA contractor is working on a cost-plus basis which encourages overspending.

Mr Smith says a bill of rates cotract such as this is normal in projects as complex as Mossgas.

The original plans neglected to provide for storage facilities at the onshore site, necessitating an additional R300-million. The original plans called for the use of two synthol units, but three are being installed.

Peak

About R400-million extra expenditure was incurred on modifications that are expected to increase total output by more than 15%.

It was originally estimated that there would be 8 000 workers on the site when construction was at its peak. But this number rose to 15 000 as construction teams made up for lost time resulting from labour unrest and failure of suppliers to meet deadlines.

As one contractor puts it: "There were so many workers that they were tripping over each other."

Mossgas was originally designed primarily as a producer of fuels to lessen SA's dependence on crude oil. But fuels are relatively low-value products. Plans are now being considered to put in additional plant to produce high-value petrochemicals.

This would add to the cost and would not be economic without continued subsidies for the installations already in place.

AT THE EYE OF THE COSTLY SYNFUEL STORM: Bernard Smith, Engen's man at embattled Mossgas

Petrol price will not increase

B|Day 24/9/91 MARC HASENFUSS (55)

THE National Energy Council (NEC) yesterday denied that the introduction of VAT meant there would be an increase in the prices of petrol and diesel.

In a statement, the NEC discounted speculation that Petronet's recently announced VAT-induced 9,7% increase in the cost of transporting fuel signalled that another petrol price hike was imminent.

The delivery cost on petrol, diesel and illuminating paraffin had already increased by 0,5c to 2,9c a litre due to cost increases in the past financial year. The NEC stressed that these increases could be funded temporarily by the equalisation fund.

The NEC said PWV motorists paid almost 5c a litre too little for 93 octane petrol in the period August 1-22. The August 23 fuel price increase reduced this to nearly 2c for the remainder of the month.

New oil search plan could be Soekor's last chance — MD

(SS) B/day 24/9/91

CAPE TOWN — The deep-water drilling programme to be be launched next month could be one of Soekor's last chances to find oil off the SA coast, MD Ken Graham said yesterday.

Graham conceded that Soekor could not continue exploring for oil indefinitely unless its efforts met with some success.

For the latest programme, Soekor would use a Dutch drill ship to sink a well in 770m of water 100km from Saldanha Bay. It planned, too, to drill four more wells to depths up to 1 000m in the next financial year.

Graham said that should oil be found, the field would be among the deepest in the world.

Techniques pioneered by Brazil would have to be used to exploit it.

The formations off the West Coast held promise of big oil fields, which were not present in the Bredasdorp Basin on the south coast.

Graham said also that the oil would have to be produced at not more than $12 a barrel for it to be exploited at all.

That also applied to a scheme to exploit small fields off Mossel Bay using a floating production platform like an oil tanker.

Graham said he was confident that the Mossel Bay wells could be exploited profitably.

He said Soekor was studying the possibility of looking elsewhere in the world at oil exploration and production, although nothing had been decided yet.

So far the oil search had cost more than R1bn and would cost at least another R200m next year if the planned drilling programme was completed. — Sapa.

Investigation into electricity supply (55)

THEO RAWANA and WILSON ZWANE

GOVERNMENT yesterday announced a countrywide investigation into SA's electricity supply industry and said civic associations would be invited to contribute.

The Mineral and Energy Affairs Department said in a statement the National Energy Council (NEC) would investigate the structure of the electricity industry with a view to creating an affordable and reliable power supply.

The announcement came after Civics Association of the Southern Transvaal (Cast) president Moses Mayekiso called at the weekend for the immediate repeal of the National Energy Act, which governs energy supply.

Power supply has become a major political issue, with municipalities — mostly white bulk suppliers — cutting power to whole townships, while residents often dispute tariffs. Councils and civic associations have accused each other of politicising the issue. BIDay 3/9/91

Mayekiso recently called for civic organisations and trade unions to establish a national forum to negotiate township electricity supply directly with government.

He said yesterday the supply of township electricity was a national issue and such a forum was necessary because agreements reached by local civic structures and Eskom had not been honoured.

The department said in a statement yesterday it regarded the current functioning of the electricity supply industry as one of the stumbling blocks to the efficient supply of electricity and electrification.

"Consequently the NEC was requested to undertake a study on the organisational

□ To Page 2

Electricity BIDay 3/9/91

(55) □ From Page 1

structure of the electricity supply industry in order to recommend suitable steps to Cabinet to enable the industry to create appropriate and affordable access to a reliable electricity supply as soon as practically possible," the statement said.

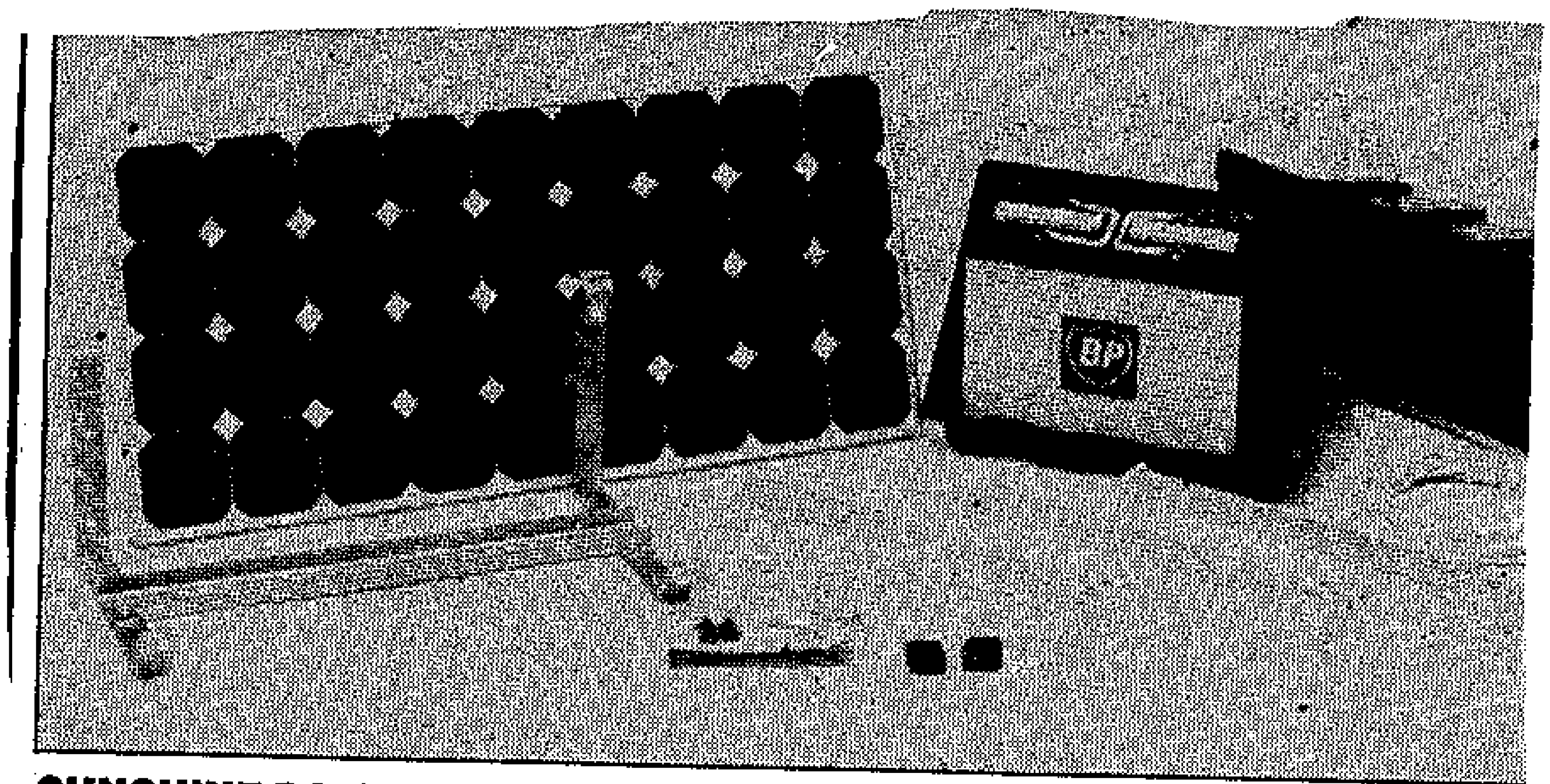
The results of the study would be made public before the end of the year.

Responding to Mayekiso's call for a national negotiating forum, the department said civic associations were free to decide on the nature of such a forum.

Mayekiso said the proposed forum should not be an advisory committee, but should be involved in working out a national energy policy, with Eskom also taking part.

He added that while these negotiations were taking place — together with other negotiations aimed at overhauling present local government structures — there should be a moratorium on electricity supply cuts by local authorities.

"This is so that electricity is not used in a carrot-and-stick tactic during negotiations. Electricity is a right, not a privilege," Mayekiso said.



SUNSHINE POWER . . . The kit includes mountings, solar cell, 15w lights battery, a lockable battery and fuse box, and all cables and switches.

Solar means no electricity bill

55

Pren 29/9/91

FOR many people the prospect of having electricity is remote.

It is estimated that over 20 million people in South Africa do not have access to electricity.

They have to rely on wood, paraffin, coal and candles for light.

A solution is solar energy, the world's most abundant and inexhaustible source of energy.

It might not replace conventional electricity, but can bring light to many homes that do not have electricity.

Solar energy also reduces the risk of losing property and lives in accidental fires.

BP Solar identified a need for lighting for the low-cost housing market and "consumerised" a system. The BP Telelite package was produced, which can be adapted to a variety of needs.

A solar system uses a solar electric (photovoltaic) module, which is fixed on to a roof or wall and produces electricity from sunlight.

This electrical power is stored in a battery which in turn powers conventional 12V lights. The lockable battery box has interconnecting cables which lead to the lights.

One solar module can keep one light burning for 12 hours, or two lights for 6 hours daily. The battery is recharged by day and stores enough power for several days.

In this way sufficient energy is stored to provide for periods when it is overcast or cloudy.

It can also power a black and white TV.

To operate the system is simple and consumers are advised to use the lights only when necessary, switching them off when leaving the room.

Solar-powered lighting requires an initial capital investment after which there are no power bills at the end of the month and no wood, paraffin or candles to be bought.

Solar systems are easy to install. They require little maintenance, are pollution free, safe and easy to use, and significantly improve the quality of life of those using them.

It is conservatively estimated that households using paraffin/candles or gas for lighting and motor car batteries (that have to be recharged weekly) for running television sets, spend a minimum of R50 a month.

A complete solar system costs from R1 400 to R1 900. It consists of a solar panel, light fittings, a battery box, battery, and all the necessary cables and fittings.

Sasol set to launch R2bn capex plan

B/Day 4/9/91 55

BRENT VON MELVILLE

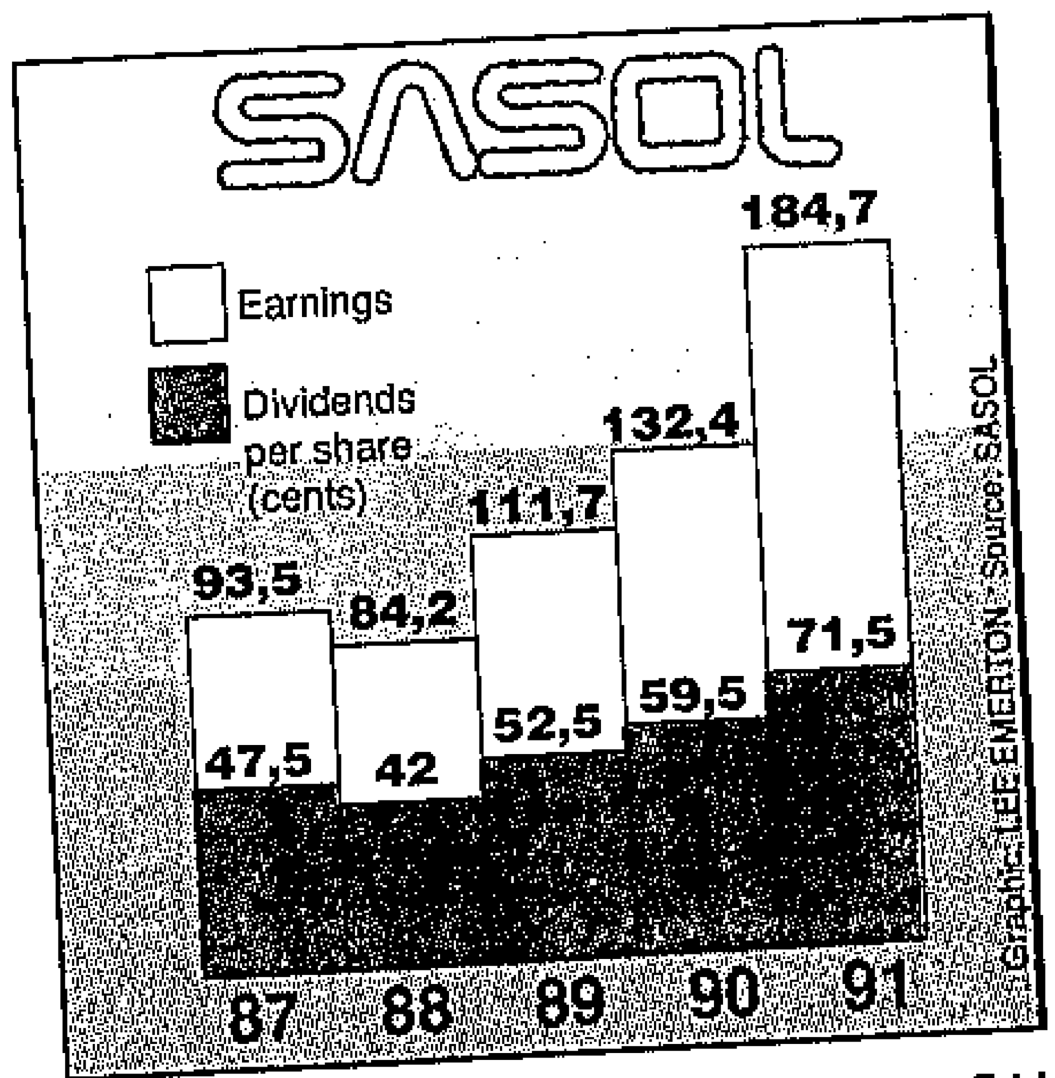
SASOL is set to embark on an ambitious R2bn capex programme over the next year, and has several other projects in the pipeline, it was disclosed yesterday.

The plans include several feedstock, chemical and petrochemical projects, and are in addition to the group's ongoing R3bn capex programme announced last year.

Outlining a sketch of the programme at the announcement of Sasol's year-end results yesterday, MD Paul Kruger said the R2bn price tag was probably an underestimate. He said there were other, larger, plans on the drawing board.

Chairman Joe Stegmann said the result of the growth phase would be a further reduction in the relative contribution to earnings of the group's synfuel activities.

As part of the expansion, Kruger said, the group would embark on a R500m programme later this year or early next year in conjunction with the Industrial Development Corporation (IDC) to produce about 100 000 tons of acrylo-nitrile annually. About 70 000 tons of the product, used to produce acrylic fibre for the textile industry, would be exported.



This would provide feedstock to SA's first acrylic fibre plant planned for 1993, also a joint venture between Sasol and the IDC. The fibre plant will be worth R320m and produce 35 000 tons of acrylic fibre, more than enough to supply the entire SA market.

Kruger said there were also plans for an

□ To Page 2

Sasol

B/Day 4/9/91 55

□ From Page 1

acetic acid plant, to be brought on line early next year. The plant would be built in two phases, the first at a capital cost of about R60m and the second on a much larger scale.

Also on a large scale would be the installation of a new generation synthol fixed fluid bed for about R400m at Secunda. The new technology bed would produce the same amount of synfuel as three older synfuel reactors.

He said the new bed would have the same production capacity as Mossgas.

Depending on the fuel market, there was a strong possibility of producing unleaded fuel after the R400m upgrading of Natref was complete in 1993. The upgrading would enable the Sasolburg refinery to produce more than 50% lead-free petrol.

Further down the road were plans for the production of acrylic acid, a feedstock for the paint industry. Stegmann, however, insisted the group had no plans to enter the paint market.

Analysts yesterday, however, suggested that the extensive spending programme might hurt the balance sheet. Last year's capex of R1,3bn pushed interest-bearing debt to R2,2bn (R416,5m), moved gearing up to 37,4% (5,6%) and pulled interest charges to R372m from finance income last year of R109m.

Kruger said the current gearing level was acceptable, although he said a hump was expected to materialise over the next year or two as capital spending increased.

Most would be funded by cash flow, but the group could be looking to some form of special financing. He discounted the possibility of a rights issue, largely because of the prevailing low stock rating.

● See Page 10

Soweto faces summons over debt

THEO RAWANA

ESKOM has started proceedings to sue the Soweto City Council, which owes the utility R131m.

The council, which buys bulk electricity fom Eskom and in turn supplies the other Greater Soweto councils of Diepmeadow and Dobsonville, is in the grip of a financial crisis and faces a collapse of essential services.

Sources said yesterday the council had been summonsed by Eskom and stood to have its R350m electrical equipment attached if judgment against it was obtained.

Eskom distribution and marketing deputy GM Allan Morgan yesterday confirmed that summons had been served on the council.

He said: "We are hoping for a friendly resolution of the problem. We could find a solution in the form of an agreement on an agency basis or an arrangement through the Central Witwatersrand Metropolitan Chamber." (55)

The three councils, with the TPA and the Soweto People's Delegation (SPD), are principals in the Greater Soweto Accord which ended a five-year rent boycott and wrote off its R516m debt last September.

Since then the councils have fallen into arrears as residents failed to pay for services, and the financial crisis that ensued is still a subject of debate at various forums, including the metropolitan chamber.

The councils and the TPA want interim

☐ To Page 2

Soweto

B/Day 13/9/91 (55)

☐ From Page 1

tariffs increased, while the SPD demands that, since the supply of services was poor and the billing and metering faulty, the provision of supply should be transferred to the Central Wits RSC or to the municipalities of Johannesburg or Roodepoort.

At a chamber meeting on Wednesday, the Johannesburg City Council proposed establishing an interim metropolitan authority, which would see to the provision and administration of services on a regional level. The proposal was referred to the chamber's constitutional working group for urgent discussion.

Diepmeadow town clerk Jan de Jager said the three councils had on Wednesday signed an agreement transferring the running of the area's electricity supply to the RSC. But he said even that transfer would not remove the need for higher tariffs.

Dobsonville mayor McFarlane Phenethi said the residents of his township were paying for services and did not want anything to do with calls for rent boycotts.

"But when their electricity gets cut off, they blame my council, even when it could be from a fault in the source of supply, Soweto," he said.

Soweto City Council PRO Mojalefa Moseki could not be reached for comment yesterday.

Sasol profits break R1bn barrier for the first time

55

B Day 4/9/91

BRENT VON MELVILLE

EXPANSION-driven Sasol has beaten market expectations to boost attributable profits 39,5% to more than R1bn (R746m) for the first time, translating to earnings of 184,7c (132,4c) a share.

The dividend was bolstered 20% to 71,5c (59,5c) a share.

Market analysts were expecting earnings and dividends at about 175c and 70c respectively. Mathison & Hollidge analyst Rob Kadish said the results had been difficult to assess because of the change in the group's accounting policy for deferred tax.

He said however that the results had generally been better than expected. Ahead of results yesterday, the market pushed the share price up 80c (5,5%) to R15,10.

The strong bottom-line performance came on the back of a 50% jump in turnover to R7,6bn (R5bn) and a 55% rise in operating profit to R1,9bn (R1,2bn), largely as a result of the incorporation of Sasol III's results for the first time.

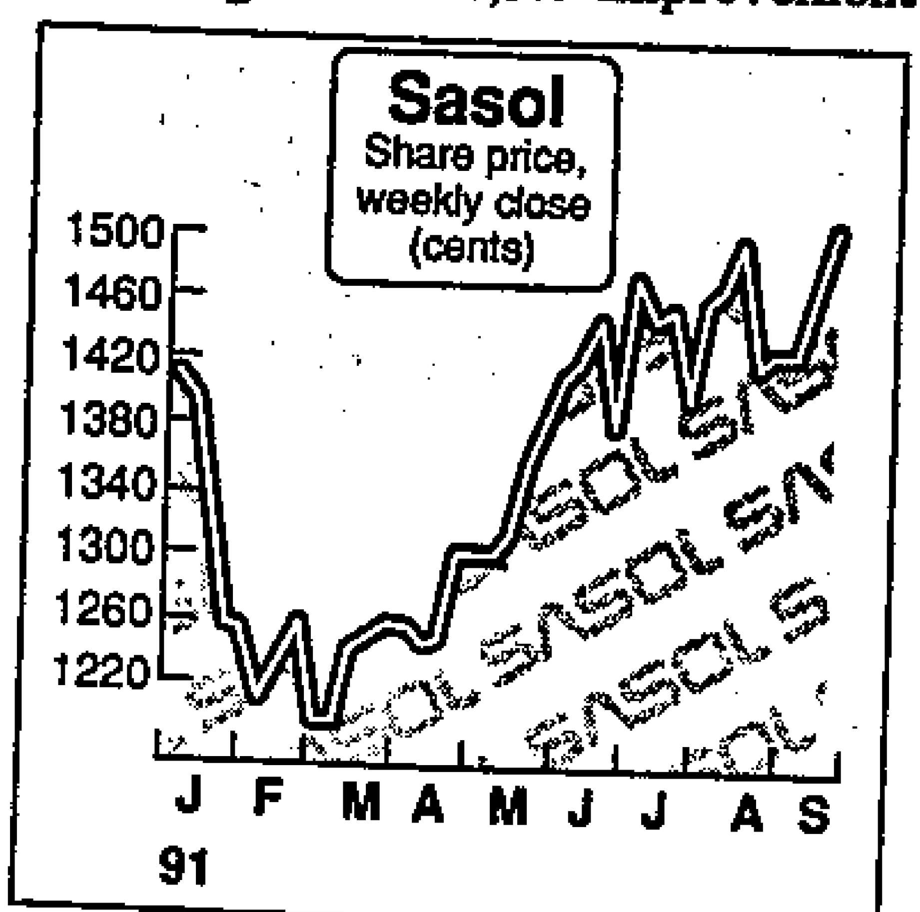
After finance charges however — at R372,3m off interest bearing debt which jumped to R2,2bn (R416,5m) — net income before tax was up 14,6% to R1,5bn (R1,3bn). The increase in debt arose largely from the R2,9bn acquisition of Sasol III.

The effective tax rate moved up to 31% from 19% last year, as tax benefits accruing from the commissioning of a number of high value capital projects were used up. Provision for taxation was up R215m to R470m.

Sasol chairman Joe Stegmann attributed the improvement to high refining margins on international petroleum product prices stemming from the Middle East crisis, the takeover of Sasol III from the Central Energy Fund, increased output at Sasol II and Secunda Collieries and the Sasol Polymer's marketplace entry.

Stegmann said the higher petroleum prices had resulted in the elimination of tariff protection for the indigenous fuels industry for a full seven months of the financial year.

Turnover of the group's fuel products increased by 24,7% to R5,8bn, resulting from a 3,5% improvement in sales volumes and high petroleum prices during the Gulf war.



Graphic: LEE EMERTON Source: I-NET

Divisionally Sasol I's contribution was hit by the costs of maintaining the older sections of the plant, the high ash content of the coal from the Sigma Colliery and the increased cost of chemical raw materials.

Group MD Paul Kruger said the full benefits of the group's R900m upgrading plans for the plant would be felt only in 1992/3.

Conversely Sasol II (which produces synthetic oil and ethylene) showed strong growth during the year, and operated consistently at levels well above design.

Sasol III (automotive fuels) performed substantially better than the previous year.

Turnover increased 37% while oil production climbed 17%.

On the coal side, Sigma Colliery had a poor year as a result of adverse geological conditions, while Secunda Collieries achieved a set of strong results for the year, producing 30,5-million (29,2-million) tons of coal. The mine however is still 4,5-million tons shy of meeting the total coal requirements of Sasol II and III.

Kruger said it was with this in mind that the group had commissioned the new R1bn Syferfontein strip mine, to produce 7-million tons of coal a year by 1993 and bring total production to about 43-million tons.

Non-govt audit of Mossgas costs 'expected soon'

BDay 2/9/91 LESLEY LAMBERT 55

GOVERNMENT has commissioned an independent audit of the Mossgas project's capital costs, which are estimated to be nearing the R12bn mark.

Responding yesterday to persistent speculation that the cost of the synthetic fuel plant had exceeded the last publically stated figure of R9bn, Auditor-General Peter Wronsley said an American businessman commissioned to investigate the project costs would submit his findings later this month. This report should be ready by the end of the month.

The investigator, Morris Brooks, was an expert in the funding of "mega projects" and had an engineering and business background, Wronsley said.

Government decided earlier this year to complete the Mossgas project even though the strategic factors which prompted its development were falling away. It was advised by a special committee of experts who based their recommendations on published costs of R8bn. That figure has since been updated to R9bn. Sources close to the project are adamant that delays in the project will push it up to between R11bn and R12bn.

Mossgas MD Bernard Smith confirmed in an interview that the cost was likely to exceed R9bn. However, speculation that it had risen to R12bn was "way out".

Engen, the project manager, has an option to take up a 30% stake in Mossgas six months after the plant is fully operational. Engen's current estimates require fuel prices of between $35 and $37 a barrel for a zero real return on all the funds invested in the project. Crude oil is currently trading at $16 a barrel.

Engen will not take up the option unless the project generates a return on the investment. This implies massive state subsidisation of the repayment of capital costs. Weekend reports estimate that at a capital cost of R11bn, operating costs of about R525m a year and current fuel prices, the plant will have to be subsidised by about R1bn a year.

□ A major milestone was reached on the Mossgas onshore plant at Mossel Bay with the start-up of the first boiler on Saturday, Sapa reports.

"This paves the way for the commissioning of the main process units which must be ready to receive the first gas and condensate expected from the offshore platform in December," Mossgas said in a statement.

Capital projects

Mossgas project remains a highly contentious issue

B Day 27/9/91. (55)

THERE is a divergence of opinion on whether the Mossgas project can justify its R12bn price-tag.

Deputy Finance Minister Theo Alant is on record as saying, in retrospect, Mossgas was a bad investment.

Alant says the money put into the project could have been used better elsewhere.

Industry circles say the cost, which includes annual debt servicing of about R1bn and ongoing funding, can never be justified.

The pro-Mossgas side argues the injection of new capital for the project came at a crucial stage of the economy, serving to prop up an otherwise sagging steel and engineering sector and providing work.

For companies such as Dorbyl and M&R's Genrec (which built the offshore jacket) the project provided a vital fillip, and market analysts have speculated that without the project many of the companies involved in the infrastructural work would have faced difficult times, with the loss of thousands of jobs.

Genrec CE Ian Colepeper says Genrec's work on Mossgas was the key to the company's 128% jump in profits for the last financial year.

One of the most ardent supporters of the project is Engen, which has a 30% stake in Mossgas.

Engen chairman and Mossgas MD Bernard Smith says he can see no reason for the project to be cancelled at this stage.

No reason

He says government cannot mothball a project like this.

"Either it operates or dies.

"But there is no reason to contemplate scrapping the project because while a figure of $35 a barrel of oil will be required for Mossgas to make a profit when it comes on stream, we only need about $15 a barrel to cover the cost of production," he says.

"The price of oil is just under $20 a barrel and in two years it could rise to about $25 a barrel.

"Anything above $15 a barrel would create a positive cash-flow which would allow us to service our debts and cover costs.

"There is also the 'saving' on foreign exchange of around $200 million a year to take into account," he says.

"In early December, the first gas of an acceptable quality is expected to be piped ashore, where it will be used for the commissioning of various units on the refinery," says Mossgas spokesman Harry Hill.

The second production well will be drilled immediately after the first to allow production to reach maximum production.

The design makes provision for 18 wells to be drilled, if necessary, over the lifetime of the FA field, which is approximately 20 years.

Hill says the project is 96,4% complete and is scheduled to be in full production by the middle of 1992.

Mossgas a bad bet, NP told

(55) CT 4/9/91

BLOEMFONTEIN. — Mossgas was a bad investment, the deputy Minister of Finance, Dr Theo Alant, told the Free State National Party congress yesterday.

Dr Alant said: "With hindsight Mossgas was a bad investment, as very much more could have been done with the millions spent on that project.

"There has also, in the past, been over-expenditure on projects where hospitals had been built where they were not necessary or roads were tarred where the traffic volume did not justify it.

"We are now trying to sort this out.

"We can talk about these things and put money to its best use, but no country has succeeded in development in isolation.

"If we don't succeed in attracting massive foreign investment our economy will not reach its potential."

Dr Alant said low economic growth during the 1980s had resulted in everyone being poorer today. About 43% of the population who wanted to work could not find jobs.

Mr Alant also said the Inkatha funding disclosures had damaged the VAT promotion campaign.

He said the revelations had damaged people's perceptions of how tax was spent. — Sapa

SOWETAN
Building the Nation

PROPERTY Housing Expo GOLDEN HIGHWAY

Bringing light to the people

Sowetan 26/9/91.

55

MORE than 20 million people in South Africa - the majority of them black - do not have access to electricity and the prospect of having the commodity is remote.

These people have to rely on wood, paraffin, coal and candles for light. The quality of this light is poor and they are in constant danger of accidental fires.

The solution to this problem is solar energy, the world's most abundant and inexhaustile source of energy.

It might not replace conventional electricity, but can bring light to many homes that do not have access to electricity.

Solar energy reduces the risk of losing property and lives in accidental fires.

BP Solar is keen to tackle the low-cost housing consumer market and to assist in improving the quality of life of people living in developing areas.

A need for lighting was identified, and it was decided to "consumerise" a system.

A package, "BP Telelite", that would be adaptable to a variety of needs was produced. Over the last few years thousands of "telelite" systems have been installed throughout South Africa.

A solar system uses an electric module, which is fixed onto a roof or a wall of the home and produces electricity from sunlight.

The electrical power is stored in a battery which in turn powers 12V lights. The lockable battery box has interconnecting cables which lead to the lights.

One solar module can typically keep one light burning for 12 hours, or two lights may be used for six hours daily.

The battery is recharged day by day and stores a reserve of energy to provide power for several days.

"Telelite" is also capable of driving a black and white TV.

To operate the system is simple and consumers are advised to use the lights only when necessary, switching them off when leaving the room.

Solar powered lighting requires an initial capital investment after which there are not power bills at the end of the month and no wood, paraffin or candles need be bought.

Solar systems are easy to instal. They require little maintenance, are pollution free, safe and easy to use, and significantly improve the quality of life and standard of living of those using them.

It is conservatively estimated that households using paraffin, candles or gas for lighting and not car batteries (that have to be recharged weekly) for TV sets spend a minimum of R50 a month.

Private homes are not the only places where solar lighting is being used.

Many schools, churches and health clinics rely on solar for their energy needs. A complete solar system, consists of a solar panel, light fittings complete with pull-type switches, a battery box, battery and the necessary cables and fittings. Costs range between R1 400 and R1 900.

Solar energy: Bringing power to the people

By JOSHUA RABOROKO

WHILE the nation looks eagerly toward a "new South Africa", the situation in the "real South Africa" is very bleak.

Some 20 million people still live in Third World conditions with no electricity and no running water.

The vast majority of these are rural communities which are unlikely to gain access to power lines within the foreseeable future, if ever.

This is because the supply of electricity, through a grid of power lines, is uneconomical because of distances involved and extremely small loads.

For these disadvantaged communities - whose main priority is quality electric lighting and the ability to power their television sets - candles, paraffin and car batteries are a way of life.

Sowetan 26/9/91

Emphasis

While great emphasis is placed on provision of housing - we pat ourselves on the back when basic structures are provided - no thought is given to providing basic services.

These townships soon develop into modern slums, a legacy of what we call "social upliftment".

Guilty are local authorities, municipalities and black workforce employers.

Everyday we create new slums where we cattle-herd people into train type "houses" or matchbox-like structures.

But every night these people have to collect their water from a single tap on the street corner in their township which is blacker than hell.

55

In their homes, children vainly try to study by the flickering light of a candle. In the next room, if they are lucky, a black and white TV runs from a car battery that had been lugged many kilometres to be recharged (R8 a week - plus transport).

These people spend a minimum R50 a month for these primitive, yet basic necessities.

What is the answer?

If these were installed at the time of constructing the house, monthly repayments would amount to less than half of what they currently spend on the degrading practice of using candles/paraffin/car batteries that have to be recharged constantly.

Solar power is safe, clean, quiet and reliable. There are no moving parts and no running costs.

A solar panel is mounted on the roof. The panel is connected to a battery. During daylight hours the solar panel transforms into electricity. The electricity generated is then stored in a battery.

The BP Teletite which works on the above principle can power up to six 15-watt fluorescent light while also servicing a black and white TV.

Solar electricity is ready to be used to light up townships into a brighter South Africa.

See more on this at the Golden Highway Housing Expo.

PROPERTY

Sun power for rural areas

C/Press 29/9/91. (55)

AS South Africa moves towards a new dispensation, 60 percent of its population still lives in Third World conditions with no electricity in their homes and no running water.

The vast majority of these are rural communities which are unlikely to gain access to the electricity grid in the foreseeable future, if ever. This is because the supply of grid power is uneconomical due to the distances involved and extremely small loads.

For these disadvantaged communities – whose main priority is quality electric lighting and the ability to power their television sets – candles, paraffin and car batteries are a way of life.

While great emphasis is being placed on the provision of housing, we pat ourselves on the back when basic structures are provided. Yet no thought is given to providing basic services.

These townships soon develop into modern-day slums – a legacy of what we call "social upliftment". Guilty are local authorities, municipalities and black workforce employers.

Sri Lanka, an impoverished country by South African standards, has risen to the challenge of improving the quality of life for people unable to connect up to the grid.

It recognised the requirement for a more flexible energy supply system to meet the immediate needs of a widely distributed rural population.

Together with BP Solar Australia, the village of Pansiyagama, in central Sri Lanka, was chosen. A survey among its 1 000 householders revealed a need no different to that of many South African communities: quality electric lighting and TV packages.

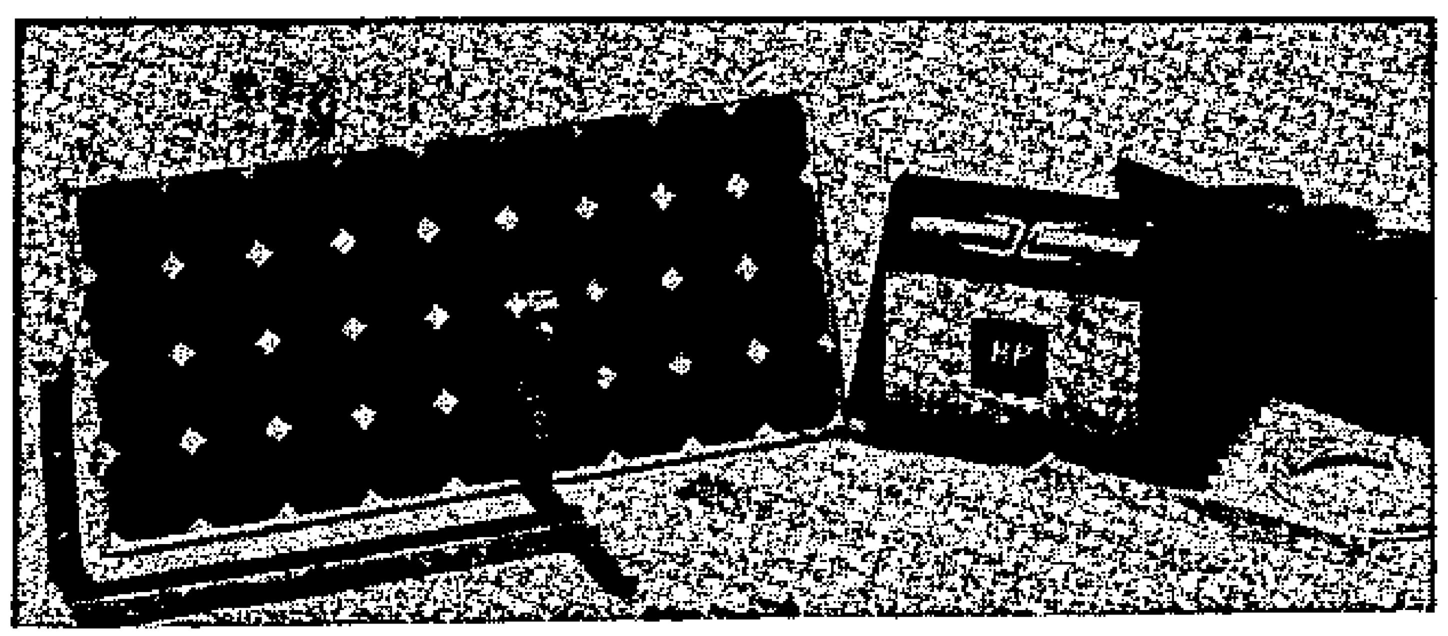
The scheme has proved a resounding success. A survey was done after the installation. It has brought stability to the community in general with a great sense of pride to the householders.

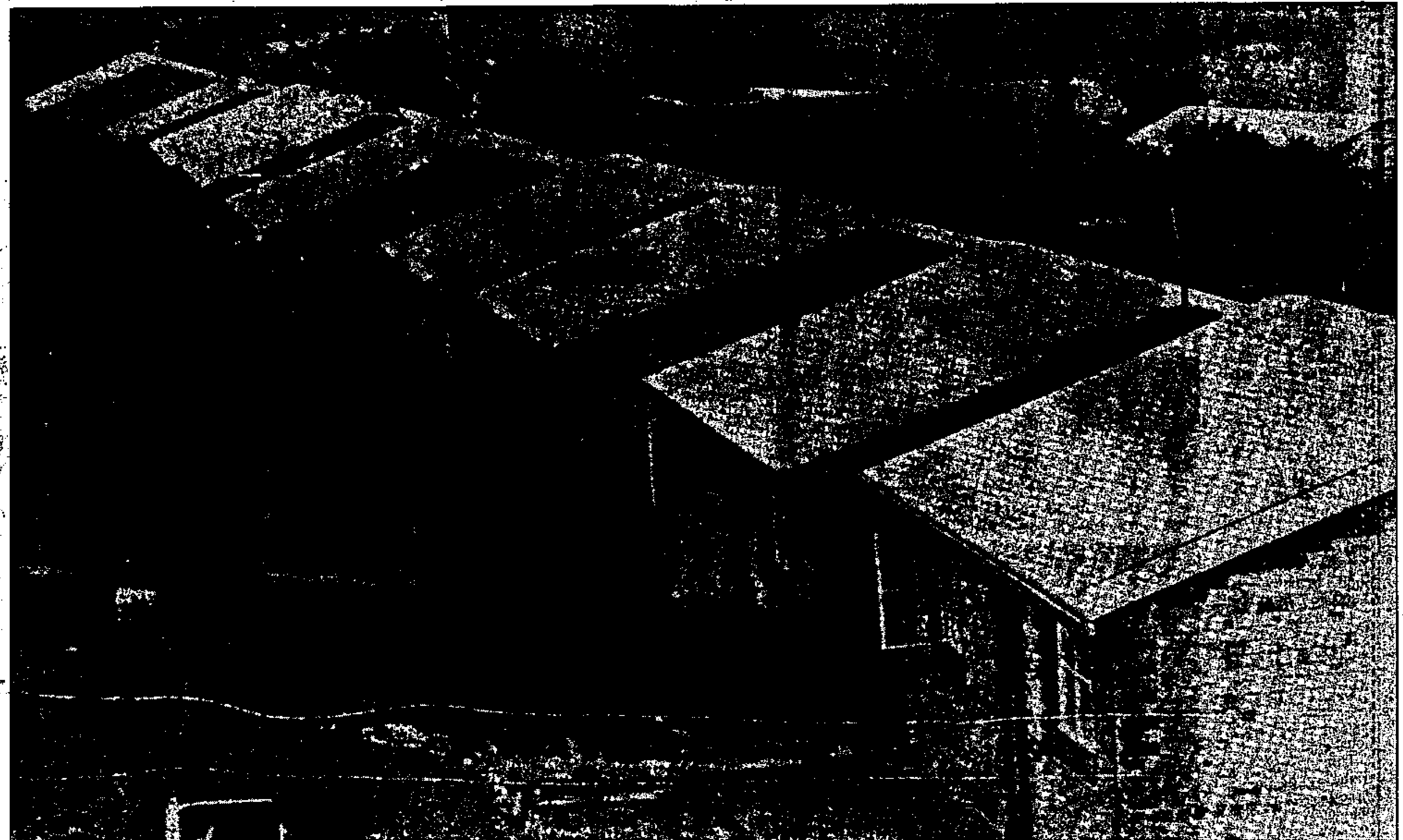
A major constraint to employers in the past has been the initial capital outlay. Now, a prominent South African bank has introduced an employer backed loan scheme to finance the BP Telelite system. It requires no initial deposit, and allows for a five-year repayment period with interest rates below normal. Companies committed to uplifting living conditions of their staff can take advantage of this scheme.

Over the past 10 years, photovoltaics have emerged as the technology that is rapidly becoming an integral part of rural development.

With its worldwide experience in the industry, BP Solar is poised to provide expertise and leadership in this field. Already a pilot project is programmed for a black township.

Isn't it time we took a leaf out of the Sri Lankan book and stopped talking around the power problem?





SOWETO STYLE ... But at least one company is trying to provide something more exciting and adaptable for prospective homeowners.

People must control power

CP news 15/9/91

ALEXANDRA has shown that it is possible to put control of electricity in the hands of the people, a civic association representative told delegates to the conference.

Eskom's Johan Du Plessis told delegates how negotiations with the Cast-affiliated Alexandra Civic Organisation (ACO) had resulted in an agreement to remove control of electricity supply from the Alexandra Town Council. From this month control would be placed in the hands of the Regional Services Council.

The Eskom agreement forms part of the Alex Accord, which effectively places control of Alex civic affairs in the hands of the RSC.

Delegates from several civics called for Cast affiliates to follow the Alex example and negotiate with Eskom for the removal of electricity supply from black local authorities. They argued that taking away control of electricity supply from black councillors would hasten their collapse.

Du Plessis said 70 percent of South Africans, a total of 23 million people in three million households, had no electricity.

R100 A HOUSE ... Johan du Plessis.

He said Eskom had the capacity to generate electricity for these people right now, but funding was the obstacle.

Eskom's research shows that black households could cut their previous fuel bills by half if they moved over to electricity. Eskom estimates that if the present rate of electrification is maintained, it will take till the end of the century to electrify one million houses.

If the rate of development is speeded up, one million households could be electrified by 1995, and more than 270 000 jobs would be created. This programme would cost R3-billion, and grants, funding and soft loans needed to be made available.

Du Plessis said Eskom could electrify a house for as little as R100, working on the Readiboard prepaid system, as opposed to about R1 500 to wire a small house for electricity. The Readiboard was in one room of the house and could provide adequate power for plugs and lights. Cards to operate the system were R10 each. (55)

Du Plessis said this system had been installed in about 20 000 houses to date and seemed to be working well.

Du Plessis said the question South Africa had to ask itself was not whether the country could afford to supply electricity all its people, but whether it could afford not to.

A delegate from an informal settlement in Soweto reminded the conference that while electrification was of concern to many delegates, it was irrelevant to others because they were homeless. They had no homes to put electricity into.

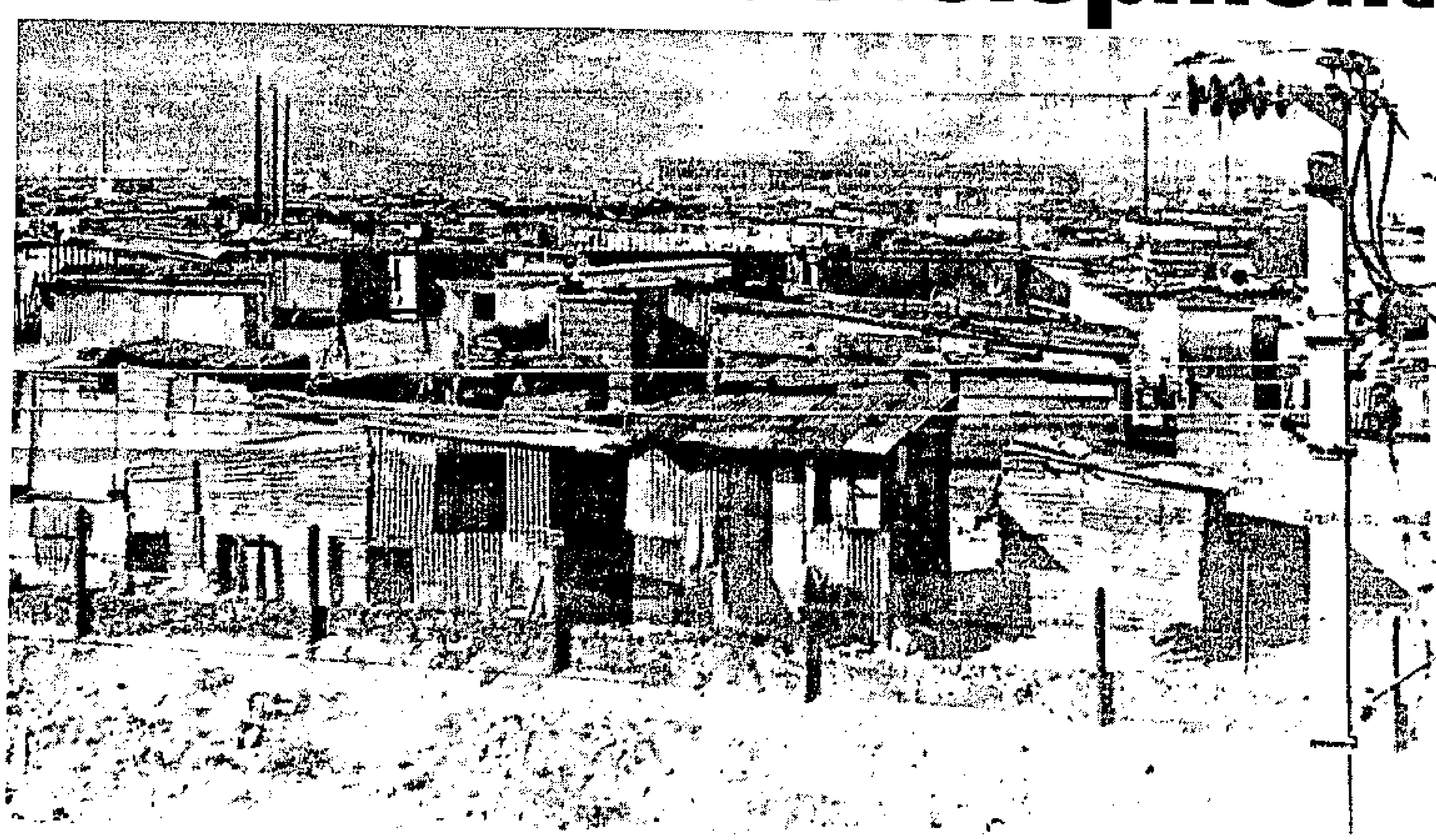
ENERGY — 1991

NOV. — DEC.

Electricity: the missing link in social development

South 7/11 – 13/11/91

About 20 million South Africans do not have electricity in their homes. **CHIARA CARTER** found Eskom aims to bring electricity to half of them in five years: (55)



AND THEN THERE WAS LIGHT: Eskom plans to bring electricity to 10-million people over the next five years

As morning replaces the dark that pervades most South African townships, the smoke from thousands of fires is a tangible reminder of the consequences of almost two thirds of South Africans living without electricity.

Most of those in the dark live in black townships or rural areas.

Now Eskom, the country's largest producer of electricity, is determined to turn on the lights.

The corporation has set itself the target of making electricity available to about 10-million people over the next five years — about half those who need it.

Eskom argues that to achieve its goal, the industry will have to be streamlined.

The government has appointed a commission under the National Energy Board to investigate rationalisation.

Said Eskom's distribution manager, Mr Jannie Elias: "By cutting out middlemen and supplying directly to the consumer, we can provide affordable electricity to most households, including squatter settlements".

At a seminar hosted by the Foundation for Contemporary Research, Elias said there was no technical reason preventing the corporation providing electricity to informal settlements.

The squatter settlement of Uitkyk in Cape Town's northern suburbs is an example. Eskom has negotiated with the Cape Provincial Adminstration to supply electricity to Uitkyk and the first poles have been erected.

Eskom can provide all the country's electricity needs but how electrification will occur is debatable.

The corporation generates about 97 percent of South Africa's electricity, including the homelands.

In the Transkei, Bophutatswana and Venda, electricity is transmitted by homeland corporations.

Distribution is, however, highly fragmented.

Distribution bodies include white municipalities, joint venture companies, black local authorities and the regional services council in the Western Cape as well as homeland and public works departments and local muncipalities.

Eskom is also a distributor to big industrial and commercial consumers.

Most consumers are supplied by white municipalities which make substantial profits from electricity sales.

The Cape Town City Council last year made a 10 percent profit which translates into earnings of around R56-milllion from the sale of electricity.

The Johannesburg municipality made about 30 percent profit while Pretoria made about 25 percent from electricity sales.

These profits subsidise other municipal services, keeping rates low.

The BLAs have made a substantial loss in trading in electricity. Few industries or businesses are located in black townships. The BLAs also lack the finance and infrastructure to supply electricity to new areas.

The cash-strapped Lingelethu West Town Council, for example, cannot afford to electrify new houses in the area.

While there is scant profit to be made supplying electricity to black townships, the social gains are enormous.

UCT researcher Charles Dingley, an electrical engineer, points out electricity is "linked to development".

Electrification of rural areas would boost basic education and health services and free women who spend hours gathering wood and in the process contribute to the deforestation of the country.

In the cities, electricity means safer streets and safer homes. It would reduce pollution, respiratory ailments and burn injuries; fridges would mean healthier and more economic diets. The informal sector would receive a boost with home hairdressers, spazas and builders able to improve their services.

The electrification process would also provide much needed jobs.

Dingley's research indicates some 20 000 skilled people would be required, of whom about 1 000 would be professionals.

The building process would require a further 10 000 people.

> *Cape Town City Council last year made a 10 percent profit which translates into earnings of about R56-million from the sale of electricity.*

The Metal and Electrical Workers' Union of South Africa (Mewusa) points out electrification would boost related industries since there would be increased demand for electrical appliances.

Eskom is looking at converting appliances like gas and paraffin fridges and stoves to electricity, but there is still likely to be immediate demand for small appliances like kettles, irons, toasters and television sets.

Mewusa is busy with an ambitious campaign called Operation Voltage in the Western Cape.

The campaign will kick off in the Cape, at Beaufort West. Other areas targetted include Boland towns and Khayelitsha.

Explains Campaign Co-ordinators Desmond Manuel and Yusuf Davids: "There is a tremendous demand for electricity both in town and in the rural areas. Together with communities and workers at Eskom, we intend to campaign for electricity now.

"One of the main problems is that people can't afford the initial outlay of R800. Possibly they could pay this off over a period".

Other unions, such as the National Union of Mineworkers and the National Union of Metalworkers of South Africa, are also interested in exploring the issue.

Mr Paul Theron of the Energy for Development Research Centre at the University of Cape Town says research indicates most people are able to afford electricity.

A pilot study conducted at the Tambo Square squatter settlement found residents spent an average R71 a month on energy, including candles, paraffin and wood.

The key question is who pays for extending the electrification grid. The initial cost of providing electricity, including meters and boards, is in the region of R2 000 a household.

Electricity is cheaper in established areas where the cost of the systems has already been paid and there is a good balance of domestic and industrial users.

Dingley has suggested a national electrification fund.

Theron says privatisation is no answer. The government and Eskom agree. In Eskom's annual report last year, the corporation's chairperson, Mr John Marais, said the government did not regard Eskom as a suitable candidate for privatisation.

Theron says electricity should be regionalised.

"Regional supply authorities would facilitate supplying electricity to black townships and informal settlements".

Theron says while electrification provides scope for private and public involvement, including the provision of finance, the state must assume ultimate responsibility.

He points out supply to rural areas is complicated by the high cost.

"While areas where there are already a substantial base of consumers could possibly carry the costs of electrification, others, like the Northern Cape and OFS, cannot," Theron said.

He posits the flip-side of the financial question: "Can South Africa afford not to electrify?"

Eskom aims for 20% cut

S Times 3/11/91

By CIARAN RYAN

ESKOM is supporting the war against inflation by committing itself to a 20% real reduction in the electricity price in the next five years.

It kicked off the campaign by keeping the price increase due to come into effect next January to 9% — more than 5% below the inflation rate.

The commitment to keep tariff rises below inflation will help to cause a climate of stability and price predictability in industries where electricity is a major cost input.

Welcome

"We are sticking our neck out," says Eskom chairman John Maree.

"We need a strong economy for political actions to succeed. For this to happen we need a formal sector — primarily heavy industry — that can compete effectively."

Econometrix director Tony Twine says: "This is welcome. But there are middlemen between Eskom and consumers, mainly municipalities, who might not pass on the full benefit.

"There may also be other tariff adjustments during the year."

Electricity attracts Vat, which means the effective increase from January will be 20% until next September.

The VAT charge will be annualised out then and percentage increases will be calculated off a new, higher base.

Electricity sales have been hit by the low gold price because mining accounts for 27% of Eskom's sales. But Eskom's turnover next year will rise from R10,7-billion to R13-billion.

Mr Maree says the low price-increase next year will demand better productivity and Eskom will have to find savings of R175-million.

Eskom's electrification programme, which aims to provide power to 70% of the country, or 23-million South Africans, could give a huge boost to sales. A University of Pretoria report says electrification could help to provide between 1-million and 2-million additional jobs.

Eskom general manager, finance, Mick Davis, says SA has the cheapest power in the world, but price increases have tended to be erratic compared with inflation.

The real price of electricity has declined from around 9,9c a kWh in 1986 to 8,5c this year, says Mr Davis.

Eskom, Spain sign joint venture

(280) (55) (446) Star 4/11/91

By Kaizer Nyatsumba
Political Staff

Eskom last week signed a co-operation agreement with a Spanish power utility, Union Electrica Fenosa, to share expertise in technology, management and diversification.

The agreement, signed at Eskom's headquarters in Sandton on Friday, binds the two utilities to undertake joint ventures in projects embarked on in other countries.

Other operations which will benefit from the agreement include finance, information technology, managerial systems and customer service.

Speaking after the signing, Eskom chief executive Dr Ian McRae said the agreement opened the way for Eskom to achieve technical co-operation and exchange of experience in the area of power supply.

Eskom's projected southern African electricity grid plan, he said, could also benefit from this development.

Eskom on Friday announced a reduction of the real price of directly supplied electricity by 20 percent over the next five years in a move which will make the country's industries more competitive in the international market.

Eskom announced a tariff increase of 9 percent for 1992 — 5 percent below the expected annual inflation rate of 14 percent.

Eskom praised for cheap power

55

Bday 4/11/91

PETER GALLI

ECONOMISTS and industry sources have welcomed Eskom's 9% rise in electricity prices, to be implemented on January 1.

By keeping the rise below the rate of inflation, Eskom has cut the real price of electricity by 5% and the move is in line with its objective of improving the international competitiveness of energy-intensive industries.

Mining sources said the rise would have a significant impact on the gold mining industry, which had been battling to reduce working costs.

Chamber of Mines senior economist Francois Viruly said at the weekend that the mining industry had spent about 11% or R1,585bn of its total working costs of R14,258bn on electricity in 1990.

"While the 9% rise in electricity prices will increase total working costs by about R143m in 1992, we welcome the move to keep the figure under the inflation rate and the positive effect it will have on that rate," he said.

He said the mining industry was doing everything in its power to contain costs, but government would have to control its expenditure or risk off-setting any benefit of the lower electricity price.

Nedbank chief economist Edward Osborn said the increase was "good news for the consumer" and would be beneficial throughout the economy. While it would not specifically boost exports, these could be made more profitable by this.

"This move is most helpful and Eskom must be commended for its efforts to surpress inflation."

Under a new five-year pricing agreement or "compact", Eskom has guaranteed consumers a saving of 20% in real terms on electricity over that period.

"Consumers need predictable electricity price increases to help create a stable climate. This is vitally important for investment," Eskom chairman John Maree said.

Eskom CE Ian McRae said the compact ensured the financial soundness of Eskom and allowed the full recovery of its costs while ensuring it strove to improve production and sales efficiency.

Despite its similarities with the development strategy formulated by the late Economics Co-ordination Minister Wim de Villiers, the compact did not follow government policy, Eskom financial planning manager Hugh Ashby said.

The De Villiers strategy entails keeping electricity and transport costs between 4% and 8% below the inflation rate as the main means of boosting the economy.

"In formulating the compact, we looked at what was achievable by us and good for the consumer. The fact that we are able to offer a lower electricity price and that this fits in with De Villiers' proposals is of double benefit," Ashby said.

"However, we did not specifically follow government policy in this regard, we merely happened to comply with this," Ashby said.

VAT had also chipped 1,5% off the increase as benefits resulting from this were being passed on to the consumer, Eskom finance GM Mick Davis said.

He would not give much detail on the effect the compact would have on Eskom's funding requirements over the next five years, except to say its requirements would not put pressure on the local capital market.

In another development, Eskom signed a co-operation agreement at the weekend with Spanish power utility, Union Electrica Fenosa.

● Comment: Page 8

ESKOM'S GOOD NEWS FOR INDUSTRY

FM 8/11/91

55

Eskom will raise its electricity tariffs by 9% for next year, compared with 8% this year. This reflects a reduction of perhaps 5% in the real price of electricity, which will broadly benefit the economy.

John Maree, chairman of the Electricity Council, has gone on record as committing Eskom to continued reductions in the real price. Eskom intends to achieve a reduction of 20% in the real price of electricity over five years, starting with the latest increase.

This favourable trend is based on the exceptional surplus in generating capacity that arose because of the overestimate of SA's growth rate in the late Seventies and Eighties.

Eskom responded by closing or mothballing older (and, therefore, less efficient) power stations — to the tune of more than 5 000 MW. Those mothballed include Ingagane, Camden, Highveld, Taaibos, Grootvlei and Komati.

Eskom has kept in operation only its most modern and largest power stations, with a favourable benefit to generation costs. (Recent times have seen an improvement in managerial efficiency too.)

Nevertheless, Eskom still faces a margin of reserve capacity that is too high for optimal efficiency. The present margin is 29%, whereas a more appropriate range would be 22%-25%.

Eskom cannot take any more generating capacity out of operation, as the newest tranche of stations is too large to permit an appropriate adjustment. So the obvious option of stimulating demand is being followed. Not only is Eskom reducing the general tariff in real terms, but it is also promoting "time of use" tariffs to stimulate demand at off-peak times.

A further enterprising move is to offer a variable tariff related to output prices to energy-intensive operations such as mineral beneficiation. The first announced contract of this sort involves the extension to Alusaf's aluminium production.

SA and Zambia 'to trade in the open'

B Day 8/11/91

LUSAKA — Zambia will trade openly with SA in future, the country's new president, Frederick Chiluba, said in Lusaka yesterday.

Chiluba, who was addressing his first Press conference as president of Zambia, said: "We don't want to operate like the (former) United National Independence Party government, which conducted business with Pretoria by night but said the opposite by day."

He said the two countries would exchange trade missions as soon as possible, probably within months if not weeks.

The flood of SA goods in Zambian shops was "something tangible you cannot hide", Chiluba said, adding, "Let us trade with them openly."

He said South Africans would no longer have to apply in advance for visas to visit Zambia.

They would be issued the document at the point of entry and would only have to state how long they intended staying in the country.

He said this would encourage tourism from SA.

Chiluba said his administration would re-establish diplomatic relations with Israel, as reasons for ostracising the country were no longer valid.

Chiluba said illegal immigrants, particularly from West Africa, would have "to explain their presence in Zambia" or they should "just leave".

He promised to rid Zambia of all illegal aliens and accused them of contributing to the high rate of crime and "economic sabotage".

He added that his administration would honour all international agreements concluded by former President Kenneth Kaunda's government. — Sapa.

Offshore rig starts drilling

B Day 8/11/91 (55)

LAGOS — Mobil Oil's $830m condensate rig officially began drilling yesterday, 26 years after the discovery of one of Nigeria's largest offshore reserves.

The operation is expected to produce and process 100 000 barrels of condensate a day while reinjecting 15-million m³ of gas into the reservoir to stem environmentally damaging and wasteful flaring.

The state-owned Nigerian National Petroleum Co last month sold the expected produce of a liquified natural gas scheme to international buyers in a 22 year purchase agreement valued at $3,3bn.

The rig was constructed under a joint operating agreement between the state petroleum company and Mobil. Reflecting the 60:40 split of profits, the Nigerians were scheduled to contribute $500m and Mobil $330m towards operations.

Sources have indicated that the Nigerian government may end paying about $180m with the balance provided by international lenders.

Part of a $42,3m loan from the Japanese Export-Import Bank to the Nigerian petroleum company is expected to fund the purchase of Japanese goods and services for the project.

It is expected to yield 84 000 barrels of condensate a day when production begins in 1993, rising to 100 000 barrels a day between 1994 and 1998.

Production is then expected to diminish to 70 000 barrels a day between 1998 and 2003, 50,000 barrels a day until 2008, and then 20 000 barrels a day.

Joint operating agreements are considered to be the prototype for future oil exploration in Nigeria as the government moves towards the privatisation of the Nigerian National Petroleum Co. — Sapa-AP.

PAUL KRUGER: Why single us out for attack? Others are also protected Picture: BRIAN HENDLER

Large fuel users want Sasol probe

S/TIMES(BUSS) 10/11/91 (55)

By CURT VON KEYSERLINGK

NEW calls have been made for an inquiry into Sasol's subsidies and protection.

A report in Executive magazine this week on State support for Sasol has incensed big users of fuel. It follows fuel tax increases to make up for revenue lost by the reduction in Vat from 12% to 10%.

Giel van Zyl, acting general manager of the National Maize Producers Organisation (Nampo), says: "Any rise in the price of diesel is doubly irritating if it is linked to an unprofitable operation.

"When Vat was reduced we were were faced with an 8c a litre increase in the diesel price shortly before the planting season. It added R21 a hectare to input costs.

"An investigation into Sasol is a political matter. We are supposed to be in an open economy. But if the State is subsidising a sector, details should be published."

Fanyana Shiburi, national media manager of the SA Black Taxi Association (Sabta), says his members spend R1,2-billion a year on fuel, making them the second-largest buyer after the Government.

"We would welcome an investigation."

Both the Democratic and Conservative parties have called for an inquiry, saying not all the facts are available.

"The public is bemused by conflicting statements on the matter," says DP finance spokesman Douglas Gibson. "Sasol provides 30 000 jobs and has thousands of shareholders. The public has a right to have the matter sorted out."

Iniquitous

Automobile Association managing director Peter Elliott says: "There should be a full investigation into all issues relating to the fuel price. It should cover not only Sasol but the iniquitous profits made on Petronet's fuel pipeline and the way Sasol benefits from it."

The National Energy Council investigated the possible deregulation of the liquid fuel industry last year. The AA proposed that limited deregulation be instituted as an experiment. If successful, it should be followed by widespread deregulation.

But the proposal was rejected, the council favouring the maintenance of regulations which outlaw price competition by suppliers.

A fuel industry source says the reason for the decision is that Sasol would be put out of business if the industry were deregulated.

He says: "The regulations oblige Sasol and refineries to sell petrol and diesel at a so-called import parity price. With deregulation prices would fall because refineries and distributors would be forced to compete with one another and with imports.

"Conventional refineries are making huge profits and could afford to make big price cuts. At current crude-oil prices they could easily undercut the lowest Sasol could charge and still make a profit.

"One has only to look at Engen, which owns the smallest refinery, to see how profitible it is. The multinationals, whose results for SA are not published, must be making even more."

Crude oil costs about $19 a barrel. Sasol receives State assistance if the price drops below $23 a barrel. But with deregulation such assistance would go.

Sasol MD Paul Kruger says this is the only form of assistance Sasol receives. It amounted to R216-million last year. He declines to say what it was in other years.

But Sasol's prospectus gives details of interest-free loans from the State. In other cases it pays interest rates that are reduced if the oil price drops.

Sasol also shares in Petronet's abnormally high profits — about 70% return on investment — made on fuel pipelines.

Mr Kruger says: "Our assistance has averaged 10,3%

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Sasol probe

☐ From Page 1 (55)

of about 4,2c a litre. This is much less than many other industries receive. It is less than the 12,5% duties levied on our exports to Europe.

"Why is Sasol being singled out for attack? If Sasol's protection is removed, will our critics also call for the removal of protection from virtually every other industry?

S/TIMES(BUSS) 10/11/91

"SA has a positive balance of payments of about R6-billion. Sasol contributes R4-billion to it with exports and import replacement."

Sasol wants secrecy about fuel lifted

6 (Bday) 11/11/91 (55)

LESLEY LAMBERT

SASOL had recommended the lifting of secrecy laws relating to SA's fuel consumption and Sasol's production volumes, Sasol MD Paul Kruger said in an interview at the weekend.

Kruger said the classification of fuel consumption and production figures, confirmed in an article in the November edition of The Executive magazine, had become unnecessary now that the threat of oil embargoes was receding.

However, he said information on SA's procurement of fuel — the sources from which the fuel was bought and the intermediaries involved in the transactions — would have to remain classified in terms of the Petroleum Products Act until all sanctions were lifted officially.

The production volumes enable analysts to calculate the extent to which Sasol benefits from state protection.

The Executive article, which alleged that Sasol was receiving protection over and above that required to ensure its financial viability, drew strong objections from Sasol last week and rekindled the debate over whether or not the industry should be fully deregulated.

The Executive argued that Sasol was receiving annual subsidies worth R1bn in the form of a support price which became effective when international fuel prices dipped below $23 a barrel, a petrol levy and a differential between the price on which local petrol prices were based and other international prices.

Part of Sasol's privatisation agreement with government is that if the $23 support price is removed, the repayment of its loans to the Central Energy Fund will be subsidised.

In response to these allegations, Kruger said the only protection Sasol received was the $23 support price and the guarantee of assistance in the repayment of its state loans should the support price be removed.

The support price, he argued, did not constitute subsidisation but a "moderate protective tariff" to cushion the effects of price volatility in the oil industry. He conceded, however, that Sasol would still make profits if the support price was removed.

Sasol has, in the meantime, invested thousands of rand in full-page newspaper advertisements aimed at restoring its credibility in the marketplace. Its share price dipped slightly after the release of The Executive's article last week, but recovered later in the week. The article might soon be the subject of a Media Council hearing because of an official complaint by Sasol.

Engen gets double mileage in Africa

BDay 13/11/91 (SS)

BRENT VON MELVILLE

OIL and fuel group Engen is poised to double its exports into sub-Saharan Africa next year, positioning it as a key player in the African oil market, says MD Rob Angel.

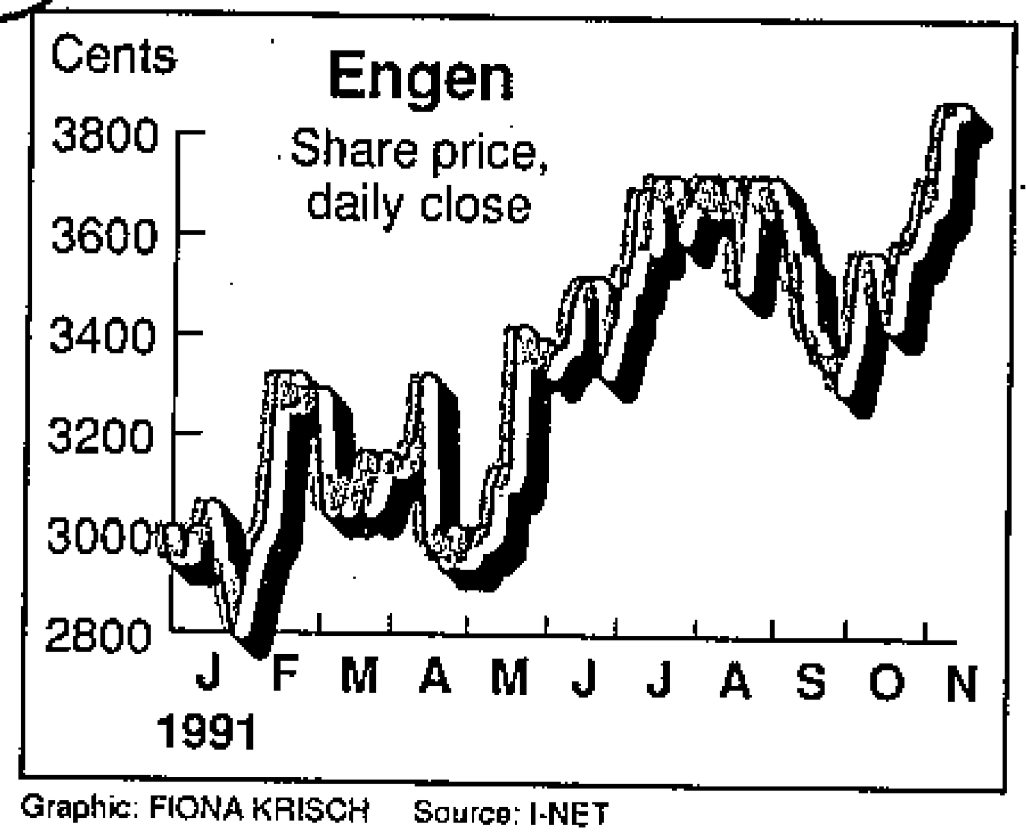
Last year the group pushed up its exports of mainly gasoline, diesel and jet fuel to include 13 countries in the region. Engen's exports are currently estimated at 300-million litres, representing about 5% of total sales volumes.

On Angel's forecast this should increase to about 600-million litres in the coming year.

Industry sources say Engen's total sales volumes amounted to 5,7-billion litres last year, representing about 28% of the market for fuels. Turnover for the group amounted to R6,1bn (R5,1bn), attracting operating income of R379m (R322,6m).

Of total sales, inland trade represented 4,8-billion litres, with most of the remainder (outside of exports) to bunkers.A small amount went to competitors, sources said.

Engen's annual report, released yesterday, confirmed that exports had accounted for about 5% of volumes, although total sales volumes were not disclosed.



Graphic: FIONA KRISCH Source: I-NET

The report disclosed that 40% of total sales volumes last year were attributed to gasoline sales, while distillate — of which diesel and kerosenes (such as jet fuel) represent about 75% and 25% of sales respectively — made up about 35% of the total. About 10% was made up by fuel oils, used

☐ To Page 2

Engen

BDay 13/11/91. (SS)

☐ From Page 1

in industrial applications.

Others, made up of lubricating oils and bitumens, made up 7,5% of sales last year and, reflecting the group's emphasis on Africa, exports were at about 5% (mainly gas, diesel and jet fuel) and solvents (such as benzenes) made up the remaining 2,5%.

Angel said exports were not restricted by opportunity, but by physical capacity. He added that at the moment the group had an "embryo" trading operation which was expected to pick up more trade next year.

Chairman Bernard Smith said Phase I of the Durban refinery expansion was on schedule for commissioning next July within total budgeted costs of R670m. The expansion would increase capacity by 30% and increase the yield of gasoline and distillates.

Smith said the detailed feasibility study on Phase II was also proceeding. Phase II would double current capacity.

The group continued to make strong progress in African countries in respect of participation in oil exploration programmes. Namibia and the Aptian Salt Basin of West Africa — in which it had secured a 10% participation — were areas of particular focus.

Engen also broadened its upstream portfolio with the acquisition of 27% of Gencor's North Sea Interests, securing participation in the giant Alba Oilfield and the Kilda Gasfield.

BUSINESS

Can the 'new' SA afford Sasol?

w/mail 15/11 - 21/11/91.

Amid allegations that the government has funded Sasol to the tune of more than R1-billion, **MONDLI MAKHANYA** looks at the pros and cons of the synfuel giant

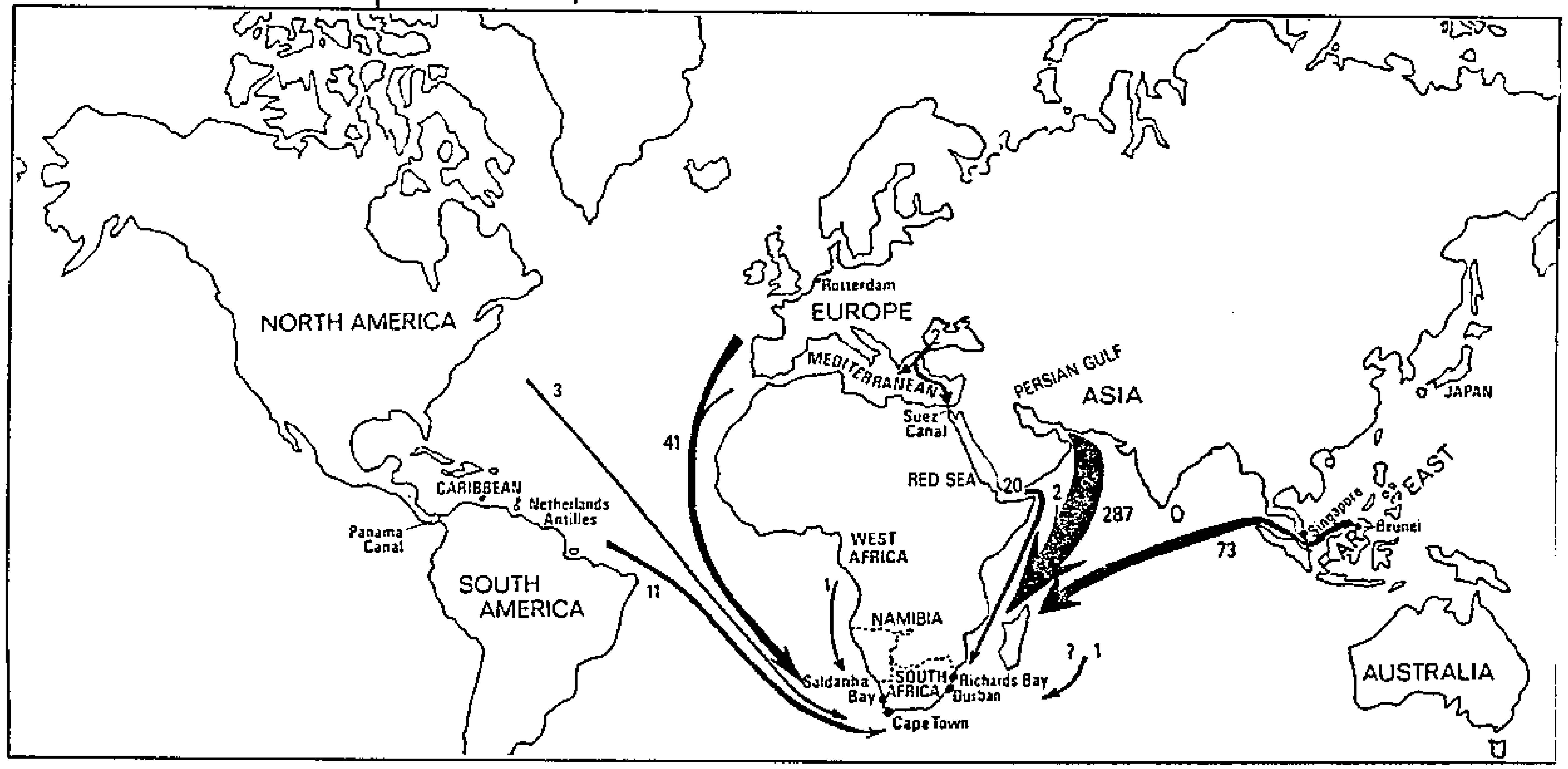
SS

THE government must lift the veil of secrecy surrounding South Africa's oil supplies. That full disclosure of the origin and cost of the country's oil is pertinent has been made more so by the furore sparked by *The Executive* magazine's claims that Sasol has been directly and indirectly subsidised by the government to the tune of more than R1-billion.

Now Sasol — which has vehemently denied the claim and is even about to submit a complaint to the Media Council — is battling to convince a cynical public that it did not earn the rating of Johannesburg Stock Exchange's top company last year via the taxpayers' money.

Sasol communications director Jan Krynauw — who maintains that Sasol is a commercially entity — sounds a note of desperation: "We would like to go public on our operation because we have nothing to hide and we are pleased about our performance. But it is not up to us. There is an Act of parliament that prohibits us from doing so."

The legislation is the Petroleum Products Act, a child of the oil embargo. Founded in 1950 to convert coal to fuel, Sasol came in handy when the oil embargo enforced upon South Africa a certain degree of self-sufficiency in fuel. Today, the company boasts one of the most advanced synthetic fuel plants in the world. It supplies almost 50 percent (some say it is more) of South Africa's fuel needs.



Regions from which tankers sailed to South Africa from 1979 to 1990

The controversy around Sasol centres on the R1,04-billion protection the company is purportedly receiving.

Until such time that these figures are verifiable — a prospect unlikely while the oil embargo and other sanctions remain — speculation around the industry will abound.

But one thing that is clear is that the protection of Sasol will remain. The fact that synfuel is a major foreign exchange saver, the desirability of stable prices, the foreign exchange earning capacity of Sasol's petro-chemical divisions and the company's job creation function are likely to militate against any further deregulation of the fuel industry.

Says Ed Hern Rudoph energy analyst Peter Brown: "We cannot afford refined petroleum as this would cost us more than R3,5-billion in foreign exchange every year. When compared with the subsidy paid for Sasol this is an enormous saving. As oil reserves diminish and the oil price spirals this saving will amount to R8-billion in a few years' time."

The very fact of diminishing oil supplies will ensure that any government keeps the synfuel producer protected.

Some estimates put the life expectancy of the present oil reserves at 43 years and as this time draws closer oil prices will shoot up. And given the unpredictable state of Middle East politics, Sasol's existence, and therefore continued protection, is to the advantage of the country.

However, a speedy process towards the lifting of the secrecy blanket is important. While Sasol executives are steadfast about the viability of their company, there is widespread belief that it would not survive in a deregulated market.

The mere costs of synfuel processing would outprice the company's product and it would be undercut by other companies and, says a fuel analyst," it would die".

Eskom brightens up Elandskraal

W/mail 15/11 - 21/11/91

By FERIAL HAFFAJEE

PROOF, if proof were needed, that progress and electricity go hand in hand, is the dramatic change that electrification has brought to the community of Elandskraal near Pretoria.

Business has boomed and the standard of living of almost all its residents has improved.

After successful negotiations between Eskom and the South African Development Trust Corporation (SADT) the area was electrified by December 1989 in a record two months.

The SADT established a number of small businesses at the community's request. Among the them were a dairy, motor spares shop, butchery, hair salon, cinema, herbal shop, pharmacy and hardware store.

A recent survey "revealed dramatic increases in the monthly turnover of these businesses, ranging from 38 to 100 percent in the first year of electrification", reports Eskom.

Additional ripple effects of electrification included the use of local labour ers have decreased their expenditure by more than a R100 to R48 a month," according to Eskom.

Eskom adds: "The project can serve as a role model for the development of both urban and rural underdeveloped towns where residents are empowered to participate in the identification, decision-making and planning of development priorities."

Elandskraal is a fine example of the development potential of electricity in South Africa. It is also a rare example. Twenty million people still don't

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W/mail 15/11 - 21/11/91 (55)

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A recent survey "revealed dramatic increases in the monthly turnover of these businesses, ranging from 38 to 100 percent in the first year of electrification", reports Eskom.

Additional ripple effects of electrification included the use of local labour for building projects and an increased demand for electrical appliances.

Out of a sample of 149 customers for such goods from shops in the area, almost a third more had bought television sets, 64 percent more had bought hi-fi sets, and almost 50 percent of people had bought stoves for the first time.

Energy expenses also plummeted.

"High-income earners who were paying an average of R291 a month for gas, paraffin and coal are now paying in the region of R68 a month for electricity, while low-income earners have decreased their expenditure by more than a R100 to R48 a month," according to Eskom.

Eskom adds: "The project can serve as a role model for the development of both urban and rural underdeveloped towns where residents are empowered to participate in the identification, decision-making and planning of development priorities."

Elandskraal is a fine example of the development potential of electricity in South Africa. It is also a rare example. Twenty million people still don't know the luxury of hot water, of reading under an electric light or of electric heating.

According to Eskom, there are 208 townships in South Africa where 70 percent or more of the households are without electricity.

Of 259 townships recently surveyed, only nine had been fully electrified.

In the Cape Province, 68 out of 89 townships had less than 10 percent electrification, while in Natal the figure was 15 out of 20 townships and in the Transvaal, 63 out of 70 townships.

55

B/Day 15/11/91

Drive to electrify SA

A TRADE union-led campaign for widespread electrification of SA homes will be launched under the slogan "Viva Voltage!" on November 23, Ben Petersen, of the Metal and Electrical Workers Union of SA, announced yesterday.

The campaign was aimed at uniting grassroots groups around the demand of electricity for all and at creating community groups to press government and Eskom into providing electricity.

OIL INDUSTRY (55)

Over a barrel

FM 15/11/91

Priority must be given to dismantling the protection of Sasol

The perverse arrangements that this country had to make during the years of the oil embargo to protect its energy supplies and keep the economy running are as much a part of the apartheid system as the Group Areas Act and influx controls. And they will have to be reviewed in the same light.

It does not matter that Sasol and its oil-from-coal technology was thrust into prominence in the Seventies by the oil supply shocks of that decade. Indeed, so far as sanctions were concerned, that was entirely fortuitous.

What does matter is that world oil supplies — and other forms of energy — are not now constrained and the cost of their provision is declining. The longer the current cumbersome and secret procurement and financing arrangements persist, the less efficiently the economy will perform.

Sasol's shrill indignation and loud dismay over the interpretation *The Executive* has placed on these arrangements — that a form of public subsidy flows to Sasol in three ways — suggests that it is not oblivious either to the depth of public feeling over the issue of petrol pricing or to the benefits it receives from public funds.

Kruger

Not all the facts are in dispute between *The Executive* and Sasol. What is a matter of contention is the construction placed on them and their degree.

For instance, the fact that the price of petrol is based on an administered though market-related price of oil is not in dispute. But Sasol and the oil majors claim that this price — the in-bond landed cost — is at a market-clearing level, while *The Executive* quotes other market prices (from an equally reputable source) to show that there is a difference between the in-bond landed cost paid here and what oil is available at contract prices in other regional oil markets.

Our guess is that to substantiate its point, *The Executive* would have used an alternative price comparison, at fluctuation peaks that emphasise the difference. There is nothing wrong in that. There is always an element of opinion in the interpretation of statistics.

Likewise, the chances are that Sasol and the oil majors choose not to acknowledge the element of judgment there must be in determining the in-bond landed cost.

We know from experience in this country when we had a price controller (maybe he still exists in the recesses of the Board of Trade and Industry) and from experience elsewhere, that those humans who attempt to simulate a market price, either under-recover or over-recover. The ability to get it spot-on for any length of time is rare indeed, if not impossible to achieve. It implies a perfection to which man can only aspire.

The in-bond landed cost is a price calculated by the oil companies themselves; they benefit from it. So the chances are that in its calculation they err on the side of over-recovery.

The difference in prices between regional oil markets is a well-known fact. Many arbitrageurs make handsome profits by taking advantage of these differences. It would be very strange if differences did not occur. The degree to which Sasol and the oil majors here have benefited from them is a legitimate matter of economic speculation. The assertion that the higher cost of a once-off spot acquisition negates *The Executive*'s interpretation is absurd.

Another example of common cause is over the benefit Sasol receives from the oil pipeline levy. Mineral & Energy Minister George Bartlett said in a statement that if Sasol did not receive a benefit from this source, the $23 support price mechanism would need to be higher. Sasol, with its characteristic perversity of economic logic, appears to dispute even that benefit.

And the fact is that Sasol's location should enable it to undercut those distributors who have to transport fuel from the coast.

A third point of contention is in *The Executive* saying that the price support system (or what Sasol calls tariff protection) is based on a guaranteed return for Sasol of 10%. Sasol says this is not true. Bartlett says the return used in the original formula was 10%.

There are other points of contention that have emerged during the week. The oil majors, while supporting Sasol on the in-bond landed costs (they would, wouldn't they?) have privately expressed their concern over the level of Sasol's protection in various forms. They have also expressed dismay at the agreement that requires them to take all Sasol's production in terms of what Sasol euphemistically calls a "voluntary market agreement."

Apparently this agreement was made when the oil majors couldn't get enough fuel; it is a quid pro quo for Sasol staying out of certain distribution areas. There seems to be something here for the Competition Board to sniff around.

In the latest financial year, Sasol achieved attributable after-tax profits of R1,04bn. But the point needs to be made that this was derived from three types of industrial activity — synfuel production, chemical production and crude oil refining.

If *The Executive* is correct in its estimation of the protective package that Sasol receives — and it might not be far off — then Sasol would be a dead duck in a free market without protection. But, of course, that is not going to happen. Investors in the privatised Sasol have been given certain undertakings by government and there is nothing to suggest that these will be dishonoured — or, if they are revised, that compensation will not be due.

It does not come as a surprise to learn from Sasol that the real petrol price has declined substantially over the past 10 years. This little-appreciated benefit has resulted from two factors: first, that taxes on petrol have even now not been raised enough to compensate fully for inflation; and second, that the in-bond landed cost itself has halved in real terms over the period.

Minimum price

This is not a surprise in view of the support that Sasol receives from the taxpaper and also because the cost of oil in world markets is by no means buoyant.

Sasol operates at present with the assistance of an overhauled protection framework, announced during February 1990 to replace the form of protection recorded in the prospectus at the time of the listing in 1979.

The essence of the arrangement — and the facts of it are not in dispute — is that Sasol will receive a minimum price for its refined products equivalent to a crude oil price of $23 a barrel (in terms of 1990 dollars, without any adjustment for subsequent declines in the purchasing power of the US unit). This is done through rebating the excise tax on petrol which would otherwise have been payable by Sasol.

A cumulative record is kept of aggregate relief allowed to Sasol under the formula, with the provision that one quarter of the incremental revenue receivable by Sasol whenever oil prices rise above $28,70 a barrel will be repayable to government.

Sasol MD Paul Kruger says this formula gives Sasol every incentive to remain efficient, as it operates completely differently from a cost-plus arrangement.

That may be so. But why is the repayment level so high? Billions of dollars are involved between those two prices; a narrower margin

cont →

would probably have kept Sasol even more focused on efficiency.

Whatever the facts may be, it is clear that Sasol is operating in a psychologically hostile atmosphere — and perceptions can be facts in their own right. For this, government is largely to blame. Its obsession with secrecy where oil supply is concerned has been taken to ridiculous extremes. To a point, in fact, where public debate has been throttled. The result is widespread suspicion.

Of course, SA is still subject to an oil embargo, so that the sources of the crude oil that flows into the country must remain secret.

But let that be as far as secrecy goes. There is no longer any reason, when all the world knows and discusses these statistics, for Sasol's output and aggregate SA consumption to be beyond public discussion.

Government is planning a large press conference at Mossel Bay, to be held early next month, at which (it is believed) important information about Mossgas will be divulged and some relaxation of the secrecy requirements announced.

Protectionism in this country is not just a perverse and outdated economic doctrine. It has everything to do with the maintenance, for far too long, of a social policy that was inimical to economic growth.

In countries where it is alleged that protectionism has enhanced economic growth, the nature of protection has been very different. It has been geared to support growth-orientated export industries. Our protection more often than not supports undertakings that import a substantial proportion of their inputs.

The difference is very important. For the latter is based on the saving of foreign exchange, which has never been as economically potent as enhanced foreign earnings.

Bartlett

Sasol seeks to justify its position and its contribution to the economy by claiming that it adds substantial value to its investment each year, even if the value of its protection is calculated at *The Executive*'s figure of R1,4bn, boosting GDP accordingly. The value-added statement in Sasol's latest annual financial report reflects a figure of R4bn, which, after deducting R1,4bn, leaves at accrual of close to R2,6bn.

That of course does not take into account profitability or return on assets. But Sasol's contention is that it underlines a worthy contribution to the economy, which *The Executive* failed to take into account.

A value-added statement is an adornment of progressive accounting that implies the efficient use of resources. Its application, however, applies to an enterprise that operates in a competitive market with little regulation. For the value calculated could just as easily be wastage, if those who consume its goods and services have no other choice.

Moreover, it is a proposition that does not take into account opportunity cost. Those resources that flow by fiat to an enterprise in a regulated market (in Sasol's case, also a secret one) are not being allocated with the superior efficiency of a free market. Simply put, Sasol's claim that its efficiency and utility outweigh the wastage of its protection package is not economically sustainable. In abstract, therefore, the country would be better off without Sasol now that apartheid is gone, for the market would better allocate its resources — provided, of course, there were never the danger that oil prices would rise.

In the real world, Sasol has itself indicated that it could still be profitable without protection in a competitive market.

The process of dismantling its protection (bearing in mind the assurances given to those who have invested in it) and of deregulating the market in which it operates, should, therefore, be given substantial priority by a government which claims to support free enterprise. ■

Eskom stepping up electrification projects

Star 18/11/91

Finance Staff (55)

Eskom has announced the creation of two new departments to meet the demands of electrification for the black community.

It said at the weekend the restructuring was in line with its own target to electrify three million homes by 1996.

This should be achieved through the provision of electricity at internationally competitive rates — at the same time bearing in mind the need to keep down the costs of electricity, in real terms, for the benefit of both industrial and domestic consumers.

Eskom said further key objectives were the promotion of industrial growth, particularly to support export-led growth, the informal sector and to attract energy-intensive industrial investment.

To this end, two clearly defined groups have been established: the marketing and electrification group, and the sales and customer services group.

Both will be represented on the board to focus attention on these critical areas and both will assess the promotion of co-operation in energy policies among all Southern African countries.

A new directorship — executive director, change project — has been created, which will be responsible to the chief executive for co-ordinating and managing the implementation of the proposed changes.

Eskom said changes could take up to three years to implement and were likely to create a need for 3 500 staff, who could be sourced internally.

shares in Rockleigh — unless

tions. — Sapa.

Gas offer by Maputo

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HARARE — Mozambique is looking to South Africa as an export market for its natural gas as production gets under way, says Mozambican Mineral Resources Minister John Kachamila.

Star 19/11/91

"Mozambique is very interested in exporting natural gas and we look for the main market in South Africa," he said yesterday.

Industry sources said SA wanted Mozambican gas as feed stock for fertiliser production.

Mr Kachamila said the government hoped to start production of natural gas next year for local use.

Earlier, Mr Kachamila told a Southern Africa metals and steel conference that drilling in the Pande area had confirmed natural gas reserves of 40 billion cubic metres.

The gas was dry, with 95 percent methane and free of sulphur, he said.

Drilling had stopped around the 1 500m level where reserve appraisal had been carried out, but the gas potential could be much greater as deeper wells were drilled. — Sapa-Reuter.

Dorbyl lifts earnings 6%

Star 19/11/91.

Dorbyl has posted a 5,8 percent increase in earnings for the year to September, despite tough recessionary conditions.

Improved earnings and confidence in the future have enabled the directors to raise the final dividend to 80c, bringing the total to 108c — up five percent on last year.

Dividend cover has been maintained at 3,4 times.

Turnover was up 1,8 percent at R2,89 billion.

The marginal increase in sales reflected lower volumes in a depressed industrial sector.

But the group held the decline in operating income to 5,8 percent, with an operating profit of R173,2 billion.

Rigorous asset management saw borrowings fall 12,5 percent to R171,5 million, resulting in a nine percent lower interest bill at R33 million.

Allowances on a successful export drive pushed the tax rate down to 15,6 percent (22,9 percent).

This, together with a reduced minority shareholding, helped earnings to improve 5,8 percent to R116,5 million (R110,1 million).

Dorbyl has over the past five years increased earnings at an average of 18,4 percent.

The earnings increase was achieved despite costly teething problems on the new Tosa seamless tube mill and a much reduced loss in heavy engineering.

Chief executive Dawid Mostert said yesterday turning the loss-makers around and managing them to an acceptable rate of return was top priority.

At the half-year, Dorbyl was 6,6 percent ahead and the directors then predicted it would be difficult to maintain earnings for the year.

Losses on the seamless mill came to R16 million, but Tosa as a whole stayed in the black.

Mr Mostert was confident the seamless mill would deliver positive results when it reopened early in 1993.

The new plant has been temporarily mothballed, while work proceeds on expanding capacity. Initally, the seamless plant was intended to meet local demand only.

Further capex of R76 million has been authorised to expand its capacity.

Dorbyl remains confident in the long-term future. Last year capital expenditure topped R118 million.

This was funded entirely from R168 million in cash generated by the operations.

The positive cash flow after capital expenditure has resulted in an improved debt:equity ratio.

All the divisions with the exception of Tosa and the heavy engineering division met or exceeded expectations.

Exports accounted for more than R210 million, or seven percent of group turnover.

Tosa, Dorbyl Marine, Dorbyl Automotive products, Dorbyl Transport products and Dorbyl Structures were the most successful exporters.

The target for exports for 1992 has been set at 15 percent of group turnover.

Mr Mostert said repeating the 1991 performance would be a good result. However, management was targeting to do better. — Sapa.

Mozambique seeks SA market for gas

HARARE — Mozambique was looking to SA as an export market for its natural gas, Mozambican Mineral Resources Minister John Kachamila said yesterday.

"Mozambique is very interested in exporting natural gas and we look for the main market in SA," he said. (55)

Industry sources said SA wanted the gas as feed stock for fertiliser production.

Kachamila said his government hoped to start production of natural gas next year for local use, supplying a power station at Vilanculos, 125km south of the onshore gas field at Pande on the southern coast.

Earlier, Kachamila told a southern Africa metals and steel conference that drilling in the Pande area had confirmed natural gas reserves of 40-billion m^3. The gas was dry with 95% methane and free of sulphur, he said. B/Day 19/11/91

Drilling had stopped at 1 500m and the gas potential could be much greater as deeper wells were drilled, he said.

Pande, discovered by Gulf Oil in 1961, is one of the world's biggest gas fields. — Sapa-Reuter.

Public corporations' investment 'could dive'

(55) (260) BDay 20/11/91 (269)

SHARON WOOD

PUBLIC corporation fixed investment could plunge by a real 10% this year and 20% next year, says the Bureau for Economic Research (BER).

The decline will be a result of the expected end of the Mossgas project next year, which boosted public corporation fixed investment in 1989 and 1990, and the lack of investment by other public corporations because of existing spare capacity.

There was a sharp decline in public corporation fixed investment in the '80s, due largely to surplus capacity which accumulated during the '70s. Increased Mossgas investment saw investment rise by a real 25,6% in 1989 and by 4,2% in 1990.

The BER says work on this project has been completed and in the second quarter of 1991 the positive growth rate reversed course to show a decline of 4,8%.

Transnet economist Ulrich Joubert says: "Public corporations are under pressure not to invest large volumes of money because of the spare capacity that exists and, thus, there is unlikely to be new capital investment by them in the next few years." But the demand for capital investment may increase during the decade with new markets opening up in Africa and the rest of the world.

New markets will particularly affect Spoornet and SAA capital expenditure levels, says Joubert. "But the business community will have to move into these markets first before public corporations expand their operations," he says.

The opening up of new markets is unlikely to increase investment substantially in the next two years. SAA is planning to update its fleet, but this will only take place in the second half of this decade and will replace old aircraft rather than expand the existing fleet.

Joubert said the sectors which will probably benefit sooner from markets opening up are trade in coal and iron ore.

Other areas where public corporations can expand capacity are in providing electricity and telephones in the black townships, says Joubert.

Joubert says the impact of Mossgas on public corporation investment will depend on whether there is further expansion around the project.

However, if a speculated Mossgas II project materialises, this will probably be financed by private sector interests rather than public corporations.

Getting slice of petrochemical action

Star 20/11/91 (55)

The local petrochemical industry shows promise of booming, and the multinationals are undertaking extensive and ongoing projects to expand and upgrade their South African facilities.

Watermeyer Legge Piésold & Uhlmann (WLPU) has recognised the potential of this highly specialised field and has formed a consortium with four other leading consulting engineering firms, specialising in this field.

"The industry is starting to offer a lot of opportunities and we wanted to assure ourselves of a share of the action.

"Forming Enercon has given the medium-sized firms involved enough muscle, and a broad enough spread of experience and expertise, to take on even major projects. And it is a less disruptive way of doing business than hiring people just for the duration of a contract," explains WLPU associate Alan Clarkson, who has been designated the manager of the consortium.

The other members of Enercon are BKS, Keeve Steyn, Liebenberg & Stander and CA du Toit & Partners.

Its activities are not limited to the petrochemical industry. In addition, through Enercon all the member firms will have the capacity to take on larger projects than they could normally handle alone.

WLPU cut its teeth in the industry on the Mossgas Project, when in consortium with BKS and Keeve Steyn it took on the civil and structural design of some of the on-shore structure and the on-shore liquid effluent treatment system.

The on-shore utility complex included what is believed to be the largest single contract awarded in the southern hemisphere of mechanical draught cooling towers.

The consortium compiled the working engineering specifications and adjudicated the engineering sections of the design-and-construct tender. Hamon-Sobelco, which supplied and constructed the towers, completed the project within the specified time.

This partnership will be dissolved with the completion of the work at Mossgas, but with Enercon WLPU is looking to the future.

"The petrochemical industries are taking a positive view of the future, and planning accordingly; there is potential for an offshore gas project in Namibia; and both Namibia and Mozambique are carrying out inland exploration," says Mr Clarkson.

"South Africa has become far more acceptable to its neighbours than it was previously, and it would make sense for them to use a local firm which will charge them in rands and which knows local conditions."

Between them, Enercon's partners have also gained experience at Sasol 1, 2 and 3; on all the major overland fuel pipelines in South Africa, including pumping stations and tank farms; and in infrastructure and service work as well as coastal engineering and oceanographic work around the southern African coastline.

