Different accounting needed for coal mines

COAL mines are an exception to the general mining sector in various respects and different accounting policies are necessary. Davis Boskim, Hare analyst Mmoy Pohl says in a paper on coal mining taxation.

Pohl recommends that coal mining companies, which adopt a variety of accounting methods, use the amortisation approach with the comprehensive method of accounting for deferred tax. This is in the best interest of shareholders if a liberal dividend policy is adopted,” he says.

Tax laws reflect the fact that mines are wasting assets. Mining operations can therefore deduct from mining income the capital expenditure incurred in carrying on mining operations.

It follows that before a mine has reached the production stage it cannot deduct capital expenditure, which is amortised until mining commences. In the early years of a mine’s operation it has no material tax relief.

SURPLUS

The market is mainly domestic and dominated by Eskom, a contract market with no price risk, unlike the volatile export markets. The current situation is that Eskom has a surplus of available coal and the only new colliery development will be for the export market.

“This market changes from feast to famine within months and a three-year capital expenditure programme could be aborted overnight.”

Pohl says Witbank Colliery and Gold Fields Coal follow the principle of deducting capital expenditure as an expense, while Amcoal and Trans-Natal Coal Corporation spread the tax relief over the expected life of the mine.

“Clearly this policy would ensure that the after-tax earnings attributable to shareholders is directly related to the profitability of the company and not the stage of the development of the mine.”

A company which uses the partial method of accounting for deferred taxation could become liable for tax in bad times, which will severely affect after-tax profits.

A company that uses the comprehensive method may never become liable for tax and therefore reduces profits and builds up a permanent cash reserve that is not distributed to shareholders.

Pohl recommends that the comprehensive method be adopted with a reduction in dividend cover to ensure that dividends are not affected.
The acquisition by Rand Mines subsidiary Witbank Colliery of BP Southern Africa's interest in Middelburg Coal Mine for R54.5 million, and the subsequent joint venture with JCI through its subsidiary Tavistock Collieries, will have a positive impact on the financial results of Witbank Colliery.

Chairman Allen Sealey told Witbank shareholders at this weekend's AGM: "At the current level of exchange rates it is expected that the additional 48.5 percent interest in Middelburg mine acquired by the Douglas Colliery will contribute positively to profits."

He said that had the acquisition taken place in the 1989 financial year it would have added 12 percent to Witbank Colliery's profit.

Witbank's taxed profit in 1989 was R163 million — up 154 percent on 1988.

Mr Sealey said that in order to finance the Middelburg acquisition, Douglas Colliery had negotiated a medium-term loan facility with a bank.

"Cash flows generated from the existing operations in Witbank, together with the increased contribution from the Middelburg mine, indicate that the Witbank group will require borrowings for a period of three years," he said.

"Medium-term commercial borrowings are therefore the most appropriate way of financing the acquisition."

One of the lowest-cost producers in SA, Middelburg sold 5.5 million tons of export coal last year.

One of the big phases of the joint venture between Witbank and Doblas, and JCI and Tavistock, is that both parties bring contiguous coal reserves to the party, thus increasing the life of Middelburg by about 15 years at a sales level of 5.5 million tons a year.

Mr Sealey also indicated that the profits of Vansa Vanadium would fall this year — if the rand exchange rate remains at current levels and if the price of vanadium pentoxide remains depressed.

At the company's AGM he said: "The current price of vanadium pentoxide of $2.50 per pound is considerably lower than expected earlier."
Digging into coal

**Activities:** Mining group with major interests in gold, coal, platinum, base minerals and property

**Control:** Barlow Rand owns 74.4% of the equity

**Chairman and managing director:** D.T. Watt

**Capital structure:** 11,21m ords of R1 Market capitalisation R1,31bn

**Share market:** Price R117 Yields 4.8% on dividend, 16.5% on earnings, PE ratio, 6.1, cover, 3.4 12-month high, R117, low, R62.50 Trading volume last quarter, 33 000 shares

**Financial:** Year to September 30

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**Performance**

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A quirk of timing has meant that chairman Danny Watt’s annual statement contains only fleeting reference to subsidiary Witbank Colliery’s acquisition of BP’s majority stake in the Middelburg export colliery. The acquisition, concluded a month ago, was the capstone of a period of rapid development for Rand Mines.

Just over a year earlier, the Crocodile River (formerly Lefochroysto) platinum mine had been salvaged from the mismanagement of Loucas Pourous and his colleagues, and its development became the group’s priority underlining the shift in operating emphasis away from gold. No sooner had Crocodile produced its first platinum ingot than plans to accelerate the mine’s expansion were announced, while the comparatively slow development rate at the Kennedy’s Vale mine will be maintained.

For the present, it appears that strong demand will absorb the large amounts of new SA platinum group metals (ppm) due to enter the market over the next couple of years, and that ppm prices will not suffer unduly. The same does not appear true of vanadium. Just before the end of 1989, Highveld, the vanadium price setter, fixed its first quarter 1990 vanadium pentoxide price at US$2.50/lb, half the level of 1989’s fourth quarter and one third that of the year’s second quarter.

Vanadium will be consolidated in the Rand Mines accounts this year, so the effect of the lower prices will be mitigated to an extent. Nevertheless the price cuts do underscore the difficulties likely to be met in metal markets this year. In its last financial year Rand Mines scored handsomely from strong chrome prices, as stainless steel manufacturers scrambled for ferrochrome supplies.

Watt believes softer chrome prices will lead to only a marginal increase in profits from the chrome mines this year.

Essentially, though, the joint Witbank/JCI acquisition of Middelburg reinforces Rand Mines’ reliance on coal. A certain amount of window dressing has been necessary to make it appear Witbank has not been catastrophically first place among coal exporters — JCI will be entitled to 40% of Middelburg’s production and Witbank’s nominal export allocation rates to 9.5 Mt against Amco’s 9.6 Mt. But Witbank will be marketing JCI’s Middelburg entitlement and has effectively become the country’s largest coal exporter, with a decisive vote in developments at the Richards Bay Coal Terminal (RBCT).

Witbank has to borrow to finance its share of the acquisition and interest payments will have a dampening effect on profits. Nevertheless the acquisition recognises the fact that export sales have become increasingly important, with firming dollar prices and the effective easing of sanctions against SA’s product. At home sales to Eskom shrank, with reduced demand at the Duwba power station. Deliveries to the Majuba station remain delayed but a compensation agreement struck with Eskom allowed the colliery to start generating a return on investment in March.