It has access to a total of 1 250 engineering and technical staff, who will be seconded to work on Enercon projects as required.

Lethabo project a first in reinforced concrete

(55) Star 20/11/91

One of the highlights of WLPU's activities in structural engineering is the construction of Lethabo Power Station, which is currently under way.

Together with contractor Gillis-Mason Construction, the firm has pioneered the use of reinforced concrete in the boiler-house structure.

This replaces the more conventional fabricated steel.

Partner Dave Kirkwood says: "This is the first time in the world that reinforced concrete has been used in a boiler-house project of this magnitude."

"It has dramatically cut the cost of construction."

"Traditionally structural steel was thought to be cheaper and faster — but on this project we have been both faster and cheaper than would have been possible using steel.

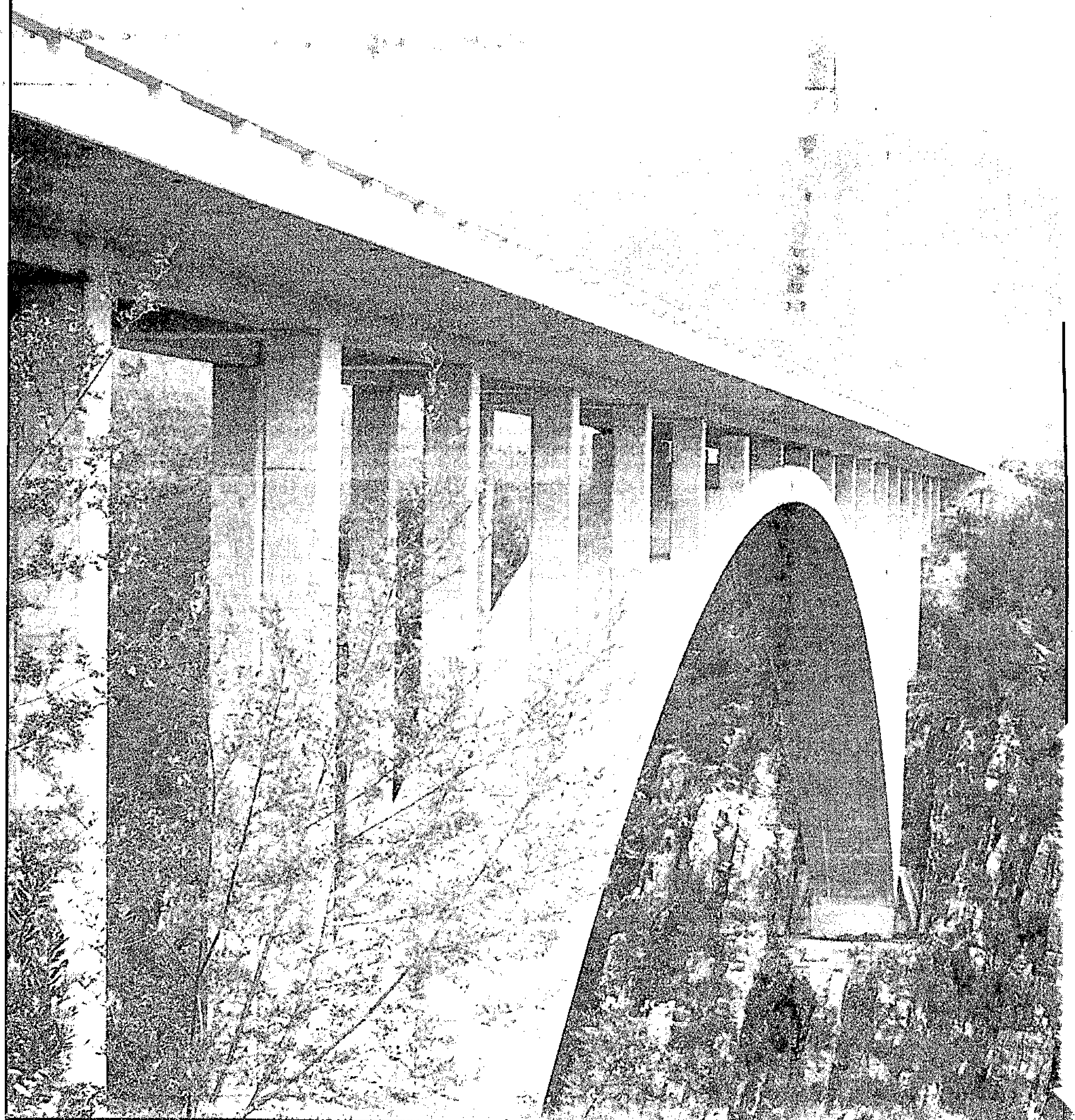
"Sceptics said we would experience difficulties with temperature movements and the lack of flexibility of concrete, but we have overcome all these problems very successfully," Mr Kirkwood said.

Work on the R100 million project started in 1983 and completion is scheduled for next year.

Projects such as this one are evidence, Mr Kirkwood says, that members of the South African structural engineering profession can hold their heads high anywhere in the world.

"Some of our arched bridges, such as the Bobbejaans River Bridge, are considered among the best anywhere.

"We also lead the world in specialised work for the mining industry, and the universities of the Witwatersrand and Cape Town are recognised as leading engineering universities — especially in the field of civil engineering," he says.

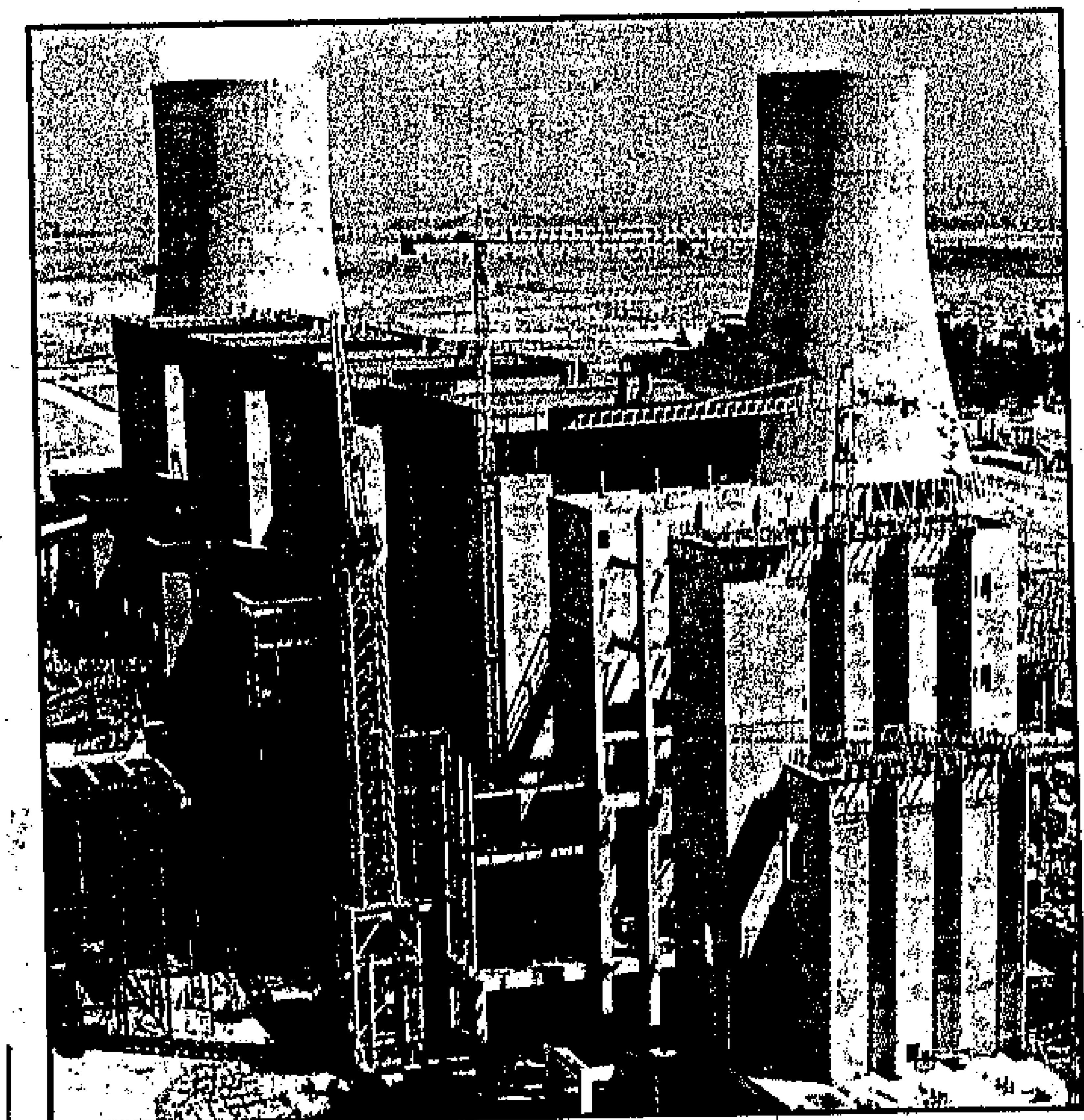


The Bobbejaans River Bridge . . . Some of South Africa's arched bridges are considered among the best anywhere.

Despite this level of expertise — which is often of export quality — Mr Kirkwood says the local construction market has been exceptionally depressed for two to three years, but adds that it is showing signs of bottoming out.

"Some people say the current downturn is not as bad as that of 1986, but we have felt it more.

"Business is starting to pick up, however, and we expect the local situation to improve considerably next year," he says.



The concrete boiler-house structures at Lehabo Power Station, designed by WLPU.

Pioneers of power stations

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Star 20/11/91

The 70-year history of Watermeyer Legge, formerly F E Kanthack & Partners, is inextricably bound up with the history of thermal power-station development in South Africa.

The firm was established in 1921, when Eskom was in its infancy, with work on Congella, Colenso and Salt River power stations.

In 1930 the founder of the firm, Dr Francis Edgar Kanthack, introduced South Africa's first natural draught cooling towers for Iscor, at the corporation's Pretoria works.

The next projects involving this system were Klip Power Station, near Vereeniging, and the Jeppe Street Power Station, in Johannesburg, the cooling towers of which were imploded a few years ago.

Ten years ago, WLPU was still on the scene when Eskom switched to dry cooling systems for its new power stations.

"This proved an expensive decision, and the second half of the new Majuba Power Station will revert to the wet cooling method," says WLPU partner Peter Bosman.

"There is little difference in terms of environmental impact, apart from the fact that dry cooling towers release a lot of hot air."

Over the years WLPU

Peter Bosman

has established itself as a world class leader in wet cooling tower technology. It has exported expertise to Australia and, less successfully in the face of fierce competition and widely different conditions, to Europe.

"Our expertise in cooling tower technology is more applicable to countries like South Africa and Australia. Many other countries can locate their power stations along the coastline cooling," Mr Bosman says.

Of late, Eskom's power station development has tailed off in the face of diminished growth in demand. Much of WLPU's on-going power-related work has involved maintenance repairs to old cooling towers, and in the process it has set some new standards for the profession.

"Orlando Power Station in Soweto is 50 years old in December, and we are still involved in various programmes for keeping it in good condition.

"At Kelvin Power Station, a few years ago we successfully tried a novel solution to indications that the cooling towers were weakening and cracking.

"In most cases the tower would simply have been imploded or left to fall down, but we put stiffening rings around the shell at a fraction of the cost of rebuilding. This experiment was a world first and the cooling tower is still functioning well," he adds.

This is not the only example of WLPU's capacity for inventiveness. The firm, with assistance from Middelburg Steel & Alloys and Valmetex Expanded Metals, has also been active in developing a new packing system called X-grid that makes cooling towers more efficient.

The unique system, which uses locally manufactured 3CR12 stainless steel, offers tremendous export potential.

Joint effort to combat city crime

Star 21/11/91

By Louise Burgers
Municipal Reporter

A major conference to address urban decay and crime in Johannesburg and to create a structure to deal with central city problems, gets under way on Sunday.

Business leaders, community representatives, civic associations and the Johannesburg City Council will participate.

The main issues to be dealt with by delegates include plans for Johannesburg 2000, economic and social strategies, determining who is responsible for what, a look at future resources and addressing immediate problems such as security.

To make sure things run smoothly at the conference which is a first of its kind, a facilitator from the United States, Richard Bradley, has been brought in for the two days.

Mr Bradley heads the International Downtown Association based in Washington DC, of which the Johannesburg Central Business District Association is a member.

Mr Bradley, who has visited Johannesburg before, said the city was large by international standards. "It must accomodate and serve as the centre for Johannesburg, but at the same time it is in competition with 'edge' cities (Midrand, Randburg and Sandton)," he said.

The conference will be opened by community leader Dr Nthato Motlana on Sunday and the closing address will be delivered by Dr Frederick Van Zyl Slabbert, Witwatersrand Metropolitan Chamber chairman, on Monday.

Other papers will be delivered by consultant Nigel Mandy, Actstop chairman Mohammed Dangor, Professor Michael Katz, Mr Bradley, Anglo's Gerald Leissner, Johannesburg management committee chairman Ian Davidson, civic spokesman Cas Coovadia and the Mayor of Johannesburg, Elliot Kretzmer.

Call for power to all Rand

Star 21/11/91

By Louise Burgers
Municipal Reporter

A task group to formulate strategies for the creation of a regional electricity supply system on the Witwatersrand should be formed as soon as possible, according to a report tabled at the Central Witwatersrand Regional Services Council on Tuesday.

The investigation into the provision of services on a regional basis was commissioned by the RSC, which last night called for comment on the report from the relevant local authorities, Eskom and the Central Witwatersrand Metropolitan Chamber by January 31.

The present fragmented electricity supply within the Central Witwatersrand RSC's region had created numerous problems regarding the standard and maintenance of the service, especially in the black communities, due to a lack of expertise, manpower and capital.

The reorganisation of the electricity supply within the region could lead to major savings and the effective utilisation of available financial, human and other resources.

Call for power, not candles

(55) CT 27/11/91

By PETER DENNEHY

PEOPLE were dying in South Africa because of excessively high electricity-installation standards, the Mayor of Cape Town, Mr Frank van der Velde, said yesterday.

They died in shack fires caused by candles falling over. They would not have needed candles if electricity had been made affordable to them through lower electrical standards.

Mr Van der Velde said this at a seminar on electrification hosted by consulting engineers Hill Kaplan Scott. Mr Van der Velde, an electrical engineer, in his inaugural speech advocated an extensive electrification programme.

Visiting expert Mr Mario Bertoni from Brazil told of how 134 000 urban low-income ($170 or R474 a month) consumers in his state, Parana, had had their dwellings connected up to the electricity grid in six years.

The state electricity company charged $65 (R181) for each service connection. Internal installation — of one plug and three bulbs per house — cost about $22 (R61), though owners could install these themselves.

Mr Selwyn Myers of the Hangberg Regional Services Council mentioned that electrification of even the most modest dwelling in South Africa cost between R2 000 and R4 000.

CAPEX FM 22/11/91

Phased in

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The third SA financing phase of the first construction phase (1A) of the Lesotho Highlands Water Project will be announced soon. The amount is expected to be about R1,9bn in commercial loans from First National Bank and Standard Bank. Also, R1,5bn export credit is expected to be provided by the five major domestic bank groups and IDC. The total package would

FM 22/11/91

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then be about R3,4bn.

A US$500m offshore funding agreement has also been announced: officially supported export credits, commercial loans from leading banks in France, Germany and the UK, and term loans from the Commonwealth Development Corp. This follows a $110m loan agreement in September with the World Bank.

The deals have been negotiated by the Lesotho Highlands Development Authority assisted by Chartered West LB (previously Standard Chartered), the project's main financial adviser.

This completes the funding programme for construction on the Lesotho side of phase 1A. SA banks provided the first two SA financing phases — R135m for administrative set-up and other costs and R750m for infrastructural bridging finance.

A project spokesman says the complex arrangements tapped about 25 sources of offshore funding. ■

Electrification standards 'high'

Bday
22/11/91

LINDA ENSOR

CAPE TOWN — The application of inappropriately high standards to electrification was in effect killing people, Cape Town mayor Frank van der Velde said yesterday at a seminar on electrification.

People were forced to use often lethal energy alternatives such as candles or paraffin because municipal inspectors insisted on imposing high standards.

Van der Velde said suppliers of electricity should apply pressure to have the regulations downgraded.

Urban Foundation regional director Vernon Rose said one of the main obstacles to electrification was the existence of conservative and reactionary local authorities.

Mario Bertoni, one of those involved in spearheading Brazil's electrification drive, visited an Eskom low-cost electricity "showpiece" in Orange Farm and found the standards applied were far too high and too expensive to apply to the 8-million people in SA needing power.

Bertoni told the seminar that the Brazilian electrification programme, started in 1984, had been so successful that it was envisaged by 1994 95% of all existing farms and 95% of total urban households in the state of Parana would have electricity.

Consulting engineers, Hill Kaplan Scott director Trevor Gaunt said progress in electrifying SA had been slow because of the lack of development funds.

BD/27
22/11/91

Mossgas facility

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A R20m solid waste disposal facility for the Mossgas onshore plant near Mossel bay has been completed and was handed over to Mossgas yesterday.

ENGEN FM 22/11/91 (55)

Looking upstream and downstream

Activities: *Exploration, production, marketing and distribution of petroleum products.*
Control: *Gencor 62%; Genbel 7%.*
Chairman: *B A Smith; MD: R J Angel.*
Capital structure: *154m ords. Market capitalisation: R6bn.*
Share market: *Price: R39. Yields: 3,0% on dividend; 6,0% on earnings; p:e ratio, 16,7; cover, 2,0. 12-month high, 3 950c; low, 2 775c. Trading volume last quarter, 3,75m shares.*

Year to August 31	'88	'89	'90	'91
ST debt (Rm)	4,2	2,8	293	300
LT debt (Rm)	—	—	265	253
Debt:equity ratio	n/a	n/a	0,13	n/a
Shareholders' interest	0,58	0,48	0,45	0,63
Int & leasing cover	n/a	n/a	28,9	n/a
Return on cap (%)	14,7	15,1	8,1	12,2
Turnover (Rm)	0,74	1,02	5,08	6,10
Pre-int profit (Rm)	36,6	37,0	322,6	379,4
Pre-int margin (%)	5,0	3,6	6,4	6,2
Earnings (c)	127	182	194	233
Dividends (c)	75	83	97	116
Net worth (c)	811	903	1 003	1 565

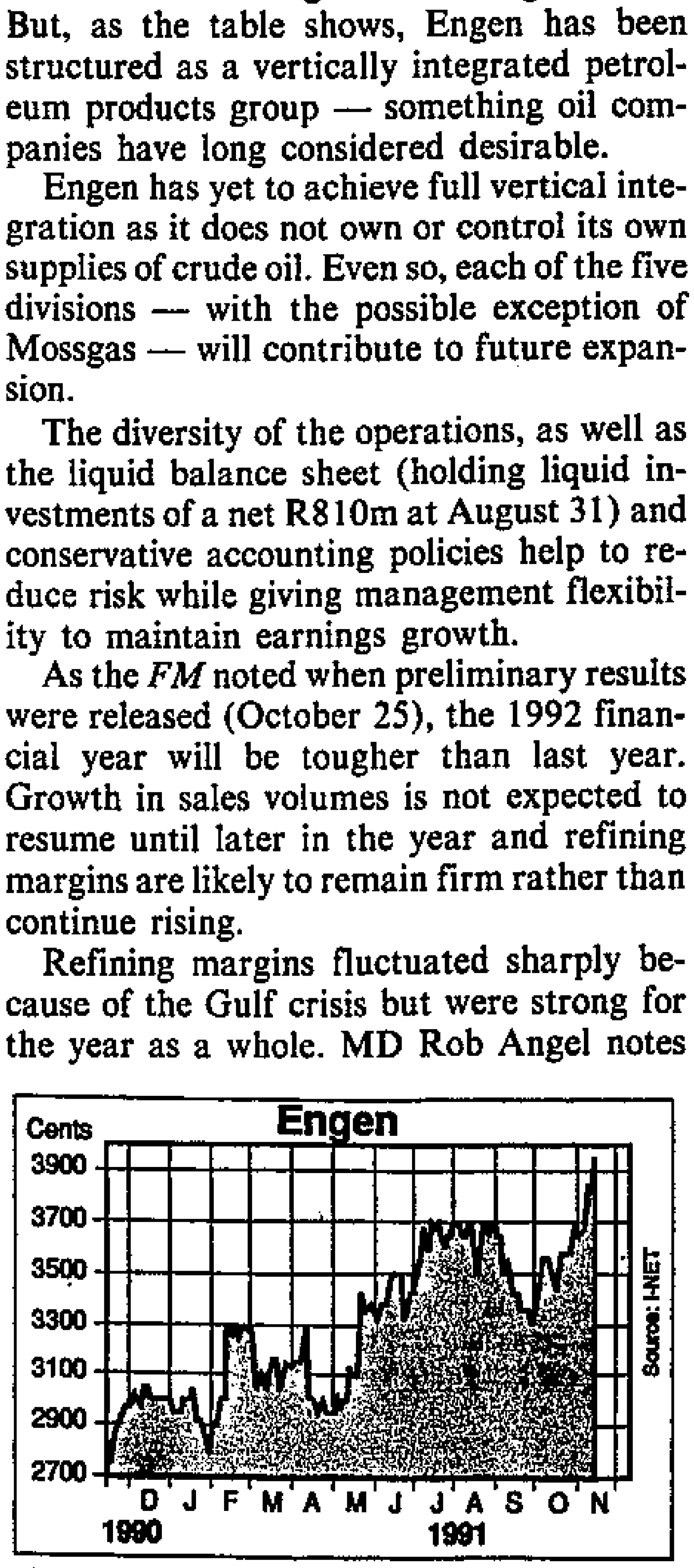
For now, profits are derived predominantly from the marketing and refining division. But, as the table shows, Engen has been structured as a vertically integrated petroleum products group — something oil companies have long considered desirable.

Engen has yet to achieve full vertical integration as it does not own or control its own supplies of crude oil. Even so, each of the five divisions — with the possible exception of Mossgas — will contribute to future expansion.

The diversity of the operations, as well as the liquid balance sheet (holding liquid investments of a net R810m at August 31) and conservative accounting policies help to reduce risk while giving management flexibility to maintain earnings growth.

As the *FM* noted when preliminary results were released (October 25), the 1992 financial year will be tougher than last year. Growth in sales volumes is not expected to resume until later in the year and refining margins are likely to remain firm rather than continue rising.

Refining margins fluctuated sharply because of the Gulf crisis but were strong for the year as a whole. MD Rob Angel notes that crude throughput at the Genref refinery was slightly lower than in the previous year.



Engen's Smith ... *expanding the core businesses*

Refinery operations, he says, were severely affected by a frustrating — and unacceptable — number of external power interruptions and in-house steam generation equipment failures. These problems also contributed to lower yields of high value products and increased energy consumption.

Effects on costs were largely offset by the initial benefits of a continuing rationalisation programme. This included cost-savings resulting from the inclusion of Trek's product distribution, which was incremental to the Mobil depot-terminal infrastructure.

Chairman Bernard Smith notes that operating margins were slightly lower at 6,2% (6,4%) but improved use of working capital and proceeds from the R1,1bn rights issue improved interest income enough to offset a higher tax provision.

However, the reduced margin figure was calculated after the R84m deduction from inventory profit. This amount was transferred to a newly-created reserve held against the possibility that profits could reverse in the future. Had the deduction not been made, the margin would have increased to 7,6%.

Cash generated by operating activities climbed from R133,8m to R526,6m — underlining Engen's strengths as a cash generator. Though R453,9m was invested in expanding operations, comprising R101m on acquisitions and R344m on capex with the R670m phase 1 of the Genref expansion under way, the cash funding requirement for the year was only R131m.

The phase 1 expansion — which will increase capacity by 30% and increase the yield of gasoline and distillates — will be commissioned this year, allowing Trek products to be processed within the group and ensure the future growth of Engen. No real benefits are expected during the 1992 year.

Details of phase 2 of the Genref expansion are expected soon. This will add a further 40%-50% of capacity to that at the end of phase 1, while further increasing yield of high value products and reducing energy consumption.

Angel says the intention is to make Genref a 150 000 barrels a day refinery eventually, enabling it to cater for southern African demand and beyond.

Expansions are also planned in other divisions. Angel says the group is well advanced to set up a trading structure primarily engaged in buying and selling crude oil and refined products.

Growth opportunities are being sought for chemicals, a high margin part of the business.

Management is evaluating entry, with alliances, into related petrochemical manufacture. Initially, these studies will look at import substitution and, eventually, participation in an ethylene cracker. But, based on southern African demand and an impending world surplus of ethylene, it's unlikely that an ethylene cracker will be justified until beyond the mid-Nineties.

Mossgas, in which Engen has a 30% stake and is the project manager, could be involved in future chemicals ventures.

Smith contends that Mossgas has the potential to become a cornerstone of future petrochemical development in SA — though that sounds a long way off. Mossgas, meanwhile, is 95% complete, but the start-up and commissioning is expected to be difficult.

A decision on whether Engen will maintain its equity participation in Mossgas — at a cost of perhaps R1bn — is not expected before the end of 1993; Smith says the financial downside to the group is limited to about 20c per share.

The group continues to look beyond SA's borders with export volumes rising rapidly,

ENGEN'S DIVISIONS

	Turnover		Operating income	
	Rm	%	Rm	%
Exploration			(21,0)	(5,5)
Trading	144,9	2,4	21,4	5,7
Chemicals	135,7	2,2	20,4	5,4
Mossgas	—	—	—	—
Marketing and refining	5 817	95,4	358,6	94,4
Total	6 098	100	379,4	100

cont-p

ARG 23/11/91 (55)

Minister to respond to Mossgas 'mess' criticism

FRANS ESTERHUYSE
Political Correspondent

IN REPONSE to criticism of its costly Mossgas fuel project now nearing completion at Mossel Bay, the government plans to hold a special news briefing next month.

Media representatives have been invited by Mineral and Energy Affairs Minister Mr George Bartlett to hear the government's case at an elaborate briefing at Wilderness on December 5 which will include helicopter flights to the Mossgas offshore platform.

Key aspects on which journalists will be briefed include the project's progress, costs and future prospects. There will also be a presentation on audit-control measures and international oil price scenarios.

Mr Bartlett has expressed concern over "the highly critical nature" of many of the news reports about the Mossgas project during recent months and claims some were based on incorrect information and "hearsay".

Similar concern was expressed by Finance Minister Mr Barend du Plessis at the Cape National Party congress last month when he promised a comprehensive explanation from the government.

Denying that taxpayers' money had been wasted on Mossgas, Mr Du Plessis said: "Not a cent of taxpayers' money went towards this project. It was financed from fuel levies raised from motorists for this specific purpose."

Mr Du Plessis's denial was rejected as "ludicrous" by Democratic Party energy spokesman Mr Roger Hulley who stands by his earlier criticism that Mossgas was a "scandalous waste of money".

Mounting public criticism of the Mossgas project in recent months came in the wake of Weekend Argus disclosures of an expected R4-billion upward jump in estimated total costs of the project. Total costs, according to an unofficial estimate, will rocket to R12 billion.

Recent criticism of Mossgas included:

- An admission by Deputy Minister of Finance Dr Theo Alant that Mossgas was a "bad investment" and that "much more could have been done with the millions."
- A claim by former Mossgas employees that money was squandered on a costly computer system, now defunct.
- Allegations, under investigation by detectives of the SAP commercial crime unit, of multi-million-rand scams run by racketeers at the Mossgas project.
- Claims by former Mossgas employees of sky-high pay packets, "gross wastage", fat contracts that included free overseas trips, expensive company cars and huge settling-in allowances for foreigners.
- A claim by a former Mossgas storeman that he was paid almost R20 000 a month — a salary normally reserved for top executives.
- Allegations of a "dreadful mess" inside Mossgas warehouses where tens of thousands of rands' worth of electronic and engineering components were missing and could not even be traced by computer catalogues.

Cabinet is slam[...] for Mossgas de[...]

(55)

Costing, planning and choice of management were bungled at the outset, inquiry finds

S/Times 24/11/91

AN official inquiry into the controversial Mossgas project has found the government guilty of bungling on a massive scale.

The government gave the go-ahead for the project without adequate planning, without knowing what it would entail, without having a sound cost estimate and without even having experienced management to run the huge project.

The result, finds the investigation by independent consultant Maurice Brooks, is that Mossgas will cost R9,8-billion to complete — 51 percent more than estimated in 1988. Mr Brooks's report was released by auditor-general Peter Wronsley this week.

The auditor-general concluded that the Brooks report, which deals with the reason for Mossgas cost overruns but does not assess the viability of the project or allegations of corruption, was soundly based and could be relied upon.

EXCLUSIVE by MIKE ROBERTSON: Political Correspondent

The report, Mr Wronsley said, did not absolve the Cabinet, Mossgas, the Industrial Development Corporation and other participants from responsibility for proceeding with the project on the basis of inadequate calculations and laying down and agreeing to conditions which were in conflict with tried and trusted practice in the world of megaprojects.

The main burden of justifying the decision to go ahead with the project on the grounds that strategic needs outweighed these negative factors rested with the Cabinet.

Mossgas would have to account for agreeing to managerial arrangements it should have been able to see were virtually certain to cause serious problems.

In his report Mr Brooks criticises the original decision to go ahead with the project.

Secrecy

He says: "For strategic and economic reasons, without perhaps fully appreciating the problems resulting from the constraints, the limited RSA resources and Sasol's obsession with secrecy, the government and the board of Mossgas decided to push ahead with a costly and technically complex megaproject without adequate planning, definition, a sound cost estimate or even an experienced owner's organisation to control and manage the project.

"As the current cost and schedule overruns now show, Mossgas underestimated the magnitude and complexity of the project. As well, Mossgas did not fully grasp the impact of constraints on the project.

"It is unfortunate that the project was allowed to proceed before adequate technical definition was available and before a sound control estimate was produced."

Mr Brooks says the offshore component of the Mossgas project was well managed. Cost overruns amounted to R461-million, a 21,7 percent increase.

"This is a notable achievement," he says.

Serious cost overruns amounting to R2,8-billion (a 66 percent increase) were experienced in the on-shore component.

Slates

Mr Brooks says half this amount was due to factors within the control of the project's management.

The rest was due to policy constraints and limited South African resources.

He slates a Cabinet decision to reject a bid by Fluor of the US to manage the project. Fluor, he says, was the only bidder with the proven experience and personnel resources to manage a megaproject like Mossgas.

Instead BDL, a joint venture company of Davy McKee of the UK and Bateman of South Africa, was appointed as managing contractor.

Mr Brooks says the exclusion of an experienced international contractor resulted in complex and ineffective organisation.

He says this decision by the government and limited resources in SA added an extra R1,6-billion to the final cost of the Mossgas project.

Fluor was rejected because it was American-based. Mr Brooks points out that there are only a handful of contractors with the experience to manage megaprojects. With few exceptions, they are all American.

The effect of this decision by the government was exacerbated by the fact that Sasol, which provided the synthesis gas feed for the project, excluded BDL from virtually all technical aspects.

Mr Brooks says Sasol's obsession with secrecy obstructed the flow of work and imposed severe difficulties in managing the project.

Synfuel, a joint venture between Fluor Engineers and LTA Process Engineering, was appointed as principal engineering contractor. Sasol worked with this company instead.

Mr Brooks criticises Mossgas management for not negotiating better terms with Sasol.

Failure

He identifies as a major reason for the cost overrun Sasol's failure to identify early that "the synthesis gas feed resulting from the use of natural gas was significantly different from that deriving from the coal feed used at Sasol 2. This required major design changes and caused major cost increases."

As a result of this, the accuracy of estimates given to the government in February 1988, on which the decision to give the go-ahead was based, was "not very high".

He criticises the Mossgas board for not alerting the government to this.

"It was clear that the reconfirmation estimate of February 1988 did not reflect the facilities to be built, yet a new estimate was not prepared until May 1989, some 15 months later. There was thus no reliable control estimate during this period when critical decisions were made."

Petrol price likely to rise

By ZILLA EFRAT

SOUTH Africans could be paying between 3c and 4c a litre more for petrol soon.

A well-placed source says part of this increase, between 2c and 3c, could come if the Government gives filling stations an increase in their profit margin and passes it on to buyers.

In addition, motorists in the Pretoria-Witwatersrand-Vereeniging area could pay another cent a litre. The rise could also be more than the expected 3c or 4c a litre in some remote areas after the authorities announce the annual price increases for transport of fuel.

Motor Industries Federation (MIF) executive director Vic Fourie says the Government is evaluating the results of its annual investigation into the profitability of fuel retailing.

The MIF has asked the government to adjust the service stations' profit margin in the light of the findings of this investigation. Many filling stations are losing on petrol sales and dealers need to be compensated for their increased expenses.

Mr Fourie will say no more. The National Energy Council (NEC), which regulates the petrol price, will not comment on the possibility of a price increase.

The retail margin accounts for about 8% (or 11,5c/l) of the petrol price. In October last year, the Government increased the margin by 2c/l, only to lower it by 0,7c/l a month later when oil prices stabilised.

Transport costs of fuel account for 6,4%, or 9,2c/l, of the petrol price. Increases are usually announced at the end of the year.

A source says that if the higher retail margin is accepted, the Government must decide whether to pass it and higher transport costs on to buyers. It could also allow the Equalisation Fund, sometimes used to cushion fluctuations in the landed petrol cost, to absorb the rise.

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Slate

He says that if an immediate price increase is avoided, it will have to be made some time next year.

PWV motorists started underpaying for petrol in May.

Although the NEC has not released the latest figures, it is believed that motorists paid almost 1c/l too little for petrol in October.

In May, motorists underpaid 2,65c/l. This under-recovery, as recorded in the "slate", jumped to 7,7c/l in June. But it has declined since then, helped by August's petrol price increase and a fall in the landed cost of petrol from almost 57c/l in June to about 33c/l in October.

When the Government reduced the VAT rate in August, it increased the petrol price by 13c/l to 143c/l. This rise consisted of a 10c fuel levy and 3c to cover increases in crude-oil prices.

Sasol seeks foreign partners in synfuel

S|Times (BUSS) 24|11|91

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SASOL hopes to become involved in multibillion-rand joint ventures abroad, possibly in Pacific Rim countries.

General manager Jan Fourie says Sasol has done about six studies for building synthetic fuel plants the size of Sasols 2 or 3 in other countries.

Two projects could eventually get the go-ahead.

Worldwide interest in Sasol's unique synfuel technology has grown since the start of the Persian Gulf crisis.

Mr Fourie says Sasol's technology is available only in exchange for an equity stake in new ventures.

At current oil prices, oil-from-natural gas plants using Sasol technology would be profitable.

Sasol has said that more oil-from-coal plants in SA would not be profitable.

Value

It sees earnings growth coming from adding value to products of its coal-from-oil plants and from joint ventures in oil-from-natural gas plants in other countries.

These ventures would involve building grassroots synfuels plants in countries with large natural gas deposits or building value-added extensions to existing plant.

Mr Fourie says the aim of any foreign joint venture will be to increase Sasol's chemical feedstock base and place it closer to export markets.

It will also make up for any drop in exports from Sasol plants which will supply

JAN FOURIE: Technology in return for equity stake

By ZILLA EFRAT

growing demand for chemicals in SA.

Thanks to Sasol's continuing development programmes any new plants would have capital requirements 60% lower than its existing ones.

A grassroots plant that produces 50 000 barrels of fuel a day, using Sasol's advanced synthol process, could cost $2-billion. It could produce gasoline, diesel or middle distillates and chemicals.

The cost could fall to about $1-billion if an existing oil refinery or chemical plant is close to the gas source.

Sasol has also perfected the technology for its slurry bed reactor which produces middle distillates, chemicals and waxes if syngas has already been converted from natural gas.

Mr Fourie says Sasol's processes allow feedstocks to be produced from natural gas at prices below those made from crude oil or naphta.

The Sasol technology produces liquid fuels which conform to the new US standards of reformated petrol, as well as environmental standards.

Countries that have large natural gas resources include some Soviet republics, India, Thailand, Indonesia, Malaysia, Argentina and Chile.

However, it appears that building a plant in a Pacific Rim country holds the greatest potential for Sasol. This is because high economic growth in this region makes a good market for chemicals.

In addition, some Asian countries are able to secure the foreign currency and equipment required.

Mr Fourie says Sasol will supply the technology, project management, plant commissioning and training for an equity stake.

The joint venture route would avoid the creation of new international competitors for Sasol's products and offer long-term benefits not seen in a one-off sale of technology.

Downstream

Any foreign venture would boost Sasol's long-term profitability, but it would take some time for the benefits to arrive.

Mr Fourie does not expect to be able to make any announcement for another six months.

A grassroot project would take three to four years to build.

Sasol has some downstream joint ventures related to value-added and speciality chemicals in place in other countries.

It sold gas technology to a plant in North Dakota and has done a study on the possibility of making synfuels there, possibily in a joint venture, says Mr Fourie.

Mossgas cost 'less than expected'

(55) CT 25/11/91

From LESLEY LAMBERT

JOHANNESBURG. — An official investigation into the Mossgas project has estimated that its final capital cost will be R9,8bn — less than critics expect.

However, the investigation report is critical of the way government and other major participants have handled the project.

The investigation, conducted by independent US consultant Maurice Brooks, finds that the Mossgas project has overrun its estimated cost by 51%. It says that while the project's offshore component managed to limit its cost overrun to R461m (21,7%)), the onshore component's costs exceeded estimates by R2,8bn (66%)).

A portion of the total overspend is attributed to external, uncontrollable factors such as inflation, GST increases and surcharges. But more than half is the result of internal factors within Mossgas's control, Brooks says. He adds, however, that the overspend is consistent with those that of major international projects.

Brooks' investigation, which has been approved by Auditor-General Peter Wronsley, deals primarily with the cost of the project and the reasons behind the exceeded estimates.

He comments that the final burden of justifying the decision to develop the project on the basis that strategic needs outweighed viability, rests with Cabinet. However, his investigation does not assess the viability of the project. Nor does it address allegations of corruption.

Mineral and Energgy Affairs Minister George Bartlett has submitted the report to Parliament and called a press conference for next week.

Brooks criticises the Cabinet, Mossgas and the Industrial Development Corporation for proceeding with the project on the basis of inadequate technical and cost analyses.

He also criticises government's rejection of US company Fluor's bid to manage the project, arguing that it was "the only bidder with the proven experience and personnel resources to manage a megaproject" like Mossgas.

'Inadequate'

The performance of BDL, a new joint venture of J V Bateman and British company Davy McKee, which was selected as the managing contractor, is rated by Brooks as "inadequate".

He argues that Sasol's obsession with secrecy imposed severe difficulties on the management of the project.

Sasol insisted on using Fluor for the engineering management in order to maintain the confidentiality of its technology.

This meant that Mossgas, a new company with inexperienced staff was forced to provide the interface between the managing contractor and the principal engineering contractor.

Mossgas, in the meantime, will have to account for its approval of managerial arrangements which it should have known were virtually certain to cause serious problems, Brooks says.

Mossgas report slates handlers

(55)

AN official investigation into the Mossgas project has estimated that its final cost will be R9,8bn, which is less than many critics expect. However, the report is highly critical of the way government and other major participants have handled the project.

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LESLEY LAMBERT

Mineral & Energy Affairs Minister George Bartlett has called a news conference for next week to address the matter in more detail.

Brooks criticises the Cabinet, Mossgas and the Industrial Development Corporation for proceeding with the project on the basis of inadequate technical and cost analyses.

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to the 1990 level. tals are, however, unlikely to through the Russian Republic.

Lydplat lifts dividend

STAR 25/11/91

Finance Staff

Platinum investment group Lydenburg Platinum (Lydplat), a subsidiary of Old Mutual, has increased dividends by 10,8 percent to 205c (185c) for the year to October.

Earnings rose 12 percent from 231c to 258c, excluding a special dividend of 6 124 800 Potgietersrust Platinum (PPRUST) and 2 112 000 Leplat-shares received from Rustenburg amounting to R27,4 million.

Lydplat derives a major source of its income from Rustenburg Platinum (Rusplats) and other platinum investments.

The total market value of its investments was R854 million at year end from R751 million last year.

Mossgas 'flares' first well

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Mossgas's first production well on the FA gas field was completed last week with the first gas being flared on the production platform.

The platform stands in 105m of water, 85km south of Mossel Bay.

STAR 25/11/91

In a statement on Friday Mossgas said the well would be capped until late in the first quarter of 1992 when on-spec gas from two production wells would be piped to the onshore plant approximately 11km west of Mossel Bay.

Drilling on the second production well is due to commence at the weekend and will take approximately 81 days to complete.

The gas from the just completed well, which has been drilled to a depth of more than 3 000 metres below the seabed, is of an excellent quality and contains no impurities the statement said.— Sapa.

Medi-clinic profits up 32%

STAR 25/11/91

In spite of the prevailing economic climate, Medi-Clinic has reported a profit increase of over 32 percent for the six months to September.

The group said distributable profits were R12,95 million compared with R9,78 million durng the same period last year.

Earnings a share were 7,6c compared with 5,8c, while an interim dividend of 2c (1,5c) was declared.

The group said that in spite of the stringent economic climate, admissions remained at a satisfactory level.

The board said that negotioans to sell part of the Mitchell's Plain Medical Centre are at an advanced stage.— Sapa.

More cheap petrol for PWV motorists

ANDREW GILL 55

PWV motorists underpaid for their petrol for the seventh consecutive month in October, latest National Energy Council (NEC) figures show.

The NEC said yesterday a stronger rand and lower octane prices internationally had reduced fuel's landed cost but had still resulted in an under-recovery of 0,986c/l in October compared to September's 1,594c. The landed cost was 52,73c/l compared to 53,34c.

While the under-recovery is small on a per litre basis, NEC spokesman Hendrik de Villiers said the overall effect on the Equalisation Fund was large. However, relatively large over-recoveries in the wake of the Gulf war had helped considerably.

De Villiers would not be drawn on whether a petrol price increase was on the cards. B/Day 26/11/91

Econometrix economist Tony Twine said it was difficult to determine whether a petrol price rise was imminent but that the NEC had managed such under-recoveries for extended periods.

Also, the stronger rand so far in November and little change in international crude prices could see an over-recovery this month.

Diesel recorded an over-recovery of 0,301c from the previous month's 0,246c also as a result of lower international prices and a stronger rand.

FM 29/11/91

(55)

SOEKOR

Hitting pay dirt?

After years of drilling holes and coming up empty, the State-owned oil and gas exploration company Soekor believes it could finally have some good news.

The company says it is "fairly optimistic" it has found a small oil field in the Indian Ocean off Mossel Bay that can be profitably developed, perhaps as early as a year from now. An economic oil find could make up for some of the billions of rands that have been poured into SA's long oil hunt.

"Next year we will have the results we need to decide on going for exploitation," says Soekor CE Ken Graham.

And, while looking for gas in the same area, the company believes it has discovered finds big enough to extend the life and viability of the controversial R10bn Mossgas scheme, he says.

"We hope to finalise studies in the next year on several reservoirs of combined gas condensate and oil that we found in the Bredasdorp Basin (south of the Mossgas offshore platform). While quite a few of the reservoirs have gas condensate or oil flows of up to 5 000 barrels per day, we are now doing the intensive seismic and geological studies needed to determine the volumes of fossil fuels in these reservoirs as well as the economic feasibility of developing the finds."

Soekor is also working on building detailed computerised models that would estimate the capital and operational costs and outline the risks involved, he says. The flow rates from the test wells drilled in the area are high. The company has already filled a tanker with about 150 000 barrels of oil from one of the reservoirs.

But the actual volume of oil in the reservoirs will determine the economic viability. There must be enough oil to maintain a steady level of production for at least three years, he says.

"Our aim is to build an offshore production facility directly above the oil reservoir, from which oil would be pumped into waiting oil tankers," Graham says. "Development costs should therefore be low."

Like the oil reserves, the new gas finds are under study, and if the flow and volume of the gas are big enough, Sentrachem could decide to go ahead with plans for a R3,5bn gas combi cracker at Mossel Bay.

Senior executive director Roy Pithey says his company, together with other local and overseas parties, is considering Mossel Bay for the cracker, which would produce raw material for the petrochemical industry from gas and gas condensates. Construction would depend largely on establishing enough natural gas reserves in the area.

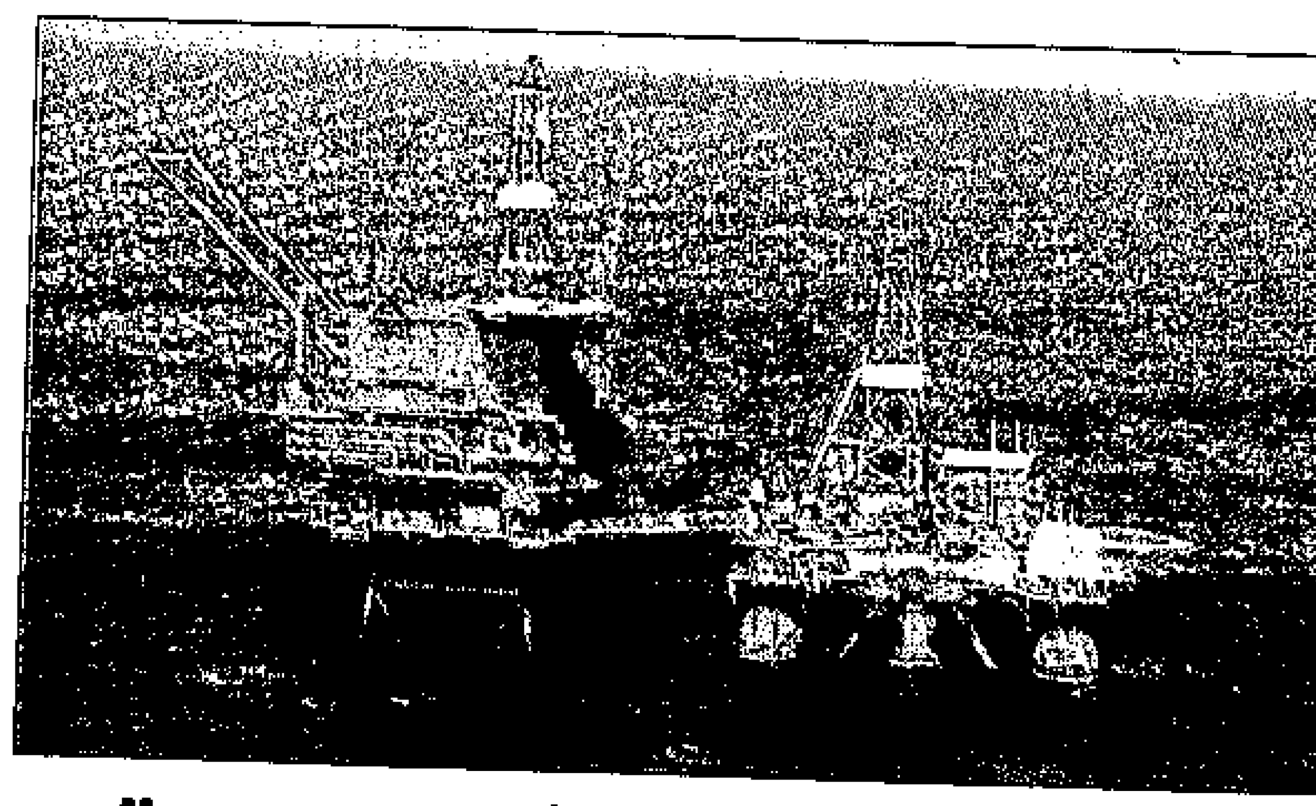
To be competitive, the cracker must have the capacity to produce at least 200 000 t of ethylene a year. "The Mossgas field will produce ethane and propane — excellent feedstock gases for the manufacture of ethylene, which would be converted into polyethylene plastics for export," Pithey says.

"After looking at other potential sites such as Richards Bay and Durban, we believe Mossel Bay would be the best place for the plant because of the availability of gas and, possibly, gas condensate. If necessary, gas condensate could be imported to supplement the material from the Mossgas field."

The existing Mossgas infrastructure is another advantage in building the cracker at Mossel Bay, though the harbour is small.

Mossgas CE Bernard Smith is confident that enough additional gas will be found. "At the moment, the gas is sufficient for Mossgas, but not enough to support another petrochemical plant. The synergies exist for building a cracker plant on the site and in our view additional gas reserves will be found (at least an additional 50% of existing reserves would be needed). But another two years is required (before a decision is made)."

He says Mossgas will begin turning gas into oil by April. Mossgas is expected to produce about 30 000 barrels of oil a day when it reaches full production in 1993, but he declines to confirm this.



Mossgas ... *stands to benefit from gas find*

Mossgas GM of operations John Theo says Mossgas is about six months behind schedule, with the work now about 98% complete. The labour force has dropped from 16 000 to 11 000.

"It is logical to assume that in the next 10 to 15 years, a reasonably sized petrochemical complex will develop at Mossel Bay, with an ethylene cracker a distinct possibility," Theo says.

Meanwhile, Soekor is increasing its commercial activities to generate more revenue. "Government's fossil fuel search budget has contracted in real terms over recent years," Graham says. "To lessen our dependence on State funds, we are selling our services and acquired know-how, as well as our seismic and geological findings, at lucrative rates."

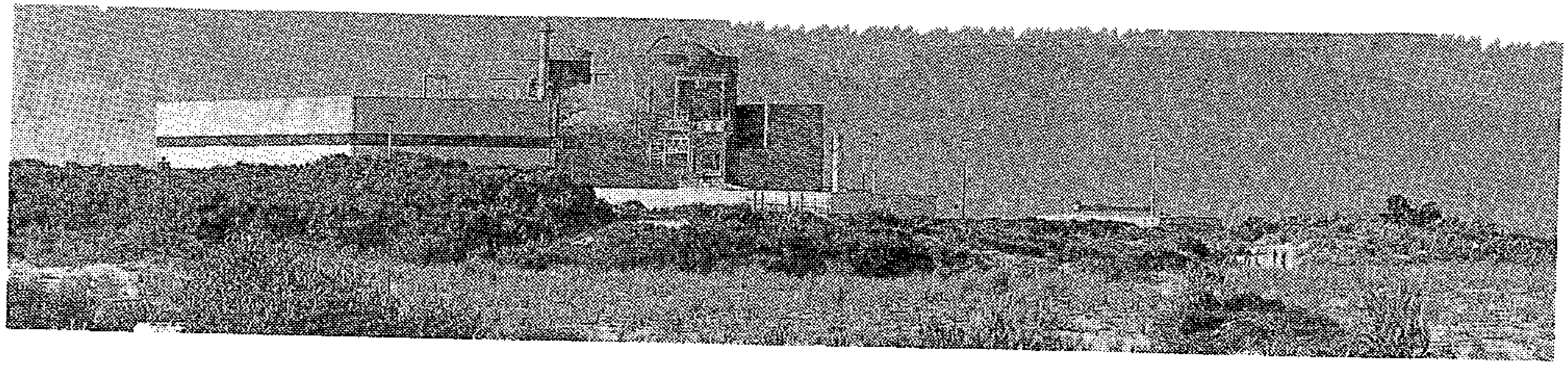
He says these commercial ventures include offering:

- ☐ Data packages on the results of Soekor's drilling to international companies for about \$55 000 apiece;
- ☐ Its expertise on hi-tech radio navigation;
- ☐ Professional and technical services for all oilfield activities, including drilling, seismic interpretation and specialised oilfield geology; and
- ☐ Its surplus equipment, such as boats, for rental. For example, the Actinia has been let to Mossgas as a floating hotel.

Graham says these activities help Soekor to pay expenses such as renting a drillship to look for oil and gas off the west coast.

"While we have sunk a few unsuccessful holes in shallower water, the west coast search has shifted to a virgin area in deeper water, with one well now being sunk in 700 m of water. We hope to reach the target depth within the next few months. Based on experience in South America (which shares the same ancient continental shelf with Africa) this area could hold promise." ■

Building more nuclear power stations and extending the life of the Koeberg plant are among options facing a government of the new South Africa. **FRANS ESTERHUYSE**, Weekend Argus Political Correspondent, looks at the contentious issue.



Hot topic: What's Koeberg's future?

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ARG 30/11/91

DESPITE continuing calls from the anti-nuclear lobby for alternative sources of power, experts say nuclear power is currently the only viable alternative when coal supplies become exhausted — expected to happen in the first half of the next century.

What will happen about 30 years from now when Koeberg's lifespan ends? Will it be shut down to make way for Western Cape housing, as suggested recently, or will it be refurbished or relocated elsewhere in the Cape?

Critics are also asking whether Koeberg has really been a success or is it "just another Mossgas-type debacle"? Does its performance and its role in meeting the demand for electricity justify its enormous cost — nearly R4-billion just to get it running?

Fears about possible environmental damage and the danger of nuclear accidents are still being expressed by groups like Earthlife Africa.

And the Democratic Party's energy affairs spokesman Mr Roger Hulley says Koeberg should never have been built so close to Cape Town. He suggests the Koeberg valley represents an important growth direction for housing development north of Cape Town.

Weekend Argus this week questioned Eskom spokesman Mr André van Heerden about these issues.

On the question of future power stations, he says: "All things being equal, Eskom's next power station is still likely to be coal-fired, mainly for economic reasons. There are a number of other possibilities which could play a major role in Eskom's future generating mix, including the eventual replacement of Koeberg."

The options include:

■ Greater use could be made of the hydro power purchased from outside South Africa, especially from proposed schemes on the large central African rivers. However, South Africa would probably not consider buying more than 15 percent of its energy requirements from beyond its borders as it could become too dependant on the continued goodwill of the supplier nations;

■ Additional nuclear stations, including the extension of Koeberg's life by refurbishing key components in the plant; and

■ A possibility of new technologies becoming viable. Fusion power is a case in point.

When asked if Koeberg was a success, Mr Van Heerden replied: "By and large, Koeberg can be considered a success. Technically its performance has been exceptional, marked by very long trouble-free runs of both units. It has become an important part of Eskom's generating mix due to its great dependability."

On the issue of cost, Mr Van Heerden says Koeberg's final erection cost of R3,11-billion is "well within the scope of its planned cost plus provision for additional site works and escalation".

The present cost of erecting a nuclear station similar to Koeberg will probably amount to about R10-billion. A coal-fired station will cost about 25 percent less, but the lower price must be off-set against a number of advantages associated with nuclear power.

Mr Van Heerden says it is not easy to work out the exact running costs of any power station, including Koeberg, but he adds that the cost of Koeberg-produced electricity compares favourably with that generated by coal-fired stations at the coast. However, it is greater than that of coal-generated electricity from plants at the pithead.

However, these cost comparisons will change as coal becomes more expensive.

On future energy sources, Mr Van Heerden says coal, due to its low cost, is at present the prime source of electricical energy in SA. This has resulted in this country's electricity being the cheapest in the world.

However, South Africa's coal supplies are not unlimited, and it is likely that Eskom will have to move to other fuel sources as coal prices increase, particularly as it becomes more valuable as a raw material for the manufacture of petrochemicals, drugs, plastics, and other products.

This will make it necessary for Eskom to use different technologies for generating the bulk of its electricity. The last coal-fired power station is expected to be built in about 2040, given the present economic growth rates.

Nuclear power is currently the only viable alternative to coal.

On the advantages of nuclear power, he says these include the flexibility of locating nuclear power stations; coal-fired stations must, for economic reasons, be situated near coal mines as the cost of transporting coal is extremely high.

"Placing a nuclear station at the coast provides enormous advantages, as readily available sea water can be used for cooling, as opposed to scarce inland water supplies. In addition, power stations can be placed adjacent to load centres, freeing these from dependence on very long power lines which are subject to damage from storms, and so on, causing major power failures," he explained.

R8-m power deal

(SS) Sowetan 3/12/91

By DANIEL MAINE

AN R8 million investment deal for the production of solar electrical power systems, which was concluded between a local company and three foreign corporation, is expected to alleviate electricity supply problems.

The joint venture between local Photovoltaic Systems, alias Helios Power, and German Marvol Project Consulting, Italian Helios Technology and Russian Moscow General Industries, represents the first direct investment from the Russian Republic since the establishment of diplomatic relations between South Africa and the Soviet Union.

Engen steps up refinery expansion programme

B Day 4/12/91. (55)

LINDA ENSOR

CAPE TOWN — Engen has actively embarked on the R2bn second phase of its expansion of the Genref refinery in Durban, committing R70m last week for initial projects.

CE Rob Angel said at the AGM yesterday the funds allocated would be used to appoint technology licensers and to prepare both detailed engineering plans to enable orders to be placed for long-term delivery of equipment as well as cost estimates for the project.

He said the engineering contract for Phase II would be awarded before the end of this year and the board would make a final decision on the project in mid-1992. The project, due to come on stream in the fourth quarter of 1994, will add about 40% additional capacity to the refinery.

Angel said Engen, already three months into its current financial year, was on track to achieve a real increase in earnings this year. The core businesses were performing on target in spite of the difficult economy. Considerable income was being generated on funds raised by a rights issue.

"Although the domestic economy remains flat, Engen's domestic fuel sales are approximately 2% above last year and the group is retaining its overall market share.

"Export volumes continue to be encouraging and are more than three times higher than in the corresponding period in the last financial year. Crude throughput at Genref has been at about the budget level and yields of high value products (petrol, distillates and lubes) have exceeded budget."

Angel said Engen's marketing and distribution companies — Mobil, Trek and Sonap — were well positioned to take advantage of a greater demand of petroleum products as the economy recovered.

The Phase 1 expansion of Genref, which will add 30% additional capacity, was progressing well and within budget and would probably be brought on stream in August next year as scheduled. Engineering was about 90% completed and construction 40% with progress of 2% each week.

Angel said the design of Phase II would enable Genref to be further expanded in a proposed Phase III by 25% to 150 000 barrels a day and was flexible enough to allow this to be done either by means of a fuels or petrochemical-type expansion.

Rebuilding of the lubricating oil blend plant was also within budget and would be commissioned during the first quarter of next year.

Sasol chief slams 'Mossgas nightmare'

(55)

By Sven Lünsche STAR 4/12/91.

The management structure of the controversial Mossgas project was a "nightmare right from the start", says Sasol managing director Paul Kruger.

At a press conference yesterday Mr Kruger said, however, that Mossgas should be profitable without government subsidies, once all the capital investments had been made.

Mossgas has overrun initial cost budgets by about 50 percent and, according to recent estimates by the Auditor-General, will cost about R10 billion at its completion.

Mr Kruger defended Sasol from criticism of its role in Mossgas by an independent US expert in a report endorsed by the Auditor-General.

Sasol, itself under fire for allegedly receiving extensive state subsidies since its founding, was approached to manage Mossgas at an early stage, but declined "as the project was not commercially viable from a capital investment point of view", Mr Kruger said.

Paul Kruger . . . overall project management was completely wrong

"We advised the Government strongly to find an owner for the project as soon as possible. Before Engen took over running Mossgas, overall project management was completely wrong," Mr Kruger said.

He was critical of the eventual split of the project management and engineering functions of Mossgas, "which we would not have structured in that way".

The Government's insistence that overseas companies find a local joint venture partner also made management of the project more difficult, he said.

Mr Kruger was, however, optimistic that Mossgas would run profitably without state subsidies and even at a lower international oil price, once construction had been completed.

Turning to recent criticism of Sasol's involvement in the project by US expert Maurice Brooks, he said Sasol never had any responsibility for project management.

Its role was "purely one of a licensor of technology".

He estimated that the initial value of contracts awarded to Sasol in terms of the provision of synfuel technology and commissioning know-how was about R50 million for each.

Mr Brooks criticised Sasol's insistence on using US engineering group Fluor for the engineering management; for its obsession with secrecy; and for its failure to recognise that synthetic gas feed resulting from natural gas was different from that derived from coal feed used at Sasol 2.

Mr Kruger said the latter charge could be refuted by means of solid technical facts.

Its secrecy was applied only to proprietary technology "as is normal practice in the industry".

Referring to its links with Fluor, he said Sasol felt that its resources and experience were clearly superior to those of other engineering groups.

● The Government is launching a public relations exercise to counter the recent criticism of Mossgas, starting with a press tour of Mossel Bay today and a conference on the project tomorrow.

Minister for Mineral and Energy Affairs George Bartlett is expected to counter recent findings by Mr Brooks, who criticised several aspects of the management of the project.

He will also defend the huge cost overrun at Mossgas, which many critics allege has diverted funds from more essential programmes.

Mr Brooks said that the onshore part of the project had overrun its budget by 66 percent and the off-shore section by 21,7 percent.

Engen gives go-ahead for R2-bn expansion

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STAR 4/12/91.

By Tom Hood

CAPE TOWN — Engen is to go ahead with a R2 billion expansion of its Genref refinery at Durban, chief executive Rob Angel announced at the company's annual meeting in Cape Town yesterday.

Mr Angel told shareholders that three months into the new financial year Engen was on track to achieve another real increase in earnings.

Although the domestic economy remained flat, Engen's domestic fuel sales were about two percent above last year's and the group was retaining its overall market share.

Export volumes continued to be encouraging. They were more than three times higher than for the corresponding period in the past financial year.

Crude throughput at the group's oil refinery in Durban, Genref, had been at about the budget level and yields of high value products (petrol, distillates and lubricants) exceeded budget.

"Our core business, marketing and refining a full range of petroleum products, is holding its own in this difficult economy and as the economy recovers, our marketing and distribution companies — Mobil, Trek and Sonap — are well positioned to take advantage of a greater demand."

The Phase 1 expansion at the Genref refinery was progressing well, was within budget and was due to come on stream next August.

Rob Angel . . . On track to report real earnings growth in 1992.

Engineering was about 90 percent complete and construction 40 percent, and progressing at two percent a week. Phase 1 would add 30 percent capacity to the refinery.

The Phase 2 expansion passed an important milestone last week when the board approved R70 million to appoint technology licensors, prepare detailed engineering plans to enable the placing of long delivery equipment items and prepare a detailed cost estimate for the project.

The engineering contract for Phase 2 would be awarded before December 31.

The Phase 2 expansion, expected to cost R2 billion in today's money, was planned to be on stream in the fourth quarter of 1994. It would be submitted to the board for final approval in mid-1992.

Phase 2 would add about 40 percent additional capacity to that available. The project would also provide major upgrading of high value products from each barrel of crude oil; substantially reduce energy consumption, provide facilities for the manufacture of unleaded petrol and low sulphur diesel oils and enable the refinery to meet projected tighter environmental regulations.

The design of Phase 2 would incorporate selective pre-investments to enable Genref to be further expanded in a proposed Phase 3 by 25 percent to 150 000 barrels a day, and retain the flexibility of Phase 3 being either a fuels (petrol/distillate) or petrochemical type expansion.

"With our core businesses performing on target, and considerable income being generated on the funds raised in the rights issue, which are still at our disposal, we expect to be able to report real earnings growth to shareholders for the year ended August 1992," Mr Angel said.

BUSINESS DAY, Wednesd.

Engen steps up refinery expansion programme

B|Day 4|12|91.

(55)

LINDA ENSOR

CAPE TOWN — Engen has actively embarked on the R2bn second phase of its expansion of the Genref refinery in Durban, committing R70m last week for initial projects.

CE Rob Angel said at the AGM yesterday the funds allocated would be used to appoint technology licensers and to prepare both detailed engineering plans to enable orders to be placed for long-term delivery of equipment as well as cost estimates for the project.

He said the engineering contract for Phase II would be awarded before the end of this year and the board would make a final decision on the project in mid-1992. The project, due to come on stream in the fourth quarter of 1994, will add about 40% additional capacity to the refinery.

Angel said Engen, already three months into its current financial year, was on track to achieve a real increase in earnings this year. The core businesses were performing on target in spite of the difficult economy. Considerable income was being generated on funds raised by a rights issue.

"Although the domestic economy remains flat, Engen's domestic fuel sales are approximately 2% above last year and the group is retaining its overall market share.

"Export volumes continue to be encouraging and are more than three times higher than in the corresponding period in the last financial year. Crude throughput at Genref has been at about the budget level and yields of high value products (petrol, distillates and lubes) have exceeded budget."

Angel said Engen's marketing and distribution companies — Mobil, Trek and Sonap — were well positioned to take advantage of a greater demand of petroleum products as the economy recovered.

The Phase 1 expansion of Genref, which will add 30% additional capacity, was progressing well and within budget and would probably be brought on stream in August next year as scheduled. Engineering was about 90% completed and construction 40% with progress of 2% each week.

Angel said the design of Phase II would enable Genref to be further expanded in a proposed Phase III by 25% to 150 000 barrels a day and was flexible enough to allow this to be done either by means of a fuels or petrochemical-type expansion.

Rebuilding of the lubricating oil blend plant was also within budget and would be commissioned during the first quarter of next year.

First gas to be pumped from Mossgas early next year

By JOHN YELD, Staff Reporter

THE WILDERNESS. — The first gas from the giant Mossgas fuel project near Mossel Bay will be pumped from the platform 86km offshore during the first quarter of next year.

The first refined product will be available from the fourth quarter of next year, while commissioning of the controversial project is scheduled for completion in the first quarter of 1993.

The operation should be in full production by the third quarter of 1993, some three to four months behind schedule, journalists were told during a site visit yesterday.

The five-year project will cost an estimated R9,8-billion to complete — 51 percent more than estimated in 1988.

A Press conference has been called here today by Mossgas to answer widespread criticism of the project. Details are also expected of an investigation by detectives of the SAP commercial branch into allegations of multi-million rand fraud during the granting and execution of Mossgas contracts.

The Minister of Mineral and Energy Affairs, Mr George Bartlett, will speak at the Press conference on the government's 1987 decision to proceed with Mossgas and the synfuel programme.

Another speaker is US engineering consultant, Mr Morris Brooks, who was called in earlier this year to evaluate the project by South Africa's auditor-general, Mr Peter Wronsley.

Mr Brooks' report was highly critical of the government, Mossgas management, Sasol and the Industrial Development Corporation for the manner in which the project was allowed to proceed.

But his investigation did not assess the viability of the project, nor did it deal with allegations of corruption. These, and cost implications and the role of the giant new refinery in South Africa's future energy requirements, will be dealt with today.

Yesterday, Mossgas managers stressed the project was a major technical achievement, which included several world "firsts".

Mr Ben Nel, project director onshore, said 13 utility units at the onshore production complex west of Mossel Bay had already been commissioned, including the fire water system, boilers, air separation plants and landfill area for waste products.

The first earthworks on the 410 hectare site had started in June, 1988 and by October this year construction work was more than 90 percent complete.

They were slightly behind the original construction programme because of the late delivery of equipment and material.

Offshore project director, Mr Mattie Oosthuizen, said work on this aspect had been ahead of schedule until the end of last year, but had then dropped behind as high offshore quality standards had not been met by contractors.

But the first production well had been completed and tested and the drilling of a second well was in progress and was due to be completed during the first three months of next year.

There was sufficient gas to supply the refinery for the next 30 years, although the decision on which fields to develop after the FA field presently being tapped becomes unviable in nine years, would depend on future technological development, he said.

Mossgas to start (SS) producing soon

BDay 5/12/91

LESLEY LAMBERT

MOSSEL BAY — Mossgas will start producing gas in the first quarter of next year and is expected to reach full production of 30 000 barrels of synthetic fuel a day by the third quarter of 1993.

This was confirmed by senior Mossgas officials yesterday at the start of a two-day news briefing at the Mossgas site in Mossel Bay.

They said the conversion of the gas into synthetic fuel would begin in the fourth quarter of next year and that the onshore component of the project — which was running about four months behind schedule because of "late deliveries in the early stages" — would be fully commissioned by the first quarter of 1993. The total Mossgas project was 98,2% complete, they said.

The project's total capital costs and commercial viability will be addressed at a conference today. The conference will be attended by Mineral and Energy Affairs Minister George Bartlett, Mossgas MD Bernard Smith and US special project assessor Maurice Brooks.

In a recent evaluation of the project, Brooks estimated that total costs would run to about R9,8bn. However, the total final cost — likely to be announced at today's conference — is expected to be higher because of additional last minute costs.

Soekor, which is operating the offshore project, has drilled and tested the first production well on the FA gas field, 85km south of Mossel Bay, and is drilling a second well. A third, it is expected, will be drilled by the first quarter of next year and a further six to 10 during the project's 30-year life span.

Soekor MD Kenneth Graham said recent estimates, based on seismic mapping, had confirmed estimates of gas reserves. "If we just produced from the FA field at the maximum rate, the gas will start dropping off and we will probably have to use compression after seven to nine years. Exploitation of satellites around the FA field should take the project on for another four years and then it will probably move to the EM field (49km west of FA)."

He said other prospects closer to the FA field were being investigated. These would be less costly to exploit. "There will certainly be enough gas for 30 years," Graham said.

Mossgas has signed a contract to export alcohol, a by-product of the synthol process in which gas is converted to synthetic fuel, to Brazil. Mossgas officials said the export contract would earn the project about R20m a year more than local use of the alcohol. Once the project was fully commissioned, Mossgas would consider putting the by-product to local use, they said.

The onshore project has commissioned 13 utility units so far, including a fire water system, plant and instrument air compressors and an air separation plant, according to Mossgas operations GM John Theo.

Mossgas aims at 12% fuel share

By Sven Lunsche (55)

STAR 5/12/91

MOSSEL BAY — Mossgas is set to provide 12 percent of South Africa's total fuel supplies when it reaches full production in August 1993.

Mossgas yesterday released details of its technical timetable ahead of a full announcement on the project's future today by the Minister for Mineral and Energy Affairs George Bartlett.

He is expected to disclose Mossgas's future financial structure, its long-term outlook and details of a price subsidy system for its fuel.

Mossgas is expected to receive a subsidy similar to that applicable to Sasol: when the selling price falls below a stipulated level, the Government makes up the shortfall under certain conditions.

At a media tour yesterday, general manager (operations) John Theo said the first gas from the off-shore platform should reach the on-shore synthol and refinery project in the first quarter next year.

The first product of the refinery, which will produce diesel and high octane fuel, is expected only towards the end of 1992.

Full production will be reached nine months later and could be in the region of 27 000 barrels per day, according to an independent estimate by a US expert in a recent Auditor-General's report.

Mr Theo said both the on-shore and off-shore parts of Mossgas were more than 95 percent complete, although construction of the massive on-shore site was about four months behind schedule.

Off-shore project director Mattie Oosthuizen provided details of Mossgas's gas reserves.

The current gas field and its satellite fields could provide up to 13 years of gas at normal production rates, he said.

Recently discovered gas reserves in the adjacent ME field could add a further 17 years' supply for the refinery, Mr Oosthuizen added.

The gas could be extracted through the existing platform, he said.

Engen has R1,4-bn for Mossgas

STAR 6/12/91

By Sven Lünsche (55)

Engen is set to invest R1,4 billion in Mossgas soon after the oil-from-gas project reaches full production in mid-1993.

Mossgas MD and Engen chairman Bernard Smith disclosed this at a press conference yesterday, saying total funding requirements would be R12 billion — R5,5 billion ahead of original estimates.

The R12 billion is the final sum required to bring Mossgas to full production by the third quarter of 1993.

Engen, which manages Mossgas through its 30 percent holding, will then have six months to decide whether to take up its options and secure its interests in the refunded project.

If Engen did not follow its rights, the Government would consider converting Mossgas to a public utility, Minister for Mineral and Energy Affairs George Bartlett said at the conference in Wilderness.

Mr Bartlett said Engen would not receive a guaranteed return on its initial R30 million investment.

Engen had said previously its decision depended on the commercial viability of the project.

Mr Smith said yesterday Mossgas was set to provide satisfactory returns without additional state subsidies for its capital programme.

Mossgas general manager, finance, Frank Reuvers said the project would be funded on a basis of 40 percent shareholders' equity, 20 percent commercial loans and a 40 percent soft loan by the parastatal Central Energy Fund (CEF).

The CEF is a 70 percent shareholder in Mossgas and will have to provide about R3 billion of equity capital. If Engen takes up its rights, its share will be about R1,4 billion.

Mr Reuvers said the commercial loans amounted to about R2,3 billion and comprised state-subsidised foreign loans linked to the supply of imports for the project.

The average annual interest charge on these loans was about 14,3 percent and the first repayment of R350 million was due next June, he said.

Mr Smith said that based on an international oil price of $19 per barrel in 1989 and an annual inflation rate of 15 percent, the project should give a nominal rate of return of 10,5 percent per annum over the next few years.

Should the price fall below $23 per barrel, the Government will make up the shortfall as per existing synfuel producers.

As its major target market is the Southern and Eastern Cape, Mossgas is not likely to receive the transport subsidy applicable to Sasol.

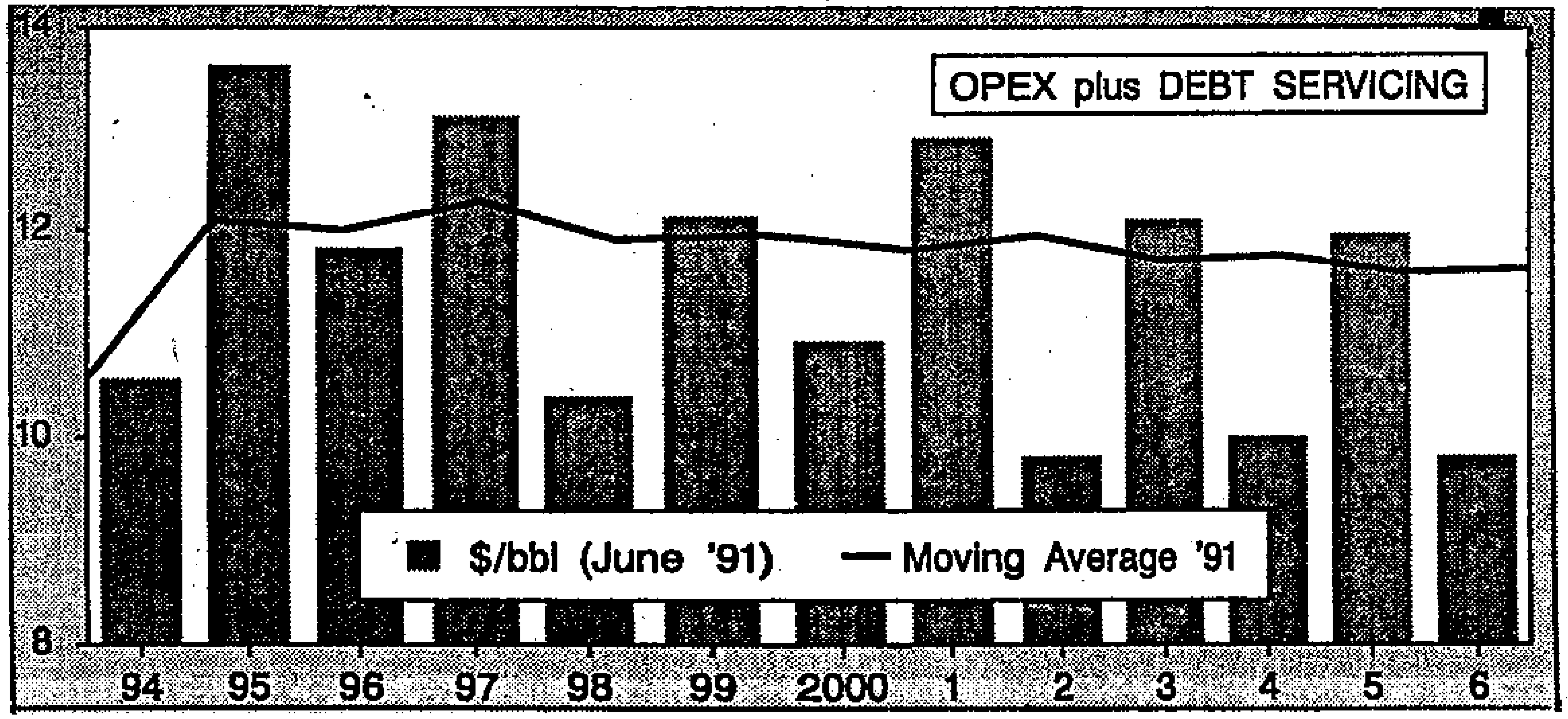
To achieve cash flows which merely balanced operating expenditure and debt servicing for the first ten years of operation, Mr Smith said an average price of only $12 per barrel was required. (see graph)

A price of $19 would provide a rate of return in line with inflation.

At that level Mr Smith also forecast that net revenue would rise steadily from about R400 million in 1994 to just over R2 billion by the end of the decade.

The net position — after deducting capital and interest costs — would remain positive until about 1998, when Mossgas planned to start construction of a R2 billion platform to develop its second major gasfield.

Mr Smith said the discovery of new gas and oil fields near the existing areas would extend the life of the project well beyond its currently estimated 25 to 30 years.



Mossgas's cash break-even oil prices (US$ per barrel) from 1994 to 2006.

Management remains 'confident'

Mossgas set to run R5bn over budget

B|Day 6/12/91 · (55)

LESLEY LAMBERT

LATEST estimates of total Mossgas funding have risen to R12bn — almost R5,5bn more than originally expected in 1987 — but Mossgas management is confident that the project will generate a positive cash flow when it goes into full production at the end of 1993.

However, estimates using the same funding, oil price and other crucial assumptions as those used to calculate the cash flow, indicate that over its estimated 25-year lifespan the project will produce a negative real internal rate of return which could dissuade Engen from taking up its option of a 30% stake after full production has been reached.

Mossgas MD Bernard Smith disclosed at a conference near the oil-from-gas project's site in Mossel Bay yesterday that capital costs had been updated in September 1991 to R10,5bn. It was estimated that an additional R2bn in working capital and borrowing costs would be added to this by the time the peak funding period was reached late in 1993. He stressed, however, that this amount could be lower as it included a contingency provision.

The cost overruns were attributed largely to higher than expected inflation, delays and changes in the scope of the project.

Smith said the cashflow expectations were based on the following assumptions:

□ Maximum output of 27 000 barrels of oil a day;

□ Real oil prices based on $19 a barrel in 1989 monetary terms, which would equate to about $25 a barrel in 1994 terms;

□ Inflation rates of 15% in SA and 6% in the US over the life of the project;

□ Payment of an in-bond-landed price at ports of delivery;

□ No import protection in terms of the $19 a barrel scenario; and

□ Unrestricted revenue enhancement opportunities.

Calculations supplied by Mossgas showed that in June 1991 terms, shareholders in the project would require a $19 oil price to break even after servicing commercial but not Central Energy Fund (CEF) loans. The entire project would require an oil price of $33, also in 1991 terms, to break even.

Mineral and Energy Affairs Minister George Barlett, who reconfirmed government's decision to proceed with the project, said Mossgas could meet continuing costs without state subsidies at oil prices above $13,50 in 1991 terms.

At the higher anticipated prices, however, it would be able to repay state funds and earn a "reasonable return", while saving significant amounts of foreign exchange. Smith confirmed that the project could save the country R120bn in foreign exchange during its first 25 years.

Bartlett insisted that while it was possible government would agree to a support price of $23 a barrel — similar to that currently received by Sasol — no additional taxpayers' funds or fuel levies would be used to support Mossgas if oil prices fell below those required by the project.

□ To Page 2

Mossgas

B|Day 6/12/91 (55)

□ From Page 1

Of the total R12bn funding, R2,2bn had been raised by commercial loans and export credit facilities at an average cost of 14,2%, said Mossgas finance GM Frank Reuvers. The rest of the funding is made up of equity provided by managing shareholder Engen and the CEF.

The bulk of the commercial loans will be repaid over five years, with the first six-monthly payments starting in July. One of the larger export credit facilities from German company, Linde, has been structured over a longer eight-year period.

The cashflow allocation priorities are:

□ The operating costs, increases in working capital and servicing of commercial loans;

□ A non-cumulative return on shareholders' equity up to a maximum of 2% above the long-term RSA stock rate;

□ 75% as interest on CEF loans, which make up 40% of total funding; and

□ 50% of any balance as repayment of CEF loans and the other 50% as a further return to shareholders.

Participants in the project are confident it will provide significant economic spin-offs for SA. Apart from foreign exchange savings, Mossgas has contributed 4% to total gross domestic investment between 1988 and 1991, peaking at 6% in 1990. It was responsible for 55% of total new fixed investment during 1989 and 1990 and created employment for 46 500 people.

The project has also opened opportunities for foreign trade and achieved successes in technology transfer.

Mossgas to cost Govt extra R5-bn

STAR 6/12/91.

By Sven Lünsche (SS)

WILDERNESS — The Government yesterday lifted the lid on its controversial and secretive Mossgas oil-from-gas project and committed itself fully to the continuation of the project.

Mossgas chief executive Bernard Smith said at a press conference that the total funding of the project would be R12 billion, almost R5,5 billion higher than originally estimated in 1987.

When in full production towards the end of 1993, Mossgas would also receive State support if the international oil price fell below $23 (about R65) a barrel.

Mr Smith disclosed that new gas reserves had been discovered south of Mossel Bay, which would extend the life of Mossgas considerably. Oil reserves had also been discovered in the Bredasdorp Basin.

Mr Smith said the viability of these fields would still have to be evaluated.

Defending the project, Mineral and Energy Affairs Minister George Bartlett said Mossgas could save the country R120 billion during the first 25 years of its operation.

No additional fuel levies, apart from the existing levy, would be required to fund Mossgas, he said.

Mr Bartlett insisted that it would not make economic sense to mothball the project.

On the funding of the project, Mr Smith said R9,8 billion of the total cost of R12 billion related to the capital cost of Mossgas. The remaining R2,2 billion was additional financing and borrowing costs.

Mr Smith reiterated that no further State subsidies were required after full production had been reached in August or September 1993.

However, Mossgas would receive a fuel price support system similar to that applied to Sasol. If the fuel price fell below $23 a barrel, the Government would make up the shortfall.

An independent report by an American expert, endorsed by the Auditor-General, recently disclosed that Mossgas would produce more than 27 000 barrels of fuel daily once full production had been reached. This amounts to roughly 12 percent of South Africa's total estimated fuel needs.

Of the total R12 billion, R2,2 billion has been raised through foreign loans linked to imports of capital equipment for the project.

Mossgas project general manager John Theo said the first gas from the FA offshore platform would reach the onshore synfuel project early next year.

Sapa reports that the parliamentary Joint Committee on Public Accounts wants the Auditor-General to conduct an independent expert evaluation on the economic viability of the Mossgas project.

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Sowetan 6/12/91

Eskom 'left much to be desired'

SOWETAN RADIO METRO TALKBACK

THERE are probably legitimate reasons why people fail to pay their electricity bills, Eskom official Mr Johan du Plessis said during the *Sowetan*/Radio Metro Talk Show yesterday.

Du Plessis said it was the quality and management of supply that needed to be put right.

He said meter readers were often not sufficiently trained and motivated to execute their duties.

"Local authorities will need to train personnel to be able to provide quality service that will be without blemish."

The fact that meters were often out of order did not augur well for generating confidence among consumers.

Du Plessis said the management of supply was an issue that left much to be desired in some of the black local authorities.

Eskom insisted on quality customer services and good relationships with the consumers.

"Unfortunately that cannot be said of the black local authorities," he added.

He said Eskom could not always intervene when consumers encounter problems with municipalities.

"They have the right of supply, and we leave it to them to administer the supply as they see fit," he said.

Mr Peter Kgame said Eskom operated a power line service which tries to attend to queries made by the consumers.

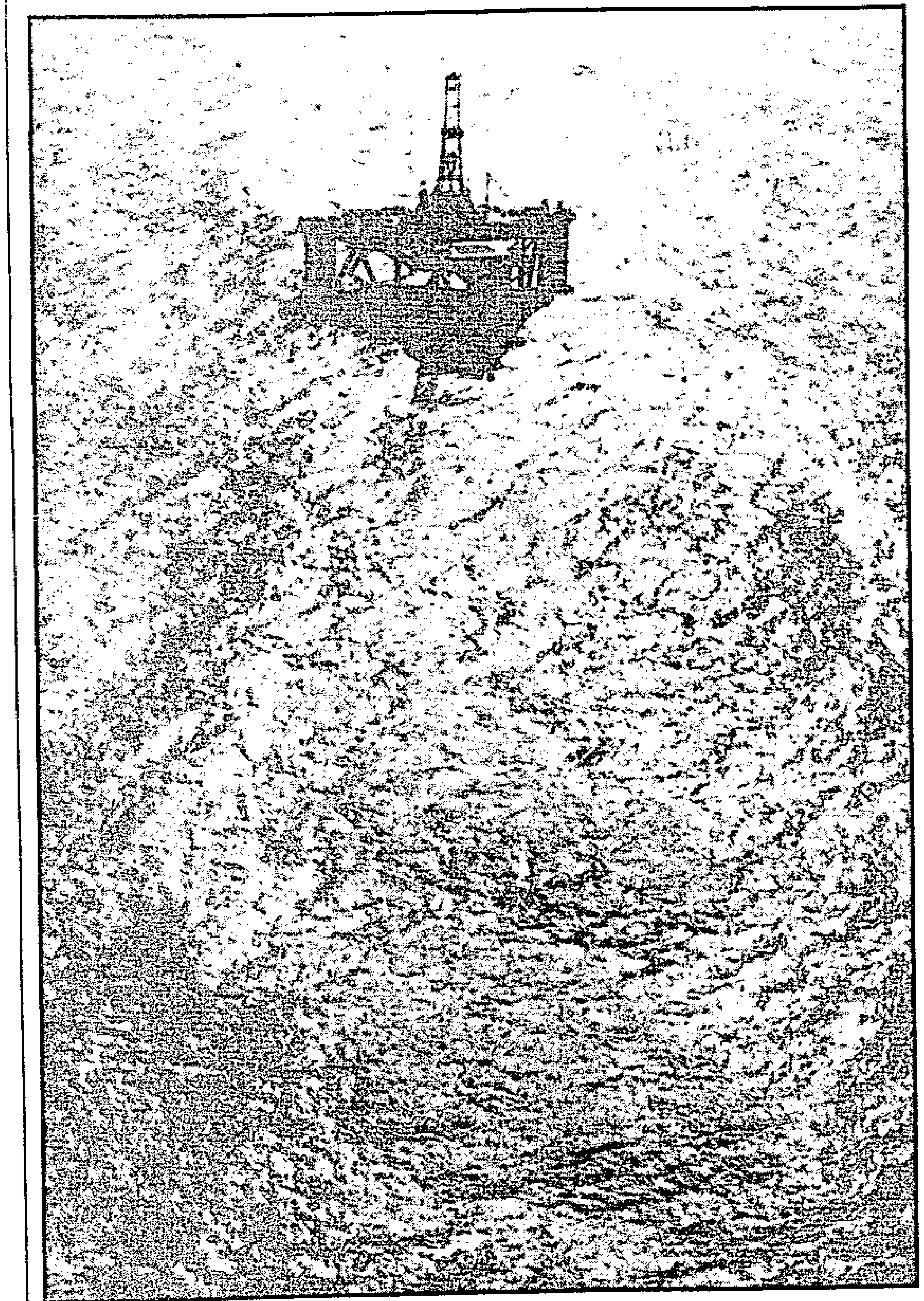
Oil rig homes cost R1m

ENGEN has provided R250 000 for the recycling of accommodation units or equipment from the Actinia oil rig which have been allocated to 38 community organisations in the western Cape. The final cost of recycling will be about R1m.

B Day 6/12/91

Mossgas on the scales

(55) STAR 7/12/91.



ISLAND OF MECHANISATION: The giant Mossgas platform, anchored off the southern Cape.

SVEN LUNSCHE

FIVE years after the controversial Mossgas project was launched, the Government this week finally lifted its veil of secrecy over the R12 billion oil-from-gas plant.

What emerges from reports is a history of flawed decisions by the National Party Government in its drive to maintain fuel self-sufficiency with little regard for economic considerations.

But what they also reveal is that Mossgas has significant technological and economic spin-offs which could well make it a viable and beneficial project in the future.

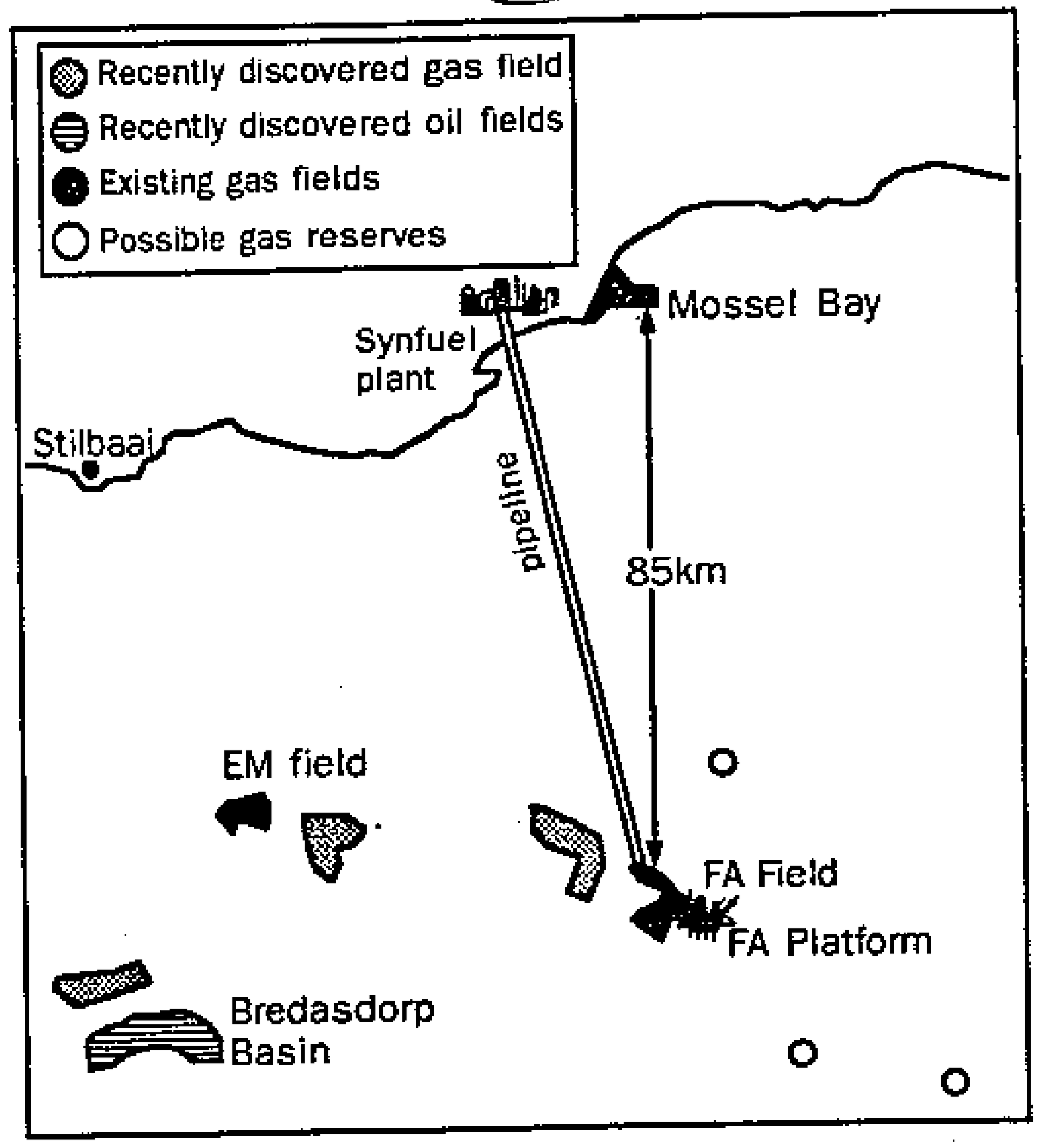
Mossgas, the joint-venture company between Gencor's energy subsidiary Engen and the parastatal Industrial Development Corporation and Central Energy Fund (CEF), which is running the project, this week pulled out all the stops to present it from its best side.

Both the offshore platform and the onshore synfuel plant, which converts liquid gas into fuel and other by-products, display the latest in engineering hi-tech and have involved a tremendous amount of planning and organisation.

Both sites are virtually complete and the first gas from the platform is set to reach the onshore plant early next year, with full production scheduled for the third quarter of 1993.

But what the impressive engineering feats tend to obscure are planning and strategic decisions by the Government, and subsequent management of Mossgas, which saw costs of the project escalate by 66 percent over budgeted schedules.

This amounts to R5,5 billion and will push the total funding requirements of Mossgas to about R12 billion by the time the project is completed.



Evidence of the history of mismanagement was presented to the Mossgas conference this week by a US energy expert, Maurice Brooks, in a report fully endorsed by the Auditor-General.

Summarising his findings, Mr Brooks writes: "As the current cost overruns now show, Mossgas underestimated the magnitude and complexity of the project and did not fully grasp the impact of the constraints imposed on the project."

Mr Brooks's report provides considerable detail of how the need to augment SA's own energy resources, while at the same time stimulating local demand and achieving a transfer of technology, led to substantial schedule and cost overruns.

These factors include the local-content requirement of 80 percent, the insistence that overseas contractors have local partners, and the decision to separate the project and engineering management of the project.

As a result, delays of up to eight months resulted in a capital cost budget R3,3 billion over the original estimate in February 1988. Apart from the strategic needs of the project, there is additional evidence of direct Government interference in the project.

At the conference, Mossgas managing director and Engen chairman Bernard Smith said they had to build a COD plant for R34 million, because "the generals wanted diesel".

Mineral and Energy Affairs Minister George Bartlett, the fourth minister to oversee the project, defended the decision, saying "South Africa was under siege at the time and the sanctions screws were tightening".

In his report, Auditor-General Peter Wronsley, however, argues that the Cabinet should be accountable for the fact that the strategic considerations at the time "appeared to outweigh the then extant and predictable economic disincentives".

In his report, Mr Brooks to a large extent exempts the offshore platform from his criticism of the contract management. Cost and scheduling of the platform — situated 85 km south of Mossel Bay — went, by and large, as scheduled, and was well below the overruns experienced by similar mega-projects.

It is also the area where the benefits of the project, in terms of the acquisition of technical know-how, will be felt almost immediately. According to industry sources, the firms involved in the construction of the platform have tendered for similar projects in Angolan and Brazilian oilfields and stand a chance of winning the contracts.

The platform also has the facilities to utilise the vast gas reserves adjacent to the original exploration field, which will provide gas for the project for up to 30 years.

However, Mr Smith disclosed at the conference that recent tests indicated that further substantial reserves had been discovered to the south, in the Bredasdorp basin, and to the east of the first field (see map).

These reserves could extend the life of Mossgas considerably and further justify the huge investments, he said.

Dr Kenneth Graham, MD of Soekor, the CEF's exploration arm, added that there were good prospects of oil reserves in the Bredasdorp basin which could be exploited, depending on drilling results.

Encouraging though these results may prove, they will not play a major part in deciding the future of Mossgas.

Minister Bartlett committed the Government to the project, but the structure of the project will only be decided shortly after full production has been reached in 1993.

This is when Engen, which has managed Mossgas since 1989, has to decide whether to take up its options and continue to hold a 30 percent stake in the then refunded project. The alternative will be to convert Mossgas to a public utility in line with Eskom.

However, a withdrawal by Engen would put a serious question mark over the future profitability of the project, as many industry sources credit Engen with holding the funding excesses within containable limits after the initial bungling by the Government.

Engen's decision to participate could force it to invest up to R1,4 billion of equity shareholding, with the balance being injected by the CEF.

Mr Smith was optimistic that the project could generate positive cash flows once full production has been reached, and at this stage it seems that Engen will take up its options.

But the financial outlook is based on a number of assumptions. These include an oil price of $19 a barrel in 1989 terms, rising by 6 percent a year, at which shareholders would reach break-even level for investment.

Despite the huge cost overrun, Mossgas has had and will have huge economic benefits not only for the southern and eastern Cape, but to a lesser extent for the country as a whole.

Among the spin-offs listed in a recent report by the Reserve Bank are:

- Mossgas presented 55 percent of total new fixed investments during 1989/90.
- The project created 46 000 new jobs, many of them creating new skills.

Doubtless these are considerable benefits, particularly at a time when the economy was going through a slump, but the question remains whether in "normal" political times such a project would even have reached the drawing board.

New Mossgas spending shock

S/Times (Buss) 8/12/91. (55)

By CURT VON KEYSERLINGK

THE Mossgas project should end up costing R3-billion more than the R12-billion reported this week. The total cost will rise to R15-billion.

Mossgas executives say the R12-billion is made up of R10-billion for installations being built and R2-billion for costs associated with plant start-up and delays.

But there is not enough gas beneath the offshore platform to supply the onshore plant for its full life. Mossgas will have to spend an additional estimated R900-million in today's money on satellite wells near the platform and R1,8-million on a platform 45 kilometres away.

It has made provision for expenditure on such facilities in its cash-flow projections. Construction is likely to begin in the late 1990s.

"If Mossgas runs true to form, the combined cost of these items should easily exceed R3-billion," says an industry expert.

Provision for a second production platform was made in Mossgas' initial costings. But it was quietly dropped and and has not appeared in capital expenditure estimates since the Mossgas feasibility study update in January 1987.

Peak

These estimates did not drop after omission of the second platform, but rose dramatically.

In January 1987 total capital cost was put at R5,5-billion in inflation-adjusted terms. Late last year Minister of Mineral and Energy Affairs George Bartlett put the figure at R9-billion.

Further increases in Mossgas' total capital costs cannot be ruled out. By September this year only two-thirds of the total capital cost had been committed.

There are still more than 10 000 construction workers on site — down from a peak of 16 000, but higher than the originally estimated 8 000.

Mossgas now faces another challenge in fixing the price at which it will sell its petrol and diesel to oil companies which are expected to distribute it under their own brand names.

Mossgas managing director Bernard Smith, who is also chairman of Engen, says the price they pay will have to be the so-called in-bond-landed-cost (IBLC).

The IBLC is based on the delivered cost of petrol and diesel in SA ports from four refineries in the Middle and Far East.

The concept of ILBC was introduced years ago by the Government to induce oil companies to set up refineries here. It guaranteed a minimum price that would provide them with attractive margins.

Oil companies are clearly unwilling to pay Mossgas the ILBC.

"If we pay this price, we sacrifice the margins we would have made had we produced the product in our refinery and we also end up with some underused capacity," says a source in an oil multinational.

"If we are not compensated for this loss it means that one of our competitors, Engen, is being enriched at our expense.

"If the Government is to compensate us for this loss, it will be at the expense of the taxpayer. Either way I do not see why a privately owned company should be allowed to benefit.

"We will take up the matter with the minister in the coming week."

A source in another international oil company expects "momentous negotiations" on the price of Mossgas products. But he says he is not prepared to conduct them through the press.

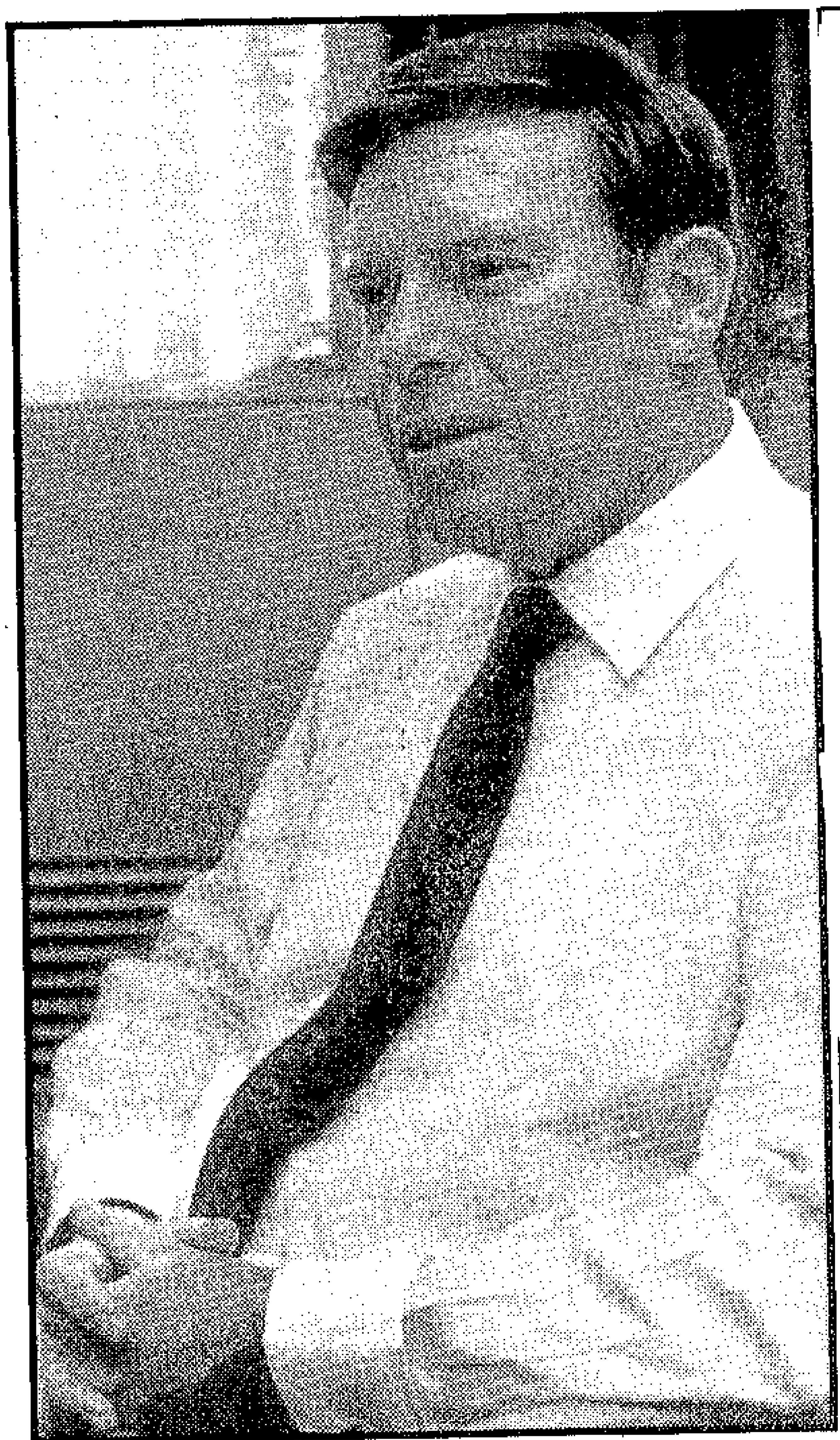
Subsidy

Mr Bartlett says the matter of protection — in reality a State subsidy — for Mossgas similar to the one received by Sasol has also not been resolved.

Mr Smith says the matter is academic because the subsidy is paid only when the oil price is below $23 a barrel. The oil price is likely to be higher than this when Mossgas starts production.

But production costs of new wells in Arab countries are less than $7 a barrel. Many analysts do not see much chance of this figure being reached soon.

At present the price is $16,20 — in the European winter when demand is high.



Man in the hot seat BERNARD SMITH: Subsidy is academic

'Energy' centre opens in Khayelitsha

Staff Reporter

55 ARG 9/12/91

AN information centre, to inform and educate residents to use energy efficiently, cost-effectively and safely has been opened in Khayelitsha.

Housed at the Western Cape Training Centre buildings next to Spine Road, the Masizakhe (Let us build ourselves) Energy Information Centre was opened by the manager of the National Energy Council, Dr I Kotze.

To be manned full-time, Masizakhe will educate and advise residents on the safer use of various energy sources, be it paraffin, gas or electricity.

Large areas of Khayelitsha are not electrified and paraffin is the popular source of energy. Only newer core house developments are electrified and the pre-pay card system is in use.

Dr Kotze said a study had shown that people use many types of fuel.

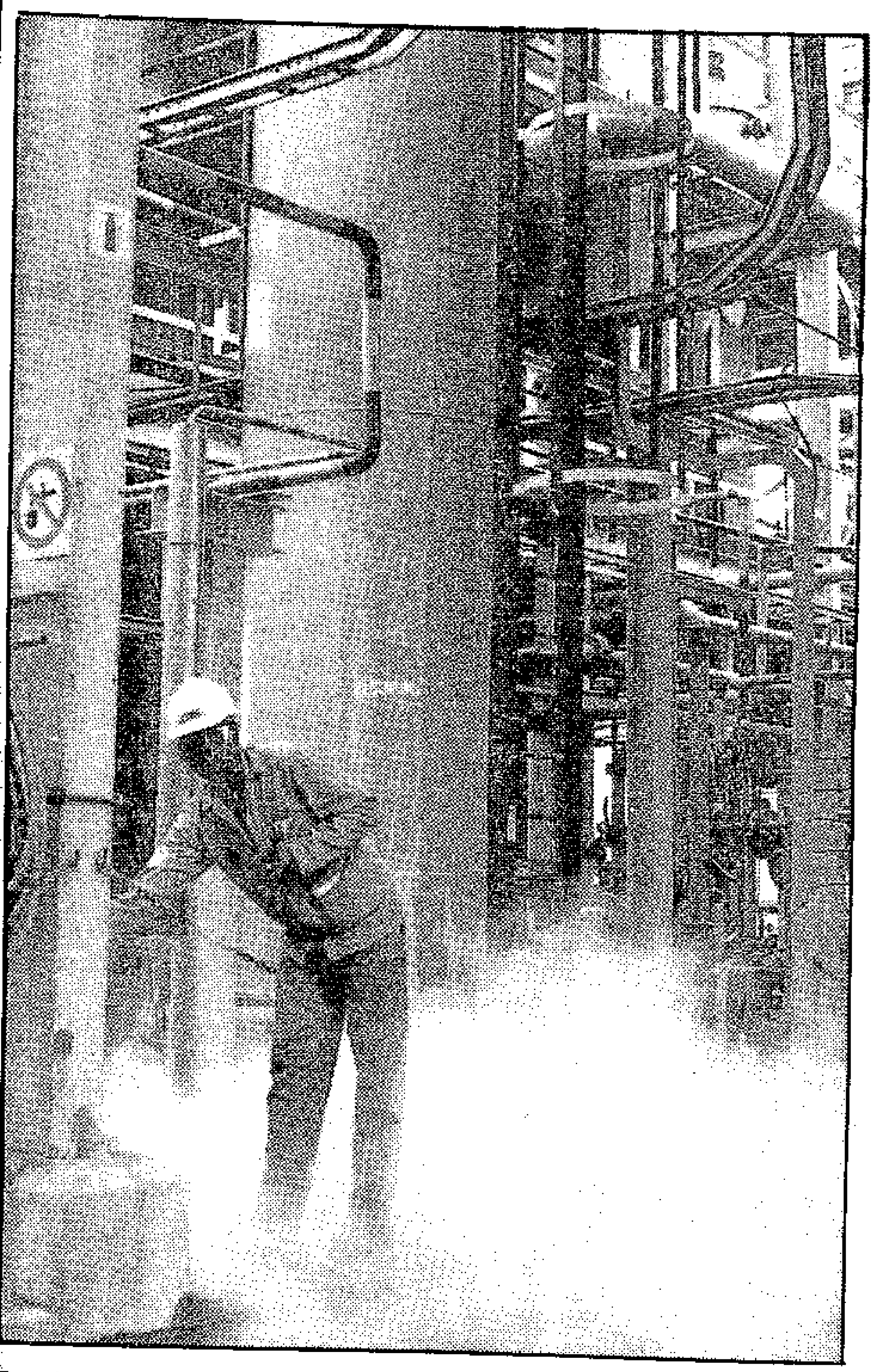
'This was the case even in the electrified areas, with electricity often in the second place.

"People's preference for fuel is determined by a complex set of conditions, some economic, some cultural ...

"It is therefore clear that a centre focusing only on electricity would serve the needs of a small group of people only, hence the establishment of the centre."

THE POWER OF **Chemicals**
A Star advertising feature

The man in the street knows little about the chemicals industry, but there is hardly an sector to which it does not supply some strategic need. This feature was written by RON SCHURINK, with assistance from the industry.



Production of "manufacturing-industrial chemicals" in South Africa is closing in on R1 billion in value.

Mossel Bay gas cracker possible

Mossgas claim boosts industry

STAR 9/12/91 (55)

The announcement at the end of last week that additional gas reserves may lie close to the FA field which Mossgas is tapping first, was welcomed by Sentrachem managing director John Job.

"In addition to extending the life of the project as a whole, this means the chemical industry has a better chance of participating in a gas-cracker at Mossel Bay," he said.

Imbalance

"And our products tend to add value massively — compare values per ton of around R800 for propylene in fuel, R1 500 for monomer propylene and R3 000 for polypropylene," Dr Job said.

Such a cracker would help in repairing an imbalance in the chemical industry which had arisen in the years of "difficult access to the oil barrel".

"Virtually everywhere else chemical industries obtain their requirements most cost effectively from oil — you must just see the chemical plants round a place like Houston, for instance.

"In South Africa, coal is the basis of locally produced fuel, and that process does not deliver all the same chemicals," Dr Job said.

One "large chunk of the raw materials base" missing in South Africa were those known as aromatics — benzine, toluene, and styrene.

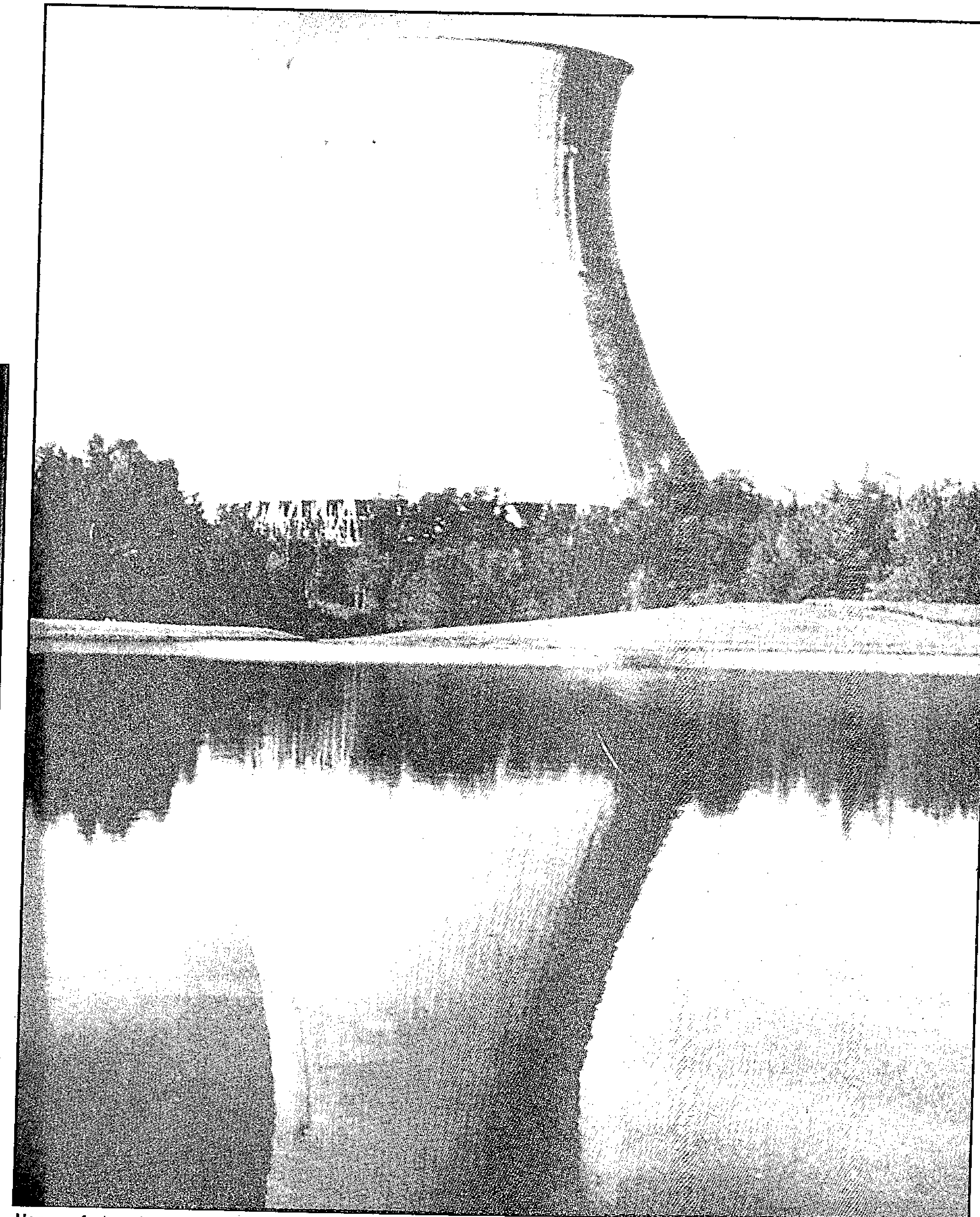
"As the country's largest user of styrene, Sentrachem imports some 30 000 tons a year," said Dr Job.

The country's bill for this and other aromatics easily runs into hundreds of millions of rand a year.

While the prospects of obtaining aromatics from Mossgas remain uncertain, Sentrachem is considering a joint venture with one of the refining companies as they expand capacity.

Dr Job says that should adjacent finds enhance Mossgas's uptake sufficiently, the chemical industry could tap directly into refinery sidestreams.

Sentrachem managing director D John Job says a cracker at Mossel Bay would help in repaling the imbalances in the chemicval industry.



Users of chemicals, farmers among them, should prepare for a change in their lives, with legislation envisaged to increase awareness of the need to protect the environment.

See Page 19

Prepaid meters for townships

STAR 10/12/91

55

By Abel Mabelane
East Rand Bureau

Town councils in East Rand black townships are negotiating with Eskom for the installation of prepaid electricity meters.

In the interim, councils are warning rent boycotting residents to pay up or face electricity switch offs over Christmas.

The administrator of Duduza, Willie Robinson, said only 27 percent of residents were paying rent. The council had received R280 000 from the Regional Services Council for the installation of prepaid meters, which, he believed, would restore trust in the black townships accounting system which had already lost credibility.

Tsakane's administrator, Jim Vining, whose council owed Eskom R4 million, said the council was also negotiating with Eskom for the installation of prepaid meters.

The mayor of Vosloorus, Morris Sinukela, said at least 67 percent of residents were paying rent. Residents who did not had their power cut off, as was happening in individual houses in Tembisa at Hospital View and Moriteng Section.

Eskom hotline to canvass residents

ROBERT LAING

ESKOM has launched a toll-free telephone service to canvass township residents' grievances about services provided by local authorities and to establish their reasons for not paying electricity accounts.

An Eskom spokesman, who asked not to be named, said Powerline aimed to gauge to what extent non-payment was the result of poor service, rather than a form of political protest. The utility believed market research would support CE Ian McRae's contention that non-payment was not mainly a political issue, as local authorities claimed. BDay 10/12/91.

The spokesman said Eskom, in its bid to bring electricity to townships, had been hamstrung by municipalities which saw the utility as a threat. Soweto and other local authorities refused to cede reticulation rights to Eskom for fear of losing revenue from electricity sales. Eskom argued that SA did not have enough technically qualified people to allow each local authority to run its own service.

Powerline advertisements, placed last week, read: "If you have complaints about electricity, or any ideas for ways to solve the problems, please talk to us. We are members of a concerned team at Eskom, who actually live in the communities we serve." (256) (55)

Powerline's number is 0800-11-27-22.

First blacks for technical college

53

At least 32 Tembisa students will be the first blacks to be admitted to the Kempton Park Technical College to study draftsmanship and electrical and mechanical engineering next year.

The students are all children of employees of the Metal Box company, which will finance their studies to the tune of R450 000 over the next three years.

Metal Box technical training manager G van As said 12 of the students — 11 of them girls — would study draftsmanship and the rest would study electrical and mechanical engineering. — East Rand Bureau.

STAR 11/12/91.

'Positive cash flow' from R12-bn Mossgas project

55

ARG 6/12/91

JOHN YELD, Staff Reporter

THE giant Mossgas project to produce petrol and diesel from natural gas pumped from 85km off the Mossel Bay coast will cost R12 billion by the time continuous production is achieved in 1992.

This estimate is based on R9,8 billion project costs (as at April 1991) and R2,2 billion peak funding (pre-production costs, delay provision, working capital, operating cash flow and finance charges, as at October 1991), it was disclosed at a Mossgas Press conference at The Wilderness yesterday by Mossgas managing director Mr Bernard Smith.

The project was originally estimated at R5,5 billion, including two offshore platforms, when the Cabinet gave its initial approval in 1987. From 1988, when final approval was given, to 1991, costs have increased by 50 percent.

These increases were caused by programme delays (21 percent of the increase), inflation effects greater than forecast (31 percent), changes to the scope of the project and new regulations (28 percent), and by project definition and estimating (20 percent), Mr Smith said.

But, based on an oil price scenario of $19 (R53,20) a barrel in 1989 monetary terms ($21,35 or R59,75 in current money) and inflation rates of 15 percent and six percent in South Africa and the United States, the "megaproject" is expected to yield a positive cash flow continuously from the time production starts, except for about four years when a second offshore platform is constructed.

MOSSGAS FM 13/12/91 (55)

Messages from The Wilderness

The public is still under-informed about details of this huge disaster

The media conference at The Wilderness last week was a brave effort to come clean. Mossgas sought to put the best possible face on what to all appearances is a frightful misapplication of resources.

The project raises many issues of considerable importance — primarily, where political blame rests for a venture so ill-judged in economic effectiveness. But that is only the start of the inquiry.

Are the gas production platform and synthetic fuel plant still worth running? How much longer must public debate on fuel issues (especially the vexed question of protection for synfuels) be conducted in the twilight of official secrecy? And has the time come to examine whether the hypertrophied bureaucracy, and proliferation of public-sector bodies concerned with the supply of energy, can be trimmed?

The new numbers of cost overruns are appalling (see table). Think what could have been done for social upliftment with R12bn (the R10bn of capital plus R2bn of preproduction expenses and the like). All this money has been spent to achieve a modest (even derisory) output of synthetic fuels — the equivalent of an oil refinery producing about 27 500 barrels of products a day averaged over the 25-year life of the plant, equivalent to the refined products derived from a conventional refinery processing between 35 000-40 000 BPD.

The insignificance of this is illustrated by noting that the Saudis are spending US$5bn (about R16bn) to expand sustainable production from their prolific oilfields. But that $5bn will buy incremental daily production of *3m* barrels of crude oil!

Centrepiece of the conference was a report by the Auditor-General incorporating an analysis of the project engineering and economics by distinguished US consultant Maurice Brooks. He unequivocally fixes ultimate blame on government for starting the project, then rushing the procedures and imposing political constraints on the choice of main contractors and local content requirements.

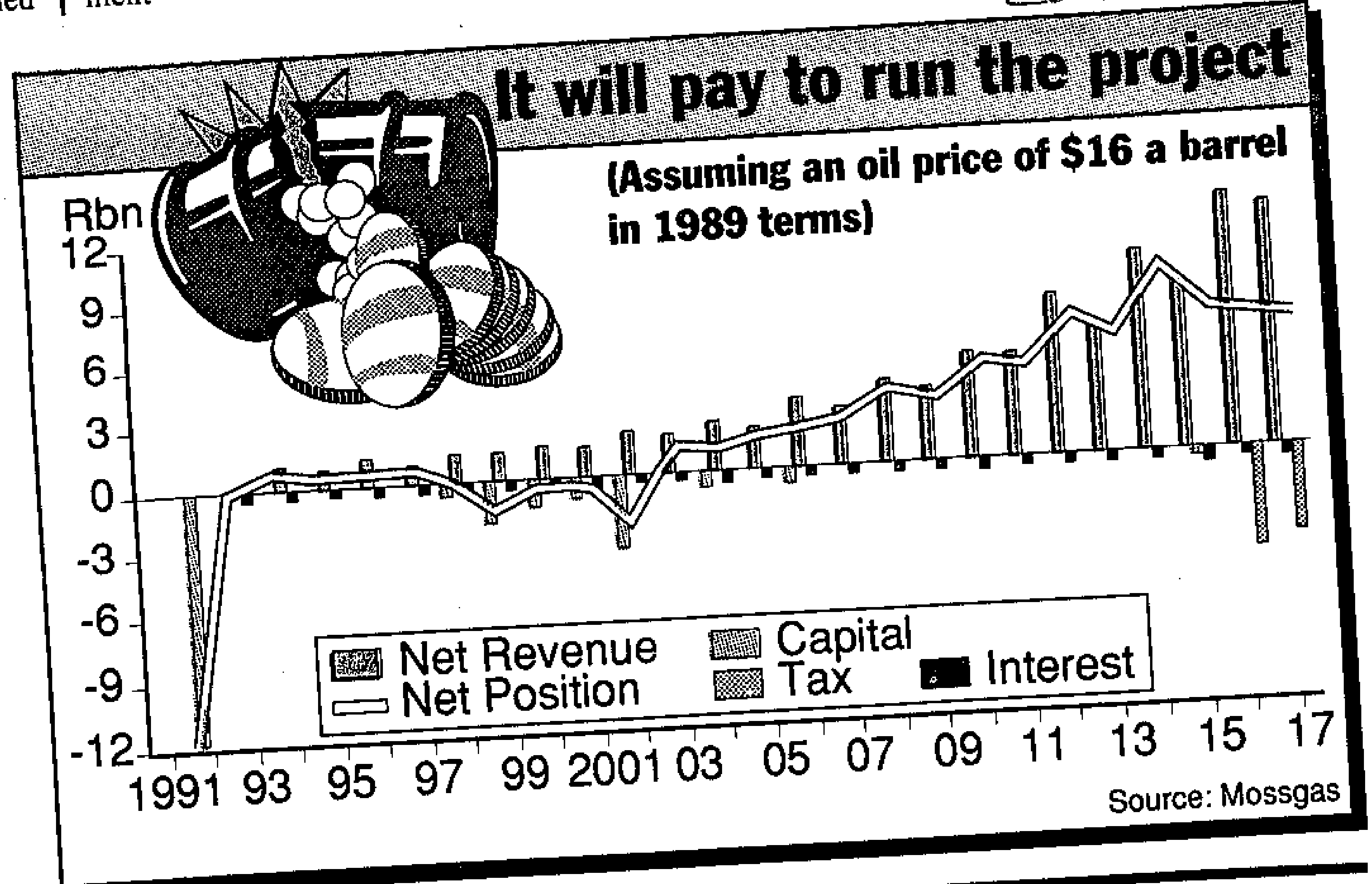
Brooks praises the offshore engineering part of the project and it is clear from the numbers that the main cost overruns occurred onshore. So the criticisms which follow — other than the basic decision itself — apply essentially to the conversion plant.

As if we didn't know, the culprit is government — which means, in terms of effective political power, the then President P W Botha. By some strange political fluke the onshore plant was located within Botha's personal bailiwick.

In terms of the energy policy then, government decided in 1987 to reject other synthetic fuel options, which included AECI's larger methanol-based scheme to run on coal and Gencor's smaller scheme to convert torbanite to liquid fuels. It was thought preferable to establish a smaller scheme than AECI's (intended to have a capacity of 40 000 BPD) as demand had not grown as much as expected, and Mossgas would reinstate the level of self-sufficiency established when Sasol 2 and 3 came on stream.

Having decided on a megaproject for stra-

Continue ->



tegic and political reasons, government further bedevilled the structuring of the scheme. The Sasol fuel synthesis process had been chosen (undoubtedly wisely), and both the Central Energy Fund and Sasol wanted Fluor of the US — which had skilfully designed and built Sasol's own synfuel plants — to manage and design the project.

Government vetoed this because intensification of sanctions might force Fluor to withdraw, which would be disastrous. The only trouble was that Fluor was one of the few contractors worldwide with the manpower and other resources to tackle a megaproject on the scale of Mossgas.

Instead, a partnership was set up between Edward L Bateman and Davy McKee of the UK to manage the onshore plant. This entity, Brooks finds, had insufficient resources of skilled manpower.

Then, further requirements were imposed on management — such as dividing authority between contractors. The original estimates were hastily arrived at and incomplete. The project was not sufficiently defined as a sound basis for cost projections when a firm commitment was made. This in itself guaranteed trouble.

On a much greater scale, the project managers — like renovators halfway through a house — changed their collective mind and added vast costs for extras. One was a refinery redesign to produce extra diesel — because "the generals wanted diesel."

Another big source of extra cost was the insistence on 80% local content, which overburdened the local engineering industry and produced demand inflation. Still another was government's refusal to accept that the project was behind schedule. Instead, great pressure was applied to rush it through, which led to extra labour costs for overtime.

The catalogue of major project planning and execution errors seems endless and can be studied in depth in the Brooks report. It seems remarkable that the project is now nearing completion, at whatever cost — a tribute to the dedication of the personnel working under pressure, within a hopelessly inefficient management structure and severe political constraints. But this does not absolve the political masters from blame.

Way over budget now

	Rm			%	
	Estimate	Final forecast	Growth	Nominal	Constant rand
Offshore	2124	2585	461	21,7	19,0
Onshore	4320	7174	2854	66,1	42,0
Corporate	34	46	12	35,3	n/a
Total	6478	9805	3327	51,4	n/a

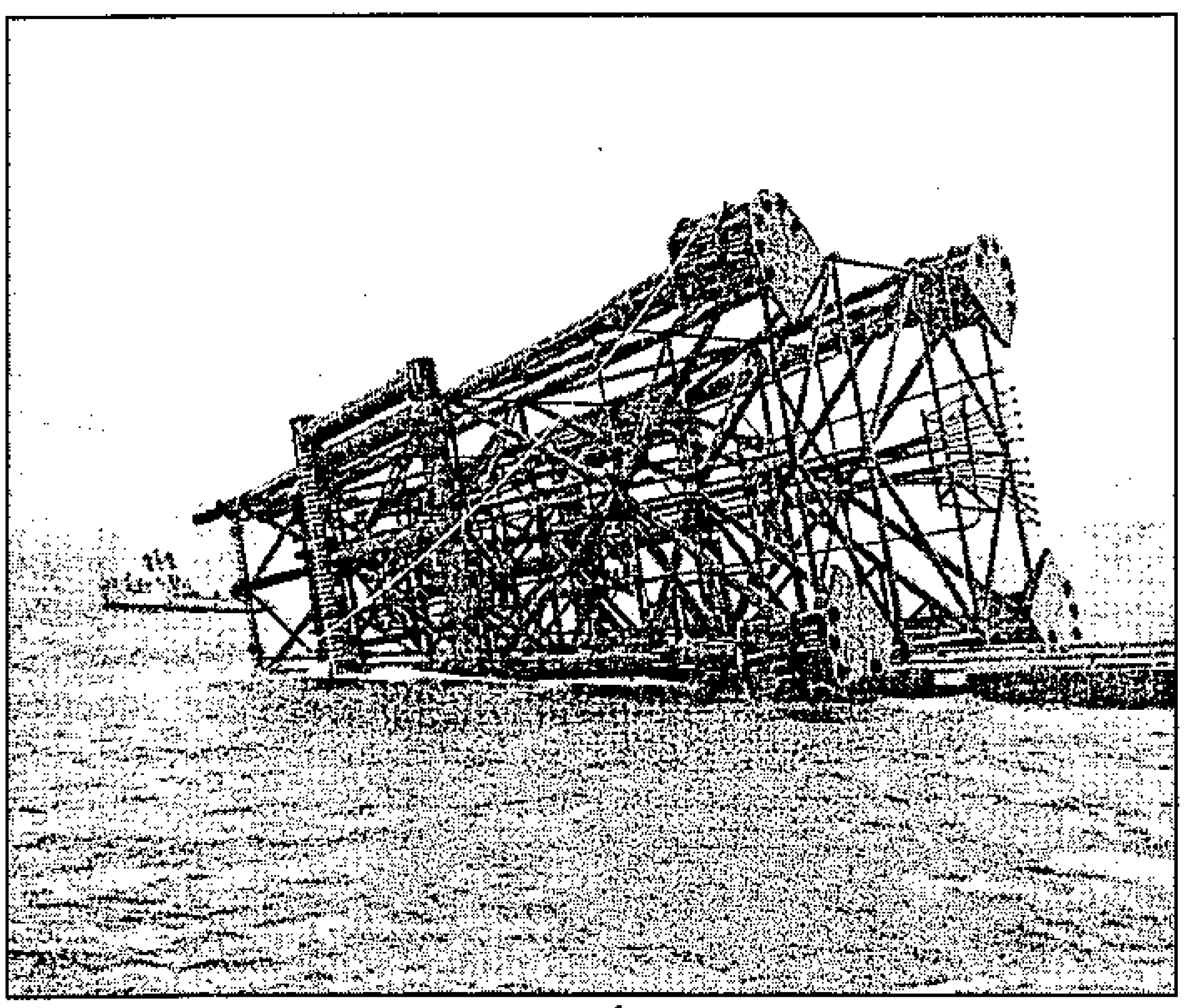
Source: M Brooks

Brooks notes that total growth in cost of R3,3bn included R1,5bn due to external factors beyond Mossgas's control, and R1,8bn due to internal factors. As external factors he cites higher escalation, increase in GST, surcharges, and demand inflation.

What is most distressing is that Brooks concludes that nobody can be sued. We are not told how he arrived at this dispiriting conclusion; and there can be no public confidence in it. However, Mossgas is not bound by a US consultant's view of the SA law of contract, and should scrutinise all contracts meticulously for any breaches.

Subject to Mossgas's own decisions on legal proceedings, a judicial inquiry might well be needed to look into the contractual issues, internal and external. It may also be appropriate for a judicial commissioner to re-examine Engen's option, to establish beyond doubt that it was obtained with no political favouritism.

The next question is whether to run Mossgas at all. The chart shows that a constant US$16 a barrel oil price (1989 values) over the next generation (based on Dubai crude) will deliver a positive cash flow, based on operating expenses, servicing of external loans and tax. (The second hump in capex reflects R1,5bn in 1991 money for a second platform to tap gas in the EM field, needed after eight years of production.)



Out to sea ... *original projections capsized*

As explained by Mossgas MD Bernard Smith, the break-even point in operating costs in June 1991 dollars is an oil price of $13,50 a barrel; for shareholders, $19 (but this excludes the cost of financing *soft* loans from the Central Energy Fund); and for the project as a whole, $33. However, an oil industry source contends that the figure for operating costs could be significantly higher. How has this level been estimated?

Smith says his figures assume that Mossgas receives the in bond landed costs for products (which is by no means certain), and is run to maximise petrol output. The issue still to be addressed is that the oil companies will want compensation for loss of refinery margin on output backed out by Mossgas.

Though Smith (again apparently assuming that the soft loans don't have to be serviced) says no protection is needed with oil at $19 in 1989 terms, or $21,35 in current money, Dubai crude is now a dismal $15, with no short-term encouragement for higher prices. Though Soviet output and exports are sliding, northern hemisphere winter buying will soon end and Kuwait (depending on the politics, maybe Iraq too) will return to markets early in 1992.

Kleinwort Benson oil analyst Mehdi Varzi argued at the conference that oil prices should improve slowly but steadily in the Nineties, as demand grows with the world economy and non-Opec supply falls.

But oil prices are notoriously difficult to predict. No-one can say with certainty that higher prices will float Mossgas out of its precarious position. Unpredictable political factors are at work.

The most that can be said is that it seems reasonable to run Mossgas while supplies of gas last from FA and any satellite fields accessible at low cost; and while it generates positive operating cash flow. (There are about R2bn of outside debt in export credits and commercial loans to service too.)

When the time comes to develop another major gasfield, no megabucks should be committed without transparent public examination of the economics. If these so dictate, Mossgas should then be shut without sentiment or further ado.

Proving additional gas reserves, especially nearby, could make the scheme more economic, and Soekor should exert maximum effort. Not only could more synfuel then be produced at reasonable marginal cost, ethane and propane in the gas could be diverted to produce valuable chemical intermediates, with great benefit to project economics.

Open questions are how to accommodate Mossgas output in the marketplace and what protection to apply at current oil prices. Government does not accept the *FM*'s free-trade position on protection and also clings to more secrecy than seems reasonable. But do we really still need to keep secret more than the source of our oil imports?

The latest annual report of the National Energy Council refers to an internal inquiry which concluded that the in bond landed costs and other features of the marketing and pricing of oil were satisfactory.

Though the conference was a great advance in candour, it is not enough. If public debate on protection and synfuel policy is to proceed rationally, the internal study must be made public. Concern to protect bureaucratic backs must not stand in the way. ■

Sasol joins hunt for oil

S Times (Buss) 15/12/91 [illegible] (55)

By ZILLA EFRAT

SASOL is trying to break into crude-oil exploration, adding impetus to a budding South African force in this area.

Sasol has asked for a licence to carry out exploration in Namibian waters.

It is also examining exploration opportunities in other countries, says a spokesman.

The moves are in line with the group's policy of diversifying into areas other than synthetic fuels.

A Sasol spokesman says the next round of negotiations with Namcor, the State-financed company co-ordinating oil and gas exploration in Namibia, will take place in March.

Namcor expects to award licences in June.

Although much depends on the size and nature of potential oil finds, the spokesman says this is a significant move for Sasol into an area of business not fully exploited before.

Engen has said that it is part of an international consortium bidding for rights to explore off the Namibian coast. It expects to know whether it is successful early next year.

A Namcor spokesman says 18 applications for offshore exploration rights have been received from companies all over the world. The Namibian Government will not disclose their names.

Engen also has interests in oil and gas exploration in the Alba and Kilda fields in the North Sea and is looking at West Africa.

In addition, SA's state-financed Soekor has been talking to African countries about oil exploration off their coastlines.

It is believed to be particularly interested in Angola and Mozambique.

The Sasol spokesman says the crude-oil business is not new to Sasol. It was involved in oil exploration through Soekor and was responsible for buying SA's strategic oil reserves in the 1960s before Sasol 2 was built.

Free of lead — at same price

By ZILLA EFRAT

UNLEADED petrol, given the green light by the Cabinet this week, should not cost more when it becomes available by 1995.

Mineral and Energy Affairs minister George Bartlett says fuel tax will be adjusted to keep the price down. S/Times (1455)

Mr Bartlett says engines designed to operate on unleaded petrol are fuel efficient. They are also not more expensive than engines that use leaded petrol. 15/12/91

However, the Automobile Association warns that lead-free petrol could cost more and be inflationary.

The Cabinet's decision is welcomed by the National Association of Automobile Manufacturers of SA (Naamsa).

Naamsa executive director Nico Vermeulen says the move will enable car makers to stay in the main stream of automobile technological development.

55

Export

He agrees with Mr Bartlett's statement that it will benefit the motor industry, giving it more export opportunities.

Mr Bartlett says atmospheric lead pollution levels in SA do not yet warrant the immediate introduction of unleaded petrol.

But because of a growing population and rapid urbanisation, SA's metropolitan areas are likely to experience similar environmental problems to those in countries which do not have unleaded petrol.

South Africans can enjoy their Christmas holidays without paying more for petrol.

Petrol stations have been granted a 1,5c/l increase in their profit margin.

But the Government will not pass it and transport tariff increases on to the consumer. They can be temporarily financed by the equalisation fund.

The Motor Industries Federation (MIF) welcoms a rise in profit margins, but asked for an increase of 2,6c/l after a National Energy Council (NEC) survey.

MIF executive director Vic Fourie says that since the completion of the NEC report several months ago, service stations' expenses have risen. Dealers are 3c/l short of what they need.

SA has most expensive gas

CT 16/12/91 **Business Staff** 55

SA HAS the most expensive gas out of 10 industrialised countries surveyed by the international firm National Utility Services this year.

And the survey report suggests, "with Mossgas exceeding budgets the prognosis is for an even more expensive price structure for business users in the future."

The survey showed that based on an industrial consumer using 10 547 gigajoules or 100 000 therms a year at a load factor of 50-60%, SA firms pay an average of R27,78 per gigajoule. This is an increase of nearly 23% from the previous year.

Cape consumers pay more

Cape consumers are paying more than this.

The report explains that R27,78 is "an unweighted average — a straight average of the three major suppliers Gascor (R14,97), Johannesburg (R23,23) and Cape Gas (R48,15).

"The next most expensive country analysed is Italy with an average price of R23,12 per gigajoule in September 1991, followed by Germany (R21,40), France (R17,74) and the UK (R15,47).

"Analysed differently, SA's average gas price is almost double the average for the other countries in the survey which included Italy, Germany, France, the UK, Belgium, Australia, the US, the Netherlands and Canada."

Costs expected to exceed R3bn

Refineries to upgrade for unleaded fuel

B Day 18/12/91 (55)

ROBERT LAING

SA's six oil refineries are to be upgraded at a cost of about R3bn, say industry sources.

Sapref, Genref, Caltex, Natref, Sasol II and Sasol III will be upgraded to produce unleaded petrol at a cost of roughly between R250m and R500m per refinery.

However, one industry spokesman said yesterday that these costs were in "today's terms" and would escalate over the duration of the project.

He added that all service stations would also have to be adapted to serve the new fuel but costs for this project were still being worked on.

Oil companies welcomed Friday's Cabinet announcement that unleaded petrol would be made available in SA as soon as possible.

Genref MD Errol Martin said the price of upgrading the plant to refine unleaded petrol could not easily be segregated from the overall R2,7bn cost of Genref's expansion project.

Genref, the Durban-based refinery which Gencor's energy subsidiary Engen took over from disinvesting Mobil, was the first SA refinery to plan unleaded production — embarking on the project about 18 months ago.

"It did not take a high degree of clairvoyance to see government would legislate in favour of unleaded petrol. We were looking 10 to 15 years ahead for our expansion project — during which time new engine technology and growing environmental concern would inevitably have favoured unleaded petrol," Martin said.

Caltex's Mike Maxwell said: "Caltex is undertaking various studies and analyses to determine the most cost-effective options of introducing unleaded petrol, making specific cost estimates impossible at present. Nevertheless, it is estimated that upgrading the Caltex refinery to meet the requirements of unleaded petrol could be several hundred million rands in today's terms."

Sasol spokesman Jan Krynauw said studies were under way to establish the cost of upgrading Sasol and Total's refinery Natref. Sasol II and Sasol III would also be upgraded, but not Sasol I because the plant was phasing out petrol production to concentrate on other chemicals.

Sapref MD Henri Joubert said an exact figure for the money required to upgrade the Durban-based refinery's expansion to unleaded capability was not readily available, but the amount was significant.

Sapref's joint owners Shell and BP recently gave the go-ahead for a R450m expansion project aimed at increasing the refinery's present capacity of about 200 000 barrels by 30% to 260 000 barrels a day.

Joubert said Sapref would have the capability to produce unleaded petrol within

☐ To Page 2

Refineries

B Day 18/12/91 (55)

☐ From Page 1

four years — the time limit announced by Mineral and Energy Affairs Minister George Bartlett last week. "Unleaded gasoline will cost 6c to 10c more per litre, but it must be introduced or SA will fall behind in new car technology," he said.

Bartlett said fuel tax would be adjusted to enable unleaded petrol to sell initially for less than leaded petrol to promote its acceptance by the public.

Bartlett's comment that leaded petrol would be gradually phased out sparked speculation that government planned to follow the introduction of unleaded petrol by legislating the compulsory fitting of autocatalysts to new cars.

An industry spokesman said SA's two autocatalyst manufacturers — Johnson Matthey and Degussa — could easily meet local demand.

A recent survey by Market Research Africa showed more than 2-million motorists were prepared to have their vehicles converted to use unleaded fuel and more than 1,7-million said they would pay R500 for the conversion.

New officials are appointed

Citizen 19/12/91

HENNIE J Dekker has been appointed deputy director-general of Mineral and Energy Affairs from December 1. (SS)

Dekker was connected to Pretoria University from July 1969 to June 1986 and to the Competition Board since July 1986.

A second appointment in Mineral and Energy Affairs announced yesterday was that of Leon van Zyl, who has been appointed the department's mineral resources utilisation chief director.

Van Zyl was formerly minerals and energy counsellor connected to the SA embassy in London.

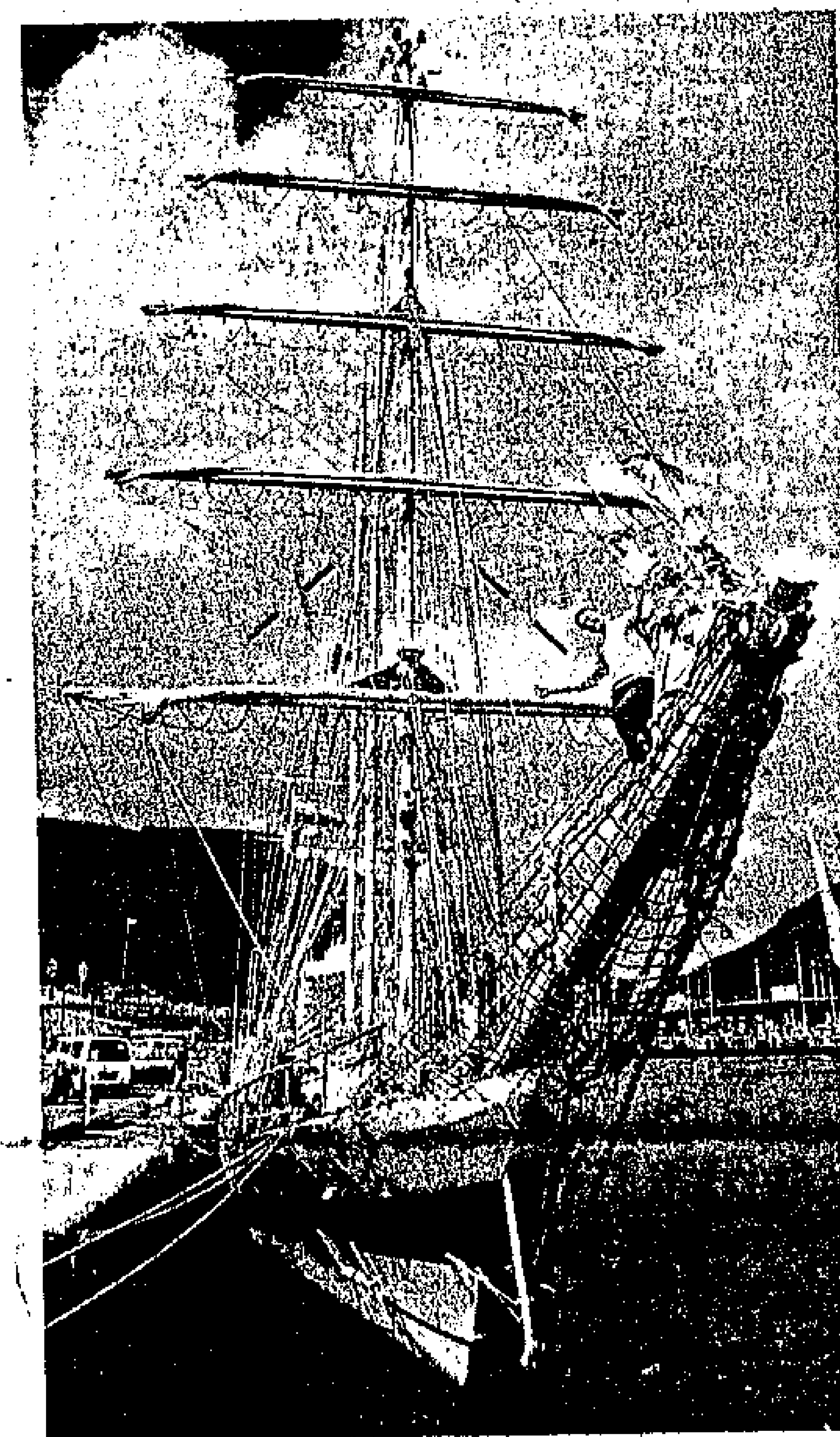
After that he served as the Minerals Bureau acting chief director.

KAOLIN PROTESTERS TO 'FIGHT TO DEATH'

Barricade of bodies to block mine

55

S/Times (CM) 22/12/91.



POLISH PRIDE ... second engineer Marek Chorzeda on the Pogoria in Table Bay Harbour Picture: AMBROSE PETERS

By EVELYN HOLTZHAUSEN

OPPONENTS have scoffed at a kaolin mining company's offer to halt its plans for Chapman's Peak in return for R75 million compensation — and are recruiting a human "barricade" to prevent work on the new site.

Mr John Butterfield, spokesman for the Save Chapman's Peak Action Group, claims his group has the support of more than 65 000 protesters.

"We will fight them to the death — people here are very, very angry."

Mr Butterfield dismissed as "absurd" an offer by the mining company, Serina Kaolin, to accept R75 million compensation in return for abandoning its plan to mine the Chapman's Peak site in Noordhoek, in the heart of the Peninsula.

"We might consider paying R3 million, which is closer to reality," he said.

"But I promise you, the fight is not over. If Serina goes ahead, it will cost it dearly."

In terms of a new Minerals Act, which comes into effect at midnight on December 31, Serina will be entitled to mine the site subject only to a permit that sets down conditions for the rehabilitation of the environment.

A department spokesman said it was likely the permit would be issued in the first few weeks of the new year.

Luxury

Serina's right to mine the controversial Noordhoek site is also to be challenged by Mr Jeremy Wiley, son of the former Minister of the Environment, Mr John Wiley who died in March, 1987.

The proposed mine site is on property owned by Mr Jeremy Wiley's De Goede Hoop Development Company, which wants to build a spacious, luxury housing development on the land.

Serina bought the mining rights from the previous owner of De Goede Hoop Estate, Miss Edith Godman, in 1978 for R250 000.

According to Mr Wiley, this was subject to "environmentally related issues".

"Now we have been informed that the new Minerals Act (Act 50 of 1991) effectively does away with critical aspects of the deed of cession.

"If our lawyers are correct, in terms of the new law, thousands of landowners could be stripped similarly of aspects of private agreements governing the way in which minerals on their land can exploited.

"We will use every available legal avenue to protect the estate."

Mr Wiley's interpretation of the act has been challenged by a senior official of the Department of Mineral and Energy Affairs who says all private contracts between landowners and mining companies will be honoured.

However, private contracts which conflicted with provisions of the act "could be overruled".

Effect

In terms of Serina's conceptual rehabilitation plan, the site is to be terraced and grassed as work proceeds.

"The company has admitted that the land will never revert to its original, unblemished state," Mr Wiley said.

Said Serina's executive director, Mr Andre Viljoen: "When we have finished mining, the site will be covered with grass.

"Mr Wiley wants to build houses there ... you tell me which will have the most lasting effect on the environment — grass or houses?"

● The new Minerals Act is the result of more than three years of negotiations between with environmentalists, mining companies and unions.

All rigged up for a trip into past

By JANICE HILLIER

THE Polish tall ship Pogoria is to take visitors on short trips around Cape Town for the next two months.

The graceful 47-metre steel-hulled ship, which has an eight-metre beam and 1 000 square metres of sail, arrived in Table Bay Harbour last weekend.

On board were 28 Canadian students from West Island College, Montreal, which had chartered the Pogoria as a "floating classroom".

The group had travelled from Copenhagen, Denmark, through the Mediterranean, the Suez Canal and along the African coast to Cape Town.

Now that school is out and the students have returned to Canada, Pogoria is to make Hout Bay her base for two months before heading back to Europe, possibly to take part in the Columbus race.

She is to sail to Hout Bay today and is to be moored opposite Mariner's Wharf.

"We hope to take many visitors on morning and afternoon trips while we are here," said Captain Andrezej Straburzynski.

"Maybe we can take people out on sunset trips too. The weather is magnificent for this."

Pogoria is owned by the Polish Yachting Association. She was built in Gdynia in 1980 as a sail-training ship for young Poles.

She competed in the Tall Ship Race in 1980 and was placed third in Class A — although unofficially she was voted the fastest ship in the race.

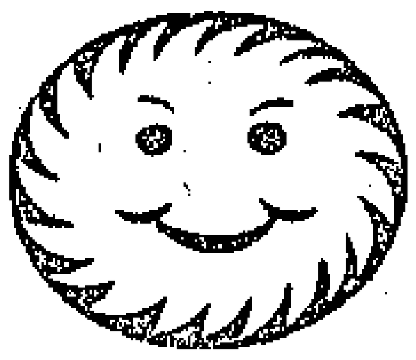
Since 1985 Pogoria has been chartered by the West Island College.

Her South African agent, Mr Simon Giddey, said the Pogoria would be opened to the public late next week.

House move?

THE SA Law Commission's report on constitutional models says Parliament's meeting only in Cape Town is expensive and suggests it should meet in other cities.

WEATHER



WATCH

The Weather Bureau's forecast for today.

Cape Peninsula and Boland: Fine and warm but hot in the Boland. Wind fresh to strong south-easterly. Temperatures: Cape Town Min 16°C/Max 27. Worcester Min 15°C/Max 32°C.

West and central Cape: Fine and warm but hot over the interior.

Western Cape coastal belt: Fine and hot but cooler on the coast. Wind fresh south-easterly.

Overberg and coastal belt to Mossel Bay: Fine and warm. Wind easterly.

Namaqualand and the south-western Cape interior: Hot and dry.

One-man-one-light seen as key issue

STAR 24/12/91

(55)

While most South Africans can afford electricity, it remains unavailable to about two-thirds of the population, according to the SA Institute of Race Relations.

The Institute's latest Social and Economic Update 17 states that homes without access to electricity spent an average of R90 a month on fuel in the form of paraffin, candles and coal, while electricity could be supplied for less than half the cost.

Almost 81 percent of the 7 835 schools under the administration of the Department of Education and Training did not have electricity, which limited their potential to provide a well-rounded education programme, with audio-visual aids or electrical tools for technical courses.

Both the National Energy Council and Eskom aimed at providing energy to all South Africans, and Eskom hoped to provide 80 percent of the population with electricity by the year 2000, reports Update.

It said the pre-paid electricity meter known as the budget energy controller had been widely accepted. The system operated with a disposable magnetic card which was slotted into a meter box in the user's home, and the user bought as much electricity as he could afford.

"Municipalities are making use of this system, and in Durban a plan has been introduced to electrify every home within its boundaries, including shacks, within the next five years, using the budget energy controller. By 1996, it is hoped that 168 000 homes will be electrified."

Update reports that one of the systems Eskom is looking at, to provide electricity in areas without access to the national grid, is the Remote Area Power Supplies (RAPS) system, which would generate its own electricity or use a hybrid of energy sources such as solar power, diesel generators, and wind and hydro-turbines.

Update's business section notes that in March the Government estimated that the informal sector was growing at 8 percent a year, while further research indicates that the number of people involved in the informal sector on a full-time basis increased by 20,5 percent between October 1989 and October last year. Consequently, the job creation possibilities in the informal sector are of increasing importance.

The publication noted that the Johannesburg City Council had convened a group of 10 officials to advise hawkers individually, and intended to expand the programme.

The council had also erected folding shelters in the city for hawkers, and had encouraged private enterprises to make storage facilities available for hawkers' wares.

In Natal, further assistance had been given to hawkers in the informal sector through loans from the KwaZulu Finance and Investment Corporation (KFC). These KFC micro-loans were aimed at small industrialists in the informal sector or moving into the formal sector.

Update notes that the single largest capital investment by an international company in the Small Business Development Corporation (SBDC) is that of German subsidiary Hoechst SA, which invested in shares worth R2,5 million in May. This is linked to the newly launched SBDC hive project in Industria, Johannesburg, the purpose of which is to place small manufacturing businesses in "industry hives" under the tutelage of the SBDC.

Update also reports that applications for over 40 million shares in National Sorghum Breweries (NSB) were received from about 9 000 distributors, consumers, members of the general public and employees, almost 90 percent of these applications coming from the black community.

According to Update, the privatisation of NSB, now the largest black-owned company, could have important implications for the process of black economic empowerment.

"This is the only business entity which affords an opportunity for participating as owners, controllers, managers, directors, shareholders and distributors in a major company."

The publication reports that the minibus taxi industry had increased its share of commuter transport from 29 percent in 1987 to 44 percent last year, with the Southern Africa Black Taxi Association (Sabta) cornering 58 per cent of the total mini-bus-taxi market.

"But the industry has been hit by increasing costs of petrol and spare parts, as well as a rise in the price of new mini-buses. As a result, owning a taxi is no longer the 'money-spinner' it used to be in the early 1980s. As commuters are unable to afford increased fares, profits have decreased."

A transport consultant, Paul Browning, told Update that the average monthly income of taxi owners had decreased from between R2 500 and R3 500 a vehicle owned, to between R1 500 and R2 500.

Drivers employed by taxi owners had also been hit by increased costs. On average, a taxi driver must pay R800 a day to the owner, and anything over and above that was his own, so there was increased pressure to make as many journeys as possible with as many passengers as possible.

In addition, drivers must spend an average of R105 on new brake pads a week, and R6 a day on oil. — Sapa.

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burg City Council had convened a group of 10 officials to advise hawkers on a one-to-one basis, and intended to expand this programme into other areas at a later stage.

Eskom to connect 160 000 households

BDay

ROBERT LAING 24/12/91

ESKOM has committed itself to increase the number of households connected next year to 160 000 from this year's 40 000.

At a recent electrification conference in Germiston, Eskom said this rate would enable it to connect all households in its area of supply by 1996. The utility estimated 700 000 homes in its domain had no electricity.

This left 2,3-million unconnected houses which fall under other supply authorities such as homelands and municipalities.

An Eskom spokesman said the estimated R6bn cost of the Electricity for All programme was calculated by using an average connecting cost of R2 000 per household and a figure of 3-million unelectrified homes within reach of its grid.

The power utility had already allocated the required resources, including funding, to meet its 1992 target of 160 000 homes.

Eskom would not increase its work force, instead using consulting engineers and contractors to supplement its staff. Whenever possible, Eskom and contractors would use local labour.

Contractors were invited to introduce themselves to their nearest Eskom district to keep informed about opportunities and bid for projects.

According to a study by Prof Geert de Wet of Pretoria University, the electrification of 1-million households over five years could create 270 000 jobs and add 5% to SA's GDP.

Schemes to bring light to everyone

55/(1

B/Day 24/12/91

DAVE LOURENS

ALTHOUGH most South Africans can afford electricity, it remains unavailable to about two-thirds of the population, says the SA Institute of Race Relations.

In its latest Social and Economic Update, the institute noted homes without electricity spent an average of R90 a month on fuel in the form of paraffin, candles and coal, while electricity could be supplied for less than half that cost.

In addition, almost 81% of the Department of Education's 7 845 schools did not have electricity, thus limiting their potential to provide a well-rounded education programme, including audio-visual aids or technical education involving electrical tools.

Card

The Update said both the National Energy Council and Eskom aimed to provide energy to all South Africans, and Eskom hoped to supply 80% of the population with electricity by the year 2000.

The pre-paid meter, known as the budget energy controller, was widely accepted as an alternative means of electricity supply. The system operated with a disposable magnetic card slotted into a meter box in the user's home. The advantage of the system was that the user bought only as much electricity as he could afford.

Municipalities were making use of this system, and in Durban a plan had been introduced to electrify every home within its boundaries, including shacks, within the next five years, using the budget energy controller. It was hoped that by 1996 168 000 homes would be electrified.

Update said one system Eskom was considering to provide electricity to communities in areas without access to the national grid was Remote Area Power Supplies (Raps), which would generate its own electricity by making use of either conventional electricity or a hybrid of energy sources such as solar power, diesel generators, and wind and hydro turbines.

Farmers, rural schools and clinics and individual dwellings were seen as the potential market for Raps.

The publication's business section noted that in March this year government had estimated the informal sector was growing at 8% a year, while further research indicated the number of people involved in the informal sector on a full-time basis had increased by 20,5% between October 1989 and October 1990.

Consequently the job creation possibilities in the informal sector were of increasing importance.

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Money for schools came from oil sales

B/Day 27/12/91

DARIUS SANAI

A LARGE part of the R48m used to build and upgrade schools in Soweto and Alexandra during the course of 1991-92 had been raised from the sale of strategic oil reserves, says a government spokesman.

A spokesman for the Department of Education and Training said this week three new primary schools had been completed this month in the two townships at a cost of R5,8m. Three more, costing R6,8m in total, were due to be opened next year.

More than R16m was being spent on building three new secondary schools in the areas, all of which were to open next year, and R18m was being spent on upgrading existing schools during 1992.

"The additional granting of funds derived from the sale of strategic oil reserves by government has made the financing of many of these projects possible," the spokesman said. (55)

He said problems had been caused by violence — the MD of a contracting company was shot and killed on the site of an Orlando East school earlier this year — and by squatters living on building sites.

Thieves also targeted copper cables and wiring, resulting in costly replacements, he said.

Workmen busy laying cables in one of the major electrification projects in the country. But still there are millions of South Africans who don't have electricity.

No power to the people

(55)

Most blacks are without electricity

Sowetan 27\12\91

ALTHOUGH most South Africans can afford electricity, it remains unavailable to approximately two thirds of the population, according to the SA Institute of Race Relations.

The institute's latest Social and Economic Update 17 states that homes without access to electricity spent an average of R90 a month on fuel in the form of paraffin, candles and coal, while electricity could be supplied for less than half the cost.

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"But the industry has been hit by increasing costs of petrol and spare parts, as well as a rise in the price of new minibuses. As a result, owning a taxi is no longer the 'money-spinner' it used to be in the early 1980s. As commuters are unable to afford increased fares, profits have decreased."

A transport consultant, Mr Paul Browning, told Update that the average monthly income of taxi owners had decreased from between R2500 and R3500 per vehicle owned to between R1500 and R2500.

S|Times (Buss) 29/12/91

Mossgas lesson

(55)

Business Times Reporter

TECHNOLOGICAL policy in SA can succeed only if it is managed properly and it is essential that a minister and a department be appointed to handle it.

This is the opinion of Ferdie Geyer, a committee member of the SA Association of Engineers and chairman of engineering consultancy GH Marais & Associates.

Mr Geyer says: "If there had been a full-fledged minister of technology many years ago, the wrong management decisions made with regard to the Mossgas project would perhaps have been prevented."

Such a department would probably have ensured that sufficient independent consulting engineers were appointed to exercise proper control — as was the case with Sasol 2 and Sasol 3.

Engineers have asked for many years for the appointment of such a minister, although it is in no way calling for Government interference.

SA gas world's costliest

S/Times (BUSS) 24/12/91. (55)

By DON ROBERTSON

INDUSTRIALISTS and domestic users in South Africa pay the highest price in the world for gas.

Even the projected supply from Mossgas is unlikely to result in lower prices.

A survey by National Utility Services (NUS) shows that SA gas prices are much higher than in Italy, Germany, France, the UK, Belgium, Australia, America, the Netherlands and Canada.

The average price, based on supplies from Gascor in Port Elizabeth, Cape Gas and the Johannesburg Municipality, is R28,78 a gigajoule (100 000 therms). The increase in prices in the year to September of 22,8% was the third highest in the survey.

Italy pays R23,12 a gigajoule, Germany R21,40, France R17,74 and the UK R15,47. The cheapest gas is in the US — average price R11,35 a gigajoule.

The reasons for the disparities in prices are not difficult to fathom, says George Rahr, managing director of NUS South Africa.

SA has no natural gas and is unable to benefit from high-volume sales. As with many aspects of SA's economy, a few suppliers dominate the market, reducing competition.

In Port Elizabeth, where prices are negotiable, the average price is R14,97 a gigajoule.

Prices in Johannesburg rose by only 4,97% to R23,23 a gigajoule in the year to September.

Cape Town's Cape Gas, which has a "much more arbitrary approach", increased prices by 35,21% to R48,15 a gigajoule.

Mr Rahr says: "Even when Mossgas comes on stream, competition is unlikely to intensify and volume is unlikely to bring about economies of scale in that most of the product will be 'cracked' for its constituent petrochemical products rather than for business or domestic use."

Other major suppliers could follow Port Elizabeth and encourage high-volume sales and economies of scale with a consequent reduction in prices.

Industrial and domestic users in SA are at a disadvantage compared with other countries. Suppliers should perhaps take a leaf out of British Gas which was recently overhauled with the aim of encouraging more suppliers to enter the market, says Mr Rahr.

ENERGY — 1992

JANUARY — MAY.

Sasol burns more than the ether in USA

55

ARG 3/1/92

The Argus Foreign Service

WASHINGTON. — Sasol began an expensive advertising campaign on American TV today, for no apparant reason.

An unusually lengthy advertisement was aired on the international service of Cable News Network (CNN) before newscasts this morning, preceded by an announcement by CNN that the material was a paid advertising feature.

Not even the major car manufacturers in the US, now waging a battle of the airwaves in their efforts to redress poor end-of-year sales in 1991, have resorted to such expenditure.

The Sasol advertisement featured scenes of Sasol operations, and emphasised that South Africa was a world leader in oil-from-coal technology. The advertisement also mentioned that South Africa had the world's largest coal mining system.

55

MOSSGAS FM 3/1/92

Allocating the cash

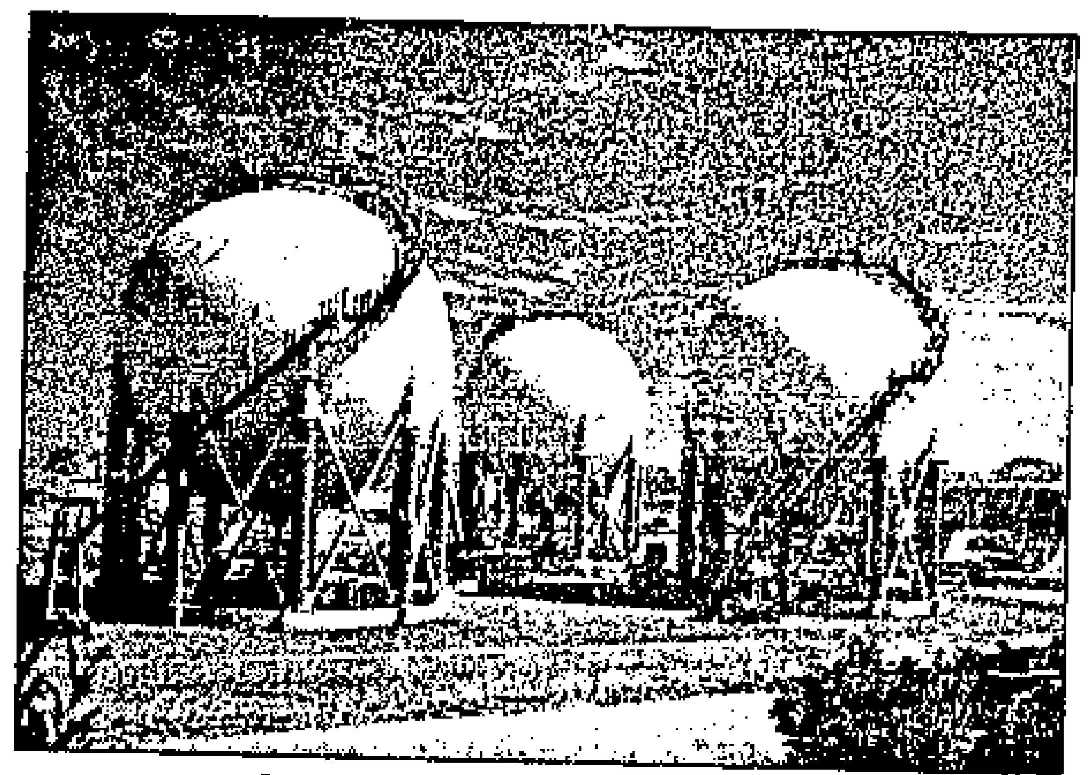
55

Reporters were flooded with facts and figures at a two-day media conference on Mossgas last month at the Wilderness. Overlooked in the barrage of explanations and projections was exactly what Mossgas would do with the revenue that will start flowing when the project finally begins producing oil later this year.

Critics have hammered government for pouring increasing amounts into Mossgas; the current estimate is R12bn, up from R6,5bn in 1987. Here's the first detailed explanation of where the money coming out of Mossgas will go — and to no-one's surprise, there probably will be little left over to repay the taxpayers:

☐ Government's Central Energy Fund and Engen, a shareholder and the project's manager, have agreed that the first priority is to fund the operating costs, the servicing of commercial loans, and any increases in working capital, according to Mossgas director Ted Droste. If the project exceeds expectations (meaning that the world oil price shoots up and stays up), revenue will then be applied to the next priority;

☐ The second priority is to provide a return to the shareholders — the energy fund and Engen — up to a maximum of 2% above the long-term RSA stock rate. Theoretically, the taxpayers could recoup some of its investment here, but Droste emphasised that the fund and Engen are not guaranteed any return. If there is still money available, there's a third priority;



Mosgass cash flow ...
who will benefit first?

☐ Three-quarters of any money left at this point would pay the interest on the energy fund's loans up to a maximum of the long-term RSA stock rate. The other 25% would go to the two shareholders as an additional return; and

☐ Finally, if there is still revenue to divide up, half will go towards repaying the energy fund's loans and half to the shareholders as a further return.

How this schedule will work in practice depends on whether Engen takes up its option on a 30% share in Mossgas, which it must do no later than six months after production begins. If it does take up this R1,44bn option, then the second priority for Mossgas's revenue will require a much greater amount of money, leaving even less for the third and fourth priorities.

Engen's equity is now limited to a 30% share of the nominal R100m in Mossgas equity that has been offered so far; the energy fund holds the other 30%. The balance of the project's funding has come from loans. At the end of the year, the loan funding had reached R9,6bn — R7,4bn from the energy fund (ultimately the taxpayers) and R2,2bn from commercial sources (*Leaders* December 13).

As managers of Mossgas, Engen is receiving no fee during construction but will earn a fee of 0,5% of turnover after production begins.

If Engen increases its stake by taking up its option, 40% of Mossgas's total funding will come from energy fund loans, 40% from equity and 20% from commercial loans. This means that if the current R12bn estimate holds up, Engen will contribute R1,44bn as equity and the fund R3,3bn as equity and R4,8bn in loans. Commercial loans will amount to R2,4bn. ■

Petrochemical injection

CT 6/1/92 (55)

R15bn capex plans within five years

By JABULANI SIKHAKHANE

JOHANNESBURG. — The petrochemical industry is set to spend up to R15bn in capital expansion projects within the next three to five years.

Analysts say the huge outlay will provide a much needed boost to the engineering industry which is facing a tough period as activity on the Mossgas project winds down.

It will also have a positive effect on the economy in general. As most engineering companies have scaled down their businesses in line with the scarcity of major developments, petrochemical projects might have to be spread over longer periods than planned. Some further investment by the engineering sector will be unavoidable.

Topping the list of the big spenders will be Sasol and Engen. A close third will be a joint venture between Sentrachem and Engen for the construction of a naphtha cracker plant close to Mossgas — if it gets off the ground.

Over the next four years Sasol alone will require funding of about R6bn, which includes the repayment of the R2,2bn capitalised debt in respect of the acquisition of the remaining 50% stake in Sasol 3 from the state last year.

Among Sasol's major investment projects are the R900m expansion of the wax and paraffin facilities and the ammonia synthesis plant at Sasol 1; the R370m upgrading of the Natref refinery; R333m for the anode coke and liquid fuels project; and the R320m acrylic fibre plant in a joint venture with the Industrial Development Corporation (IDC).

Sasol also has seven other projects under consideration, including the R400m fixed fluidised bed reactor system at Secunda. It will also require additional funding for the upgrading of Natref, Sasol 1 and Sasol 2 to enable them to produce lead-free petrol.

The group has enormous cash generating capacity — Sasol's cash flow totalled R1,9bn in the past financial year.

Expenditure by Engen could easily top R4bn within the next four years, depending on whether it follows its rights in Mossgas where it holds 30%. Engen is currently engaged in a major expansion of its Durban refinery Genref at a total cost of R2,7bn. Phase one, which will increase capacity by 30% at a cost of R670m, is under way and due for commissioning in July.

Feasibility studies are well advanced for the second phase which is likely to add between 40% and 50% to capacity. The ultimate aim is to equip Genref as a 150 000-barrel-a-day refinery. Engen may require an additional R1,3bn if it wants to maintain its 30% interest in Mossgas when the latter is recapitalised in 1993 or early 1994.

Although funding for the expansion of Genref is in place after last year's R1,1bn rights issue and a combination of local and overseas borrowings, Engen may have another rights issue to pay for additional investment in Mossgas.

Another sizeable petrochemical project likely to come on stream is the ethylene cracker — a possible joint venture between Sentrachem and Engen. Sentrachem has identified several options around the Mossgas hub ranging from single-product plants costing about R500m to a full-scale, mixed-feedstock combi-cracker which would cost about R6bn.

J D Anderson's head of research Charles Booth says a naphtha cracker project is not likely to go ahead without government granting either tax concessions or export credits. But another analyst adds that the naphtha cracker project could easily be funded through equity, commercial loans and some government assistance.

Other spenders in the petrochemical industry are AECI, which is investing R600m in its Modderfontein plant, Sapref refinery's R450m upgrading and Caltex's R240m investment at its refinery in Cape Town.

The five oil refineries, Sapref, Genref, Caltex, Sasol 2 and Sasol 3, will also have to upgrade at a total cost of R3bn to be able to produce lead-free petrol.

One analyst says the petrochemical sector is one industry which has recently been characterised by big capital expenditure. One reason is that oil refining margins worldwide have improved considerably after a volatile period following the oil price shocks of the '70s and early '80s. Industry players are also concerned about their ability to compete on a world scale and have become more export oriented.

Petrol price hike rumours scotched

B/Day 9/1/92 (55)

By ROBERT LAING

A NATIONAL Energy Council (NEC) spokesman yesterday denied a petrol price hike of 18c a litre was imminent.

"We are aware that a rumour is doing the rounds that petrol is to be increased by 18c a litre. There is no truth in it; we have no intention of raising the price of fuel in the near future," the spokesman said.

The NEC's December figures showed a unit underrecovery of 0,406c a litre for 93 octane petrol in the PWV area.

It was the eighth consecutive month unit underrecoveries were realised on all octanes of petrol, diesel and paraffin.

The NEC spokesman said the unit underrecovery had improved since these figures were released as a result of lower oil prices and more favourable exchange rates, eliminating the need for a price hike.

"We are trying to trace the source of the rumour, which we believe started on the JSE," he said.

A dealer said the rumour pushed the price of Sasol shares up 15c to R18,50 on a volume of 82 000 shares yesterday. He said the rumour probably originated on the gilts market.

Government increased the petrol price by 13c to 143c a litre in August after announcing the VAT rate would be reduced.

Service station profit margins increased by 1,5c to 13c a litre on December 14, spurring rumours that the retail price of petrol would rise by between 3c and 4c.

Fast food venture under way

B/Day 14/1/92

THEO RAWANA

FABFOODS' Longhorn, the first of a string of fast-food outlets to be set up by black business federation Fabcos and catering giant Fedics, was opened in Daveyton on the East Rand yesterday.

(180)

The R300 000 venture, of which Fabcos owns a 60% stake and Fedics 40%, had bought a Longhorn franchise that would be run by a Fabfoods team guided by Fedics, Fabfoods chairman Mandla Msomi said.

Fabfoods marketing director George Msibi said his company had played a masterstroke in inviting Fedics — the biggest catering company in southern Africa, employing 10 000 people and spending R300m a year on groceries — into the venture.

The outlet was the first manifestation of Fabfoods' intention to bring black businessmen into sophisticated catering, he said.

The outlet would be owned jointly by Fabfoods and a black businessman, trained by Fabfoods.

"Above all, Fabfoods will bankroll its business partner — assist him to pay for his shares out of dividends."

Fedics business development manager Helmut Schneider said the outlet, with an initial staff of 15, would be run by Fabfoods while a suitable entrepreneur was sought.

Energy efficiency 'could save R1bn'

GAVIN DU VENAGE (55)

BUSINESS could save up to R1bn a year on its energy costs through effective management and investing in energy efficient equipment, while increasing profitability to the same extent, says the SA Institute of Energy.

Efficient management would reduce consumption by 10% and better equipment could save up to 20%. The institute plans to launch an intensive campaign this year to encourage people to use energy more economically.

Institute chairman Steve van Rensburg said in a statement economising need not mean a sacrifice of comfort. B/Day 14/1/92.

SA uranium 'offered to East Germany'

BDay 15/1/92

LINDEN BIRNS (55)

DOCUMENTS have surfaced in the US alleging that in 1989 SA weapons-grade uranium was at the centre of a broker scheme apparently set up between East Germany and Mozambique.

According to the New York-based McGraw Hill newsletter, NuclearFuel, 6kg of SA high enriched uranium was taken to Botswana. There it was allegedly offered by a "contact" of the Mozambican foreign minister to a senior East German foreign exchange procurement official, Alexander Schalk-Golodkowski.

NuclearFuel reports the offer was documented in a letter dated June 16 1989, addressed to Schalk-Golodkowski at the Kommerzielle Koordinierung (Koko), an East German foreign trade organisation currently under judicial investigation in Berlin. The letter was signed by Koko's director at the time, Dieter Uhlig.

Accompanying the letter was another allegedly from the Mozambican foreign minister, who asked Uhlig either to purchase or broker the enriched uranium.

A "contact" of the Mozambican official offered 6kg of 92%-enriched uranium for $15m/kg, the second letter stated, adding that: "As you will understand this offer is extraordinary and no other member of the government has any knowledge of it."

At the time East Germany was obliged, in terms of an agreement with the Soviets, to send any uranium it produced to the Soviet Union for enrichment.

Any independent uranium marketing activity by Koko or other East German authorities to non-Soviet foreign parties would have been highly irregular.

Schalk-Golodkowski and Uhlig are being investigated in connection with illegal trading operations through Koko shell companies established by East German security ministry (Stasi) agents in third countries. Records recently published in

☐ To Page 2

Uranium

BDay 15/1/92

(55) ☐ From Page 1

Germany show that Schalk-Golodkowski was a senior Stasi agent.

Mozambican President Joachim Chissano told NuclearFuel his government had no knowledge of the uranium brokering activities of government officials or other parties in that country.

"Unconfirmed reports of uranium smuggling in Maputo have led the International Atomic Energy Association to offer to officially provide assistance in investigating the matter," reported NuclearFuel.

Attempts to reach Atomic Energy Corporation (AEC) spokesmen and directors in Pelindaba for comment yesterday were unsuccessful.

AEC CE Waldo Stumpf told the newsletter the disappearance of significant amounts of enriched uranium from SA was highly improbable and would have been detected quickly during regular physical inventory verifications which were also subject to an independent audit.

He denied either the AEC or the SA government's involvement in any clandestine offer of enriched uranium to East Germany, and surmised that if such an offer took place, it must have been fraudulent or involved material that was not South African in origin.

In November 1989 AEC spokesman Nic Ligthelm said a uranium stock audit had not revealed any discrepancies.

month of last year.

Judgments for debts against individuals in the 10 months amounted to R1,9bn.

Big increase in petrol price 'likely in Budget'

GERALD REILLY (55)

PRETORIA — A big increase in the petrol tax — and the price — is virtually certain to be announced by Finance Minister Barend du Plessis in his March Budget, say informed sources.

And if there is a big increase in international crude prices, a rise in the petrol price is likely before Budget day. B/Day 17/1/92

Currently government's cut from petrol is 50,9c/l — 46,90c/l tax and 4c/l customs and excise duties.

The 1,5c/l bike in retail margins at the end of last year and the increased Transnet pipeline costs of about 1c/l have been absorbed by the equalisation fund. The fund also absorbed the 4c/l hike in wholesale margins announced in April last year.

A source said the fund was strong enough to carry these increases for several months. However, a dramatic rise in crude prices could change the picture. Currently petrol and diesel price levels represent a small under-recovery.

The source said the expectation was that Du Plessis, who faces a dire need to raise additional revenue, would raise the fuel tax as part of his overall Budget strategy.

This view supports the forecasts of the Bureau for Economic Research (BER) at Stellenbosch University that the Budget would increase the petrol price by 17c/l. The BER also warns of the impact on inflation of a substantial fuel price increase.

Military technology to

No rise in VAT seen but watch motor fuel

(55)

SVEN LUNSCHE
Weekend Argus Business Staff ARG 18/1/92

VAT is unlikely to go up — contrary to speculation of the past few days — but motorists are on the road to another shock, according to economists.

An increase in the price of petrol seems the most likely means for the government to deal with the estimated R5 billion shortfall in government income for the current financial year.

Despite indications that tax revenues are behind their budgeted targets, Econometrix economist Tony Twine said yesterday a hike in the VAT rate from its current level of 10 percent would be a "political nightmare" for the government.

A rise in the fuel levy, which makes up part of the petrol price, should not be ruled out as it gave the government instant access to extra revenue, he said.

"A 10c rise in the fuel levy, which makes up 36 percent of the petrol price, generates R1 billion in revenue per annum.

"Mr Barend du Plessis (the Finance Minister) previously indicated that he would like to see this percentage increased to 45 percent in line with other Western countries.

"By raising the petrol price by 10c, he would move closer to this level and generate roughly R250 million in the remainder of the fiscal year," Mr Twine said.

But the bulk of the revenue shortfall is set to be raised through additional borrowings on the local money and capital markets.

Mr Twine said the government's need for cash could result in some hardening of rates on the capital market but was unlikely to delay a cut in interest rates, anticipated over the next two months.

Releasing figures for the first nine months of the budget, Mr Du Plessis yesterday said government spending had increased by 18,5 percent over the same period in the previous fiscal year.

And revenue would be even lower than he had calculated in October 1991 after revising estimates to take into account the lowering of the VAT rate and an increase in excise duties from the fuel levy.

So far this year, total revenue income is up by only 7,6 percent compared with the previous fiscal year — well short of the budgeted 11,5 percent increase.

Income from GST and VAT is nearly two percent lower than for the same period last year, an indication of poor retail sales and economic conditions.

Fuel price hike seen as solution to cash crisis

Motorists may bail out Govt

55

STAR 18/1/92

SVEN LÜNSCHE

SOUTH Africa's long-suffering motorists are likely to bear the brunt of the estimated R5 billion shortfall in Government income for the current financial year, according to economists.

But an increase in the rate of VAT is unlikely, despite indications that tax revenues are running well behind budgeted targets.

Econometrix economist Tony Twine said yesterday that any rise in VAT from its present 10 percent would be a "political nightmare" for the Government.

He added, however, that an increase in the fuel levy, which makes up part of the petrol price, should not be ruled out, as it gave officials instant access to additional revenue.

"A 10c rise in the fuel levy, which makes up 36 percent of the petrol price, generates R1 billion in revenue per annum.

"Mr du Plessis previously indicated that he would like to see this increase to 45 percent in line with other Western countries. By raising the petrol price by 10c he would move closer to this level and generate roughly R250 million in the remainder of the fiscal year," Mr Twine said.

The bulk of the revenue shortfall, however, is set to be raised through additional borrowings on the local money and capital markets.

In a statement yesterday, Minister of Finance Barend du Plessis said it would not be necessary to find additional sources of revenue, as sufficient loans had already been arranged to meet revenue shortfalls and finance higher spending.

However, the Government's need for cash was unlikely to delay the cut in interest rates expected over the next two months, Mr Twine said.

Mr du Plessis announced yesterday that the Government would

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Fuel rise

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● FROM PAGE 1.

"substantially" overshoot its 1991/92 Budget as a result of overspending and lower tax revenues.

Releasing figures for the first nine months of the 1991/92 Budget, Mr du Plessis said Government spending had increased by 18,5 percent over the same period of the previous fiscal year.

He added that revenue would be even lower than he had calculated in October 1991, when estimates were revised to take account of the lowering of the VAT rate and an increase in excise duties from the fuel levy.

So far this year, total revenue is up by only 7,6 percent compared with the previous fiscal year, which is well short of the budgeted increase of 11,5 percent.

Income from GST and VAT, in particular, is nearly 2 percent lower than for the same period last year, which is a reflection of poor retail sales and economic conditions.

Income from VAT in November and December was R1,2 billion and R1,8 billion respectively, but Mr du Plessis predicted that revenue from VAT for the full year would be "fairly close to target".

This follows widespread speculation that VAT income would be much lower than budgeted for and an ultimatum this week by the Co-ordinating Committee on VAT to the Government to reopen negotiations on the new tax.

Mr Twine said the Government was unlikely to raise the VAT rate, as it risked an even bigger political controversy than the one surrounding the introduction of the tax in September.

With Government revenue unlikely to meet budgeted estimates, the scope for effective tax relief to the individual in the forthcoming Budget is also limited.

Commented an economist: "Although it has been stated that the long-term aim is to bring down the level of direct taxes and increase indirect taxation, this seems highly unlikely in view of the revenue shortfalls and political demands on Government expenditure."

STAR 18/1/92

DIAGONAL STREET by Robin Pegler

Wizard Ozz

S/Times (BUSS) 19/1/92

FOR the six months ended September 1991 Ozz increased income before tax by 28% and taxed profit by 33%. Not many listed companies have been able to achieve such an improvement in present conditions. Turnover rose by only 2% and working profit by 5%. The answer to how Ozz accomplished this lies in the fall in interest charges which were down by 44%.

Debt:equity ratio is now 19,4% with interest cover of six times. This compares with gearing of no less than 139% in September 1989 immediately after the takeover of Lucem.

Ozz chairman Gary Zulberg says the debt reduction came from favourable cash-flow and attentive asset management and cost control.

Cost control is important in recession. The engineering division includes the mines among its customers and they have had to take radical steps to reduce costs.

Ozz has given attention to innovative products and to their longevity. Price increases have been modest, but Ozz has increased profit margins to some extent.

Ozz was largely responsible for the development of Bruma and owns 50% of the Fisherman's Village there. In spite of a general oversupply of shops and offices, letting at Bruma has held up exceptionally well, with a waiting list of tenants. It has the advantage of novelty and variety with an unusual visual effect. Bruma was developed at a low capital cost.

In all its activities Ozz gives the impression of exploiting niche markets.

It has the stamp of individuality, probably reflecting the thinking of Mr Zulberg.

Management forecasts that growth in the second half of the year to March 1992 will be slower.

If profits for the second half are 20% higher, earnings for the year would be 58c and a dividend of 21,5c could be paid.

At the current price of 330c this would give a yield of 6,5% and a p:e of 5,7.

The share is well worth looking at.

A head start for Engen

ENGEN has an advantage over world oil producers because of lower transport costs to Africa south of the equator. S/Times (BUSS)

Margins for countries on the Indian Ocean are more stable than in North America.

It is partly for this reason that Engen is expanding its capacity. 19/1/92

As a result of the establishment of Sasol 2 and 3 in the 1970s, SA oil producers mothballed their surplus capacity. They are now bringing it back on stream and making plant more efficient. This will lead to increased output at a lower cost.

For Engen, this process is phase 1 of the expansion programme. The cost is estimated at R670-million. Output will rise by 30%. The new production will supply the Trek service stations, which bought fuel from Sapref. (55)

Phase 1 is expected to be completed in about the last quarter of 1992.

Phase 2 will expand production capacity by 100% from present pre-phase 1 levels. It is due to be completed in 1995.

To fund this Engen made a rights issue of 40 for 100 at 2 500c to raise R1,1-billion. The cash is earning interest and will be drawn on when required for the capital programme.

The new plant should be able to produce at a lower cost than the old.

South Korea, Japan and Singapore have also expanded refining capacity. However, this expansion, though cheaper in terms of capital cost, adds less value than what Engen is installing.

Because it takes three years to bring a refinery to production, Engen is well placed to take advantage of expanding markets.

Growth in SA demand is more consistent than it is for many commodities. When the economy is doing well, the increase in volume terms is about 6% a year. But present growth is down to about 3%. However, all surplus production can be exported.

For the year to August 1991, exports were only 4% of sales, but this was more than double the previous year.

The partial lifting of sanctions has opened up African markets to Engen. The rand hedge element, although small, should increase.

High oil prices give virtually no advantage because any profits earned are paper profits on inventories. They will not be distributed or included in earnings.

In fact, high oil prices could be harmful because inventory profits are taxable and stocks must be replaced at higher prices.

Engen will be SA's first producer of unleaded petrol.

Engen should be one of the most consistent shares for growth in the next few years in spite of the risks attached to a commodity producer.

Valindaba now on commercial basis

(SS)

MATTHEW CURTIN

THE Atomic Energy Corporation's Valindaba uranium enrichment plant is successfully moving on to a commercial footing a year after market sources speculated the plant was on the verge of closure.

If Valindaba becomes commercially viable, it will mark a turnaround for the plant which has, with the AEC, been financed entirely by government for strategic reasons.

AEC CE Waldo Stumpf said at the weekend that Valindaba was "fully commercialised" after a year in which the organisation had been restructured to cut costs. BDay 20/1/92.

Valindaba has supplied fuel for Eskom's Koeberg nuclear power station since 1988. There was unsubstantiated speculation last year that the plant's helikon enrichment process, described as extremely energy intensive, might have to be phased out to make the plant more competitive in the face of the possible withdrawal of state subsidies and its contract with Eskom. The AEC receives about 75% of the Mineral and Energy Affairs Department's annual budget of more than R1bn.

Stumpf said Valindaba had spare capacity after meeting Eskom's requirements, and was concentrating on servicing niche markets.

Valindaba had won small export contracts and was investigating alliances with overseas organisations.

□ To Page 2

Valindaba

BDay 20/1/92.

(SS)

□ From Page 1

He said the market for enriched uranium was holding up well, with rising contract and spot prices, as major consumers seemed to have run down inventories and were buying new material. This contrasted with the doldrums the raw uranium market was in, its prospects worsened by the threat of a flood of raw uranium from the former Soviet Union.

Uranium spot prices rose from near 40-year lows of \$7/lb in December to the \$9 mark, but have subsided since to \$8,75/lb.

The US commerce department has launched an investigation into the dumping of Soviet material in the US, and a recent report in the Financial Times said Western governments might take action to stem the flood of uranium imports from the new Commonwealth of Independent States.

If not for exports from the commonwealth and China, the uranium market would be in balance until the year 2000.

Uranium has only one application — for nuclear energy — and the report said latest research by the Uranium Institute showed the former Soviet Union had up to 160 000 tons of uranium in stock — about five years worth of current Western production — plus reserves of highly enriched uranium for military use.

The institute said: "The easing of East-West tensions has raised the possibility of military nuclear material for use in civil reactors", but "substantial hurdles" had to be overcome before this could happen.

Mossgas success brings world recognition

North Sea equipment firm seeks SA links

STAR 22/1/92

(55)

By Derek Tommey

Top executives from a leading British offshore oil and gas contractor have arrived in South Africa to hold discussions with local suppliers of offshore equipment with a view to negotiating joint ventures and the possibility of investing capital in this country.

The team is led by Dennis Clark, chairman of Press Offshore Limited, and a director of Amec plc, one of Britain's leading construction and engineering groups.

Mr Clark said yesterday the Mossel Bay gas scheme had put SA on the world map as a manufacturer, at competitive prices, of high-quality equipment for the offshore oil and gas industry.

He said the export potential for this equipment was immense.

Press Offshore is the biggest onshore and offshore construction group in Britain and has provided about 60 percent of the equipment used in the North Sea oil fields.

It is a subsidiary of Amec, a diverse construction, engineering and development group (something like SA's Murray & Roberts) and has a share market capitalisation on the London Stock Exchange of £330 million (R1,5 billion), employs 33 000 people and has an annual turnover of £2,2 billion (R11 billion).

Mossgas venture

Mr Clark said that Press Offshore was responsible for completing 80 percent of the offshore modules for the Mossgas project in joint ventures with Dorbyl in Durban and Babcock in Port Elizabeth.

This experience had shown that South Africa was capable of building offshore modules to the high standards required for the rigorous conditions experienced in North Sea operations.

He said there was likely to be substantial offshore work exploring and developing oil fields along the West coast of Africa in the near future. South Africa could become an important supplier of equipment to these ventures.

Press Ofshore was aware of these offshore developments because of the close links it had forged in the past 20 years with leading oil companies. (BA Smith, chairman of Engen, South Africa's major oil company, also reported similar developments a few months ago).

He said there also appeared a need for a company with oil-industry know-how to service the local market.

He had been told that when a local oil company recently expanded its refining operations it did not consult the local industry, but went straight to overseas firms.

Mr Clark said that Mossgas had injected know-how into the local industry and this had made it possible for South African firms to compete on quality and price with others overseas.

But Press Ofshore was not just interested in obtaining high-tech equipment from South Africa.

It would also be investigating the possibility of using South African steel in a contract for a new airport in Japan.

He said it was a little surprising but Britain today could provide the high quality steel needed for the airport at a lower price than could Japan.

But he believed the steel could be bought even more cheaply in South Africa.

Inflation worry

However, he warned that South Africa would have to keep down its inflation rate if it wanted to remain competitive in these export markets.

His company would be prepared to buy a stake in local enterprises, if this was necessary.

Mr Clark is accompanied by AT (Tony) Eckford, managing director of Press Offshore and group managing director, process and energy sector, Amec; Barry Logan, joint managing director of Matthew Hall Engineering; and John Cook, corporate commercial director of Press Offshore.

PROPERTY

'Expose suppliers to more competition'

B/Day 22/1/92

Reports by PETER GALLI

THE building supply market should be subject to greater competition, and the entire policy of tariff protection on general imports and building materials should be urgently reviewed, says SA Building Industries Federation (Bifsa) economist Charles Martin.

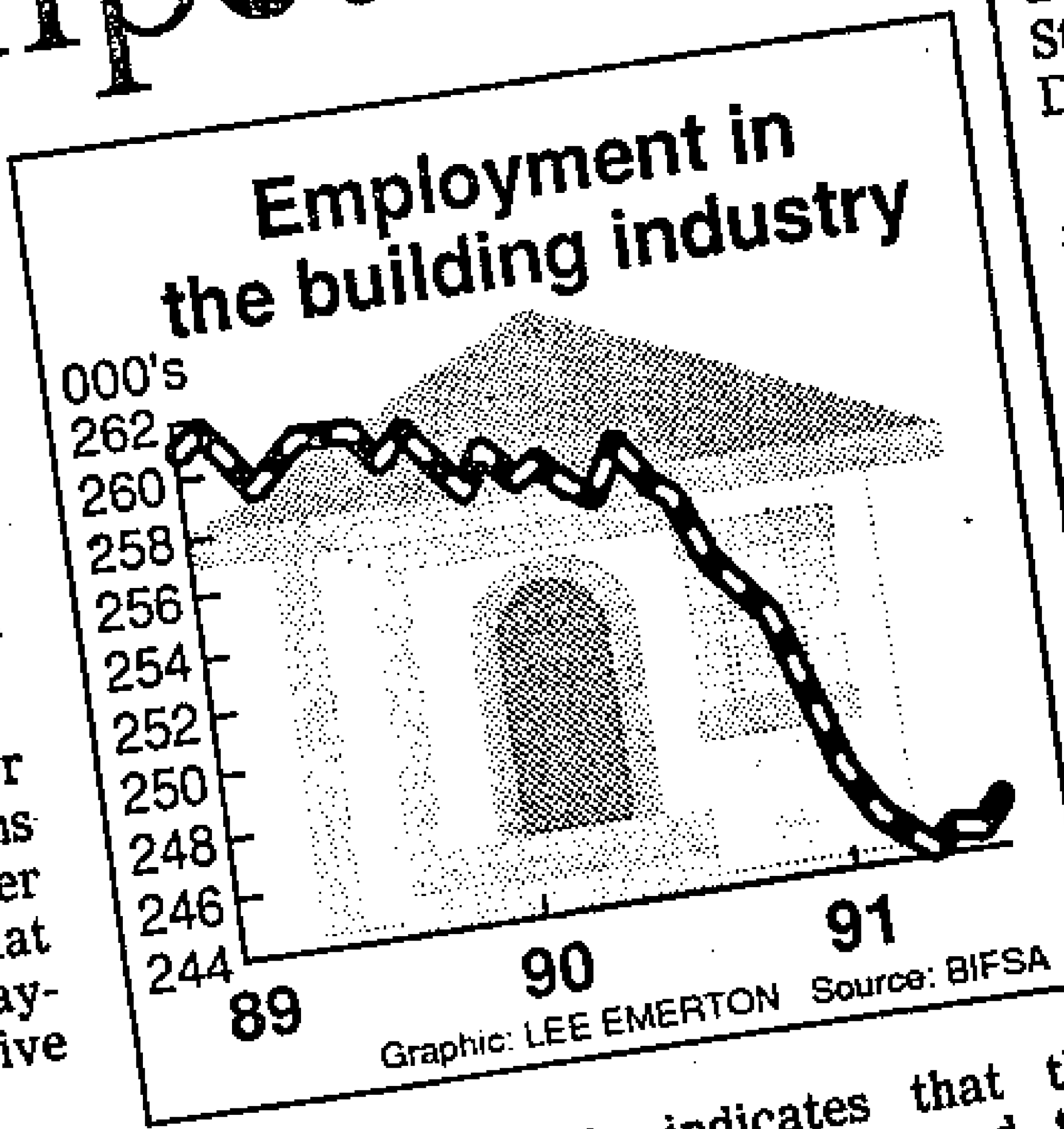
"The raison d'etre for introducing or increasing tariff protection when sanctions were the order of the day is no longer appropriate or valid, especially now that the improvement on the balance of payments allows more scope for selective imports.

"However, any reduction in tariffs should occur on a gradual basis to prevent major disruptions in that market," Martin says in Bifsa's latest building review.

While prices of building material have been reported mostly lower in recent months, this is largely a statistical phenomenon with sharp increases in certain materials still being reported by contractors and sub-contractors, he adds.

Building materials should remain freely available during 1992 and Bifsa expects prices to rise by 15,5% this year.

On the labour front, further major reductions in the industry's labour force are unlikely, although isolated retrenchments are still possible in the short term.



Graphic: LEE EMERTON Source: BIFSA

A Bifsa analysis indicates that the labour force has stabilised around the 244 000 level in recent months.

The rise in the cost of labour is also expected to slow down marginally in the short term, and should increase by 13,5% in 1992, as total labour costs continue to increase in line with inflation.

"The anticipated upturn in the building cycle during the second half of 1992 should see a noticeable increase in job opportunities in the industry from 1993," he says.

The drop in building activity during 1991 had ended shortages of materials.

"All materials are currently freely available, but we expect this situation to reverse during 1993," Martin says.

'Save energy in buildings'

TRUE energy efficiency in SA building construction will come only when it is a consideration from the initial design stages and not an afterthought, says Stauch Vorster architect Dierk Volavsek.

"There is a growing awareness of the opportunities for greater energy efficiency in office buildings.

"Although electricity is cheaper locally than abroad, building owners are still starting to look more closely at heating and cooling as a component of running costs."

While speculative developers were less concerned about this as they simply passed costs on to the tenant, owner-occupiers were starting to address the issue, he said.

Where a building was without air-conditioning, and other devices were used for heating and cooling, it was often difficult to achieve the same comfort level.

B/Day 22/1/92

"Alternative temperature devices include reducing the openings in the exterior walls to a minimum, and considering external shading methods like cantilevered slabs and the use of double glazing," he said.

R1bn can be saved

S/Times (BUSS) 26/11/92 SS

BUSINESSES could save about R1-billion a year on energy if they they used it more economically and efficiently.

This will be the thrust of a seminar to be held on June 8 and 9 by the Southern African Institute of Energy. It will give businessmen a chance to exchange ideas about the efficient use of energy.

Consumption can be reduced by up to 10% by managing energy more efficiently. Savings of 20% have been achieved.

Eskom lights up rural towns

Sowetan 27/1/92

ESKOM has taken over the electrification of two towns previously under the jurisdiction of the Transvaal Provincial Administration.

The electrification of Esizameleni near Wakkerstroom started on January 15 while the Ezamakuhle (near Amersfoort) project is scheduled to start on April 15.

Eskom spokesman Mr Robin Larsen said, "Most of the consumers will receive electricity in terms of S1 tariff, which requires no deposit," he said.

While a minimum connection fee is charged there are no reconnection fees and customers will not pay fixed monthly charges. The S1 tariff provides electricity in the home by using a dispensing unit for R30. Customers can convert to the new system at no extra cost. - *Sowetan Reporter.*

(55)

EC's SA oil ban 'sabotaged'

LONDON — The EC's embargo on exporting oil to South Africa has been sabotaged by a group of seven companies, a new report claims.