Watt makes the point that problems at the group’s gold mines have little or no effect on Rand Mines’ results as the mines are not consolidated. Technically he is correct, though the group gets precious little dividend income from its operations and, by writing down its equity investment in ERPM, has tacitly admitted the mine is unlikely ever to pay dividends.

Operations have been restructured at ERPM, Durban Deep and Harmony in an effort to generate some positive operating cash flow, but Durban Deep’s life expectancy is most uncertain and Harmony has cut capital spending to the bone. The hard core processing operations managed by Rand Mines Props and at Pilgrim’s Rest are generating revenues, and the small Barbrook gold mine is slated to reach full production this quarter.

Watt expects profits to grow this year, though at a more moderate rate than the unexpectedly high rate of 1989. In round figures he is probably budgeting for a dividend hike to around 600c. This would put the share on a forward yield of 5.1% which discounts some years of growth.

AFROX

**Stepping on the gas**

A year ago chairman Peter Joubert cautiously hedged his forecasts for the coming period. Afrox had just completed its best trading year and was entering a period of considerable economic and political uncertainty. In fact, fiscal 1989 turned out to be the best ever and the group extended operations with a heavy capital programme.

This time around Joubert is again cautious. But he makes it clear Afrox can easily maintain the rates of capital spending needed to expand its business and that the benefits of earlier spending will start flowing to the bottom line this year.

The gases and welding divisions, which provided a virtually unchanged 81.6% of
COAL INDUSTRY

Running out of steam

A stronger rand could offset benefits of higher volumes

Coal shares on the JSE had a powerful run during 1989 — largely thanks to improved conditions for SA exporters on the international coal market. But the coal share index topped out in September and has since dropped back to reflect changed circumstances.

Still, there’s no reason for investors in these shares to start donning sackcloth and ashes, the export market continues to look good. However, while coal export volumes should continue to rise this year, the increases in dollar prices being achieved for 1989 deliveries are below expectation and what looks a firmer rand-dollar exchange rate is going to trim profit margins further.

The JSE actuates Coal index rose 76%, to peak at 2145 on September 28 from the 12-month low of 1368 on December 21 1988. It has since drifted down to current levels of around 2220. Over this period Amocoal rose from R44.50 a share to peak at R80 before dropping back to current levels around R73, while Trans-Natal Coal Corp rose from 50c to 864c before retreating to 775c. Witbank Colliery (Wit Colls) moved from R47 to peak at R74, the share eased to about R69 before recovering to stand at about R72,50.

Wit Colls’s performance has been firmer than that of the other coal counters because of the group’s acquisition, in partnership with JCI, of BP’s Middelburg export mine. The deal is good news for Wit Collins and may result in a rerating of the share because of the company’s greater export volumes and the way it has limited its debt exposure through bringing in cash up front from JCI.

The export market is the driving force in the fortunes of coal companies. This is because the domestic market will remain flat — probably until the end of the century — as a result of Eskom’s rationalisation program at its coal-burning power stations.

Improved dollar prices for coal during 1989 were the result of an increase of about 3% in the total world demand for steam coal, while a number of countries other than SA failed to hit planned export tonnages.

The most important was probably China, where soaring internal demand has forced the country not only to default on planned exports but also to become an importer of coal. Australian coal mines were hit yet again by labour problems while operations at the huge El Cerrejen mine in Colombia were hampered by the effects of two hurricanes and more labour unrest.

The SA coal exporters were major beneficiaries. Coal prices for 1989 delivery rose by nearly 20% in dollar terms and the Richards Bay Coal Terminal (RBCT) worked flat out. Though one stacker/reclaimer was down for months, coal shipped through the port during calendar 1989 came close to the nominal capacity of 44 Mt/year, according to Wit Collins chairman Allen Seale. He says 1990 exports via Richards Bay could reach 46 Mt.

That is the good news. The bad news is that dollar prices appear at least temporarily to have run out of steam, bearing out comments made in October by Trans-Natal Coal Corp (TNC) chairman Brian Gibertson. He said then that “In view of these developments, and more recently of the coal mining strikes in the USSR, US and Canada, it is surprising, indeed worrying, that steam coal prices have not risen above the level of some US$32/t fob Richards Bay.”

The key export contract is with Enel, the Italian counterpart of Eskom. In the negotiating season with European customers at the end of 1989, this contract was settled at levels lower than hoped for by the SA exporters.

It was settled at $31/t for 27 mj/kg (megajoules per kilogram) coal, which is a low heat value product. That was an increase of $1.25/t or 4.2% on the 1988 Enel price of $29,75/t.

The Enel contract is important because it acts as a benchmark price for other European customers. Coal industry executives say other contracts have been settled at higher prices ranging up to $34/t, but those relate to higher heat value coals.

Overall, the increases are seen as disappointing — particularly when viewed against the higher prices that coal exporters in countries other than SA have been achieving in the markets where SA coal is subject to sanctions or threats, the other exporters are scoring off us. We’re getting dollar increases of about 5% whereas the Colombians are getting increases of up to 10% and the Australians are getting increases of about 7%,” says one coal company executive. Another notes that “the South African discount is not reducing despite the firmer market conditions.”

Negotiations are still under way for 1989 prices in the Far Eastern markets, which usually settle by about March. As is usually the case, the accusations are flying between the SA exporters as to who chickened out in the negotiations, or deliberately undercut competitors, with the result that hoped-for dollar price increases did not materialise.

The biggest problem for SA exporters this year could be a stronger rand, particularly if gold maintains its firmer trend. The SA monetary authorities are taking advantage of the strength of the dollar gold price to allow the rand to appreciate against the dollar.

However, a stronger rand reduces rand revenues for the coal companies unless they can get dollar prices high enough to offset them — which is not happening. The rand has strengthened against the dollar by nearly 8% from its average value for the September quarter compared with the average 5% increases being negotiated on dollar coal prices. If gold really gets going the rand is going to strengthen further.

However, conditions on export markets are good enough for the SA exporters to be embarking on an expansion at RBCT, though industry executives are doing their best to play this down. They prefer to describe it as a modernisation programme to guarantee the nominal throughput of 44 Mt. The bottom line is that after the R239m programme, which will install new equip-

Trans-Natal’s Gilbertson . . . worsens over price levels
ment, including another stacker/reclaimer, the terminal will be able to handle 48 Mt/year. There are plans to spend a further R100m on new locomotives and upgrading the Richards Bay railways. This would allow output to be pushed further to 53 Mt/year.

Not all the RBCT exporters appear happy about the plan, because of the threat of oversupply in the market. An oversupply would hit the SA exporters worst because of the country's dicey political status. TNC's Gilbertson tells me he would rather see higher prices than greater availability of product. However, TNC has gone along with the expansion, it has the power of veto in the RBCT but did not exercise it.