Half of recent crude oil shipments to the Republic have been supplied by six shipping companies based in London. A seventh, based in Hong Kong, has supplied almost all the rest. STAR 27/1/92

The claim, by the reputable Shipping Research Bureau in Amsterdam, is backed by figures that show between January 1989 and the end of last year, 137 large carriers delivered crude oil or petroleum products to South Africa. This amounted to about 25 million tons of crude — or 75 percent of SA's estimated needs for that period.

London's Independent on Sunday reported 48 of the total 121 deliveries came from the Greek companies based in London. — Star Bureau.

Mossgas dispute

(SS)

WORKERS at Mossgas went on strike at the weekend, but Numsa and the contractors disputed the numbers involved.

The strike follows a deadlock in dicussions about additional payments for construction workers who will be paid off as the Mossgas project comes to an end.

Numsa regional organiser Bimba Mangqabashana said about 9 000 workers supported the strike. But Mossgas public affairs manager Harry Hill said no more than about 1 000 of the construction workforce of 8 200 people was involved.

Workers have outlined a retrenchment package they insist management must implement.

B/Day 27/1/92

Petrol price rise likely — tax expert

LINDA ENSOR (55)

CAPE TOWN — A petrol price increase ahead of the Budget is expected as a way of funding the present Budget deficit, says Arthur Andersen's tax consultant, Walter Steinberg. B/Day 30/1/92

He said yesterday that speculation about a petrol price hike was rife in business circles.

"This is bad news for inflation but the government has few alternatives to make up its income shortfall," said Steinberg.

"Increasing VAT would be a political disaster, and one has to remember that our fuel is still substantially cheaper than in many parts of the world."

Spiralling costs, rumours and public outcry over Mossgas project led to New York-based probe

THE growing public outcry over the spiralling costs of Mossgas and rumours of rampant waste and corruption prompted the government to appoint New York-based consultant Maurice Brooks to investigate.

On the instructions of Auditor-General Peter Wronsley — after extensive consultations — he was contracted for the task by Mossgass auditors Weihahn Meyernel in February last year.

In fact, initial discussions about looking into Mossgas arose during the parliamentary session of 1990.

Mr Wronsley recalls that concern focused on "continual sniping at the government from many sources over various aspects of the Mossgas project, ranging from allegations of overspecification, initial underestimation of costs and complexity, undue favouring of minority shareholder Gencor, lax tendering procedures, poor management and corruption culminating in runaway escalation of final costs".

Mr Brooks visited South Africa from May 13 to 30 last year.

Most of his time was spent working in Mossgas's offices in Sandton, reviewing documents and meeting people connected with the projects.

On May 16 and 17, he visited the Mossgas onshore plant, the "FA Platform", the Voorbaai terminal and facilities and the Wolwedans Dam.

He visited the Cape Town offices of Mossgas on May 27.

Apart from the large number of documents reviewed in South Africa, selected documents were also air freighted to his office in New York. Responses to a questionnaire seeking additional information were supplied by fax and courier.

Mr Brooks notes in his report that all officials and company personnel were "co-operative" and "no obstacles to obtaining information were encountered".

MOSSGAS: THE BROOKS REPORT
MICHAEL MORRIS, Political Correspondent

ARG 30/1/92
55

'Burden of proof' lies with Cabinet

THE "burden of proof" that the costly and controversial Mossgas project was justified, despite major economic disincentives, "would appear to rest on the Cabinet".

But Mossgas itself "would appear to be accountable for acquiescing in managerial arrangements they should have been able to see were virtually certain to cause serious problems".

So says Auditor-General Mr Peter Wronsley in an audit opinion on the 148-page Brooks Report tabled in parliament yesterday.

However, Mr Wronsley records finding "no support in the Report for allegations of overspecification and material irregularities in the awarding of contracts". He also says allegations of corruption are still under investigation.

US consultant Mr Maurice Brooks has found the Mossgas project organisation was "seriously flawed".

However, his report bestows credit on other aspects of what he describes as a "first-of-a-kind megaproject" and a "notable achievement" for South Africa.

On the question of accountability, Mr Wronsley says: "The Report does not exculpate the Cabinet, Mossgass, the Industrial Development Corporation and sundry other participants for initially proceeding on inadequate calculations and laying down (and acquiescing in) conditions which were at variance with tried and trusted practice in the world of megaprojects.

3 companies criticised for 'poor' performances

THREE companies prominently involved in the controversial Mossgas project are criticised in the Brooks Report for "inadequate", "disappointing" and "poor" performances in the multi-billion rand fuel project.

US consultant Mr Maurice Brooks says examples of the "inadequate" performance of managing contractor BDL — a joint venture company of Davy McKee and Bateman — include:

- Not providing strong leadership required for a project of this magnitude;
- Employing a large number of "new hires";
- A large turnover of personnel;
- A lack of "meaningful construction planning" during the first year;
- A poor cost reporting system, and
- Exceeding construction management costs by about R60 million.

Another company, Synfuels', performance was "disappointing" because of:

- Inadequate supervision of consultants;
- Provision of inaccurate estimates for refinery units;
- Reporting "inflated engineering progress", and
- Exceeding engineering costs by about R65 million.

The performance of Badger — assigned to develop the basic design for the synthol units — was "poor" because it completed its work nine months after the initial target date and six months after the expected date.

Mossgas shocker

- Huge overspending
- Inadequate planning
- Lack of experience
- Poor productivity

(55) AUG 30/1/92

Political Correspondent

THE government and Mossgas pushed ahead with the costly and complex fuel project at Mossel Bay without adequate planning, a sound cost estimate or an experienced organisation to control and manage the project.

Serious cost overruns amounting to billions of rands were the result.

These are among the key findings of a fresh report on the controversial Mossgas project by United States consultant Mr Maurice Brooks.

The Brooks Report is sharply critical of several fundamental aspects of the "megaproject", but also gives credit for the technological feat the vast scheme represents.

In his detailed 148-page report tabled in parliament yesterday as part of a special report by the Auditor-General, Mr Brooks said problems with Mossgas were exacerbated by South Africa's limited resources and "Sasol's obsession with secrecy".

For strategic and economic reasons, and without fully appreciating the problems, the government and the board of Mossgas decided to push ahead with a costly and technically complex megaproject without adequate planning, definition, a sound cost estimate or even an experienced organisation to control and manage the project, the report said.

"As the current cost and schedule overruns now show, Mossgas underestimated the magnitude and complexity of the project."

The report said there was "no reliable control estimate" for a 15-month period between February 1988 and May 1989 "when many critical decisions were being made".

Mr Brooks's report made a clear distinction between the offshore project and onshore project.

Onshore project

The offshore project, he said — using state-of-the-art technology and built in waters as treacherous as the North Sea, was well planned and executed and was a "notable achievement and an indication of excellent performance on a project of this magnitude which was a first-of-a-kind for South Africa.

"The cost overrun is not excessive by industry standards and considering the size and complexity of the project."

He found the cost growth since a 1987 feasibility study update estimate of R2,1-billion to be R461-million, or 21,7 percent.

Some of this was due to external factors beyond the control of management. Excluding these, he found the cost growth to be 16 percent (R349-million) of the 1987 estimate.

However, "serious cost overruns" emerged in the onshore project.

The cost growth from a 1988 re-confirmation estimate (when most of the conceptual design work was completed) was R2,8-billion (R4,3-billion to R7,1-billion) or 66,1 percent.

Revising this to take account of external factors beyond the control of management reduced the cost growth to R1,4-billion, or 32,8 percent.

Mr Brooks said "policy constraints" and limited South African resources contributed to "serious cost overruns".

"They stem from the exclusion of experienced international contractors from the project resulting in a complex and ineffective project organisation".

"We calculate that the cost growth stemming from the policy constraints and limited South African resources — resulting in demand inflation, increased escalation from delays, schedule slippage, poor productivity and management and engineering inefficiency — is R1,8-billion."

Furthermore, he found that a "policy decision required that the project management be separated from the engineering" despite the international practice of placing single responsibility in the hands of a single organisation.

He added: "The problems arising from the policy constraints and limited South African resources were magnified by Sasol's obsession with secrecy which obstructed the orderly flow of the work process and imposed considerable difficulty in managing the project."

However, Mr Brooks said that while he did not make a technical audit of the project, "it appears that the present design is realistic".

● See page 6.

Mossgas bungle (55) — we were spot-on

ARG 1/2/92

FRANS ESTERHUYSE
Weekend Argus
Political Correspondent

DISCLOSURES about government bungling in launching the Mossgas fuel project are contained in a report tabled in parliament this week — more than two months after Weekend Argus readers were told about it.

The information obtained by Weekend Argus was published on November 25 — even before a special news briefing was held by the government at Wilderness in an apparent bid to whitewash the handling of the Mossgas affair.

The newspaper reported then that the findings of a comprehensive investigation into Mossgas were in the hands of the government. Some of the findings were strongly critical of aspects of the onshore project management, but a "positive" picture was said to emerge from investigations of the offshore project.

There were allegations of bad management and excessive secrecy.

The Brooks Report tabled in parliament this week as part of a special report by the Auditor-General shows Weekend Argus's disclosures were spot-on.

United States consultant Mr Maurice Brooks reported that problems with Mossgas were exacerbated by South Africa's limited resources and "Sasol's obsession with secrecy".

One of Mr Brooks's key findings was that these matters had resulted in serious cost overruns amounting to billions.

Weekend Argus was also first to report earlier last year that the estimated total cost of the Mossgas project had risen again — to a staggering R12 billion plus. This estimate, then unofficial, was disputed by government and Mossgas.

Now it's official. The latest estimates show that total Mossgas funding, in fact, has risen to R12 billion — R5,5 billion more than originally expected in 1987.

UK firms helped to break oil boycott

Weekly Mail Reporter WMail 24/1-30/1/92

BRITAIN seems to be at the heart of the boycott-busting shipments of oil to South Africa.

And the oil is coming from Arab countries supposedly committed to the embargo.

Since 1989 a few shipping groups based in Hong Kong and London-based Greek shipping groups have dominated crude oil shipping to South Africa, in defiance of the United Nations embargo.

This is revealed in the just-published report of the Amsterdam-based Shipping Research Bureau for the period January 1989 to July 1991, with some preliminary findings for the second half of 1991.

How successful has the veil of secrecy drawn over oil imports been? The bureau estimates it has accounted in 1989 for 84 percent of the 14-million tons of crude it guesses South Africa imports each year, 61 percent in 1990 and 72 percent in the first half of 1991.

The Hong Kong-based World-Wide Shipping Group tops the list of shipments to South Africa, with 60 deliveries identified. 55

The volume of oil shipped by Worldwide during the period was 14,4-million tons — more than half the total of oil imports identified. 16

Greek shipping companies, their commercial operations often based in the UK, were involved in 48 of the 121 crude oil deliveries (10,7-million tons or 37 percent of the total volume.)

The UK is clearly at the centre, because it holds sovereignty over Hong Kong. "In one way or another the UK is linked to 112 of the 121 deliveries, thus accounting for no less than 93 percent of the total volume identified."

The oil came mostly direct from the Middle East: 118 of the 121 tankers which delivered a total of 27,9-million tons of crude oil to South Africa.

In recent years the United Arab Emirates played a prominent role with 63 tankers sailing from that Arab country, accounting for more than half the volume identified. Twenty-one tankers sailing from Egypt accounted for almost 17 percent.

Mossgas bungled, says report

55

STAR 30/1/92

CAPE TOWN — Mossgas, a technically complex megaproject, had been pushed ahead without adequate planning, a sound cost estimate or even an experienced organisation to control and manage it, an American consultant said in a report commissioned by the Auditor-General and tabled in Parliament yesterday.

The report, by Maurice Brooks, said the cost of the onshore project had grown by 116 percent, or R3,8 billion, from the initial estimate on which the Cabinet gave approval in 1987 to go ahead with the conceptual design, and by 66,1 percent from a February 1988 reconfirmation estimate.

Problems arising from policy constraints and limited resources had been magnified by Sasol's obsession with secrecy, which had obstructed the orderly flow of the work process and imposed considerable difficulty in managing the project.

In comments attached to the report, the Auditor-General, R P Wronsley, said Mr Brooks did not exculpate the Cabinet, the board of Mossgas, the Industrial Development Corporation and other participants for initially proceeding on inadquate calculations.

Nor did it free them from blame for laying down or acquiescing in conditions which were at a variance with tried and trusted practice in the world of megaprojects.

The main burden of proof that the need, at the time of the 1987 decision to go ahead with Mossgas, for augmenting SA's energy sources and stimulating industry outweighed the predictable economic disincentives would appear to rest with the Cabinet.

"Mossgas, for its part, would appear to be accountable for acquiescing in managerial arrangements it should have been able to see were virtually certain to cause serious problems. "Other participants criticised by Mr Brooks likewise owe explanations."

He said the Brooks report would appear to contradict widespread speculation that the final cost of the Mossgas project would be anywhere between R14 billion and R20 billion.

Mr Brooks had not been asked to comment on the viablity of the project or on allegations of corruption. — Sapa.

Petrol price fears renew perk debate

ARGT 30/1/92

Staff Reporter 55

A HIKE in the petrol price largely to fund the present Budget deficit is likely, according to Mr Walter Steinberg of Arthur Andersen's Tax Division in Cape Town.

He expected the hike to be announced before the budget "to deflate budget anxiety and to make it look more attractive."

"This is bad news for inflation, but the government has few alternatives to make up its income shortfall. Increasing VAT would be a political disaster, and one has to remember that our fuel is still substantially cheaper than in many parts of the world."

On how the increase would affect personal taxation, Mr Steinberg believed it would further tip the scales in favour of company owned cars with petrol supplied rather than company owned cars without petrol or travel allowances.

"This is because it is unlikely that the Receiver will make immediate adjustments to the current taxable benefits and deduction tables," he explained.

"Therefore those people on a 'wet' company car scheme will benefit because the company will be bearing the increased petrol costs.

"Somebody on a 'dry' company car scheme will have to fork out extra for fuel while still only claiming a R120 deduction from the taxable benefit.

"Those people on a travel allowance will also be at a disadvantage because their motoring costs will have risen, but they will still only be allowed to claim the amount for every business kilometre currently allowed to cover fuel costs.

To make all three schemes more equitable should the petrol price go up, Mr Steinberg said the Receiver should:

- Increase the present taxable benefit of 1,2 percent a month of the cost of a company car;
- Increase the deduction of R120 from the monthly benefit by the percentage increase in the petrol price for those people on 'dry' company car schemes; and,
- Increase the travel allowance deduction tables to cater for the increased petrol costs for those people on such allowances.

Mr Steinberg said: "There are so many factors to consider, and utimately it really depends on company policy and an employee's personal situation, which are often unquantifiable."

'No need' for petrol increase

JOHANNESBURG. — The is no immediate need for a petrol price increase, says the National Energy Council.

55 CT 21/1/92

And informed industry sources said that should the petrol price be increased by 10% the inflation rate would rise by 0,5%.

Although the rand strengthened in December and the international price of crude fell, there was an under-recovery in the last two weeks of December — due to a 1,5 cent wholesale increase granted to service stations — compared with an over-recovery of 1,262 cents in the first two weeks of the month. — Sapa

Mossgas: Final link in place

(55)

S/TIMES (CM) 2/2/92

INSTALLATION of the single point mooring buoy (SPM) for the Mossgas project by Cape Town-based specialist marine operator Pentow Marine marks the virtual completion of the Mossgas production chain.

This starts with the offshore production platform and ends at the marine tanker terminal — of which the SPM is the main component, as it acts as the conduit for products from the onshore refinery for coastal distribution by tankers.

Pentow has established an office in Mossel Bay specifically to manage and operate the SPM for Mossgas, and the buoy will be permanently maintained by a Pentow vessel, the Pentow Malgas, which has been specially adapted for the purpose.

A team of four divers from the Pentow subsidiary SA Diving Services of Cape Town will maintain the facility and check for leaks in the pipeline.

Pentow has a five-year contract for maintenance of the SPM, with a renewal clause for a further five years.

The facility will be commissioned during the second half of this year.

A current affair

THE African National Congress is convening a national meeting on electrification to enable organisations to present their views to decision-makers.

The ANC considers it "politically intolerable" that almost all white households, even those in remote areas, have electricity, whereas less than a third of black homes do. (55)

The meeting is to be held on Thursday and Friday at the Robert Leslie Building, University of Cape Town. Meeting secretary Mr Paul Theron says attendance is to be limited to 100 closely concerned with providing electricity. S/Times (CM) 2/2/92

ARG 4/2/92

'Koeberg safety may be compromised'

55

THE Council for Nuclear Safety has expressed concern that extensive settlement and development around the Koeberg nuclear power station might compromise compliance with safety criteria and render the power station's emergency plan ineffective.

In its 1990-91 report tab'ed in parliament yesterday, the council said it had become clear that planning for emergencies at Koeberg required further development provincially and nationally.

Koeberg had a comprehensive emergency plan subject to constant review and scrutiny. During an emergency plan demonstration in June 1990 certain shortcomings had been identified and brought to the attention of Eskom, who operate the station.

Referring to the disposal of nuclear waste from Koeberg at Vaalputs in Namaqualand, the council noted an incident in which the tyre of a truck transporting low-level waste caught fire due to a mechanical fault.

Although there had been no damage to the radioactive waste containers and no release of radioactive material into the environment, the council suspended further shipments until an investigation into the incident had been completed. — Sapa.

shredded, because it has no relevant security significance.

*Dr F HARTZENBERG: Why did you pay R3 000 for it? Hansard 4/2/92.

*The MINISTER: I am now going to come to the point. I want to state the following policy standpoint to the hon members.

Our service does not give any planned, deliberate and organised intelligence attention to any party-political organisation.

*Dr F HARTZENBERG: That is not true.

*The MINISTER: We do not pay any deliberate attention to a party-political organisation that practises normal politics. In the short time at my disposal today I want to invite the hon members of the House to discuss with me any substantive allegations that may exist in regard to irregularities in connection with the service, and I undertake wherever possible to ascertain the factual basis.

What is more, if the hon members have any complaints, such as the hon members now have, that the service has acted in an unauthorised manner, or that it has used taxpayers' money, they should rush off to the Ombudsman. Those hon members assisted us to put the Ombudsman in place. We have vested him with special powers to investigate the misuse of State funds and to report on this to Parliament. We invite hon members to approach him without delay if they have any complaints. I put it to them frankly that we will devote the necessary attention to any complaints they may have. We will not tolerate absurdities. I hasten to add that the service is not known for concerning itself with absurdities.

Debate concluded.

Kaolin mine in Noordhoek

2. Mr J H MOMBERG asked the Minister of Mineral and Energy Affairs:† SS

(1) Whether, in view of the opposition to the proposed kaolin mine in Noordhoek, he still intends allowing this mine; if so,

(2) whether the commencement of mining operations will be made subject to certain conditions; if not, why not; if so, to what conditions?

B117E.INT

The MINISTER OF MINERAL AND ENERGY AFFAIRS: Mr Speaker, the answer to both questions is yes. However, before dealing with the conditions to be imposed I would like to sketch briefly the background to this much debated matter. SS

During the mid 1970s an investigation by the Geological Survey proved beyond doubt that the kaolin deposits at Noordhoek were of excellent quality and the only deposits of their kind in South Africa. Since developments proposed for Noordhoek at the time would undoubtedly have permanently sterilised these deposits, they were reserved in 1983 in terms of the Physical Planning Act of 1967, with the effect that a permit would henceforth be required before mining was allowed. Hansard 4/2/92

Having obtained the mineral rights in 1979, Serina was provisionally granted a permit in 1988 to mine the kaolin in a deposit situated on Chaplin's Estate, Noordhoek.

Kaolin is extensively used in the paint, paper, ceramic and other industries. High quality kaolin is an essential and extremely valuable raw material, the importance of which has been further accentuated by a recently discovered use thereof in catalytic converters for automotive exhaust systems.

The success of our mining industry can largely be attributed to security of tenure, that is to say that the basic rights of the holder of mineral rights pertaining to land are protected by law. The basic rights of the holder of the mineral rights in question, Serina (Pty) Ltd, are well entrenched in the new Minerals Act of 1991.

Although Serina has the legal right to enter upon the land concerned and to extract minerals of which it is the owner, it does not by any means have a free hand in this process.

The mining operation will be subject to a series of stringent conditions which are currently being finalised with the Departments of Environmental Affairs, Agriculture, Water Affairs and Forestry. Unfortunately the time available will not allow for details, but I can say that the conditions to be imposed will pertain to the mining operation itself, the abatement of noise, dust control, effluent management and soil erosion, protection of the ecological system, visual impact, road use, rehabilitation and the mine closure. I can assure hon members that these conditions will be

rigidly applied by the Department of Mineral and Energy Affairs. SS

Another very important point that I would like to stress is that in terms of the Minerals Act, 1991, authority is vested in the Minister to cancel or suspend any prospecting permit or mining authorisation if the provisions of the Act are not complied with. However, the Minister will have no discretion if a provision in respect of the rehabilitation of the land concerned is not complied with. In such a case the Minister will be compelled to cancel or suspend the permit or authorisation outright.

Mr J H MOMBERG: Mr Speaker, for the past ten years the people in the southern Peninsula, especially in the Noordhoek area, have lived under the cloud of the possibility that there will be a kaolin mine against the slopes of Chapman's Peak.

Many people, especially those who come from overseas, often speak of the beauty of the drive from Hout Bay to Fish Hoek when using the road over Chapman's Peak. Many of these people react with total bewilderment when they hear that soon there will be a mine, forty metres deep, against the slopes of that very same beautiful mountain.

That is why concerned people, over the past three years, have flocked to sign a petition against this mine—approximately 60 000 of them. That is why concerned people have taken out advertisements in the papers to point out the dangers of the mine.

We have pleaded with the holders of the mining rights, Serina, we have pleaded with Federale Volksbeleggings and we have pleaded with Sanlam to stop this mine. Yet they have gone on with preparations to put bulldozers into the mountainside of Chapman's Peak.

I want to emphasise one point. This is not a personal issue. I have friends in Serina and I am a policyholder of Sanlam. [Interjections.]

Highly respected people like Dr Douglas Hey, Mr Ian Player, Mr John Róbert, Mr Gordon Oliver, as well as the National Monuments' Commission, have called on the Government and Sanlam not to go on with this mine.

There comes a time when even the Government must decide between what is good in the short term and what is good in the long term. This mine will be a short-term economic benefit. Despite every possible rehabilitation guarantee, the damage done will outlive the short-term economic benefits.

My people in that area are dedicated to seeking a healthy unemotional balance between the two goals of development and preservation. Ideally it should be possible to achieve careful development while preserving that which we dare not lose in the environment. In this case in which it is proposed to enable the messiest form of mining on the fringes of established nature reserves and natural areas, the difficulties of obtaining any such balance are immense. I therefore call on the Government to use every possible bit of legislation to stop this mine.

*Mr J CHIOLÉ: Mr Speaker, environmental patriotism is inseparable from true nationalism, and it is a characteristic peculiar to First World standards and governments throughout the Western World. It should therefore be clearly understood that the implementation of what the DP has stated would be its desired scenario after an election would result in a Third World government in South Africa which would neither appreciate nor understand this environmental patriotism. [Interjections.]

Similarly, having misled the voters in 1989, the NP's fervent desire to bring about a political coup on themselves in order to establish an ANC government in South Africa, would also result in a government which would not regard the conservation of our national heritage as a priority. Only a First World, truly nationalist, White government would have the patriotism to cherish our natural heritage jealously and to preserve it for posterity. [Interjections.]

*Mr SPEAKER: Order! Hon members must come to order. The hon member may proceed.

*Mr J CHIOLÉ: Mr Speaker, throughout the Western World we are seeing the introduction of serious restrictions in respect of mining activities as a result of the awakening of environmental patriotism and this has naturally resulted in sharp price increases for minerals. That is the NP's reasoning. As a result of the NP's chaotic economic policy, South Africa has been a capital exporting country for five years now. Therefore they now want to use open-cast mining in a disgraceful manner to destroy the natural heri-

continued

tage in Chapman's Peak and St Lucia in respect of which important agreements exist.

As a result of the NP's political suicide syndrome they are only interested in realising maximum revenue in the short term and that is why they are concealing this behind so-called environmental impact studies. Why will they not tell the department how many people from the Natal Parks Board are serving on the St Lucia Committee, for example? The CP maintains that the Chapman's Peak project is merely a larger prototype of the St Lucia project. Cancel the rights to prospect and to mine. [Interjections.] [Time expired.]

The MINISTER OF MINERAL AND ENERGY AFFAIRS: Mr Speaker, I believe matters of this nature should be approached unemotionally so that objectivity and realism can prevail throughout the search for a generally accepted balance between mining on the one hand, on which the economy of the country has been based, and conservation of the environment on the other.

Keeping the facts in mind, I make a strong appeal to hon members especially and to the general public to assess the merits of this case unemotionally so that the best interests of the country can be served.

The hon member for Simon's Town raised the matter of tourists who visit this area. Surely he should know that the environmental impact study did, indeed, look into the matter of tourism. It was found that approximately 500 000 people visit the Cape annually and spend about R180 million. They have also found that it is highly unlikely that the tourists who visit this particular part of the Cape Peninsula will be deterred from going there because of this mine. [Interjections.]

Indeed, the Brackkekloof Mine has been in Fish Hoek for 25 years. As one drives down from Chapman's Peak, the first thing that one sees is the Brackkekloof Mine which is on the far mountain side. Yet, statistics have clearly shown that the Brackkekloof Mine, which has existed for 25 years, has not had any impact at all on tourism in the Peninsula. The survey done by experts in their field indicates that it will not have an effect on tourism.

The hon member for Simon's Town knows that the environmental impact assessment . . . [Time expired.] SS

Mr C W EGLIN: Mr Speaker, the hon the Minister is being totally unconvincing and I hope that he will be rescued on environmental affairs by the intervention of the hon the Minister of Environment Affairs. [Interjections.]

An HON MEMBER: He knows nothing!

Mr C W EGLIN: It is correct that the hon member for Simon's Town raised this issue, but it is not just a local issue. It goes far beyond that. Opposition to it includes the Cape Chamber of Commerce, Captour, Satour, the National Monuments Commission and people like Dr John Hall and Dr Douglas Hey. The objections also come from tens of thousands of ordinary citizens of South Africa who have a special feeling towards a Peninsula that was once described as the fairest cape in all the world.

Objections in regard to visual impact, physical impact, environmental impact and of social impact cannot just be wished away by the hard-handed Government. The objections are a cry from the heart of Capetonians when they see what is happening to the environment around them, for instance the urban sprawl engulfing the countryside, the spoilation of Table Mountain and the increasing amounts of sewage being pumped into the sea. Capetonians now see the opening of another mine at Chapman's peak as yet another step in the step-by-step rape of the Cape Peninsula's priceless natural heritage.

HON MEMBERS: Hear, hear!

Mr C W EGLIN: They see an insensitive Government that gave permission for mining and mining rights before they obtained an environmental impact study. They have to put this right. They can do it by imposing a moratorium on all mining in the Cape Peninsula for 25 years.

HON MEMBERS: Hear, hear!

Mr C W EGLIN: Let future generations have the advantage of considering this issue against the background of history, but do not let present and future generations suffer because of the short-sightedness and the irresponsibility of a Government which has no sensitivity towards the quality of life of people or the quality of our environment.

Mr J H MOMBERG: Mr Speaker, today we have heard a lot about the rights of companies. I want to ask the hon the Minister: What about the rights of people? I want to tell Sanlam to use its muscle to stop this mine and to tell its affiliate Serina that it is not in the interests of the people to go on with this. SS

I want to warn Sanlam that they must not underestimate the reaction of the people. We are going to have a million signatures next time, not 60 000, aimed against Sanlam and not against the mine. [Interjections.] I want to warn them that if they start the bulldozers on Chapman's Peak, the people will be there to stop them. Let them not ride roughshod over the wishes of the people! [Interjections.]

I want to conclude by quoting an excerpt from a letter which appeared in *The Argus* last week.

An HON MEMBER: Jan, we are going to call it "Jan se gat"! [Interjections.]

*Mr J H MOMBERG: That hon member remains a silly little fellow! [Interjections.]

†I quote from the letter which appeared in the paper last week:

> To mine for kaolin against Chapman's Peak is like having received Chapman's Peak in trust from God and throwing it back into his face.

The MINISTER OF MINERAL AND ENERGY AFFAIRS: Mr Speaker, I am sure that any reasonable person who has been listening to this debate will certainly accept that the hon member for Sea Point and also now the hon member for Simon's Town have exhibited the typical emotion that we so often see in matters of this kind. The hon member said that the Government was riding roughshod over the people. That is not true!

That hon member knows better than anybody in this House the tremendous investigation that has been done into this particular matter. That hon member knows of all the scientific organisations—the CSIR, the University of the Western Cape, the University of Pretoria, the University of Port Elizabeth, the University of Cape Town, all the engineering firms of world repute—which have investigated this matter. And then the hon member says we are riding roughshod over the people's views on this matter.

What about all the other people in South Africa whose very livelihood and future depend upon the economic development of this country? [Interjections.] What are we talking about? I ask the hon member what we are talking about. We are talking about a piece of land of 26,9 hectares in extent. Compare that with the Cape Peninsula as a whole. We are talking about four hectares of land being mined at any one time.

An HON MEMBER: Forty metres deep!

The MINISTER: The hon member again says 40 metres deep. When this mine is completed, the level of the land will be a mere 2 metres lower than it is today. [Interjections.] The hon member for Simon's Town knows it too.

In conclusion, I want to say that that hon member knows that a committee will be set up on which unremunerated people will serve voluntarily. There will be people serving on this committee with the relevant environmental expertise, such as a specialist rehabilitation ecologist, as well as representatives of the local residents and government authorities, and I invite that hon member to be the convener of that committee. [Interjections.] [Time expired.].

Debate concluded.

QUESTIONS

†Indicates translated version.

For oral reply:

General Affairs:

State President:

*1. Mr D J Dalling — State President. [Question standing over.]

Ministers:

Multilateral Motor Vehicle Accidents Fund

*1. Adv J J S PRINSLOO asked the Minister of Tranport:†

Whether the Government investigated the state of the Multilateral Motor Vehicle Accidents Fund in 1991; if so (a) what were the reasons for the investigation, (b) who carried out the investigation on behalf of the Government and (c) what were the findings? B1E

Ten die in mine

4/2/92

JOHANNESBURG. — Ten miners were killed and 16 injured in a rockfall at Western Deep Levels gold mine yesterday.

The predominantly-black National Union of Mineworkers has demanded a special commission of inquiry into safety and health conditions at the mine.

The all-white Mineworkers' Union has demanded a special investigation into the series of mine accidents in the country since the beginning of the year.

A spokesman for Anglo American said the workers were killed in a rockfall 2 400m underground. The rockfall measured 2,6 on the Richter scale.

Eighteen workers had died in accidents at the mine since the beginning of the year, the NUM said.

The union said the mine's safety record was "appalling" and that deaths "have now reached alarming proportions".

Seven miners had been killed on January 9 and a week later another had died and 14 had been injured.

"Despite repeated calls for a national commission of inquiry to be appointed to examine health and safety conditions, government and employers have remained silent," the NUM said.

"If a judicial commission can be appointed into the Helderberg jet disaster, why not appoint one in the mining industry where over 600 people are killed every year in accidents?"

The NUM demanded a special commission of inquiry "as it could not allow the lives of miners to be treated cheaply".

The Mineworkers' Union last night threatened to advise its members to stop working if it found that conditions on the mines were not safe.

"We would be forced to advise our members to stop work," union spokesman Mr Flip Buys said. — Own Correspondent and Sapa

'Rambo' on 65 drugs a day

Own Correspondent

LONDON. — "Italian Stallion" Sylvester Stallone injects himself in the backside 18 times a year and takes 65 assorted drugs a day to stop his body looking old.

The 45-year-old hero of "Rambo" and "Rocky" movies explains the astonishing daily cocktail and anti-ageing injections by saying he has "started thinking about my mortality — I can't live forever and that really scares me".

In an interview with the US magazine Longevity he confirms he has to import many of the elixirs because they are not available in the US.

"These are not your normal vitamin A, B and C, but things like anti-oxidants, L-systeine and beta-carotene in a much more potent dose than anything we have here (in the US)."

"Rambo" says he injects himself with Gerovital H-3 three days a week for three weeks, twice a year. He says he is pleased with his body which he regards as "close to the best in Hollywood".

DAILY DRUGS ... Sylvester Stallone

'Flaws' in Koeberg exercise

55 c 4/2/92

By BARRY STREEK

SHORTCOMINGS were observed in the annual emergency exercise for the Koeberg nuclear power station in June 1990, the Council for Nuclear Safety reported yesterday.

It did not say what shortcomings were noticed, but it said these were brought to the attention of Eskom, "which was required by the council to identify the root causes and to implement a corrective action programme".

The council said in its annual report, which was tabled in Parliament, that control over radiological hazards was continually monitored.

The annual demonstration exercise of the full emergency plan was monitored by 20 members of the council's staff.

Mining of kaolin won't be stopped

STAR 5/2/92

(55) (58)

The kaolin mining on Chapman's Peak would not be stopped, but would be subject to stringent conditions still to be finalised, Minister of Mineral and Energy Affairs George Bartlett said in the House of Assembly yesterday.

Speaking during an interpellation debate on a question from Jannie Momberg (DP Simon's Town), he said these conditions, to be finalised between the departments of Environment Affairs, Agriculture and Water Affairs and Forestry, would be rigidly applied by his department.

They would pertain to the mining operation itself; the abatement of noise; dust control; effluent management and soil erosion; protection of the ecological system; visual impact; road use; rehabilitation and mine closure.

Mr Momberg said more than 60 000 concerned people had signed a petition against the mine. A time came when even the Government had to decide what was good in the long term and damage done by the mine would outlive the short-term benefits. — Sapa.

Energy plans necessary

(55) Sowetan 5/2/92

Suitable and affordable energy programmes were necessary to underpin and usher in constitutional development, the chief executive of the National Energy Council, Dr DC Neethling, said in the organisation's final report released in Parliament yesterday.

The NEC was dissolved last year, and its functions were taken over by other bodies.

Dr Neethling warned that the South African coal industry could come under increasing pressure from in and out of the country over pollution.

A report on the long term effects of high extraction coal mining on agriculture in the Eastern Transvaal Highveld, which was completed during the year, had found that the detrimental effects of coal mining on agriculture were not as extensive as were supposed. - *Sapa*

Koeberg had a problem

CT 5/2/92

(55)

Staff Reporter

THE Council for Nuclear Safety said yesterday that "minor shortcomings" had been observed during an emergency plan demonstration at Koeberg nuclear power station in June 1990.

A spokesman for the council, Mr Jonathan Cooper, said Koeberg had a comprehensive plan — subject to constant scrutiny and review — for dealing with emergencies.

Any problems discovered were referred to Eskom, who took steps to rectify them.

The faults found in 1990 "were not serious"

SA firms vie for gas field contracts

Fuel deal with Mozambique in the pipeline

55

B/Day 6/2/92

SEAN VAN ZYL

THE Mozambican government is within weeks of agreement with one or more SA synthetic fuel and chemical firms on a multibillion-rand venture to exploit and market products from its large Pande gas fields, industry sources say.

It is envisaged that Petronet, Transnet's pipeline subsidiary, will build a R1bn pipeline to carry gas to the Reef. It is believed that a parallel line will be built to carry refined fuel from SA to Mozambique.

Sasol, Engen and AECI are in the running to establish a plant to convert the gas into petrochemicals, with Sasol believed to have an edge over its rivals.

Petronet MD Eric Crowley confirmed yesterday that his company had been involved in discussions with the Mozambican authorities and the World Bank, which was expected to participate in the funding.

He added that the discussions had centred on the possibility of Petronet constructing and operating an approximately 900km gas pipeline between Mozambique's Inhambane province and the Reef. About 80% of the line would be in Mozambique. He said discussions were still at a tentative stage and that their outcome hinged on the decision of the Mozambician authorities and the World Bank. Industry analysts say the outcome also hinges on Mozambique's security situation and Maputo's ability to guarantee that Renamo will not sabotage a pipeline as it has the power line linking SA and Cahora Bassa.

Petronet operates SA's only commercial fuel pipeline network connecting major business centres with the oil refineries at the coast. About 85% of the refineries' product is carried by Petronet's system.

Sasol spokesman Jan Krynauw confirmed his company was involved in discussions with Mozambique but was reluctant to elaborate yesterday as talks were at a sensitive stage.

The Pande gas fields have been explored sporadically over the past few decades, with most recent work being done by Soviet drillers. They, however, failed to complete the job. A feasibility study, which has been running on and off for 10 years, has been completed by Engineering Management Services (EMS), a local engineering project manager.

EMS MD Steve Hrabar said yesterday World Bank financing would probably be forthcoming only if private companies invested in the project. Mozambique itself does not have the resources to finance the project.

Unofficial estimates quoted by Engineering Week put Pande's annual gas production potential at 1-billion m³. This would make it significantly larger than SA's own offshore reserves off Mossel Bay.

Mandla Kumalo, Tsepo Mvuyana and Vusi Ngema have opened a paraffin distribution business which will serve the Orange Farm area as well as spaza shops in the vicinity.

Trio's dream becomes reality

Sowetan 6/2/92 (55)

BY JOE MDHLELA

WHAT seemed a dream a few months ago has become a reality this week with the launching of Ukukhanya Paraffin Distributors at the informal settlement of Orange Farm.

The company is the brainchild of Mr Mandla Kumalo, Mr Vusi Ngema, Mr Tsepo Mvuyana and Mr Henrick Mdiniso.

"A few months ago we toyed with the idea of starting a distribution company, but did not have an idea were we would get funds.

"It was only after approaching Leadership Institute that our dreams slowly transformed into reality."

The institute is the advice centre that provides business training and helps connect budding businessmen with financial institutions.

"They introduced us to Anglo American and Standard Bank, who undertook to fund the distribution project," co-ordinator of the company Kumalo said.

The depot and the offices of the company are in Orange Farm, near Residensia in Vereeniging.

Kumalo said Total South Africa provided the company with a 9 200l bulk tank to store paraffin.

The company will also distribute motor oil and other petroleum products, said Kumalo.

The products will be targeted at spaza shops and formal retail shops in the black areas around Orange Farm, Residensia and Sebokeng.

"Residents of the informal settlement will benefit particularly from our presence in the area which is without electricity.

"We will also endeavour to keep our prices as low as possible so that the spaza shops can pass on these benefits to the end consumers," Kumalo said.

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Multi-billion gas field venture mooted

SA firms and Mozambican govt in talks

CT 6/2/92

55

Own Correspondent

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Eskom calls for national forum on electricity supply

B/Day 7/2/92

LINDA ENSOR

CAPE TOWN — SA's system of electricity supply came under heavy criticism at an ANC conference on electrification which began at the University of Cape Town yesterday.

The meeting also threw up sharp differences over which body should take responsibility for the supply.

Most speakers, however, stressed the need for a high level of community involvement in the electrification programme.

Eskom's Johan du Plessis called for the establishment of a national forum for electrification representing the major stakeholders.

He said about 70% of South Africans — which represented 23-million people in 3-million households — did not have electricity.

Eskom could not electrify the whole country, Du Plessis said, as it could only gain access to 700 000 of the unelectrified households falling within its potential area of supply.

The balance of 2,3-million households fell within the supply areas of local authorities and they would have to accept the challenge.

UCT's Charles Dingley said SA's system of electricity supply differed from that of most countries where it was carried out by highly rationalised, special purpose semi-autonomous and publicly owned organisations.

"The industry here is in the hands of hundreds of suppliers, virtually all of them part of multipurpose municipal bureaucracies, controlled for the most part by inexpert councillors and shielded from public scrutiny or accountability.

"Consumer diversity is poor because of the location of industry and commerce, because of segregated residential areas and because of rural neglect."

Dingley felt that an important issue in the forthcoming negotiations on the future of local government would be whether electricity distribution should remain in the local government domain, or whether it should be transferred to regionally based specialist distribution authorities.

Rural Advice Centre's Chris Hock believed the fractured metropolitan sector should be rationalised into regional supply authorities.

Association of Municipal Electrical Undertakings president Charles Adams believed white municipalities had a leading role to play in the provision of electricity to black townships.

He criticised Eskom for taking over electricity supply from black municipalities which would soon amalgamate with white municipalities.

"The answer is not to separate one individual service from black municipalities and try to run it as a separate entity, but to press rather for amalgamation so that the pool of expertise and experience can be shared."

Some fail to show up at electrification talks

Staff Reporter 55

SOME of the major players at a national conference in the city on electrification failed to turn up yesterday, leading to allegations that the government was side-stepping negotiations.

The Department of Mineral and Energy Affairs declined an invitation to attend, while Eskom representatives failed to deliver their papers.

Conference organiser Dr Anton Eberhardt said the state was in danger of being left behind in the development of policies on electrification.

The two-day conference, convened by the ANC, met at UCT.

CT 7/2/92

Yes, SA could build nuclear weapons

W/Mail 7/2 – 13/2/92

55

A little-known journal reveals that SA admits to enriching uranium to a level capable of use in nuclear weapons.

By **MARTIN NAVIAS**

SOUTH AFRICA has admitted to having enriched uranium to above 90 percent, according to a report in a specialist nuclear technology trade journal. The significance of this is that uranium so treated is capable of being used in nuclear weapons. The article in *Nuclear Fuel*, printed in Germany, has so far attracted little attention.

This may be the first opening to the true story of Pretoria's quest for a nuclear force.

There has long been speculation that South Africa has manufactured material that can be employed for use in nuclear weapons but Pretoria's admission — made in an initial inventory report to the International Atomic Energy Agency (IAEA) — would be the first official indication that there was substance to these concerns.

Natural uranium is found in large quantities in South Africa but in its natural form it is not usable as a nuclear explosive. It has to undergo a complex process called enrichment before it can be used as a weapon. South Africa has such facilities in Valindaba in the Transvaal. Until now South Africa has refused to admit that it was enriching uranium to weapons grade levels though there have often been statements indicating that the country has the capability to do so.

Pretoria was required to make such a report to the IAEA as a result of its signature and ratification of the Non Proliferation Treaty (NPT) in October last year. The NPT forbids signatory countries from acquiring nuclear weapons. New members have to provide an inventory of nuclear materials in their possession.

A key question is how much weapons grade material has been produced in South Africa? Nuclear trade analyst Mark Hibbs, who acquired the information for the trade journal, told *The Weekly Mail* that the report remains highly secret and IAEA officials refuse to state whether South Africa has admitted to producing weapons grade material.

Hibbs maintains that "given the present lack of information we cannot state for certain how much enriched uranium Pretoria has produced. Theoretically it is possible that the figure is in the scores of kilograms."

While estimates vary it is generally assumed that 35kg of enriched uranium would be needed to make a weapon, though more sophisticated weapons designs may only require 15kg or less. It is therefore possible that South Africa has manufactured enough enriched uranium for a significant nuclear force.

A 15 to 25kg device would be enough to make a bomb of the power similar to that dropped by the United States on Hiroshima in 1945.

Analysts have long attempted to estimate how many nuclear weapons South Africa has succeeded in producing. Leading US nuclear proliferation expert Leonard Spector, of the Carnegie Endowment for International Peace in Washington, has calculated that South Africa has had the ability since 1981 to produce about 50kg of highly enriched uranium each year at the Valindaba pilot enrichment plant in the Transvaal. From this plant alone South Africa could have during the 1980s manufactured material for between 20 and 30 nuclear weapons.

In order to have produced so much South Africa would have had to have worked the plant at full capacity all the time. However, it is unlikely that this was ever done. The site was shut in 1990.

Pretoria also built a far larger enrichment plant at Valindaba. This semi-commercial scale facility was in fact 30 times larger than the pilot enrichment plant and while this does not mean that it could have produced 30 times the amount of enrichment uranium, it could have significantly upgraded the amount of output.

There is an enormous range of calculations that have to be considered when making even a rough estimate of South Africa's nuclear arsenal. All that can be said with confidence is that the capability was there for significant nuclear weapons production to have taken place.

Both enrichment facilities at Valindaba have been outside the scope of international safeguards and their true production rates have not been known. The IAEA will have to check the veracity of the South African report by making their own inspections of the plants. Whether they will ever be fully satisfied that they know the full scope and history of South Africa's enriched uranium production is hard to tell.

Why South Africa would ever have wanted to produce such weapons is far from clear. Analysts tend to agree that the motivation was more related to issues of status than purely military considerations. There were certainly no obvious targets against which to deliver nuclear weapons.

South Africa's nuclear arsenal possibly consists primarily of gravity bombs, though nuclear artillery shells cannot be ruled out. There were also suggestions in 1989 and 1990 that the rocket tests near Arniston indicated that Pretoria was also interested in a nuclear missile delivery system. The South African Defence Force appears to have shelved its missile plans.

It is possible that by the middle of the year we may have a fuller picture of South Africa's nuclear material production efforts. There will undoubtedly emerge strong pressures on the IAEA to make public their findings. International efforts to control the spread of nuclear weapons have been gaining pace over the past months, and many analysts will demand to see how much South Africa was able to do and, significantly, who was helping the country do it.

Important questions will also be whether South Africa imported low enriched uranium and from which countries and whether there were any foreign individuals, companies or countries involved with South Africa's nuclear programme. It is reasonable to assume that some will be most embarrassed by the findings.

● Martin Navias is a lecturer in the Department of War Studies, Kings College, London.

Forum to turn on lights

(55) ARG 8/2/92

National body will fight for electricity for blacks

LENORE OLIVER
Weekend Argus Reporter

A NATIONAL Electricity Forum incorporating the African National Congress, civic associations, Eskom, local governments, trade unions and the Development Bank of South Africa is to be formed to fight for electrification of black towns.

This was decided at an ANC national meeting on the issue held at the University of Cape Town this week.

"The main aim of such a structure would be to discuss and seek solutions for the regional nonracial distribution of electricity," said Mr Paul Theron, of the ANC's science and technology group.

The conference focused on removing obstacles to providing electricity to the entire population — two-thirds of South Africans don't have electricity in their homes.

According to ANC head of economic planning, Mr Trevor Manuel, the non-participation of the government in the two-day meeting was not a setback.

"The fact that so many different parties attended the meeting should make the government see this is not an issue which should be taken lying down.

"It would be harder for them to collapse the issue now after all the willingness to work together has been shown."

He said some government officials had been invited to the meeting, but had declined.

"A few individuals from regional government institutions have been instructed not to take part in this meeting and we have good reason to believe this came from the highest level."

Mr Manuel said electrification was high on the list of the underprivileged and "therefore solutions should be found as soon as possible".

The approach to this issue was "inclusive", drawing in all existing community structures, he said.

Eskom and the Development Bank of South Africa yesterday pledged support for the initiative.

Eskom corporate consultant Mr Johan du Plessis said: "We would like to join (the proposed forum) and offer our contribution and skills in this respect."

Development Bank general manager Mr Johan Kruger said the DBSA would be happy to convene the working committee, even if this meant going to the highest level to get the government to participate.

The forum was also approved by the Association of Municipal Electricity Undertakings.

The goverment will be approached to join a convening committee which would call a national meeting on electrification before the end of March.

ANC economist Mr Khetso Gordon said electricity should not be addressed only as a technical issue, but there had to be sensitivity towards the need for democracy.

In the case of capacity, Eskom generated some 60 percent of all electricity on the African continent, yet 20 million South Africans were not connected to the national grid.

A national approach was required, but this should not undermine local and regional initiatives, he said.

A spokesman for the ANC Women's League objected to the absence of any women's organisation in the proposed forum. She said the woman's role should not be added as an afterthought.

tified as the leader of gang and the Inkatha

alight the offices of local lawyer, Steve Ngwenya.

been prosecuted under the clause an apology.

Rural electrification this decade 'unlikely'

BDay 10/2/92

LINDA ENSOR

CAPE TOWN — Substantial electrification of rural areas and informal houses in SA was unlikely this decade, Stellenbosch University economist Servaas van der Berg said at the weekend.

In a paper delivered at the ANC national meeting on electrification, Van der Berg said pressures on financial and skills resources would limit electrification to formal houses in the urban areas.

He foresaw most formal houses having electricity within the next 20 years.

The paper was based on a soon-to-be-released final report of a research project for the National Energy Council undertaken by Van der Berg and J du Toit.

Van der Berg said SA did not have the financial resources for full-scale electrification, even if political problems retarding electrification were overcome.

To eliminate the full urban housing backlog by the year 2000 would require 420 000 additional connections per year for the first decade, and to cope with the increase in the urban population, 220 000 connections the following decade. Financial constraints made this unlikely.

ANC science and technology group's L H Napa Maepa said a common feature of all successful electrification projects overseas was that they were undertaken as the result of a conscious decision and commitment by the government of the country.

Another key feature was the total participation by the local population.

He believed electrification projects undertaken by Eskom or the present "unrepresentative" government would be stillborn. Community controlled and sponsored electrification initiatives were the sole viable means of bringing electricity to black communities in SA.

Our Cape Town correspondent reports that the meeting decided to establish a convening committee to call a follow-up meeting before March.

R 50m benefit from Cahora Bassa

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...city to black communities in SA.

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R50m benefit from Cahora Bassa

B/Day 10/2/92

LINDA ENSOR

CAPE TOWN — SA manufacturers stood to benefit to the tune of R50m from the rehabilitation of Mozambique's Cahora Bassa hydro-electric project scheduled to begin this year, Eskom CE and chairman Ian McRae said in an interview at the weekend.

The rehabilitation project — estimated to cost about $140m — will be financed mainly by an Italian government loan with SA providing a guarantee for a R50m credit facility for the manufacture in SA of necessary equipment.

McRae said the World Bank had indicated it would provide the $38m shortfall but was only prepared to consider $20m if it did not have guarantees from the Portuguese and SA governments.

Finalisation of an agreement was in the pipeline.

It was hoped that the project would get under way this year.

"We are looking at alternative financing possibilities to reduce the World Bank loan to below $20m."

McRae said Eskom had been appointed co-ordinator of a feasibility study to link Zaire, Angola, Namibia, SA, Zambia and possibly Botswana in a power grid with power generated at the Inga power station on the Zaire River.

Eskom would link into the grid and could import up to 10% of its electricity requirements, McRae said.

At an SA British Trade Association function McRae said Eskom aimed to reduce the price of electricity by 20% over the next five years, contributing to the international competitiveness of SA industry.

The utility intended to increase the percentage of people with electricity from 30% to 70%-80% over the next decade and, in conjunction with local authorities, to electrify three-million homes over five years.

McRae supported the idea of a national electrification forum, decided on by delegates at an ANC national meeting on electrification on Friday.

Petrol price rise likely, warn economists

The Argus Correspondent

JOHANNESBURG. — Motorists have been warned by a leading economic think-tank to brace themselves for increases in petrol prices in the 1992 Budget due next month.

The Econometrix research unit forecasts that the State fuel levy will rocket by at least 10c a litre — and perhaps as much as 15c a litre. A 10c increase would boost government revenue by more than R1 000 million a year.

ARG 11/2/92

Dr Azar Jammine, director of the unit, said consideration of the increase looked "a virtual certainty" in a package of moves to counter the threat of a huge jump in the 1992/93 budget deficit.

He predicted the disclosure of a 1991/92 fiscal deficit as high as R15 billion, the worst on record, as a result of a surge in government spending, coupled with a shrinkage in revenue collections.

He said an even higher deficit was likely over the next year unless Finance Minister Mr Barend du Plessis found new ways to narrow the growing gap between expenditure and income.

'Bungling may boost fuel price'

55

STAR 12/2/92

By Helen Grange
Pretoria Bureau

Transport and energy authorities are tight-lipped over whether a fuel price increase is imminent as a result of huge debts in the Multilateral Motor Vehicle Accident Fund (MMF) — but the Democratic Party has warned of yet another rise.

A spokesman for the National Energy Council said yesterday that if Transport Minister Dr Piet Welgemoed decided in his pending budget announcement to increase Third Party insurance levies, this would have to be accommodated in the fuel price.

Dr Welgemoed said in Parliament recently that it was possible motorists would have to contribute more to Third Party insurance — but that another option would be to place a limit on Third Party claims. He noted that, in one case, a tourist had claimed R7,2 million from the MMF.

He was waiting for an interim report from the judicial commission appointed last year to investigate the MMF. The report was expected in the "first quarter of this year".

An MMF spokesman said yesterday that until Dr Welgemoed had made his budget announcement following the commission's findings, it would be inappropriate to state whether there would be any increases.

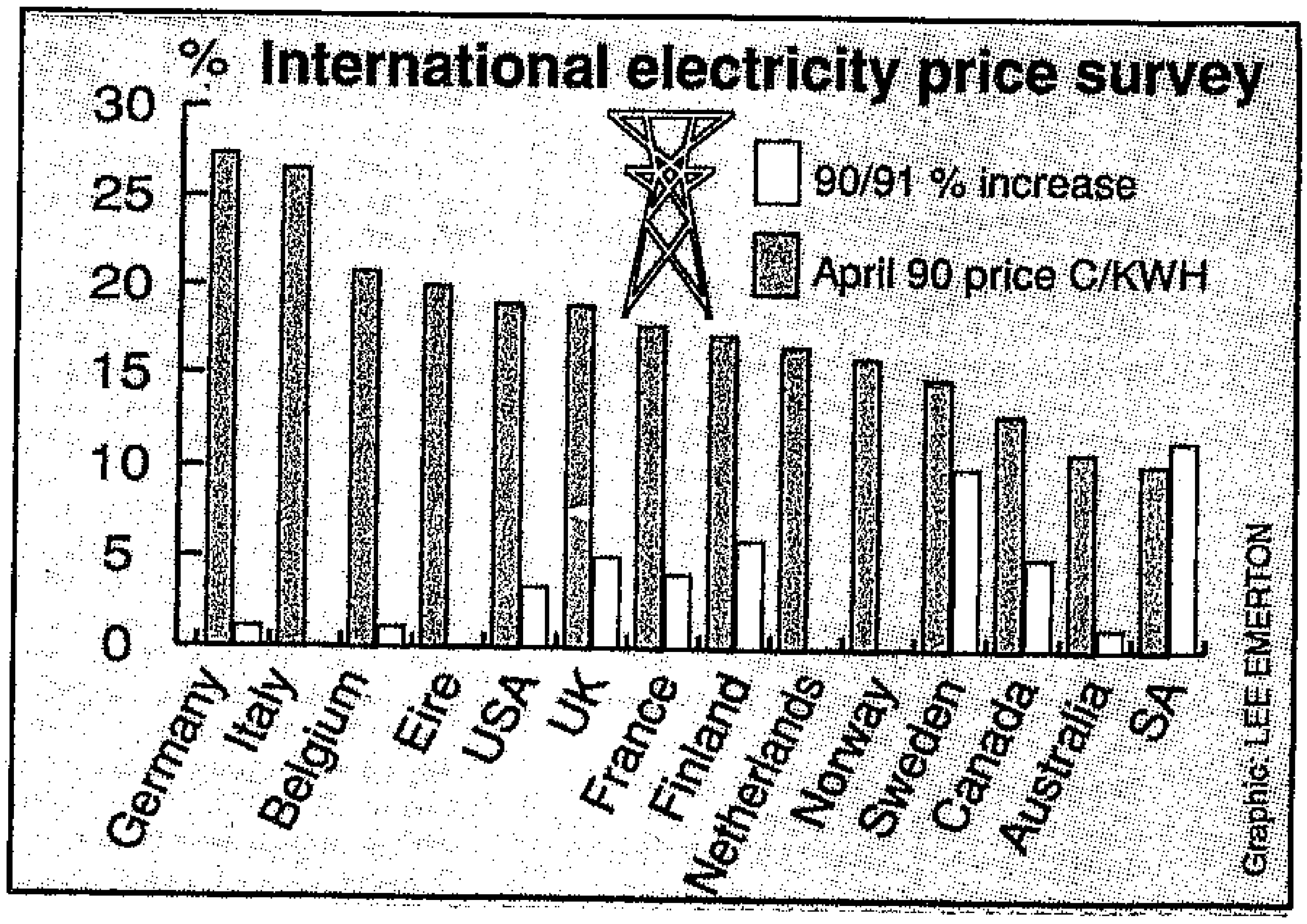
DP spokesman on transport Robin Carlisle has, however, warned motorists to brace themselves for a fresh fuel price rise. The scale of the MMF "disaster" was immense, and was the result of years of mismanagement, he added.

Mr Carlisle said the legal profession had had a "field day" with the MMF, raking in R54 million in 1989/90. Their share of outstanding claims could be as much as R248 million, he said.

The MMF, in April 1990, had outstanding claims of R1,6 billion.

Business Day SURVEY

Energy intensity, the amount of energy consumed per unit of economic output, is inversely related to the level of sophistication of the economy. National energy intensity is calculated as the ratio of energy consumption to GDP. In SA this is high — about four times that of Japan, France and Israel. ***VAL PIENAAR*** *reports.*



Eskom is committed in battle against inflation

BDay 14/2/92

THE electricity price increases which came into effect in January demonstrate Eskom's commitment to holding its own against inflation.

On average, tariffs increased between 8% and 10%.

The introduction of Eskom's proposed time-differentiated tariff remains a non-event, however, with consumers who opt for the new tariff being credited or debited to keep their rates in line with those payable under the old tariff.

Formula

In the meantime, National Utility Services (NUS) research suggests the new tariff structure — in terms of which tariffs are levied according to a time of day formula — could increase electricity prices.

NUS concludes this system will not benefit consumers except those with poor load factors whose work patterns could be restructured to maximise the use of electricity at low consumption times.

The most recent survey on local and international electricity price trends, brought out by NUS last year, indicates SA's mines account for about 23% of its electricity consumption.

Lowest

SS

Meanwhile, SA's electricity tariffs remain the lowest of those analysed, and last year's survey saw SA drop to second place after Italy in the highest rate of increase league.

Of the 14 countries surveyed, Germany's power costs were the most expensive, even after a 1% drop in tariff, with Italy coming a close second after a tough 13,9% price hike.

At the bottom end of the scale, Australia's price was just marginally above that of SA.

Apart from Germany, only two countries saw a drop in tariffs — Belgium (1,1%) and the Netherlands (5,5%). Tariffs in Eire and Norway remained unchanged.

It remains to be seen whether SA will retain its place at the bottom of the price range this year.

Local inflation is the highest among the countries surveyed. Municipal tariffs last year increased by from 10,55% to nearly 15% and this year the increases are even lower, but the fall-off in demand and rising operating costs must eventually put pressure on prices.

Fortunate

"South Africans are very fortunate in their relatively low electricity costs. A recent study showed that power was the only input factor in manufacturing costs which was below world norms.

NUS marketing director Robert McKenzie says: "But this happy situation cannot be expected to continue indefinitely.

"South Africans are still blase about the effective use of power, but attitudes will have to change."

Lead-free petrol to be gradually phased in

INTERNATIONAL pressure to abandon the use of lead in petrol is slowly having an impact on South Africa.

But cars currently on the road will be around for another couple of decades, and there is a limit to how low a level of lead content their engines will be able to tolerate.

BDay 14/2/92

On the other hand, while local atmospheric lead pollution levels are not yet critical, rapid urbanisation and population growth could swing the balance.

The shift offers some valuable marketing opportunities for SA, since catalytic converters, designed to remove harmful emissions from exhaust gases, can be used on vehicles running on unleaded petrol.

The development of catalytic converters has given impetus to SA's platinum market, making it a significant foreign currency earner.

Commitment

SS

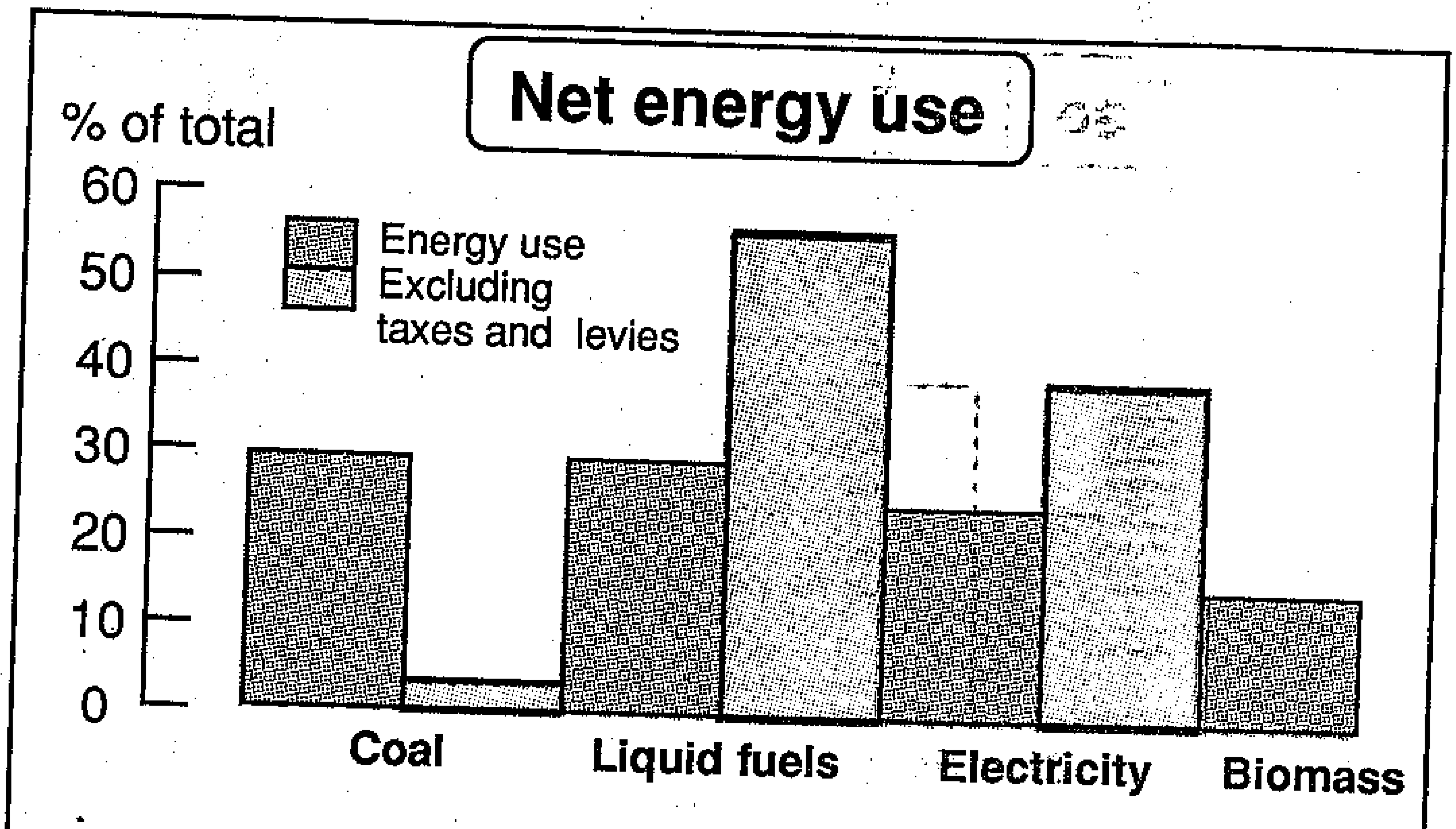
In a statement last December, Mineral & Energy Affairs Minister George Bartlett confirmed government's commitment to the gradual phasing over to unleaded petrol.

He announced an unleaded grade of petrol was to be made available as soon as possible and predicted the product would be generally available by 1995.

"The introduction of unleaded petrol will be co-ordinated by the Department of Mineral & Energy Affairs in close co-operation with the motor, petroleum and service station industries," he said.

To help these industries absorb the higher production costs, government is to adjust taxation on fuel to make it possible to introduce unleaded petrol at a lower price than leaded petrol.

"The introduction of unleaded petrol will take place over a period of several years and leaded petrol will be available for as long as required."



Graphic: LEE EMERTON

Small, self-sufficient sources will have to be developed

B/Day 14/2/92

ELECTRICITY from coal-fired power stations is the cheapest source of energy for most of SA for the foreseeable future, but research into a wide range of alternative sources is ongoing.

Arising out of this research is the concept of the multiple function industrial unit, with various manufacturing industries clustering around power stations and feeding off their by-products.

Vigorous

One of Eskom's most vigorous drives is aimed at electrifying the whole of SA and the subcontinent, but it is not cost-effective to run hundreds of kilometres of cable into remote areas to service individual farmers and small rural communities.

At the same time, black township residents' habit of boycotting bills over social and political issues, together with a shortage of funds to establish an infrastructure, makes the electrification of large black urban areas a risky business.

Consequently, there are two main thrusts to Eskom's diversified research and development efforts.

Small, self-sufficient, economically viable systems need to be developed for remote areas, while in the urban areas the emphasis is on cost effectiveness and flexibility.

For these efforts to succeed, it is crucial that Eskom develop systems for keeping costs to a minimum. Yet at the same time it is subject to pressure to minimise the pollution caused by its power stations.

Research and development manager John Blackbeard says: "We have to reduce the unit cost of generating power while minimising environmental impact, despite the fact that systems designed to make power stations more environment friendly tend to be expensive.

"A process which promises to achieve this is the integrated gasification combined cycle."

In this system, instead of burning the coal in a flame, it is heated without being burnt.

Gases are driven off and cleaned, producing various by-products which formerly poured into the atmosphere.

Many of these by-products are saleable — such as sulphur, which SA has to import, and ash, which is used in the building and civil engineering industries.

The cleaned gases are fed into the gas turbine to generate electricity at an efficiency level of 42%, an improvement of around 15%.

In addition, heat is extracted from the exhaust gases of the system and used to generate steam, which in turn generates more electricity.

But, says Blackbeard, the challenge comes with the formation of links between this form of power generation and other industries.

Linking

"One could start by linking a fertiliser factory to the power station to use the fly-ash by-product and next door there could be a rubber plant using the sulphur. The potential is huge," he says.

"The more industries linked with the power station, the greater the achievable economies of scale and the greater the efficiency for these industries.

Such a system could reduce power consumption by reducing the need to transport raw materials; make entry barriers into industries more accessible; create job opportunities; minimise environmental impact and develop exports.

Future looking brigher for solar power

BDay 14/2/92 (55)

AFTER getting off to a shaky start five years ago, the local solar power industry is coming back into favour.

The quick buck artists have abandoned the field and consumers have more realistic expectations of solar power than the sci-fi fantasies of its early days.

Maritzburg's Shekida Industries MD David Buttemer says: "The solar energy market was damaged at the outset by individuals who imported cheap equipment, lacked the resources or expertise to back up their products and went out of business.

"The people whose fingers were most badly burnt were those for whom solar power is a more viable option than virtually any other energy source — those in the black homelands."

The situation is changing, however, and Buttemer says he is confident of the future of solar power systems in SA.

Shekida is working with the KwaZulu government in designing systems to meet specific needs and other black states are regaining confidence in the product.

"Solar power is a viable source of energy.

"It doesn't compete, in terms of cost, with electric power where this has been installed. But for remote areas, where the cost of cabling would prove prohibitive, it can readily meet the people's needs."

Figures gathered in KwaZulu indicate the average black spends about R50 a month recharging the battery for his television, including the cost of taxi fares to and from the battery centre, and around R45 a month on batteries for his FM radio.

"It is possible to instal a solar system to supply power for a radio, television and lighting for less than R95 a month over five years.

Health

"Once the capital outlay has been recouped, the only expense is replacing the battery, currently at a cost of around R150, every three to four years."

Buttemer says there are also health reasons in favour of using solar power.

"Medical research has shown the use of paraffin lamps and stoves can be detrimental to peoples' health, particularly when they are burnt inside a room which has the windows closed.

"Researchers believe this is why in their later years many black people develop chest complaints and suffer from poor general health.

"It was because of this that, when the Qwa Qwa government put together a low cost housing scheme recently, it specified that solar power was to be provided," he says.

Another application appropriate to the rural areas is solar-powered water pumps.

"These don't compare with electrically powered pumps where electricity is available, and I doubt whether they are cheaper than windmills.

"But in isolated locations where wind currents are obstructed, a solar pump can be the only viable means of bringing water to the surface.

"For people who usually drink river water, which is often polluted, this is a valuable benefit," Buttemer says.

Solar water heating is also gaining ground steadily, primarily in the white market.

"In Israel, every building erected is required to incorporate a solar water heater," Buttemer says.

"The initial cost of a unit is high and in a developed area it is impractical as a total alternative to electricity.

"But for use in high consumption applications such as water heating and in small developments or isolated areas, it is clean, efficient and, once the initial outlay has been paid, virtually free to run."

Sasol is gearing up to capture export markets

BDay 14/2/92 (55)

AN EXPORT drive is fuelling the expansion programme at Sasol.

Communications manager Jan Krynauw says the corporation is spending R3bn on new plant and a further R2bn is in the pipeline.

"We have an advantage over our trading partners in that our technology allows us to produce chemicals at fuel price level, as part of our fuel production process.

"While the production of fuel from coal is expensive, our manufacture of many chemicals is cheap," he says.

One such product is pitch, which is produced in the gasification process, while other heavy residues from the Synthol process are being used as commercial fuels.

One of the biggest projects underway is the R1bn Syferfontein opencast colliery.

Production here started in the final quarter of 1990 and the mine will be in full production, churning out seven million tons a year, by next year.

Working towards the beneficiation end of the scale, also under construction is a R250m alpha olefins purification facility targeted at world markets for pentene, hexene and other higher olefins.

Another project has been the commissioning of a R55m cresylic acid plant at Sasol One.

In addition, a R400m upgrading programme is underway at the Natref oil refinery in Sasolburg.

This project, scheduled for completion during the second half of 1993, will increase the refinery's production capacity and enable it to process a cheaper and heavier crude oil slate than formerly.

In the process, it will increase the refining margin, raising the profit contribution of crude oil refining by more than 25%.

"Natref is the most modern crude oil refinery in SA and its white product yield from crude oil ranks among the best and most efficient in the world," says Krynauw.

Increase

"Once the upgrade is complete, Natref will be able to produce more than 50% lead-free petrol if required and process adjustments could increase its lead-free capacity to more than 80%.

"It will also make allowance for the future production of low sulphur diesel."

This commitment to environment-friendly technology is being carried through in the design of the plant.

A further R300m has been set aside for the construction of a new ammonia plant in Sasolburg, scheduled to come on stream during 1993.

This plant, which will have a capacity of 240 000 tons a year, will replace the old 68 000 tons a year plant.

It will make SA self-sufficient in ammonia, bringing about foreign exchange savings estimated at around R42m a year.

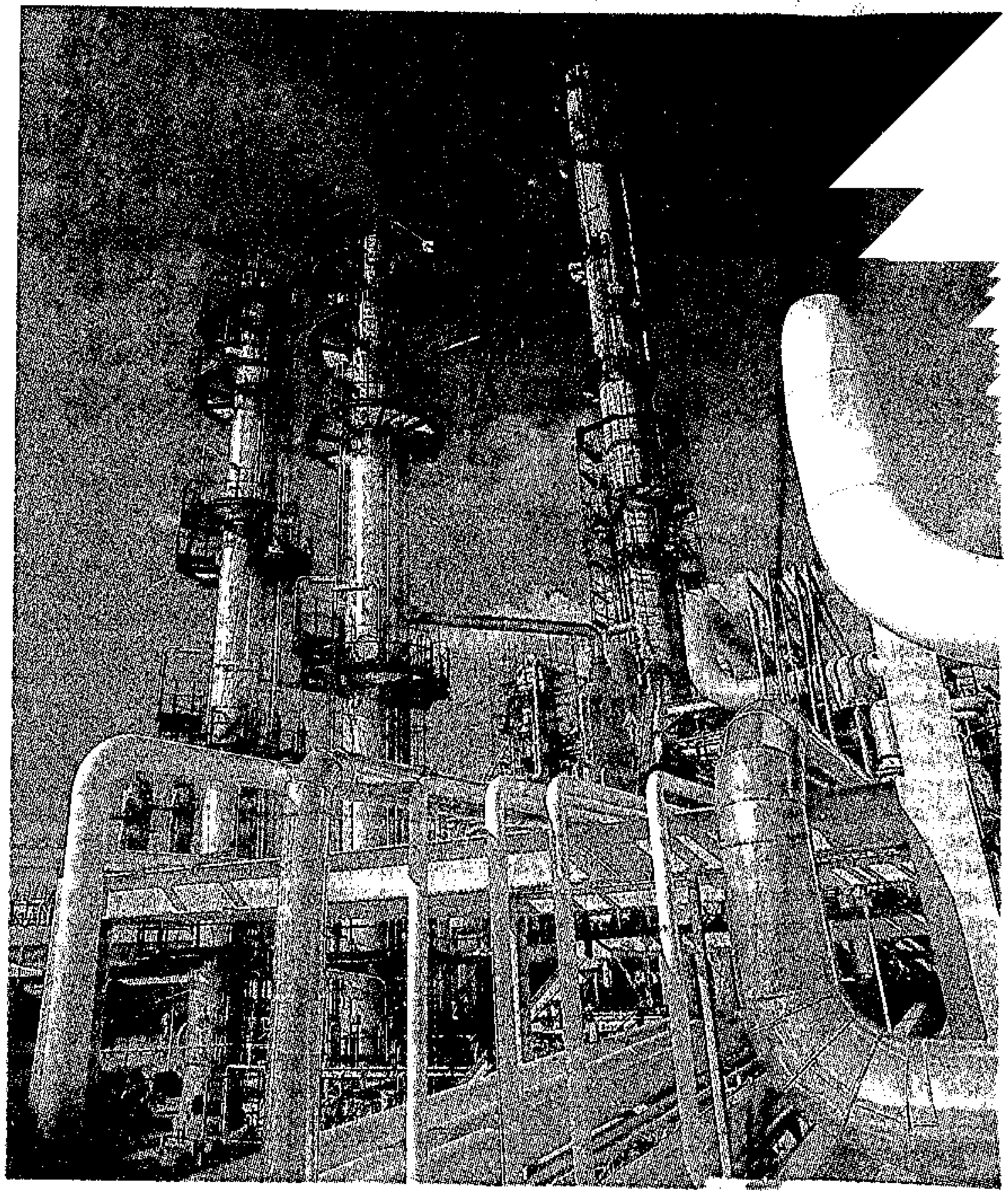
"Sasol has a competitive advantage in the production of ammonia from synthesis gas in Sasolburg," says Krynauw.

"The plant is close to fertiliser and explosives factories, the major users of the product, while research is underway into additional potential uses for the product.

"In addition, the coal necessary for ammonia production is produced at one of SA's most cost-efficient mines and it will be using existing synthesis gas from proven gasifiers, which are producing at well above design capacity."

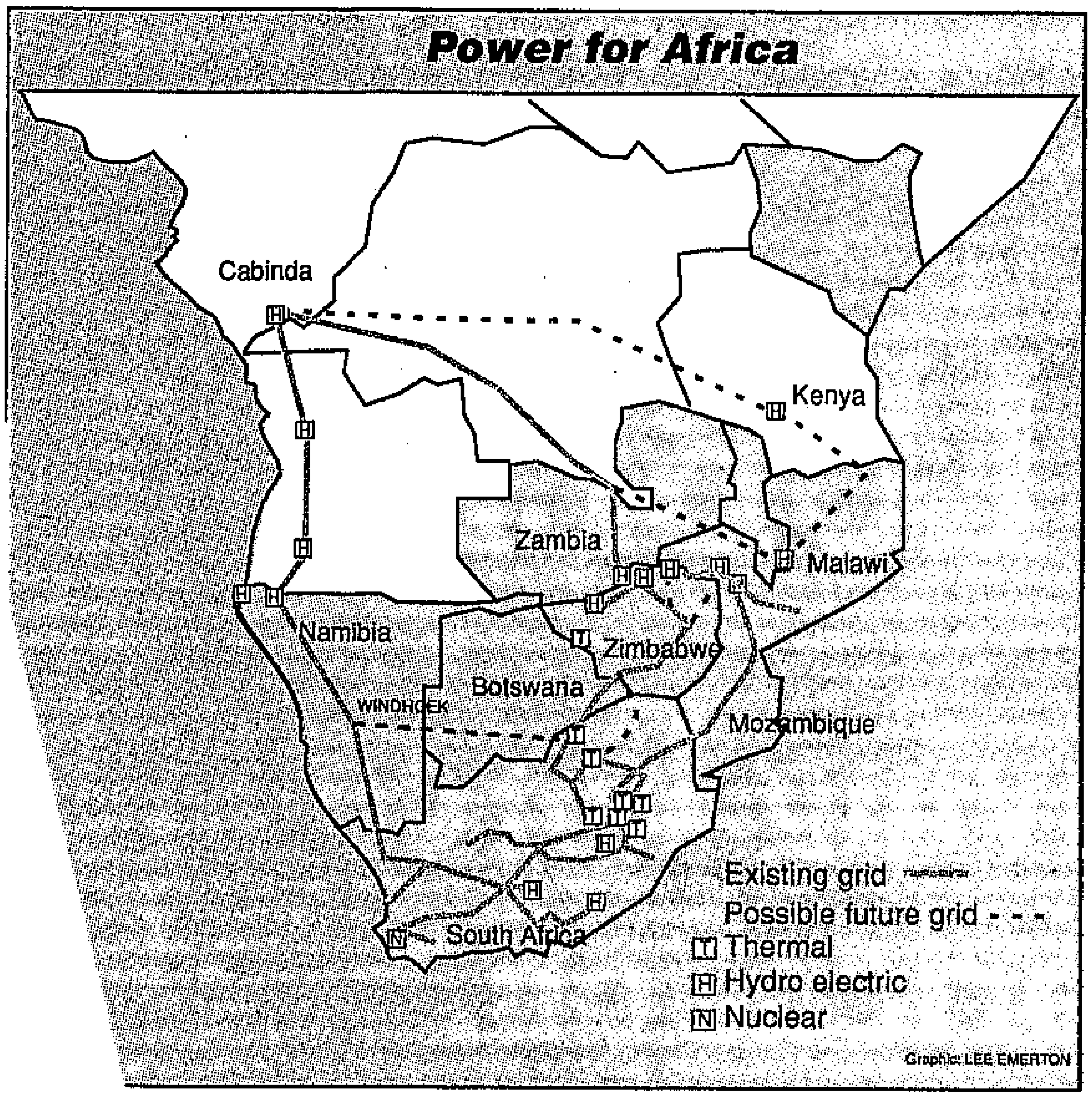
Another R37,5m plant, to come into operation at the end of this year, is under construction.

It will extract the rare gases Krypton and Xenon from the Sasol oxygen plants in Secunda for marketing worldwide.



Sasol's ethylene recovery plant at Secunda.

BUSINESS DAY, Friday, February 14 1992



Coal industry faces a year of consolidation

BDay 14/2/92 (555)

THIS will be a year of consolidation for the SA coal industry, says Rand Mines subsidiary Randcoal CE Allen Cook.

"Members of the industry will be obliged to hang in, in the hope that 1993 will be better," he says.

"By then, coal prices should have increased and SA should occupy a strong position as supplier.

"On the domestic front, we expect demand to remain slack this year. We are still feeling the ripples from Eskom's decision to mothball its older, uneconomic power stations.

"Until the economy recovers and receives new local and overseas investment funds, the domestic market will remain static."

Randcoal — formerly Witbank Colliery — has set the benchmarks for progress in the SA coal industry for the past 90 years.

Today, it is a major producer, employing 12 000 people and with a saleable coal output exceeding 30 million tons a year.

It operates seven collieries, three exclusively linked to Eskom's newest power stations, two joint venture collieries dedicated to mining export coal, and the Douglas and Welgedacht collieries, which produce for both inland and export markets.

Reserves

The historic cost of the group's mining assets exceeds R2bn, and it has an annual turnover of R1,5bn.

Its strategically placed coal reserves total more than 15-billion tons.

Viewing the conditions likely to prevail in European coal markets during 1992, Cook says France and Denmark still have trade restrictions against SA coal.

But with the European Economic Community due to come into being in October this year, at which stage boundaries will disappear, SA can look forward to gaining freer access to the entire area.

"This should lead to new market opportunities worth in excess of two million tons a year," Cook believes.

On markets in the Far East, he says: "The Japanese power utilities have tied up coal contracts which will cover the greater part of their medium term expansion.

"But there is room for SA to become more involved in this market for a moderate tonnage."

Another factor to bear in mind is that Japanese utilities are traditionally nervous of heavy reliance on one supplier.

Currently, most of their utility supplies come from Australia, and this situation could provide openings for SA exporters.

Demand for steam coal is growing annually by around 2,5% and new suppliers, such as Indonesia and Venezuela have emerged.

Tough

If the price equilibrium falls away some of the high cost producers, such as the US and Canada, would find market conditions tough.

Richards Bay's handling capacity has increased to cope with an export volume of 53-million tons a year and the rail capacity to handle this throughput will soon be in place.

But to take advantage of this extra capacity local coal exporters will need to exercise restraint and avoid over-supplying, he says.

Local fuel prices competitive and taxes are low

LOCAL fuel prices compare favourably with those in other countries, apart from the US, says Sasol communications manager Jan Krynauw.

"The base price for fuel is competitive and taxes are lower than in many parts of the world," he says.

While tariff protection is in place to protect Sasol from the dumping of petrol, the system is unique in that when world fuel prices soar beyond a certain level Sasol pays back protection previously received.

"Sasol's only protection is a baseline oil price of $23 a barrel. If the import price drops below that level, Sasol is subsidised to the amount of the difference out of the equalisation fund.

"If imported fuel prices rise above $28,70 a barrel, Sasol pays a levy to government out of the funds received.

BDay 14/2/92

Supports

"During the Gulf crisis, the amount paid by Sasol into the equalisation fund amounted to around 4c a litre on fuel sold."

While favouring the concept of an open market system, Krynauw says he supports the use of the equalisation fund to prevent frequent fluctuations in fuel price.

(55)

He says because retail prices of petrol and other fuels remain stable for long periods, consumers receive the impression they are not market-related.

In fact, he says, the producer prices of all petroleum products refined and produced in SA fluctuate automatically in line with changes in international product prices and changes in rand values.

"SA's market is too small and the economy is perceived by potential investors as too unstable to risk market-led fluctuations in such a basic commodity as fuel," he says.

"In the US, prices can fluctuate daily as different suppliers compete against one another, but in SA petrol prices increase only when the equalisation fund threatens to run dry."

Average

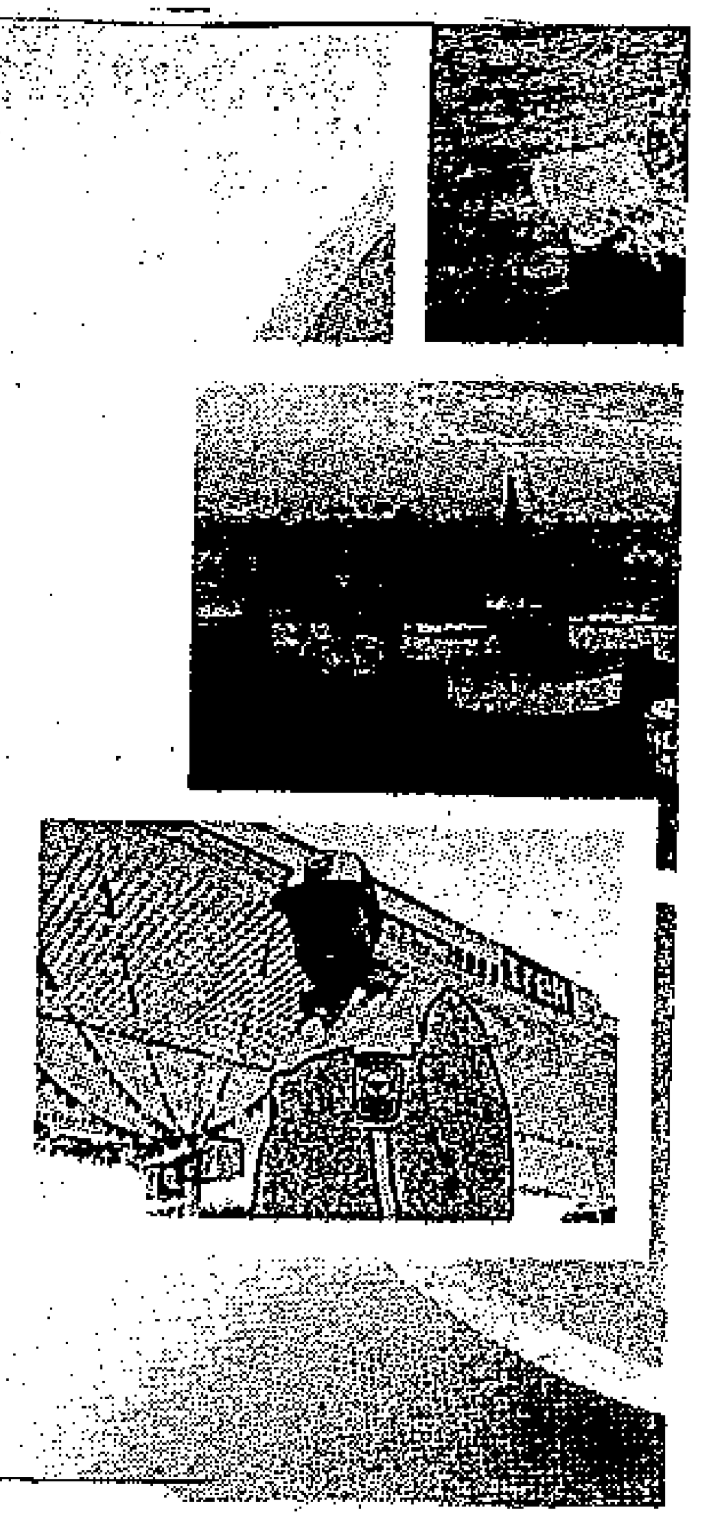
Because of SA's geographic location, its fuel prices are based on the average of the quoted market prices of international refineries east of Suez.

The delivered market price includes shipping and local landing charges.

Local crude oil refiners and producers of fuel from indigenous raw materials compete directly with im- ported products at th price.

In the short term, flu tuations between produc prices and retail cost petroleum products a cushioned by the "slate which absorbs any vai ation between the reta pump price and the sum the producer price, loc marketing margins, levi and taxes.

Shortfalls and over-r coveries are debited credited against the "slat for recovery at a lat stage and the retail price fixed to balance the cum lative "slate" debits ar credits.



Local gas prices among the world's highest

Bday 14/2/92

GAS prices in SA are among the highest in the world — and with Mossgas exceeding budgets the prognosis is for an even more expensive structure for business users.

According to a survey by National Utility Services (NUS), a multinational specialist in energy tariff analysis, SA's average gas price is almost double that of Italy, Germany, France, the UK, Belgium, Australia, the US, Netherlands and Canada.

NUS monitors energy costs of electricity, gas, coal, petroleum products and water at 750 000 locations in 80 countries.

In SA, where it has been working for some 30 years, it audits energy costs for over 2 500 companies.

Experience

The latest results of the annual survey were released in the final quarter of last year.

They are based on the experience of a typical consumer using 10 547 gigajoules (100 000 therms) a year, at a load factor of 50%-60%.

The results reveal that SA business users are paying an average R28,78/GJ for gas supplies — amounting to a year-on-year increase of nearly 23%.

As with all the countries surveyed, an unweighted average was given — ie a straight average of the three major gas suppliers, Gascor (R14,97), Johannesburg (R23,23) and Cape Gas (R48,15).

SA's net year-on-year increase of 22,8% was the third highest in the survey, beaten only by Italy and West Germany.

By contrast, the US showed a decline in gas prices — the only country to do so.

(55)

Disparities

The large disparities in prices between local and overseas users are easy to explain, says NUS SA MD George Rahr.

"Historically, SA has not had either a source of natural gas or well-developed reticulation networks, so consumers don't benefit from the lower prices made possible by volume sales.

"At the same time, as is the case with so many aspects of the SA economy, a small number of suppliers dominate the market, and gas prices reflect this lack of competition when compared with less regulated markets overseas," he says.

"The lack of competition is unhealthy and SA could take a leaf out of the UK's book, where British Gas has been overhauled with the intention of encouraging more suppliers to enter the market."

This view is supported by the ingenious gas swop system recently introduced by British Gas, in terms of which the corporation releases a portion of its gas reserves to independent suppliers.

These then "repay" British Gas when their own supplies come on stream.

This system frees the independents from waiting for new gas finds to be brought to shore.

By giving them immediate access to gas for sale to consumers it enables them to compete effectively.

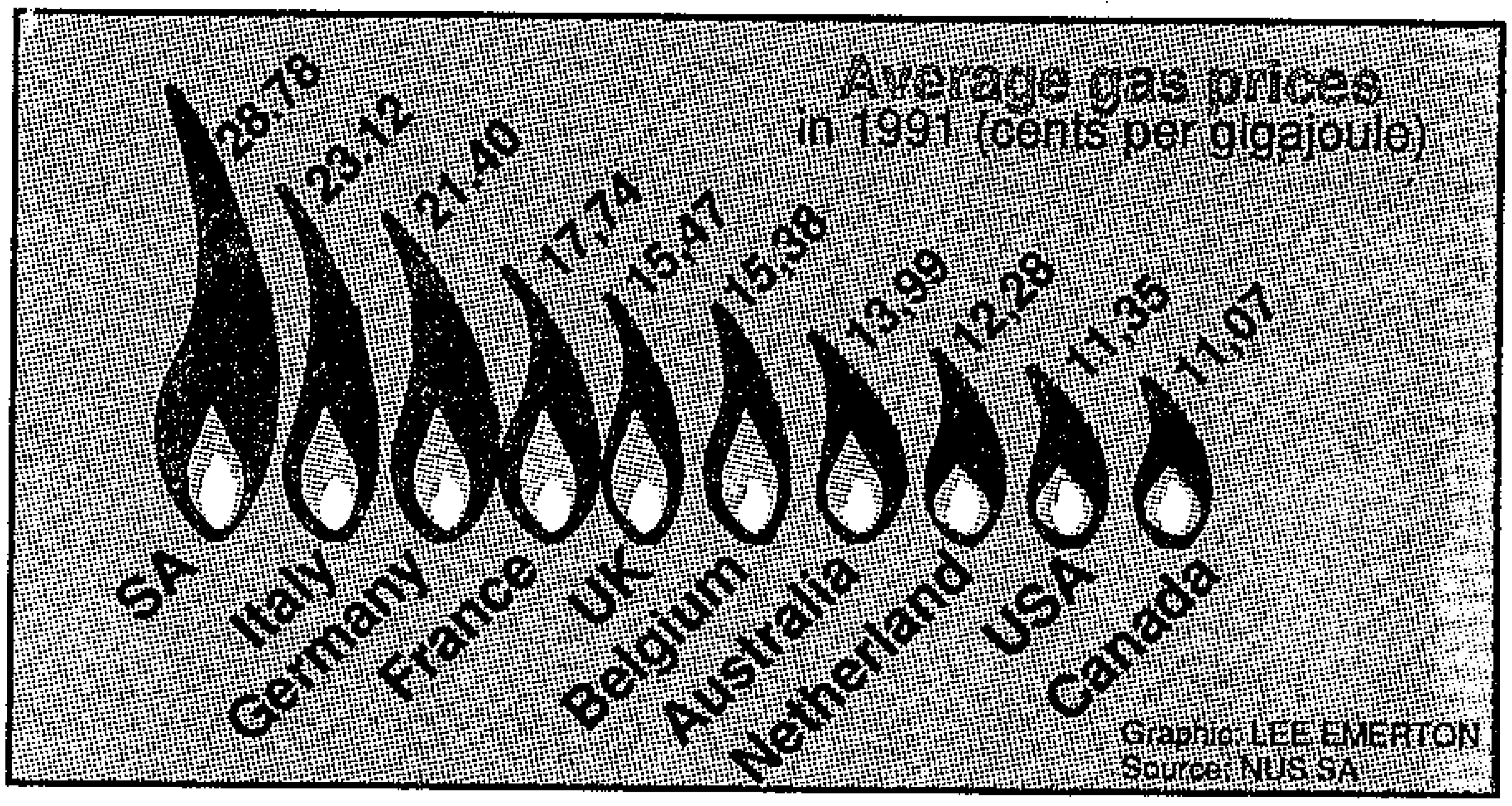
It is notable that where prices are negotiable and differentiated tariffs are offered in SA, as they are in Port Elizabeth, they have resulted in lower prices than elsewhere in the country.

Encourages

Here, Easigas encourages volume sales and economies of scale which in turn promise to open the way to further price reductions.

On the other hand, Cape Gas, which has a more arbitrary approach, increased its tariffs by a staggering 35,21% in September last year.

Gascor upped its prices by 19,09% and Johannesburg by a more acceptable 4,97%.



SA consumption is high relative to economic output

B/Day 14/2/92 (55)

ENERGY consumption in South Africa is high relative to economic output, but National Energy Council manager, electricity and energy efficiency, Johann Basson says it has reached its peak.

"Energy intensity, the amount of energy consumed per unit of economic output, is inversely related to the level of sophistication of the economy.

"National energy intensity is calculated as the ratio of energy consumption to GDP.

Treble

"In SA this is high — about four times that of Japan, France and Israel and treble that of the US and Canada, close to the energy intensity of Hungary and Mexico.

Energy intensity is based on two components: the structure of the national economy and the efficient use of energy.

Basson says national economies pass through four distinct phases of development.

An agricultural economy consumes relatively little energy and income is low; as it moves into primary industry such as quarrying and mining energy demand increases but economic output rises more slowly.

In a manufacturing economy, increasing sophistication empowers the beneficiation process: energy consumption increases at a slower rate while growth in GDP gains momentum.

Finally, in a hi-tech economy, the energy consumption for producing such goods as complex chemicals, computers and specialised ceramics is low relative to economic returns.

At the same time, with increasing sophistication, countries see the growth of service industries.

These consume small amounts of energy yet contribute extensively to the development of the country through the supply of ideas and expertise.

Basson says SA is straddled between a primary and a sophisticated economy.

"Mining, industrial and commercial users account for about 55% of our energy consumption, spending around R10bn a year between them," he says.

But awareness of energy efficiency is still at a low ebb in this country.

"In part, this is because businessmen perceive SA's energy supplies to be inexhaustible in the context of their own lifetimes, while the cost of energy is relatively low.

"At the same time, the ratio of managers to employees in the local business community is low. Managers have higher priorities than energy conservation and too little time to look beyond these.

"But a growing awareness of conservation is starting to change that and people are realising that greater efficiency cuts costs and reduces the environmental impact of whatever they are doing," he says.

It is ironic that an abundance of local fuel supplies has deprived SA of a stimulus towards development. By contrast, two of the world's most highly developed nations — France and Japan — have to import almost all their energy resources.

France has responded by developing a sophisticated nuclear power industry, while Japan is the undisputed world leader in hi-tech development and manufacturing.

By contrast, SA has focused on optimising the performance of its fuel resources, developing a largely independent indigenous energy industry.

Last

Studies have indicated that at its present rate of economic growth SA will build its last coal-fired power station in 2025, and these power stations are generally located on a coal field large enough for a lifespan of 50 years.

Many smaller blocks of coal will at that time still be available, but their economies in terms of power generation will be quite different.

At the same time, energy use is steadily becoming more efficient as a result of improved management of existing plants, the upgrading of older equipment and systems and the more sophisticated design of new facilities.

These and other issues related to the effective use of energy will come under debate at a seminar in June organised by the SA Institute of Energy, titled Enerconomy 92.

Generator is based on jet engine

BDay 14/2/92

A FLEXIBLE, transportable, efficient power system using jet engine technology is being developed by the Bureau for Mechanical Engineering (BME) in Stellenbosch.

BME group manager, energy technology, Anton Basson says: "Gas turbine electricity generators could lend themselves to power generation in a number of different applications if we can develop a heat exchanger that makes them more efficient.

"The basic engine is flexible. It can run on aircraft fuel or on virtually any liquid fuel available."

While these generators are not as fuel efficient as the diesel engines with which they will be competing for market share, Basson says they are lighter and more portable.

They are also quieter and produce less vibration, which make them more reliable and give them a longer life expectancy.

55

The part load capabilities of a gas turbine generator are also better than those of a diesel generator, which do not to perform well at less than full throttle.

But for all its potential advantages, the success of gas turbine technology in power generation depends on the development of a heat exchanger that can give an acceptable level of fuel efficiency, he says.

Local conditions must be catered for in office design

(55)

BDay 14/2/92

THE emphasis in energy-efficient building design has shifted from minimising energy consumption to reducing capacity, says architect Forrest Higgs, lecturer in the building department at Wits University.

But too few local designers or developers understand either concept well enough for the change to have made any meaningful impact on South African properties.

The design of a building should do two things, he says. It should minimise the amount of energy needed to heat, cool or light the building, and it should allow for effective building management aimed at reducing peak energy consumption.

"Local developers use overseas architects to design their buildings — and the results are often disastrous.

"The Witwatersrand has a unique climate — it is high and the air is thin, yet high radiant energy keeps it hot.

"Architects from Europe and the US design using a completely different set of assumptions."

Higgs says it is possible to cut peak loads and so make reductions in energy costs by following a few basic management rules.

"When the functions of a building are switched on there is often an energy surge. Switching on in sequence keeps the peak to the level of the surge on only one unit," he says.

"It is also possible to cut air-conditioning costs in a building designed for efficient energy use.

"Some managers are storing air conditioning energy in the form of ice made overnight, while others run the air conditioning at night, when energy is cheap, to chill the building and switch it off in peak periods during the day."

To optimise the effects of intelligent power management, buildings need to be designed for minimal energy usage — and with the advent of a new SA, bringing with it a new set of priorities, this has become an essential aspect of building design.

Sensitive

"Tenants are becoming sensitive to the size of their energy bills, and they will become more so in future.

"A developer who commits himself to energy-efficient building will clean up the market, even if his basic rentals are slightly higher. A significant difference in running costs will attract tenants," he says.

Another factor is international pressure to stop production of CFCs.

"Environment-friendly alternatives to vapour compression refrigeration are expensive and we could see a shortage in spares for existing air conditioning units developing.

"We must design for minimal power use, yet not many people know how to do it," says Higgs.

Energy and fuels

Nuclear power is the next logical step for the future

B Day 14/2/92 (55)

THE anti-nuclear lobby is losing ground internationally as people accept nuclear power is the logical next step after coal-fired power stations.

But nuclear power station development has been put on hold worldwide, thanks to an international oversupply of power.

Atomic Energy Corporation public relations manager Nic Ligthelm says: "Growth in electricity consumption has failed to keep pace with projections."

Koeberg power station in the Cape is likely to be followed by a second power station in around 2010.

The 1 844MW power station provides about 5,5% of the nation's power needs.

Safety

The two main fears of environmentalists relate to the question of where to store radioactive waste and how to protect the community against a disaster.

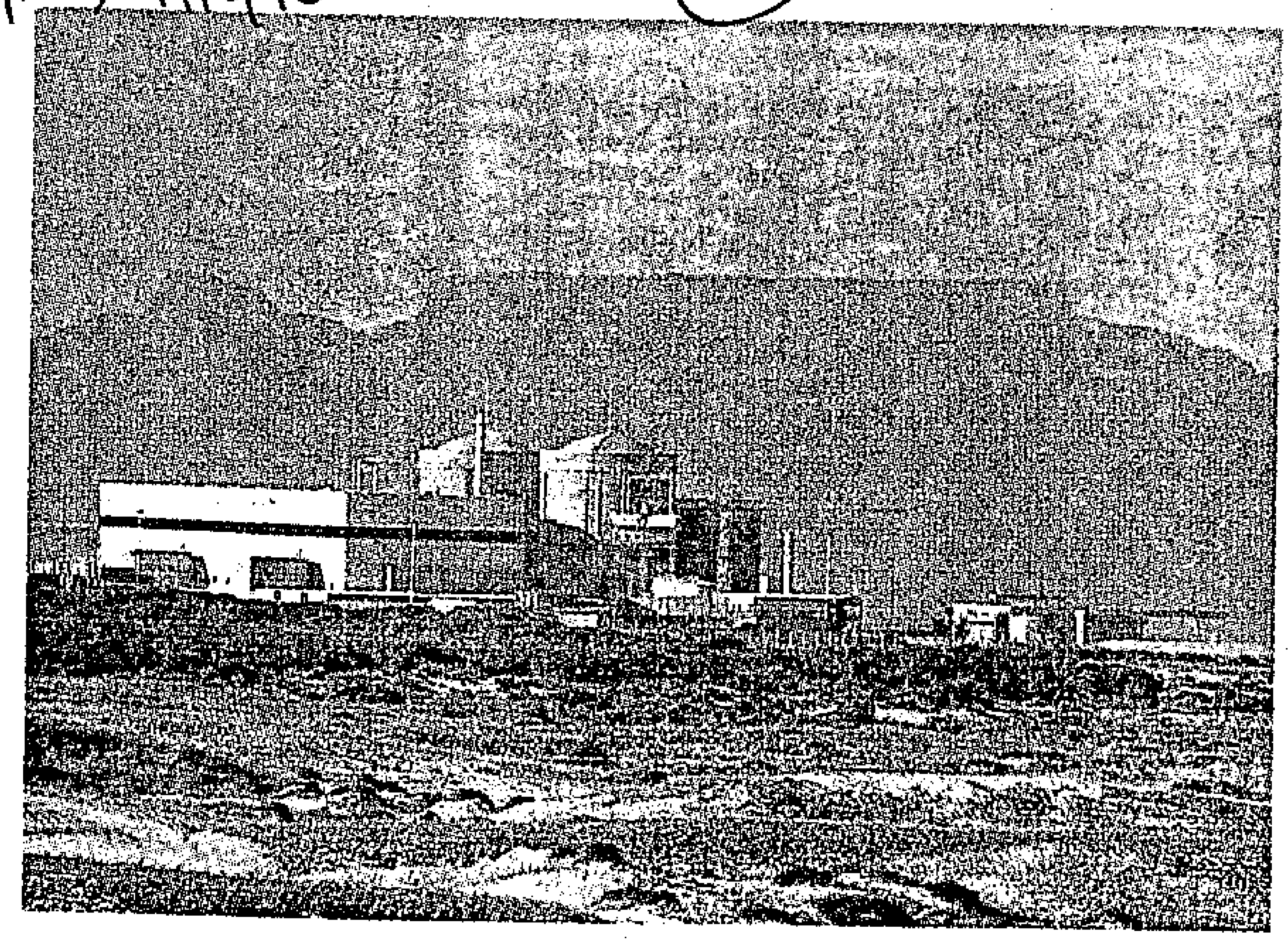
"The Council for Nuclear Safety goes to extreme lengths to ensure the safety of a plant," he says.

"In determining what safety measures to take into account, it considers a wide range of potential risks, ranging from bomb strikes to earthquakes, and guards against those of even minimal probability.

"For instance, at Koeberg, the containment building which houses the reactor has been designed to withstand the impact of a Boeing 747."

He says storage of the fuel is also less hazardous than the man in the street tends to fear.

When a nuclear fuel element is spent, the radioactive products contained within it decay at rates varying from seconds to millenia.



Koeberg nuclear power station in the western Cape.

Spent fuel is moved to deep water pools in a closed circuit system within the containment building, where they remain for 10 years.

By the end of that time, their radioactivity levels are dramatically reduced.

Low and medium grade waste, such as filters and gloves used in handling radioactive materials, are stored at Vaalpits in the north-western Cape.

Here they are either compressed into steel drums and buried or mixed with concrete and buried in steel and concrete containers.

Radiation monitoring equipment is placed around the site to ensure radiation is kept to an acceptable level.

There is no doubt that whatever precautions are taken, an element of risk is inherent in any nuclear power operation.

But when compared with the disadvantages of fossil fuel power generation, the nuclear option seems to hold all the advantages.

Its environmental impact is minimal; no noxious gases are released into the atmosphere; toxic water is kept inside a closed circuit and the slight raising of sea water temperature around the power station has, over Koeberg's eight years in operation, had no significant effect on marine life.

In addition, the amount of radioactivity released by the power station is negligible.

"We live with background radiation on a daily basis originating from space and from granite rock in the ground.

"Average backgrcund radiation in the Witwatersrand amounts to around 220 milliRems a year.

"Koeberg is permitted to add up to about 10mRems a year of radiation and during its years in operation it has kept within about 10% of this," Ligthelm says.

Radioactive

By contrast, because most SA coal is found close to uranium deposits, its waste products are slightly radioactive — and a coal-fired power station releases more radioactivity than does an equivalent nuclear power station during operation.

In addition, while a single truckload of fuel is sufficient to keep Koeberg operating for 12 months, an equivalent coal-fired power station would consume 28 truck loads a day.

While Koeberg's waste product also comprises a single truck load a year, an equivalent coal-fired power station would produce a heap of ash 40m in diameter at its base every day.

No economic sense in mothballing Mossgas

(55) B Day 14/2/92

WORLD oil demand is rising slowly but steadily, and despite a price well below that anticipated when the Mossgas project got underway, Mineral and Energy Affairs Minister George Bartlett says the value of the scheme goes beyond outdated strategic considerations.

He rejects suggestions that the project be mothballed, saying this would make it necessary for the state to make short-term repayments of R2,2bn in foreign loans.

"Based on the latest oil price projections, the project can more than pay for itself. It would not make economic sense to mothball it," he says.

Bartlett acknowledges that cost overruns, which some observers speculate could take the cost of the project as high as R20bn, are a matter for concern, but says these must be balanced against the benefits it will bring to SA.

Among these are high local content, counter trade agreements and the potential to save billions of rands in foreign exchange by reducing crude oil imports.

"Moreover, the project has placed SA at the forefront of world technological developments in natural gas conversion."

Bartlett says that while the economic viability of the project depends on assumptions made on future oil prices, at prices of about $13,50 a barrel (1991 money values) the project will meet ongoing costs without state subsidies.

At the expected level of future prices it could repay state funds together with a reasonable return on investment.

He says state funding to date has not contributed to the taxpayer's existing burden.

"The Central Energy Fund financed the project, using money raised during the early '80s by means of a levy of about 4c a litre on all liquid fuel products.

"The Mossgas project will not be a drain on the current tax payer, but represents an investment made some time ago," he says.

Trimming the peaks can save money

TRIMMING the peaks in power consumption can cut costs for municipal, commercial and industrial users of electricity.

If adopted as a national strategy it could cut pressure on the national power grid — reducing pollution and postponing the need for capital expenditure on new power stations, says First National Battery consultant Chris Joubert.

A consumer's electricity charges are based on the rate for the highest peak reached in the month.

As the rate soars from 6c/kWh for off-peak consumption to R22/kW for peak power, reducing the peak can be as crucial in any drive to cut costs as reducing actual power consumption.

"At night, when businesses are closed and people are asleep, power consumption is minimal, but power stations have to be kept running at a capacity to cope with the surges during the waking hours of the day. BDay 14/2/92

"A national effort to flatten these surges would trim the running costs of power stations and would postpone the need for capital expenditure on new stations when we reach capacity on our existing units."

This is possible without making any change in living patterns by means of load levelling — the storage of power during off-peak times to be drawn off during periods of high consumption.

This can be achieved in a variety of ways.

Randburg municipality has installed "ripple control" on geysers in its area which automatically switches off geysers during peak periods after hot water has been stored during the night.

In most cases the effective way to store power is in battery systems, which can prove a costly investment. (55)

Joubert says the typical industrial load levelling plant shaves around 1MW off peak consumption, and while this is a drop in the ocean compared with total peak power consumption in SA, if undertaken on a national scale it could amount to significant savings.

At a cost of around R1 000/kW for a complete installation, it can cost R1m to shave 1MW — which would achieve a saving of only R22 000 a month at a peak rate of R22/kW.

There are other advantages in the system, such as better reactive power, an improved quality of power and an uninterrupted power supply.

FNB recently installed the biggest plant in the world, a 7,5MW/h battery system, at Vaal Reefs Gold Mine to ensure it would be able to bring its miners to the surface even if power stations were bombed by insurgents.

This system is saving R44 000 a month on the mine's power account as well as ensuring more efficient energy use.

At this stage, however, Eskom does not regard the matter as a priority.

Eskom national pricing policy manager Andries Calitz says: "We leave the decision about whether or not to use load management to our customers and their consultants, who have to analyse the economics of doing so.

"The cost of demand management must be recovered through the savings on the customer's electricity account."

Sufficient capacity to meet the needs of the next decade

Bday 14/2/92 (55)

ESKOM has the capacity to meet SA's power needs for the next decade or longer without significant expansion programmes, a spokesman says.

While, historically, growth in power demand was regarded as a reliable indicator for economic growth, since the economic downturn of the early '80s it has not fulfilled this role.

"At present, nearly 70% of South Africans don't have power in their homes, but even if we provided electricity to every home in SA we would not increase consumption by more than around 3 000MW.

"At the same time, the mines — which are major consumers of electricity — are taking a beating and industry in general is investing less in electrically powered plant."

SA's power stations' capacity is around 36 000MW. Peak demand last winter was 22 500MW.

To ensure its ability to keep pace with demand, Eskom holds its power production at 15% above peak, so production is just below 26 000MW.

Of the remainder of its capacity, around 5 000MW is in mothballs as the organisation upgrades its older power stations to bring them into line with the cleaner, more efficient newer units.

The spokesman says at present growth rates it will take a good 10 years before SA power consumption reaches capacity.

Grid

During that time, negotiations may well have cleared the way to the formation of a power grid covering the entire continent and tapping the hydropower potential of the Zambezi River.

"Our coal supplies are finite and we are giving a lot of attention to the question of alternative power sources," he says.

"At this stage, nuclear power seems the only viable alternative to coal-fired power stations, except where hydroelectric power is possible.

"It isn't popular, but the technology is improving. In France, around 70% of electric power is nuclear.

"Alternatives such as solar and wind power may sound appealing, but they aren't efficient and I don't see them ever offering a workable source of power for major demand."

Research into these alternatives is ongoing, however, as part of Eskom's electrification drive.

The spokesman says where it is uneconomical to run hundreds of kilometres of power cables to supply a small community or isolated rural dwellings, small hydroelectric schemes and solar power can provide a viable alternative.

"We are investigating the potential for small hydroelectric schemes, for example, in areas like KwaZulu and Transkei, where many small villages are located close to fast-flowing rivers.

"Some communities also use biomass technology, producing methane gas from sewage and refuse," he says.

Engen tackles a range of social programmes

B/Day 14/2/92 (55)

A MAJOR player in the local fuel and energy industry has committed itself to a wide-ranging social responsibility programme.

Gencor subsidiary Engen is involved in programmes ranging from education to environmental care and conservation.

The group is the holding company for Mobil, the Genref refinery and Trek Petroleum. It also has a 30% interest in and is manager of Mossgas and 85% of Sonap.

It employs about 3 000 people and last year operating income before tax and interest was R379m — a 17,3% increase on the previous year.

Fulfil

The focus of its initiatives are to determine and fulfil its role in the process of transition in SA.

It co-operates with groups such as the Consultative Business Movement, comprising companies aiming to influence economic and development policies and mediating in violence, and works with a partnership comprising the departments of Education & Culture, Education & Training and nine schools, and aims to improve school management.

It supports research — for example, into behavioral habits among residents of black townships and into the science of cognitive development.

It also finances and manages numerous projects of its own.

Project ReGenerate, a programme being run by Genref in Durban, aims to conserve and open up the six ecosystems surrounding the refinery.

These comprise wetlands, rocky shore, sandy beach, coastal forest, dune forest and one of the last remaining grasslands in Natal.

The project is being run in conjunction with the Natal Parks Board, the CSIR and the Wildlife Society, and costs just over R1m.

This action programme is supported by a pollution prevention policy at the refinery, which is being upgraded and expanded at a cost of R2bn.

On completion of the first phase, its capacity will increase by 30%, while the air, water and noise pollution produced by the plant will be brought below existing levels.

In another project, Engen last year financed the publication of the final volume of Street Law, which covered the field of family law.

Widened

In the education field, the group embarked on a programme for pupils studying science and maths. Initially, this was an employee programme, but it soon widened its scope to allow for community participation.

The programme is complemented by a winter school for matriculants during the June holidays, which is attended by over 450 pupils annually.

The Energos Foundation — formerly the Mobil Foundation — is involved in over 150 projects involving an annual R9m in the areas of education, community development and entrepreneurial activities.

In the field of social health care, the group has financed several clinics in Natal and supports a scheme for producing health programmes which present the health authorities with medical models that could be replicated in other areas.

The aim of this scheme is to empower communities to take responsibility alongside the health authorities for local projects, with an emphasis on primary health care.

Development in sport is also not neglected.

In 1990, the group launched the Mobil Power-Plus Summer Series, a series of athletics meetings.

Part of this is the Mobil Link to a Star system, which links top athletes to national charities on a points system.

The charities receive donations at the end of the series according to the points their athletes have won.

Last year also saw the launch of the Development Squad, which sponsors 10 promising local athletes and gives them opportunities to compete against professionals during the Mobil Power Plus Summer Series.

Mozambique, SA set to sign gas deal

MAPUTO — Mozambique and SA will sign an agreement this month on the sale of Mozambican natural gas to SA, a senior official in the Mozambican Hydrocarbon Company (ENH) has confirmed.

The gas would be extracted at Pande in Inhambane province, about 600km north of Maputo, and sent by pipeline to SA.

The ENH official declined yesterday to give details of the agreement or name the SA company involved. A full statement would be made on February 27, after the agreement had been signed.

The first exploration well at Pande was drilled in 1961 and the existence of a huge gas field was confirmed two years later.

The most recent estimate, published last May by the official Mozambique News Agency, put reserves at 40-billion cubic metres. — Sapa-Reuter.

Power pact

JOHANNESBURG. — Eskom and the French EDF electricity company signed an agreement covering joint action in South Africa and elsewhere in Africa, a move regarded as a positive step in the electrification of the continent. — Sapa

55 ARG 18/2/92

Africa deal for Eskom

B/Day 18/12/92 (55)

ADRIAN HADLAND

ESKOM will expand its operations into central and Francophone Africa as a result of a co-operation agreement signed in Sandton yesterday with one of the world's major electrical companies, Electricité de France (EDF).

An Eskom spokesman said several projects such as the upgrading and construction of electricity networks in African countries were being considered.

"We now have a strong and valuable partner with expertise and resources in Africa," he said.

The agreement, signed by Eskom CE Ian McRae and EDF's deputy CE Francois Ailleret, would serve to reinforce the relationship between the two utilities as well as to establish a framework for further international co-operation, a statement said.

"Both EDF and Eskom are historically, geographically and strategically interested in the development of electricity in Africa," said Ailleret.

McRae said the agreement was a positive step for electrification in Africa.

The agreement does not bind either company to cooperate on any specific projects, and each retains the right to proceed independently or to conclude similar agreements with third parties.

ANC casts light on electrification in SA

SouL 13/2 - 19/2/92

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Widening access to electricity was the topic of a national meeting organised by the ANC in Cape Town last week. SABATA NGCAI reports:

ALMOST everyone with an interest in electrification met last week to talk about taking power to the townships.

Everyone except the government, that is.

Government officials — from the Department of Mineral and Energy Affairs, the Department of Finance and provincial authorities — refused an invitation to attend last week's "National Meeting on Electrification", held at the University of Cape Town.

The parties at the meeting proposed the formation of a National Electricity Forum (NEF) to fight for electrification of black townships.

The meeting was called by the ANC to discuss ways access to electricity in South African homes, currently around 30 percent, could be rapidly widened.

The meeting concluded: "Electricity is only provided to the homes of a minority of the population and to users in the developed sector of the economy.

"The majority of the population who live in unelectrified rural and urban areas are dependant on more expensive and less convenient energy sources, both for use in their homes and in small scale productive activities.

"Virtually all white South Africans, even those in remote rural areas, are served, while between 15 and 20 percent of black South Africans have access to electricity in their homes."

The NEF would include the ANC, civic associations, Eskom, local governments, trade unions and the Development Bank of Southern Africa (DBSA).

The meeting was also attended by academics, researchers, international guests, electrical equipment manufacturers, Regional Development Forums, the South African Communist Party, service organisations from both rural and urban sectors, electrical engineering consultants, electrical contractors and representatives of organised business.

The keynote address, delivered by Mr Trevor Manuel of the ANC's department of economic policy, highlighted the contribution electrification could make to raising the standards of living of black South Africans and to stimulating economic growth.

The meeting focused on three key issues — proposals for the restructuring of the distribution sector of the electricity supply industry, the capacity to plan and implement accelerated electrification initiatives and the financing of electrification.

Delegates agreed the current structure of the distribution sector, fragmented along racial lines by its link to the system of local government, would need to be rationalised in the future.

Electrification could only proceed when the skills and resources of white municipalities were applied to townships not served adequately by black local authorities, the meeting agreed.

Regional electricity distribution authorities were seen by many to be the solution, but several questions were asked about the financing of such authorities and their future relationship to a nonracial system of local government.

On the capacity to plan and implement initiatives, there was general consensus at the meeting that technical and human resources in municipal undertakings, Eskom, the private sector and in communities, would be sufficient to rapidly electrify communities.

The two labour federations, Cosatu and Nactu, called for the intensification of training programmes, in conjunction with the Electrical Contractors Association.

On the question of financing, it was generally agreed electrification could be affordable for the national economy, provided the necessary political will exists to fund such programmes.

A combination of retained income in the electricity industry, public funds for capital development and private investment mobilised on capital markets would be sufficient to finance programmes.

Mr John Kruger of the DBSA offered his organisation's assistance in convening a working committee on electrification within three weeks.

The working committee, comprising representatives of the major parties at the ANC meeting — and hopefully of the Department of Mineral and Energy Affairs — would work to unify the efforts of government and the ANC in the area of electrification and convene another meeting of all parties by the end of March.

"Despite the government's refusal to participate, the ANC willing to persuade them to join the NEF as the forum would be unable to function effectively without them," Mr Paul Theron of the ANC's Science and Technology Group said.

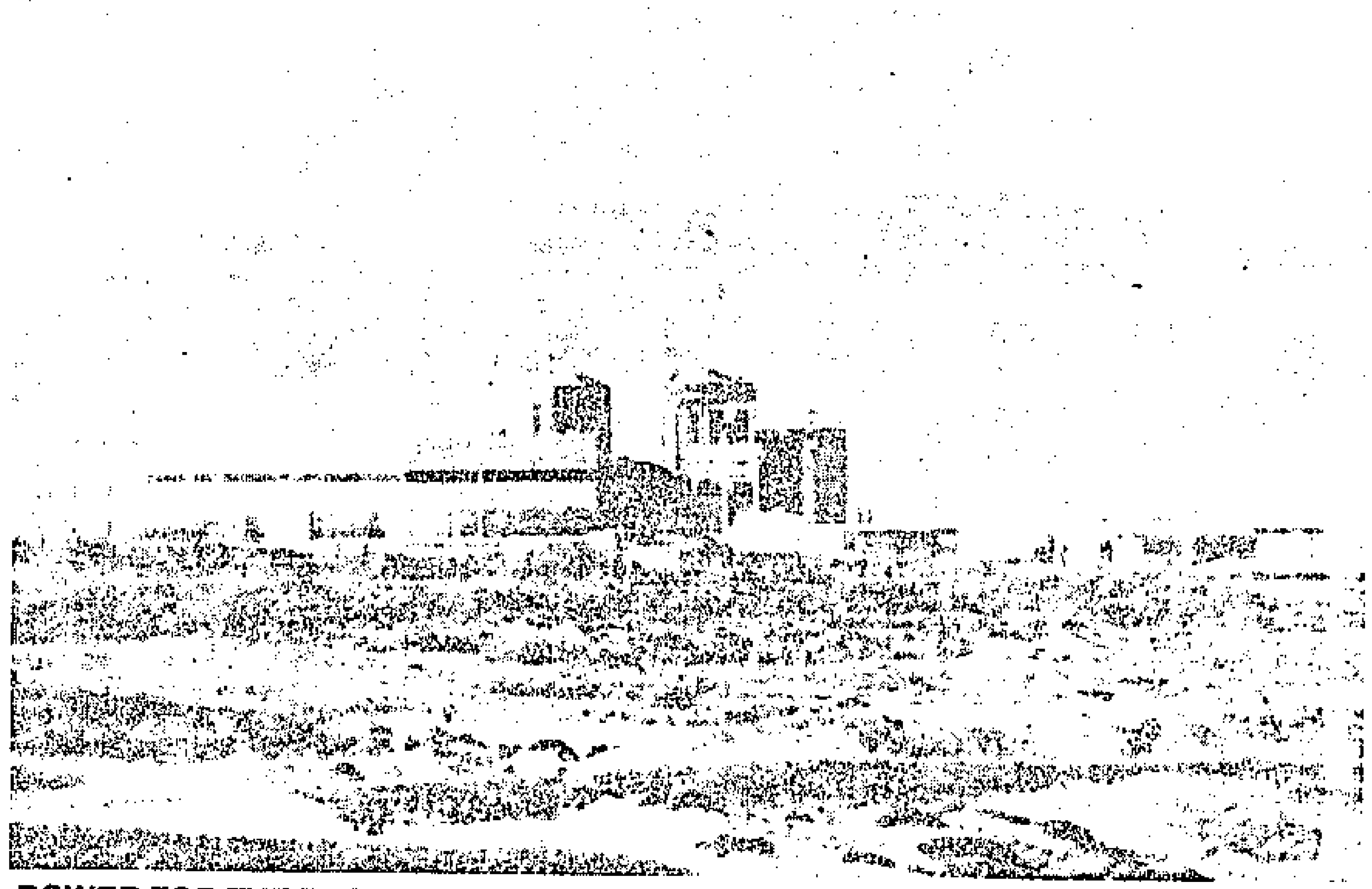
He said the ANC would specifically persuade the department of Mineral and Energy Affairs, through Eskom and DBSA, to join the forum.

"The NEF should get the authority of the department as it has the ability to divert government funds," Theron added. "It may also be necessary for the ANC to consult with the Minister of Mineral and Energy Affairs as in the past."

The department's spokesperson, Mr Charles Edwards, confirmed the ANC had written a letter of invitation to attend the meeting, but that it had declined.

"The government found that it would not serve any purpose to attend the ANC meeting as the department has not yet finished its investigation on electrification," Edwards said.

"The department is busy investigating the restructuring of management and supply of electricity in South Africa."



POWER FOR THE PEOPLE? Although Koeberg has been in operation for years by millions of black South Africans still live in darkness

With blacks and coloureds the preference for integrated education was much more evenly spread over the various age groups. The HSRC report further found that South Africans, in most instances, supported:

- The advancement of a common South African citizenship;
- Uniformity in school financing for all four race groups;
- The introduction of free and compulsory basic (six years) education;
- Contact between pupils from different population groups on the sports fields as well as during cultural activities;
- The idea that parents should make a higher financial contribution towards their children's education.
- The survey also found "just about" 70 per cent of the respondents of all four race groups believed separate schools would not last another 20 years.

Amnesty: prisoners released/rearrested

*9. Mr P J GROENEWALD asked the Minister of Law and Order:†

(a) How many prisoners who have been released since 1 January 1991 as a result of amnesty have since been rearrested for crimes and (b) in respect of what date is this information furnished?

B174E

The MINISTER OF LAW AND ORDER:

(a) 21.

(b) 1 November 1991 until 5 February 1992.

Note:

The South African Police has only kept such statistics as from 1 November 1991.

Sale of stockpiled crude oil

*10. Mr P J PAULUS asked the Minister of Mineral and Energy Affairs:† 55

Whether he will furnish information on the sale of stockpiled crude oil; if not, why not; if so, (a) on what date since the most recent Cabinet decision on the sale of strategic oil supplies was stockpiled crude oil sold for the first time, (b) to what agencies or countries was it sold and (c) how much crude oil was sold to each?

55

B181E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

Yes, within the limits of existing legislation.

(a) 2 September 1991;

(b) local refineries and Madagascar; and

(c) the volume of crude oil sold cannot be disclosed; it can, however, be mentioned that less than two per cent of the volume has been sold to Madagascar.

Sale of oil supplies: utilisation of money

*11. Mr P J PAULUS asked the Minister of State Expenditure:†

(1) For what purposes is it intended to use the money obtained from the sale of stockpiled crude oil since the most recent Cabinet decision on the sale of strategic oil supplies;

(2) whether any money has been paid out in respect of projects; if not, why not; if so, (a) on what dates and (b) to whom were the first amounts in respect of such projects paid out?

B182E

The MINISTER OF STATE EXPENDITURE:

(1) Divided into broad functional categories it is intended to apply the funds as follows:

	Rm
Health	84,2
Welfare services	15,2
Education	138,1
Infrastructure (rudimentary services)	407,9
Hostels	31,0
Community facilities	8,8
Special job creation programme	20,0
Sports facilities	16,9
Transport (roads)	204,2
Police (police stations)	62,4
Maintenance of government buildings	18,7
	1 007,4

(2) On account of the substantial number of requests which have been received and

Continued

which had to be thoroughly evaluated in accordance with established norms, the allocation of funds to the relevant departments/administrations was only completed at a late stage in the financial year. Provisional estimates indicate that an amount of R264,5 million will be spent in the current financial year. The amount could prove to be less if specific projects do not progress as planned within the current financial year.

After the funds had been allocated to departments/administrations, further measures had to be adopted such as complying with tender procedures, the procurement of materials etc. which means that all the projects cannot be completed during the current financial year. However, payments have already been made. The Cabinet has requested a report on a six-monthly basis and the first report will be submitted on 30 April 1992. Detailed information concerning the actual expenditure will subsequently be available.

Travel Agents Board/travel agency: discussions

*12. Mr P G SOAL asked the Minister for Administration and Tourism:

(1) Whether he was involved recently in discussions between the Travel Agents Board and any travel agency which was experiencing financial difficulties; if so,

(2) whether, as a result of these discussions, an amount of approximately R500 000 was paid to the owners of a Greek pleasure vessel, the name of which has been furnished to the Minister's Department for the purpose of his reply; if so, (a) what was the nature of the (i) meetings held in this connection and (ii) discussions at these meetings and (b) what is the name of the vessel in question;

(3) whether he came to the conclusion that this amount of money was to be paid from the Travel Agents Fidelity Fund; if so, what brought him to this conclusion?

B191E

The MINISTER FOR ADMINISTRATION AND TOURISM:

(1) Yes. The company in question was TFC Tours. The President of the Association of Southern African Travel Agents (ASATA) was also present, as was the Chairman of the Travel Agents Board and the Executive Director of the SA Tourism Board. The meeting took place on 9 January 1992.

(2) An amount was not paid to the Greek shipowners in question as a result of this meeting. The possibility of a loan from the TAB was raised by TFC but the Chairman of the TAB indicated that this was not possible in terms of current legislation. This proposal was not pursued any further, and attention was given to other possible ways of preventing the collapse of TFC Tours with the attendant hardships it would create for the consumers concerned.

(3) The decision to pay monies to the Greek shipowners was taken at a later date by the Travel Agents Board, an autonomous body established under an Act of this Parliament. I was thereafter informed by its Chairman of the decision the Board had taken in order to avoid even greater losses for the Board and its fidelity fund. At no stage did I propose this course of action to the Board.

Squatters: property at Bloubosrand

*13. Mr P H DE LA REY asked the Minister of Local Government and National Housing:†

(1) (a) For what amount did the Transvaal Provincial Administration purchase the property at Bloubosrand intended for accommodating the squatters of Seven-fontein and elsewhere and (b) out of what fund was this money voted;

(2) whether the Government intends paying damages to persons who are allegedly going to suffer losses as a result of a decrease in the value of their properties because of the establishment of a squatter camp at Bloubosrand; if not, why not;

(3) whether any steps are contemplated to ensure the safety of residents and properties in the vicinity; if so, what steps?

B198E

Continued

Bringing light and opportunities to Africa

STAR 26/2/92 (SS)

"By transferring electric energy to where it is most needed," says Eskom chief executive Ian McRae, "we believe that not only can we help boost the southern African sub-continent's economies, but also vastly improve the quality of life for all the people of the region."

The impact of electricity goes way beyond the everyday convenience of turning on a light, a stove or a television. It affects education, health and the environment.

It unlocks the productive potential of the people by enabling them to use power tools and equipment. It allows them to make more skilled inputs by freeing them of time-consuming manual labour.

It provides the cheap, dependable energy that drives mining, industry and business and makes internationally competitive exports possible. It could also be the catalyst to trigger economic growth in the entire sub-continent of Africa.

The resources necessary to generate sufficient electricity for the entire sub-Saharan Africa are abundant, and Eskom — with its 45 000 employees, its skilled base and infrastructure — is confident it is the best placed organisation to drive such a effort.

In fact work on the project, which will link countries and governments in an unprecedented network of co-operation and mutual economic benefit, has already begun.

"The improving political situation will bring about better co-operation between the sub-Saharan countries, and the end of South Africa's isolation," says Mr McRae.

"Power companies have been able to build bridges across political divides, deep-seated conflicts and distrust by appealing to common needs. It becomes increasingly clear that isolation is not the answer for any southern African country.

"We need to stand together to become strong, because help from the rest of the world may not materialise.

"In South Africa, where people have no electricity and where the survival of any future democratic government is dependent upon sustained economic growth and a visibly improved standard of living for the poor majority, Eskom has an equally crucial role to play."

It is one of the Big Five or Six in the world in terms of electricity generation and produces 60 percent of all the power on the African continent.

With the benefit of a new, streamlined management core and a more focused attitude to business. Eskom has committed itself to reducing the real cost of electricity by 20 percent over the next five years, although it already claims to be the cheapest power supplier in the world.

Education has a high priority in South Africa and electricity gives it a specific boost by providing better lighting for studying and reading, and facilitates the use of television and electronic teaching aids.

Public health is vastly improved by electricity. Modern medicines depend on electronic equipment for diagnosis and treatment, sterilising and refrigerating facilities are essential for surgery and drug stocks. The smoke generated by burning fuels in urban areas is a health hazard.

Electrification impacts on every facet of the economy as well. One of the factors crucial in ensuring that exports of manufactured goods or beneficiated minerals from South Africa are competitive internationally, is cheap, dependable electricity.

The importance of the informal, small business sector as a job creator in South Africa is well known. Once again electricity plays a crucial role.

"Clearly a person without electricity is a disadvantaged player in the economy," says Eskom chairman Dr John Maree.

Apart from the jobs created directly by supplying electricity, there is a multiplier effect that comes into play when electricity reaches a home or a workshop.

It stimulates demand for a hot-plate, a kettle, a TV, and has a ripple effect into the economy.

"If we can electrify 1,5 million homes over the next five years as we plan to do, we would create half a million jobs and our GPD would grow by five percent," says Dr Meree.

Electrification of underdeveloped regions is a long-term investment in the future. It could unite the people of Africa in a strong economic community, and it could play a major role in bringing light, peace and prosperity to our land.

Getting power to the people is no light matter

CT 20/2/92 (55)

ANC Viewpoint
by ALLAN BOESAK

RECENTLY the ANC intervened on behalf of 800 Blue Downs households whose electricity had been cut off ... and convened a major national meeting to discuss the electrification of South Africa.

Both at the grass roots and at top policy-making level, the ANC is emerging as a key player on a wide range of questions. It is called on to address issues on a broad national scale, while responding to an ever-increasing number of calls for assistance from local communities.

At the local level, the ANC is frequently perceived as the organisation most likely to provide an interface between the affected community and the relevant authorities. Blue Downs is just one of dozens of communities that have brought its problems to the ANC. In this case, residents have approached us for assistance in dealing with an unrepresentative RSC which is overcharging them for their electricity. More often than not, these activities are parallelled by major initiatives in the policy-making area.

While negotiations were under way on behalf of Blue Downs residents, for example, the ANC's Department of Economic Planning was arranging a high-powered conference on electrification at the University of Cape Town.

Resources

The ANC sees the provision of electricity as a critical part of the process of raising living standards. The purpose of the conference was, therefore, to look critically at the issue of providing affordable electricity to all South Africans and to begin formulating a practical and workable electrification policy for the future.

Some astonishing facts emerged — further evidence of the appalling legacy of apartheid. Despite the fact that South Africa currently produces about 50% of the electricity used on the African continent, two-thirds of our own population live in un-electrified rural and urban areas and are dependent on more expensive, less convenient energy sources such as wood, coal, gas and paraffin. Khayelitsha is, to this day, only about 10% electrified.

Even where people do have access to electricity, there are inequalities of both quality and price, with black communities paying premium tariffs due to the fact that electricity is provided by racially separate local authorities. (Blue Downs is an example of just this phenomenon.)

So fragmented is the electricity supply network, in fact, that the number of authorities supplying electricity in South Africa now numbers 400, serving a total of only about two million consumers.

Some important ground was covered at the conference. It was agreed that the current distribution structure must be rationalised and standards in all areas raised to match those in white municipalities. Significantly, it was concluded that, given the political will to fund the necessary programmes, South Africa has sufficient technical and human resources to plan and implement full national electrification.

Many initiatives

The UCT conference is typical of the ANC's approach to policy-making. At this conference, as elsewhere, we worked hard to assemble what emerged as the largest and most representative gathering in the history of the South African electricity industry — including representatives from civics, unions, national, regional and local authorities, political parties, business, academics, international guests and a delegation from Eskom.

Despite this impressive turn-out, however, representatives from central government departments and the provincial authorities declined the invitation to attend. The ANC welcomed, therefore, an offer by the Development Bank of Southern Africa to convene a small working committee made up of the major parties present at the meeting in an attempt to involve the government in subsequent discussions on this important topic.

This significant conference is just one of the many initiatives in which the ANC is currently involved.

Conferences, major meetings with a variety of sectors and extensive research is under way in almost every area of public life — be it education, health, economics, constitutional issues or any other of the vast range of issues we will face if we become South Africa's first democratic government.

Dynamism

Already the ANC is becoming the focus of multi-level negotiations and activities. People look to us for answers on a multitude of questions and we are critically aware of our responsibility to develop policies and solutions that are both practical and workable.

As the most likely future government, we cannot afford to make promises that we will not be able to keep.

Consultation is the key. The ANC has no monopoly on wisdom and we know that it is only by involving a fully representative range of people and organisations that we can hope to draw on the knowledge and experience we need to implement our policies.

It is for this reason that we place great value on our close involvement at grass roots. Policies affecting communities can work only if they respond to real needs; if they grow out of concerns that people face in their daily lives.

It is this, ultimately, that determines the nature and direction of responsible leadership. And it is the dynamic interaction between the ANC and those it serves that must and will inform us in our efforts to build a South africa that meets the needs of all its people.

NO LIGHT LOAD ... Despite South Africa producing about 50% of the electricity on the African continent, Khayelitsha is only about 10% electrified.

LETTERS Box 11 CAPE TOWN 8000

1st SA Division's role at Alamein unappreciated

From D M CRAIB (Winterskloof):

I WRITE in support of the point made by J B Pienaar, Dan Pienaar's son (Letters, February 10).

I have always thought the significance of the first Battle of Alamein, and the part played in it by the 1st South African Division, has not been fully appreciated by military histori-

A memory is of watching and hearing an instinctive master of tactics — under pressure of time — indicating to his unit commanders which features were critical to hold; where guns would best be sighted; where dangers of a surprise attack should be guarded against, and generally giving his orders for the defence, of what went down in history as the Alamein

ELECTRIFICATION (SS)

Wires crossed

FM 21/2/92

A senior official of the Development Bank of Southern Africa was due to meet Mineral & Energy Affairs Minister George Bartlett this week in an effort to convince government to participate in an ANC-sponsored initiative to convene another national conference on electrification.

In an apparent fit of pique, government boycotted the ANC's "national meeting on electrification" in Cape Town earlier this month because it upstaged a similar conference being planned by Bartlett's department.

But the move left him with egg on his face. His natural allies in the electricity supply industry — including Eskom, the bank and local and regional government associations — are backing the ANC initiative.

It is reliably understood that senior officials of the department believed the ANC meeting at UCT would degenerate into a list of grievances and demands and advised against attending.

But instead it drew together the most representative gathering ever of interest

Continue →

FM 21/2/92 (SS)

groups to discuss future electrification needs.

The meeting concluded with a resolution to establish a working committee before the end of the month, that will work towards convening an even more representative conference — including government — to establish strategies and make proposals for the expansion of SA's electricity grid.

Eskom, the bank and the Energy Research Institute offered either financial or administrative support in setting up the working group.

At the start of the conference, ANC economics department head Trevor Manuel claimed that government and provincial officials who were keen to attend were forced to withdraw by the department.

He received a letter from Bartlett in response to an invitation to the conference in which the Minister had said his department was itself busy with investigations into restructuring electricity supply and was, therefore, not in a position to attend the ANC's meeting.

In the letter Bartlett denied that officials of his department had tried to persuade other organisations and individuals not to attend.

In an earlier letter to ANC conference secretary Paul Theron, the department's Director-General, Piet Hugo, said his department was planning a national forum on energy provision later this year at which the possible restructuring of the electricity supply industry would feature prominently.

Hugo said a departmental study group appointed to prepare a discussion paper for the department's conference was still busy and he could, therefore, not accept the invitation to participate in the ANC meeting.

Manuel also criticised "the so-called independent" Eskom, which he said had agreed to participate but later "buckled" under government pressure.

Working group

Two Eskom officials who were to deliver papers did not do so, though their papers were circulated.

One of the officials, corporate adviser Johan du Plessis, says there was "no question" that Eskom would attend the conference — it sent four delegates — but it was decided on reflection and after talks with the ANC not to deliver the papers on a party political platform.

He says he is unaware of any pressure from government on Eskom not to participate. "We take our own decisions which should be evident from the fact that we were there and government was not," he said.

Du Plessis was an active participant in debate at the two-day meeting and during the final session, offered Eskom's support in setting up the proposed working committee. The bank's GM, Johan Kruger, offered its services and financial support and undertook to approach government to join the working group.

Ketso Gordhan of the ANC's economics department said government's absence was unfortunate. "The time for unilateral decision-making is over. The process is now as important as the end product."

At the end of the conference Manuel said he did not see government's refusal to participate as a major setback. "There is pressure on government to come into the process and they will hopefully be drawn in," he said.

He said there was no point in Bartlett going ahead with his own conference.

The ANC meeting had shown there was no disagreement on the need to electrify SA. It was now essential for the process to be taken further as quickly as possible.

Theron said this week that the bank was talking to various parties, including government, about participation in an interim convening committee and it was hoped that government could be persuaded to join in.

Bartlett declined to comment. ■

Sasol's sales down but earnings rise

BDay 26/2/92 (SS)

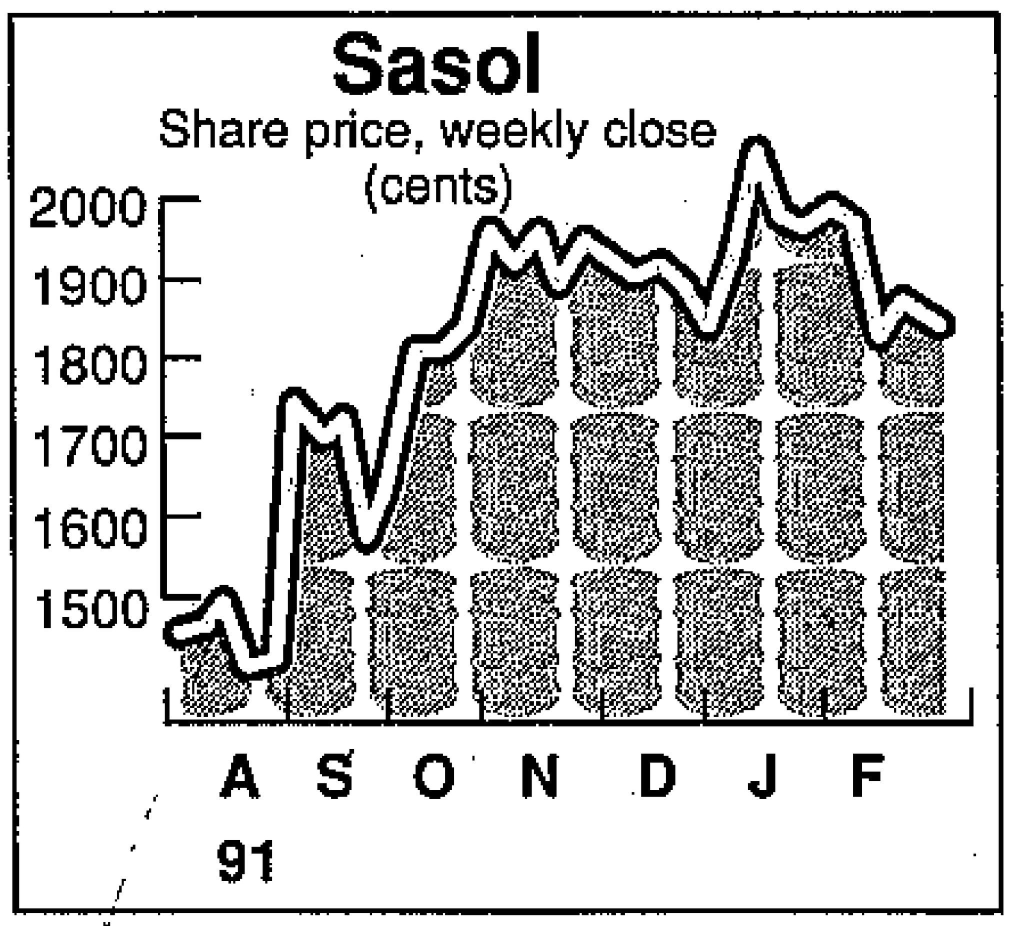
EDWARD WEST

LOWER petrol prices and intensified competition in the fertiliser market clipped Sasol's sales and operating revenues in the half-year to December 25. However, a lower interest bill and reduced tax charge combined to lift bottom-line earnings.

The half-year's sales slipped fractionally to R3,96bn from R4,00bn in the corresponding period of 1990, the interim operating profit was R869m against R974m, the half-year's pre-tax profit slipped to R750m from R770m and the attributable after-tax profit increased to R533m from R465m.

Turnover totalled R7,56bn in the year to June 25 1991, the year's operating income was R1 897m, the pre-tax profit was R1 525 and the attributable after-tax profit R1 041m.

Yesterday, the board reported that the synthetic fuels division increased production and the resultant productivity improvement went some way towards offsetting the effects of lower product prices and tighter margins.



Graphic: LEE EMERTON Source: I-NET

Synfuels production accounted for 40% of turnover, oil refining 27% and coal mining 12%. The sale of petrochemicals, such as waxes and explosives, accounted for 21% of turnover. The drop in synfuel's proportional contribution to sales from

☐ To Page 2

Sasol

BDay 26/2/92

☐ From Page 1

last year's 50% is partly explained by the shift towards petrochemical production.

MD Paul Kruger said yesterday the full effect of lower international petroleum prices was mitigated by favourable shifts in the rand dollar exchange rate. He said Sasol's petrochemical exports — worth about R500m a year — were having to compete with dumping in certain areas because of the highly depressed state of the international petrochemicals industry.

He said the R3bn capital expenditure programme would eventually allow export turnover to increase by about R800m in another two to three years.

At home, the drought continued to hammer fertiliser sales and forced the company to close its Sasolburg fertiliser plant. The plant at Secunda was modified for fertiliser production.

Productivity gains at the coal mines contributed towards profits. The Syferfontein mine was completed and was profitable.

Substantial coal tonnages were available for export and Sasol was considering whether to make use of excess capacity at the Richards Bay Coal Terminal or to participate in a new terminal, Kruger said.

Results for the second half of the year would be determined by the rand/dollar exchange rate, confidence after the referendum and international petroleum product and chemical price levels. Given a continuation of present trading conditions, Kruger added, this year's earnings growth would be modestly higher than last year's.

The first half's earnings rose to 94,6c a share from 82,5c a year ago and the interim dividend was lifted to 36,5c from 32,5c. Last year's total earnings were 184,7c and the year's dividend was 71,5c.

5c more on petrol price

S Times (BUSS) 23/2/92. 55

FINANCE Minister Barend du Plessis is expected ask motorists to fork out over 5c more in tax on each litre of petrol — possibly as early as Friday.

A source says the increase will be restricted because of the Government's concern about its effects on inflation. Diesel users will have to pay between 2c and 4c more a litre.

By ZILLA EFRAT

The increase will come before the Budget, in which other tax increases are expected.

In the fiscal year ending on March 31, tax collections have been lower than forecast because of the recession. Government spending, however, has been higher.

The Budget will be presented on March 18 — if it is not postponed because of the referendum.

BEN VAN RENSBURG: Tax on luxuries to rise

Basic

South African Chamber of Business economist Ben Van Rensburg expects a large increase in excise duties on luxuries, such as alcohol.

He does not expect a change in the politically sensitive VAT rate. However, the 10% rate may be applied to some basic foods which have been zero-rated if the poverty assistance programme is well advanced.

There could be relief in adjustments to bracket creep in personal income tax. Highest marginal taxpayers could also be helped.

Dr Van Rensburg hopes the Government will give the business community a positive message by reducing the corporate tax rate, even by a percentage point.

Econometrix director Tony Twine estimates that the extra tax on fuel could boost the inflation rate by 0,12% and have limited knock-on effect.

The increase will lift the tax component in the petrol price from 46,9c/*l* to more than 52c/*l* — from 32,8% to 36%.

It will follow the 10c/*l* rise in fuel taxes last August when the Government reduced VAT.

The good news for consumers is that non-fiscal petrol price increases are not expected in the foreseeable future. Crude oil prices have been falling since November, reducing the landed cost in SA.

A National Energy Council (NEC) spokesman says that in spite of a slight weakening in the rand's exchange rate, motorists are overpaying for both petrol and diesel. He expects these overrecoveries to rise in February.

He says after underpaying 0,24c/*l* in December, Pretoria-Witwatersrand-Vereeniging motorists overpaid nearly 2c/*l* in January. They also paid more than 4,5c/*l* too much for diesel. The figures will be released this week.

Lower

Recent increases in the components of the petrol price have not been passed on to consumers. They have been absorbed by the Equalisation Fund, which is believed to be in a healthy position.

These include December's 1,5c/*l* rise in the retail margin for filling stations and higher transport costs announced by Transnet on January 1.

A source says the Government is ablo to look to the petrol price for additional revenue because SA's fuel carries a much lower tax than in most Western countries, except the United States.

The same can be said for excise duties on luxury goods.

Pre-budget petrol price hike 'unlikely'

24/2/92 **Own Correspondent**

JOHANNESBURG. — An increase in the petrol price was unlikely before the next budget, a government source said yesterday.

He was responding to reports in the weekend press which speculated that Finance Minister Mr Barend du Plessis was set to ask motorists to pay over 5c more in tax on each litre of petrol and between 2c and 4c a litre on diesel — possibly before the end of this week.

He dismissed the time frame given as "pure speculation".

Industry sources said the landed cost in South Africa had been reduced because crude oil prices had been falling since November.

Spanish businessmen impressed

STAR 25/12/92

Members of a visiting Spanish business delegation said yesterday they had been greatly impressed by the degree of sophistication in South Africa's energy industry.

Deputy president of the Spanish Energy Association, Mr E Velasco, said there were numerous opportunities for closer co-operation between the two countries. (SS)

The 20-man delegation visited industrial corporations such as Eskom, Sasol and the Chamber of Mines and had discussions with political parties during their seven-day visit.

It included top executives from private and public companies. Sapa.

Petrol price rise 'not likely before Budget'

B Day 24/2/97

55

WILLIAM GILFILLAN

AN INCREASE in the petrol price was unlikely before the next Budget, a government source said yesterday.

He was responding to reports in the weekend Press which speculated that Finance Minister Barend du Plessis was set to ask motorists to pay over 5c more in tax on each litre of petrol and between 2c and 4c a litre on diesel — possibly before the end of this week.

He dismissed the time frame given as "pure speculation".

Industry sources said as crude oil prices had been falling since November, the landed cost in SA had been reduced.

And, after taking account of a marginal weakening in the rand's exchange rate, motorists had been overpaying for both petrol and diesel, a National Energy Council spokesman said. He expected these over-recoveries to rise in February.

After underpaying 0,24c a litre in December, PWV motorists overpaid nearly 2c a litre in January, he said. They also overpaid as much as 4,5c a litre for diesel.

The article added the increase, however, would be restricted because of government's concern about its effect on inflation. (A 5c/l rise was estimated to convert into a 0,12% increase in inflation.)

There had been rising speculation that government was set to use the petrol price increasingly as a Budget tool.

At the time government reduced the VAT rate in August last year, fuel taxes were increased by 10c a litre to make up for the shortfall.

The latest increase mooted would lift the tax component in the petrol price to more than 52c from 46,9c a litre.

nity figure has ever had to endure such blatant and persistant abuse of life and property. Why?

S'khumbuzo was not a victim of the so-called Black-on-Black violence. He simply stood up against the system, and the system, which includes all of us, killed him. [Interjections.] Now, to crown everything—despite affadavits and what the hon the Minister describes as in-depth investigations, and despite the fact that it was widely recorded that the witnesses had identified the killers—no arrests have been made.

S'khumbuzo suffered virtually every injustice that racist, evil South Africa could inflict. Is it too much to expect justice to be seen to be done regarding his murder? [Time expired.]

*Mr M J MENTZ: Mr Speaker, for the umpteenth time now the hon member is asking nearly identical questions with regard to political murders in Natal. That hon member knows in advance what the reply to his question is going to be.

One asks onesself why these questions are put repeatedly. If one knows what the reply will be, it is absurd to ask this type of question. [Interjections.] The obvious deduction is that there are ulterior motives. These are to try to place the SA Police in a poor light so that those hon members and their ANC brothers can discredit the image of the SA Police [Interjections.] That is the true reason for these kind of questions, otherwise they are nonsensical questions. [Interjections.]

The SA Police are not capable of preventing all these different kinds of murders. It is just not possible; on the contrary, it is predictable that murders of this kind will increase as the situation in South Africa worsens.

We should rather find out what the underlying causes are for murders of this kind. They are what must be removed. The underlying causes are the political power struggle which is arising among these people as a result of this Government's reform policy. [Interjections.] That is the cause. Listen to what the Bureau for Information says in its own publication, the *South African Profile*:

> The reform process has been accompanied by dangerously rising expectations and by an increase in violence, particularly in Natal.

That is what their own documents say. What does Gen Stadler of the SAP say? He says that the increase in unrest is a by-product of the Government's reform plan. [Time expired.]

*The MINISTER OF LAW AND ORDER: Mr Speaker, the hon member for Ermelo had me spellbound when he started off so well by identifying the SAP's problems, but then immediately changed to a political point by saying that this power struggle was the result of reform. [Interjections.]

I want to ask hon members between whom the power struggle was before 2 February. That power struggle was between the entire Black population and this Government as it is present here today, as well as those hon members. After 2 February the power struggle developed between Black and Black, and the Government and apartheid are no longer the object of any power struggle in this country.

If those hon members come to power—may the Lord save us from that—we shall have an onslaught on the State all over again. [Interjections.] There will be a unification of Black people in this country, because they can identify a mutual enemy, namely the White people with apartheid.

Are hon members unable to understand it, or do they not want to understand it? [Interjections.] I hear that the hon members who were opposed to a referendum, were opposed to it because they do not know how to make a cross. [Interjections.] If I listen to those kinds of arguments here, then I have understanding for our hon State President. [Interjections.]

I want to tell the hon member for Pietermaritzburg South that he can . . .

*Mr SPEAKER: Order! No, the hon the Minister may continue. He still has time left. [Interjections.]

*Mr W U NEL: Mr Speaker, the hon member for Ermelo reproaches us time and again for ostensibly denigrating the SA Police. We repeatedly advocate that they be strengthened so that they can be successful because without success it is not possible for them to improve their image, especially among the Blacks.

†The assassination of high-profile political figures always arouses much emotion. Imagine for a moment if a senior member of this House were to be assassinated. Surely no stone would be left unturned to find and apprehend the perpetrators

of such an act. Equally, no stone must be left unturned in finding, not only the murderers of S'khumbuzo Ngwenya, but also those of a host of other senior Black political figures who have been mowed down, and continue to be mowed down, with regular monotony in our Black communities and whose killers are still on the loose.

We accept the difficulties in these circumstances, but until the success rate has improved, the credibility of the SAP simply will not be restored. Criticism now actually emanates from all quarters. I would like to quote an allegation of racial bias, from *The Natal Witness* of yesterday, which comes from a spokesman, not of the ANC, but of the IFP:

> It is becoming increasingly obvious that the SAP is giving much higher priority to cases involving attacks on members of the White community. However, when prominent Black persons are murdered, the investigation is comparatively low-key.

I repeat, this is an allegation of the IFP and not the ANC. Something must be done to rectify this position, and this will not be achieved unless we have some success. I again quote from yesterday's newspaper:

> The Ngwenya file was originally opened by the Pietermaritzburg Riot Investigation Unit; then it was passed to the Murder and Robbery Unit. Now it is again back in the hands of the Riot Investigation Unit.

How can progress be made if this file is treated like a pingpong ball? [Time expired.]

Mr R F HASWELL: Mr Speaker, the Natal Midlands has been ripped apart by violence, and law and order has become an empty phrase. The Trust Feed and other trials currently being heard in Pietermaritzburg are a shocking indictment of certain—I wish to emphasise "certain"—police action. Unless justice is seen to be done, the scar may well become permanent. The hon the Minister can alter all of this by insisting on full-scale and round-the-clock investigations, and in so doing, since it is very much on his mind, encourage a Yes-vote in the referendum in that region. It is up to the hon the Minister, while he is still the Minister.

*The MINISTER OF LAW AND ORDER: Mr Speaker, allow me to tell the hon member for Pietermaritzburg South immediately that unfortunately it is the easiest thing in the world to choose from hundreds of examples in order to make a point in Parliament. We are not in favour of, nor do we approve of people being murdered; on the contrary, we feel just as strongly that this must come to an end in our country. We sympathise with the people who have to suffer as a result of it.

However, to say, as the hon member for Mooi River did, that because the deceased was Black we are not doing our best to track down the murderers, is an insinuation which is unworthy of him. [Interjections.] That is precisely what he insinuated. The hon member said that if it had been a White member of Parliament who had been shot, they would have gone to far more trouble than in the case of a Black man. Surely that is an insinuation. [Interjections.] What is he complaining about then? First he tells me that I am wrong, but when I give him the correct facts, he says it is true. [Interjections.] It is simply not true because we have to investigate crimes of this kind in the various communities.

Those hon members ought to know that it is far more difficult to undertake such investigations in the Natal situation, where there is unrest and strife at the moment. The hon member ought to know that. He should be able to understand that.

The police work overtime on a daily basis to see whether we can find the murderers of people. With regard to this insinuation that the SA Police Force only investigates the White cases and not the deaths of Black people, I want to tell the hon member for Claremont one more time . . .

*Mr SPEAKER: Order! Unfortunately the hon the Minister's time has now expired, including the credit which I gave him.

Debate concluded.

QUESTIONS

†Indicates translated version.

For oral reply:

General Affairs:

Sale of stockpiled crude oil: departments involved

*1. Mr P J PAULUS asked the Minister of Mineral and Energy Affairs:† 55 contd

Whether only his Department is involved in the sale of stockpiled crude oil; if not, (a) which other State Departments are involved in it and (b) why are they thus involved?
(55) B183E

†The MINISTER OF MINERAL AND ENERGY AFFAIRS:

Yes,

(a) and (b) fall away.

Sale of stockpiled crude oil: tenders

*2. Mr P J PAULUS asked the Minister of Mineral and Energy Affairs:† (55)

(1) Whether tenders were invited for the sale of stockpiled crude oil; if not, why not; if so (a) how were the prices determined and (b) what are the relevant details;

(2) whether any agents or intermediaries were involved in the transactions in connection with the sale of this crude oil; if so, (a) why and (b) who are these agents or intermediaries? B184E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) No, because the stockpiled crude oil comprises different types of crude oil which are not stored on a segregated basis. This mixture is difficult to market internationally and within the limited South African market it is highly unlikely that favourable prices could be achieved through tender.

(a) and (b) Fall away. It can, however, be mentioned that on grounds of an analysis of the stockpiled crude oil, a price base was negotiated with local refiners; ultimate selling prices were comparable to international market prices.

(2) Yes, for sales to Madagascar,

(a) because they had a supply agreement with Madagascar in 1991; and

(b) The Addax and Oryx Group Ltd.

*3. Mr A J Leon—Justice. [Question standing over.]

National Parks Board of Trustees: appointments

*4. Mr J CHIOLÉ asked the Minister of Environment Affairs:† (56)

(1) Which Board members have since 1 January 1990 been appointed and/or designated to serve on the National Parks Board of Trustees;

(2) whether any non-Whites have been appointed to the top structure of this Board since the said date; if so, to which posts;

(3) whether these appointments were the result of normal promotions; if not, for what reasons were the appointments made? B218E

†The MINISTER OF ENVIRONMENT AFFAIRS:

(1) *Prof F C Eloff*—

Reappointed with effect from 17 September 1990 for one year.

Reappointed with effect from 17 September 1991 for one year.

Mr T I Steenkamp—

Appointed with effect from 1 March 1990 for five years.

Mr C J van R Botha—

Ex officio with effect from 1 April 1990 by virtue of his appointment as Administrator of Natal.

Mr A E G Trollip—

Reappointed with effect from 17 September 1991 for one year.

Dr L van de Watt—

Ex officio with effect from 1 August 1991 by virtue of his appointment as Administrator of the Orange Free State.

Mr N E J Mabuza—

Appointed with effect from 1 September 1991 for five years.

(2) Yes, one non-White has been appointed in the post of Executive Director: Human Resources.

(3) No, the appointment was not a promotion from the ranks of serving personnel but the applicant was found the most suitable candidate for the vacant post as a result of his appropriate qualifications and previous experience.

†Mr J CHIOLÉ: Mr Speaker, arising out of the hon the Minister's reply, I want to ask whether the hon the State President exercised any pressure in his personal capacity on the executive of the Natal Parks Board in respect of the appointment of board members and non-Whites to their executive.

†The MINISTER: Mr Speaker, I cannot speak on behalf of the hon the State President, but as far as I am concerned—if it were a function I were to perform for him—I can frankly say to the hon member that no pressure whatsoever was exerted on the Parks Board in respect of the appointment of board members during the time that I have been Minister of Environment Affairs.

†Mr J CHIOLÉ: Mr Speaker, further arising out of the hon the Minister's reply, I want to ask him whether any pressure has thus far been exerted by the ANC or whether the Government has entered into any agreement with the ANC to appoint exiles in certain posts. [Interjections.]

†An HON MEMBER: Ah, you are backbiting!

†The MINISTER: Mr Speaker, I can assure the hon member that there was no such agreement and that no such negotiations occurred.

†An HON MEMBER: Go and say that in your constituency!

Transed bursaries

*5. Mr J CHIOLÉ asked the Minister for Public Enterprises:†

(1) (a) What was the purpose of the institution by Transnet of the Transed bursaries, (b) when were these bursaries instituted and (c) what are the conditions attached to the granting thereof;

(2) how many Transed bursaries have been granted to (a) Whites and (b) non-Whites for the 1992 study year? B219E

The MINISTER FOR PUBLIC ENTERPRISES:

The Managing Director of Transnet Limited replied as follows to the hon member's question:

(1) (a) Transed was at a stage only a planning concept to determine needs.

(b) It was never introduced as a bursary scheme.

(c) Falls away.

(2) (a) and (b) Fall away.

†Mr J CHIOLÉ: Mr Speaker, arising out of the hon the Minister's reply, I wonder whether he would elaborate for us on a letter dated 20 June 1991, in which the Managing Director of Transnet makes certain recommendations regarding the reasons for Transed bursaries.

†The MINISTER: Mr Speaker, the reply which I gave to the hon member states clearly that such bursaries were never awarded, that at one stage, however, thoughts were exchanged and information was gathered on the concept of such a scheme, but that the whole concept was later abandoned and thus never implemented.

†Mr J CHIOLÉ: Mr Speaker, further arising out of the reply of the hon the Minister, I would like to ask him whether further consideration will be given to awarding Transed bursaries in future in the light of the scenario of the new South Africa proffered by the Managing Director. They say that it must be borne in mind that for bridging purposes with a view to tertiary education these candidates must be employed for a year.

†The MINISTER: Mr Speaker, I can reply to questions, but not to speculations. [Interjections.]

Certain person arrested: Wesselton

*6. Mr P H P GASTROW asked the Minister of Law and Order:

(1) Whether a certain person, whose name has been furnished to the South African Police for the purpose of the Minister's reply, was arrested in Wesselton in August 1990 on suspicion of murder; if so, what is his name;

(2) whether any other persons were arrested with him in connection with the above offence; if so,

(3) whether he and the others arrested with him have been released; if so,

(4) whether, at the time of these arrests, the police confiscated any weapons belonging to these persons; if so,

cont - - - P

Big future planned for power meters

WILSON ZWANE

ELECTRONICS company Spescom was poised to market overseas its "encoded number" system of metering electricity payments, spokesman Ian Alport said yesterday.

Alport said a number of municipalities in SA had already shown interest in the pre-paid electricity meters, or Cash Power 2 000.

About 14 000 prepaid meters had already been installed in several townships. B/Day 27/2/92

Alport said Zambia, Angola, Zimbabwe and Brazil had also shown interest.

Alexandra Civic Organisation (ACO) spokesman Richard Mdakane said many township residents were confused about how the meters worked. He said since Eskom had already installed 4 000 metres in the township and was installing 7 000 more, the ACO would soon embark on an education campaign.

CP rejects oil surplus sale

STAR 28/2/92

(55)

CAPE TOWN — The Central Energy Fund Bill was passed by 108 votes to 33 in Parliament yesterday after objections were raised by the Conservative Party.

The Bill was passed unanimously by members of the House of Representatives and House of Delegates.

However, the CP objected to surplus strategic oil supplies being sold and the benefits being ploughed into social upliftment.

Energy Affairs Minister George Bartlett earlier said about R1 billion had been raised from the sale of surplus oil supplies and only some R264,5 million spent.

George Bartlett . . . embargo may crumble.

The rest had been put into the State Revenue Fund where it was earning interest.

If the March 17 referendum showed an overwhelming "yes" vote endorsing reform, the oil embargo still in place would crumble, making it unnecessary for large stockpiles to be kept.

The CP was against the Bill as there would be a shortage of oil if a "no" majority were returned and sanctions were put firmly in place by the rest of the world, said Geoff Engel (DP Bezuidenhout). — Sapa.

Sun powers rural village

Sowetan 28/2/92

(55)

THE smart brick clinic in Serok. , a village down dirt roads in Lebowa, now boasts solar power.

Two solar panels, costing R17 000, have been installed to run a pump drawing water from a borehole and a streetlight, with enough power left over for the hospital radio and heating.

Mr Johan Rissik, the local development worker for Operation Hunger, is not impressed.

"It's an irresponsible use of resources," he said.

For that kind of money he could have put hand pumps on five boreholes serving the village.

He reckons the first decent hailstorm or well-aimed stone from the school next door will put the solar panels out of commission, and as nobody in the village knows how to maintain them, they will remain idle until an outside contractor fixes them.

"Ask the women what pumps they want. They want hand pumps," he said.

"Rubbish," counters 67-year-old retired concrete technologist Mr John Welch, the man who installed them.

"Hand pumps are a disaster," he said, asserting that 37 of them were out of order in surrounding Sekhukhuneland, either vandalised, broken or worn out.

"Rural people are very superstitious. It smacks of witchcraft. They don't see any working parts, they just see the sun shining and the water coming out, so they leave it alone, they won't vandalise it."

And the street light will become a place where scores of children can do their homework, he predicts.

Choice of technology is a recurrent theme in development work.

Create jobs

Mr Nick Vink, of the Development Bank of Southern Africa, said: "The whole argument is to bring in what people can use and what they can maintain.

"If you have got something low-tech which the community can maintain, then that maintenance process is going to create jobs."

Mr Ian Pearson, of the parastatal Council for Scientific and Industrial Research believes along with Rissik that the key is in consultation with the community.

He acknowledges that communal boreholes have been vandalised and pump engines stolen in Bophuthatswana by private borehole owners anxious to preserve their lucrative monopoly on water.

But when projects were "done from a community base and not just a government base, those things are not really a problem", he said. - *Sapa-AFP.*

Energy Bill (55)

THE Central Energy Fund Bill was passed by 108 votes to 33 yesterday. It was passed unanimously in the Houses of Representatives and Delegates.

The CP objected to the sale of surplus strategic oil supplies and the benefits ploughed into social upliftment.

Energy Affairs Minister George Bartlett said about R1bn was raised from the sale of surplus oil supplies and only R264,5m had been spent. The rest had been put into the State Revenue Fund where it was earning interest.

B/Day 28/2/92

Tax greases Sasol

55

SASOL managing director Paul Kruger is grateful his group lifted earnings a share by 15% in these tough times.

The biggest contributor to the improvement was a reduced tax bill in the half-year to December — R209-million compared with R299-million in the first half of the previous year.

Sasol says that in 1991 a prudent over-provision was made in case the development costs at Syferfontein coal mine could not be ring-fenced — offset against the taxable income of the other mining operations.

A favourable ruling has been reached and the interim tax bill for this year is back in line.

STimes (BUSS)
1/3/92

The net effect of lower tax was to raise taxed profit from R470-million to R540-million. Turnover edged down 1% to under R4-billion and operating income fell 11% to R869-million.

Mr Kruger blames lower refining margins and depressed international prices for petrochemicals on the slump in the world economy. Several foreign petrochemical plants have been closed.

Sasol's Natref refinery recovers about 86% of the crude oil feed as white products whereas a conventional operation yields below 70%.

Synfuels made an excellent contribution to countering cost increases as a result of a "substantial" volume increase of 3%. A weaker exchange rate offset the effect of lower dollar prices for petroleum products.

The chemicals division had a tough time against a backdrop of depressed prices.

Explosives and polymers improved and fertiliser manufacture was rationalised with the closure of the Sasolburg plant. Chemical exports make up about 7% of total turnover.

Mr Kruger is concerned about SA's petrol price at the pump. He believes it should be adjusted to reflect short-term movements in international prices and exchange rates.

On a breakdown of operating profit, 40% came from synfuels, compared with half last year when the oil price was higher. The oil, gas, coal and fuels marketing divisions jointly made 27% and coal mining 12%.

Syferfontein is running well and Mr Kruger says the potential for exporting coal is being looked at. It might involve a second coal terminal at Richards Bay, or the use of slack at the current facilities.

Short-term prospects are linked to the economy, the exchange rate and prices. In the longer run, Sasol's wide-ranging expansions should show good returns. Sasol expects a modest improvement on the whole year.

The shares are R19 and several stockbrokers are punting them.

New EEC rules make it easier for SA exporters

S/Times (Buss) 1/3/92 ~~EEC~~ S6A

By CIARAN RYAN

SOUTH AFRICAN exporters are under pressure to conform to European quality standards ahead of January 1993 and the unified market.

In spite of fears that harmonisation of quality standards will prejudice South African exporters, new directives have actually made it easier for them to enter the European market.

The directives oblige member states to accept products which meet the standards of any single EEC state. Exporters whose products meet requirements in, say, Portugal, cannot be refused entry to Germany on the grounds that they are below German standards.

Dietrich Uebing, a director of TUV-Rheinland, the only organisation accredited to carry out quality testing in SA for the European market, says: "The trend in world trade is to standardisation. Although it may be easier for SA exporters to enter the European market as a result of these directives, they will be obliged to conform with strict quality requirements."

TUV-Rheinland is a German testing and certification organisation with offices in several countries.

Until recently, each EEC member developed its own product and quality standards. Standards were set for thousands of different products in each member state to raise the quality of goods. The emphasis is on performance, safety, health and environmental impact.

Quality listing schemes were developed to ensure efficent business practice and to certify the state of the manufacturing process. The directives were adopted after member states lobbied to achieve European recognition of their own national standards. This delayed harmonisation of standards.

Although the directives make entry to the European market easier, the consumer will determine what constitutes acceptable quality, says Dr Uebing.

TUV-Rheinland has been carrying out quality audits in SA on behalf of the European standards authority. An increasing number of SA corporations are applying for quality certification for Europe.

Emphasis

Gerotek, an Armscor subsidiary, is licensed to carry out certain testing on behalf of TUV-Rheinland. Companies which satisfy the SABS 0157 quality listing scheme will have to apply for an international "listing" under the European standards EN 29000. It is equivalent to the German national standards DIN/ISO 9000. This is despite the fact that the rules of SABS 0157 are identical to international standards.

Martin Kellermann, a director of the SABS, says: "There is still uncertainty about European standards requirements. Companies with SABS 0157 have to apply for an ISO 9000 listing. But the Department of Trade and Industry will have to negotiate with the European authorities on the matter."

In 1993, products falling under European health and safety regulations will have to carry the CE mark to gain acceptance. A product qualifying for the CE mark is guaranteed to satisfy European health and safety requirements, but not necessarily performance standards.

All products will fall in one of two categories: regulatory — minimum health and safety requirements covered by EEC or national legislation; and non-regulatory, for which there are no obligatory requirements, only recommended performance standards.

For example, electrical and medical equipment falls in the regulatory area and will be covered by EEC directives because of the strict health and safety requirements.

Most products, however, are unregulated and may be freely exported to Europe subject to purely voluntary quality standards.

European authorities are drawing up standards requirements for a vast range of products. So far the only products to be covered by EEC directives are pressure vessels, toy safety, building materials, electromagnetic compatibility, product safety, personal protective devices, gas appliances, non-automatic scales and active implantable medical devices.

Monopoly

A problem South Africans are likely to encounter in the short term is the shortage of testing bodies with European accreditation. There are more than 50 testing organisations in Germany alone.

But the SABS has a monopoly on quality certification in SA. TUV-Rheinland is therefore allowed to certify products and production processes for the European but not the SA market.

To qualify as an accredited testing body for Europe, SABS may have to forfeit its monopoly.

It appears SA industry has some way to go to meet European quality standards.

Dr Uebing says: "There is a great need for standardisation in SA to promote exports. The product rejection rate in SA is much higher than in Europe."

Reasons for the higher rejection rate in SA are lower educational and training standards and greater job mobility.

EC poised to loosen crucial sanctions

SbA

STAR 31/3/92

By Alan Robinson
in London
and Sandy Sloop
in Lisbon

The European Community is close to agreement on action to lift crucial sanctions on South Africa, including the oil embargo.

There is now increasing optimism in European capitals that EC foreign ministers will give the go-ahead for the easing of constraints against Pretoria when they meet in Brussels next week.

The EC's Portuguese presidency is confident the EC Foreign Affairs Council will take decisive steps towards normalising relations with South Africa at its key sessions on Monday and Tuesday.

The timing could be vital. With Britain's Conservative Party behind Labour in the opinion polls just days before the April 9 general election, the Brussels gathering may be the last to be attended by Foreign Secretary Douglas Hurd, an anti-sanctions proponent.

Pledged

If the Tories lose on April 9, Gerald Kaufman could be the new foreign secretary — and he has already pledged that a Labour administration would oppose any further easing of sanctions at least until after an interim government is in power in Pretoria.

And even then, Mr Kaufman believes some tough sanctions such as the oil embrago should be used as a lever to prevent "backsliding".

If Britain were to turn against the Portuguese plan, it would undoubtedly founder. At present it and Germany are the major backers to loosen the sanctions knot.

"We are very close to an agreement," a Portuguese official said in Lisbon yesterday, referring to the five-pronged Portuguese initiative covering the easing of UN-imposed sanctions, the upgrading of diplomatic relations and the increase in development aid to South Africa.

Foreign Ministry political directors will meet in Lisbon tomorrow and Thursday to debate the proposals prior to the ministerial meeting in Brussels.

Denounced

Following the "yes" vote in the referendum, Portuguese Foreign Minister Joao de Deus Pinheiro said that — the arms embargo apart — there was "no reason which justifies the continuation of sanctions on South Africa".

His remark was denounced by the ANC's chief UK representative Mendi Msimang.

He told a news conference in Lisbon that any such moves would "harm the negotiating process under way in South Africa" and backed a campaign to stop EC plans to lift sanctions.

The five-pronged Portugese plan calls for:

- Joint action with the UN to lift sanctions, including the oil and nuclear co-operation embargoes.
- The dispatch to South Africa of an EC "troika" consisting of the foreign ministers of Portugal, the Netherlands and Britain.
- The upgrading of the EC's diplomatic representation in South Africa.
- Reappointing military attaches who were withdrawn from Pretoria as part of the isolation strategy.
- Intensifying aid programmes, especially in housing and health care.

European anti-apartheid movements welcomed the proposed visit by an EC troika but said any action before its report would be premature.

"Everything should be done to avoid conveying the impression that one is endorsing the National Party position in the negotiating process," the movements' liaison group said in a memorandum sent to the Portugese EC presidency.

US trade pacts with Japan worry Europeans

FRANKFURT — European governments and international trade officials are growing uneasy over efforts by the US and Japan to ease tensions with bilateral trade pacts, the Wall street Journal Europe reported yesterday.

Specifically, they point to Japan's agreement to promote imports of US cars and vehicle parts during a visit to Japan by US President George Bush and 21 US business executives in January. How much this agreement will aid US exports is debatable. But European officials see a troubling example of more to come if pressure increases on Japan to level off its trade surplus with the US.

French Economics Minister Pierre Beregovoy and EC officials have complained that the US-Japan motor vehicle pact amounts to an unfair trading practice that discriminates against European vehicle producers.

The latest to cry foul is Germany, home of Europe's largest motor industry. Daimler-Benz, BMW and VW have been trying for years to overcome Japan's structural market barriers.

German economics minister Juergen Moellemann said in a speech in Hamburg on Friday that Germany is troubled by the US-Japanese pact, calling it a disservice to free trade.

"The administratively arranged increases in imports from the US hampers competitiveness and market chances for German and European products," Moellemann said. "The Federal Republic of Germany stands firmly opposed to such bilateral tendencies."

Separate bilateral agreements can create unfair trade and complicate the knotty negotiations at the Uruguay Round of trade talks under the auspices of GATT, say European trade experts.

While Europe's objection is unlikely to reverse the so-called "Tokyo declaration", it is seen as a warning that EC governments would be less willing to compromise on other trade issues if the US and Japan continue to write their own trading rules to reduce Japan's trade surplus. The common European reaction comes as US officials hope for German leadership to push other EC countries, France in particular, into cutting farm subsidies — a major sticking point in the stalled GATT talks.

GATT officials say it shows how quickly trading blocks could develop if the Uruguay Round fails and countries begin cutting their own deals to the exclusion of others. — AP-DJ.

Britain calls for lifting of remaining sanctions

STAR 20/3/92

S6A

By Esther Waugh and Sapa-AFP

LONDON — Britain yesterday called for a lifting of trade sanctions on Pretoria following white South Africans' overwhelming vote in favour of reform.

The Foreign Office hailed the result, which it said would lead to a democratic constitution.

"Now is the time for the international community to give a sign of confidence in President de Klerk at this crucial moment in South Africa's history," it said. "One of the steps which would help promote the right climate for economic growth would be the lifting of the remaining economic sanctions on South Africa as soon as possible."

London would consult other European Community and Commonwealth nations and would, for example, like to see early accord on the EC oil embargo.

But ANC leader Nelson Mandela warned earlier yesterday that the vote for reform in the referendum did not justify early lifting of economic sanctions.

"Apartheid is still in place. That is why most of us here (blacks) cannot vote," Mr Mandela told a news conference. "The process of normalising the political situation in South Africa is not yet irreversible."

ANC foreign relations spokesman Yusuf Saloojee said the ANC had advised the international community to freeze the lifting of sanctions until substantial agreements had been reached at Codesa's next plenary session at the end of April.

Nordic countries, in particular, have begun moves to ease restrictions on the Government in the light of the referendum outcome, with Denmark's monarch, Crown Prince Frederik, leading the way by signing a royal order that ends sanctions with effect from today.

In Bonn, German Economics Minister Juergen Moellemann called yesterday for economic sanctions to be lifted.

The European Community welcomed the "yes" win, saying: "The community and its member states welcome the outcome ... which will allow the determined pursuit of the democratisation process initiated over two years ago."

As South Africa basked in the world's approval, messages of congratulation poured into Mr de Klerk's office. US President George Bush, German Chancellor Helmut Kohl, Dutch Premier Ruud Lubbers, Argentinian President Carlos Menem and Canadian Prime Minister Brian Mulroney telephoned Mr de Klerk on Wednesday.

UN Secretary-General Boutros Boutros-Ghali said the referendum result was a major step forward for peace and development in the subcontinent.

On the economic front, South African shares and bonds and the financial rand rose sharply.

Canada and Sweden said they would review their trade bans.

At home, the ANC said it believed Codesa would be given new impetus now that the Government no longer had to look over its right shoulder.

In Cape Town the caucuses of the NP and DP met to savour their triumph while the defeated CP gathered to try to find a new strategy.

Fresh hitch emerges in world trade talks

(56A)

STAR 25/3/92

GENEVA — Disagreements over services, ranging from banking to telecommunications and sea transport, have emerged as a new and crucial barrier to a long-awaited world trade agreement.

Trade diplomats said the problem could be as damaging as the quarrel between the US and the European Community over farm subsidies and could further delay completion of the Uruguay Round negotiations.

"We are in trouble — no doubt about that," said one official close to the talks, launched in 1986 under the auspices of the General Agreement on Tariffs and Trade (Gatt).

The issue has surfaced in the wake of the presentation by key delegations of their initial commitments on opening their own service markets and of lists of sectors where they want to keep restrictions.

EC sources said the problem lay in a US desire to exclude sea transport, financial and air transport services and telecommunications from most-favoured-nation (MFN) treatment.

EC sources say omission of these key sectors would exclude 75 percent of potential exchanges from a General Agreement on Trade in Services (Gats), which had been expected to emerge.

Bitter blow

But a trade diplomat sympathetic to the US position argued that a Gats only made sense if enough countries came on board with pledges of broad liberalisation measures — and that so far not enough had done so.

A final collapse of the round, which was originally due to end in December 1990, would deal a bitter blow to the recession-hit world economy and possibly lead to an upsurge of protectionism and the emergence of closed trading blocs.

Until now the dispute over the EC's subsidies to farmers — which the US and other agricultural producers say must be cut right back — had seemed to be the only real barrier to wrapping up the round on a high note.

On Sunday, US President George Bush and German Chancellor Helmut Kohl said after a weekend of talks that they had agreed to work together for a successful outcome and that the talks should be completed by the end of April at the latest.

They announced no breakthrough on agriculture, but gave no hint of the looming dispute on services.

The US, which earlier held up the opening of world services markets as a major boon for all countries, had appeared to lose some enthusiasm on the issue recently.

Washington's Uruguay Round negotiator Rufus Yerxa expressed concern earlier this month over potential "free riders" — or countries who might keep restrictions on their own service sectors, while gaining access to an open US market.

Some diplomats said the strictures from the EC sources on the US stance could be aimed at demonstrating that the EC's position on agriculture was not the only bar to an accord. — Sapa-Reuter.

Beauty draws the beasts . . . former Miss SA Lorna Potgieter draws the starting stall
luncheon at Turffontein yesterday.

EC countries in move to lift, relax key sanctions

STAR 26/3/92

By Alan Robinson
Star Bureau

56A

LONDON — Britain, Germany and Portugal are spearheading a European Community move to lift or relax key sanctions against South Africa.

These sanctions include the oil embargo, the ban on military and security co-operation and possibly even the freeze on nuclear relations.

The bid is being led by Portugal, currently occupying the presidency of the EC. It proposes further action — the sending to South Africa of a "troika" consisting of the foreign ministers of the Netherlands, the United Kingdom and Portugal.

News of the concerted move, which follows immediately on the landslide victory for President de Klerk in last week's referendum, has caused widespread alarm in the Anti-Apartheid Movement (AAM) in Europe.

The AAM said in a statement issued in all 12 EC capitals yesterday: "We are extremely alarmed by the initiative of the Portuguese presidency of the Community to seek the partial relaxation of the package of EC sanctions adopted in September 1985.

"This will do nothing to help the negotiating process in South Africa and it could do great harm.

"The negotiating process in SA is at a most delicate stage.

"Already F W de Klerk is interpreting the 'yes' vote . . . as a mandate to try to impose the National Party's proposals on Codesa. The relaxation of sanctions will simply encourage further intransigence and thereby reduce the prospect of agreement at Codesa."

The AAM will hold a special session this weekend to launch a campaign to persuade the EC to postpone any relaxations until after it has received a full report from the troika mission, and the Codesa working groups have reported back to the full plenary session.

Portugal alarms EC AAM

Sowetan 26/3/92

EUROPEAN Community Anti-Apartheid Movements yesterday expressed alarm at Portugal's decision to seek partial relaxation of EC sanctions, saying it intended planning a co-ordinated campaign to persuade the EC to reject this initiative.

The Liaison Group of National Anti-Aparthied Movements in the countries of the EC said in a statement released in Johannesburg and all EC capitals that the relaxation of sanctions would reduce the prospect of agreement at Codesa.

"The negotiation process in SA is now at a most delicate stage." - *Sapa*

There are countries within the pale and those beyond, writes **Richard Dowden**

The West versus the Rest

STAR 27/3/92 56A

WE stepped off the plane from Nairobi into a cold, grey London morning: tourists, businessmen, mothers with babies and children — lots of children, all clutching heavy bags euphemistically called "hand luggage".

We were directed into a Heathrow waiting room and told to sit down. Uniformed officials hovered around us. After about 15 minutes the door burst open and a man in a baseball cap ran in with a dog. Up and down the aisles they ran, the man urging the dog on, forcing its nose on to people's bags, up women's skirts, clambering over luggage and people.

In Africa, dogs are regarded as dirty and many Africans are frightened of them. To Muslims, dogs are unclean. In Africa, too, Britain is regarded as civilised, and many Africans think of it as a source of law, democracy and respect for human rights.

The man was dressed in blue like a South African policeman, and had similar manners. Children screamed and held their mothers' skirts as he and his dog dashed around the room. At last, dog and master were gone, and stony-faced men told us to collect our bags and go. There was no explanation, no apology. Passing police armed with sub-machine-guns, we made for the immigration desks.

This was, of course, a drugs check. None was found. Although Nigeria has become a major drugs entrepot, Africans in general are not drugs users. The Home Office will not disclose how successful the use of dogs in this way has been. Even if it did, it would certainly not measure another statistic — the impression such an experience must make on thousands of innocent visitors.

Not that the 5.15 from Frankfurt is ever subjected to this treatment. The dogs are only set on passengers from Africa and other parts of the southern hemisphere. Last year, customs picked on Gambian president Sir Dawda Jawara and his family, visiting Britain at the invitation of the prime minister.

Sir Dawda is an old friend of Britain — or was, until he was given the Heathrow dog treatment.

The point of this story is not just that our customs officials carry out offensive searches. It is that Britain seems no longer to need nor want its old friends.

There are times when civilisations breathe out, spreading their wares and their values. At other times they build walls to guard what is theirs and keep out the barbarians. The Romans built walls and ramparts — then they crossed them and extended their empire. Britain once had an empire, now it is building a wall. So is the rest of the Western world.

The world model used to consist of the First World, the West and Japan, then the Second World, the communist bloc, and, lastly, the Third World, those countries that were developing, catching up the first two.

The Second World collapsed when its leaders and people realised they were getting closer to the Third World rather than competing with the First.

One might have hoped that once the Cold War was over the rich powers, saving millions from the ending of the arms race, could finance the redemption of the Third World.

Instead, the First World has turned in on itself and the world is being divided into those within the pale and those beyond it. Russia is in, other former Soviet republics are out. Turkey is in, most of Africa is out.

The West's image of most of Africa — not an untrue one in many instances — is one of war, economic disaster and destitution. The message from within the wall to those outside is: save yourselves.

Financial help from Western donors is stagnating in real terms. In 1990, it was eight percent of their gross national products, a decade ago it was 10 percent.

In the '70s, there was a "development debate" about strategies to help pre-industrial societies become sustainably wealthier, now there are only programmes of economic reform imposed by the IMF and World Bank.

They are about balancing the books, privatising national economies and allowing exchange rates to find their market levels. The only debate is about the speed of implementation. Their aim is to recoup debts and allow market forces free range. Will this bring food, clean water, clinics and education to people? Eventually, maybe — but that is not the question any more.

When the famines get too bad, aid agencies rush in with food relief — expensive and unsustainable. Ten years ago, those agencies had begun to move away from emergency relief to development work, but publicity for famines forced them back into emergency work and they have been there ever since.

Outside South Africa, news coverage of African affairs has dropped dramatically in the Western media; reports from Latin America are becoming even more scarce.

Perhaps it is best for those countries that are mired in political and economic turmoil to be left alone to sort out their own destinies. But until they do, the world is being separated into two unequal parts.

To keep the people on the other side out, we are building ever higher fences — and setting the dogs on anyone who tries to cross them. — The Independent News Service. □

Banks aim to extend states' debt deadline

FRANKFURT — Western bankers owed money by the Commonwealth of Independent States began talks yesterday to extend the repayment deadline on the former Soviet Union's debts. (S6A)

The bank advisory committee is likely to delay further repayments of principal amounts for 90 days.

The CIS has inherited a debt between $65bn and $70bn from the ex-Soviet Union. About a third is owed to Western banks.

The bankers said they expected CIS representatives to provide details of attempts to stabilise the financial system and introduce market economics.

The panel will also be looking for data from Vneshekonombank, the former Soviet foreign trade bank, on the exact amount of money owed and its forecasts of the cash available. B/Day 27/3/92

☐ Russia and the EC are drafting a "large-scale" trade agreement for signing by end-May, it was reported this week.

Russian President Boris Yeltsin and EC Commission deputy chairman Frans Andriessen met in the Kremlin on Wednesday.

Russian ambassador to the EC, Ivan Silayev, said the agreement was "new in principle, market-oriented in character," Itar-Tass news agency said.

It said Andriessen had confirmed that a $600m credit would be issued to the Russian Federation with "no strings attached". — Sapa-Reuter-AFP.

IMF sees brakes coming off the global economy

B/Day 27/3/92

WASHINGTON — The IMF sees the global economy emerging from a period of slow growth and gathering steam through next year, IMF MD Michel Camdessus said yesterday.

In remarks to a financial group in Monte Carlo that were made available by his office in Washington, he said the world economy as a whole would grow by 1,5% this year and about 3,5% in 1993, Sapa-Reuter reports.

He said that industrial country economies on average would grow by 2% this year and by 3% to 3,5% in 1993. They rose by 1% last year.

Camdessus said the figures reflected some recovery in the US and Britain and a slowdown in Germany and Japan.

"Now countries that experienced recessions seem to be recovering gradually, while some of those that maintained relatively high — and possibly excessive rates of growth — are slowing down," he said.

Excluding developing countries in the Middle East hurt by the Gulf War and those in struggling eastern Europe and the former Soviet Union, growth rose by 4,2% in 1991 and is expected to match this pace this year, accelerating further in 1993, he said.

Camdessus's global report card emphasised that countries must be adaptable and must avoid living on successes of the past which could lead to stagnation.

He also said that economies must adopt policies that assure the kind of growth that provides the basis for permanent improvement in living standards.

"This does not mean the kind of short-term growth that can result from excessive demand stimulation that leads to overheating of an economy and a stop-go cycle."

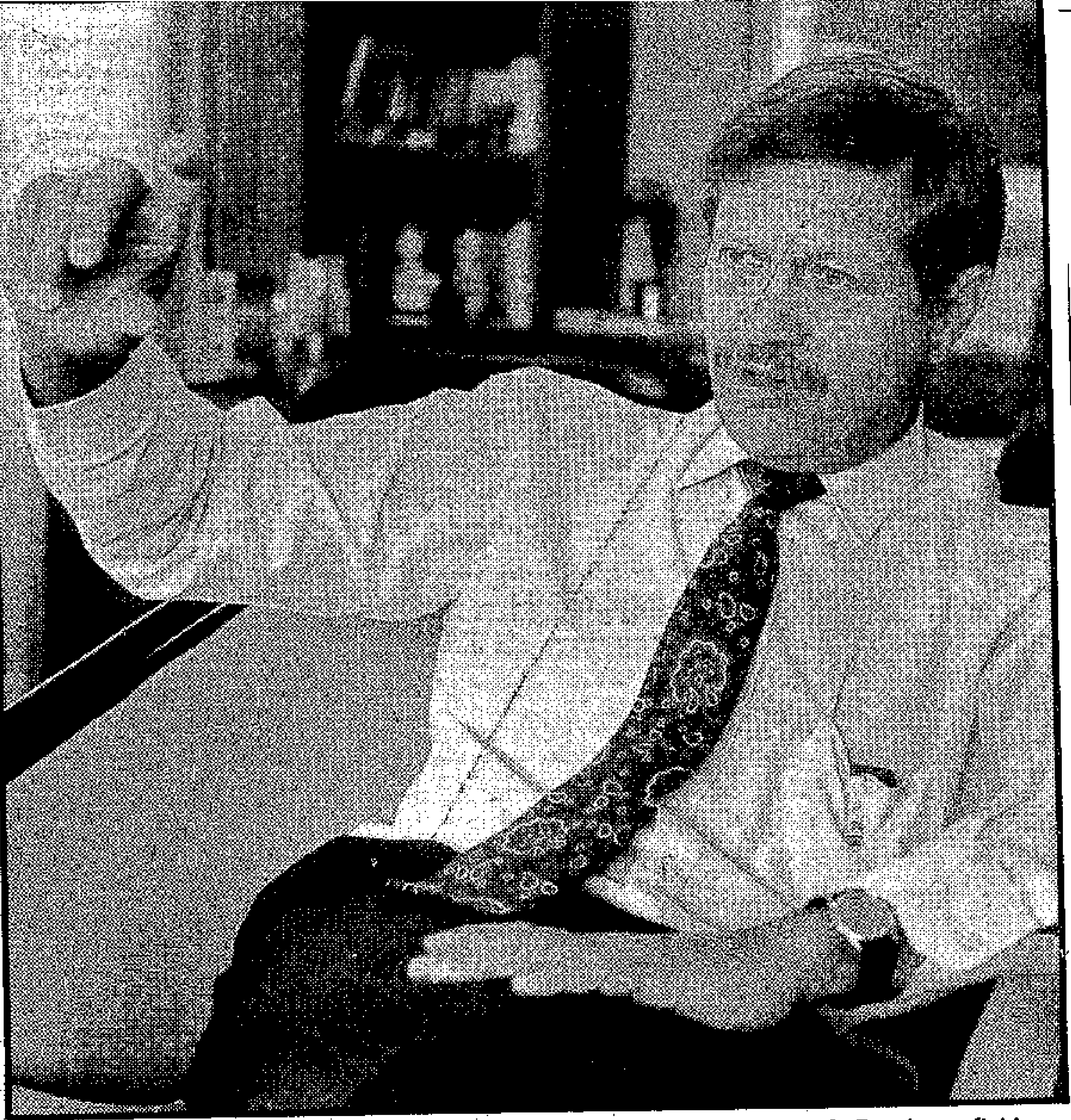
There were many risks in the period ahead, he said, arguing that if the threat of a global savings shortage was not dealt with, the recovery from the present slowdown could be derailed.

AP-DJ reports that Camdessus said he was more confident than before that the US Congress would ratify plans for a vital 50% increase in the IMF's resources.

He was "a bit more optimistic" than he was several weeks ago that a political consensus in Congress would allow the plan to boost the IMF's quotas, or membership fees, to go through in the coming months.

The US was well aware that the $60bn quota increase would free up sums of money that far exceeded the American contribution of about $12bn, he said.

Democratic congressmen have been unwilling to vote for the IMF issue, fearing that a proposal that implies foreign aid would create a political backlash from the electorate.



PAUL KRUGER: There's lots more waiting to be found in Mozambique's Pande gasfield

Sasol searches the world for gas, oil

S/Times (BUSS) 1/3/92 (55)

1/3/92 **By ZILLA EFRAT**

SASOL is looking at opportunities for oil and gas exploration in the North Sea, the Far East and Africa.

The synfuel producer's move into exploration is part of its goal to become an international player in petrochemicals and to enter areas where it has a competitive advantage.

Sasol managing director Paul Kruger signed an agreement this week with Empressa Nacional de Hidrocarbonetos de Mocambique (ENH) for joint exploration of natural gas in the Pande field in Mozambique.

Sasol has also applied for a licence to explore Namibian waters.

Rich

Sasol general manager Jan Fourie says the company is talking to several African countries. It is considering partnerships with multinationals for exploration in the North Sea if the oil can be produced at competitive costs.

Sasol is also involved in negotiations related to rich Asian coal, gas and oil resources, in the heart of the growing Far East petrochemical markets.

Mr Fourie says the move into exploration will provide Sasol with competitively priced raw materials closer to its markets.

They may be sold as commodities or used as feedstocks to produce higher value added chemicals.

Sasol will co-operate with partners who have access to resources, markets, capital or technology to share.

International co-operation may be extended to include multibillion-dollar synfuel plants to make added value chemicals, using Sasol's advanced technology.

Several feasibility studies to use Sasol technology for converting natural gas to liquid fuels and chemicals have been done.

The company is examining several projects based on natural gas as a feedstock. Synfuel and chemical plants the size of Sasol 2 or 3 may be built abroad, especially in the Pacific Rim.

Sasol's exploration drive is aimed at securing the feedstocks needed for its growing export markets.

Exports are expected to grow by more than R800-million in the next three to four years from R500-million in 1991.

Sasol has established marketing divisions in Hong Kong and in Birmingham, United Kingdom. It is setting up one for Africa.

It has offices in London and Germany and agents in a host of countries.

Mr Fourie says the Mozambique deal, signed this week, will have advantages for all involved.

The Pande field offers inexpensive gas because the reserve is not deep. This gas could be sent to SA through a pipeline and sold to Sasol's gas division Gascor. Gascor serves more than 700 industries on the Witwatersrand.

The gas could also be used as a feedstock for value-added chemicals in the existing Sasol plant. Sasol may also sell the gas from Mozambique to future gas markets in Southern Africa.

Tourism

Mozambique, which imports its fuel, will use the gas to develop its industry and tourism.

Mr Kruger says a third party with gasfield development and production expertise will be brought into the Sasol-ENH venture and exploration could start by the end of the year.

The Pande gasfield was discovered in 1961 and further exploration work was conducted by ENH in the past three years, including seismic survey and drilling of wells.

Drilling indicates the presence of large gas reserves and geologists are optimistic that more are waiting to be found, says Mr Kruger.

Eskom plans new bond issue

55

CT 3/3/92

Own Correspondent

JOHANNESBURG. — Eskom is to proceed with a bond issue on the European capital market believed to be worth between Dm150m and Dm200m.

Eskom executive director of finance and services Mick Davis confirmed yesterday that Eskom was negotiating a new Eurobond issue.

The exact date of the issue had not yet been decided but would probably be within the next two months, he said.

He said rumours on European capital markets yesterday that Eskom's planned bond issue had been delayed because of political uncertainty were pure speculation, although the referendum was "clearly an issue".

It is not yet known what the funds will be used for or who will manage the issue.

Eskom's issue follows the highly successful Eurobond issue by the Development Bank of Southern Africa early last month. Better than expected investor demand lifted the bank issue by 33% to DM200m from an original DM150m with a 10% coupon.

SA first returned to the international arena last September with the launch of a government bond issue denominated in Deutschmarks. This was followed up with a second government issue worth 250-million ecus.

Towards the end of last year, a proposed $200m Eurobond issue for the Independent Development Trust had to be withdrawn after opposition from the ANC.

paign could cost as much as sponsorship, with less coverage and public awareness.

Sanctions watch begins to fall idle

B/Day 4/3/92

AMSTERDAM — Jaap Grotenburg is looking forward to being made redundant. He says it is what he has always worked for.

Grotenburg and his three colleagues in the Shipping Research Bureau collect evidence of sanctions-busting from hundreds of informants worldwide.

They have spent more than a decade trying to embarrass companies, governments and shipping firms into toeing the line on a UN ban on oil exports to SA. (55)

"We do not quite know what we'll do next," he said.

Shipments are publicised to shame countries that back oil sanctions into enforcing them.