The expansion is being treated as a "brownfields" expansion of the RBCT. This means only the existing members will participate in it, in proportion to their shareholdings in the terminal.

Companies holding Phase 4 export permits which are not already members of the RBCT will not take part. How these companies would enter the export market was the subject of heated debate back in 1982-1983, when the future for the SA coal exporters seemed unlimited. The then Minister of Mineral and Energy Affairs, F W de Klerk, told parliament in 1982 that more than 100 applications for the annual export of more than 200 Mt of coal had been received for the 32 Mt/year Phase 4 export allocations which were up for grabs at that time.

"The one good thing about the sanctions issue is that it flushed all these rats and mice back down the drains, some never to be heard of again," says the chairman of one RBCT member company. "Their participation in the RBCT is a non-issue. We put up the money and took the risks and are entitled to the full benefits of the brownfields expansion of the present facilities to their economic limits."

That's fighting talk, but, apart from sanctions, there are two major reasons why the issue of new exporters is not as heated now as a few years back. Two major mining companies which were not RBCT members have gained access to the club. After the Transvaal Coal Owners' Association (TCTOA) handed back its 10 Mt/year export quota to its members, JCI received a direct 13 Mt/year quota in the terminal and GFSA got a 1 Mt/year quota.

The other major mining house that is not an RBCT member, Anglovaal, appears to have lost interest in the coal market, despite its 1 Mt Phase 4 allocation. It sold its last operating coal mine to Witbank Colliery last year.

The other reason is that the relationship between the RBCT members and Sats has improved dramatically under new Sats GM Anton Moolman, compared with the situation that prevailed when former GM Bart Grove was in office. Sats previously championed the cause of the new exporters to the point where it nearly built a new coal terminal for them at Richards Bay.

"Sats' standpoint was that, because the rail line to Richards Bay could shift 65 Mt of coal annually, that was what the country's annual exports should be. It was neither here nor there that we couldn't sell the stuff. Moolman is a different entity. He is a businessman as well as a railroad executive," says a coal company executive.

Expanding capacity

Market conditions have also improved for exporters using Durban, where the exporters grouped under the Durban Coal Terminal Company (DCTC) have started modernising and expanding the capacity of the Bluff Mechanical Appliance (BMA). The DCTC set up a joint venture with Sats over the BMA in 1988, with the ultimate aim of renovating the appliance to handle the full 5 Mt/year of coal which the port of Durban is authorised to export. The coal is now exported via the BMA, conventional loading quays, the Maydon Wharf 5 (MW5) terminal and the Durban Bulk Shipping (DBS) terminal.

Coal used also to be exported via Pur 109, controlled by the Maputo Exporters Committee (MEC). But the MEC has sold this facility to Reenens, which intends using it for loading grains, feedstocks and other bulk materials.

DCTC chairman André van Rooyen stresses the rate of expansion of the BMA is completely determined by the state of the coal export markets. The BMA had the capacity to export 1.4 Mt/year when the joint venture was set up in 1988, and this has been increased to 1.7 Mt for the financial year to June 1990.

Van Rooyen says estimates on expansion for the financial year to June 1991 will only be made in April/May 1990 when the DCTC members meet to agree on the capacity required and the tariffs to be charged for use of the BMA. Sats has given permission for coal export levels through Durban — other than the BMA — during calendar 1990 to run at 1.2 Mt via the conventional quays, 0.9 Mt via MW5 and 0.6 Mt via DBS. That puts present coal export capacity through Durban at about 4.9 Mt/year.

When the long-term aim of exporting 5 Mt/year through the BMA is reached, Sats will not allow coal to be exported through the other facilities at Durban being used now.

Despite the expected higher sales volumes, the general expectation is that profit growth for the coal companies is going to be unexciting in the year ahead.

That makes coal shares look fully priced at present. On balance, a stronger rand is probably going to sap much of the benefits of revenues from higher sales tonnages and there's the ever-present issue of increases in working costs.

However, benefits of 1989 are still flowing through, particularly to Amcoa, with its March year-end. Earnings for the year should be at least 60% up on the year to March 1989 and the dividend could be increased by about 33%.

Brendan Ryan

Keep the home fires burning

FINANCIAL MAIL JANUARY 12 1990
Stronger rand hits Witbank

Witbank Colliery's working profit dropped from R97.7 million (1 306c/t) in the September quarter to R44.5 million (951.8c/t) in the December quarter. Net profit was R39.7 million (791c/t).

Sales tonnage dropped by 500 000 tons to 4.68 million tons as a result of the traditional seasonal fall in demand, particularly from Eskom and industrial concerns. The mild winter in Europe also affected demand, said Mr Allen Sealey chairman of Rand Mines' coal division. But the major contributor to reduced profits was the strengthening of the rand.
Duiker reports 45% drop in earnings

BARRY SERGEANT

EARNINGS per share at Duiker Exploration fell 45.6% from 40.8c in the September quarter to 22.3c in the quarter to December 31. Income after tax declined to R2.2m — crudely annualising to R12.8m.

In its latest full year to end-August, Duiker reported a 138% increase in taxed income to R17.9m.

In the December quarter steam coal sales fell 9.4% on September quarter sales to 1.1-million tons. Anthracite sales increased 4% to 92,000 tons, while gold sales declined 16.1% to 47kg.

No dividend was declared for the December quarter (15c for September). The latest full year dividend was 25c. Commenting on the December quarter, the directors caution that revenue from sales does not accrue evenly over the year.

Duiker, a 62% Lomho subsidiary, has a 36% associate stake in Erdeel, managed by Anglo American's Freepoint. The Erdeel results show that Erdeel's gold production increased 14.1% on the September quarter to 643kg.

Erdeel working costs increased 28.8% (more than 100% crudely annualised) to R9.3m in the December quarter, while working income plunged 69.7% in the September to December quarters to R1.2m.
World first as Iscor corex plant commissioned

PRETORIA — The world’s first commercial corex — or coal-reduction — plant for the production of liquid steel has been commissioned by Iscor at its Pretoria works.

The new plant, erected by an Austro-German consortium using SA equipment and labour, does away with the use of expensive and ever-diminishing coking coal reserves.

It can directly use a variety of cheaper, readily available non-coking coals, leading to a direct operating cost saving of about 25%.

The new plant has an annual production capacity of 300 000 tons, but further development work could lead to a single production unit with an annual capacity of 1.5 million tons.

The corex system is cleaner and more environment-friendly with the majority of gases created being processed for further use in other parts of the Iscor works.

The 35 tons of slag tapped approximately every two hours are sold to cement manufacturers.