But now that SA is dismantling apartheid, the UN is expected to end the voluntary embargo it first agreed in 1979. Grotenburg's bureau may close by the year's end.

"We expect to wind up once blacks are in a transitional government," he said.

Grotenburg judges the bureau's work a partial success. The bureau only ever had a monitoring role, he says. — Sapa-Reuter.

Scarce electricity (55)

OF SA's 278 black townships, 51 had no domestic electricity at all, Local Government and National Housing Minister Leon Wessels said. A further 120 townships had 20% or less electrification.

B/Day 11/3/92

Ivory Coast power deal

JOHANNESBURG. — Eskom has signed a co-operation agreement with the Ivory Coast power authority.

The organisation said that in terms of the agreement and the Ivory Coast's energy provider, EECI, there will be an exchange of technical information and consulting services, co-operation on maintenance work and the training of staff. (55) CT 16/3/92

Both companies have interests in the proposed development of large multinational African electricity supply systems — Eskom in the Southern African region and EECI in West and Central Africa. — Sapa

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SA's big spender comes on stream

(65)

Own Correspondent CT 16/3/92

JOHANNESBURG. — The Mossgas project comes on stream this week after a month's test programme on the plant.

The R12bn oil-from-gas scheme has been criticised because the cost of its development almost doubled from the original estimate of R6,5bn at its inception in 1987.

The taxpayer is unlikely to see much of the proceeds of the project, because revenue will be used first to fund operating costs, service commercial loans and increase working capital. After that it will be used to provide a return to shareholders, the Central Enery Fund and Gencor's energy arm Engen.

R12bn Mossgas project comes on stream

SHARON WOOD

THE Mossgas project comes on stream this week after a month's test programme on the plant. B/Day 16/3/92

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It was reported at the weekend that the use of millions of litres of water to clean Mossgas pipes prior to the plant's opening had been criticised. Concern had been expressed that wasting so much water from the Wolwedans Dam would exacerbate the effects of the drought. 55

But Mossel Bay town clerk Willem van Heerden said the cleaning process, which would be over in a few days, was essential to wash away impurities.

He said businesses in and around Mossel Bay were thankful for the constant growth the project had brought to the region.

ARG 17/3/92

Mossgas to go on line 'towards end of the year'

SS

The Argus Correspondent

JOHANNESBURG. — The Mossgas oil-from-gas project is expected to be fully operational in the fourth quarter of this year.

Mossgas public affairs manager Mr Harry Hill was reacting to a report yesterday which said the project would come on stream "this week, after a month's test programme on the plant".

Although Mossgas was expecting the imminent arrival of the first acceptable offshore gas at the 400ha Mossel Bay plant, a period of preparation and testing still lay ahead.

"Our first production well was completed in December last year. Instead of bringing gas to shore then, we decided to wait for "on spec" gas (gas which complies with specifications) before bringing it to shore," said Mr Hill.

"The arrival of this gas is now imminent."

Mr Hill said construction on the plant was "98 percent complete".

The first gas would be used for commissioning purposes — for preparation and testing on the plant before production could start.

The use of water to clean pipes was part of the commissioning process. Preparation, he said, was a process which took place over a "couple of months".

There were 700km of pipes which needed to be cleaned. This was done by using steam and water. The pipes had to be 100 percent clean, he said.

ARG 17/3/92

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Mossgas on line 'this year'

By Paula Fray STAR 17/3/92

The Mossgas oil-from-gas project is expected to be fully operational only in the fourth quarter of this year. (SS)

Mossgas public affairs manager Harry Hill said this in reaction to a report yesterday which said Mossgas would come "on stream this week after a month's test programme on the plant".

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Budget: petrol hike possible

Sowetan 18/3/92

55

By ISMAIL LAGARDIEN
Political Correspondent

POSSIBLE increases in petrol and luxury items could be contained the Budget for 1992/3 which will be tabled in Parliament by Finance Minister Mr Barend du Plessis today.

As much as 38 percent of the Budget could go toward social spending (last year's figure), a move that could improve the lot of millions of black people.

If the gradual increase in funds for black education over the past two years are anything to go by, education and training could receive a huge injection.

No major shift is expected from the spending trend established by the Government in recent years, where the emphasis has shifted to social spending.

There is a great possibility of more money - an estimated R1 billion - going to the South African Police.

No increase or decrease in personal taxes is expected. The trend of social spending is expected to dominate the Budget.

Weaker crude oil price cuts cost of landed petrol

55

STAR 18/3/92

The landed cost of petrol and diesel fuel dropped again last month as a result of a weakening in the international price of crude oil, the National Energy Council said yesterday.

In its monthly statement, the NEC said motorists in the PWV paid an average of 2,235c a litre too much for 93 octane petrol last month. In January motorists paid 1,861c/litre too much.

The landed cost of 93 octane fuel last month was 48,007 c/litre, down from January's 48,381 c.

The NEC said this was in spite of a weakening exchange rate of R2,7803 against the US dollar in January and R2,8168 last month.

Unit over-recoveries last month were taken account of against the cumulative over/under-recovery account (the slate).

The landed cost of 93 octane petrol has declined since the beginning of November last year. At the time the landed cost was 52,148c/litre.

The landed cost of diesel fuel also declined last month to 50,239c/litre from January's level of 51,237c.

The unit over-recovery amounted to 5,813c, up from January's 4,686c over-recovery. — Sapa.

FOUNDED 1876 ☎ 488 4911 WEDNESDAY, MARCH 18 1992 80c Prices include VAT

Petrol price rise on the cards

(55) CT 18/3/92

Political Staff

THE petrol price is likely to go up today when Finance Minister Mr Barend du Plessis presents what analysts have warned will be a "tough budget".

National Energy Council members expect Mr Du Plessis to announce a substantial fuel tax increase, which will drive up the petrol price.

A source in the council said the announcement could push the price of 93 octane from R1,43 to R1,60 a litre or more.

The budget will apparently have little joy for most people. Tax relief for individuals is unlikely and the tax on items such as tobacco, liquor and other luxury goods could well go up.

The VAT rate is unlikely to go up, but excise tax and levies on fuel could well be raised.

The government would like to stimulate investment and economic growth, and some stimulatory measures may be announced, but the reality is that it does not have the resources to initiate major new programmes.

President F W de Klerk warned in Kimberley last week that it would be a very difficult budget and that the government had very little room to manoeuvre. The economy was not growing and the tax base was too small.

The only way the government could increase its income was to increase taxes, but South Africans were already overtaxed and paid higher taxes on average than people in Europe, Mr De Klerk said.

There may be some shift in spending priorities, with less emphasis on costly own affairs administrations and more emphasis on social welfare programmes, although it may only be possible to maintain these at the same level in real terms.

Substantially increased spending on the police is inevitable to pay for the new Internal Stability Division. This could be financed by another reduction in defence spending and more sales from strategic stockpiles.

● Barend may still surprise all — Page 11

Hefty increase in petrol price likely

GERALD REILLY

PRETORIA — National Energy Council members expect Finance Minister Barend du Plessis to announce a substantial fuel tax increase, which will drive up the petrol price, when he delivers his Budget speech today. B Day 18/3/92

The sources — speaking on condition of anonymity — said Du Plessis' announcement could push the price of 93 octane from the current R1,43/*l* to R1,60/*l* or more.

The council announced yesterday that in February, PWV motorists overpaid for 93 octane by 2,235c/*l*. Motorists paid 1,861c/*l* too much in January.

A spokesman said that in spite of the weakening of the average rand dollar rate in February, unit overrecoveries were realised on all grades of petrol, diesel and illuminating paraffin.

International market prices of refined petroleum products followed the decrease in international crude prices and brought down the landed cost of petrol and diesel.

The average landed cost of 93 octane decreased by 0,374c/*l* from 48,381c/*l* in January to 48,007c/*l* in February.

The average landed cost of diesel decreased from 51,237c/l in January to 50,239c/*l* in February and resulted in an average unit overrecovery of 5,813c/*l* in February.

Oil pollution fund doubles 55

EXPENDITURE on combating oil pollution off the SA coast is to double, with R22,2m allocated to its prevention, up R10m from last year. B/Day 19/3/92

A further R16m, up from R13,9m last year, has been provided under the merchant shipping programme in the Transport Vote.

Petrol price to be pumped up by 8c

Own Correspondent (55)

CAPE TOWN — Petrol is to go up by at least 8c/*l* and diesel by 6c from Saturday while the diesel rebate for farmers is being raised by 2c to 20,6c/*l*. BDay 19/3/92

In addition to the increase in fuel tax announced by Finance Minister Barend du Plessis yesterday, the transport tariff increases which became effective on January 1 this year are to be added to the fuel price from March 21.

This will effectively raise the petrol price by up to a further 2c/*l* a litre and diesel by an extra 1,9c/*l*.

Coastal consumers will not be affected by the transport tariff increases which to date have been financed from the Equalisation Fund while PWV consumers can expect to pay 9c/*l* for petrol and 6,9c/*l* for diesel.

The pricing zone hardest hit is north-western Namaqualand where the increase will be 4,1c/*l*.

Du Plessis said the new fuel levy was in line with government's goal of achieving a better balance between direct and indirect tax.

The net outcome of the higher petrol and diesel levies and the diesel rebate would be estimated additional revenue of R939m for 1992/3.

He said the 2c rebate for farmers would be effective until such time as circumstances permitted the continuation of its phasing out.

Mineral and Energy Affairs Minister George Bartlett said that during 1991 the net price increase of petrol and diesel amounted to 8c/*l* and 3c/*l* respectively.

Electricity for Africa millions

Sowetan 19/3/92

(55)

Sowetan Africa News Service

IVORY Coast and South Africa have signed an agreement which will provide electricity to millions of people in Southern, West and Central Africa.

In an agreement with the Ivory Coast, Eskom and its Ivorian counterpart, the Energie Electrique de la Cote d'Ivoire will exchange technical information and consulting services and will co-operate in construction projects, maintenance and staff training.

The two countries, according to Eskom, have interests in the proposed development of large, multinational electricity supply schemes in Southern Africa, West and Central Africa.

Eskom chief executive Mr Ian McRae said at the signing ceremony on March 13 that economic recovery and wealth creation in Africa were closely bound up in bringing electricity to millions of people who still did not have it.

On the same day that the electricity agreement was concluded, South Africa signed an agreement with Swaziland for a joint water scheme, an agreement that will soon be expanded to include Mozambique.

The agreement opens the way for new economic development in the Komati Basin, initially through the building of a R328-million dam at Driekoppies in the Eastern Transvaal, on the Lomati River close to the Swaziland border.

The Lomati rises east of Badplaas and flows through Swaziland to re-emerge in South Africa.

8c a litre more (55) to fill your tank

ARG 19/3/92

THE PETROL price will rise by up to 8c a litre on Saturday — an increase lower than expected.

Finance Minister Barend du Plessis also announced a slight increase in the excise duties on tobacco, liqour and beverages.

The increase, which will lift the price of 93 octane petrol from 142c to 151c a litre, will raise R940-million in revenue.

The diesel rebate for farmers has been increased by 2c per litre to 20,6c in view of the difficult agricultural conditions.

Fuel will rise by 9c on the Reef after a 1c rise in the transport tariff.

The hike in the transport tariff was announced separately by the Minister for Mineral and Energy Affairs, Mr George Bartlett.

Turning to customs and excise duties, he said the proposed increases for tobacco, liquor and beverages would not lead to retail price hikes of more than two percent.

The price of beer will go up by 1,5c per can or by 4,8c per litre and spirits such as whisky, brandy and gin will rise by 37,7c per 750ml bottle.

Also UP are:

- ☐ Cigarettes by 2c per 10 cigarettes and cigarette tobacco by 2c per 50 grams;
- ☐ Pipe tobacco and cigars by 10c per kg;
- ☐ Fortified and sparkling wine by 10c per 750ml bottle;
- ☐ Unfortified wine by 6c per 750ml bottle;
- ☐ Sorghum beer by 1c per litre and sorghum powder by 5c per kg; and
- ☐ Cool drinks and mineral water by 2c per litre or about 0,7c per 340ml can.

The increased duties will take effect immediately and would raise about R300-million in 1992/3.

The Minister announced that the stamp duty on credit card and cheque debits would be raised from 10c to 15c from May.

Transfer duties on fixed property have been adjusted rising to one percent for the first R50 000 (previously R30 000) and five percent on the balance instead of the present three percent.

The exemption ceiling, however, has been raised from R30 000 to R50 000 in respect of the acquisition of property.

Warning of fuel price ripple

Business Staff (55) ARGT 19/3/92

SUPERMARKET group managing director Mr Whitey Basson said the Budget was fair considering the economic situation, but warned of the ripple effect on prices of increased fuel levies.

This was echoed by Consumer Council executive director Mr Jan Cronje who said although the Budget was fair, the council could not accept the fuel price increase because of the effect it would have on the economy, pushing up prices over a wide front.

Mr Cronje appealed to business to try to absorb the fuel increase as far as possible.

Mr Basson of Checkers/Shoprite said he was relieved that the VAT rate was unchanged and that excise levy inceases had been limited to non-essential items.

But he still believed basic foods should be exempt from VAT.

Mr Basson said the substantial additional allocation for social services would reinforce security and be a positive force for social and economic upliftment.

Other encouraging aspects were the increase in social assistance allowances and drought relief aid.

But he questioned whether the R1 billion for drought relief would be enough.

Petrol and diesel prices to increase

STAR 19/3/92

Economics Editor

CAPE TOWN — The petrol price will rise by up to 9c a litre at midnight tomorrow, Barend du Plessis announced.

The increase in the fuel levy, which also includes a 7c rise in the price of diesel, is lower than had been expected.

The 9c rise in the price of fuel comprises an 8c rise in the fuel levy and a 1c rise in the transport tariff. The latter increase does not apply to coastal areas where the fuel price will increase by 8c a litre.

The increase, which will lift the price of 93 octane petrol on the Reef from 143c to 152c/l, will raise R940 million in revenue. The diesel rebate for farmers has been increased by 2c/l to 20,6c in view of the difficult agricultural conditions, Mr du Plessis said.

SA expands water and power links

STAR 19/3/92

55

Star Africa News Service

South Africa has recently signed two agreements that illustrate the Republic's expanding infrastructural links with the rest of Africa.

Under a co-operation agreement with the Ivory Coast, Eskom and its Ivorian counterpart, the Energie Electrique de la Cote d'Ivoire (EECI), will exchange technical information and consulting services and will co-operate in construction projects, maintenance and staff training.

The two countries, according to Eskom, have interests in the proposed development of large, multinational electricity supply schemes in Southern Africa and West/Central Africa.

Eskom chief executive Ian McRae said at the signing ceremony on March 13 that economic recovery and wealth creation in Africa were closely bound up with bringing electricity to the millions of people who still did not have it.

On the same day as the electricity agreement was concluded, South Africa signed an agreement with Swaziland for a joint water scheme, an agreement that will soon be expanded to include Mozambique.

The agreement opens the way for new economic development in the Komati Basin, initially through the building of a R328-million dam at Driekoppies in the eastern Transvaal, on the Lomati River close to the border with Swaziland.

The Lomati rises east of Badplaas and flows through Swaziland. The river re-emerges in South Africa to join the Komati River, which is then joined by the Crocodile River before becoming the Incomati River in Mozambique, which in turn runs into the sea north of Maputo.

Later a second and larger dam, costing R432 million at today's prices, will be built in Swaziland on the Komati River, at Maguga.

At the end of this month South Africa and Swaziland will sign an agreement with Swaziland governing the use of the Komati Basin waters and, among other things, undertaking to respect Mozambique's rights to these waters.

Bitter-sweet pill will be hard to swallow

STAR 19/3/92

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While some aspects of the Budget have been welcomed, a higher fuel price and other increases may have a severe ripple effect. PAULA FRAY reports.

CONSUMERS, already in a critical financial position, would be hard hit by the increase in the fuel price, consumer bodies said last night.

The Government's decision not to extend the VAT zero-rating of eight basic foodstuffs was also criticised although consumer bodies welcomed the unchanged VAT rate, lower personal tax and concessions regarding pensions, allowances and transfer duties.

However, consumers were handed a bitter-sweet pill last night when the Minister announced, among others:

- A 9c/l increase in fuel and a 9c/l increase in diesel;
- No extension on the temporary VAT zero-rating of eight basic foodstuffs; and
- Various increases in the price of certain luxuries including beer, hard liquor, cigarettes and soft drinks.

Prices

The SA National Consumer Union said consumers were in a critical financial position.

"Unemployment, inflation and rapidly increasing food prices create great problems and many consumers actually face famine. The belt can no longer be tightened as, for many consumers, it is already at its tightest."

Although the union welcomed the fact that the VAT rate remained unchanged, it regretted that the temporary relief involving eight basic foodstuffs, which were zero-rated for six months, had been terminated.

"Consumers not only hoped that the exemptions would be made permanent, but that they would be extended to include all basic foods, medical services and medicines, water and electricity," said union chairman Lillibeth Moolman.

Last night, the ANC said it was "deeply concerned" that the Minister had not mentioned plans to exempt basic foodstuffs. The lifting of the temporary exemption would have "extremely detrimental effects on the incomes of the poor", said the ANC.

Housewives' League president Lyn Morris said the Government had until March 31 to extend the VAT zero-rating. "To lose those will not be good for the consumer," she said.

The fuel increase also came under severe attack.

"The increase of 9c/l in the fuel levy is regrettable. It will provide the ideal peg to justify increased prices. The escalating effect of the higher fuel price will hit consumers very hard," said Mrs Moolman.

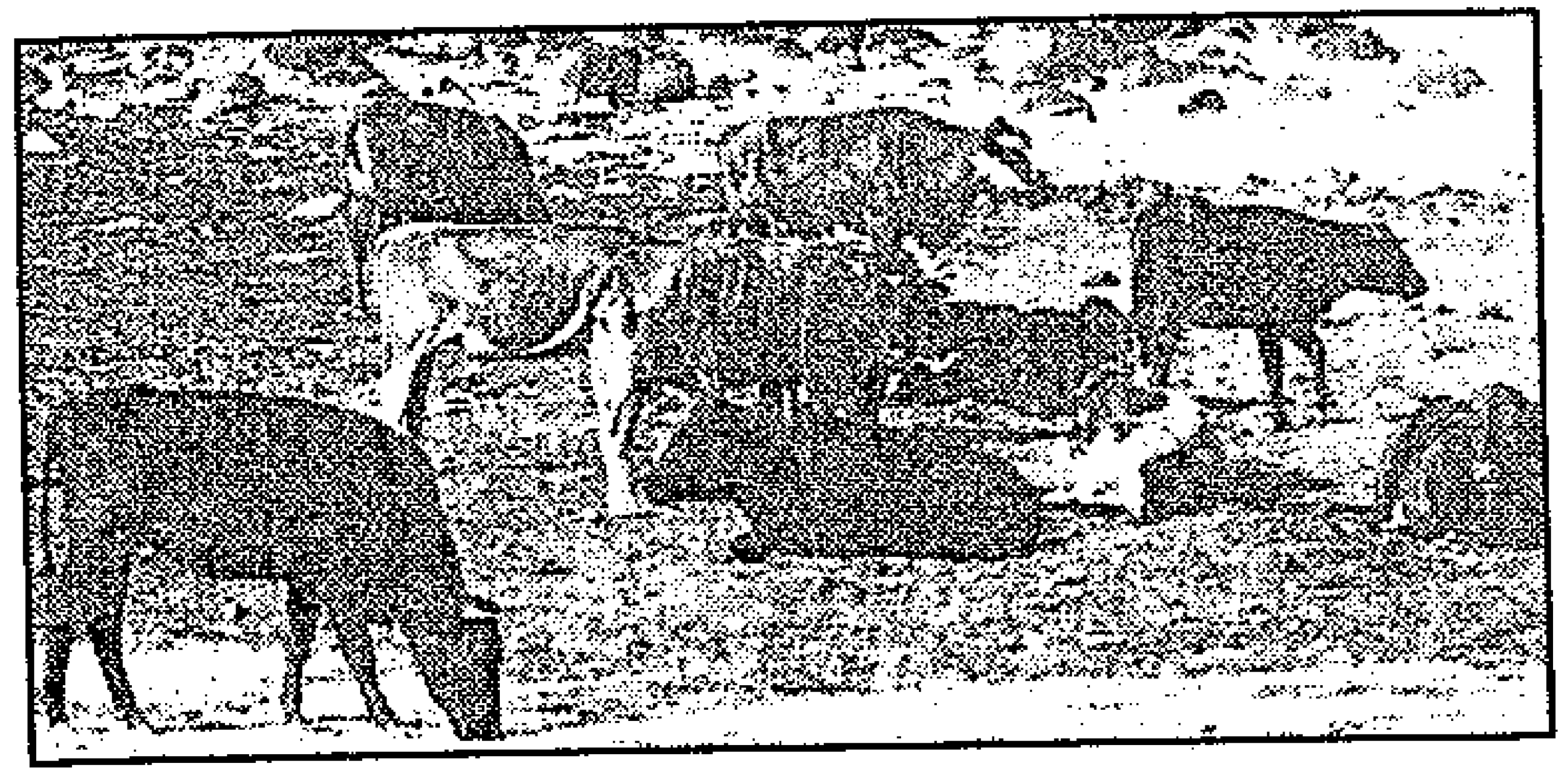
The league also expressed concern. "The 9c/l is less than expected but it is still going to have a ripple effect and affect inflation," said Mrs Morris.

According to Mrs Moolman, the highest priority at hand should be to stimulate the economy in order to create jobs and simultaneously control the money supply in order to fight inflation: "It does not appear as if the Budget will meet these requirements to the required extent."

Mrs Morris said the Budget could have been worse.

"We are very happy he has left VAT at 10 percent," said Mrs Morris, who noted the increase did not have to be announced in the Budget and could be announced later.

She said that, in view of the small amount spent from the R220 million allocated for poverty relief last year, it was important that the R440 million allocated yesterday be utilised correctly and speedily. "I agree it has to be spent properly but people are dying of malnutrition. Will they still be mucking around in 1996 and still not have spent all of it? I feel something is not just quite right there," said Mrs Morris.



R1 billion to fight drought disaster . . . but the Government has been advised to use some of it to subsidise imported maize.

She also called on the Government to use some of the R1 billion put aside for the drought disaster reserve to be used to subsidise imported maize at a consumer level.

"The league feels strongly that there is no way that the lower-bracket consumer can afford an increase in mealie meal and would appeal that part of the R1 billion be used as a consumer's subsidy to keep the price down so that people are not faced with a basic food rocketing sky high with the imports."

Income

The Consumer Council described the budget as "fair", if the Government's limited sources of income, the increased demand for its services and the state of the economy were taken into account.

"To be able to give, the Minister of Finance also had to take," said Consumer Council executive director Jan Cronje.

"No increase is ever popular with consumers, so the council cannot welcome the higher fuel price. Owing to its ripple effect on the economy, price hikes over a wide front can be expected," he said, appealing to business to try and absorb the increase as far as possible. □

The Star

Motorist seen as easy prey for Govt taxation

STAR 19/3/92

Consumer Reporter 300 55

The Government came under fierce attack last night for, yet again, increasing the fuel price.

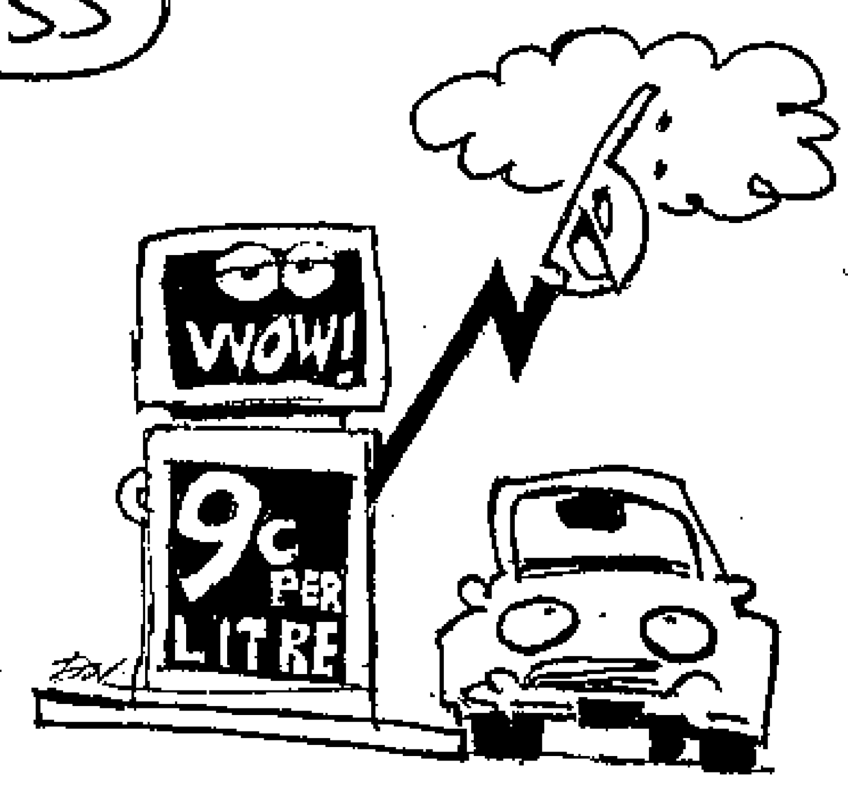
Consumer bodies warned that the 9c/litre increase in fuel and 6c/litre increase in diesel would have a ripple effect on the price of goods and services and, in turn, on inflation.

The Automobile Association said the increase underscored the fact that petrol was the Government's favourite source of taxation without regard for the motorist and the inflationary effect on the economy.

The AA said the already over-burdened motorist had no choice but to accept this adjustment which increased the fuel tax percentage of the pump price from 35;6 to 39 percent.

"This is nearer the figure of 45 percent mentioned by the Minister in the 1991 Budget as his goal when comparing it with overseas fuel tax," said the AA.

The Democratic Party said that while the Government's need to raise additional revenue under current circumstances was understood, it objected to the motorist always being viewed as convenient easy prey to fund ever-increasing Government expenditure.



DP transport spokesman Wessel Nel said the increase in the levy on petrol and diesel, which would raise about R939 million in the next year, represented a substantial increase of about 20 percent on the fuel tax component.

It was unfair and short-sighted to extract an ever-increasing price from vehicle owners while allowing the road network to disintegrate, he said.

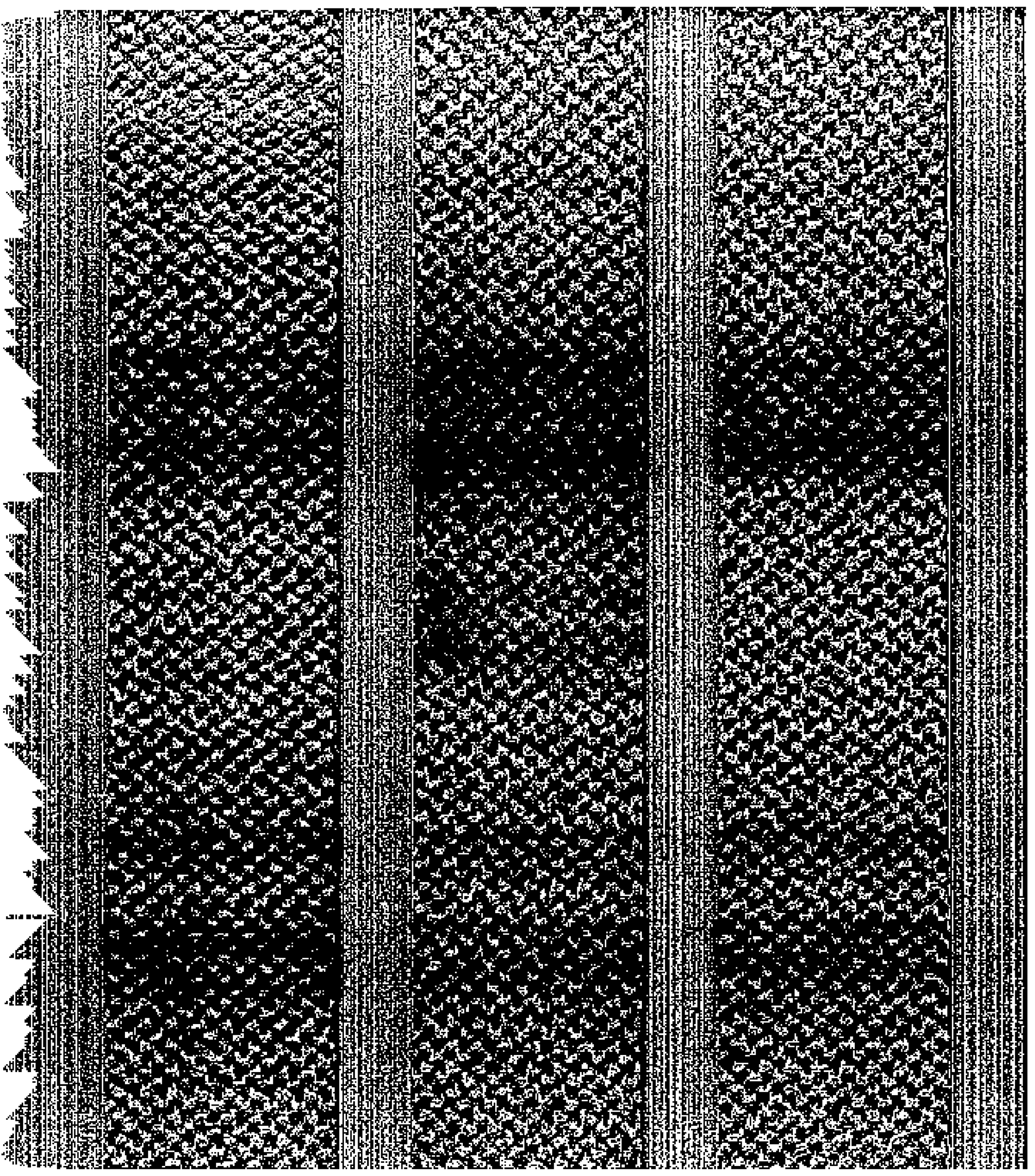
"A portion of the fuel levy should be set aside as a dedicated fund to cater for the maintenance of the effective road network which, in turn, would act as a stimulus to economic growth."

Motor Industries' Federation executive director Vic Fourie said the increase was "to be expected".

According to the AA, the upward adjustment in price should be seen against a background of misconception of a so-called cheap price of fuel.

In a recent study commissioned by the AA, it was found that in South Africa in 1990, one hour's earnings expressed in equivalent litres of petrol amounted to 7,1 litres. However, comparative figures overseas were France (8,3), Germany (15,8), Japan (14,8), the United Kingdom (12) and the US (28,2).

With the resounding "yes" vote in the referendum, the AA said it expected to see an early lifting of the oil embargo. This should make it possible for the Government to absorb the premium paid on imported crude hidden in the pump price.



Over a barrel . . . disgruntled motorist Colin Levin and petrol attendant Phineus Motababindi. Picture: Stephen Davimes

Government gets more than third of new petrol price

55

STAR 20/3/92

Consumer Reporter

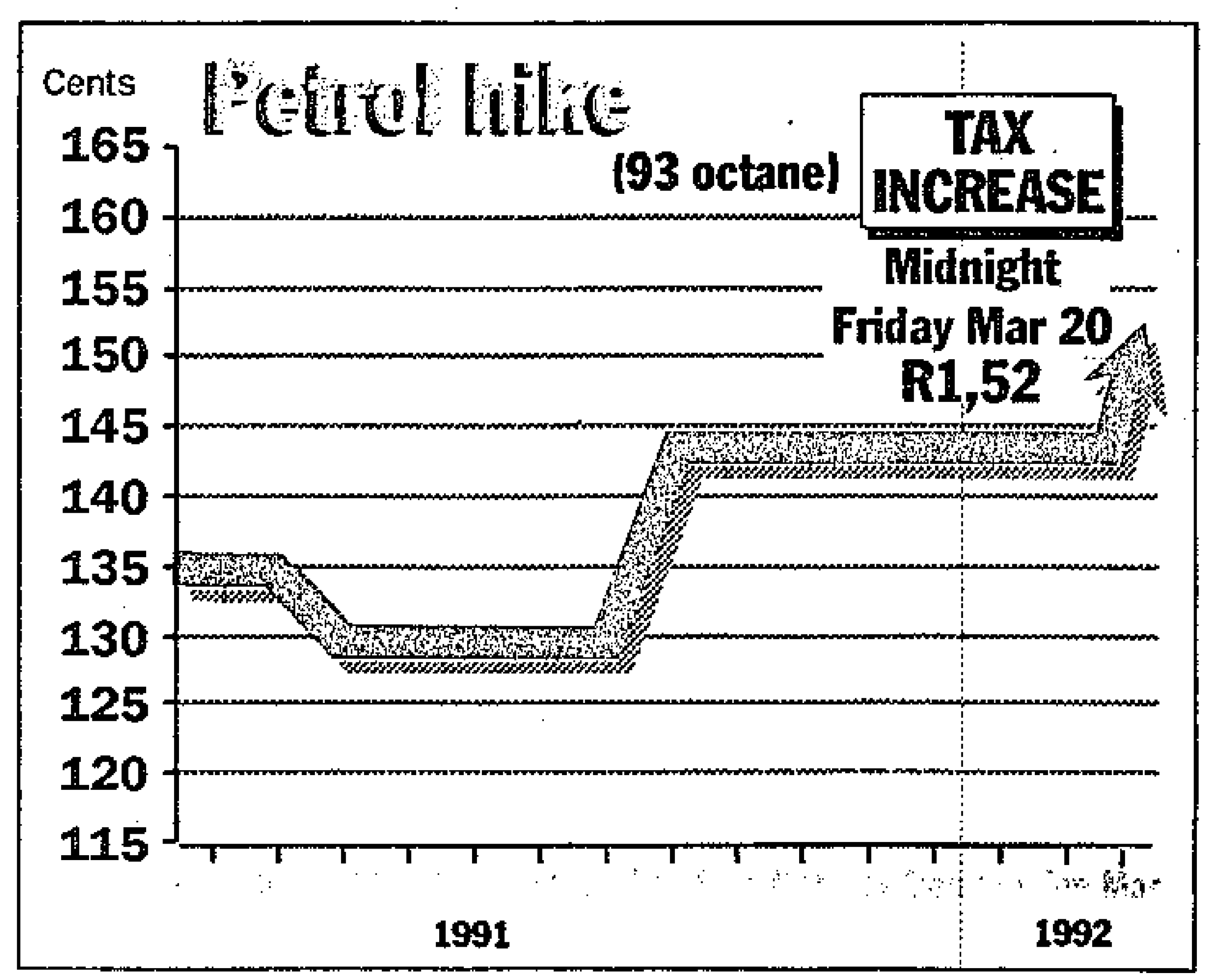
Government receives more than a third of the new petrol price — expected to raise an additional R940 million — as hard-pressed South African motorists prepare to pay R1,52/l for fuel at the pumps from midnight tonight.

The 9c increase in petrol and 7c increase in diesel prices come as hopes were raised this week that the resounding "yes" vote would be the final nail in the coffin for the oil embargo.

The latest increase follows a VAT-related rise in August last year when petrol prices increased by 13c to R1,43/l. Then, the Government's portion of the R1,43/l was 46,9c.

The 9c increase announced by Finance Minister Barend du Plessis comprises an 8c increase in the fuel levy and 1c in the transport tariff.

This means inland motorists are paying 56c to the Government for every litre.



Pick 'n Pay wants to discount petrol

B 1Day 20/3/92 (55) (60)

LINDA ENSOR

GOVERNMENT should remove restrictions on the sale price of petrol to allow Pick 'n Pay to discount the fuel and sell direct to the public, Pick 'n Pay marketing director Martin Rosen said.

He said Pick 'n Pay understood the need for increased fuel levies to fund socio-economic development but it should be allowed to discount petrol if it guaranteed government's share of the levy.

Checkers/Shoprite MD Whitey Basson said consumers would be hard-pressed to accommodate the ripple effect that increased fuel costs would have on prices. However, he said possible increases would be channelled through to the retail industry only in about two or three months time.

Sapa reports that many transport organisations are undecided on what to do.

Spokesmen for Putco and Pretoria United Taxi Association (Puta) said no decision had been taken.

Bophuthatswana Transport Holdings has already announced a 15% fare increase effective from April 1, while Transnet increased its fares by 10% early this year.

SA in oil-exploration breakthrough

S Times (Buss) 22/3/92 (55)

By IAN ROBINSON

SOUTHERN Africa is poised to become a focal point of world oil exploration.

This prospect has enticed one of the top three oil exploration consulting groups in the world — QUAD Consulting Ltd of the UK — to enter into a partnership with South African energy consultancy firm EPI Consulting (EPI).

Cape Town-based EPI believes that its knowledge of the geology and hydrocarbon (oil, gas and coal) potential of southern Africa combined with QUAD's international expertise will enable the partnership to become the major hydrocarbon exploration consultant in the region.

All four southern African countries with coastlines — Angola, Namibia, South Africa and Mozambique — have scheduled Licensing Rounds for 1992.

Licensing Rounds apply to an area of land which is split into units, and the country which promotes the Round provides available geological and exploration information about the units and calls for tenders from exploration companies.

Companies must submit exploration and development programmes together with their bids.

These Rounds follow an upsurge in exploration and development of oil and gas in sedimentary basins off the coast of southern Africa over the past few years.

It was announced this month that a Norwegian consortium had been granted the first licence to drill for oil in an 11 000-sq-km block off the northern Namibian coast.

The National Petroleum Corp of Namibia (Namcor) is evaluating applications to develop the Kudu offshore gasfield in southern Namibia. Namcor estimates that the field contains 4- to 5-trillion cubic feet of gas (compared with 1-1,5-trillion cubic feet in the Mossgas field).

In June last year Soekor announced that it had struck encouraging gas wells off the south coast near Mossel Bay. This would raise estimated reserves in the Bredasdorp Basin by 500-billion cubic feet of gas to 1,2-trillion.

Eskom puts R3,5bn into projects

55
CT 26/3/92

From EDWARD WEST

JOHANNESBURG. — Eskom plans to spend up to R3,5bn this year on electrification projects and refinancing maturing loans, MD Ian McRae said at the announcement of the electrical utility's annual results yesterday.

To fund this programme, R2,8bn would be borrowed while the remainder would be raised internally. Between R700m and R800m would be obtained from foreign markets, while about R1bn would be raised from local capital markets. The remainder would be financed from export credits and local money market sources.

Eskom planned to increase foreign borrowings from R407m in 1991 to between R700m and R800m in 1992 so as to introduce the utility to foreign markets and place it in a position to obtain better rates for future large-scale funding, he said.

Reduced net capital expenditure and a decrease in work under construction from R5,6bn in 1990 to R3,5bn in 1991 reflected the declining capital expenditure programme mainly because of surplus generating capacity, the 1991 annual report said. McRae said no more power stations would be built before the turn of the century.

Eskom saved R189m in productivity improvements last year. This amount included an abnormal item of R14,1m set aside for arrear debts of local authorities.

Eskom's 9% price increase this year was in line with a commitment to reduce real prices by 20% over the next five years. It would also continue providing price incentives at close to marginal rates to industries focusing on expansion for exports, said McRae.

In 1991 co-operation agreements were signed with Germany, Spain, France and the Ivory Coast to facilitate technology and information interchange, as well as the possibility of working together on electrification projects in southern Africa.

Eskom's turnover increased marginally from R10,7bn in 1990 to R11,7bn in 1991. Good management of finance and interest charges and better control over administrative costs saw this translate into a 16,9% rise in net income to R988m. Accumulated reserves increased from R9,6bn to R10,5bn.

Eskom pledges to keep electricity costs down

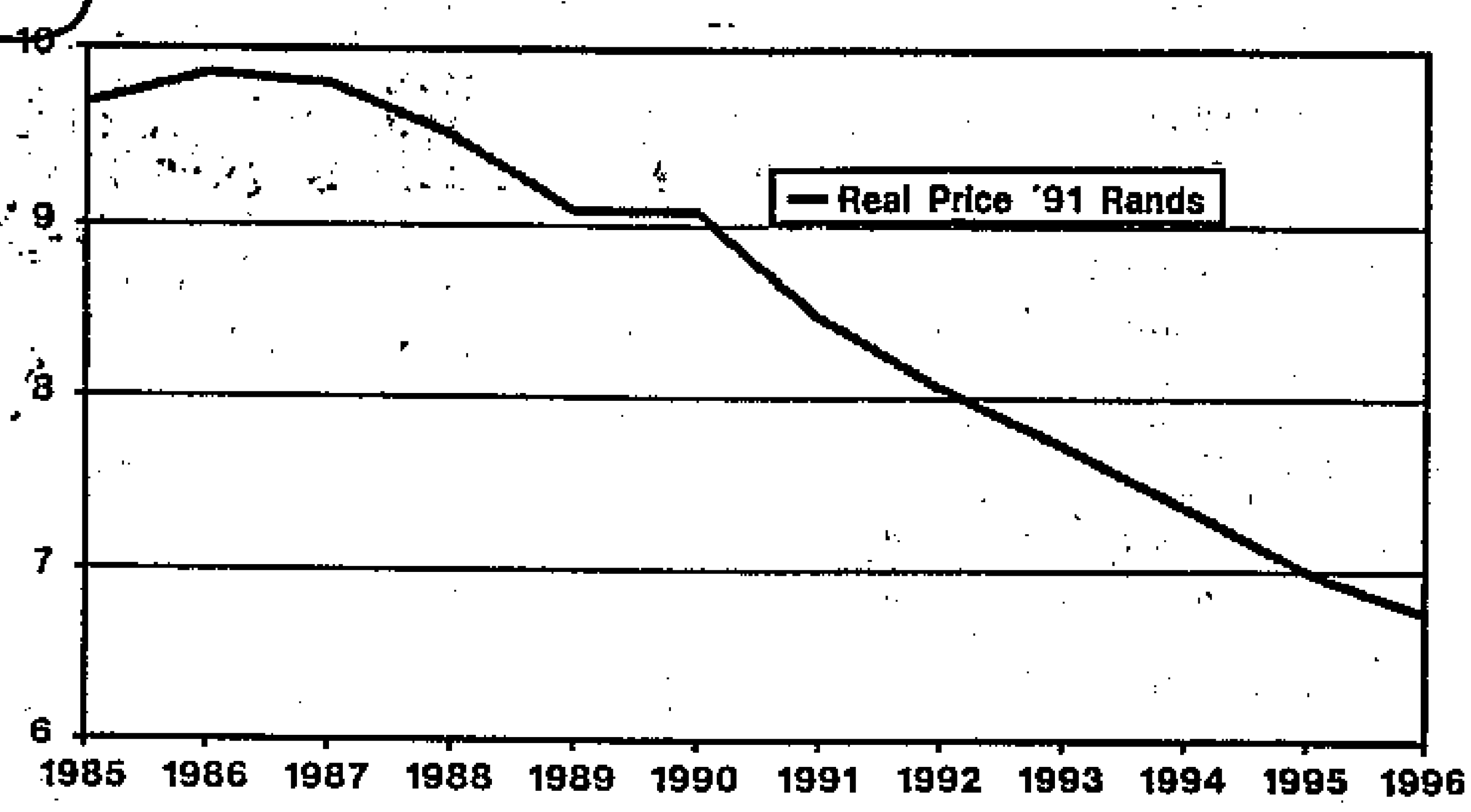
STAR 26/3/92

By Derek Tommey (55)

South Africa, which already has the world's lowest-cost electricity, can look forward to even cheaper power in the years ahead — and probably to a major investment and manufacturing boom as well.

Also in store is greatly increased electrification.

Managing director Dr Ian McRae said last night Eskom had given its customers a commitment that it would reduce the real price of electricity by 20 percent in the next five years.



Average price of electricity in real terms

Eskom MD Ian McRae

This would go a long way towards making South African companies more competitive.

It had also made a commitment to promote electrification wherever it could.

Dr McRae said last year's price increase of eight percent was seven percentage points below the rate of inflation.

The rise in administrative costs had been kept to 7,1 percent and the increase in manpower costs to nine percent. Primary energy costs had increased by only 5,5 percent.

Dr McRae paid tribute to the mining industry for its ability to keep down coal price rises.

Chairman Dr John Maree said the success of any political solution in South Africa would depend on its ability to improve living standards.

In order to do this, South Africa needed to produce manufactured goods that could compete internationally.

He said Eskom was a very big player in the South African economy.

It could determine the competitiveness of an industry in the outside world. Therefore Eskom had to run its business effectively.

Dr McRae said that Eskom would set incentives for growth and charge tariffs close to the marginal rates.

An example was its arrangement with Gencor for electricity for the proposed new aluminium smelter.

The two groups were working together to make the aluminium competitive in world markets. Eskom would set its prices to ensure this.

In spite of the poor state of the economy, and reduced demand from mining and traction, Eskom's sales volumes grew 1,8 percent in 1991, and revenue rose rose 9,2 percent to R11,7 billion.

Net income rose 16,9 percent to R988 million.

Sales to mining dropped five percent, while those to traction dropped 6,9 percent. But sales to industrial and rural users grew.

Dr McRae said this was largely the result of the outstanding performance in managing interest and finance charges, excellent control over administration and primary energy and manpower costs.

Net interest and finance charges had fallen for the first time in many years and were 3,7 percent lower than in 1990.

Dr Maree said Eskom had strengthened its balance sheet in 1991 and that its debt-equity ratio had dropped from 2,68 to 2,49.

Eskom had been able to achieve a higher-than-budgeted net income.

Non-payment of electricity bills by certain local authorities remained problematical. But Dr Maree was hopeful that solutions would soon be found.

He expected a moderate growth in the economy this year, with a concomitant growth in sales.

Dr McRae said Eskom had signed co-operation agreements with Germany, Spain, France and the Ivory Coast.

It had completed a study showing there were strong benefits in linking up with Zimbabwe's power system.

It was investigating the feasibility of a grid involving Zaire, Angola, Namibia, Zambia and Zimbabwe, and was also investigating the feasibility of a second power station at Cahora Bassa.

Some money had been obtained for the rehabilitation of the line from Cahora Bassa to South Africa.

Safren denies it will take stake in Virgin

STAR 26/3/92

By Derek Tommey (332) (269)

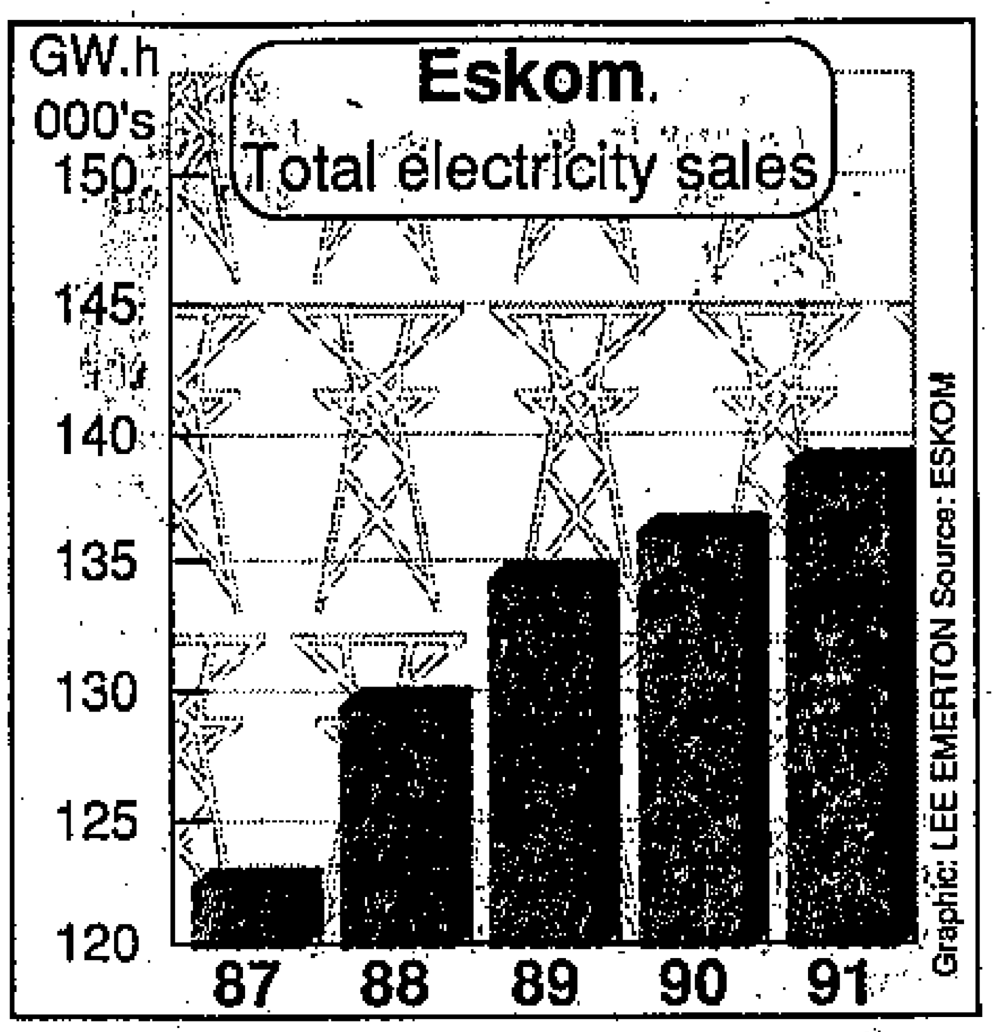
Safren had no plans to take an equity stake in Richard Branson's Virgin airline, said Safren's chief executive, Mr Buddy Hawton, last night.

He was commenting on a report in a British newspaper yesterday that Safren, the country's 12th biggest commercial group, could end up taking up to a 20 percent holding in Virgin at a cost of £55 million (R275 million).

Mr Hawton said the proposal was new to him. He had held discussions with Mr Branson about ways Safren could work with Virgin. But at no time had the possibility of Safren taking an equity stake in Virgin been discussed.

Talks about how the two groups could co-operate were still in the exploratory stage. But there were a number of areas where opportunities for co-operation existed.

FliteStar, in which Safren had a 37,5 percent stake, and Trek could also co-operate with Virgin.



Eskom to spend R3,5bn on projects

(55) EDWARD WEST

ESKOM planned to spend up to R3,5bn this year on electrification projects and refinancing maturing loans, MD Ian McRae said at the announcement of the electrical utility's annual results yesterday.

To fund this programme, R2,8bn would be borrowed while the remainder would be raised internally. Between R700m and R800m would be obtained from foreign markets, while about R1bn would be raised from local capital markets. The remainder would be financed from export credits and local money market sources.

Eskom planned to increase foreign borrowings from R407m in 1991 to between R700m and R800m in 1992 so as to introduce the utility to foreign markets and place it in a position to obtain better rates for future large-scale funding, he said.

Reduced net capital expenditure and a decrease in work under construction from R5,6bn in 1990 to R3,5bn in 1991 reflected the declining capital expenditure programme mainly because of surplus generating capacity, the 1991 annual report said. McRae said no more power stations would be built before the turn of the century.

By then between 10% and 15% of Eskom's electricity requirements would be imported to aid in the development of a regional electrification grid over southern Africa, he said. B/Day 26/3/92

Substantially more households would be supplied with electricity in 1992 and Eskom planned to supply 164 000 households with electricity through 280 electrification programmes. About 38 000 households were supplied with electricity last year.

Eskom saved R189m in productivity im-

☐ To Page 2

Eskom

B/Day 26/3/92

(55) ☐ From Page 1

provements last year. This amount included an abnormal item of R14,1m set aside for arrear debts of local authorities.

Eskom's 9% price increase this year was in line with a commitment to reduce real prices by 20% over the next five years. It would also continue providing price incentives at close to marginal rates to industries focusing on expansion for exports, said McRae.

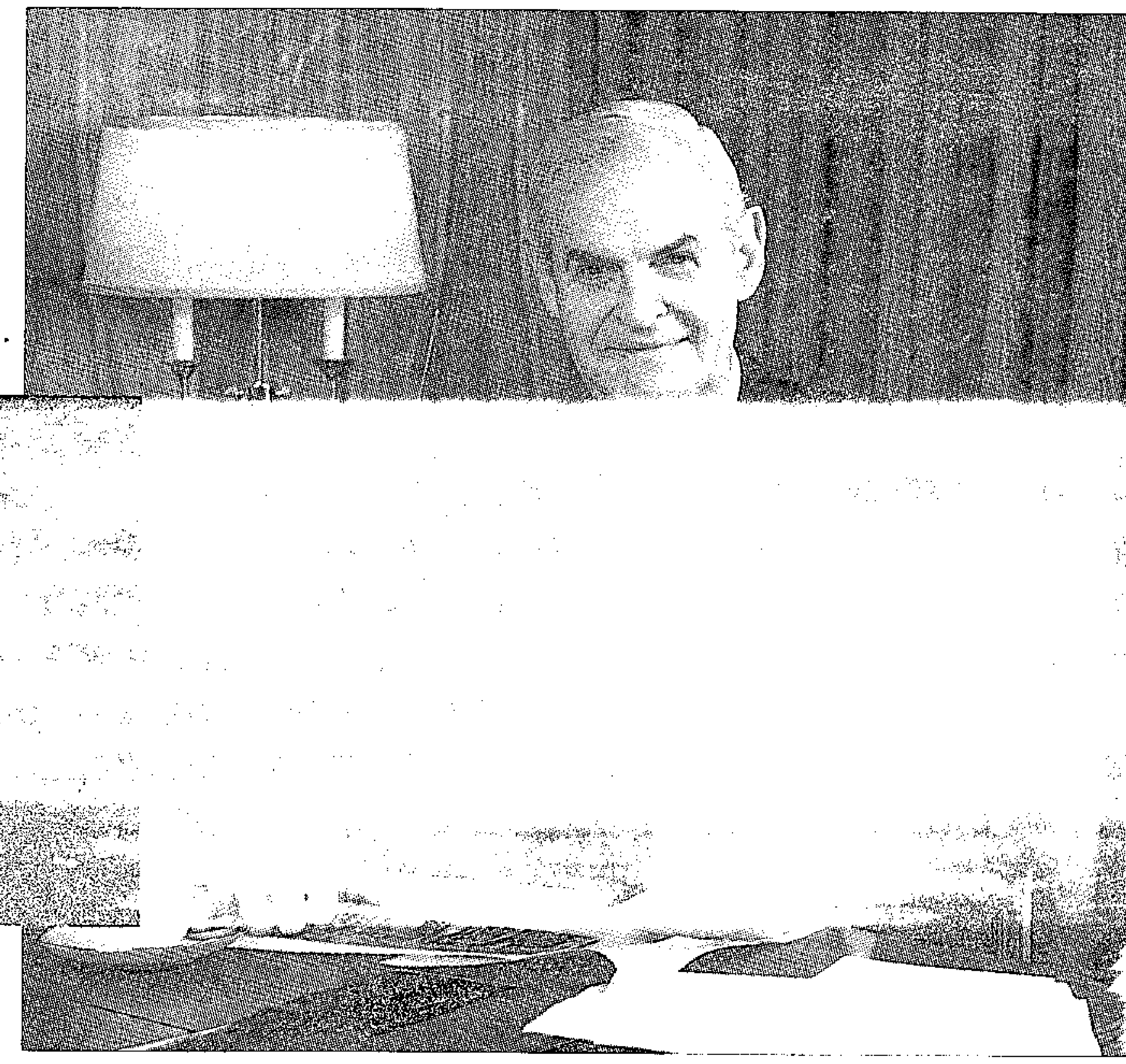
In 1991 co-operation agreements were signed with Germany, Spain, France and the Ivory Coast to facilitate technology and information interchange, as well as the possibility of working together on electrification projects in southern Africa.

Initiatives in southern Africa included feasibility studies on the western and central leg of a regional grid involving six countries, a contract in Mozambique financed by the World Bank and further studies on the Cahora Bassa projects where 70% of finance was available.

Eskom's turnover increased marginally from R10,7bn in 1990 to R11,7bn in 1991. Good management of finance and interest charges and better control over administrative costs saw this translate into a 16,9% rise in net income to R988m. Accumulated reserves increased from R9,6bn to R10,5bn.

Eskom chairman John Maree forecast moderate economic growth this year, with a concomitant growth in sales.

HIGHLIGHTS FROM THE CHAIRMAN'S REVIEW 1991



Sowetan 27/3/92

55

Dr John Maree, Chairman of the Electricity Council

1991 PERFORMANCE

The past year has been a difficult one for the South African economy, characterised by low growth, high interest rates and continuing high inflation. While the gross domestic product showed a negative growth of approximately 0,6%, electricity sales showed a modest increase of 1,8% which was slightly better than last year's 1,4%. The balance sheet strengthened as fixed assets increased by R1 375 million while the debt equity ratio improved to 2,49 from 1990's 2,68.

Eskom satisfied its funding requirements without putting pressure on the South African capital markets. Overseas financial markets started to open and it was possible to borrow modest amounts in Europe.

We decided to increase the price of electricity by 8% for 1991 which turned out to be some seven percentage points below the rate of inflation (Consumer Price Index) for the year. However, due to tight financial management, productivity improvements and better than expected turnover, we were able to achieve a net income higher than budgeted.

ECONOMIC GROWTH

The developments on the political front are exciting and we are confident that sensible and workable solutions will be arrived at. The political process, however, needs to be supported and accompanied by a fast-growing economy. Economic growth will be based on two main thrusts: South Africa becoming internationally competitive, and stronger emerging and small business sectors.

Reduction in electricity price

In the first instance, South Africa will have to compete in international markets, not only in commodities and processed raw materials, but also in manufactured goods, because future growth in international trade is going to be mainly in manufactured goods. Exports originate in the main from the formal sector of our economy. A large number of exporters are in heavy industry which is a large consumer of electricity. It is important that Eskom supplies them with high-quality electricity at a low price. To this end a 14% reduction in the real price of electricity has already been achieved over the last five years. While South Africa already enjoys very cheap electricity, we clearly need to continue our efforts to run Eskom even more effectively and efficiently and further reduce the real price of electricity.

Eskom is sufficiently confident of its future business performance to undertake to its customers that it will reduce the real price of electricity over the next five years by a further 20%. This reduction in the price of electricity will place many of our energy-intensive customers in a much stronger position to compete on international markets and thus stimulate the export of both raw materials and manufactured goods and encourage new investment in energy-intensive industries.

If we are to compete internationally we have to accept that we will all have to work as hard, if not harder, than our main competitors. We will not only have to develop an improved work ethic, but a greater loyalty to the organisation for which we work. Employers and employees need to work together to build strong organisations capable of competing on the world markets. In the process a strong economy will be built from which all can benefit. There are no short-cuts to economic success. Improved standards of living will only be achieved by hard work, and economic growth is dependent on using our management, labour and plant resources more efficiently and productively.

Electrification

In the second instance, economic growth depends on strong emerging and small business sectors because this is where substantial job creation takes place. Here also Eskom has a positive role to play. The development of the emerging business sector will be encouraged by the provision of electricity. Without electricity it is difficult for small business entrepreneurs to be productive, grow and be effective participants in the economy. The provision of electricity to more people will stimulate entrepreneurs and create more job opportunities and, at the same time, substantially improve people's quality of life.

We need to bring the benefits of electricity to as many people as possible. This can only be achieved if it is done on a viable basis. It is therefore absolutely clear that any electrification programme can only be achieved if the community wants it and is prepared to pay for it. It is also clear that communities need to be involved in the planning and provision of electricity to them. Eskom has an important direct and indirect role to play in the electrification process in our country and is actively engaged in all its aspects.

ENVIRONMENT

Environmental issues have emerged as being of critical importance, and Eskom has fully accepted its responsibility in this respect. The challenge we face in Africa is to make the emerging international concept of "sustainable development" an integral part of our business practice.

We must promote economic development while being mindful of the environmental constraints within which we operate.

OUTLOOK

As our country's international relations normalise, South Africa will take up its rightful place as the economic power of the region. African countries are looking more to the South and the large organisations are already identifying the various opportunities that will arise as doors open in the rest of Africa. Eskom is actively exploring methods of achieving closer co-operation with the countries of southern Africa.

Regarding the outlook for the coming year, it is anticipated that while the economy will show some improvement, it will be modest. We are thus planning for a small increase in sales. As a number of capital projects will come to an end we believe that we shall have little difficulty in raising the required funds in the financial markets. Our balance sheet will continue to strengthen.

Eskom will not only continue its efforts to be a good employer, but will continue to further the development of our people's potential, especially those previously disadvantaged because of colour or gender. Training will remain a high priority. We believe that we are well equipped to meet the challenges facing all large organisations during the emergence of the new South Africa.

John Maree

5 March 1992

Copies of Eskom's 1991 Annual Report may be obtained from the Communication Manager, P O Box 1091, Johannesburg 2000. Fax: (011) 800-4390.

INCOME STATEMENT

For the year ended 31 December	1991 Rm	1990 Rm
Turnover	11 726	10 736
Operating expenditure	7 173	6 366
Net operating income	4 553	4 370
Net interest and finance charges	3 240	3 302
Net income before abnormal items	1 313	1 068
Abnormal items	325	223
Net income	988	845
Accumulated reserves at beginning of year	9 600	8 755
Accumulated reserves at end of year	10 588	9 600

BALANCE SHEET

At 31 December	1991	1990
CAPITAL EMPLOYED	Rm	Rm
Reserves	10 965	9 931
Net interest-bearing debt	27 266	26 590
	38 231	36 521
EMPLOYMENT OF CAPITAL		
Fixed assets	35 405	34 030
Non-current assets	2 387	2 501
Net current assets	439	(10)
	38 231	36 521

ESKOM

WATER PROVISION

55

To the last drop

FM 27/3/92

Regional agreements on water and energy should flow from political accord

Every time SA is hit by drought, a great debate arises — and since we are so frequently hit by drought, perhaps it's time the real issues of the debate were clarified.

Certain essentially simple questions lie at the heart of the matter — though the kinds of argument they provoke are far from simple. They have to do with the availability of water for a growing population and economy. Will there be enough to go around and is it in the right places? If not, where will the water come from — and how?

The provision of water is no longer only a national issue; it has to be seen in a broader, subcontinental context. As Eskom CE Ian MacRae's vision of a power grid linking SA with its northern neighbours begins to take effect — with Zaire's massive Inga hydropower scheme acting as the possible fulcrum for growth — co-operation on water needs to be thought out too.

The Inga project is designed to harness the mighty waters of the Zaire River and offers a potential 50 000 MW boost for linked African states, compared to SA's total current demand of 25 000 MW. It is this Zairean power rather than the river's ample water (it would simply not be feasible to pump it down here) which offers a solution to SA's water scarcity. Cheap hydropower would enable us to consider imaginative projects, such as pumping desalinated seawater from the coast to the PWV.

With a political settlement realisable within a few years, the doors now opening to MacRae's vision would similarly allow regional thinking on water politics to benefit massively the entire subcontinent. This does not mean that making the best use of local water is to be scorned.

Thus, consulting engineer Basil Lund suggests, cheaper local water could be obtained by pumping water from the Orange up a series of 20 weirs in the Caledon River to provide almost the same volume as the Lesotho Highlands Water Project at a fraction of the cost. But regional co-operation will bring synergies from regional agreements — already the case with Lesotho — and Swaziland, Mozambique and Botswana have signed similar multi-use agreements with SA.

The big targets remain Zimbabwe and Zambia and future use of the ample waters of the Zambezi.

The financial dimension is as important. Potentially huge injections of foreign aid and investment in power and water projects could become the catalyst for a continental trade and economic co-operation bloc from the Cape to Sudan and even Egypt.

Desmond Midgley — hydrological consultant and former professor of hydraulic engineering at Wits University — puts the matter in perspective: "While an arid SA has been blessed with mineral riches and is the natural economic powerhouse for the region, our neighbouring states to the north should start trading with SA in something that can be far more lucrative than relatively cheap labour sold to our mining houses — water and power."

Eskom's MacRae adds: "We now have the effective co-operation of all the Southern African Development Co-ordination Confer-

Continue →

 FM 27/3/92 (55)

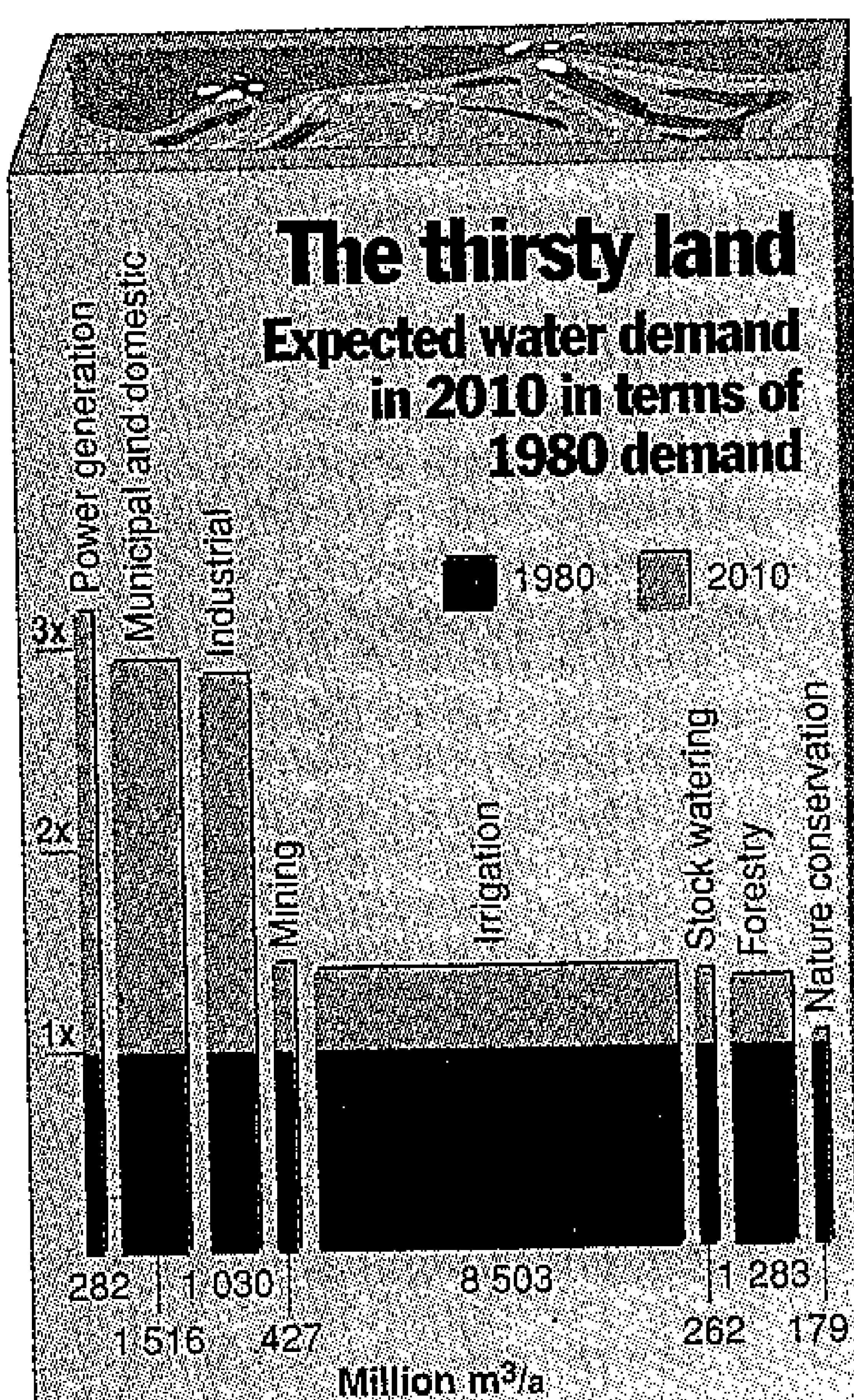
ence states, including Tanzania, for launching a study on the implementation of a regional power grid. This will begin next month." He says Italian firms are sniffing around for possible contracts and the World Bank is interested.

MacRae — who tirelessly propounded the power grid philosophy right through the sanctions years — says linking power and water makes sense. The two are often directly interlinked, as with the Tugela pump storage scheme — admittedly only between two SA provinces. "By importing about 10%-15% of its power needs from southern African states from 2000 onwards, SA would not only save the capital costs of funding a R12bn power station over the next 30 years; the cheap power from Inga would also assist in keeping down our electricity prices and so make desalination more viable."

Other direct spin-offs would include conserving coal reserves for future use or exports and protecting the environment against further acid rain and CO_2 pollution.

Pumping water to SA from the Zambezi would meet SA's burgeoning water demands from 2020 onwards. Once political ramifications have been contractually sorted out with downstream users in terms of the so-called Helsinki guidelines (on developing rivers to the benefit of riparian countries) huge volumes could be pumped to SA and Botswana at contracted fees.

Midgley says that by 2020 there will be an annual 1bn m³ water shortfall in the PWV heartland — even after inclusion of an annual 2,5bn m³ from the Lesotho project and 2bn m³ from the Tugela and other eastern escarpment rivers. This shortfall could be met from the Zambezi — given the right agreements.



Source: DEPT OF WATER AFFAIRS

Supplies from the Zambezi could rise towards 4bn m³ annually, Midgley adds. "The main problem would be compensating these states for the potential loss on electricity generation by diverting a portion of the river's flow to SA and Botswana. But, while a 10% diversion of the estimated 40bn m³ annual flow at Victoria Falls would require upstream storage, this would enable a major increase in the power generating potential at Victoria Falls and at Batoka Gorge, which would greatly reduce the need for downstream compensation."

He points out that diverting the initial 20 m³ per second (cumec) flow — about 600m-700m m³ a year — could be done without building a dam. It would involve canals of about 1 300 km and pumping stations to push the water to SA. The 20 cumec flow would be similar to the yield from the initial phases of the Lesotho scheme and yield water at much the same cost — about R7bn at current levels.

Henry Olivier — retired chairman of LTA and the man responsible for building the huge Kariba and Cahora Bassa dams on the Zambezi — sounds a warning. It is "virtually impossible" to obtain contractual agreement on third-party usage of international waters because downstream riparian owners of the Zambezi's water (Zambia, Zimbabwe and Mozambique) would have to agree to sell some of the river's excess to SA.

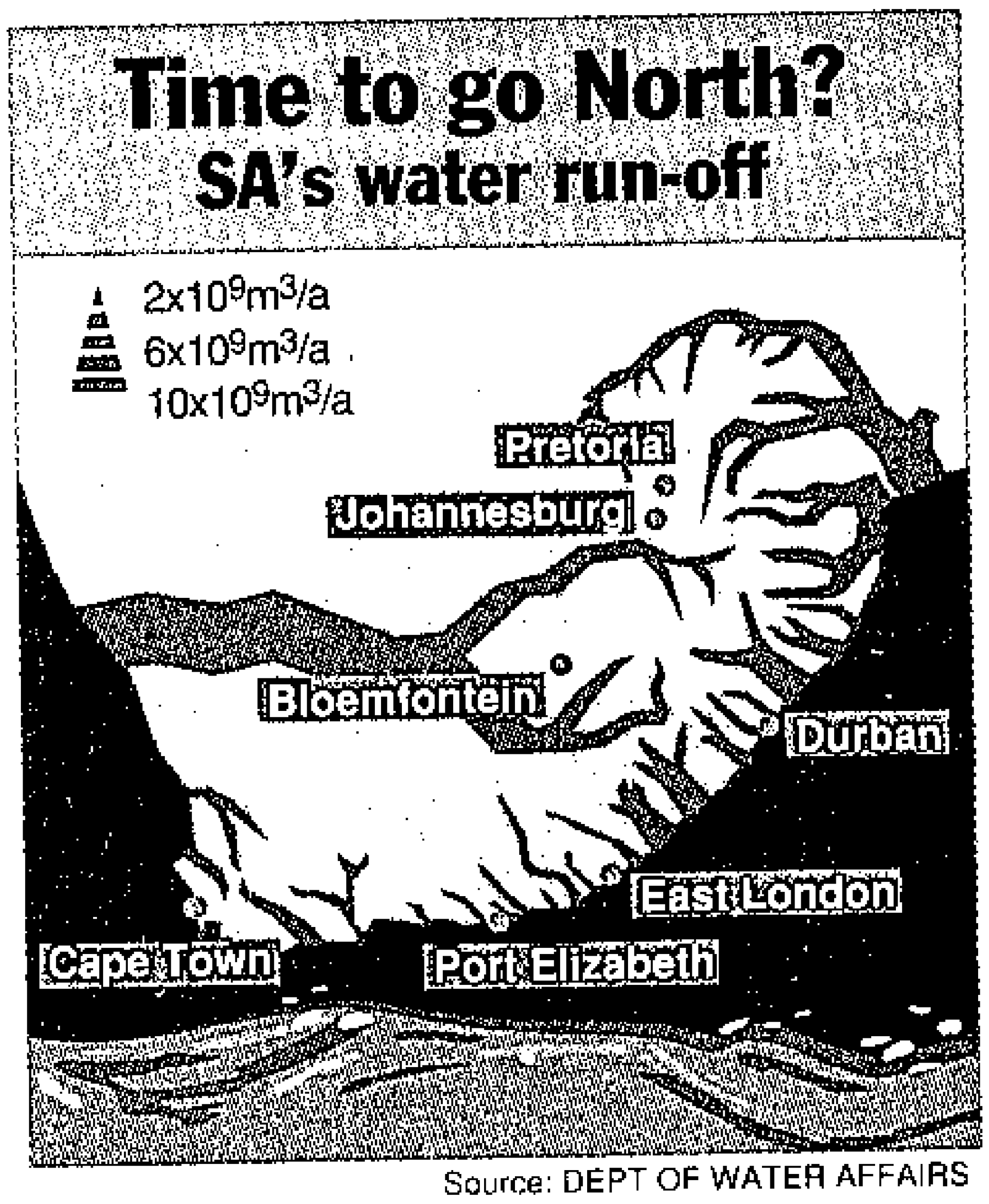
Olivier, involved in forward planning of the Owen Falls scheme at Lake Victoria, recalls that diverting the Nile proved impossible. When he was in charge of the Indus Basin project for the World Bank in 1960-1969 (diverting rivers between India and Pakistan) he had first-hand experience of the acrimony that arises between nations over water use.

Olivier says Lund's Caledon pump scheme was studied when he was involved with initiating the Lesotho project; and it was found to be "more expensive" than the Lesotho scheme. Two other schemes would have his support: building a huge dam on the Umzimvubu River upstream from Port St Johns in Transkei; and pumping desalinated sea water (using Inga power) from the coast to the interior.

Olivier adds: "The 700 ft high Transkei dam (the first of a possible five, which could yield a further 20 cumecs) could also generate 2 000 MW of power and provide not only the thirsty eastern Cape with water but could augment the Orange River system and, from there, the Vaal system feeding the PWV. This is a more feasible proposition than trying to negotiate the use of Zambezi water."

Pumping desalinated sea water with cheap Inga power would also make sense. Midgley says the Zambezi water could be provided at a current cost rate of R2/m³, compared with the cost of about R6/m³ to desalinate sea water — even before you start pumping it to the PWV. But, says Olivier, using off-peak power for desalination would reduce costs.

Midgley agrees that desalination — using



Source: DEPT OF WATER AFFAIRS

sophisticated modern techniques which involve lowering water's boiling point at reduced air pressures — should be considered. This could be done as a spin-off from the construction of the next coastal nuclear power station, which could then dedicate half its output to a desalination plant. But using Zambezi water would probably be much cheaper. Lund comments: "If it would take years to negotiate the use of Zambezi water, all the more reason why we should start talking now."

In the PWV, where water shortages would have the most disastrous economic impact, Lund reckons another and cheaper option has not yet been thoroughly investigated. This is what he terms flood harvesting. He explains: "SA is subject to recurrent floods when massive volumes of water rush down to the oceans. By building a huge, 28 m-deep dam with a 12 km wall near Vanderbijlpark, a volume of water four times that stored in the Vaal Dam (about 8bn m³ compared to Vaal Dam's 2bn m³) could be trapped when the next flood hits.

"This would provide fairly cheap water reserves far in excess of the Vaal Dam's capacity and be less subject to evaporation than the 6 m-7 m deep Vaal Dam. But part of such a scheme would be to keep the Vaal Dam at minimum volume so that it could catch and retain stormwater for the lower dam."

Lund's proposed flood dam would yield more than half (12-13 cumecs) the Lesotho Project's first stage at a cost of only about R1bn-R2bn — against Lesotho's R10bn. He adds that the Caledon scheme could yield the same volume as Lesotho's final stage (proposed yield of about 70 cumecs at current cost of about R20bn) for R3bn.

Both the Caledon pump scheme and Vanderbijlpark flood dam proposition have been submitted to the Department of Water Affairs (as well as Olivier's plans for the Umzimvubu dams).

"The longer we wait to make a decision, the higher the end costs to the economy," he says. The assessment seems accurate. ■

Graphic: LEE EMER

S/Times (Buss)

Tatung for SA?

29/3/92

(55) (73)

THE Taiwanese industrial giant Tatung is considering investment in South Africa, says Mr W S Lin, president of the $2,5-billion company.

On a visit to SA to the local Tatung Information Technology products distributor CSS Group last week, Mr Lin had meetings with Eskom.

He said the cost of electricity in SA, among the lowest in the world, is an attraction to any energy-intensive manufacturing process.

He added that SA's huge supplies of natural resources were an additional incentive and would be suited to automotive catalytic convertors that require platinum catalysts.

Eskom to connect 700 000 by 1997

S|Times (B455) 29/3/92

55

By DON ROBERTSON

ESKOM is going all out to electrify 700 000 homes in the next five years. According to the corporation's annual report released this week 38 050 homes were connected to the electricity supply last year, and the plan is to connect a further 164 000 this year.

It is proceeding with the programme even though loss of revenue due to non-payment of accounts amounted to R291-million last year. The figure is expected to rise to R390-million this year. Repayment has, however, improved in recent months.

Capital expenditure in the current financial year is expected to be about R2,8-billion. This will be on electrification schemes and the completion of new power stations to which the organisation committed itself in the early '80s.

Between R700-million and R800-million of the capital requirements will be raised overseas, with a further R2-billion from local capital and money markets.

Capital expenditure in the mid-1990s will decline because of surplus generating capacity. The annual report states that foreign loans will begin to play a greater role as a source of funds than in recent times.

Total debt was R27,2-billion at the end of the year compared with R26,6-billion, but finance charges dipped marginally to R3,2-billion from R3,3-billion.

Eskom plans to reduce the cost of electricity to industries by 20% in real terms in the next five years after a 14% decline in the past four years. It says local electricity prices are among the cheapest in the world.

IAN McRAE

This, says chief executive Ian McRae, will enable large users of electricity such as major manufacturing industries to compete successfully on international markets.

The lower tariffs are expected to stimulate the export of raw materials and manufactured goods, and encourage new investment in energy-intensive industries.

Reliability

This has all been made possible by a substantial improvement in operation efficiency. Administration costs rose by only 7,1%, manpower expenses moved up by 9%, while the staff complement fell to 46 600 from 50 000 in 1991. Productivity has increased, with electricity output generated by each employee having risen by more than 100% since 1985.

At the same time, water and coal consumption per unit of electricity has been reduced and plant reliability has risen substantially.

Announcing much improved results for the year to December, Mr McRae says this boon to the consumer and industry has been made possible by savings of R198-million last year. Efforts to keep coal prices down and savings on interest charges also helped. Last year net income improved to R988-million from R845-million in the previous year, from turnover which rose to R11,7-billion from R10,7-billion. This pushed accumulated reserves at the end of the year to R10,5-billion from R9,6-billion.

Executive director of finance and services Mick Davis says the increase in income of R143-million was made up largely by an increase in sales and productivity improvements.

The balance-sheet was also strengthened, and fixed assets increased by R1,3-billion while the debt-equity ratio improved from 2,68 to 2,49.

Sales of electricity rose by 1,8% last year compared with a budgeted 0,3% and an increase of 1,4% in the previous year. A further downturn in the economy towards the end of last year and difficulties experienced in the mining industry, which uses about 25% of electricity generated, could mean that sales will rise by only 1% to 1,5% in 1992.

Although demand increased by 1,8%, installed capacity rose by 7,6% and 5 061Mw of capacity was in reserve storage or mothballed. This is expected to be sufficient to meet demand up to the year 2000.

Rivers are 'untapped resource'

B/Day 1/4/92 55

DEVELOPMENT of southern Africa's untapped wealth of hydro-electric resource on the Zambezi and Congo rivers could turn the region into one of the world's growth areas, said a senior Eskom official.

Financial planning manager Hugh Ashby told a conference on capital expenditure prospects that the vision of an integrated sub-Saharan transmission network was no longer a pipe dream.

However, there had to be political stability and free market economies in the region to attract the enormous amounts of capital investment needed for such power projects, he said.

Ashby said the hydro-electric capacity of the Zaire River was estimated to exceed 100 000 mw, more than the installed hydro power of the US and four times SA's existing capacity needs.

Ashby said a complementary northern African power grid was envisaged which would be integrated with the Eureopean electricity transmission system.

Eskom had reached agreement on the rehabilitation of the Cahora Bassa hydro-electric scheme in Mozambique, predicated on the supply of about R50m of equipment from SA.

"Once stability in Mozambique has been restored there will be considerable demand for more hydro schemes on the Zambezi," he said.

Capital needed for such investments would come from international development agencies. — Reuter.

Expansion at SA refineries

BiDay 1/4/92

SA OIL refineries were expected to spend more than R4bn on expansion projects by the end of 1995, said CE of Engen's Genref refining arm Errol Martin. SS

He told a conference on capital expenditure prospects that petroleum companies were operating close to maximum capacity in SA despite an underperforming economy.

"The imposition of sanctions during the 1980s inhibited the multi-nationals from increasing capacity."

Instead, the industry resorted to enhancement programmes, like better process control, which were now at or near completion.

Engen is SA's first integrated energy company, with activities ranging from oil and gas drilling to petrol pump sales. As part of Gencor, it incorporates Mobil's former SA operations.

Faced with a gradual return in domestic demand for liquid fuel from 2% now to at least the 6% annual growth averaged in the 1980s, oil companies' only alternative to expansion was the costly importation of refined products. Martin said Engen believed that relaxed sanctions would allow SA to replace more distant sources as the preferred supplier of oil products to countries in its region. — Sapa-Reuter.

Mossgas gets boost from gas delivery

(55)

ARG 2/4/92

STEFAANS BRÜMMER
Staff Reporter

ALMOST four years of construction and preparation work on Mossgas's elaborate offshore production platform has come to fruition with the arrival of the first gas onshore this week.

The delivery of gas — travelling 91 km by pipeline from the platform 85 km offshore to the onshore synthetic fuel plant 11 km west of Mossel Bay — marked the start of "hot" commissioning work on the controversial multi-billion rand project's processing units.

A Mossgas statement said substantial production was expected towards the end of the year and full production by the third quarter of next year.

The arrival of the gas — consisting of about 85 percent methane and some ethane, propane and nitrogen — followed the pulling of the plugs on the first two wells late on Friday after a certificate of fitness from insurers.

Another three wells will eventually be opened.

In about two weeks the first oil condensate — which is separated from the gas at the offshore platform and travels much slower — will reach the onshore plant via a separate pipeline.

For the first few months the gas will be used for commissioning and the liquefaction of a portion to serve as a back-up supply.

Yes vote could result in cheaper fuel — Engen MD

(55) ARG 3/4/92

Business Staff

JOHANNESBURG. — The Yes vote in last month's referendum could result in cheaper petrol, says Robert Angel, MD of Engen, South Africa's major oil company.

He believes the Yes vote will lead to a speedy lifing of the UN embargo on oil sales and so to lower import prices for crude oil.

He was speaking at a presentation yesterday of Engen's profits for the six months to February.

Although Engen did not have an easy time, operating income increased.

Helped by a steep rise in investment income from last year's rights issue, Engen has been able to report a 69 percent rise in attributable earnings.

However, a 40 percent rise in the number of shares in issue restricted the increase a share to 20,6 percent.

The interim dividend has been raised by 19,1 percent.

The interim profit statement shows that turnover for the six months rose rose only 4,4 percent to R3,2billion.

But, helped by two petrol price increases of 2c a litre in wholesale margins last year, operating income rose 15,2 percent to R190 million.

Net financing income from the cash raised by the rights issue brought in another R67 million (year ago, R5 million) and contributed to pre-tax earnings rising R87 million to R257 million.

Because the investment income was tax-free, tax took only R50 million — an increase of only R2 million on last year.

This resulted in taxed income of R207 million (R122 million last year).

Earnings were 134c (111c) a share. The interim dividend has been raised from 42c to 50c a share.

Domestic sales showed only a marginal increase, but exports to other African countries rose threefold, though off a low base.

Mr Angel said exports were beginning to assume considerable importance, but that margins were low.

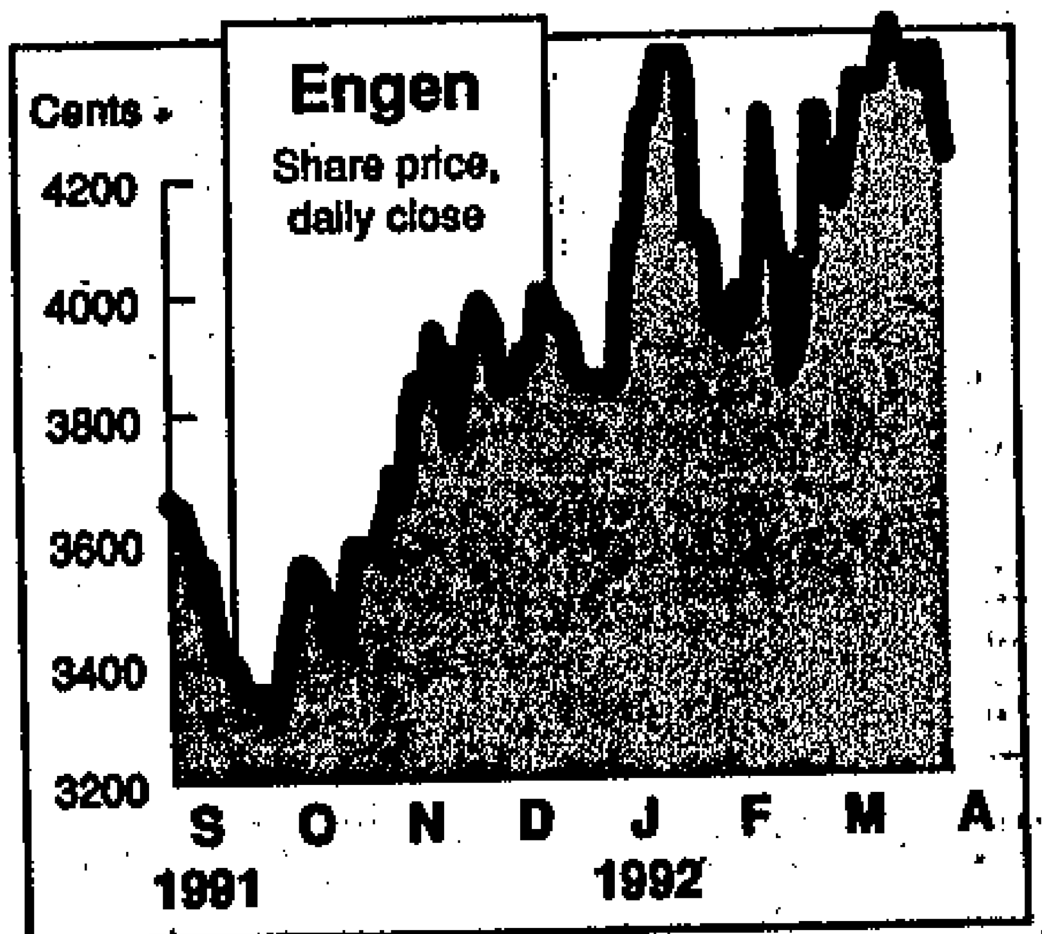
He said Engen was forging ahead with its expansion programme aimed at increasing revenue and profit.

Engen headed for record earnings

(SS)

B/Day 3/4/92

MATTHEW CURTIN



Graphic: FIONA KRISCH Source: I-NET

OIL and fuel producer Engen is heading towards a year of record earnings growth after attributable profit surged nearly 70% in the six months ended February 1992.

Engen, the Gencor group's energy arm, declared a 19% higher interim dividend of 50c, against 42c a share in 1991.

Attributable earnings rose 68,9% to R206m from R122m in 1991. This translated into a 21% jump in earnings a share, to 134c from 111c given the greater number of shares in issue after Engen's 1991 rights issue.

MD Rob Angel said yesterday although refining margins were lower so far this year than last, they were unlikely to fall further and Engen's "second half-year's results should match those of the first".

At a news conference in Johannesburg, Angel said interim earnings included R20m injected from the group's inventory reserve, set up to counter the vicissitudes of the commodities cycle on Engen's earnings. The reserve stood at R84m at year-end 1991, containing much of the windfall profits the group earned on good refining margins during the Gulf war.

In the interim, a R67m boost from interest earnings on its R1,1bn rights issue last year, on top of better wholesale margins and fuel prices, dramatically improved the effect of only modest sales growth on the group's bottom line. Turnover rose only 4% to R3,2bn from R3bn in 1991, but operating income increased more than 15% to R190m from R165m.

Engen paid only R2m more tax in the period — R50m against R48m in the interim 1991 — despite its improved profits because of its large capital spending programme and the investment of surplus rights issue cash mostly in preference shares. The group's effective tax rate fell

□ To Page 2

Engen

B/Day 3/4/92

(SS)

□ From Page 1

to 19,5% from 28,2%, and Angel said the group would probably add R40m to its R96m tax reserve by year-end.

Angel said sales were far from "sparkling" in the period with a 3% increase in the amount of fuel products sold and a greater share of the petrol market, which rose 5% in total. Diesel sales fell, reflecting the slump in industry and agriculture.

Export sales soared more than 300% albeit off a low base, and now made up 10% of total sales.

Angel said by running 15% more crude oil through Engen's refinery the group offset lower refining margins.

Engen spent R248m in the interim mostly on the phase 1 expansion programme of the Genref refinery, which was on schedule and ready to boost refining capacity by 30% when it came on stream in late July. The upgrading of Genref would also improve yields of higher value oil products, reduce working costs and provide better environmental controls. He said the feasibility study for the phase 2 expansion, which would lift capacity by another 40%, was at an advanced stage.

Angel added that Engen had created a new chemicals division, including Mobil's specialised products division, but would not comment on speculation that the group had bought chemical company Aktol, formerly owned by US oil-giant Exxon.

● See Page 9

'Yes' vote 'paves the way for Engen in Africa'

B/Day 3/4/92 (55)

MATTHEW CURTIN

LAST month's "yes" vote in the referendum had paved the way for oil and fuel producer Engen to become the dominant player in the sub-Saharan region, said MD Rob Angel.

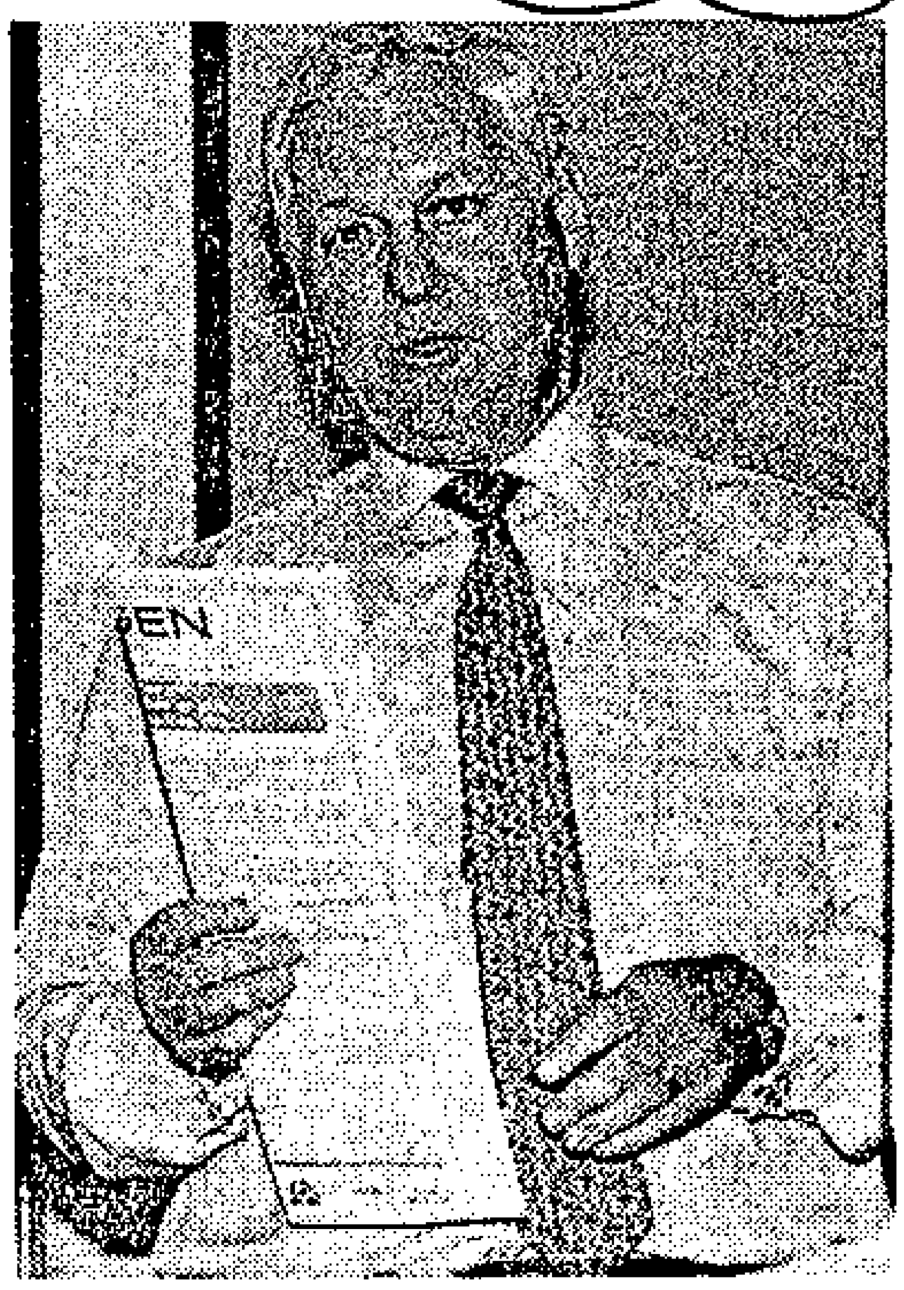
Angel said the vote would enable Engen, the Gencor group's energy arm, to achieve its potential in Africa, and had improved chances that the UN oil embargo on SA would be lifted by the end of the year.

Speaking at a news conference in Johannesburg yesterday, he said Engen had necessarily been secretive about its activities in Africa, but this was decreasingly the case today.

Engen had a formal presence in 15 African countries outside of southern Africa (SA, Botswana, Lesotho, Namibia and Swaziland). Angel said the group was selling a wide range of its products — from fuel to lubricants — in these countries.

The limit on exports to the subcontinent and Indian Ocean islands was not the size of the market but Engen's refining capacity.

The 30% increase in Engen's refining capacity, which would come on stream in late July with the completion of the phase 1 Genref expansion programme, would immediately be taken up by refining for subsidiary Trek and meeting export demand.



● ANGEL

In the six months to end-February, the group had sold more fuel and oil products on the continent than it had in the whole of financial 1991, when exports stood at 300-million litres, 5% of total sales volumes.

Exports now accounted for about 10% of sales, which in the interim stood at R3,2bn.

Angel said Engen officials returned last week from a visit to the Congo, where the country's oil industry authorities had invited the group to explore for oil and restructure its downstream infrastructure. Engen was involved in a joint drilling programme with BP in the Congo.

He said Engen had started drilling a second oil exploration well in Gabon, six weeks after the completion of a first well, from which results had been encouraging.

Engen was bidding with other overseas partners, including Chevron, for two offshore oil exploration licences in Namibia. Exploration off the SA coast in the Bredasdorp Basin was continuing at a slower pace.

There were no likely large oilfields in the basin and Engen was waiting for new technology to become available to maximise the potential exploitation of small pockets of oil which could be drilled economically.

He said West Africa was the area of greatest potential for oil discoveries. Engen was involved in three countries in the region, and in another five in East and Central Africa.

A 'yes' for Engen too

(55) CT 3/4/92

Own Correspondent

JOHANNESBURG. — Last month's "yes" vote in the referendum had paved the way for oil and fuel producer Engen to become the dominant player in the sub-Saharan region, said MD Rob Angel yesterday.

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Speaking at a news conference in Johannesburg yesterday, he said Engen had necessarily been secretive about its activities in Africa, but this was decreasingly the case today.

Engen has put in a credible performance for the six months ended February, posting a 69% increase in net income — thanks to a good return on funds invested in preference shares and higher wholesale margins.

Attributable income increased to R206m compared to the the February 1991 figure of R122m on a 4,4% higher turnover of R3,228bn.

Operating income broadly reflected the rate of inflation, increasing 15,2% to R190m.

Releasing the results to the media on Thursday Engen chief executive and managing director Rob Angel said while turnover had only increased marginally the tax efficient investment of some funds raised by way of rights issue and a total increase of four cents a litre granted by the authorities on wholesale margins had assisted tremendously in producing better than expected results.

However, Angel pointed out that exports which increased threefold, had also contributed to the improved performance.

Exports represent a significant proportion of Engen's volumes, roughly 10%.

Earnings per share amounted to 134c a share on an increased number of shares in issue while a dividend of 50c a share was declared.

Engen foresees swift end to the oil embargo

STAR 3/4/92

(55)

By Derek Tommey

The Yes vote in last month's referendum could result in cheaper petrol, says Robert Angel, MD of Engen, South Africa's major oil company.

He believes the Yes vote will lead to a speedy lifing of the UN embargo on oil sales and so to lower import prices for crude oil.

He was speaking at a presentation yesterday of Engen's profits for the six months to February.