EDWARD WEST reports that Iscor spokesman Piet du Plessis said yesterday the plant had been commissioned early in December 1988.

Only Voest Alpine, the Austrian-German consortium, could disclose the cost of the project, he said.

Du Plessis said the production plant’s effect on Iscor’s earnings was not yet known because Iscor had just taken over the plant.

The multi-million rand plant had originally started up in 1987, though it had not been commissioned then, according to newspaper reports. While the process had worked well, the plant had been hit by a number of shutdowns resulting from temporary stoppages in nitrogen and oxygen supplies and materials handling failures.

Then, on February 14 1989, the plant, still in its experimental stages, was stopped for planned maintenance, newspapers reports said.

Du Plessis said there were a number of peripheral problems at the outset of the plant’s development, but these were all part of a learning curve involved with the development of any project not attempted before.

The problems had now been cleared up, he said.

In November, Iscor MD Willem van Wyk said Iscor would consider establishing a steel semis plant in Saldanha Bay if the corex plant in Pretoria was a success.

Du Plessis said yesterday this remained a possibility. Plans to develop the semis plant were shelved about 15 years ago as steel prices plummeted worldwide in the wake of an oil crisis.
Trans-Natal lifts earnings by 112%  

TRANS-Natal Coal Corporation has more than doubled its earnings to 71,7c (33,5c) a capital unit in the six months to end December, and lifted its interim dividend from 10c to 20c.  

Attributable income increased by 113%, from R26,7m to R56,8m, and taxed earnings by 112%, to R58,8m (R25,8m).  

The company has also strengthened its financial position, with cash holdings now exceeding interest-bearing debt.  

The Graham-owned group’s cash holdings increased significantly, to R160,2m, compared with R55,4m in 1985; they now exceed interest-bearing debt by R15,2m.  

Group chairman Brian Gilbertson said cash holdings would come down a bit because of the Gloria project (to provide access to Kornfontein colliery via an incline shaft) — “but we are confident it will remain above R100m”.  

Steamcoal exports increased by 33%, while inland sales decreased 7% and sales to Escom decreased by 5%. Export of steamcoal and anthracite accounted for 33% of total sales, compared to 26% in 1985.  

Gilbertson expressed concern about the 33% increase in cost of sales, to R552,4m, mainly due to higher costs of increased export sales, ongoing provision for rehabilitation (R22,7m), and inflation. On a comparable sales-ex-basis unit working costs rose 15.4%.  

He said although results should be maintained for the second half of the year he was concerned the dollar coal price had not increased significantly.  

SA coal also still suffered from the sanctions stigma in the international market, although this was easing. Contracts which expired recently had all been renewed, with an average price increase of 5% in the Far East, Gilbertson said.
Trans-Natal lifts earnings by 112%  

\[ \text{ share price } \times \text{ daily close} \]

**Riana Smits**

TRANS-Natal Coal Corporation has more-than-doubled earnings to 71.7c (33.8c) a capital unit in the six months to end December, and lifted its interim dividend from 16c to 20c.

Attributable income increased by 113%, from R26.7m to R56.9m, and taxed earnings by 112%, to R56.9m (R28.8m).

The company has also strengthened its financial position, with cash holdings now exceeding interest-bearing debt.

The Gemun-owned group's cash holdings increased significantly, to R160.2m, compared with R35.4m in 1988, they now exceed interest-bearing debt by R15.2m.

Group chairman Brian Gilbertson said cash holdings would come down a bit because of the Gloria project (to provide access to reserves at Koorfontein colliery via an incline shaft) — "but we are confident it remains above R160m".

Steam Coal exports increased by 33%, while gasoline sales decreased 7% and sales to Eskom decreased by 6%. Export of steam coal and anthracite accounted for 33% of total sales, compared to 26% in 1988.

Gilbertson expressed concern about the 33% increase in cost-of-sales, to R552.4m, mainly due to higher costs of increased export sales, ongoing provision for rehabilitation (R22.7m), and inflation. On a comparable sales and unit basis, working costs rose 15.4%.

He said although results should be maintained for the second half of the year he was concerned the dollar coal price had not increased significantly.

SA coal also still suffered from the sanctions stigma in the international market, although there was easing. Contracts which expired were renewed, with an average price increase of 5% in the Far East, Gilbertson said.

BoE's rescue bid for Helderberg

CAPE TOWN — The Board of Executors has placed its financial muscle behind a scheme to save the troubled Helderberg Retirement Village in Somerset West.

In the latest of a batch of court applications to try and restore the liquidity of the cash-strapped retirement village, a resident of the management company to be placed under judicial management and for the scheme to be converted from share-block to sectional title.

In terms of the share block scheme, 300 villagers participated by buying shares in the respondent, the Helderberg Village Share Block Holding.

Nussbaum's Cape Town Supreme Court application has been postponed to February 15, the same day a separate application for the respondent's provisional liquidation is being heard.

His application has been supported by the Board of Executors.

The BoE has researched and approved the sectional title option and offered to secure the capital required to restore the scheme's ability to meet its current obligations.

In terms of a rescue plan proposed in the legal documents, the respondent will need an additional R11m over a period of 11 months to meet these obligations.

This assumes that neither bondholders of the respondent, nor the Allied Bank and Building Society — another creditor — will call up additional debts during the period of judicial management.

The application has also been supported by Personal Trust, a shareholder in, and credit of the development company, Shemara Holdings, which was the respondent in a second provisional liquidation application last week.

Shemara was given until today to reply to the application, which was brought by one of its creditors, chartered surveyors and valuers Roy Horrell and Associates for an amount of R18 984.

In his affidavit, Nussbaum says the financial affairs of the Helderberg Village Share Block Holdings are in a state of disarray.

He says the company is insolvent because it does not have enough cash to meet its current obligations, although it has assets valued far in excess of its liabilities.

Nussbaum argues that it is likely a judicial manager could organise the repayment of debts and the meeting of obligations.

It would also enable the respondent to become a successful concern by completing the development of the retirement village and converting the management company into a sectional title scheme.

His view that the cost of excessive infrastructural facilities in the village could become more affordable if many new cottages are built and sold as sectional title, is supported by a cash flow chart drawn up by the BoE.

The majority of villagers has already approved an offer by an anonymous individual to invest more capital in the village, provided villagers paid an additional R20 000 each to convert to sectional title.

Angola denies Cuban troop build-up

LUANDA — The Angolan government yesterday denied persistent media reports that Cuban troops were on their way from Cuito Cuanavale to Mavinga to reinforce Angolan forces fighting against Unita.

Foreign Affairs Minister Pedro de Castro van Dunem said here the reports were aimed at justifying US military support for Unita, the Angolan news agency (Angop) reported.

"Even people that are cautious know that Cuban troops have not been withdrawn," Van Dunem said.

Arms restrictions to the South also work against the diamond cartel.
JOHANNESBURG. — Trans-Natal Coal has reported attributable income of R356.1m for the six months ended December 1989, an increase of 113% on the R165.7m recorded for the same period in 1988.

An interim dividend of 20c a share has been declared.

The board states this increase is due largely to an increase in sales revenue, mainly because of higher export volumes, improved dollar prices and a weaker rand/dollar exchange rate.

Saleable tonnage in the period under review, compared with the corresponding period in 1988, increased by 3% to 15.5m tons.

Steamcoal exports increased by 33%, while inland sales declined by 7% and sales to Eskom dropped by 6%.

As a result of these factors, export of steamcoal and anthracite accounted for 33% of total sales compared to 26% in 1988.

Trans-Natal increased operating income by 82% to R123.6m.

The company states that if the current market circumstances do not change significantly in the next six months, and if the rand does not strengthen materially from its current level, the profits achieved in the first half should be maintained in the second.

In the six months under review, cost of sales increased by 32.6% to R552.4m, mainly because of the higher costs associated with increased export sales, ongoing provisions for rehabilitation (R22.7m for period under review) and the effect of inflation on working costs. On a comparable sales mix basis, unit working costs rose by 15.4% — Sapa
Trans-Natal comes up smiling

By Derek Tommey

Trans-Natal, Gencor's coal producer, continued its dramatic recovery in the six months to December, doubling earnings and the interim dividend.

Operating income rose 82 percent to R128.6 million, pre-tax profit rose 127 percent from R41.2 million to R95.7 million, and attributable income more than doubled from R20.7 million to R56.5 million.

Earnings a share rose from 33.8c to 71.7c and an interim dividend of 20c (16c) has been declared.

The results represent a sharp turnaround from the situation in the six months to December 1987, when earnings were down to 5c a share and the interim dividend was passed.

Sales tonnage increased by a mere three percent, but sales revenue rose 29.7 percent as a result of higher export values, improved dollar prices and a weaker rand.

Steam coal exports rose 33 percent, while inland sales decreased by seven percent and sales to Eskom dropped six percent.

The cost of sales rose 32.6 percent to R552.4 million, mainly as a result of the high costs associated with increased export sales, rehabilitation expenditure and inflation.

One of the mine's short-term goals is to build up cash holdings. At end-December they totalled R106.2 million, exceeding interest-bearing debt by R15.2 million.

They have now reached R250 million - equal to a goodly part of the company's market capitalisation of R600 million.

However, the accelerating capital programme will reduce cash holdings. R213 million is to be spent on the Glin project at Koornfontein Colliery, which should be completed by 1994.
Trans-Natal goes for high price, low sales

TRANS-NATAL could be in the pound seats if it rebuilds the markets it lost through sanctions a few years ago.

In the six months to December, Gencor's coal arm raised earnings by 112% to R97-million - 71,7c a share - on turnover which climbed by 40% to R112-million. The dividend was doubled to 20c.

That better prices were achieved as clear from the tiny rise in tonnage sold. The total of 15,5-million tons was only 5% higher than in the previous year, but exports were 31% up at 5,1-million tons. Sales to Eskom and inland buyers fell.

Trans-Natal chairman Brian Gilbertson favours smaller sales volume at higher prices. He says coal prices are creeping along, most of Trans-Natal's contracts with Far Eastern buyers being renewed at an average increase of 5%.

The same rise is being secured by American and Australian sellers, but South African suppliers are already prepared by coming off a lower price base - the political discount.

Mr Gilbertson says that already - after President de Klerk's landmark speech a week ago - a new mood is discernible among foreign customers.

Many buyers arrange options which allow them to increase or reduce the amount bought from Trans-Natal.

Now they are worried that Trans-Natal will not be able to give them all the coal they might like. The ex-customers know that it has found other markets.

Torbanite

Mr Gilbertson says Trans-Natal could increase its capacity to meet demand. In view of his lower-volume, higher-price leaning, the group would probably do so only at the right price.

The carrying capacity of SAFS will be about 48-million tons of coal a year.

"Foreigners like our coal. It provides a balance with Australian suppliers. It is a good, cheap product."

The cost of sales rose disproportionately because coal for export has to be washed and transported. In absolute terms, total costs rose by 30% to R353-million, but Trans-Natal says that on a comparable sales mix, the notional rate was 16.4%.

Its last R4,1-million investment in the defunct torbanite project was written off.

The group's cash will be maintained at R116-million.

Mr Gilbertson says Trans-Natal currently has R290-million in the bank.

"Almost half the market capitalisation of R628-million is represented by cash."

The board revised the mining plan for the Gloria reserves, which project will be completed in four years at an escalated cost of R318-million.

Trans-Natal aims to repeat the first-half performance providing the rand does not rise much from its current level. The record earnings of R120,7-million in 1989 will not be reached.

The share was bid at 76c on Friday - 20% higher than a year ago but 8c below the August price.
**Steady recovery**

Increased export volumes made all the difference to Gencor's coal-mining arm, Trans-Natal Coal Corp, in the six months to end-December. The group's excellent results have allowed chairman Brian Gilbertson to strengthen Trans-Natal's balance sheet further.

The aim of building cash holdings greater than interest-bearing debt has now been achieved. Trans-Natal's cash balance of R160,2m at end-December compares with interest-bearing debt of R145m. Gilbertson says that since year-end cash holdings have risen to R250m but this level will not be maintained. Funds need to be committed to mine expansions to maintain and expand production. Cash balances are, however, expected to remain above R160m.

Critical during the interim period was hitting the planned rate of export tonnages through Richards Bay after the problems that caused a backlog on exports in the first half of calendar 1989. That was achieved with exports reaching 5,1 Mt in the six months to December, compared with 4,4 Mt in the six months to June and 3,9 Mt in the six months to December 1988. Not all that tonnage went through Richards Bay Coal Terminal because Trans-Natal also exports coal and anthracite through Maputo and Durban. Gilbertson says the group is on track to achieve its target of 9,3 Mt of steam coal exports for the year to June.

The higher export tonnage boosted sales revenue 39,7% to R661m (R487,3m) but the cost of sales jumped 32,6% to R552,4m (R416,5m), which is one of few worrying aspects about Trans-Natal's performance. Gilbertson says cost of sales jumped because of the higher proportion of export coal sales to local sales. The quality of export coal has to be upgraded through washing, with the product then railed to Richards Bay. Coal supplied to Eskom does not have to be upgraded and is sent on conveyor belts to power stations near collieries.