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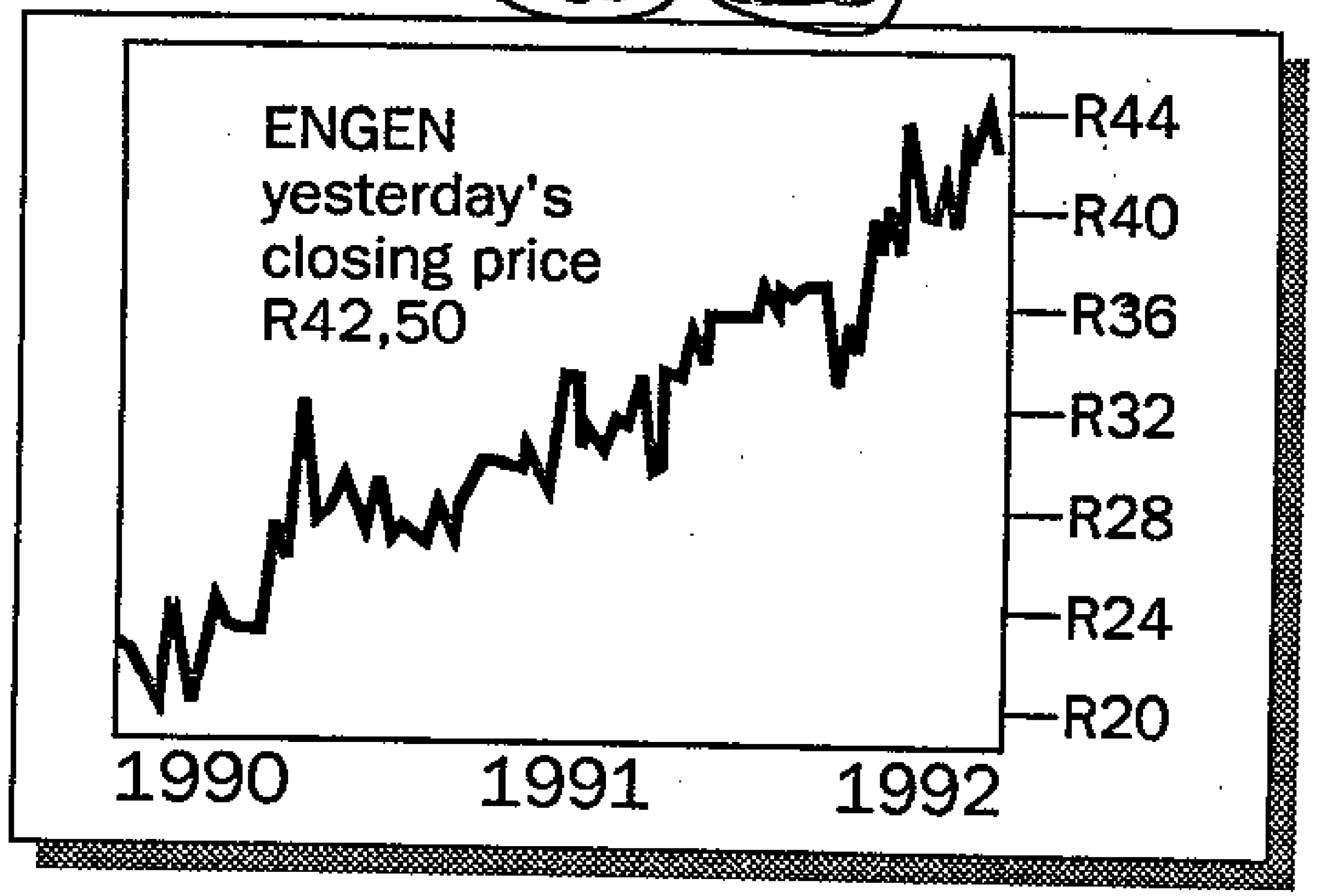

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Mr Angel said exports were beginning to assume considerable importance, but that margins were low.

He said Engen was forging ahead with its expansion programme aimed at increasing revenue and profit.

The rebuild of the lube oil blend plant at Island View in Durban and the new grease plant at Chamdor were completed in February and both projects were within budget.

Phase 1 of the refinery expansion aimed at increasing production by 30 percent was progressing well and remained on budget, he said.

The refinery at Durban would be shut for several weeks from mid-June and production should resume in late July.

Mr Angel said the 30 percent increase in production would be absorbed the day it came on stream.

A feasibility study for the Phase 2 expansion of the refinery, providing for a further 30 percent increase in production, was at an advanced stage.

Some R70 million had been provided for detailed engineering studies and for placing orders for long-delivery equipment items.

Mr Angel said the £665 million (R3,3 billion) Alba oil development in the North Sea, in which Engen had a two percent stake, was on schedule and on budget, with the first oil expected towards the end of 1993.

Pre-development studies and appraisal drilling were in progress on the Britannia (formerly Kilda) gas condensate field, also in the North Sea.

He said the programme schedule had been accelerated and should start production in 1997.

Exploration continued in the Bredasdorp Basin in the southern Cape with two exploration and two appraisal wells, and in Gabon with two exploration wells.

● The Mobil name would soon disappear from the South African motoring scene to be replaced by the Engen name.

Mr Angel said this was being done in terms of the agreement made when Engen acquired Mobil's South African activities.

EC plans to lift embargo on oil exports

B/Day. 7/4/92

LUXEMBOURG — The EC would lift an embargo on exports of oil to SA, German Foreign Minister Hans-Dietrich Genscher said yesterday.

"There will be a decision on lifting the oil embargo in the expectation that this will contribute to positive developments, especially in the forming of an interim government," Genscher told reporters at a meeting of EC foreign ministers.

Portuguese Foreign Minister Joao de Deus Pinheiro, who chaired the meeting, said details would be announced later.

Government yesterday said the move would help SA's return to world trade.

Foreign Minister Pik Botha said: "As far as I am concerned sanctions have gone. The playing field is level. It's now up to us to resolve the situtation inside SA."

ADRIAN HADLAND reports that DP energy spokesman Roger Hulley described the move as "a very positive one which will provide an important economic boost. It will help bring the price down."

Hulley said the lifting of the embargo would make it possible to sell off further oil reserves worth several billion rands.

Industry and JSE sources, however, predicted that while the EC move would go some way to removing the cost of obtaining supplies, it was unlikely to have a significant effect on pump prices.

Mineral and Energy Affairs director-general P J Hugo would only say the announcement was good news.

EC diplomats said ministers were also expected formally to end sanctions still barring sporting, scientific and cultural contacts. The sanctions which will remain are embargoes on imports and exports of arms and sensitive goods for the armed forces, along with measures affecting military and nuclear co-operation.

SA's ambassador to the EC Bhadra Ranchod, anticipating the lifting of the embargo, said it would help improve ties and inspire business confidence.

The PAC's observer mission to the UN protested against the EC decision, saying it was a "gross violation" of the UN Security Council's mandatory sanctions against SA. — Sapa-Reuter, AP-DJ.

EC to lift embargo on SA oil exports

STAR 7/4/92.

(55)

The European Community is to lift an embargo on exports of oil to South Africa, following a similar move by the US last July.

German Foreign Minister Hans-Dietrich Genscher meeting with his EC counterparts in Luxembourg yesterday said the decision, due to be ratified last night, was being taken in the expectation that this will contribute to positive developments, especially in the forming of an interim government.

Diplomats said Ministers were also expected formally to end remaining sanctions involving sporting, scientific and cultural contacts, which in effect have already lapsed.

The only sanctions which will remain are embargoes on imports and exports of arms and sensitive goods for the armed forces, along with measures affecting military and nuclear co-operation.

The moves follow the vote by whites last month in a referendum to back President de Klerk's efforts to dismantle apartheid and reach agreement on a new constitution with the majority black population.

The Community agreed to end its ban on new investments in South Africa at the end of 1990, and its ban on the imports of iron, steel and gold coins early in 1991.

Oil industry operators in South Africa welcomed the unexpected announcement, but noted that the Community's decision will have limited financial impact. For the past few years South Africa has been buying its crude at world prices, paying little if any premium.

The diminished impact of the embargo was already evident last year when the Government announced it would sell part of its strategic reserve to finance social upliftment.

It will, however, allow South Africa to diversify its sources of supply. The country will also be able to trade crude oil products openly.

What remains unclear is the extent to which yesterday's announcement will undermine the United Nations' embargo which remains.

Locally, it will provide added impetus for the decentralisaton of oil procurement, which has been controlled by the Central Energy Fund.

Shipping Research Bureau, an Amsterdam-based monitoring group, estimated that South Africa's oil imports cost $1,6 billion (about R4,48 billion) in 1989.

Demand is about 30 percent below that of the mid-1970s due mainly to progress made by South Africa in achieving a level of self-sufficiency through developing a synthetic fuel industry which converts coal to oil and gas.

The PAC observer mission to the UN yesterday protested against the EC move. — Financial Times News Service, Sapa.

Embargo lifting 'symbolic'

B Day 8/4/92

DARIUS SANAI

THE lifting of the EC's oil embargo carried only a symbolic effect, with little benefit expected to be derived for the domestic economy or fuel users, leading industry sources said yesterday.

A shroud of secrecy imposed by the Petroleum Products Act prevents government officials and others from commenting openly about the oil embargo or oil purchases.

But officials within the Mineral and Energy Affairs Department and senior sources within the oil industry said yesterday the lifting would have little short-term effect on SA.

An Engen spokesman said SA's efforts to secure oil in spite of the embargo had been so successful that the EC's actions would matter little. But the lifting could act as a catalyst for the UN and Arab League to lift their embargoes.

Although the effects on domestic prices would still be small in the long-term, such a move would lead to the reincorporation of SA's oil industry into the international oil world, the spokesman said.

Other industry sources said Sasol would ultimately benefit from the relaxing of the embargo. "At the end of the day, secrecy costs money, and if they can stop being secretive, they will save money," one said.

Some EC members carried considerable political influence, and the Arab League and Opec member states could take a new stand on SA by the end of the year, another said.

A spokesman for Caltex said no change in SA petrol prices could be expected. "Nevertheless, freer access to world crude can only be a good thing," he said.

Meanwhile Sapa reports Inkatha has welcomed the move.

IFP economic spokesman Gavin Woods said fuel that had been stockpiled over the years should now be sold off at a faster rate than at present.

● Comment: Page 8

Fuel price drop unlikely (55) – expert

By Paula Fray STAR 8/4/92
Consumer Reporter

The dropping of the United Nations-imposed oil embargo — lifted yesterday by the European Economic Community — will not mean an immediate drop in fuel prices but could have wide-ranging benefits for South Africa, say experts.

Automobile Association spokesman Robin Scholtz said a dropping of the embargo would, hopefully, bring about a long term drop in the petrol price.

"It won't be an overnight drop because there are already contracts in place," he said.

Econometrix economist Tony Twine said that since the embargo was imposed by the UN in 1972, South Africa had had to pay premiums on each barrel of imported crude oil to reward the sanctions breakers.

There had been many estimates of what exactly the premium average had been over the past 20 years. But P W Botha had been quoted as saying the premium was an average of $2 a barrel.

However, this premium would have varied from time to time, Mr Twine said.

Because of the possibility that oil sources would dry up, South Africa had also stockpiled.

Barend du Plessis had said South Africa had stockpiled up to R7 billion worth of crude oil "which is clearly an inventory cost to the economy as a whole as well as to fuel users".

"The lifting of the ban could release that inventory — some of which has been sold already — as there would be no need to hold on to several years of strategic stockpile," said Mr Twine.

Another by-produt of the oil embargo, said Mr Twine, was the building of Sasol 2 and Sasol 3, as well as Mossgas. Theoretically, the lifting of the embargo would do away with the need for these.

Another possible advantage — "a big plus for regional development" — would be that South Africa had the capability to refine Angolan and Cabindan oil.

At the moment the motorist, said Mr Twine, was paying a premium to support the sanctions busting as well as the present stockpile.

Oil curbs cost SA a whopping R80 billion

(55) ARG 18/4/92

While international sanctions appear to have failed to stop the flow of crude oil into South Africa, some financiers estimate that sanctions cost the South African petroleum industry about R80 billion. Lifting the European oil embargo against South Africa has prompted speculation that the United Nations will follow suit, but will it make a difference? TED MAGILL reports.

DESPITE secrecy clauses in the Petroleum Products Act, the identity of sanction-busting oil suppliers who defied international sanctions agreements has been revealed — and the cost of sanctions to the petroleum industry estimated.

Although the lifting of sanctions undermines the need for the cloud of secrecy over South Africa's petroleum industry, it seems the secrecy will remain until the final United Nations sanctions are lifted.

Officials of the Department of Mineral and Energy Affairs last week declined to comment on the implications of the lifted embargo. Mr Hennie de Villiers said the department would enforce the Petroleum Products Act until the United Nations oil embargo had also been lifted.

Meanwhile, ANC spokesman Mr Willie Hofmeyer and Democratic Party MP Mr Roger Hulley have called on the government to repeal the secrecy clauses of the Act. Mr Hulley said they were "no longer necessary and counterproductive" while Mr Hofmeyer said they were used to cover up "some dubious practices".

This would facilitate open debate on the petroleum industry and specifically the "white elephant" Mossgas project, for which the government has come under fire. Mr Hulley has been an outspoken critic of the government's Mossgas project after conducting a personal investigation.

Late last year Mr Hulley claimed some Mossgas employees were earning exorbitantly inflated salaries that were adding to the unnecessarily high cost of the project.

But open debate might also reveal information to show how South Africa beat international sanctions. It would reveal (officially) the suppliers and the cost of crude oil bought by South Africa during the years of international isolation — at least to those who don't already know.

EXECUTIVE magazine recently published an exposé of South African oil suppliers and the well-paid middlemen who acted for South Africa. In the face of international sanctions South Africa appears to have maintained its crude oil supplies, albeit at some cost.

South Africa sidestepped international sanctions by securing oil from Iran until 1979, when the Shah of Iran was deposed. Then the Strategic Fuel Fund (SFF) was formed as a sub-committee of senior Sasol employees, to ensure South Africa's supply of crude.

Middlemen buying oil for South Africa "wielded awesome power, controlling billions of rands, but appeared fairly cavalier in their methods," reports Executive editor Kevin Davie.

Quoting statistics compiled by the Shipping Research Bureau in Amsterdam, South Africa received an estimated 441 crude deliveries from 1979. These originated from the Middle East, including Gulf states and the Red Sea area and accounted for 42 percent of South Africa's needs.

"The contracts are signed by middlemen who are prepared to state that the oil will not be supplied to South Africa and to falsify documents if necessary. Captains who supply their destination never state South Africa as their next port of call. Favourite fake destinations are Singapore and Europe.

"In the early years trans-shipment of crude, either at sea or at a trans-shipment port with storage facilities, was a common way of moving oil to South Africa ...

"Combined carriers have been popular in this trade ... So oil can be offloaded secretly in Durban and coal loaded later at Saldanha Bay or Richards Bay. If asked why the ship visited South Africa, the owners can say they were loading coal.

"A common misperception is that sanctions have forced South Africa to buy oil on the spot market. But this is not so. By far the majority of oil deals since 1979 have been term contracts.

"Another misconception is that South Africa has to pay a premium because it is a boycott market. While this may have been true in the early days of the crisis, South Africa is a large cash buyer."

EFFECTIVELY, it appears that South Africa beat the oil embargo. With a glut of oil on world markets, oil traders were reportedly (even in 1984), offering oil to South Africa at lower than Opec prices — and being ignored.

But the Shipping Research Bureau estimates the oil embargo has cost South Africa some R80 billion since January 1979. This includes an estimated R900 million spent on oil exploration by Soekor and R10 billion for the Mossgas project, which was made necessary only by the oil embargo.

Lifting the embargo by EC countries has been interpreted as a sign that the UN oil embargo will also soon fall away, despite appeals from the ANC to maintain sanctions until the Nationalist government has agreed to an interim government.

The EC oil embargo was imposed in 1985, while the UN embargo has been in force since 1977. According to some, the UN can be expected to follow suit with at least most EC countries voting for lifting the embargo.

Will it make a difference? As absurd as that question may sound, some sources claim that some Middle East countries are "queueing up" to sell oil to South Africa, which South Africa is getting at competitive market prices.

ARG 8/4/92

Mossgas petrol for E Cape

(55)

The Argus Bureau

PORT ELIZABETH. — The Eastern Cape will be the first area to get petrol from Mossgas.

The petrol initially will be sold in the Cape only, with Port Elizabeth being the first big centre at the receiving end. It is expected to be available by September or October.

Mossgas marketing manager Mr Jonathan Stones said it would then become available in East London and other Eastern Cape towns.

He said the refinery section of the oil-from-gas project would start production next month. It would become the only petrol available in the region.

Supplies would go to bulk storage depots in Mossel Bay, Port Elizabeth, East London and Cape Town and would only be substituted with oil-refined petrol if and when there was a breakdown at the refinery or production fell short of demand.

Mossgas would not market the petrol itself, but it would be made available to the oil industry. The petrol would be sold to oil companies and then marketed under their respective brand names, he said.

Call for cheap loans for university students

BDay 8/4/92 (54)

KATHRYN STRACHAN

A VIRTUALLY interest-free government-funded education loan scheme was needed, Committee of University Principals spokesman Prof Jos Grobbelaar said yesterday.

At a meeting on Monday the vice-chancellors of all 21 universities in SA and the TBVC states agreed that steps were needed to make university education available to the increasing number of students who could not afford the fees.

University fees had increased dramatically in recent years to cope with diminishing government subsidies and inflation, and although universities did provide bursaries for some needy students, they were unable to provide enough of these.

Grobbelaar said the interest charged on student loans provided by financial institutions made studying prohibitively expensive, and loans from organisations such as the Independent Development Trust (IDT) were totally inadequate for the increasing number of students who needing financial assistance.

GERALD REILLY reports that Unisa rector Prof Cas van Vuuren last night outlined the funding crisis and the shrinking state contribution to running costs.

Speaking at Unisa's graduation ceremony in Pretoria, Van Vuuren said in terms of the subsidy formula the state should carry 79% of universities' running costs but for many well known reasons it would be only 58% this year.

The contribution could fall below 50% by 1995.

Unisa, like other universities in the past 10 years, had tried to rationalise and raise productivity of personnel,

Tuition fees — the biggest source of universities' incomes — had increased by more than the inflation rate in this period.

"We don't want to prejudice the quality of research and education through enforced savings but we also do not want to price ourselves out of the market."

Van Vuuren added his concern was that students with potential would no longer be in a position to afford university education.

He said until the mid-'80s tuition fees rose more or less at the inflation rate and Unisa had kept increases below this.

Price of petrol could be lower

CT 8/4/92

(55)

By MAGGIE ROWLEY

THE government should act immediately to allow garages free rein in determining petrol prices at the pump, Mr Raymond Ackerman, chairman of Pick 'n Pay, urged last night.

Speaking in the wake of the European Community's lifting of the oil embargo on South Africa, Mr Ackerman said Pick 'n Pay's 14 garages countrywide could cut the price of petrol overnight by 6c a litre if the government put an end to fixed petrol prices.

"And by at least a further 7c a litre when South Africa has been able to renegotiate oil purchases and get better prices on the world market," he said.

Mr Ackerman said he had written to the Minister of Energy Affairs calling on the government to stop "protecting oil companies which have done extremely well under the system of price control and allow free competition".

"And if I do not get a desired response I will make personal representations to the minister. Failing this I will consider other action, possibly in defiance of existing legislation as the interest of the country and the economy are at stake."

At a real price

He said that while the government could not immediately drop the price of petrol as oil was normally bought forward, he urged the authorities to do so immediately they had been able to renegotiate purchases and get better prices.

Mr Ackerman said the EC move would allow the purchasing of oil at a real price and not a spot price.

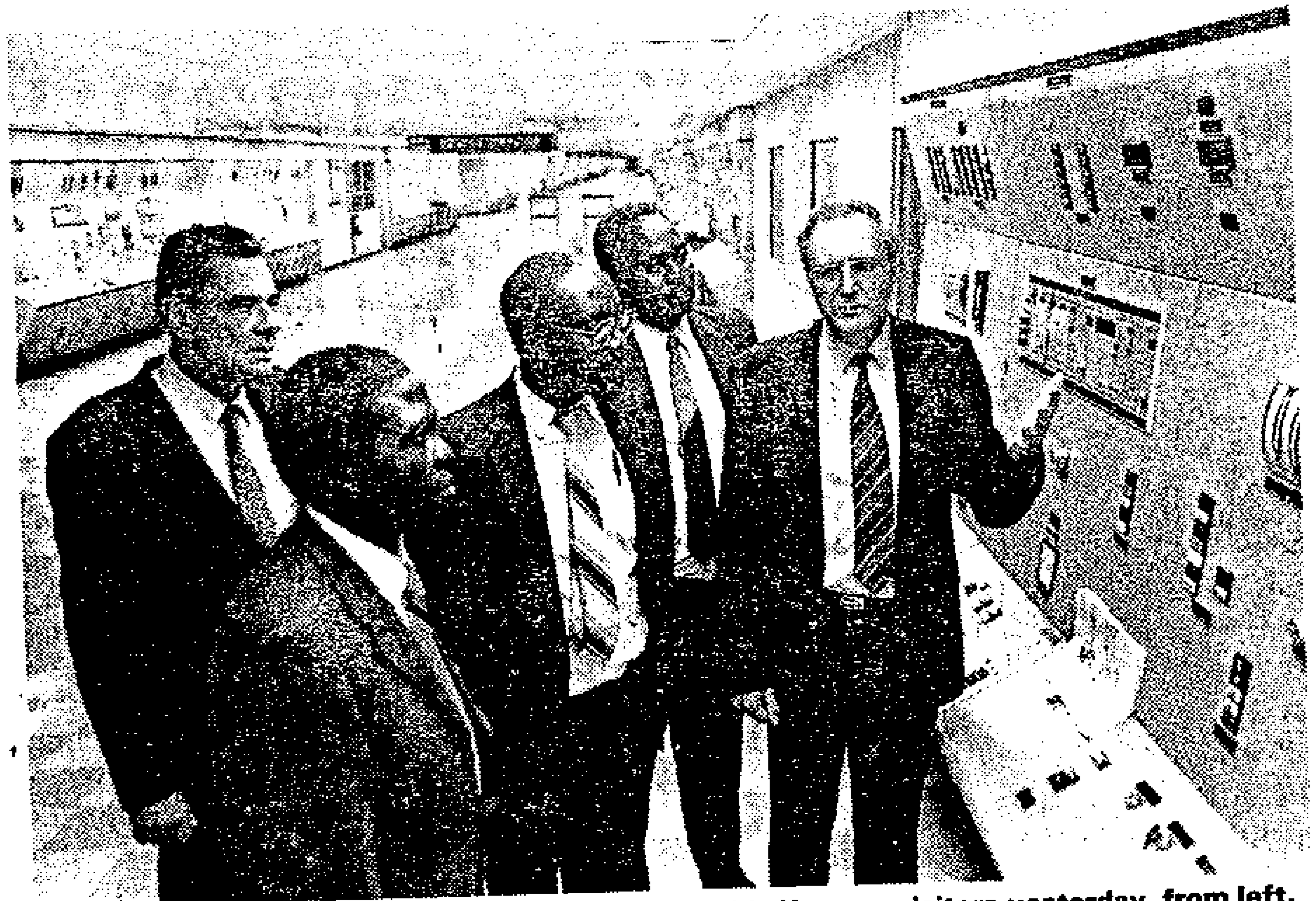
A lower petrol price would boost the economy, give relief to the man in the street and boost confidence. "In addition, we would use our muscle to get manufacturers, who have been quick to increase prices along with petrol price hikes, to reduce prices." It could have a domino effect.

A spokesman for Engen said it welcomed the decision by the EC to lift the embargo on oil exports to South Africa because it was a step further to bringing the Republic into the normal community of trading nations.

But sanctions had not yet been lifted by the US or the Arab states which, by extension, meant Opec, and therefore internal regulations were unlikely to be changed at this stage.

When they were, the questions raised by Mr Ackerman could be addressed, he said.

Nuclear accord 'imminent'



AEC CE Waldo Stumpf points out a key panel to his Kenyan visitors yesterday, from left, Anthony Kinyua, Ammon Onyango and George Nyambati. Looking on is AEC chairman Wynand de Villiers. Picture: BRIAN HENDLER

DARAIS SANAI

SA AND Kenya are set to sign a historic agreement to co-operate on a wide range of nuclear projects.

Chief science secretary of the National Council for Science and Technology Ammon Onyango, head of a Kenyan government scientific delegation visiting SA, said yesterday he expected the agreement to be signed within weeks.

It would pave the way for co-operation between Kenya and SA in a wide variety of fields, including nuclear power expertise as well as medical and agricultural applications of nuclear technology.

Onyango was accompanied by Centre for Nuclear Science Techniques director Anthony Kinyua and George Nyambati, head of the science and techology division of the foreign affairs and international co-operation ministry. B Day 9/4/92

Yesterday the delegates visited the Pelindaba nuclear facility near Johannesburg. They and officials of SA's mainly government funded Atomic Energy Corporation (AEC) hailed the visit and pending agreement as a breakthrough.

AEC CE Waldo Stumpf said yesterday he expected similar agreements to be signed with other "major players", without specifying who, in the nuclear power industry in Africa.

He said the AEC had extended invitations to several African governments to to send representatives to SA.

Onyango said he would be nominating SA as a member of Afra, the African section of the International Atomic Energy Association (IAEA) at the association's next meeting at the end of the month. SA is an IAEA member but has been prevented by sanctions from co-operating with Afra.

The fields of co-operation between SA and Kenya will include training, joint ventures and the purchase of SA-made nuclear equipment by Kenya.

The delegation ends its visit tomorrow in Cape Town.

FM 10/4/92

OIL SANCTIONS SS

Time to lift secrecy too?

The announcement this week that the EC will lift its oil embargo against SA is of more importance politically and diplomatically than economically. It's a rebuff to the ANC's demand that sanctions continue, but it is hardly likely that the move will have any impact on the availability or price of petrol, considering that oil has been in heavy oversupply on world markets for some years.

Though reporting on the source and price of SA's oil supplies is still restricted locally under the Petroleum Products Act, it is generally believed that the country has been receiving as much oil as it needs — and at prevailing international prices. It is possible, however, that gaining access to the full range of available shipping services might reduce transport costs modestly.

The rapid crumbling of oil sanctions reinforces the case for the repeal of the onerous legislation preventing the full reporting of energy matters locally. Ironically, while South Africans were kept in the dark on where their oil came from, important information on the local oil market was widely published overseas. Foreign reports have repeatedly listed the source of SA oil imports, their amounts, the methods of evading sanctions, the scope of local synthetic-fuel production and total demand.

Nothing would enhance public confidence more in government's administration of energy markets than granting the full freedom to report on the subject without fear of breaking the law. ■

ENGEN FM 10/4/92 (55)

Foreign prospects and exports add spice

A week ago Engen CE Rob Angel, noting the importance of the referendum result for the group and the oil industry at large, predicted the UN embargo on crude oil would be lifted by the end of the year. This week's announcement by the EC that its oil restrictions against SA will go (see *Business*) must lend weight to that prediction.

The upshot, said Angel, of UN sanctions being lifted (affecting supplies from the Middle East and more important than the EC restrictions), could lower import prices for crude oil and *should* result in cheaper prices at the pump. The latter would be up to government but the optimistic view is that with sanctions gone the industry might be deregulated to some extent, possibly leading to a short-term price war as oil companies offer competing prices to service stations.

Angel says Engen has been gearing up for the end of UN oil sanctions. The importance for the group would be the possibility of negotiating with a direct supplier. Angel says Engen has already held discussions on this and lobbied government to let it buy crude directly. If successful, that should take at least a few cents off the price of a barrel, now about US$16,50.

Engen performed strongly in the first half, economically much tougher than the same time last year, when the Gulf War boosted refining margins, but the main reason was profitable use of the proceeds of the rights issue. With turnover growth slackening to 4,4% from the previous year's 22,8% (and hence falling in real terms), operating profit grew by a creditable 15,2% (1991: 17%).

Improved operating margins were aided by two price increases from government. Angel says overall product sales advanced by about 3%, while industry petrol sales grew some 5%, which according to Angel saw Engen increase market share slightly.

Refining margins, however, were down, not unexpected after inflated war prices but still lower than expected. At an estimated $6-$7 a barrel, the margin is about $2 lower than the first-half last year and could drop another $1 in the second-half, though Angel believes it is close to bottoming.

The impact was offset by a 15% hike in crude oil running through the Genref refinery in Durban, and earnings were smoothed by a R24m injection from the inventory equalisation reserve, set up largely from the war profits to counter commodity price swings. Falling oil prices eroded another R20m of the fund and if a similar amount is transferred to profits in the second half the fund should reach about R30m by year-end.

But the real boost to pre-tax profit came from interest earned on last year's R1,1bn rights issue, pushing financing income up by a hefty R62m on last year's R5m. An investment of R500m, nearly half the sum raised, in tax-free preference shares slashed the effective tax rate by 31% to 19,5%, resulting in an increase of only R2m on last year to bring the tax line to R50m.

For the full year R40m is earmarked for the tax equalisation reserve, now R97m, but Engen is considering changing the policy of putting aside the difference between its effective and actual tax rate, about 15%. The feeling seems to be that, instead of locking up funds in the reserve, more should be distributed to shareholders. The policy could be reappraised by year-end.

Engen's Angel ... *helped by finance income*

Still, shareholders can't be unhappy with the increased interim dividend. EPS rose 21%, dilution from the additional 44m shares in issue being offset by the high return on short-term investment of the rights proceeds.

As well as the financial specifics, the growing foreign interests are what is really exciting the market. Angel has made no secret of his ambition to make Engen a genuine international company, and it is making good progress. Export sales more than trebled, though off a low base, and are now 10% of the total.

The first oil should flow from the Alba field in the North Sea towards the end of 1993, and development of the Britannia (formerly Kilda) gas condensate field has been accelerated, with 1997 the new target date for production. Exploration continues in several locations off the south and west African coasts, and new opportunities are being assessed in West Africa and the North Sea.

The share price continues to climb steadily and is only 150c off its recent high of R44,50. With continuing expansion, promising exploration activities, and second-half results expected to match the first half, it remains a highly valued growth stock. The lifting of sanctions and easing of government regulations could make 1993 an exciting year for Engen.

The only activity not worth talking about is Mossgas. Engen has until mid-1994 to decide whether to walk away from its 30% equity investment in the project, and that looks a distinct possibility. *Shaun Harris*

REFINING PROFITS

Six months to	Feb '91	Aug '91	Feb '92
Turnover (Rbn)	3,09	3,01	3,23
Operating inc (Rm)	165	214	190
Attributable (Rm) ..	122	164	206
Earnings (c)	111	122	134
Dividends (c)	42	74	50

EERSTELING FM 10/4/92

Expropriation

Minority shareholders should reject the 1c share offer from Esor Establishment SA but face a tough choice between electing to stay in the company in its new form or trying to block the scheme of arrangement in hope of getting a better offer.

As it stands, the offer is yet another example of minorities being left whistling in the wind while creditors are paid out almost in full and the assets go to new owners at a knock-down price.

The proposal is to consolidate the existing capital from 80m to 800 000 shares and then issue 7,2m new shares to Esor in payment for Esor settling Eersteling's concurrent claims of about R6,5m. If minorities approve the scheme but elect to reject the 1c offer and stay in the company their interest will be diluted to 10% of the new equity.

An "expropriation" clause in the circular to members states that at least 10% of shareholders, or holders of at least 25% of the equity, must elect to remain invested or all shares will be forcibly redeemed. There are some 9 000 shareholders.

The circular contains errors concerning compliance with Securities Regulation Panel (SRP) and JSE rules. It states: "Neither the offeror, nor any director of the offeror has any direct or indirect registered or beneficial shareholding in Eersteling," and "there are no arrangements with, undertakings by or agreements between the offeror and Eersteling and persons acting in concert with either of them in relation to Eersteling shares."

Those undertakings are not valid. Clause 1.7 spells out that major creditor Standard Merchant Bank (SMB) has offered its R5,1m claims to Esor for 80c in the rand as well as its 26,8% shareholding for a nominal R1, and Esor intends voting those shares in favour of the proposals. SMB is the major creditor and largest shareholder, having tak-

cont →

OIL AND OIL SUPPORTS (55)

FM 10/4/92

Letting go of the obsolete

For about 10 years this country has had little difficulty obtaining the oil it requires — nor has it had to pay much of a premium for it. There has simply been too much oil available and too many indigent suppliers to make an embargo work.

It is tempting in these circumstances to take the view that the EC's formal lifting of its embargo is mostly symbolic.

Tempting, but wrong. The almost unfettered access this country now has to international energy resources — at relatively low cost — should be a critical factor in an economic restructuring initiative.

The reason is that the real cost of apartheid has not been in the duplication of public facilities and services or the financing of the homelands and "independent" states, but in attempts — perceived as strategic at the time — to make this economy self-sufficient.

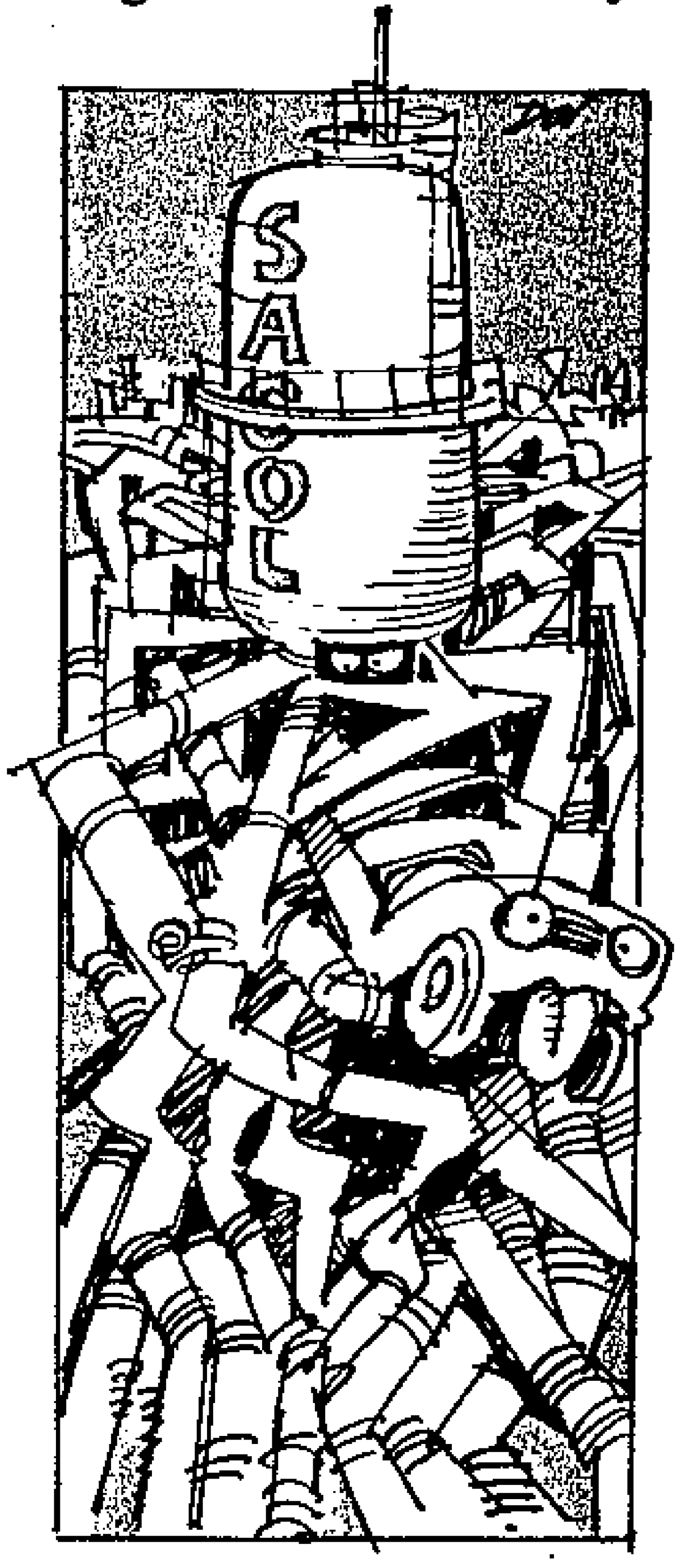
So we have come to pay far too much for a wide variety of manufactures — including cars, plastics, chemicals, explosives and paper — as a result of this notion. But the waste caused by the misallocation of resources that the efforts at self-sufficiency have fostered does not end there. It has meant we have nurtured large manufacturing undertakings that have little chance of becoming competitive internationally unless some radical policy changes are made.

The greatest of our self-sufficiency mistakes was Mossgas. Provided the capital costs of billions of rands are ignored, it will earn enough at current oil prices to justify its existence. The best the taxpayer can hope for is that an economically enlightened government gives it to Gencor, for Mossgas is most assuredly incapable of running itself.

The policy of self-sufficiency at all costs spawned Sasol, probably the largest industrial undertaking in the country, recently privatised but still run by the men government put in control (though with a tarted-up board of directors, if that means anything).

Sasol and its shareholders have the great advantage of a price support system paid for by the motorist when the oil price falls below US$23 a barrel. Now is the time for government to dismantle an arrangement that amounts to protection and divert that portion of the price of petrol that is intended as price support to a more useful purpose. For instance, it could be used to maintain those parts of the national roads system necessary for commercial transport, or, in conjunction with other savings, be used to cut corporate taxes.

There is no purpose now in continuing to administer the domestic price of petrol. It is calculated periodically by BP according to a formula that takes into account an international market price and allows for under- or over-recovery in the periods between calculations.



To the extent by which this domestic administered price has in the past been based on an oil price above the international price of oil, this has represented protection for Sasol and the oil majors operating here. Of course, Sasol and the oil majors place their hands on their hearts and declaim that this has never happened. You can believe them if you wish. The secrecy clauses of the Petroleum Products Act will prevent you from knowing, if you are of a more sceptical frame of mind.

Probably, it doesn't matter any more. If there ever was a subsidy it was long ago and in different — and difficult — circumstances. What does matter for the sake of prosperity in this country, and the need to redress the depredations of apartheid, is that market forces should be allowed to function with as little hindrance as possible. And that such arrangements whereby Sasol can depend on its output being taken up by the oil majors in return for certain retail distribution concessions should be stopped.

We have no doubt that if all direct and indirect protection enjoyed by industry in this country were removed in return for a corporate tax rate in the vicinity of 30%, the dynamics of economic growth would be substantially enhanced. And we suspect that there would be little opposition from the industrialists in question.

There, of course, would be some. For the question of protection and self-sufficiency has been so inculcated in the psyche of so many industrialists here, for so long, that some have difficulty in coming to terms with the economic harm that they do. They have never known anything else. So most industrialists are free-traders only up to a point.

Simply put, if government needed reassurance that this country has unfettered access to world energy resources, the EC has provided it by lifting its embargo. If this economy is to be restructured so that manufacturing output is enhanced — and can in due course replace income from a declining gold mining industry — there is no sense in delay. It should start now with Sasol.

Another good reason for doing so without delay, is that when an interim government is in place matters such as this are likely to remain in suspension if only because the need to agree on a new constitution will dominate proceedings. More time will be wasted and more people will have to continue suffering the indignities and hardship of unemployment.

Canada's External Affairs Minister Barbara McDougall may be quite happy with that. She, like Australia's interfering Gareth Evans, has no constituency to answer here. And it will win support among those of a recidivist tendency in the Commonwealth. But it is neither rational nor humane. ■

More staff, less power

Municipal Reporter

THE city council has appointed three more permanent staff members and 10 more temporary employees in order to increase electricity disconnections. 55

More than double the number of defaulters will now be disconnected each month.

City treasurer Mr Eddie Landsberg told the council's executive committee the cost of hiring the staff for the rest of this financial year (up to July 1) would be about R68 559. CT 14/4/92

"The credit control division has in the past operated with a number of temporary employees," he said.

'Sterling work'

"But due to budget restraints, their services were terminated.

"Two have already been re-appointed and are doing sterling work within the division.

"However, to achieve the desired results, 10 are required.

"The reason for opting for temporary staff is to avoid appointing permanent employees at this stage as circumstances at a later stage may require a reduction in staff."

Eskom pledges to make electricity cheaper

ESKOM was committed to providing electricity to a further 3-million homes, and would also reduce the real cost of electricity by 20% over the next five years, CE Ian McRae said yesterday.

He said the electrification of 3-million homes over the next five years would create about 1-million jobs which would increase the GDP by 2% or 3%.

McRae said Eskom had the resources and infrastructure to meet any growth likely to take place within the next 10 years.

Electricity was necessary for economic growth. Only 30% of SA homes and less than 10% of homes in the southern-African region had electricity, he said.

McRae said the fact that each local authority in SA supplied electricity locally had created problems for Eskom which was still a bulk supplier.

The inefficient supply and the lack of trust of the consumer in the local authorities had led to electricity being politicised and payment boycotts had resulted.

"We must address the reasons for non-payment as soon as possible." — Sapa.

Union protest over Eskom shutdowns

(55) (230) (IIB)

The all-white Mine Workers Union has protested against Eskom's "unilateral" decision to close down four units of the Arnot power station in the eastern Transvaal.

According to a statement released yesterday, the MWU said in view of Eskom's "healthy financial situation" this closure, which could affect hundreds of employees, was indefensible.

MWU general secretary W Ungerer said Eskom's net revenue had increased by 16 percent to R988 million. Also, there had been a growth of 1,87 percent in electricity sales. STAR

"Eskom has also written off bad debts to the tune of R91 million because of non-payment by certain groups," Mr Ungerer stated. 15/4/92.

He said Eskom's decision had to be seen against the background that staff had been decreased by about 10 000 employees over the past five years.

"The MWU believes that Eskom's decision to try and steamroller the unions by giving notice of closure without alternative dialogue is not conducive to good labour relations," he said.

The MWU has called on all employers not only to look at their balance statements but also to consider the employees responsible for those statements". — Sapa.

Eskom starts new Soweto upgrade

(55)

CT 16/4/92

Own Correspondent

JOHANNESBURG. — Eskom has begun a multi-million rand project to upgrade Soweto's electricity supply network.

Eskom CE Ian McRae said in a statement yesterday the project was launched after it took over electricity supply to the township from the Soweto City Council last month.

Eskom was committed to bringing the level of service in the township to the same level as that of "other domestic customers in SA".

Meanwhile Eskom is to place three of six generating units at the Arnot power station near Middelburg, eastern Transvaal, in reserve storage indefinitely, reports said yesterday. Another unit will be put in cold reserve.

Eskom said most of the 1 500 workers at the station would be affected, but consultations with trade unions would start soon to explore alternatives.

Studies had shown that Arnot was the most logical power station to be put into reserve, Eskom said.

Arnot power station shuts down

EDWARD WEST

ARNOT power station in the eastern Transvaal is to become another casualty of Eskom's overestimation a decade ago of SA's economic growth and the resultant demand for electricity.

BD 16/4/92

Three of Arnot's six generating units will be decommissioned for an indefinite period after June this year.

Other units would be put in reserve to be available at 24 hours' notice, Eskom public affairs spokesman Hanlie du Toit said yesterday.

Eskom said in a statement yesterday that about 1 500 employees at the power station would be affected.

As far as was possible they would be moved to other areas in Eskom, while trade unions would be consulted to explore other options that might be available, Eskom said.

Seven power stations have already been mothballed after Eskom, which has to plan at least 10 years ahead for the building of a power station, catered for the demand it expected from rapid economic growth.

The utility embarked on a massive construction programme in the 1970s based on annual growth projections in electricity demand of 8% to 9% from the early '80s to the end of the century.

(55)

Economic growth in the early '80s tapered off halfway through the decade and the utility was left with an overcapacity of electricty which could not be stored, Eskom said.

Three older power stations, Camden, Komati and Grootvlei were mothballed about a year ago. Eskom's 1991 annual report showed that Wilge, Taaibos, Highveld and Ingagane stations had also been shut down.

Eskom said yesterday the decision to close Arnot had been made necessary because of the poor growth in electricity sales and excess capacity.

Electricity sales grew by a mere 1,8% in 1991 to 138 687GW/h and by 1,4% in 1990 to 136 168GW/h.

Computer in Koeberg reshuffle

CT 23/4/92 (55)

Municipal Reporter

A COMPUTER model has enabled planners to reshuffle the potential population north of Milnerton to move the most people to areas at the least risk from Koeberg.

According to the present Guide Plan for Atlantis and Environs, a maximum population of 650 000 is prescribed within a 20km radius of the nuclear power station. Of these, 180 000 can be accommodated in the Bloubergsvlei area.

"Primarily these restrictions were imposed for the sake of safety considerations and emergency planning for the Koeberg nuclear power station," says a report placed before the Regional Services Council at its monthly meeting yesterday.

These restrictions considerably reduce the potential for urban development in Bloubergsvlei, an area for which a structure plan is now being drawn up.

Though the guide plan places a restriction on the total population within 20km, no rules have been laid down about how it is distributed. Thus it is possible to concentrate development at certain points "where the total risk is lowest", the report says.

A computer model at the Nuclear Safety Council was used to increase the Bloubergsvlei potential population to 370 000 and distribute it according to climatic and topographical factors so that risk is not increased.

Another method of accommodating the increased Bloubergsvlei potential population was through reducing Atlantis' projected maximum of 470 000 people to 250 000.

Development over and above this can only take place at Atlantis "when (and if) the limit of 650 000 persons within a 20km radius from Koeberg is relaxed as more clarity is obtained regarding the long-term future of the nuclear power station".

● Entry fees will not be levied at the Macassar Beach resort complex "until the question of an alternative access route to the beach has been finalised", the Western Cape Regional Services Council resolved yesterday.

● Development of a "newspaper park" on an Observatory site close to Valkenberg and the Vincent Pallotti hospitals was approved by the Western Cape RSC yesterday.

● Nails in coffins destined for cremation may soon become legal, thus bringing a RSC by-law in line with common practice.

At present, the by-law does not allow such coffins to contain any metal "save, where necessary, an interior lining of thin zinc sheeting".

Property

FLASHBACK: Electricity being installed in Soweto.

Eskom planning Soweto upgrade

Sowetan 23/4/92 55

By JOSHUA RABOROKO

Eskom is inviting Soweto entrepreneurs to tender for the upgrading and improvement of electricity networks following its take-over of electricity from the local council.

The company recognises the vital role black business people are playing in creating jobs, development of their communities and building wealth while being entrepreneurial and innovative.

Eskom's Johannesburg portfolio manager Mrs Laetitia van Staden said they were assessing the electrical network in Soweto and had started inviting tenders for different aspects that needed to be addressed.

Contractors employed by the Soweto Council would complete their existing contracts. However, she added, other black business people were invited to tender to win profitable contracts.

Van Staden warned that residents must not give money to anyone claiming they have to be paid for work done on the company's behalf or for electricity.

The only place where money for electricity must change hands and where they could pay was at one of Eskom's independent customer service centres.

In Soweto these independent service centres have been erected near to the town offices in Orlando East, Orlando West, Pimville, Moroka/Jabavu, Protea, Senaoane,Tshiawelo, Mofolo/Zondi, Zola, Tladi and Jabulani Civic Centre.

Black contractors who wish to tender must have the necessary skills and resources.

They should apply to: Eskom Customer Service Manager Johannesburg District, P.O. Box 8610, Johannesburg or telephone (011) 711-2389.

Their applications would be assessed and if successful would be granted contracts.

The Eskom take-over is the result of an agreement between the company and the Soweto Council following discussions with the Central Witwatersrand Metropolitan Chamber, TPA, the Regional Service Council and the Soweto Civic Association.

IAN MACRAE

Eskom's chief executive Dr Ian MacRae said they believed the agreement was in the best interest of all parties concerned, particularly the electricity consumers of Soweto.

"Eskom is committed to building up the level of service in Soweto to be on a par with that of other domestic customers in South Africa," he said.

"We believe we are ideally placed in terms of technical administrative and managerial resources to provide a good service in Soweto," he said.

REVIEW: *Technology in Africa*

Grid will bring power to the people

wlmail 24/4-29/4/92. (55) (229A)

Plans to install a power grid accross the sub-continent are well underway but the scheme is being hampered by civil wars and lack of finance, reports
MONDLI MAKHANYA

EVEN before plans for a southern African power grid get off the ground, regional co-operation on electrical power has already begun.

Faced with a huge shortage of electricity, the Zimbabwe Electricity Supply Authority (Zesa) has asked Eskom to bail it out, which Eskom readily agreed to do. Plans are now afoot to put up lines from Matimba power station in the north-western Transvaal to Bulawayo.

Co-operation between Mozambique and South Africa around reconstruction of Cahora Bassa is at an advanced stage — with repair of the line from the dam to the South African border due to start soon. It is due to be completed by 1995.

Eskom subsidiary Rotek has also agreed to assist in maintenance and reconstruction of Angola's power lines once Namibian experts have removed landmines from around the lines. It also wants to train Namibian and Angolan technicians at its Midrand training site. A hydroelectric power scheme has been in construction for several years between Lesotho and South Africa with the Lesotho Highlands water scheme.

Comments Wits University Electrical Department head Jan Reyndeer: "The beginnings of a regional grid are already underway. It should be in place in 15 to 25 years' time."

This co-operation between utility companies — which has come ahead of political approval — illustrates the inevitability of the proposed grid which will involve Angola, Zimbabwe, Zaire Mozambique, Angola, Tanzania, Kenya and South Africa. The fact is they all depend on each other for cheap electricity.

Southern Africa has enormous potential for generating hydroelectrical power. It is said the Zaire River could generate up to 100 000 megawatts of power. Angola's Cunene River also has such potential. Cahora Bassa is capable of producing 2 000 megawatts of electricity but sabotage by Renamo rebels has meant it now generates only 20 megawatts.

Countries such as Kenya, Zaire and Lesotho have the added incentive of earning foreign from selling hydroelectric power to the regional industrial powerhouse of South Africa.

In South Africa itself power giant Eskom will not be able to meet domestic and industrial power needs by the end of the decade and will require hydroelectric power from its neighbours. South Africa's energy authorities would also like to lessen dependence on pollutants coal and uranium. South Africa's coal reserves are expected to be exhausted in 50 years.

Economic restructuring programmes in frontline states and the advent of democracy in South Africa has given the project added impetus. For the frontline states to make International Monetary Fund-prescribed economic restructuring succeed, a stable electricity supply is needed.

Locally a future government — faced with a situation where only 25 percent of the population has access to electricity — will be under extreme pressure to electrify the townships and as far as possible extend the supply to rural areas.

The same pressure will come to bear on frontline governments, where currently only 10 percent of the population has acces to electricity.

In the short term, however, it is Eskom which stands to gain the most. It presently produces excess capacity and has had to mothball a number of power stations due to falling demand.

The crisis in the mining industry — which is Eskom's largest client — and the consequent shutting down of marginal mines has accelerated this process.

Eskom spokesman Peter Adams notes that with the energy authority having accepted the idea "the next phase is to sell the project to the political authorities and to find financing, which will be formidable tasks".

Eskom chief executive Ian McRae — whose brainchild the scheme is — has been criss-crossing the subcontinent meeting industrialists and heads of state trying to sell the scheme. Thus far even the Southern African Development Co-ordinating Conference has approved the idea.

The plan is now in place and cash-strapped Mozambique has secured a South African-guaranteed World Bank loan to finance the repair of the Cahora Bassa dam.

"We are just waiting for a guarantee that the lines won't be blown up again once we put them up. Renamo's leadership has given us this guarantee but we are not sure how much control they have over their people in the bush," says Adams.

But there is no doubt that the task ahead for the grid's participants is formidable. There will be over 3 000km worth of transmission lines to put up and vast amounts of technology to be imported.

It is understood that German, Japanese and North American technology companies hvae been approached to provide the technology to put the scheme together. Italian companies are already involved in the repair of Cahora Bassa and an Italian loan has been granted for it. But it will not exclusively be an outsiders' job.

"South Africa has great capacity in designing technology," points out Reyndeer [illegible]

Beaming health to starved Africa

wlmail 24/4-29/4/92

For doctors in Africa it is prohibitively expensive to get details of the latest medical developments. Now a health satellite will beam information to Africa every month.
By **ALLAN THOMPSON**

A NEW health satellite project will help doctors and academics in southern Africa to get access to vital medical information and to communicate better with their counterparts in other developing countries.

Through the Healthnet satellite network, information from libraries, hospitals and universities in the industrialised countries will be beamed directly to medical research facilities and hospitals.

The lack of foreign exchange makes it often extraordinarily expensive to receive the latest medical information in countries like Zambia, Tanzania and Zimbabwe.

Because of limited resources, the University of Zambia was forced a decade ago to cancel its subscriptions to medical journals. In Tanzania, it can cost the equivalent of two-thirds of a week's salary for a doctor to send a fax message, and nearly as much to receive one. And telephone and mail services are often poor. In Uganda, where an estimated 24 percent of the population is HIV positive, current information about the Aids-causing virus is scarce.

Healthnet hopes to ease communication between doctors in Africa. Its organisers say innovative use of satellite technology will help them receive journal articles and communicate with medical centres around the world.

The Healthnet project was begun by SatelLife, a United States-based international non-profit agency. SatelLife was conceived by the International Physicians for the Prevention of Nuclear War, in a reaction to President Ronald Reagan's Strategic Defence Initiative, known as Star Wars. It got off the ground in 1989.

Last July, SatelLife's low-earth orbit satellite was launched to transmit information and receive messages from ground stations based at medical institutions in the developing world.

Said Julia Royall, deputy director of SatelLife: "The idea is to facilitate transmission of medical information in Third World countries, for doctors to enhance communication not only with each other, but with colleagues in the rest of the world."

The satellite, no bigger than a beachball, revolves around the earth at an 800km orbit twice a day. Initially, ground stations have been set up in six countries: Zambia, Tanzania, Uganda, Kenya, Zimbabwe and Mozambique. Each has an IBM-compatible computer, a type of ham radio and a modem to connect the computer and radio.

The satellite sends and receives messages using radio waves. Its continuous signal is picked up by the radio attached to the computer. Once the signal is recognised, a message transfer takes place at the ground station. The information can either be stored in the station's computer or printed out.

Doctors and academics will be able to make requests for specific information from libraries and university databases. Tanzania's station, for example, has established an information-sharing arrangement with Massachusetts General, John Hopkins Hospital and Massachusetts Library.

The satellite stays within range of each ground station for about 15 minutes, transmitting a page every second. It can deliver about 50 000 pages of electronic mail each month to Africa. Included in the transmissions will be literature from the *New England Journal of Medicine*, which is donating its articles for the project.

Organisers hope to set up stations in 15 African countries and, if successful, will expand the system to other parts of the world. Within each country, it is hoped the ground stations will act as a hub for the distribution of medical information by telephone or through special computer software.

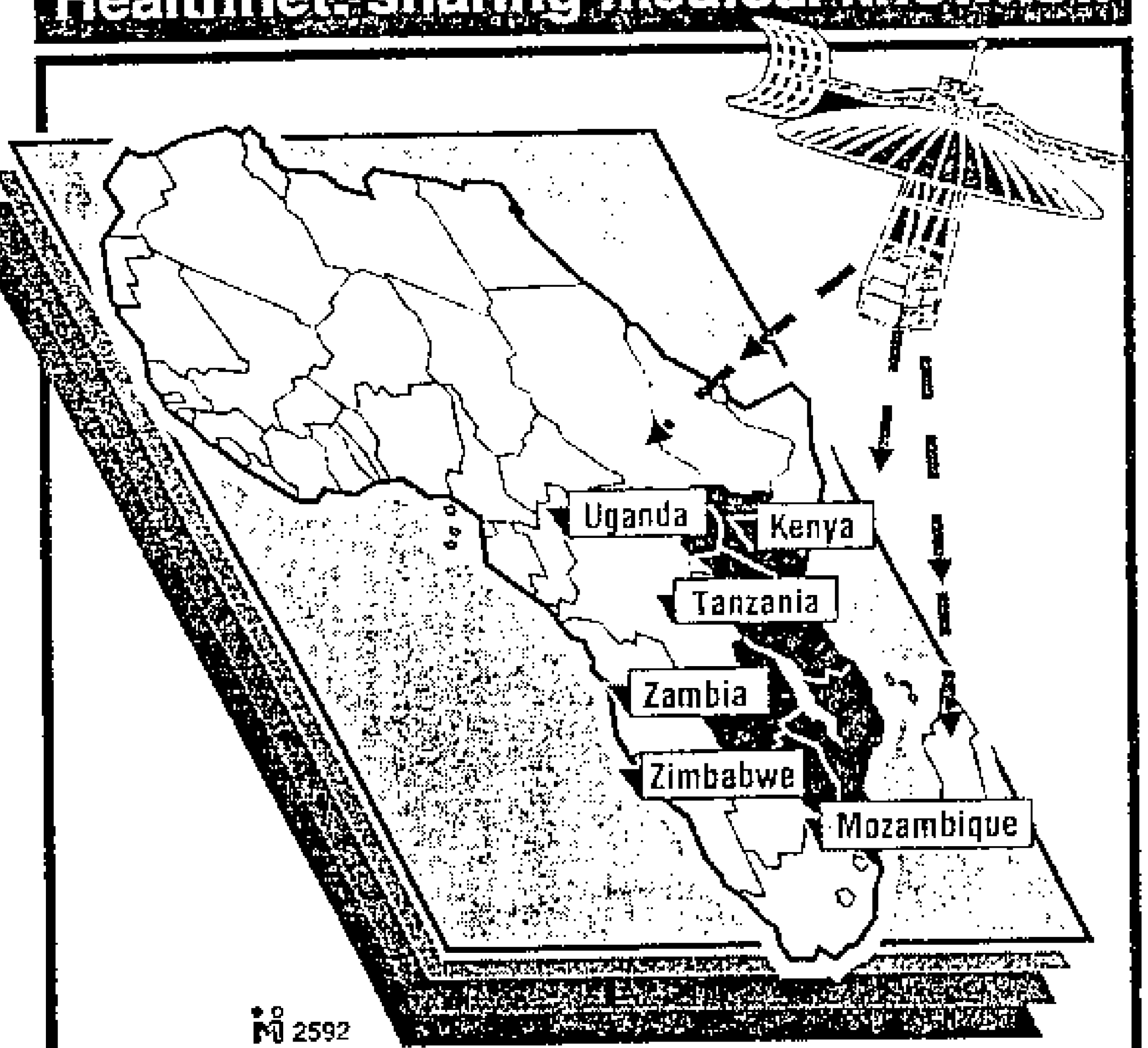
The host countries must provide a secure location for the ground station and an operator to be trained to run the equipment. A user council is established in each country with representatives from a variety of medical and scientific organisations.

SatelLife does not own the satellite; it bought the operating capacity from Survey Satellite Technology, the British company that launched it into orbit.

The cost of the ground stations — about $7 500 each for the experimental stage — has been covered by such sources as the McArthur and Rockefeller foundations in the US. Canada's International Development Research Centre has helped by buying 10 percent of the satellite's air time. The operating capacity, a million-dollar item, has been funded by a grant from NEC Corporation, of Tokyo.

There have already been twinning arrangements between some libraries in Canada and Zambia, for example. And the Aids Network, a group established in east Africa to help spread information about the disease, will also be able to make use of the satellite. — Gemini News

Healthnet: sharing medical knowhow



	Pop (1999)	Pop per doctor (1984)	Health expenditure (as% of GNP) 1986
Zambia	7.8m	7,150	1.2
Zimbabwe	9.5m	6,700	2.9
Tanzania	23.8m	26,200	1.2
Kenya	24m	9,970	1.7
Uganda	16.8m	21,900	0.2
Mozambique	15.3m	37,960	1.8

Source: Human Development Report, World Bank

Healthnet will help doctors in Africa share medical knowhow

Harare's a step ahead

wlmail 24/4-29/4/92.

By ANDREW MELDRUM: Harare

WHILE work is progressing to get the SatelLife's Healthnet system up and running throughout southern Africa, the University of Zimbabwe's medical library already has in place a computer system to retrieve information for staff and students at the Medical School, and a newsletter to bring rural hospitals and clinics up to date.

"It's an amazingly quick, easy way of getting instant access to the current literature in the international health field," said Helga Patrikios, the medical library's director. "And then it is relatively easy to get that information out to our doctors and other health-care personnel in the rural areas."

Three microcomputer workstations have been funded by the Carnegie Corporation of New York to bring optical disc databases to Zimbabwe's health professionals — in particular Medline, the index to 3 500 biomedical journals. CD-ROM (Compact Disc Read-Only-Memory) is the medium — it combines enormous storage capacity (over 400 MB per disc) with user-friendly retrieval software. The world's most comprehensive biomedical database, Medline is stored on seven discs and updated every month.

According to Zimbabwean professionals the CD-ROM system is fully appropriate to the country's needs, indeed, appropriate for use throughout southern Africa and the developing world.

"More and more doctors, nurses and students are coming to us for literature searches," said Patriklos. "Last year we were doing about 120 searches a month — this year, with two extra work stations, it's up to about 190 or 200 a month. We're pleased that for the first time we can deliver really current information to our users."

One of the important spin-offs of the CD-ROM service is the news digest that is produced and sent to health workers throughout the country. Doctors choose articles from the monthly update discs that focus on the major health issues in Zimbabwe and the region. The digest, *Current health information Zimbabwe (CHIZ)*, is printed by the Zimbabwe Ministry of Health and is circulated to health professionals throughout Zimbabwe and to the World Health Organisation and Ministry of Health offices in neighbouring countries.

T&N's set to prosper after stable cleaning

S/Times (Buss) 26/4/92

T&N Holdings is poised to do well in what is expected to be a tough year.

A year ago, management was faced with a major challenge to profitability.

It responded in fine style, earnings a share doubling to 70c and the dividend rising from 13,8 to 24c in the year to December 1991. The company's performance in the previous year was poor.

Group financial director Christopher Good says 1990 was particularly difficult because customers destocked and there was a serious strike. As a result management looked at its strategy from top to bottom. Everything was covered: production, labour relations, asset management, marketing and distribution and other factors which affected efficiency.

There were no sacred cows.

It was important that management was able to take a flexible and self-critical attitude. In particular, managers were able to react to lower as well as higher demand.

All too often, management and labour fight for a bigger share of the cake. It does not occur to them to get together and bake a bigger cake, but this is what happened at T&N's Ferodo division.

After a fairly lengthy strike, management insisted on improved productivity as part of the deal to increase wages. As a result, profitability was higher than ever.

Ferodo also gained greater market share.

Mr Good says it is best for every country to specialise in what it can produce most cheaply.

T&N plc, the UK parent, has adopted a policy which has helped exports considerably. There are certain niche market products which T&N SA can produce more cheaply than others in the T&N international group.

The SA company will produce them and export for the entire group. Exports now make up more than 10% of turnover and are expected to increase at competitive prices.

With its recently discovered flexibility, management has learned to cope with increased imports.

Although debt is too high and interest charges are not well covered, better asset management and favourable cash flow from operations are steadily remedying the situation.

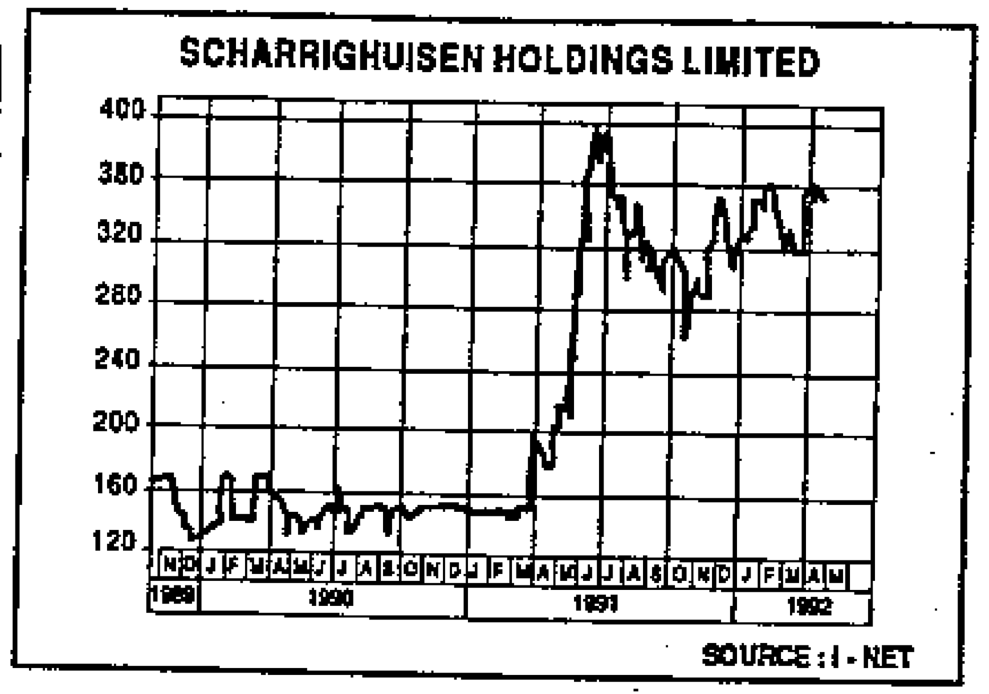
A total of 64% of the automotive division's turnover supplies the replacement market and only 22% original equipment. The average age of the national car park has increased from five to eight years and can be expected to lengthen further. This must benefit T&N.

Mr Good is cautious about prospects for 1992 because motor-vehicle sales are well down and trading conditions are expected to remain difficult.

However, customer destocking, which has continued longer than expected, appears to be more or less over.

Loss areas are being tackled and are expected to benefit from changes implemented in 1991.

SCHARRIGHUISEN HOLDINGS LIMITED



THE secret to Scharrighuisen's success in tough times lies in the efficient use of plant in profitable niche markets.

Scharig increased earnings a share by 85% to 70,8c and the dividend by 138% to 25c in the year to December 1991.

Few listed companies can claim such a record in these times.

Joint managing director Laurie Fisher says the company's main activity is in open-cast coal contracting and rehabilitation of collieries for Gencor, Rand Mines and Sasol, among others.

Scharig key to success

S/Times (Buss) 26/4/92

Because Scharig operates for third parties, it avoids the risk of trading for its own account. Asset management is simpler. It consists of the judicious buying of plant for expansion without running up too much debt. This is an important advantage, particularly in a recession.

The lifting of sanctions has reopened France and Denmark to SA collieries, so that even if domestic demand is static, exports should grow. SA coal exports are concentrated on Europe, where ageing collieries are becoming more expensive to run and are thus reducing output.

Environmental legislation in SA is being more strictly enforced, so Scharig is enjoying more rehabilitation contracts. Last year it put out an underground fire which had caused major environmental problems from a closed-down mine near Witbank.

Scharig's basic operating procedure is the most profitable use of plant in any area where it has the expertise. This means that it can expand into related plant-based activities, and can follow a judicious policy of acquiring other businesses.

Mr Fisher says the recession gives the opportunity to buy such businesses cheaply.

Scharig's favourable rating on the JSE often gives it the choice to pay for an acquisitions either with cash or shares. This gives the advantage of flexibility.

Because Scharig last year bought two subsidiaries of Frigate, and not Frigate itself, it is free of the controversy surrounding that company. However, it enjoys a substantial tax loss from its acquisitions.

Scharig has issued a warning. In spite of the purchase of the Frigate subsidiaries last year, the company is in a position to make additional takeovers. The warning suggests that such a deal will be announced shortly.

Scharig announced its results at a time of market weakness and was not given full credit for them and its shares did not rise. At the current level, they look cheap.

Fast food is the Spur

S/Times (Buss) 26/4/92

SPUR Steak Ranches has an enviable profit record.

Earnings rose by 43% and the dividend 31% in the six months to August 1991.

It appears that customers who seek the convenience of eating out are trading down instead of having a meal at home.

Spur's core activity is franchising of sit-down, fast-food restaurants. It earns its profits from royalties paid by franchisees. The source of income is important, particularly at a time of high interest rates.

Spur does not bear the risk of carrying large stocks, financed by overdrafts. The opening of franchises should be limited only by the ability of franchisees, essentially small operators, to find the capital to open a steakhouse.

This means that Spur can maintain a strong balance sheet. In addition, dividend cover can be much lower than for a company trading for its own account.

In the past year or two, there have been unfortunate examples of retail chains which have expanded too fast and come to grief as a result. The basis of Spur's operations avoids this.

In February 1991, there were more than 100 retail outlets, of which most were steakhouses. Spur has diversified into franchised pizza houses and this experiment appears to have been successful.

Assuming slower growth in the second half-year to February 1992, Spur could earn 30c and pay 23c share. The low dividend cover means that Spur can be rated on dividend yield rather than PE. At the current price, the shares look interesting.

DIAGONAL STREET by Robin Pegler

Engen as a rand hedge

SS S/Times 26/4/92

ALTHOUGH I wrote about Engen in January, the good news since then makes it worth a second look.

The European Economic Community has lifted its oil embargo on SA and it is hoped that the UN will follow soon. This could result in Engen's being able to buy crude oil more cheaply.

In addition, the interim report for the six months to February 1992 is much better than expected. Earnings a share rose 20,6% from 111c to 134c and the dividend 19,1% from 42c to 50c.

This is at a time when many companies are battling to improve profits and also in a year when Engen's earnings a share looked like falling after the 40-for-100 rights issue diluted the share capital.

In fact, the cash raised at that time has been profitably invested until it is needed for expansion and actually contributed nearly a third of total earnings.

Financing income will fall as spending on plant gathers pace, but from next financial year Engen will have 30% greater capacity. That should more than offset investment income.

Although the second phase of expansion will be completed only in 1995, Engen will then have doubled its present capacity.

Contrary to expectations, profit margins improved in the six months to February 1992. Turnover was up 4,4%, mainly because of higher exports.

Tax took 19,5% of profits. The capex programme means that tax should be lower still for some years.

The first oil from the Alba project in the North Sea is due to start production late in 1993. Looking further ahead, the Britannia gas field in the same area is targeted to begin production in 1997.

These earnings, together with increasing exports, could make Engen an interesting rand hedge in the long term.

Management forecast that second-half earnings should be similar to those in the first half. So Engen could earn 268c and distribute 130c for the year to August 1992.

The astute way to 30% returns

S/Times (Buss) 26/4/92

THIS year I have concentrated on shares which commentators have tended to overlook and which appear to hold hidden value.

In my reviews of T&N and Scharrighuisen I continue this policy.

However, because many brokers have expressed doubts about the market, at least in the short term, I canvassed some opinions.

Tim May, joint editor of the new City News, is one whose views I respect.

Mr May says the market comprises four categories: blue-chip industrials; the rest of the industrial market; gold shares and other mining.

He knows of hardly anybody who has made profits on gold shares and sees no reason to hold investments where the price of the product is uncertain.

Mr May believes investors can achieve returns of 30% from companies whose profits are not too difficult to forecast.

So why hold golds and miss these opportunities?

Even if the gold price rises, the cost-cutting process on the mines has more or less done its work. From now on costs must be expected to resume their steady rise.

It is doubtful if exchange control will be relaxed to allow institutions to invest abroad. So in view of the weight of funds, demand for blue chips should remain strong in the longer term.

Rights issues will absorb some institutional cash, but not enough to relieve the market.

Mr May says blue chips often look expensive, but good quality is worth paying for.

He sees no reason for this to change.

However, there is a broad industrial market where excellent value can be found because institutions can deal only in highly marketable shares. Astute private investors are realising that they can turn this to advantage and achieve returns of about double the market average.

Mr May says lower interest rates are needed urgently because too many people are being driven out of jobs or into bankruptcy. When interest rates eventually fall, the economy should improve and profits and dividends rise.

The time is right to seek value in the market and be ahead of events. Investors who are not in the market should be returning to being fully invested.

The essential ingredients of successful investment are sound research and advice. With the economy perhaps approaching an upturn at the same time as most blue chips are in high ground, this is now particularly true.

It should be stressed that Mr May is taking a longer-term view than many market commentators, including chartists, who are cautious about the immediate future.

titled Education Renewal Strategy and/or the recommendations contained therein; if not, (a) why not and (b) when is it anticipated that decisions on this document will be taken; if so, what decisions;

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

B525E

†The MINISTER OF NATIONAL EDUCATION:

(1) No.

(a) In view of the comments received on the initial draft, the report has not yet been finalized.

(b) After the report is finalized—probably within the next month or two.

(2) No.

Discussion document: Curriculum Model for Education in SA

*2. Mr A GERBER asked the Minister of National Education:†

(1) Whether the Government has taken any decisions on the proposals and/or recommendations contained in the discussion document entitled Curriculum Model for Education in South Africa; if not, (a) why not and (b) when is it anticipated that decisions on this document will be taken; if so, what decisions;

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

B526E

†The MINISTER OF NATIONAL EDUCATION:

(1) No, the Government has not taken any decisions on the proposals and/or recommendations in the discussion document.

(a) The recommendations have not yet been submitted to the Government by the Committee of Heads of Education Departments (CHED).

(b) The recommendations in the model will be decided upon by the Government as soon as the document is submitted by the CHED. The CHED is still attending to the processing of comments, which have been received since the release of the document. Any decisions taken will be related to the recommendations submitted by the CHED.

(2) Yes, after the decisions have been made.

Ballot-papers for referendum

*3. Adv S C JACOBS asked the Minister of Home Affairs:†

How many ballot-papers (a) were printed for the referendum of 17 March 1992 and (b) were dispatched overseas for use in that referendum?

B530E

†The MINISTER OF HOME AFFAIRS:

(a) 4,1 million.

(b) 67 450 to 68 destinations.

Referendum: votes cast outside borders of RSA

*4. Mr D P DU PLESSIS asked the Minister of Home Affairs:†

(1) How many persons cast their votes outside the borders of the Republic in the referendum of 17 March 1992;

(2) how many of these persons had the citizenship of any other country in addition to their South African citizenship when so casting their votes?

B531E

†The MINISTER OF HOME AFFAIRS:

(1) 11 573

(2) This information is not available and can also not be determined as persons who voted abroad were not required to provide such information. Records of the Department do not contain such information either.

SA citizenship through naturalization

*5. Adv J J S PRINSLOO asked the Minister of Home Affairs:†

How many White persons obtained South African citizenship through naturalization during the period (a) 20 February to 17 March 1992 and (b) 20 February to 17 March 1991?

B532E

†The MINISTER OF HOME AFFAIRS:

(a) 24 487

(b) Only a total figure is available for 1991, namely 5 424 naturalizations. It is estimated that there are currently approximately 420 000 persons with permanent residence who qualify for naturalization but who have not done so yet.

†Adv J J S PRINSLOO: Mr Speaker, arising out of the hon the Minister's reply, I should like to ask him for the reason why the figures for 1992 are available but those for 1991 cannot be determined for the period in question.

†The MINISTER: Mr Speaker, it is very clear that the member asked for information on White statistics. Obviously the statistics for Whites bears relation to the referendum and therefore it could be determined when it was issued, while there was not a referendum linked to a White electoral system the previous year and therefore statistics were not kept for that year. It will not be kept next year either except if it is done in respect of something for which being "White" is a specific requirement.

†Adv J J S PRINSLOO: Mr Speaker, further arising out of the hon the Minister's reply, I should like to ask him whether he denies that it was possible for the purposes of the referendum, to determine the race of a person according to the same statistics that were already available, and that there is a method to determine the race of the persons for the corresponding period in the previous year.

†The MINISTER: Mr Speaker, naturally it could be determined if one did a whole lot of research. It was not done for official purposes. The information for 1992 was especially linked to the referendum as such.

†Adv J J S PRINSLOO: Mr Speaker, further arising out of the hon the Minister's reply, I should like to ask whether we should accept that the hon the Minister could not determine how many Whites, Black people and members of other population groups were naturalized for any particular period in 1991, without it involving an extremely elaborate process.

†The MINISTER: Mr Speaker, I said very clearly that the statistics are not kept separately. It is as simple as that. The required information could be found by researching every form and calculating statistics. However, it is not being done because these statistics are not kept as such. It is logical.

Naturalization with retention of foreign citizenship

*6. Mr J CHIOLÉ asked the Minister of Home Affairs:†

How many White persons to whom South African citizenship was granted through naturalization during the period 20 February to 17 March 1992 retained their citizenship of any other countries on obtaining South African citizenship?

B533E

†The MINISTER OF HOME AFFAIRS:

This information is not available since statistics are not kept on the citizenship of persons applying for naturalization. South African legislation however contains no impediment against dual citizenship.

Sasol: beneficiary of protection tariff

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

Whether Sasol is the beneficiary of a protection tariff approved by the Government; if so, (a) (i) what formula is used for the calculation of this protection tariff and (ii) when was this formula instituted and (b) what was the total value of the protection tariff to Sasol during the 1989-90 financial year?

55 B534E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

Yes.

(a) (i) The present framework for protection is based on a derived crude oil floor price of USD 23/barrel. When the derived crude oil price decreases below USD 23/barrel Sasol receives protection. Between USD 23-28,70/barrel no protection is received and above USD 28,79/barrel 25% of all income above that level is paid to the Equalization Fund until all protection received since 1 July 1989 has been repaid.

cont →

(ii) The present framework for tariff protection has been instituted with effect from 1 July 1989.

(b) During the 1989/90 financial year the total value for tariff protection for Sasol amounted to R478 million.

For the hon member's information, for the 1990-91 financial year the figure dropped to R216 million owing to the higher international oil prices and also finished product prices. It is estimated that for the current year, 1991-92, the tariff protection will increase to an estimated R400 million, but our projections, based on the views of international experts in the field of oil prices, are that in the coming year, 1992-93, oil prices will rise again, and then we expect the tariff protection to drop once again.

Petronet: profits

*8. Mr R R HULLEY asked the Minister for Public Enterprises:

(a) What total amount in profits did Petronet realize from the movement of petroleum products during the 1990-91 financial year or the latest specified 12-month period for which information is available and (b) what is this amount as a contribution to the total profits of Transnet?

B537E

†The MINISTER OF TRANSPORT AND OF POSTS AND TELECOMMUNICATIONS (for the Minister of Public Enterprises):

The Managing Director of TRANSNET LIMITED replied as follows to the hon member's question:

(a) and (b)

The results of the various divisions of TRANSNET LIMITED can only be reflected accurately once the divisions are properly structured and internal transfer pricing is sorted out. TRANSNET LIMITED is of the opinion that until such time as this has been finalized, reporting of meaningful financial results for the individual divisions cannot be achieved.

Members will note that the Annual Report of TRANSNET LIMITED for 1990-91 does indeed disclose a profit-figure of R128,4 million for Petronet. This is however due to an oversight as it should not have been disclosed for the reasons mentioned above. The profit-figure should therefore be evaluated in light hereof.

For various reasons it is of the greatest importance for the State, as shareholder, that the different divisions of TRANSNET LIMITED be ringfenced from a financial perspective. One of the reasons which makes the matter compelling, is to judge the conduct of the different divisions in a competitive market. In the light of this, as representative of the State as shareholder, I have requested the Chairman of the Board of Directors to ensure that the accounting system be so implemented for TRANSNET LIMITED so as to be in a position to determine the real profit or loss of each respective division.

†Mr J CHIOLÉ: Mr Speaker, arising out of the hon the Minister's reply, was it meaningful to publish the profits separately when Transnet was still the South African Transport Services?

†The MINISTER: Mr Speaker, I think the hon member should have this question placed on the Question Paper so that the Minister concerned can reply to it himself.

Contravention of Banks Act

*9. Mr D H M GIBSON asked the Minister of Finance:

Whether, with reference to (a) the report of the Registrar of Banks for the year ended 31 December 1990 and (b) the 19 institutions and persons suspected of having contravened the Banks Act, No 23 of 1965, any action was taken by the Attorney-General; if so, what action?

B538E

The DEPUTY MINISTER OF FINANCE (Dr T G Alant):

Of the 19 matters referred to in the report of the Registrar of Banks for the year ended 31 December 1990, eight were referred to the Attorney-General for further action.

In the case of four of those eight matters prosecutions were instituted or admission of guilt fines were imposed.

In the case of four of those eight matters the Attorney-General declined to prosecute.

Dropping of pipeline charge: Petronet

*10. Mr E K MOORCROFT asked the Minister of Mineral and Energy Affairs:

(1) Whether a calculation has been made of the effect on the profitability of a certain organization, the name of which has been furnished to the Minister's Department for the purpose of his reply, in the event of Petronet dropping its pipeline charge by two-thirds from nine cents a litre to three cents a litre in the PWV area; if so, (a) what would be this effect and (b) what is the name of the organization concerned;

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

B547E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) No, none of which Sasol or the Department of Mineral and Energy Affairs is aware of. It is important to note that Petronet competes in a free market and that its tariffs are, therefore, subject to normal market forces. As an inland producer situated close to its markets, Sasol enjoys a location advantage over a producer at the coast which has to transport its products over a longer distance to the market. This very important factor was specifically considered when the decision on where to locate the factories was taken.

(a) A decrease or an increase in fuel transport tariffs impacts directly on Sasol's profitability. The effect thereof is confidential commercial information of Sasol.

(b) Falls away.

(2) No.

Extension of toll-road network

*11. Mr W U NEL asked the Minister of Transport:

(1) Whether his Department is considering the extension of the toll-road network and/or the erection of any additional toll plazas; if so, (a) (i) where and (ii) when is it envisaged that additional toll plazas will be erected and (b) what other extensions to the toll-road network are envisaged;

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

B545E

†The MINISTER OF TRANSPORT:

(1) Yes, the Department of Transport is considering extensions to the toll-road network and the erection of additional toll plazas.

(a) (i) and (ii) The following toll plazas are envisaged to be opened at the times indicated:

(aa) A toll plaza at Mtunzini on the N2 North Coast Road, Natal, which will be opened on 1 June 1992;

(bb) a further toll plaza at Stanger on the N2 North Coast Road, Natal, which is currently being planned and for which no date for opening has yet been set;

(cc) a toll plaza near Danville, Pretoria, on the N4 West which will open late 1992/early 1993; and

(dd) toll plazas on the

— N1 Transvaal: Middelfontein to Pietersburg;
— N2 Natal: South Coast;
— N3 Orange Free State: Harrismith Bypass;
— N3 Transvaal: Villiers to Heidelberg; and
— N17 Transvaal: Krugersdorp to Rand Airport

for which no definite locations or time schedules have been set.

(b) The Department of Transport is considering the feasibility of a number of projects but no firm conclusions have been reached other than in respect of those roads mentioned in the reply to question (1)(a).

(2) Yes, last week I made a statement in the House of Delegates regarding the future of the toll road network and will issue press statements whenever decisions are taken in this regard in future.

Handful of projects overshadow the rest

Business 30/4/92

SOME projects have dominated project finance in the last two years — Mossgas, the Sua Pan soda ash plant in Botswana and the Lesotho Highlands Water Project.

Others still in the pipeline are Alusaf's multibillion rand expansion programme and the Columbus Stainless Steel project. In addition, the petrol-chemical industry could spend up to R15bn in the next five years.

In mid-1991 a soda ash and salt project opened in Botswana. It was a joint-venture project between the Botswana government and AECI, Anglo American Corporation and De Beers Holdings.

It is estimated to contribute 10% to Botswana's national export earnings.

The first phase of the R14bn Lesotho Highlands Water project began construction last year and is planned to be completed by 1997. Phase IA will cost R5,9bn.

Standard Bank and First National Bank provided about R1,9bn in commercial loans for the project. Five major domestic banks put up a R1,5bn export credit.

Offshore funding will also raise $500m. The World Bank has a hand in the project and will provide $100m.

Earlier this year aluminium producer Alusaf announced its intention to invest between R3bn to R4,5bn in a new aluminium smelter.

The project is still in the pipeline, along with the R2,5bn Columbus Stainless Steel venture.

Sasol plans to spend R900m on expanding its wax and paraffin facilities and the ammonia synthesis plant at Sasol 1. It will also upgrade the Natref refinery (R370m), anode coke and liquid fuels project and a R320m acrylic fibre plant.

Engen could invest over R4bn within the next four years.

Mossgas 'likely to be viable'

(55) CT 7/5/92

MOSSGAS was expected to provide a nominal internal rate of return of about 11%, if an oil price of $19 a barrel in 1989 terms was maintained over the lifetime of the project, Mineral and Energy Affairs Minister George Bartlett, said yesterday.

Replying to a question from DP Constantia MP Roger Hulley, Bartlett said the R12bn estimate of the project had been prepared in September last year and would be final provided the plant was commissioned without unforeseen problems.

The viability of the project was sensitive to the oil price, but $12 per barrel in 1989 terms ($14 in today's terms), would be sufficient to cover operating costs and the servicing of foreign loans.

● The original cost was estimated at R6,89bn.

Oil embargo has cost SA $2bn a year — economist

BDay 6/5/92

DARIUS SANAI

Which sanctions remain ?

Sanction Type	Imposed by	Estimated effects on SA economy	When likely to lifted
Oil embargo	UN member states in Middle East	Severe, est. $2bn p.a.	After democratic elections
Financial sanctions	UN mandate	Moderate, penalties for financial institutions dealing with SA	With approval of all Codesa participants
US state & local sanctions	135 states & cities in US	Moderate: US firms discouraged from investing, trading	After interim government
IMF,World Bank	Gramm amendment in US (IMF), general policy (World Bank)	Moderate to strong - economic growth hampered	After interim government
Arms embargo	UN	Moderate	After interim government

Graphic: LEE EMERTON

ONLY four sets of sanctions of any significance remain in place against SA, and the most damaging of these — the oil embargo — would be the last to be lifted, according to a senior visiting US economist.

The economist, an expert on southern Africa who wants to remain anonymous, said the UN oil embargo, UN-mandated world financial sanctions, US state and local sanctions and the IMF and World Bank restrictions were the only remaining measures affecting SA's economy.

Most Western economists estimated SA's measures to get around the oil embargo had cost government $2bn a year for the past decade. The recent lifting of the EC oil embargo had little effect on this, and it was ultimately down to the individual governments of oil-exporting Middle Eastern states to decide to lift the sanctions.

Most of these states would be reluctant to do so until a fully democratic government was in place, the economist said.

Iran, the only non-Arab state among Middle Eastern oil exporters, is also the only one to have signalled a willingness to rebuild relations.

It is the second largest oil producer in the region.

Financial sanctions — penalties imposed on banks in various western countries which deal with SA — were losing their bite as the banks became increasingly lax in their application. SA companies were having no difficulties obtaining short-term loans abroad, and the effects of financial sanctions on SA were frequently overstated, the economist said.

US state and city sanctions remained effective, despite the lifting of the Comprehensive Anti-Apartheid Act (CAAA) by Congress last year. It was now down to state legislatures and city councils to lift individual sanctions.

Some US cities like New York and San Francisco have highly developed economies of their own, and their sanctions — which penalise any company trading with or investing in SA — have the effect of similar sanctions imposed by small countries.

The economist said it was unlikely a democratic SA would be left in the same position as Namibia, which still had 25 state and locally imposed sanctions to cope with. Sanctions would be revoked if all Codesa participants requested it, he said.

But the effect of these sanctions could have been dulled recently by the lifting of EC and Japanese trade sanctions. "Firms from other countries are taking their place", the economist said.

The fourth category of sanctions was the restriction imposed by the IMF and World Bank on loans to SA. The Gramm amendment in the US — which is the most powerful voice in the IMF — prohibits the US government from supporting any application for an IMF loan from SA until a democratic government is in power.

But even this did not have a serious effect on the SA economy. "By the time SA really needs an IMF loan to cope with building a new SA, the political situation will mean the loan will be forthcoming," the economist said.

The World Bank's self-imposed restrictions had meant that $1bn worth of loans had been withheld from SA every year, resulting in the loss of 1% worth of potential growth in the SA economy. These loans would also be forthcoming when an interim government was installed, he said.

The UN-imposed arms embargo was also having an effect, with SA forced to manufacture material it would otherwise have imported. This ban would probably only be lifted after a fully democratic government was established.

Cahora Bassa may supply SA 'soon'

(55) CT 6/5/92

Political Staff

THE massive Cahora Bassa hydro-electricity scheme in Mozambique, which has never supplied electricity to South Africa since it was completed 20 years ago, could soon come on steam, the National Energy Council reported yesterday.

The multi-million Cahora Bassa dam, built on the Zambezi River after an agreement was signed by Portugal and South Africa in 1969, has not been able to supply electricity because of sabotage and disruption after Mozambique's independence in 1975.

The National Energy Council said in its final report, tabled in Parliament yesterday, that events in Mozambique and South Africa had materially increased the chances of a successful rehabilitation programme. Discussions had been held with potential financiers, including the World Bank.

"In the light of the poor economic performance of Mozambique, this organisation is not willing to support Mozambique financially without guarantees from either South Africa or Portugal, or both."

However, since an end to the conflict in Mozambique appears to be approaching, there was every likelihood of a rehabilitation programme being concluded "in the near future".

Another petrol price hike is on the way

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CT 6/5/92

By BARRY STREEK

ANOTHER petrol price increase is on the way.

The National Energy Council reported yesterday that an increase in the fuel tax on petrol and diesel was necessary to generate state revenue.

"Due to substantial cost increases it is also expected that the Multilateral Motor Vehicle Accidents Fund and National Road Safety Council budgets for 1992/3 will be increased," the council said in its report for the 1991/2 financial year.

This would in turn increase fuel prices. It was, however, impossible to predict the the size of the increase.

The report, tabled in Parliament yesterday, was completed at the end of March, after the tabling of the 1992/3 budget, in which the fuel tax was increased.

The council said crude oil markets expected more drastic declines in the price of petrol, and lower international prices could lead to lower international refined product prices and lower fuel prices in South Africa.

"The possible decrease in the landed cost of refined petroleum products could, however, be partially offset by the weakening of the exchange rate, which could average above R2,85 to the dollar for 1992."

The lower landed cost of fuel could offset the anticipated increases in the price of petrol in South Africa.

● The government has decided to introduce unleaded petrol to South Africa and it would be generally available by 1995.

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Oil producers discuss expanding trade

BIDay 6/5/92

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LUANDA — The EC and African, Caribbean and Pacific (ACP) oil producers and exporters met in Angola yesterday for talks about improving dialogue and expanding trade.

"Greater co-operation is needed," Angolan Prime Minister Fernando Jose Franca Van Dunem said at the opening of the three-day conference on Monday.

More than 100 delegates are attending the talks in Luanda which are aimed at improving dialogue between oil and gas companies on both sides and increasing investment in developing countries.

The ACP group had 69 members, of which Nigeria, Gabon, Trinidad and Tobago, Cameroon, Congo and Angola were oil exporters, delegates said. The six were expected to produce up to 3,5-million barrels a day of crude until 1995.

The ACP had 23-billion barrels of proven oil reserves at end-1990, the last available figures, and supplied Western Europe with 10% of total oil needs.

Nearly 60% was shipped by Nigeria and 16% from Angola, delegates said.

ACP gas reserves were 3,64-trillion cubic metres in 1990, or 3% of the total worldwide. Nigeria held 76% of gas deposits and Trinidad and Tobago 16%.

Van Dunem proposed the EC protect ACP oil-exporting countries from slumps in world energy prices by paying them compensation, as it did for commodities and minerals under the Lome Convention's Stabex (System of Stabilisation of Export Earnings) and Sysmin (minerals scheme) programmes.

"Furnish us with technical assistance to make an inventory of our resources, teach us to exploit them rationally and help us when times are hard," the Angolan prime minister appealed to the EC, reports the Portuguese news agency Lusa.

European energy commissioner Antonio Cardos e Cunha said the idea merited discussion. Van Dunem's request "would not fall on deaf ears", he told the meeting. — Sapa-Reuter.

UK lending

Another fuel price increase expected — energy council

BDay 6/5/92

Political Staff

CAPE TOWN — Another increase in the fuel tax on petrol and diesel to generate state revenue was expected, the National Energy Council reported yesterday.

"Due to substantial cost increases, it is also expected that the Multilateral Motor Vehicle Accidents Fund and National Road Safety Council budgets for 1992/93 will be increased, which will in turn increase fuel prices."

It was impossible, however, to predict the increase in the price of fuel, the council said in its final report, which covered the 1991/92 financial year.

The report, tabled in Parliament yesterday, was completed at the end of March, after the 1992/93 budget, in which the fuel tax was increased, was tabled.

The council said crude oil markets expected more drastic declines in the price of petrol. Lower international prices, the council said, could lead to lower international prices for refined products and, also, to lower fuel prices in SA.

"The possible decrease in the landed cost of refined petroleum products could, however, be partially offset by the weakening of the exchange rate, which could average above $1 = R2,85 for 1992."

The lower landed cost of fuel could offset the expected increases in the price of petrol in SA, but it was impossible to predict these, the council said.

Government had decided to introduce unleaded petrol, which would be generally available in SA by 1995. It would be phased in over several years. Leaded petrol would be available for as long as required.

Leaded petrol is being phased out in most developed countries, despite the higher cost of unleaded petrol, mainly for health and environmental reasons.

The council said it had recommended introduction of unleaded petrol after extensive investigations and consultations. Government had accepted the proposal.

"Due to the time needed by the oil industry to instal the required production facilities, it can be expected that unleaded petrol will be generally available by 1995."

The Department of Mineral and Energy Affairs would co-ordinate the phasing in of unleaded petrol.

□ The Cahora Bassa hydro-electricity scheme in Mozambique, which has never supplied electricity to SA since it was completed 20 years ago, could soon come on stream.

The multimillion-rand Cahora Bassa Dam, built on the Zambezi River after an agreement was signed by Portugal and SA in 1969, has not been able to supply electricity because of sabotage and disruption after Mozambique's independence in 1975.

I should also like to mention that a great deal has been done to prevent the hazard of fires occurring from our steam trains. [Time expired.]

Mr W U NEL: Mr Chairman, the hon the Minister referred to Transnet being the only company in the world that spends so much money on its steam engines and steam lines. The reason for that is obvious. We are the only company in the whole world that has such a tremendous asset. We dare not burn our bridges in this regard. If tourism is to be the economic saviour in the future, we must not damage its potential.

The recent history of steam locomotion in South Africa and on the railways is a sorry saga of broken promises, as the hon member for Roodepoort pointed out. I shall not go into further detail on that score.

I just want to say again that without a daily operational steam line the fanatics will not come to this country specifically to share in the experience of steam locomotion. The De Aar-Kimberley line is the obvious and only line on which we can successfully operate the really heavy, big machines in our country. We obviously cannot retain them everywhere. [Time expired.]

The MINISTER FOR PUBLIC ENTERPRISES: Mr Chairman, I want to tell the hon member for Mooi River that South Africa is not the only country that has such a wonderful heritage; there are many other countries as well. However, South Africa is the only country that cares to protect this heritage.

There is an economic limit. One can spend only so much on attracting tourists by way of steam traction. If one spent more, one could rather consider spending that money in other directions to encourage tourists to come to this country.

The hon member for Walmer asked whether enough opportunities were being created for steam enthusiasts. I would say "Yes". Certainly the steam safari trains I referred to offer a wonderful opportunity for steam enthusiasts to come to South Africa, to enjoy steam locomotion, to relive the past by joining one of these safaris, not only in South Africa, but across our borders. We plan five safaris for this year, and it may interest hon members to know that four of these have already been totally sold out. Of the people joining these safaris 80% come from abroad.

Transnet is prepared to co-operate with any group or organisation who wishes to engage in steam preservation. On this issue Transnet has just recently concluded a successful agreement with Necrail whereby the Aliwal North-Barkly East line is now operated by this group on a steam traction basis with the co-operation of Transnet.

Transnet is also making good progress with the construction of the first open-air transport museum in Newtown, Johannesburg, where the entire historic collection of steam engines and other historical items will be brought together.

Debate concluded.

QUESTIONS

†Indicates translated version.

For oral reply:

General Affairs:

Mossgas project: original cost estimate

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

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

(2) whether he will make a statement on the viability of the project? SS B557E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) (a) When the project was finally approved in April 1988 the total project cost was estimated to be R6 895 million. Financing costs, working capital and operating cash losses during start-up, increased the peak funding estimates to R7 376 million.

(b) (i) The latest estimate is that the total project cost will be R10 258 million and peak funding will be R12 000 million, provided the plant is commissioned without unforeseen problems.

(ii) The latest estimate was prepared in September 1991 and is in money of the day terms.

(2) The project is expected to provide a nominal internal rate of return of about 11% if an oil price of $19 per barrel in 1989 terms is maintained over the lifetime of the project. The viability of the project is sensitive to the price of oil, but an oil price as low as $12 per barrel, in 1989 terms (about $14 per barrel in current terms), will be sufficient to cover operating costs and the servicing of foreign loans.

I am sure the hon member will be interested to know that early last month the off-shore platform started production and that condensate and gas is now flowing on-shore, and these products are being used to commission the various components of the plant. It is expected that commercial production of petrol should be achieved in the last quarter of this year.

Mr R R HULLEY: Mr Chairman, arising out of the hon the Minister's reply, may I ask whether the hon the Minister will confirm that the internal return of 11%, which he mentioned, excludes any kind of return whatsoever on the funds which the taxpayer has invested in Mossgas?

The MINISTER: Mr Chairman, that is correct. The hon member's point is correct.

†Adv C H PIENAAR: Mr Chairman, arising out of his reply to paragraph (2) I want to ask the hon the Minister who did this viability study in respect of the financial viability, because in the Brooks Report—by the way, it cost the taxpayer R1 million—it was mentioned that an investigation as to the financial viability had not been done as yet. The report dealt only with the technical viability of the project. I would like to know who did the financial viability study.

The MINISTER: Mr Chairman, the studies were done in conjunction with the Industrial Development Corporation and other experts in this particular field.

HON MEMBERS: Who?

The MINISTER: The IDC and their advisers and experts, along with the Central Energy Fund itself. So this project was fully researched by experts in the field before the decision was taken to proceed with it. I would like to stress that this project was agreed to at a time when South Africa was under a strict boycott as far as oil was concerned, and the decision was primarily a strategic one. Of course we are living in changing times, with the progress being made by way of the reforms of the hon the State President. There is a chance that the oil boycott will be lifted, and that will, of course, mean that circumstances will change completely.

SS †Adv C H PIENAAR: Mr Chairman, further arising out of the hon the Minister's reply, I would like to know whether that report is going to be released, whether the Industrial Development Corporation, specifically, undertook the investigation and when we are going to see that report.