However, after adjusting for these factors, Trans-Natal's unit working costs still rose by an unsatisfactory 15,4% despite attempts to curb the rate of increase.

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**TNC GLOWS**

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<td>Dividends (c)</td>
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With sales to Eskom declining, Trans-Natal's prospects are becoming even more dependent on the export market. Gilbertson forecasts the more-than-doubling of interim earnings will be maintained for the full year and, hence, the doubled interim dividend that suggests a total payout of 60c to put the share on a prospective yield of 6,5%

That forecast depends on export market conditions and Gilbertson is not greatly enthusiastic about the outlook. He is concerned about effects of future coal oversupply and the weak position of exporters still suffering from a political discount on prices. He points out the supposed strength of the world coal market is not being reflected in prices. "I've been a voice of doom for sometime but, fortunately, so far I've been proved wrong," he says.

I suggested in August that Trans-Natal share looked fully priced at the then-ruling level of 850c and see no reason to change my mind with the shares at around 925c.

Brandon Ryan
Coal and steel exporters start counting the days to the end of sanctions

Coal and steel are two industries which will be watching political developments carefully in coming months.

Both were severely affected by the imposition of sanctions in 1985 and 1986. And although they have found new export markets, they are hoping the lifting of sanctions will allow expansion and/or improve profits in the medium to long term.

For steel producers, higher exports could mean they could expand capacity. The coal mines, on the other hand, hope for higher prices — they have had to increase exports by lowering prices, offering a "political discount" on their coal.

Highveld Steel chairman Leslie Boyd said this week: "The far-reaching announcements made by State President FW de Klerk at the opening of parliament will not only have a positive impact on the South African economy, but should also lead ultimately to the lifting of sanctions and the reopening of Highveld's steel markets in North America and the EEC."

Anglo American's Highveld, South Africa's second largest steel producer after Iscor, increased its after-tax profits for the year ended December by a whopping 165 percent to R322-million, in large part as a result of export earnings from steel and particularly from vanadium. More than 60 percent of Highveld's sales of R1.6-billion in 1989 came from exports.

Vanadium has not been affected by South Africa's political status in the world as it is regarded as strategic by most countries. Highveld produces 40 percent of the world's vanadium and so can set its own terms.

But with sanctions, the South African steel industry lost access — at least officially — to what were at the time its most important markets in the United States and Europe. Since then it has found new markets, particularly in the Far East, in a context in which the world market for steel has been growing rapidly. Last year it reached a record 791-million tons, 9-million higher than in 1988.

Thanks to exports and strong domestic sales, Highveld's rolling mills and iron and steel plants were running at full capacity last year. A 10 percent downturn in the world steel market is expected this year, as a slowdown in the domestic market. But Highveld is still looking healthy.

So far, which is due to release its interim results next month, the first since it was privatised in November. Analysts expect the corporation, which produces more than three-quarters of South Africa's steel, to be on target to meet its forecast 20 percent growth in earnings for the year.

So it seems that, if sanctions were to be lifted, the South African industry would have to be looking at increasing capacity. This might be the case for the coal industry too. But what coal producers want most is higher export prices. The "political discount" varies from country to country, but is as high as 10 to 20 percent on mining market prices. Their ability to increase volumes immediately would be limited, because the bulk of coal exports go through the Richards Bay Coal Terminal. At the moment it can move 44-million tons a year, although it is increasing capacity to 48-million tons. It has plans to raise this still further to 53-million tons, assuming export prospects improve.

But if political developments did change the sanctions scenario, this would not necessarily affect the South African industry immediately — coal contracts with big buyers (particularly the public utilities such as Eskom in Italy, the equivalent of our Eskom) are negotiated for a year in advance. Contracts with European buyers have already been concluded for this year. Negotiations with the Januar
Warning on mines’ effect on farming

PRETORIA — A large area of agricultural land in the eastern Transvaal highveld could be seriously disturbed by mining development in the region, Agriculture Minister Jacob de Villiers said yesterday.

Speaking at a crop production farmers day at Wildebeestfontein, he said the exploitation of coal for power production and the petrochemical industry had an important influence on the agricultural industry in the eastern Transvaal highveld.

About 50% of the electricity generated by coal-fired power stations in SA was produced in the region.

About a million hectares of high potential agricultural land was underlaid by exploitable coal deposits in the region.

The coal was at depths which varied from 150m to 200m. This meant a large percentage could be worked on an open-cast basis.

The implication was that a large sur-
face area of agricultural land could be disturbed and would have a direct impact on the industry’s production.

For one thing, the quality and quantity of water would be adversely influenced by mining activities.

However, mining had brought prosperity to the area and it would be a selfish policy to reserve the resources for the exclusive use of agriculture, De Villiers said.

He said maize marketing problems were being investigated by government, and as a result government had already agreed to assist the maize and grain sorghum boards in the redemption of “negative balances in their stabilisation funds”.

GERALD REILLY
Quick longwall move

AMCOAL’s New Denmark colliery has set a South African record by moving a longwall mining system in eight days — four fewer than its previous best.

The movement of thousands of tons of equipment and roof supports to a seam 3km away was speeded by the use of a Honeywell project management-computer system.

Planning was the key to the fast move, says Amcoal senior project planner Tony Smith.
Frigate achieves forecasts

MINING group Frigate has achieved its prospectus forecasts and has declared a maiden total dividend of 2.2c. Frigate is involved in mining and selling coal and other minerals, as well as plant hire.

It came to the JSE in October last year, achieving earnings of 20c compared with a forecast 15.1c.

These earnings and the bottom-line profit of R5.1m (as forecast) include an extraordinary item of R375,000 (forecast abnormal items: R1.1m) from a mineral rights sale.

The bottom line also benefited from no tax being paid, although interest and finance charges were a hefty R4.9m – 52% of the R9.7m operating profit. Turnover was lower than the forecast R72m at R63m, while improved margins increased operating profit.

Because of a change in the year-end, no comparative figures exist for 1988. But for the year to end-June 1988 attributable profit totalled R3.8m on turnover of R50.6m, and for the 18 months to end-December to R7.3m and R66.7m respectively.

Correction to Rally report.
Mining will have 'minimal effect'

PIERRE DU PREEZ

AGRICULTURAL land in the eastern Transvaal should be minimally affected by mining, Chamber of Mines Safety and Technical Services manager Johan Greeff said yesterday.

He was responding to a statement by Agriculture Minister Jacob de Villiers that agricultural land in the area could be disturbed by mining.