The MINISTER: Mr Chairman, if the hon member will permit me, I will reply to that question in writing.

Mr R R HULLEY: Mr Chairman, arising from the hon the Minister's comments on viability and the fact that the decision was taken for strategic reasons, is the hon the Minister aware that a recent calculation indicates that the total capacity of Mossgas would have delayed the effect of a total oil cut-off by some four weeks—in terms of the usage of this country and the capacity of Mossgas? Is he aware of that report and is it correct?

The MINISTER: I want to ask the hon member to give me a copy of that report. I should like to study it. It was Government policy that South Africa should be self-sufficient in terms of the production of liquid fuels up to the level of 40% of its annual requirements.

Sasol initially gave South Africa that self-sufficiency. As time progressed and the utilization of petroleum increased, that self-sufficiency declined. When Mossgas comes on stream South Africa will again be 40% self-sufficient in the production of liquid fuels.

†Dr P J GOUS: Mr Chairman, arising out of the hon the Minister's reply, I want to ask the following question. Is it not so that one of the primary considerations for Mossgas was to make the engineering industry, which had entered a period of depression in this country, once again a viable proposition and, secondly, to establish an

Cont →

industry in the Southern Cape region? Were these not two of the primary reasons? SS

The MINISTER: I want to ask the hon member to please table that question.

Credit limit with Spoornet Limited exceeded

*2. Mr W U NEL asked the Minister for Public Enterprises:

(1) Whether it is ~~his intention~~ to initiate an investigation into the circumstances under which Spoornet Limited allegedly allowed a certain company, the name of which has been furnished to the Minister's Department for the purpose of his reply, to exceed its credit limit with Spoornet Limited; if not, why not; if so, (a) what steps will be taken in this regard, (b) what is the name of the company concerned and (c) by how much did this company exceed its credit limit;

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

B558E

†The MINISTER FOR PUBLIC ENTERPRISES:

The Managing Director of TRANSNET LIMITED replied as follows to the hon member's question:

(1) Yes.

(a) An independent investigation by outside experts has been commissioned.

(b) Minesa Energy (Pty) Ltd.

(c) R28 million which includes interest.

(2) No, the Managing Director of TRANSNET LIMITED has already issued a news release.

Houses offered for sale to SAP members

*3. Mr W U NEL asked the Minister of Law and Order:†

(1) Whether the South African Police intends offering houses of the Department of Public Works that are occupied by Police personnel at present, for sale to such personnel; if not, why not; if so, (a) when is it envisaged to make the houses available and (b) what criteria will be applied;

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

B559E

The MINISTER OF LAW AND ORDER:

(1) (a) and (b)

As the South African Police is merely a consumer department and the right of ownership of accommodation falls under the auspices of the Department of Public Works, only the Department of Public Works, in co-operation with and on conditions determined by the Department of Finance, can decide whether the houses can be sold and which criteria and conditions will apply.

(2) Yes.

At present there is no arrangement in terms of which official houses can be offered for sale.

Mr R M BURROWS: Mr Chairman, arising out of the reply of the hon the Minister, can he give an indication as to whether he would support the sale of the houses?

The MINISTER: Mr Chairman, no, I cannot give such an indication, for the simple reason that it is not only members of the SA Police who are occupying State houses, but also other employees of the State. If we make such a decision, we have to take all the implications of such a step into consideration. Therefore I cannot tell the hon member whether I can support it. [Interjections.]

Mr W U NEL: Mr Chairman, is the hon the Minister implying that he is not prepared to make such a recommendation?

The MINISTER: Mr Chairman, I never said that. I said—I want to repeat that—that it will have to be a policy decision not only in respect of the SA Police, but in respect of all State employees who are occupying State houses.

Certain person still in prison

*4. Mr P H P GASTROW asked the Minister of Correctional Services:

(1) Whether a certain person, whose name and other particulars have been furnished to the Minister's Department for the purpose of his reply, is still in prison; if not, (a) (i) when and (ii) subject to what

conditions was he released from prison and (b) who authorized his release;

(2) whether this person's release is in line with his Department's policy regarding the release of convicted prisoners;

(3) whether he will disclose the identity and sentence particulars of the person concerned; if not, why not; if so, what are they?

B561E

†The MINISTER OF CORRECTIONAL SERVICES:

(Reply laid upon Table with leave of House):

(1) No.

(a) (i) He was released conditionally, that is, on parole, on 14 February 1992. The Commissioner of Correctional Services may suspend his parole at any time should he be satisfied that the parolee has, before the expiration of the period of release on parole, failed to observe one or more of the conditions of his release. A warrant for his arrest is then issued whereupon he shall be subject to be detained in prison until lawfully discharged or released therefrom and if at large, he shall be deemed to be unlawfully at large.

(ii) The following conditions were laid down and are applicable to the person mentioned by the hon member, namely that he:

— would be on parole from 14 February 1992 to 28 May 2003.

— would be under the control of the Head of the Durban Medium B Prison for the duration of his parole.

— would be required to report to the South African Police Kwa Mashu in person not later than 21 February 1992.

— would be required to report for duty to his employer as arranged in conjunction with the Head of the Durban Medium B Prison.

— may not change to another employer and/or work address without explicit prior approval by the Head of the Durban Medium B Prison.

— must reside at the residential address as agreed upon for the duration of his parole.

— may not change his residential address without explicit prior approval by the Head of the Durban Medium B Prison.

— would be required to report to NICRO.

— must give his whole-hearted co-operation to NICRO.

— may not commit any offence or render himself guilty of any form of misconduct whatsoever for the duration of his parole period.

— would be required to report in person on 21 February 1992 to the Head of the Durban Medium B Prison and thereafter on a monthly basis on predetermined dates.

— is not allowed to leave the Magisterial District of Umlazi or immediate surrounding area without permission of the Head of the Durban Medium B Prison.

— concede to visits or telephonic contact at least twice a week by members of the Department of Correctional Services to his

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Gas cracker depends on new reserves

Soaring costs for Mossgas still uncapped

BIDay 7/5/92 (SS)

BILLY PADDOCK and EDWARD WEST

CAPE TOWN — Mineral and Energy Affairs Minister George Bartlett indicated yesterday that the final cost of Mossgas could exceed government's latest estimate of R12bn.

In another development, Sentrachem executive director Roy Pithey said yesterday a proposed joint venture between Engen and Sentrachem to establish a multibillion-rand gas cracker at Mossgas would receive the go-ahead only once further gas reserves were found.

Speaking from London, Engen chairman Bernard Smith said existing gas reserves were adequate to operate Mossgas for 25 years. However, Engen had not yet defined the quantity and additional reserves which would have to be discovered to justify the gas cracker plant.

Bartlett, in reply to a question by DP public enterprises spokesman Roger Hulley, told Parliament the latest estimate was that it would cost "R10,258bn and peak funding will be R12bn, provided the plant is commissioned without unforeseen problems". This estimate was made in September 1991 and was "in money of the day terms". He said the comparative estimates in 1988 were R6,895bn and R7,376bn.

"When the project was finally approved in April 1988, the total project cost was estimated to be R6,895bn. Financing costs, working capital and operating cash losses during start-up, increased the peak funding estimates to R7,376bn," he said.

Bartlett said Mossgas would yield an estimated 11% return on its investment if the oil price remained at the equivalent of $19 a barrel for the next 10 years, but would cover operating costs even if the price dropped to $12-$14 a barrel.

He said Mossgas was expected to go into full commercial fuel production in the third quarter of this year and was already on line with certain products.

Engen's Smith said Soekor was still engaged in exploration off Mossel Bay and believed there was more gas to be found.

Pithey said Sentrachem had a major interest in the commissioning phase of Mossgas because a four-year investigation had established the viability of a chemical feedstocks gas cracker depending on the availability of feedstocks.

Sentrachem's investigations identified several options around the Mossgas hub ranging from single product plants costing about R500m to a full-scale, mixed feedstock combi-cracker costing about R6bn.

The gas cracker would need additional and specific gas types, the full extent of which would be known only by pumping gas from the Mossgas offshore platform for up to seven months, said Pithey. If the existing reserves proved to be deficient, further gas deposits would have to be discovered, he said.

Meanwhile, Mossgas public affairs manager Harry Hill said commissioning of the synfuels operation was well under way.

Construction would be completed by the end of June, with the entire commissioning phase scheduled for completion by the end of the first quarter of 1993.

Mossgas cost almost doubles

55

Political Correspondent

THE cost of Mossgas will have almost doubled in four years to R12 billion when it comes on stream later this year, parliament has been told. ARG 7/5/92

Once operational, Mossgas — taken jointly with Sasol production — will meet 40 percent of South Africa's fuel needs.

In reply to a question by Constantia MP Mr Roger Hulley, Minister of Mineral and Energy Affairs Mr George Bartlett said the project would go into full production in the third quarter of this year.

The latest estimate of the cost was between R10,2 billion and R12 billion.

This contrasted with the estimate in 1988, when the project was finally approved, of between R6,8 billion and R7,3 billion.

'Fuel price a function of budget deficit' (55)

Business Editor CT 7/5/92

THE government is increasingly using the petrol price as "a fiscal instrument to bolster revenue," and there is still scope to raise it further, Ockie Stuart, director of the Stellenbosch Bureau for Economic Research, said yesterday.

Commenting on the National Energy Council report this week that a rise in fuel tax was necessary to generate revenue, Stuart said: "The implication of this is that the petrol price is becoming a function of the government's budget deficit.

"At this early stage it seems the government will once again next year have considerable problems in balancing its books."

This would have an inflationary effect. But he expects the inflation rate to fall to around 12% towards the end of this year, causing it to average 14%, with a further fall in early '93.

"We are forecasting a fairly sharp recovery. Productive capacity will be used better and will bring down costs."

But he expects inflation to start picking up again in the second quarter of next year.

This, he warned, means that the rand will continue to depreciate.

emphasized. If the youth of the world can learn to build contacts, communication

Mossgas to produce 40 pc of SA fuel needs

STAR 7/5/92 55

CAPE TOWN — South Africa would provide 40 percent of its petrol needs when the R12 billion Mossgas project started producing commercial fuel in the last quarter of this year, Minister of Mineral and Energy Affairs George Bartlett told Parliament yesterday.

He was answering questions on Mossgas tabled by Roger Hulley (DP Constantia).

The annoucement comes after the annual report of the National Energy Council said there would be an increase in the price of petrol and diesel sometime this year.

Mr Bartlett said: "The project is expected to provide a nominal internal rate of return of about 11 percent if an oil price of 19 dollars a barrel in 1989 terms is maintained over the lifetime of the project. The viability of the project is sensitive to the price of oil, but an oil price as low as 12 dollars a barrel in 1989 terms, which is about 14 dollars a barrel in current terms, will be sufficient to cover operating costs and the servicing of foreign loans."

Mr Bartlett said it was Government policy that South Africa should be 40 percent self-sufficient in terms of liquid fuel requirements. — Political Staff.

Aims

To further the understanding between peoples by:

i) educating Melbourne University students and the wider Melbourne community about foreign language speakers and their native countries and cultures,

ii) making Melbourne University students and the wider Melbourne community more aware of foreign languages, as such, and the study of them,

iii) increasing contacts between Melbourne University students and people, particularly students, of non-English speaking countries via correspondence and direct contact, and

iv) fostering two-way exchanges of materials and students in order pursue equivalent aims in other countries.

While the programme would necessarily draw on existing administrative facilities within the university, it would endeavour to operate as much as possible on a student level.

Synopsis

Essentially the programme would consist of two elements:

a) an exchange of minor publications and other materials produced at student level between Melbourne University and foreign universities, and

b) opportunities for Melbourne University students of foreign languages to further their studies in countries where their language of study is the vernacular. This would be operated in conjunction with a), with the aims of the programme firmly in mind and with

Mossgas in full production later this year

STAR 7/5/92 (55)

CAPE TOWN — Mossgas was expected to go into full commercial fuel production in the third quarter of this year, Minister of Mineral and Energy Affairs George Bartlett said in the House of Assembly yesterday Replying to a question by Mr Roger Hulley (DP Constantia) he said the latest estimate on the cost of the Mossgas project was R10,258 billion or at most, R12 billion.

In 1988 the comparative estimates were R6,895 billion and R7,376 billion.

Mossgas would make an estimated 10 percent on its investment if the oil price stayed at an equivalent of $19 a barrel for the next 10 years, but would cover operating costs even if the price dropped to between $12 and $14 a barrel.

The project had been started for strategic rather than economic reasons at a time when South Africa was under a total oil embargo. Policy was that the country had to be self-sufficient for 40 percent of its energy requirements.

Sasol had been able to provide 40 percent of the country's energy requirements initially, but increasing fuel demands had changed this.

Once Mossgas was in full production the 40 percent requirement would be met. — Sapa.

(55)

Another petrol price rise expected this year

By Helen Grange STAR 7/5/92
Pretoria Bureau

Another increase in the petrol and diesel price — hot on the heels of a fuel increase in March — is in the pipeline this year.

This emerges from the National Energy Council's (NEC) latest annual report tabled in Parliament, which states that the Government is expected to increase fuel tax to generate state revenue.

The 9c-a-litre March fuel increase was also made up largely of a tax increase.

NEC spokesmen said the expected increase was not definite, and was not likely for at least two months in view of a favourable situation in the Equalisation Fund.

However, the Government would be justified in raising fuel tax again this year in the light of the fact that the Equalisation Fund, despite its improved situation, was still carrying some of the burden of under-recovery on the price of petrol and diesel.

An expected increase in the 1992/93 budgets for the bankrupt Multilateral Motor Vehicle Accidents Fund as well as the National Road Safety Council would also make up a portion of the pending increase.

The NEC report says it is not possible to predict the expected fuel price increase at this stage.

● Crude oil markets can expect declines in the oil price unless the Organisation of Petroleum Exporting Countries cuts production in the second quarter, the NEC report adds.

● The Government's acceptance of the NEC's recommendation to introduce unleaded petrol means such fuel could be available from 1995.

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W/Mail 8/5-14/5/92

BUSINESS B

Another fuel hike in the pipeline

55

AN increase in the price of petrol and diesel is expected sometime this year, as the government raises fuel tax to generate revenue, according to the annual report of the National Energy Council. The announcement came in a week when the Automobile Association of South Africa questioned the idea that South African fuel is "cheap" in world terms. The AA says its research has established the relative cost of fuel in different countries by calculating how many litres of petrol each working hour can buy. South African petrol has been consistently more expensive than the UK, the US, Japan, France and Germany, says the AA.

(55) ARG 8/5/92

Mossgas money could have 'put power in homes'

Political Staff

FOR less than half the R12 billion the government spent on Mossgas, it could have electrified all homes in the urban areas, Mr Roger Hulley, the Democratic Party spokesman on mineral and energy affairs, said in parliament.

"For less than half the cost of Mossgas we could have electrified all the homes in the metropolitan and peri-urban areas, and brought a direct benefit to more than 20 million South Africans in their homes, and it could have turbo-boosted the economy as a whole. The electrification of a million homes would create 270 000 jobs and add six percent to the GDP."

By comparison, Mossgas had 900 permanent employees, Mr Hulley said.

Mossgas, by any normal business test, had no commercial viability below a crude oil price of at least $40 a barrel.

The government had always defended Mossgas on the basis that it was of perceived strategic value at the time.

But, Mr Hulley said, that argument was demolished by a United Nations research consultant on oil and energy who said in 1987 that Mossgas would prolong the life of apartheid by a week or two.

"The whole project should be mothballed until some time when oil prices might rise to a level that might justify starting up the plant. At present oil price levels, every litre of fuel produced will be artifically protected by a tariff subsidy that comes into operation at floor price levels below $23 a barrel, all at the expense of the taxpayer," Mr Hulley said.

Defending Mossgas, the Minister of Mineral and Energy Affairs, Mr George Bartlett, pointed to new possibilities of a gas cracker plant that would produce petro-chemicals. This would add another spin-off in terms of development for the local economy, "just as has happened with Sasol".

"Do not under-estimate the future spin-offs of Mossgas," he said.

Mr Bartlett predicted South Africa would soon export off-shore production platforms because of the transfer of technology from Europe to South Africa through the Mossgas project.

Too late to shelve project — Bartlett

MOST of the expense connected to the Mossgas project had already been spent, so it would not be sensible to shelve it, the Minister of Mineral and Energy Affairs, Mr George Bartlett, said.

Replying to the debate on his budget vote yesterday, he said about R2-billion in foreign loans would have to be immediately repaid if the project closed down.

There were reserves, including pockets in the Bredasdorp basin, that would give Mossgas gas and condensate for at least 30 years. — Sapa.

MP tells govt: close Mossgas

LINDA ENSOR (55)

CAPE TOWN — Mossgas should be mothballed and exploration company Soekor should cease operations, DP mineral and energy affairs spokesman Roger Hulley told parliament yesterday.

His call followed Mineral and Energy Affairs Minister George Bartlett's statement on Wednesday that the final cost of Mossgas could exceed government's latest estimate of R12bn.

Hulley said Mossgas should be mothballed until oil prices rose to a level which might justify starting up the plant. He said Mossgas had no commercial viability below an oil price of at least $40 a barrel. BDay 8/5/92.

"At present oil price levels of about $16 a barrel every litre of fuel produced will be artificially protected by a tariff subsidy, all at the expense of the taxpayer."

Soekor had wasted millions of rands on unsuccessful oil exploration and spent enormous amounts on inflated salaries.

"It is high time for government to place the operations of both Mossgas and Soekor under a critical magnifying glass," Hulley said.

He also called on government to revise its strategy on the uranium enrichment programme. The level of expenditure on the nuclear energy programme (R457m in the last Budget) was not justified in the new and developing circumstances.

Government finally admits its financial blunder

Mossgas hit R5-bn by blow-out

(55)

ARG 9/5/92

FRANS ESTERHUYSE
Weekend Argus
Political Correspondent

AFTER a year of official denials, evasive explanations and bureaucratic whitewashing, the government has finally admitted the cost of Mossgas has almost doubled in four years — to R12 billion.

This tallies with the figure disclosed by Weekend Argus in a report published a year ago and based on an unofficial estimate that the cost of the giant fuel project was set to rise by another R4 billion.

The staggering estimate was dismissed then as "totally unrealistic" by top government and Mossgas sources — from the Minister of Mineral and Energy Affairs, Mr George Bartlett, to Mossgas managing director Mr Bernard Smith.

Yet in parliament this week Mr Bartlett admitted, in effect, that the Weekend Argus disclosure was correct. He said the latest estimate of the cost — by the time Mossgas comes on stream later this year — was between R10,2 billion and R12 billion. This contrasted with the estimate in 1988, when the project was finally approved, of between R6,8 billion and R7,3 billion.

Mr Bartlett gave the latest official estimate in reply to a question from Democratic Party energy spokesman Mr Roger Hulley, MP for Constantia, who had previously condemned the government's decision to build Mossgas as "a siege decision, and a very bad one at that."

Our report last year included a comment from Mossgas managing director Mr Bernard Smith who described the suggested R4 billion cost increase as "completely unrealistic". However, Mr Smith declined to disclose the latest figures. While admitting there would be cost increases, he said they would be relatively "minor".

The minister's stand — which some critics regarded as a cover-up — was that he endorsed the view of his predecessor (Dr Dawie de Villiers) that "constant reporting" on the final cost would be confusing. He promised full information once the project was completed in 1992.

In the face of the official denials and evasive statements, the speculation persisted.

In September last year, Business Day reported that the government had commissioned an independent audit of the project's capital costs, then estimated to be nearing the R12-billion mark.

Mossgas MD Mr Bernard Smith was reported to have confirmed the cost was likely to exceed R9 billion, but he described speculation about a rise to R12 billion as "way out".

At the Free State National Party congress last September the government publicly conceded that Mossgas had been a bad investment.

As Deputy Minister of Finance Dr Theo Alant put it then: "With hindsight, Mossgas was a bad investment as very much more could have been done with the millions spent on that project."

(i) 1. Bactrin negligently prescribed to patient who was allergic to it. Antidote was given whereafter dark spots and cysts developed on his body.

2. After treatment of cut patient's finger became bent.

3. Patient sustained burns during operation.

4. Patient dehydrated during operation and allegedly sustained brain damage and

(ii) 1. Case pending.

2. Claim withdrawn.

3 and 4. Cases pending.

Transvaal Provincial Administration

(1) (b) yes,

(i) 1. Alleged negligence during operation.

2. Alleged negligence during operation and

(ii) 1 and 2. Cases pending.

(2) (a) Minister of National Health

(i) and (ii) no.

(b) Chief Executive Director of Provincial Hospital Services

Cape Provincial Administration

(i) yes,

R19 000 plus costs (notice of appeal was given and judgement is being awaited).

R15 715,32 and

(ii) yes,

R 8 500,00
R 7 500,00
R107 552,00
R 60 000,00
R 96 500,00
R 3 000,00
R 42 550,00
R 25 000,00
R 10 016,37
R 27 530,00
R 546,20

Natal Provincial Administration

(i) no and

(ii) yes,

R1 975 000
R 15 000
R 3 750

Provincial Administration of Orange Free State

(i) no and

(ii) yes,

R8 160,71

Transvaal Provincial Administration

(i) yes,

R26 000 and

(ii) yes,

R1 017 860,00
R 311 539,00
R 120 000,00
R 65 000,00
R 25 000,00
R 20 515,00
R 20 000,00
R 16 919,99
R 16 500,00
R 12 500,00
R 9 000,00
R 6 000,00
R 6 000,00
R 5 000,00
R 4 000,00
R 3 500,00
R 2 000,00
R 875,00.

Balance in Central Energy Fund

251. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs: 55

What was the balance in the Central Energy Fund as at (a) 31 December 1991 and (b) the latest specified date for which figures are available? B584E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(a) R2 158,7 million

(b) On 30 April 1992: R1 994,6 million.

HOUSE OF DELEGATES

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

Steering committee: Greater Cato Manor area

29. Mr M ABRAHAM asked the Minister of Regional and Land Affairs:

(1) Whether he has appointed a (a) chairman and (b) vice-chairman of the negotiating forum and the steering committee for the Greater Cato Manor area; if not, why not, in each case; if so, (i) (aa) what criteria were applied in, and (bb) whom did he consult before making each appointment, (ii) (aa) when and (bb) for what term of office was each appointment made and (iii) what salary and/or allowances are payable to each incumbent;

(2) whether he will make a statement on the matter? D129E

The MINISTER OF REGIONAL AND LAND AFFAIRS:

(1) (a) No. The Administrator of Natal has, however, appointed a chairman on the recommendation of the negotiating forum.

(b) As for (1)(a) above.

(i) (aa) The names of both the chairman and the vice-chairman were unanimously agreed upon by the negotiating forum. The chairman was appointed because of his acceptability to the negotiating forum, as well as the broad community. The vice-chairman was appointed in view of his experience in matters relating to planning and development.

(bb) Both the chairman and the vice-chairman were appointed by the Administrator of Natal, after consultation with Deputy Minister André Fourie MP.

(ii) (aa) The negotiating forum was informed on 28 March 1992 of the appointment of the chairman and vice-chairman, and a public announcement was made in a press release on 29 March 1992. Formal letters of appointment to the chairman and the vice-chairman were signed by the Administrator of Natal on 1 April 1992 and 8 April 1992 respectively.

(bb) One year from the date of appointment with the option to renew the appointment.

(iii) For the chairman, the standard remuneration as laid down by the Department of State Expenditure, namely R438,00 per day.

The remuneration of the vice-chairman is still being negotiated by the parties concerned.

(2) See (1)(b)(ii)(aa) above.

Oil slick puts troops on alert

(SS)

Own Correspondent

DURBAN — Troops from 121 Battalion in Mtubatuba were on standby yesterday to clean up Zululand beaches after a oil slick was spotted off the coast from the Mozambique border down to Sodwana Bay.

Environment Affairs spokesman Niel du Bois said although the slick consisted mainly of thin "sheen" oil which had been broken up by heavy seas, some patches were between 40km and 20km long and between 10km and 2km wide.

Du Bois said his department did not believe the Natal coast was doomed because the oil had been in the sea for at least three weeks and had lost much of its toxicity. Nevertheless, the threat to the coastline was serious. BDay 13/5/92

Du Bois said there was close co-operation between his department, the Natal Parks Board and the KwaZulu Bureau for Natural Resources who were doing everything possible to reduce the oil's impact on the environment.

The department's oil pollution officer Anton Molden, who has been monitoring the slick from the air, said although the slick covered a large area it was mostly a thin layer "a few microns thick".

He was convinced the slick was part of oil spilled from the Katina P tanker while it was still sailing to Maputo last month and not oil discharged when the tanker broke in half several days later on April 26.

This would mean that the main slick — containing as much as 13 000 tons — had yet to appear, Molden said.

The main slick has not been sighted for at least two weeks and negotiations are continuing with the Katina P's owners to provide a long-range aircraft to help locate it.

Molden said the main slick would have drifted past Maputo by now, but was believed to be far out to sea.

The mouth of the ecologically sensitive Kosi system had been blocked off by sandbanks and inflatable booms.

A further 600m of booms was being flown from Cape Town to Durban yesterday and would be ready to block the St Lucia estuary if necessary.

Sadtu served with interdict over plan for protest action

KATHRYN STRACHAN

THE SA Democratic Teachers' Union (Sadtu) was yesterday served with a court interdict restraining it from embarking on two days of national mass action planned for school hours later this month.

The case will be heard in the Pretoria Supreme Court this morning. BDay 13/5/92

The interdict application was made on behalf of Education and Training Minister Sam de Beer. Sadtu also received notification from House of Representatives Education Minister Abe Williams that his department would consider issuing an interdict.

Sadtu general secretary Randall van den Heever said, however, that teachers had been specifically asked to report to school and attend to their teaching duties before embarking on their campaign.

The decision to protest came after negotiations with education authorities concerning recognition of the union reached deadlock over the issue of teachers' right to strike. The action was also aimed at highlighting Sadtu's claim that teachers had been victimised by the authorities because of their union membership.

will again make
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cing business.

(2) what other departments in academic hospitals (a) have been closed down since 1 April 1991 and (b) are to be closed down on 30 April 1992?

B598E

The MINISTER OF NATIONAL HEALTH:

(1) No;

(2) (a) none and

(b) none.

Importing of maize

*5. Mr W U NEL asked the Minister of Agriculture:

(1) Whether he will furnish information on the quantities of maize destined for South Africa and other Southern African countries that were imported and are to be imported through South African harbours during the six-month period ending 30 June 1992; if not, why not; if so, how many tons of such imported maize (a) arrived in South African harbours during the three-month period ended 31 March 1992 and (b) are scheduled to arrive in these harbours during the three-month period ending 30 June 1992;

(2) whether he will make a statement on the handling and distribution of such maize?

B599E

†The MINISTER OF AGRICULTURE:

(1) For the six months period until 30 June 1992, the following quantities of maize will be imported through RSA harbours:

Destination	*Ton*
South Africa	977 000
Zimbabwe	407 683
Zambia	20 000
Total	1 404 683

(a) No maize was imported during the three months period ended 31 March 1992.

(b) 1 404 683 ton.

(2) No. The following information is, however, supplied: The import programme is operated on three levels, namely a strategic level, a weekly business level and an operational level.

An Import Policy Co-ordination Committee, comprising representatives of the Maize Board, Spoornet and Portnet, was established during March and meets once a month to discuss strategy in order to ensure that the importation of maize takes place without any hitches.

The Co-ordinating Working Group meets every Wednesday and discussions between Spoornet and the administrations of the Maize Board and the other grain boards as well as the animal feed manufacturers takes place to co-ordinate the imports.

Further, an operational working group was established between the Maize Board, Spoornet and Portnet to monitor and co-ordinate the transportation situation.

Concerning the distribution of imported maize, the Maize Board will endeavour to consign as much of this maize as possible directly to buyers in order to save costs.

Winnie Mandela trial: disappearance of two persons

*6. Mr L FUCHS asked the Minister of Justice:

(1) Whether an investigation has been conducted into the disappearance of two persons, whose names have been furnished to the Minister's Department for the purpose of his reply, and their failure to attend the trial of Mrs Winnie Mandela; if not, why not; if so, what are the (a) relevant details and (b) names of the persons in question;

(2) whether he will prosecute any (a) persons and/or (b) political parties suspected on reasonable grounds to have been responsible in any way for the above-mentioned two persons' non-attendance at the said trial;

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

B602E

The MINISTER OF JUSTICE:

(1) Yes.

(a) and (b) Mr K Cebekhulu failed to appear in court as an accused on 4 February 1991. A warrant for his arrest was authorized and his failure to appear was immediately investigated by the investigating officer concerned. Indications are that he is currently being detained in Zambia.

Mr G Mekwe failed to attend the relevant court proceedings as a witness on 11 February 1991. His non-appearance was dualy investigated by the South African Police.

(2) (a), (b) and (3)

The hon member's attention is drawn to section 3(1)(a) of the Criminal Procedure Act, 1977 (Act 51 of 1977), in terms of which the Attorney-General has the authority to prosecute on behalf of the State. I caused enquiries to be made at the Attorney-General concerned and it appears that as far as Mr Cebekhulu is concerned, the South African Police were not able to gather any concrete, relevant and admissible evidence that on reasonable grounds tend to indicate the involvement of any political organisation and/or person, with Mr Cebekhulu's failure to stand his trial. No evidence exists at present on which a prosecution of any organisation or person for Mr Cebekhulu's non-attendance of court can be based.

According to the Attorney-General Mr Mekwe's attorney undertook to ensure that his client would attend the proceedings and Mr Mekwe was therefore not formally subpoenaed. Therefore there exists no basis on which he could be prosecuted for his non-attendance as a witness. There is also at the moment an investigation into his disappearance.

Mr L FUCHS: Mr Speaker, arising from the hon the Minister's reply, I should like to know whether his Department approached the Zambian authorities to try to obtain the release of Mr Cebekhulu as well as a statement from him.

The MINISTER: Mr Speaker, as far as the Cebekhulu situation is concerned, I should like to give the hon member the following facts. In order to have Mr Cebekhulu extradited, we have to decide on a specific charge. The question is whether this charge can be taken any further at this point in time. The Attorney-General has decided that such a charge will not be preferred since the matter cannot be taken any further in this way.

Whether any organisation is responsible for his removal is a matter of concern. I want to point out that an element of the media tended to be speculative in this regard. It was only when a certain gentleman, a correspondent of the *Christian Science Monitor*, alleged that the newspaper was in possession of a tape made in prison in Zambia that we became aware of the possible existence of certain evidence.

It now appears that we do not have the co-operation of this gentleman to make this tape available so that a decision can be taken. Despite repeated requests and messages in this regard he telephonically indicated on 6 May at approximately 05:15 that neither he nor his newspaper was prepared to make a copy of the said tape available to the investigating authorities.

I would therefore invoke the hon member's assistance, since he has exhibited so much interest in this regard, in exerting his influence on this gentleman to assist us in our investigations so that we may decide what to do next.

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

Payment to Sasol from Equalisation Fund

*7. Mr R R HULLEY asked the Minister of Mineral and Energy Affairs: 55

(1) With reference to the statement made in the Annual Report of the National Energy Council for 1989-90 to the effect that the payment Sasol received from the Equalisation Fund had been increased from 6 to 10 cents per litre and backdated to 1 July 1989, what was the backdated component of this payment;

(2) what formula is being used to determine this payment at present?

B600E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) R80,7 million.

(2) The protection formula is based on a floor price of $23 per barrel of crude oil.

cont →

Refined petroleum product prices in the RSA are based on the international market prices of refined petroleum products which are more stable than the volatile international crude oil prices. For this very reason, Cabinet decided in December 1989 that the future tariff protection should be based on a derived crude oil price (landed cost of refined products converted to a crude oil price) and $23,00 per barrel (floor price). The floor price formula provides that: SS

- the tariff protection be determined on the difference between a derived crude oil floor price of $23,00 per barrel and a crude oil price calculated from the ruling landed cost of refined products;
- Sasol will only receive tariff protection when the derived crude oil prices are below $23,00 per barrel;
- Sasol must reimburse 25 per cent, before tax, of its additional gross income on indigenous production to the Equalisation Fund when the derived crude oil price exceeds $28,70 per barrel; and
- continue with this payment to the Equalisation Fund until the cumulative amount of protection received since 1 July 1989 was reimbursed.

Number of persons murdered on trains

*8. Adv J J S PRINSLOO asked the Minister of Law and Order:†

How many persons were murdered on trains in South Africa (a) in 1991 and (b) from 1 January 1992 up to the latest specified date for which figures are available?

B606E

The MINISTER OF LAW AND ORDER:

(a) 76 persons.

(b) 106 persons.

The above-mentioned statistics are given to 26 April 1992.

INTERPELLATION

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

Own Affairs:

Rationalization of schools

1. Mr R M BURROWS asked the Minister of Education and Culture:

(1) Whether he intends to proceed with his announced plans to rationalize schools and terminate the services of teachers prior to the abolition of the own affairs departments; if so, why;

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

B636E.INT

The MINISTER OF EDUCATION AND CULTURE: Mr Speaker, let me say at the outset that I would have preferred to avoid altogether the rationalisation of schools and the termination of teachers' services. My plans and actions are, however, influenced and to quite a considerable extent dictated by inescapable realities.

I am, for instance, still bound by the provisions of the present Constitution of the country, and this will remain so until the Republic of South Africa Constitution Act is repealed or suspended. Secondly, there is a budget which determines the financial parameters within which I am empowered to operate. Hon members know very well that I am obliged to manage the department within its budgetary constraints. As I will not be able to do so unless I proceed with the plans as announced, rationalisation of schools and the retrenchment of teachers will of necessity have to continue, as announced. I am, however, going out of my way to limit the extent and the possible negative impact of this as much as possible.

Mr R M BURROWS: Mr Speaker, the hon the Minister may indicate that he would wish not to rationalise, but quite honestly the teachers out in the schools are actually wondering what he is doing.

In February he announced a plan to move schools to model C. He announced that this would happen on 1 April. [Interjections.] It did not happen on 1 April.

He also announced that 4 000 teachers would have their services terminated on 1 August. We now hear that this may happen at the end of December, but already three of the four provinces have announced that no teachers' services will be terminated this year in those departments. We also know that since June of last year 84 schools that fell under this hon Minister's department have been reopened in another guise. With 19 000 school places being filled with children who possibly would not traditionally fall under this hon Minister's department.

At the present moment, according to the Department of Local Government, Housing and Works of the House of Assembly, 64 schools are still not being used. No doubt more schools will be closed this year. All we ask of this hon Minister is to sit down and look with new eyes at a changed South Africa in which own affairs are not going to continue much longer. [Interjections.]

I know that the hon the Minister and the Cabinet have said quite clearly that own affairs are not going to continue much longer, but the important thing that he needs to do is to revise his plan. He must not simply say that he must abide by the Constitution until it comes to an end or is altered. He must try to provide employment for teachers. He must try to ensure that the confusion felt at schools at the present moment and the psychologically negative messages that are going out to South Africa about the termination of teachers is brought to an end.

Most particularly, he must improve the morale of the teachers. The only way to do this is by saying quite clearly that own affairs are coming to an end, that we are currently moving towards planning on a different basis and that it is possible that we will not have to fire teachers.

That then brings us to the issue of the early retirement of teachers which was announced in February as a possibility. We have not yet seen the legislation. We understand that it is in the hands of the Department of National Education and could possibly affect all teachers. We would like the hon the Minister to say today that it is possible, if sufficient teachers take early retirement, that he will not have to terminate any services. If he could say that, he would relieve a lot of tension out there in the classrooms.

*Dr F H PAUW: Mr Speaker, the hon the Minister is in control of an own affairs department which controls White education, whether he likes it or not. The question implies that own affairs departments will be abolished, and the person asking the question is certainly making the correct assumption.

The hon the Minister does not like White education. [Interjections.] He does not like the fact the Whites want their children to be educated in a differentiated environment which is for Whites only. That is why he accepted his post with the intention of helping to abolish the White own affairs education department in co-operation with and at the behest of the ANC. [Interjections.]

That is why, for the sake of democracy, it is necessary for him to state clearly, if he has the courage, that there will no longer be a White own affairs education department in the new South Africa envisaged by his party. The time has come for the NP to be honest for a change. Make an unequivocal statement today.

The hon the Minister's antagonism towards White education puts teaching posts at risk. Before or after the abolition of own affairs departments teaching posts will be abolished. Teachers' vocational security, their income and prospects of being able to provide for their families are now being threatened by this hon Minister's attitude. The attitude of the hon the Minister is also leading to despair among White teaching students attracted to the profession by bursaries. In the statement owed by the hon the Minster to the teaching profession, he would do well to refer to the bursary commitments of these unfortunate people.

*The MINISTER: Mr Speaker, The hon member who has just spoken says that I act in a certain manner because I do not like White education. The hon member has now really made a whole lot of fabricated allegations and suppositions. I know that, as he sits there looking at me, he is aware of that.

The action that I am taking at the moment I am taking precisely because I am so concerned about White education. The manner in which I am taking action and rationalising in education is precisely to advance the interests of White education too. I am, after all, also White. I also have grandchildren at school. Would I now want

Cont -- →

Sasol gears for trade with Asia

Bday 14/5/92

SINGAPORE — Sasol was gearing up for petrochemical trade especially in the booming Asia-Pacific region in response to Western governments lifting sanctions, said Sasol executive director Dirk Mostert who is in Singapore for an oil trade conference.

"But Sasol's oil refining capacity is such that it could not be a threat or big player in the area in oil products," he said. 55

Sasol's output of petrochemicals, such as polypropylene and acrylic fibres, from three plants using oil-from-coal technology, is export orientated because the domestic market is too small.

Mostert said Sasol had opened a Hong Kong office to look into petrochemical markets in Asia, especially in China.

Mostert said SA had an advantage in petrochemical markets as its coal resources afforded lower petrochemical feedstock costs and its plants were commercially viable.

SA had sufficient refining capacity to meet domestic consumption and several oil refineries were expanding. But surplus refining capacity to make products for export remained marginal, Mostert said. — Reuter.

Mobil changes name to Engen

CT 15/5/92 **Staff Reporter** 55

THE familiar brand name Mobil yesterday changed to Engen, after a mandatory requirement contained in the original sale of Mobil to Gencor mining group in 1988.

By June most Mobil service stations will have undergone a change in identity when the new logos go up and the familiar Mobil signs come down. The traditional red, blue and white colours will, however, be retained.

Engen revs up as oil giant Mobil quits SA

(55)

CT 15/5/92

Staff Reporter

A NEW name banner flies at 14 service station forecourts around the country today, formally signifying the departure of oil giant Mobil and its replacement by the South African group Engen.

The familiar red-and-blue Mobil emblem and its associated logo of Pegasus, the winged horse, linked with Africa for nearly a century, will disappear within two years.

But the colours live on in the new company's retail identity.

To test the water 14 Engen pilot sites, among them one in central Cape Town, have been introduced.

The changeover has been progressing since 1989, when mining finance house Gencor acquired Mobil's Southern African assets. Engen will exist alongside Mobil until the change is complete. Trek and Sonap, also part of the Engen stable, will stay as separate brands.

Engen's official launch was marked by a live countrywide telecast — said to be the biggest such private link-up on the continent — at major centres yesterday.

The new brand, no longer limited to one source, would draw on technology, investment capital and expertise from anywhere in the world, group chief executive officer Mr Rob Angel said during the TV link-up.

He was asked about the group's 30 percent stake and management role in Mossgas. It was their most controversial project, he replied, but it offered possibilities.

"I am quite certain we will continue to manage it — but it will have to make economic sense to follow our 30 percent interest."

Asked about the estimated R130 million cost of changing the name, he said: "There was no choice." A sale condition involved a full identity change by 1994.

Although the change would cost a lot, it was comparable to what the group had spent on its retail network in the past 18 months alone.

The group has pledged to continue Mobil's involvement in broader community affairs, such as the multi-million rand support of the Energos Foundation.

But on the business front it has spent billions on expanding its oil refinery and chemical plants. And its interests stretch far beyond South Africa's borders, with involvement in oil exploration in southern and west Africa and holdings in North Sea oilfields.

Mobil to be replaced by Engen

Major southern African oil company to change its leading brand

55 ARG 16/5/92

CAPE TOWN. — Southern Africa's energy industry has a new dimension with the dramatic announcement by Engen Limited that a new fuel brand is to replace Mobil in the market places of the five African countries in which the company operates.

"Mobil will be progressively phased out over the next two years, and our marketing division (which also has responsibility for Trek and Sonap) will be introducing a new brand also to be known as Engen to replace it. Trek and Sonap will be retaining their trade names," according to group CEO Rob Angel.

"Established in Southern Africa in 1897, ours is the oldest energy company in the sub-continent. Over that period of time, our corporate and retail identities have changed a number of times to take advantage of new developments in Africa's dynamic and growing industrial and commercial markets".

Mr Angel said that the new brand will spearhead the group's marketing division in an Engen network of some 1000 service stations – some of them franchised – alongside 400 Trek and 145 Sonap sites.

Pedigree of Success

The new brand is born of Africa's most integrated energy group, which was created by mining finance house Gencor in 1989, after it acquired the southern African assets of Mobil Corporation.

Aside from its marketing activities, holding company Engen Limited has wide interests in exploration off southern and west Africa, and has holdings in fields of the UK sector of the North Sea. Engen is also conducting a major expansion at the group's sophisticated crude oil refinery, Genref, at Durban. A dedicated chemicals division has recently been established to take advantage of a chemical feedstock position plus increased domestic and export demand.

Engen, the manager of the Mossgas project, has a 30 percent stake and a right to maintain this interest by subscribing for 30 percent of the 40 percent equity portion of the capital cost of the venture after production has commenced, probably in 1993.

Listed on the JSE in May 1990, Engen Limited has performed consistently above expectations, and in 1991 returned an operating income of R379 million, up 17,3% on the previous year. Net income showed a 34% increase over the 1990 proforma figures. Also in 1991, the group and its chairman, Bernard Smith, were awarded "Business Day's" prestigious 1991 "Business Achievement Award". Engen was named top performer in the Sankorp stable in the same year.

"In terms of the political and economic climate it is absolutely the right time now for the introduction of an exciting, forward-looking new player in the market place, besides the mandatory requirement contained in the original sale of Mobil SA to Gencor, which required us to change our trading name within five years.

"The new brand will be the vanguard of our marketing drive into and beyond the year 2000, and it has been conceptualised and designed in all its various facets to reflect Africa's much changing business environment," said Angel.

Best of Both Worlds

Barry Jordan, MD of the erstwhile Mobil marketing company, takes charge of the marketing element of the new corporate entity.

"The new brand will enjoy significant advantages over its competitors. Being a key part of a locally-driven, but trans-national group with extensive interests across the full spectrum of the energy industry, we can now draw on technology, investment capital, and expertise from anywhere in the world, and are not limited as we once were in the Mobil family to a single source in these vital aspects of our business.

"This flexibility, combined with our African pedigree and yet international standing, means that the new brand enjoys the best of both worlds."

Mr Jordan said that the new retail identity would recall the company's 97-year history in Africa by retaining its traditional colours of red, blue and white, but in application, it will reflect the most modern technology, processes and facilities on offer anywhere in the world.

Fourteen new Engen test sites will be introduced initially at selected locations to qualitatively measure consumer reaction to and design considerations of the new service stations.

"A change of this magnitude must be accomplished in partnership with our key stakeholders: commerce, industry, agriculture and the motoring public, who are all part of our broader family. Their needs will form a significant part of this process over a two year period.

"Engen branded products, such as lubricants, gas, solvents, aviation, marine, and other industrial fuels, and greases, for example, will also be introduced to our core business in the agricultural, industrial and commercial markets", he said.

Going for Real Growth

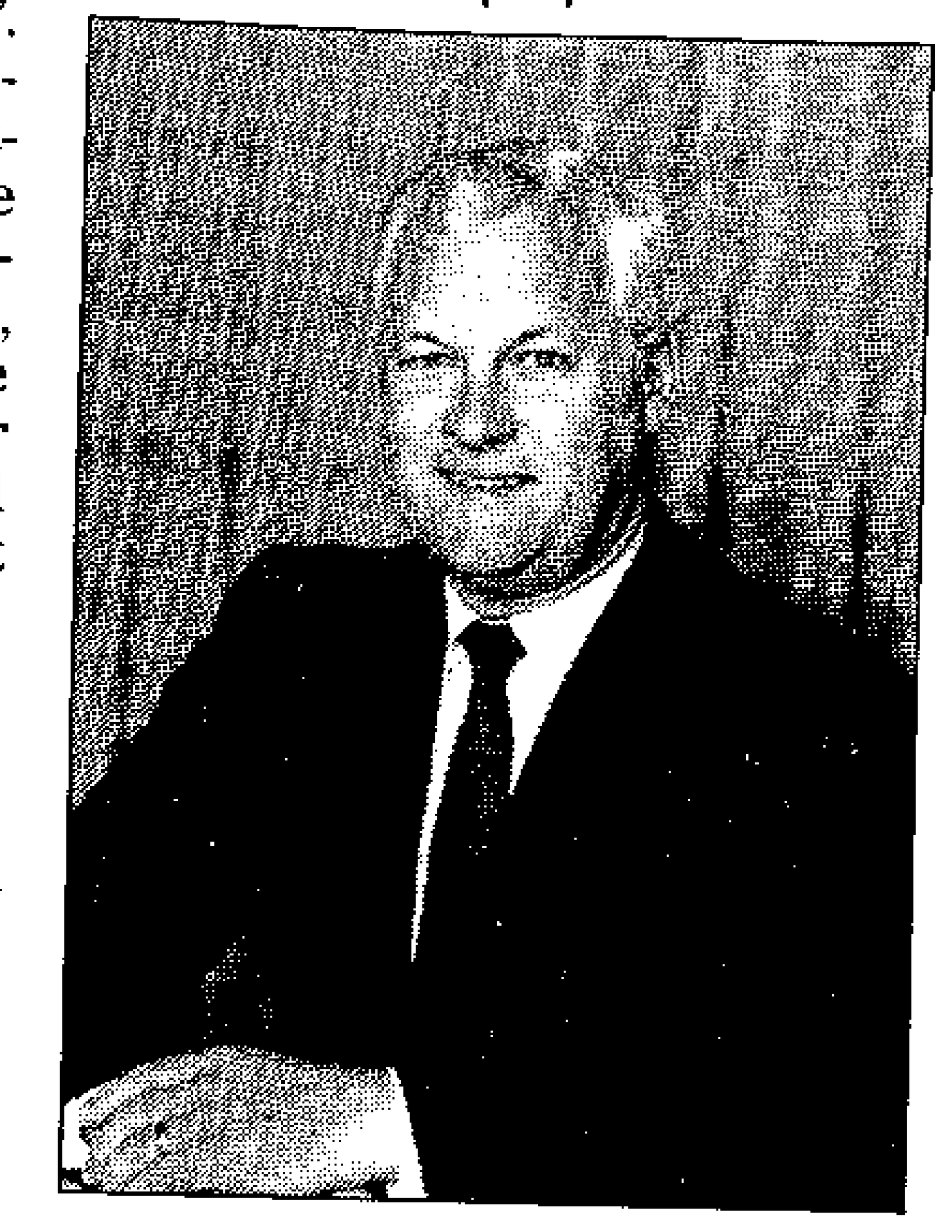
Mr Jordan said that the new brand would aim for "nothing less than market eminence", consistent with the group's objective of developing a "robust and resilient fully integrated oil and energy business" through the achievement of "real growth".

Mr Jordan said that the company would aggressively position itself at the profitable end of the retail market, and would continue to stream new service stations, with an emphasis on its prestige outlets ("One Stops") on major routes. Existing "One Stops" will be re-imaged within the next eight months.

"Demonstrating our enviable technological capabilities is central to this drive, and we will be exposing the market to the benefits we enjoy as a result of the multi billion rand expansions and development at Engen's crude oil refinery, our Lube Oil Blend Plant at Island View in Durban, and the new grease plant at Chemico in Krugersdorp.

"In terms of quality, service, people, and business ethnics, we will proudly uphold the standards our company has achieved over nearly 100 years, as Vacuum and after 1962 Mobil.

"We will extend our longstanding commitment to 'total quality' in every facet of the business chain: manufacturing, distribution, consumer care and service. We will also maintain our pro-active and well known involvement in broader community affairs, such as our multi million rand support of the Energos Foundation (formerly the Mobil Foundation)", he said.



Rob Angel
Chief Executive, Engen Limited

Widespread Approval

"Already, the news of Mobil's growth into this new identity has been well received at presentations to our principal business stakeholders, and a cross section of opinion formers. It is widely felt that this development is a natural progression in a trading environment undergoing considerable transformation.

"For us, our staff and our dealers, the new brand is symbolic of our confidence, optimism, and timely preparedness for a new future which will have little resemblance to the past", he said.

SA wages buy the most costly fuel

S Times (Buss) 17/5/92 55

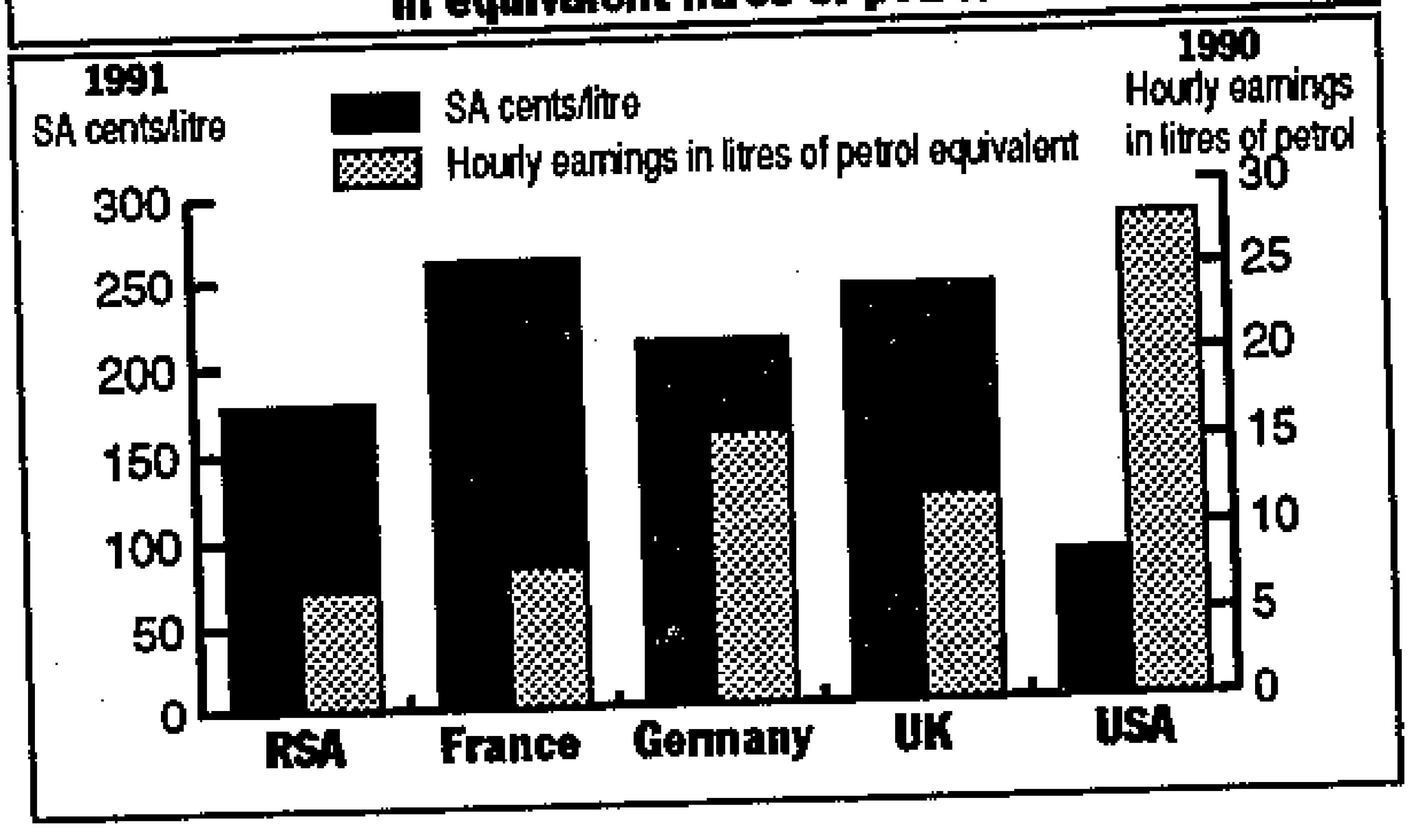
By CIARAN RYAN

THE widely touted belief that SA fuel prices are among the lowest in the world is challenged in an AA report entitled International Petrol Price Comparisons.

The graph shows the differences between making comparisons of the fuel price in currency terms as against how much can be bought for average hourly earnings in each country.

Measured in terms of how much fuel can be bought for an hour's wages, SA comes out most expensive in comparison with Germany, France, the US, Japan and the UK.

Comparison of petrol prices in cents/litre and hourly earnings in equivalent litres of petrol



The report shows that an hour's pay in SA buys 7,1 litres, almost twice that of 1979, apparently reflecting the sharp rise in black buying power in that time.

Most other countries had a more modest increase in fuel buying power. For example, an hour's pay in the US buys 28,2*l* of fuel in 1990 compared with 25,2*l* in 1979.

The fuel buying power of an hour's pay in the UK rose only slightly from 10*l* to 12*l* between 1979 and 1990.

The US is the cheapest of the countries analysed — an hour's pay buys four times as much fuel as in SA, three times that of France and twice that of Japan and the UK.

The AA criticises the increases in fuel prices announced in March.

Government and industry sources have defended successive price increases by pointing out that in currency terms, SA's fuel is among the cheapest in the world.

A comparison of fuel prices in SA cents showed Italy to be the most expensive at 320c in 1991 compared with 143c here. Only the US was cheaper than SA when compared on this basis.

The reason for the relatively low price of fuel in SA in rand terms is that the price abroad is loaded with taxes, whereas few taxes and levies are added to the pump price in SA.

The AA says: "With the recent SA pump price increase, it seems unlikely that SA will move very far in 1992 to closing the gap between the local petrol price and its relatively low international counterparts."

Mass electrification programme would create jobs, says Eskom

B/Day 20/5/92

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ADRIAN HADLAND

A NEW mass electrification programme for SA could create more than 500 000 jobs, Eskom chairman John Maree said in Midrand yesterday.

He told a National Association of Home Builders' meeting that: "I believe funds for a programme of this scope would become available if projects were tackled on sound business principles."

Eskom's electrification programme is aimed at supplying up to 170 000 houses a year over the next five years.

Maree said another 500 000 jobs could be provided by 1995 if a national housing programme was introduced.

He suggested an "enormous amount of damage" had been done by not having an agreed national urbanisation strategy.

Sapa reports that Maree said the lack of such a national strategy was being partly eased by progress made on a political level, but the provision of housing had regressed severely in the past two decades.

A successful national housing programme needed a strategy, community involvement and responsibility, and good management, he said.

"As far as the economy goes, we really have no national vision or clear goals."

SA Association of Municipal Employees (SAAME) president Hans Deetlef told the conference that SAAME would do "everything possible, up to the highest political level, to prevent electricity distribution being taken away from local authorities.

"The income generated from the distribution of electricity subsidises ratepayers and if it were taken away from local authorities, rates and taxes would increase drastically," he said.

At a SAAME southwestern Cape region's conference in Stellenbosch at the weekend, Deetlef said removing the distribution of electricity from local authorities would "result in large numbers of employees becoming redundant in the electrotechnical engineer's and town treasurer's departments".

Bartlett under fire

TIM COHEN (55)

PROMOTION company Lucky Horseshoe has criticised Mineral and Energy Affairs Minister George Bartlett for "wanting to increase his control over fuel retailers".

The dispute arose after the department challenged Lucky Horseshoe's right to distribute raffle coupons at petrol stations and resulted in the company seeking a court order defending its right.

The company won its case, although the Pretoria Supreme Court last week granted the department leave to appeal. B/Day 4/5/92

Lucky Horseshoe MD Leon Strauss said his company was not interested in selling petrol, but hoped to assist independent traders promote their businesses.

"What the minister is doing appears to be totally in contradiction to the general direction that government has been taking recently. While everyone is talking about free trade and deregulation, the Minister seems to want to increase his control over the fuel retailer."

He said the fuel retail industry was probably the most regulated sector of the economy. The Minister decided where service stations could set up business, how much they had to pay for their product and what price they could sell it at.

Before the Lucky Horseshoe case was first heard in January, the Petroleum Products Act even tried to stop retailers from offering incentives for customers to visit their premises.

In the judgment, Judge Kees van Dijkhorst said this was "absurd" because it was tantamount to outlawing advertising or banning clean overalls on the forecourt.

Motorists warned of fuel price rise

GERALD REILLY

PRETORIA — National Energy Council sources yesterday warned motorists to expect a fuel price increase in the next six or seven weeks. (55)

They said a number of factors were putting pressure on the council's equalisation fund. These included December's 1,5c/*l* increase in the retail petrol margin to 13c/*l* and a two-phase hike of 4c/*l* in the wholesale margin, also late last year.

Last month the fund's underrecovery soared to 2,535c/*l* for 93 octane from an overrecovery between March 1 and 20 of 3,2c/*l*. B/DAY 22/5/92

The sources — who asked not to be named — pointed out that rail tariffs were raised from the beginning of the year and the Motor Vehicle Accident Fund levy on petrol was raised last month by 2c/*l* to 6c/*l* and on diesel by 1,6c/*l* to 3,8c/*l*.

All these costs had been soaked up by the equalisation fund, but the sources predicted that within two months increases would become inevitable.

They also pointed out that according to market patterns in previous years, fuel consumption rose sharply in the northern hemisphere summer, putting pressure on international prices. According to the council the international market price of petrol decreased in April by 0,243c/*l* in the landed costs to 46,777c/*l*.

STAR 22/5/92

'SA seeks nuke-free region'

South Africa was committed to a nuclear weapons-free zone in southern Africa, ambassador to the UN Riaan Eksteen told the Conference on Disarmament in Geneva yesterday

Mr Eksteen cited South Africa's accession to the Nuclear Non-Proliferation Treaty and the Safeguards Agreement with the International Atomic Energy Agency.

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"Not only do these actions illustrate South Africa's commitment to the peaceful use of nuclear energy, but they underscore our desire to achieve a nuclear weapons-free zone in southern Africa," he told the conference.

Mr Eksteen said the Atomic Energy Corporation of South Africa had invited nuclear scientists from Africa to visit its facilities and eventually to cooperate in the peaceful use of nuclear energy.

"The first bilateral agreement following such a visit is almost finalised."

South Africa's presence at the Geneva conference was proof that the country was taking practical steps to honour its international obligations.

Mr Eksteen told the conference that the quest for the complete elimination of the threat of nuclear war must be addressed soon and with conviction. — Sapa.

the Sphinx a body-lift. "So much is missing, we don't even know what kind of tail it had."

Mabrouk circled the Sphinx's haunches, comcraftsmen shaped the Sphinx 4 600 years ago.

"I think the tail starts here," he said. "But I only *think* it's here.

massive limestone lion's right rear paw, then curves upwards, towards the rib cage. Then it abruptly ends.

Mabrouk said the tail tail."

Mabrouk believes the tail originally curved upwards, then flipped backwards across the back. — Sapa-AP.

Under-recovery in petrol price increases

STAR 22/5/92

(55)

The under-recovery in the petrol price increased to 2,535c a litre last month from 0,778c a litre in March following a 4c-a-litre increase in the Multilateral Motor Vehicle Accidents Fund levy (third-party insurance) at the beginning of April.

The Department of Mineral and Energy Affairs said in a statement in Pretoria yesterday that the increases had been taken into account in the under-recovery for April.

But a lower landed cost of 46,777c a litre for 93 octane petrol had helped to limit the under-recovery.

The accident levy on diesel fuel was increased by 2,2c a litre to 3,8c which, along with an increased landed cost of 48,174c a litre (46,473c), had resulted in a lower over-recovery of 2,276c a litre (5,577c).

The landed cost of 93 octane petrol had, since the beginning of this year, declined from 48,381c a litre to 46,777c last month. — Sapa.

Fuel price rise expected

CT 22/5/92

Own Correspondent

PRETORIA. — National Energy Council sources warned motorists yesterday to expect a fuel price increase in the next six or seven weeks.

They said a number of factors were putting pressure on the council's equalisation fund.

These included December's 1,5c/ℓ increase in the retail petrol margin to 13c/ℓ and a two-phase hike of 4c/ℓ in the wholesale margin, also late last year.

Last month the fund's under-recovery soared to 2,535c/ℓ for 93 octane from an over-recovery between March 1 and 20 of 3,2c/ℓ.

The sources — who asked not to be named — pointed out that rail tariffs were raised from the beginning of the year and the Motor Vehicle Accident Fund levy on petrol was raised last month by 2c/ℓ to 6c/ℓ and on diesel by 1,6c/ℓ to 3,8c/ℓ.

These costs had been soaked up by the equalisation fund, but the sources predicted that increases would become inevitable.

They also pointed out that, according to market patterns in previous years, fuel consumption rose sharply in the northern hemisphere summer, putting pressure on international prices.

According to the council, the international market price of petrol decreased in April by 0,243c/ℓ in the landed costs to 46,777c/ℓ.

It is understood that ... secretary-general Cyril Ramaphosa of leading a "cabal" to oust Winnie but it was felt that Mandela should deal with the accusation.

ANC spokesman Saki Macozoma said yesterday that the protesting women had been persuaded that the best thing to do was to hand in their petition to the ANC leadership.

Fears of fuel price increase dismissed

(55)

DES PARKER

STAR 23/5/92

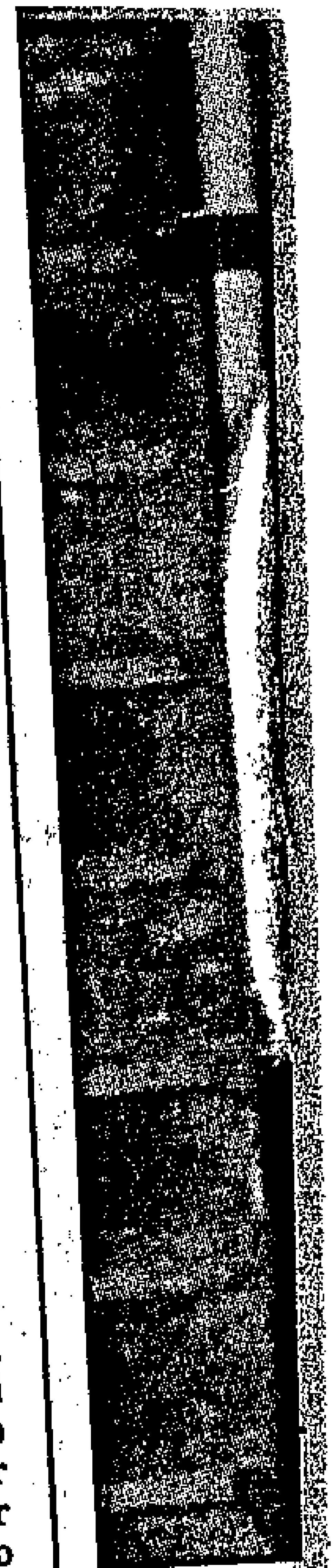
DURBAN — Fuel prices are not likely to rise unless the Government raises taxes on petrol and diesel, says Roy Close, chairman of the SA Motor Traders Association.

He described as speculation yesterday's newspaper reports which quoted National Energy Council (NEC) sources as saying motorists should brace themselves for a price rise in the next six or seven weeks.

The sources said pressure on fuel prices — which are administered by the NEC — came from increases last year in the retail and wholesale margins on petrol and diesel, higher rail tariffs since the beginning of 1992 and a rise in the Motor Vehicle Accident fund levy.

They claimed that the NEC's equalisation fund, which went into the red to the tune of 2,535c on every litre of 93-octane petrol sold on the Reef last month, would soon no longer be able to absorb the higher prices.

Close said, however, that the petrol fund should have built up healthy reserves after running at a surplus for several months prior to April.



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Eskom to spend R4,7bn more on power supply

S/Times [B455] 24/5/92 (55)

By DON ROBERTSON

ESKOM plans to spend about R4,7-billion on electrification of another 700 000 houses in the next four years.

This could create 200 000 jobs — and possibly many more throughout the economy.

Eskom financial manager Tom Lawless says capital expenditure will rise to R13,2-billion.

Eskom will have to raise between R2,5-billion and R3-billion a year in loans to finance its normal activities. Without the additional cost of electrification, capex would have been about R8,5-billion.

In 1990, 38 000 houses were connected and the plan is to add 164 000 this year.

Although Eskom intends adding to its service through its own efforts and those of others in the supply industry, it has been forced to make provisions of almost R400-million for arrear debt.

The arrears were R95-million in the year to December 1990 and R291-million last year.

Bills

Mr Lawless says negotiations have taken place with organisations in many townships in which Eskom has concluded supply agreements. Recovery of electricity bills has improved to about 90% from only 6% last year.

In the past three to four years, investment and cash balances have risen from R3,2-billion to R4,4-billion.

Eskom treasury manager Willem Kok says this was done to enable the corporation to protect itself as a "buyer of last resort" should the financial rand be abolished.

In that event, the holding of long-term Eskom stock, held largely through the financial rand, would become less attractive for foreign investors and there "could be a major sell-off".

Estimates suggest that about 43% of Eskom stock worth R8,5-billion is held abroad. To protect its status, Eskom would be prepared to use these funds to support its rate structure.

The investments are in SA Government, Post Office and Land Bank as well as other highly rated stock.

The cost of borrowing fell from 15,1% in 1991 to 14,5% last year and the debt-equity ratio was reduced from 2,7% to 2,5%.

Eskom is reputedly the fourth-largest electricty utility in the world. It is responsible for about a third of SA's foreign debt. About 13% falls within the debt standstill.

Although the standstill negotiations have not begun, Eskom has provided for a worst-case scenario, assuming that about 50% of the R1,3-billion will be repaid next year, with 10% each year thereafter.

Unleaded petrol 'will be cheaper'

SS

KARIN FRANKEN

UNLEADED petrol would cost less than leaded petrol to enourage use of the environment-friendly option when it was introduced, industry sources said on Friday.

Mineral and Energy director Theuns Burger said consumers could expect lead-free petrol in 1995.

Naamsa spokesmen said on Friday practical implementation within the oil industry was slowing the changeover. Depots and filling station storage tanks would be modified to avoid lead sediments from spoiling the new fuel. Leaded fuels would gradually be phased out.

Vehicles manufactured before the early 1980s would use leaded fuel until stocks ran out. Those manufactured from the late 1980s to the early 1990s could use leaded or unleaded products. Future models woulld be geared for unleaded fuel only.

Naamsa said it would urge government not to force vehicle owners to install catalytic converters. Catalytic converters could seriously damage engines if the smallest amount of lead entered the system. The motor industry would instal converters on a voluntary basis and stage a lead-free petrol information campaign.

Report maps out future for platinum

B Day 27/5/92 (55)

JONO WATERS

THE future of platinum lay in the manufacture of fuel cells which generated electricity by combining hydrogen and oxygen to produce water, said a report in the latest issue of SA Mining.

The report said history had shown platinum production to be a cyclical industry which had moved through four stages — investment, jewellery, oil refining and catalytic converters. It was predicted the next stage would be the metal's use in fuel cells.

The cells had significant uses over more conventional methods of power generation. It did not produce environmentally offensive by-products and had high electrical efficiency.

Fuel cells, however, had not had a commercial effect on power generation because of high capital costs, but the 1991 annual report of Northam Platinum said fuel cells could use more than 1-million ounces of platinum by the year 2000,

With SA platinum production standing at 2,8-million ounces out of a world supply of 3,7-million ounces, the potential for SA was huge, the report said.

The price had gradually recovered from its low of 331,50 an ounce in August last year. Platinum was fixed in London yesterday afternoon at $365, marginally down from Friday's close $365,50.

The report said another factor which could lead to the recovery of platinum was the EC requirement that all cars be fitted with catalytic converters from January 1993.

Car catalysts containing platinum proved to be the most effective method of reducing emissions by converting the pollutants into harmless carbon dioxide, water and nitrogen, and their manufacture accounted for 1,5-million ounces of total platinum demand.

Report condemns Mossgas estimate

STAR 28/5/92

Political Staff and Sapa

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CAPE TOWN — More details of the woes surrounding the Mossgas project emerged in Parliament yesterday when a consultant's presentation to the Auditor-General in December last year was tabled as the Fifth Report of the Joint Committee on Public Accounts.

Maurice Brooks said the Government estimate for Mossgas in January 1987 was inadequate as a basis for planning and costing and was one of the major reasons for the cost growth of the megaproject.

Constraints

He said the Government had decided to go ahead with the project before an adequate estimate and technical definition had been carried out.

It had also decided for strategic and economic reasons to place a number of constraints, that affected the project, in the estimate.

These constraints had restricted access to experienced contractors and strained South African engineering, construction and equipment fabricating resources.

The unwieldy project organisation, poor coordination and communication, loss of control over technology and poor estimating were also due to the constraints applied to the original estimate.

The total project had a cost overrun of 80 percent on the January 1987 estimate, with the onshore project running 115 percent over estimate.

A revised estimate in February 1988 had decreased the cost growth of the onshore project to 66 percent and to 52 percent for the total project, Mr Brooks said.

Major changes in specifications had occurred in 1989 and the design was frozen only in 1990.

Choosing Sasol's synthol system of converting gas to petrol had also cost the project dearly in terms of increased spending.

Sasol was chosen over AECI as Mossgas believed the synthol process had been proven in oil-from-coal projects and the oil from gas would be a duplicate process.

"The synthol cost estimate was prepared prior to receiving any of Sasol's proprietary information, which they would not release before a licensing agreement had been signed with them," the report said.

The delay in selecting the technology had placed the onshore project about a year behind the offshore project and this had led to a decision to push ahead before adequate planning, project definition or sound cost estimates had been prepared.

Despite the cost increases, Mossgas was a major accomplishment achieved largely by South African engineers, labour and manufacturers.

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PW: MP's claim 'a despicable smear'

CT 28/5/92

DENIES ...
P W Botha

By ANTHONY JOHNSON
Political Correspondent

MR P W Botha and government ministers yesterday dismissed allegations by ANC MP Mr Jan van Eck that the former State President and his government had ordered the assassination of black activists as "a despicable smear".

Law and Order Minister Mr Hernus Kriel was yesterday asked by Defence Minister Mr Roelf Meyer to order a full police investigation into claims that successive Nationalist governments were responsible for the execution of more than 1 000 political opponents.

And the National Party threatened to introduce a formal motion of censure by Parliament against the Claremont MP if Mr Van Eck did not reveal the source of his allegations.

Mr Botha, after initially refusing to comment on the claims, yesterday told Sapa in a statement that they were "reprehensible" and "totally untrue".

Mr Botha said that as far as he was concerned all relevant State Security Council and cabinet minutes pertaining to his term of office could be published.

"This morning I had access to

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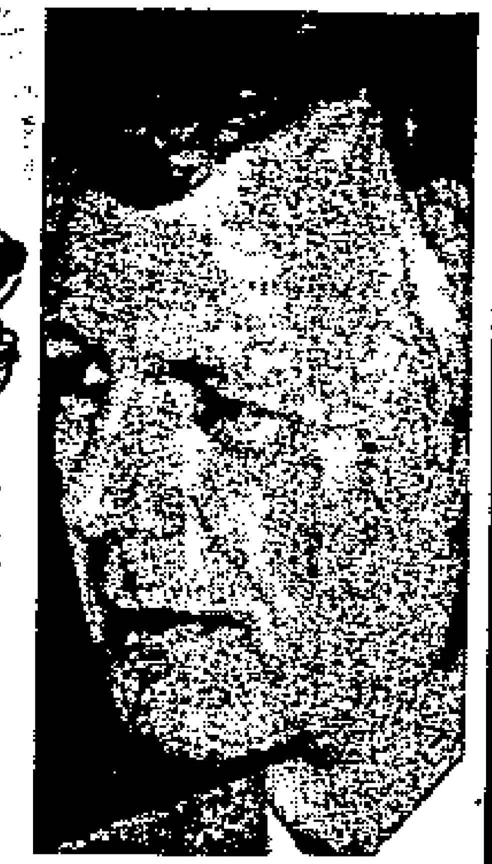

ATTACKED ...
Jan van Eck

Mossgas fat cats

CT 28/5/92

55

Managers earned R1,3m

By BARRY STREEK
Political Staff

IMPORTED staff for the controversial R12-billion Mossgas project were paid whopping salaries, with general managers taking home pay cheques of R1,3 million each a year, it was disclosed yesterday.

Damaging evidence of maladministration, inadequate planning and heavy cabinet pressure to press ahead with the financially dubious project was also given.

The exorbitant salaries of imported technical staff were substantially higher than those paid on the North Sea oil rigs.

Total packages amounted to R1 249 014 a year for general managers, R719 630 a year for production managers and R674 005 for maintenance managers.

Costly alterations were also incorporated into the project because unnamed generals wanted more diesel from it.

The disclosures, made in evidence before the Joint Committee of Parliament on Public Accounts, which was tabled yesterday, come in the wake of recent revelations about government corruption and maladministration.

When the cabinet first approved the project in principle in January 1987, the estimated cost was R5,9 billion. The current estimates are that it will cost more than double this and more than R14 billion if an extra jacket is obtained to fulfil the life of the project.

The problems in the original estimates were, according to one expert, in the areas of estimating, project management and control.

Nevertheless, Mossgas received instructions in 1987 to go ahead with the project.

The original decision was based on Mobil technology, but the US oil giant withdrew from the project.

The project managers, the now-defunct Central Energy Fund (CEF) and Mossgas, proposed that another US company, Fluor, the only bidder with proved experience, should be the managing contractor, but this was overruled by the cabinet.

Instead, BDL, a new joint venture between Bateman of South Africa and Davy McKee of Britain, was made managing contractor and Fluor the principal engineering contractor.

A US-based consultant, appointed to investigate Mossgas, Mr M E Brooks, told the committee that in his judgment, Davy McKee "did not have a proven record".

He concluded in his evidence: "An unwieldy project organisation, structured on a matrix concept, was created.

"This blurred lines of authority, duplicated staff, increased the number of people in the loop and lengthened the line to reach decisions.

To page 2

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From page 1

Mossgas

SS CT 28/5/92

"The use of the South African consulting engineering firms extended the complex matrix organisation."

Mr B A Smith, managing director of Mossgas, said that in the course of the design of the process, "a certain view was held — a quotation was made to me at the time: 'The generals want diesel'.

"So we introduced a facility to produce a bigger proportion of our total product in the form of diesel."

Asked by Mr Cehill Pienaar (CP, Heilbron) whether they were under pressure from the cabinet to get on with the project within a tighter schedule than would have allowed proper planning, Mr Smith replied: "There was a great deal of pressure to get on with the project, yes."

Mr Brooks and the chairman of Mossgas, Mr D R Vorster, said the 1988 report on which the cabinet based its final decision to go ahead with the project was inaccurate because not enough time for investigation was allowed.

Mr Vorster said that if they had thought then that they would have come up with a significantly different estimate, they would not have gone ahead with the project.

Mr Jako Maree (NP, Klip River): "In retrospect, was that a sound view you had taken?"

Mr Vorster: "No, in retrospect, it was not a sound view."

Mr Maree: "Who must take the blame?"

Mr Vorster: "Certainly the people who advised the cabinet at the time, namely CEF."

Mr Vorster also said a fourth Sasol had not been considered at the time as an alternative to Mossgas.

Mr Smith told the committee that "there is not widespread corruption in this project and people not enriching themselves too widely.

"It would be too much for me to suggest that this is not happening on any project, especially megaprojects. We do our best to prevent it".

● SATV last night made no mention of the parliamentary report in its 8 o'clock news programme.

R1m pay 'not extraordinary'

CT 29/5/92

55

By PETER DENNEHY

ONLY one manager at Mossgas earns over a million rand a year, says Mossgas managing director Mr Bernard Smith, who describes the salary as "not extraordinary".

Mr Smith was reacting to a report on evidence before Parliament's Joint Committee on Public Accounts that disclosed that imported staff for the controversial R12 billion fuel project were paid "whopping" salaries.

Mr Smith said that, strictly speaking, staff on the offshore Mossgas platform were employed by Soekor, not Mossgas. But Soekor had a contract with Mossgas, so Mr Smith knew what the top salaries were.

As far as he knew, there was only one salary of over a million rand a year, and that was the salary of the general manager, whom he declined to name.

Unofficial Mossgas sources said the general manager was British citizen Mr Glen Weston, of George.

"We had no experience of running an offshore platform," Mr Smith said. "To get someone with experience, we had to offer a salary comparable with what such a person would get in Saudi Arabia or on a North Sea oil rig.

"Also, the managers of platforms in the North Sea work for major oil companies, and they have careers ahead of them and all kinds of arrangements.

"Our man is here for a limited period. Once we know how to run the platform, we won't use expatriates. We don't have that expertise yet. We have to safeguard the platform and the lives of the people on it. It's a very difficult job."

Mossgas 'pays world going rate'

JOHANNESBURG. — Technical staff imported to work on the R12 billion Mossgas project who were, in some cases, paid an annual salary of more than R1,2 million, were paid for their skills at the going rate worldwide, Mineral and Energy Affairs Minister Mr George Bartlett said yesterday.

He was reacting to newspaper reports that imported technical staff received salaries substantially higher than those paid on North Sea oil rigs.

According to evidence before the Joint Committee of Parliament on Public Accounts, tabled on Wednesday, general managers took home R1 249 014 annually. Production managers received packages of R719 630 and mainenance managers R674 005.

Mr Bartlett said the staff imported for Mossgas were skilled technicians who travelled the world and were paid accordingly for their services. "The same rates are paid anywhere in the world."

Mossgas recruits 'got the going market rate'

B/Day 29/5/92 (55)

SUSAN RUSSELL

TECHNICIANS recruited from overseas to work on the R12bn Mossgas project were paid for their skills at the going rate worldwide, Mineral and Energy Affairs Minister George Bartlett said yesterday.

In some instances the foreign recruits were being paid an annual salary of more than R1,2m, it has been revealed.

Bartlett was responding to newspaper reports yesterday that imported technical staff received salaries substantially higher than those paid on North Sea oil rigs.

According to evidence before the joint committee of Parliament on public accounts tabled on Wednesday, general managers took home R1 249 014 a year.

The packages received by production managers amounted to R719 630 and R674 005 for maintenance managers.

Bartlett said the staff imported for the Mossgas project were skilled technicians who travelled the world and were paid accordingly for their services.

He said: "Mossgas paid no more than it had to. The same rates are paid anywhere in the world. These people are specialists in their field."

Bartlett added there was nothing new in the "revelations" yesterday which he said had been fully disclosed by the joint-parliamentary committee.

He said the Press was also fully briefed during a two-day visit to the project.

"There is nothing to hide," Bartlett said.

He said he had debated the Mossgas project fully in Parliament earlier this month when DP mineral and energy affairs spokesman Roger Hulley raised the matter in Parliament.

Hulley had called for Mossgas to be mothballed, and told Parliament it was time for both Mossgas and Soekor to be placed under critical scrutiny following Bartlett's announcement that the final cost of Mossgas would be R12bn and not the original estimate of R6,5bn.

MP refuses to disclose source

B/Day 29/5/92

INDEPENDENT MP Jan van Eck said yesterday he would not reveal his sources regarding the allegations he made in Parliament on Tuesday about former President P W Botha and his government ordering the assassinations of black activists.

The issue was the substance of the statements, not the messenger, he said.

He said decades of operations by government and its security forces were slowly surfacing.

His statement followed Wednesday's report that the NP had threatened to introduce a formal motion of censure against Van Eck if he did not reveal the source of his allegations.

Botha's statement on Wednesday said Van Eck's allegations were false and "reprehensible". — Sapa.

Only Mossgass GM gets over R1-m a year — director

STAR 29/5/92 (SS)

CAPE TOWN — Only one manager at Mossgas earns more than R1 million a year, according to Mossgas managing director Bernard Smith.

Mr Smith was reacting to a report on evidence before Parliament's joint committee on public accounts which disclosed that imported staff were paid huge salaries.

He said as far as he knew only the general manager received over R1 million a year. Mossgas sources named him as British citizen Glen Weston.

"We had to offer a salary comparable with (those) in Saudi Arabia or on a North Sea oil rig," Mr Smith said.

According to the report, Mossgas production managers have total packages amounting to R719 630. — Sapa.

BUSINESS DAY, Friday, May 29 1992

'Mugabe a threat to mining'

MICHAEL HARTNACK

HARARE — Zimbabwe's Chamber of Mines outgoing president Rodney Banks has accused President Robert Mugabe's government of imperilling the R1,1bn-a-year industry's future through political reluctance to buy electricity from Eskom.

Banks told a news conference on the eve of the chamber's annual congress that the electricity crisis, now jeopardising 56 000 jobs at 65 major mines, "could be solved.

"It just needs somebody to make the right decision, and it has not got to be a political decision," he said.

Banks said SA could supply 450MW (200MW virtually immediately) and a further 400MW as soon as Ellisras in the northern Transvaal was connected to the Zimbabwean grid. BDay 29/5/92

Zambia hoped to surcharge Zimbabwe for supplying electrical power from Zaire through its power lines. Dreams of acquiring power from Mozambique's long dormant Cahora Bassa scheme might take three years to materialise.

Banks said in a worst case scenario the country stood to lose R750m or more in mineral exports if it failed to act on the SA power option, which was made more attractive by lack of need for a long-term contractual commitment. (55)

"We don't have to guarantee we are going to take it for five years," he said.

Banks also condemned Zimbabwean cabinet ministers, none of whom would be at this year's chamber congress due to their departure in large numbers for the world environmental conference in Brazil.

Banks believed that with thousands of unemployed and drought-stricken Zimbabweans now dependant on illegal gold panning for a living, the country was losing up to R90m a year in gold exports due to smuggling, much of it in diplomatic bags.

He urged Zimbabwe' central bank to resolve the problem by offering the gold panners a legal outlet.

Speedy action was also needed to remedy the massive environmental damage being done to river systems by the gold panners, he said.

Banks said the current drought posed a grave threat to mining, which needed water for underground plant, processing and the domestic needs of labour.

Mossgas 'scandal' denied

55

ARGT 30/5/92

FRANS ESTERHUYSE
Weekend Argus
Political Correspondent

Decision blamed on energy fund

BLAME for the Cabinet decision to go ahead with the controversial R12-billion Mossgas fuel project is being placed squarely with the Central Energy Fund.

This has emerged from disclosures made in evidence to the Joint Committee of Parliament on Public Accounts. The committee's report was tabled in parliament this week.

During the committee's inquiry, Mossgas managing director Mr Bernard Smith denied there had been any corruption during the project, adding "people are not enriching themselves too widely".

Disclosures were made of huge salaries paid to Mossgas's imported staff, with general managers receiving nearly R1,3-million a year.

Questioned by Mr J W Maree (NP Klip River) about the go-ahead decision for the Mossgas project, Mossgas chairman Mr D R Vorster replied: "That decision was taken by the CEF (Central Energy Fund) board, together with their advisers, the contractors and engineers who were working on the project."

Replying to further questions, Mr Vorster said that, in terms of Cabinet policy at the time, there was pressure on the CEF, the Department of Mineral and Energy Affairs and on the National Energy Council with regard to "the strategic need" to maintain a 40 percent level of self-sufficiency in the shortest time possible.

The US-based consultant appointed to investigate Mossgas, Mr M E Brooks, told the committee he could not address the question of whether the project should have gone ahead or not. "It falls outside my scope. It was a government decision," he said.

Dr P J Gouws (CP Parys) said there must have been pressure from the engineers or other sources to go ahead with the project. "Should the advisers of the government not have made the same deductions which you, as an expert, made after considering the facts and figures?"

Mr Brooks replied: "I would like to say that 20/20 hindsight is very good. In times of desperation, governments do many things and do not pay attention to costs."

He noted that in his report he had mentioned going ahead on this basis was "rather unparalleled, except in times of national emergency".

Mr Vorster, in further evidence, said the CEF had an independent board which was responsible to the Minister of Mineral and Energy Affairs. There were representatives of both this department and of the Treasury on the CEF board.

Mr D M Streicher (NP De Kuilen) asked Mossgas managing director Mr Smith whether he was satisfied that no corruption had taken place during the Mossgas project.

In a long reply, Mr Smith said, among other things, "it is possible that we deal with 15 to 20 rumours, stories and hearsay evidence a month of corruption, of people enriching themselves from the project and so on."

He continued: "All of these — every single one of them — is investigated to the point where we either can take something to the public prosecutor or we have to drop it, either because the story is overtold or because there is no evidence of malfeasance.

"I would like to make the point that much of what you hear about Mossgas is actually overstated and hearsay evidence, because the hard evidence that we are able to gather simply does not lead to convictions.

"I made a point at the start of Mossgas to say to the internal auditors that what I wanted to do was to hang somebody, caught with his hands in the till, against the wall. That is the best possible way of discouraging other parties from trying to do such things. We have not been able to do that.

"That is why I am saying that there is not widespread corruption in this project and people are not enriching themselves too widely. It would be too much for me to suggest that this is not happening, because it does happen on any project, especially megaprojects. We do our best to prevent it."

board may be accredited for a particular industry and area.

Although both employers and trade unions can establish training boards, it is likely that the initiative to establish training boards will come chiefly from employers. The Act does, however, give the Registrar of Manpower Training limited powers to ensure that employees in the industry concerned have some representation on training boards. However, there is no requirement that employees or their trade unions have equal representation with employers. This is a change from the previous system where the training committees appointed by the Manpower Training Board had equal numbers of employer and employee representatives.

An important feature in the Act is that an employer must negotiate with any group of employees over the establishment of training boards. This provision appears to apply in at least two situations.

Firstly, employees would be entitled to demand, as a collective bargaining issue, that their employer establishes a training board for their enterprise. Secondly, an employer who wishes to establish a training board would have to negotiate with their employees on the formation of the board.

The usefulness of this provision may be limited by the fact that the duty to negotiate in the Act relates to *individual* employers, and only the country's major employers (such as TRANSNET, ESCOM or ISCOR) are likely to form their own training boards.

Training for the workforce is a collective bargaining issue
Photo: Tsaks Mokolobate/Learn and Teach

However, it may be possible to argue that the provision also places a duty on groups of employers or employers' associations who wish to form training boards, to negotiate with their employees on the matter. It may also be possible to argue that the refusal by employers or employers' organisations to negotiate with representative trade unions on matters of training would be an unfair labour practice.

Training boards have wide functions. They are under a duty to ensure that their industry has enough trained personnel, and that employees in the industry are offered retraining so they can upgrade

3) Responsible for administering apprenticeships

Fuelling Mossgas row

'I WOULD like to make the point that much of what you hear about Mossgas is actually hearsay, because the hard evidence we are able to gather simply does not lead to convictions.' — Bernard Smith, Mossgas MD. Report by FRANS ESTERHUYSE 55

STAR 30/5/92.

CAPE TOWN — The Central Energy Fund (CEF) is being blamed for the Cabinet decision to go ahead with the R12 billion Mossgas fuel project.

This has emerged from disclosures made in evidence to Parliament's Joint Committee on Public Accounts. The committee's report was tabled in Parliament this week.

During the committee's inquiry, Mossgas managing director Bernard Smith denied there had been any corruption during the project, adding: "People are not enriching themselves too widely."

Yet disclosures were made of huge salaries paid to Mossgas's imported staff, with a general manager receiving nearly R1,3 million a year.

Questioned by J W Maree (NP Klip River) about the go-ahead decision for the Mossgas project, Mossgas chairman D R Vorster replied: "That decision was taken by the CEF board together with their advisers, the contractors and engineers who were working on the project."

Maree: Was the Cabinet advised that with more time and more investigation, a more accurate estimate could be tabled?

Vorster: With the back-up we had from the engineering contractors, Fluor, and because of the experience of Sasol, our technology supplier, we did not think that more detailed engineering would come up with a significantly different estimate. If we had thought so at the time, we certainly would not have gone ahead with the project.

Maree: In retrospect, was that a sound view you had taken?

Vorster: No, in retrospect it was not a sound view.

Maree: Who must take the blame?

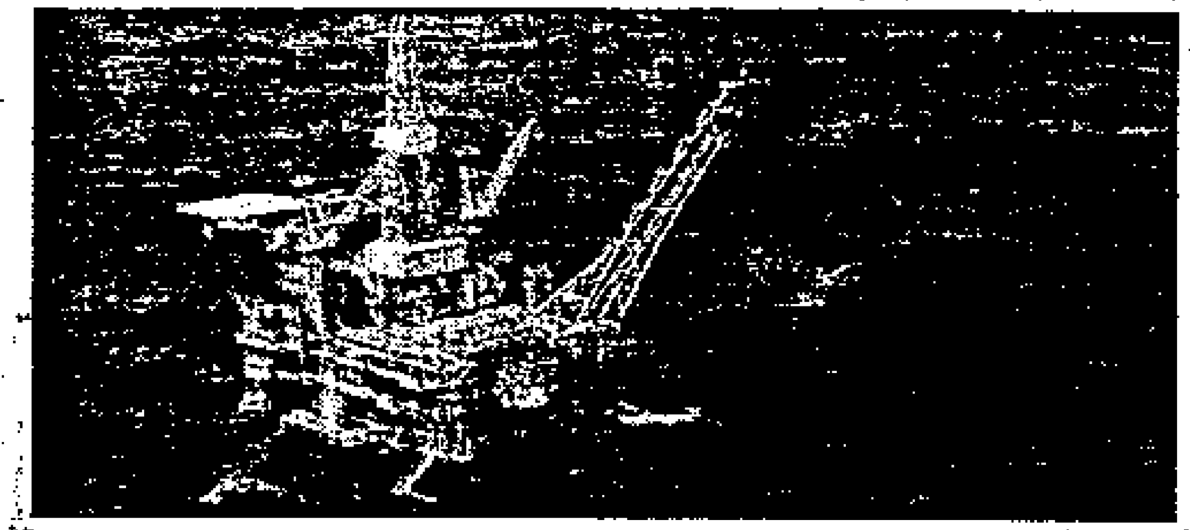
Vorster: Certainly the people who advised the Cabinet at the time, namely CEF.

Replying to further questions, Vorster said that in terms of Cabinet policy at the time, there was pressure on the CEF, the Department of Mineral and Energy Affairs, and on the National Energy Council with regard to "the strategic need" to maintain a 40 percent level of self-sufficiency in the shortest time possible.

The US-based consultant appointed to investigate Mossgas, M E Brooks, told the committee he could not address the question of whether the project should have gone ahead or not.

"It falls outside my scope. It was a Government decision."

Dr P J Gouws (CP Parys) said there must have been



pressure from the engineers or other sources to go ahead with the project.

"Should the advisers of the Government not have made the same deductions which you, as an expert, made after considering the facts and figures?"

Brooks replied: "I would like to say that 20/20 hindsight is very good.

"In times of desperation, governments do many things and do not pay attention to costs."

He noted that in his report he had mentioned that going ahead on this basis was "rather unparalleled, except in times of national emergency".

Vorster, in further evidence, said the CEF had an independent board which was responsible to the Minister of Mineral and Energy Affairs.

There were representatives of both this department and of the Treasury on the CEF board.

D M Streicher (NP De Kuilen) asked Mossgas MD Smith whether he was satisfied that no corruption had taken place during the Mossgas project.

In a long reply Smith said, inter alia: "It is possible that we deal with 15 to 20 rumours, stories and hearsay evidence a month of corruption, of people enriching themselves from the project, and so on".

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"I made a point at the star[t] of Mossgas to say to the inter[-] nal auditors that what I wante[d] to do was to hang somebod[y] caught with his hands in the ti[ll] against the wall. That is th[e] best possible way of discourag[-] ing other parties from trying t[o] do such things. We have no[t] been able to do that.

"That is why I am sayin[g] that there is not widesprea[d] corruption in this project an[d] people are not enriching them[-] selves too widely."

Questioned about circum[-] stances surrounding the Cabi[-] net's go-ahead decision, Vor[-] ster said that at various times during further investigation members of the Cabinet ha[d] announced that the projec[t] would go ahead.

"So from that point of view yes, there was perhaps the per[-] ception of some people in th[e] Cabinet — and very high up — that the project would g[o] ahead regardless."

THE MOSSGAS MILLIONAIRE

S/Times 31/5/92 (55)

By EVELYN HOLTZHAUSEN

FORMER North Sea oilrig executive Noel Fitzgerald is the man Mossgas is paying more than R1-million a year as general manager for field operations.

This was confirmed yesterday by a spokesman for Soekor, the company appointed by Mossgas in May 1988 to operate the gas production platform.

Mr Fitzgerald, who is on home leave in Britain until June 18 and could not be contacted for comment, will complete his contract with Soekor in November, by which time he will have trained a South African to take his place.

The South African, whose name has not been disclosed, will not be paid as much as Mr Fitzgerald as there will be no "premiums", nor will he have to be compensated for working away from home.

Mr Fitzgerald lives alone in a house in Welgemoed, the "Houghton" of Cape Town's northern suburbs, near the Soekor offices in Parow.

Safety

He did not bring his family to South Africa for the duration of his three-year contract.

He is based at the Soekor offices but pays regular visits to Mossel Bay and to the offshore gas platform.

His tasks include the overall management of the production platform, including overseeing safety and maintenance and ensuring that targets are achieved.

The Soekor spokesman said the basic annual salary of R1 485 000 paid by Soekor to secure the services of Mr Fitzgerald did not mean Mr Fitzgerald was paid that amount.

The money was paid to TM Services of Charterhouse Square, London, a specialist recruiting agency which deducted its fees before handing the remainder to Mr Fitzgerald.

He said Mr Fitzgerald paid tax to the South African receiver of revenue.

Details of the salaries paid to expatriate oil-workers by Soekor were disclosed in evidence before the Joint Committee of Parliament on Public Accounts, whose report was tabled this week. Mr Fitzgerald was not named.

In a confidential letter to Soekor from TM Services that was attached to the parliamentary report, TM joint chairman Peter Taylor said Soekor had been recruiting at a time when good, experienced personnel were in short supply.

He said the political situation in South Africa at the time had been a "disincentive" for candidates, who could face difficulties working elsewhere, such as Saudi Arabia, Iran or Malaysia, if it became known that they had worked in South Africa.

Similar difficulties faced recruiters in West Africa where the expected remuneration was higher than that paid in South Africa.

"In general we believe Soekor have secured very good people at the correct market conditions," the letter concluded.

Mr Fitzgerald was one of "roughly" 50 candidates who were put forward by TM to Soekor.

Corruption

Mossgas managing director Bernard Smith told the committee: "There is no widespread corruption in this project and people do not enrich themselves too widely."

● The Joint Committee recommended that the auditor-general conduct an independent expert evaluation of the economic viability of Mossgas.

55

Jet fuel costs more in SA

S Times (BUSS) 31/5/92

By DON ROBERTSON

THE increase in tourist and business travel to South Africa could be curbed by the high cost of jet fuel at Jan Smuts Airport.

Fuel costs are about 25% more at Jan Smuts than at airports in Europe, although the cost is low by notoriously high African standards.

An article to be published this week in Jet Fuel Intelligence, a weekly newsletter published by Petroleum Intelligence Weekly in New York, says that in spite of the remarkable growth in travel to SA, one obstacle remains — high fuel prices.

Airline officials claim there is no good reason for this and blame the artificially high prices on Natref, the Sasol-controlled refiner which supplies most of the fuel.

In contrast to sluggish growth in most of the world, the jet kerosene price in SA is surging. Demand this year has increased by more than 11% to about 19 000 barrels a day as commercial air traffic is freed from the political and economic constraints of the past.

This has more than compensated for the sharp fall in demand from the military.

Jet Fuel Intelligence says that under the legacy of State price controls, all oil companies distributing fuel at Jan Smuts are obliged to buy Sasol's 64% share of Natref's jet fuel production on the "same arcane commercial logic used by the State to arrive at retail petrol prices".

This assumes that jet fuel is bought at international prices from three refineries in Singapore and one in Bahrain and taken by lighter tankers to Durban and then to Johannesburg by rail. A refining margin is then added, says the newsletter.

In fact, Natref buys its crude at market prices. It is carried by very large crude carriers (VLCC) and piped to Johannesburg. VLCCs carry crude oil in quantities of as much as 200 000 to 300 000 tons.

Barrel

This form of transport is cheaper than "clean" or light tankers which are smaller.

In addition, the cost of insurance for crude oil shipments is lower than that for refined fuel.

The current jet fuel price is US76,5c a gallon. After the retail mark-up, it rises to about US80c a gallon.

Natref supplies about 80% of the fuel, or 14 700 barrels a day, used at Jan Smuts, which dictates prices charged at other airports.

A Natref spokesman says Sasol does not sell jet fuel to

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● From Page 1

Jet fuel

any airline or end users, but to other oil companies.

"We cannot, therefore, comment on the oil companies' selling price for jet fuel to SA Airways or other airlines."

As with all other petroleum products, Sasol sells its jet fuel to the other oil companies at international prices based on Singapore and Bahrain markets. Freight and transport costs are added to reflect an international market price at Jan Smuts.

Total Government levies and taxes for jet fuel amount to only 1,3c a litre.

Tourism, business travel and cargo traffic are expected to grow as SA progresses to a democratic society, with northern hemisphere countries taking advantage of the counter-cyclical weather and harvests.

Because of deregulation, at least eight international airlines — Cathay Pacific, Singapore Airlines, China Airlines, Qantas, Austrian Airlines, Kenyan Airways, Air Zaire and Air Seychelles — have launched 14 new flights a week to SA in the past year.

S Times (BUSS) 31/5/92

SA Airways is able to fly to America, Kenya, Angola, Egypt and Australia.

Officials say that at least 25 other airlines are discussing new services. The recently established independent Flitestar has 16 return flights a day to various destinations in SA and has been granted international status to fly to Bahrain. Flights to other destinations have also been applied for.