Greeff said the area comprised about 4,8-million ha of high, low and medium potential agricultural land. About 1-million ha of this ground was underlaid by mineable deposits of coal and only 409 000 ha was exploit-able by high extraction coal mining.

Only 8,9% of this agricultural land would be subjected to high extraction mining over a period of 100 years, Greeff said.
R25m coal contract

RICHARDS Bay Coal Terminal (RBCT), the world’s largest coal-handling facility, has awarded a R250-million project management contract to SWP Technologies and Engineering Management Services (EMS).

The two companies will work on the terminal’s R250-million upgrade project, scheduled for completion next year.
Genmin 'heads for elephant country'

TO HUNT elephant, go to elephant country, new Genmin chairman Brian Gilbertson told the recent Frankel Kruger investment conference shortly before he succeeded Steve Ellis on March 2.

He quickly explained that he was referring to an old saying used by exploration geologists to guide their efforts.

"By extension, if you wish to make new mining investments, go to mining country. Southern Africa is surely the greatest mining country in the world," he added.

When asked in an interview last week what factors he saw inhibiting growth of Gencon's mining arm, which has just celebrated its first year as a separate division, he replied with a grin: "I didn't know there were any obstacles."

He said the biggest obstacle in gold mining was finding deposits that were financially viable "at today's relatively depressed 'Rand gold price', high tax rates and ring-fencing.

If ring-fencing was lifted, it would be easier to finance large and expensive ventures.

"When you have to put down R2bn on the table in order to get a project going, it is much less attractive than putting down half of it with a tax shield," he said.

Gilbertson said in the areas of the industry which were more supply/demand driven, such as platinum, ferro-alloys and coal, it was a question of trying to get the capacity and production to grow in line with what was appropriate in the market place and to do it cost effectively.

The important area in which decisions would be made in the next few years was "clearly in Samancor with the stainless steel project decision due mid-year."

"In the rest of the ferro-alloy industry, we are cost competitive with anyone in the world," he said.

Gilbertson, who completed an MSc at Rhodes University in 1982, got an MBA from Unisa in 1973 and joined Gencor in 1988 as executive director after 17 years with JCI, said "How our prices for coal compare with overseas producers is an unfortunate part of our business."

He said he would rather under-supply and see a higher price than expand output.

SA coal still has a substantial political discount attached to it. I say political discount because it actually emerged and grew very large when sanctions were imposed."

He said when SA lost markets in Europe the competition for market share rose and the prices came down and did not recover.
**Trans-Natal in joint coal project**

MAPUTO — Mozambique and the South African firm will take part in the development of coal mines in the north-western province of Tete.

Also involved in the project are the British multinational company Lonrho and the Brazilian mining company Companhia de Vale do Rio Doce.

A spokesman for the Mozambican Government said the South African and Mozambican sides of the project were involved in the mining while the Brazilian company was responsible for technical aspects of the project.

The total investment needed in the Moatize mines and related infrastructure was estimated at $1.5 billion. This would cover the opening of new mines, the repair of the 940 km railway from Moatize to the port of Beira, the upgrading of the Beira port coal terminal and the building of other industrial infrastructures in Moatize, Beira and along the railway.

The Mozambican Government hopes to be able to mine at least seven million tons of coal a year at Moatize.

The existing mines were producing over 500,000 tons in 1991 but this figure fell to 90,000 tons in 1992.

Coal reserves in the Moatize area are estimated at 3 billion tons.
Richards Bay

The international coal price, it was forecast, would be under pressure during 1990, he said.

Bousted forecast that coal mining companies would either maintain or decrease earnings during 1990.

Coal mining companies had a bumper year during 1989 — as reflected by the coal index — because many international producers had production problems.

Heydenrych said that with Transnet due to become a public company, it found that not all costs had been accounted for.

Assets were being revalued, pension fund shortages had to be taken into account, a return on investment on the Richards Bay railway coal route was necessary and there was a drive to achieve greater parity between Transnet’s salary structure and the private sector.

The Richards Bay terminal route was the only one which did not give a return on investment, he said.

EDWARD WEST and
BARRY SERGEANT

They were expected to take effect on April 1.

Bousted said “Transnet, ahead of commercialisation, has a huge pension fund deficit. Second, it is looking at return on assets employed — again, because it’s being commercialised — and not just debt service components. In principle, Transnet has to make a profit. Industry sources said that with a rail

To Page 2
Limited prospects for coal exports

MAJOR increases in coal exports from SA were unlikely, and expectations in the early 1980s of exports running between 60-million and 70-million tons annually would not be realised before the turn of the century.

This was concluded by Rand Afrikaans University Institute for Energy studies director D Kotze at the 1990 Coal Outlook conference last week.

Kotze said SA had prided itself as being the cheapest coal producer in the world. However, this advantage had been eroded by high inflation, and but for the weakened rand SA would have priced itself out of the international market.

The high inflation in SA resulted from distributing more income without an accompanying increase in productivity. Labour reforms would introduce further problems.

On top of these factors, rapid escalation of rail rates undermined competitiveness.

The average mine's cash cost was around R28/t. Add to that R30/t in transport costs, which was likely under a privatised Transnet, and one was left with R7 to R15 a ton to service capital, Kotze said.

Assuming a 30-year project life and an 18% per annum discount rate, a provision of R20/t was required to recoup capital. At present FOB prices there was no incentive for the industry to invest in new production capacity.

Furthermore, oil prices were expected to increase only modestly in real terms in years to come, which was not a bullish factor for coal.

However, Davis Borkum Hare technical analyst Dana Wakefield said present factors bidding the good fortune of coal exports were the rand's decline, and successful marketing drives.

Other plus factors were a decline in international stockpiles leading to higher international prices Australia and China faced strikes and disruptions while Colombia was hit by floods and quality control problems. Australia and China had not been able to deliver the goods to some of the markets won from SA.

Overseas demand would grow between 2% and 4% annually, but SA could participate only if sanctions were lifted. In the current political climate, this was becoming a possibility, Wakefield said.

Kotze felt the liberation of Eastern European countries provided many opportunities for SA coal.

The industry would have to operate by seeking only strategically located prime deposits, which would allow growth without large infrastructural investments. The use of low cost operating methods was needed.
Move against 600 striking mineworkers

Amcoal Colliery and Industrial Operations on Sunday obtained an urgent interdict to stop 614 workers at Kriel Colliery from further participating in an illegal strike.

Pretoria Supreme Court judge Mr Justice Roos granted an interdict against the National Union of Mineworkers and 614 employees of the Kriel Colliery, directing the union to comply with the provisions of the disputes procedure and the Labour Relations Act.

The 614 employees, who embarked on an illegal strike last month, were interdicted from conducting strike action in breach of Section 65 of the Labour Relations Act, or encouraging other persons to do so, interfering with the operation of the colliery's business, promoting racial friction, and interfering with the colliery's employees.

Mine manager Mr Anthony Redman said the strike followed an incident on March 13, when a mineworker, Mr S Mbuyazi, assaulted an employee, Mr J de Jager. Mr Mbuyazi was found guilty of assault and, after a lengthy appeal, was dismissed on March 20, the court heard.

Sapa
Coal miners back at work after interdict

MORE than 600 striking workers at the Kriel mine of Amcoal Colliery and Industrial Operations returned to work on Monday after the Anglo American subsidiary obtained an urgent Supreme Court interdict preventing them from further illegal strike action.

Amcoal spokesman Paul Cloete confirmed Mr Justice Roos of the Pretoria Supreme Court had granted an interdict against the NUM and six members on Sunday, ordering the union to comply with the provisions of the dispute procedure and the Labour Relations Act.

The workers were interdicted from conducting strike action in breach of the LRA, or encouraging others to do so, interfering with colliery operations, promoting racial friction and intimidating or interfering with employees.

The union and the miners have until April 24 to show cause why a permanent interdict and costs should not be granted against them.

Sapa reports mine manager Edwin Redman said, in an affidavit supporting the application, that the strike followed the assault on white employee J de Jager by black mine worker S Mbuyazi on March 15. Mbuyazi was found guilty and, after a lengthy appeal, dismissed on March 20.

On March 17 workers went on strike, demanding the removal of De Jager.
Coal mine fire won’t go out...

THE underground fire which has smouldered unchecked in a disused coal mine close to Witbank since 1982 has now spread over an extensive area and has become virtually impossible to extinguish by direct attack.

A spokesman for the Transvaal and Delagoa Bay Company (T&DB) said that attempting to fight the fire directly would be dangerous and the cost would run into millions of rands. Final success, he said, would also be very unlikely judging from experiences elsewhere in the field.

Obligations

"We are currently fulfilling our obligations to the Department of Mineral and Energy Affairs to contain the fire within the limits of the minng area and we will be monitoring it on a continuous basis," the spokesman said.

"In due course subsidences will be filled in and the land levelled, initially to a limited extent, with discards from a dump on the property which is currently being processed."

The spokesman said all the houses on the property had been vacated and the empty structures were due to be demolished soon.

"Our fundamental concern in the area has been to avoid possible injury to persons, even possible loss of life," he said.

Defiant families who initially refused to leave their old village houses on top of the burning coal mine have since given up their fight and left the area.

Rand Mines originally refused to accept any liability for the families, but later backed down and agreed to pay the villagers an ex gratia amount of R5,000, which was half of what the villagers had sought as payment.

In terms of a court ruling, the remaining families had to be out of their houses and off the condemned old T&DB colliery within 24 hours.

The Rand Mines agreement, however, gave the families until the middle of March.

No funds

Mr Wynand van Wyk, the Conservative Party’s MP for Witbank, recently told Parliament that Witbank desperately needed help to extinguish the fire.

He said the blaze was coming closer to the town and a disaster was in the offing.

The Witbank Town Council has tried several methods to stop the fire, but all attempts have failed and the council no longer has funds to continue.
Modest increase in SA's share of world coal market expected

SA's share of the world coal market is expected to show a modest increase by the turn of the century, while Australia's share is expected to decline, according to a Minerals Bureau study.

The comparison of Australian and SA export coal prices reflects US Energy Information Administration data, which show that SA's world coal market share is expected to rise from 12.4% (45-million tons) in 1987 to 13.6% (56-million tons) in 1995 and to 15.8% (76-million tons) by 2000.

Australia's share is expected to rise from 29.3% (109-million tons) in 1987 to 31.1% (128-million tons) in 1995, but then fall back to 29% (140-million tons) by the year 2000.

The report says that, together, SA and Australia play an important role in the world coal market as they hold a significant share of the market in the Far East.

During 1989 SA exported about 47-million tons, putting it in third place behind Australia — in the international coal suppliers league. Rand Afrikaans University Institute for Energy Studies director D'Kotse said at a recent coal conference.

In Europe, Germany received 2.7-million tons, Belgium 2.3-million tons, Ireland 43-million tons, Spain 4.4-million tons, Turkey 1.2-million tons, the Netherlands 1.4-million tons and Britain 900 000 tons of SA coal during 1989.

SA exported 2.5-million tons of steam coal to South Korea in 1988, 4.3-million tons to Taiwan, 4.6-million tons to Hong Kong and 2.2-million tons to Japan, according to International Energy Agency figures quoted at the conference.

SA ranks third in terms of international coal mining productivity.

Last year SA mined 402 tons of coal a man-month while Australia ranked second mining 474 tons a man-month, says the Minerals Bureau's March bulletin. New Zealand leads the coal mining productivity league with 511 tons a man-month.
Coal price goes up

By SY MAKARINGE

THE price of coal in the Transvaal has been increased by between 18 and 22 percent as the country braces itself for yet another chilly and wintry season.

A member of the Soweto Coal Merchants association said this week the price was increased from R7 a bag to R9.50 with immediate effect.

Mr N D Keis, managing director of Southern Coal in the Transvaal, said in a letter to all coal merchants in the province that the increase was "in line with inflation pertaining to mining and in particular, to the steep rise in costs of labour, equipment replacement etc." Soweto 1/4/90

The increase affects all black townships in the Transvaal.
Coal longhaul record broken

AMCOAL's New Denmark colliery broke SA's coal longhaul production record when it produced 246,566 tons of coal from the West longwall on a 2-metre seam in March.

The previous record was held by Brandwag colliery which produced 222,566 tons in one month in 1996 on a 3.2-metre coal seam, New Denmark chief engineer Warren Mathews said.

New Denmark was the first Amcoal colliery to use longwall mining and its introduction had not been easy.

Mining teams had to come to grips with highly mechanised equipment and a mining culture strange to operators, Mathews said.
A T Coll raises final dividend to 132c

ANGLO-Transvaal Collieries (A T Coll), the sole investment of which is its 15.6% interest in Witbank Colliery, has raised its final dividend to 132c a share, compared with 112c last year.

This brought the year's total dividend to 357c (295c) a share - an increase of 47%. 8\textfrac{1}{10}\text{c} = 0.114\text{c}

The company declared a final dividend of 10.57c (8.96c) a share on its participating preference shares, bringing the total dividend to 29.37c (23c) a share 2\textfrac{15}{100}\text{c} = 0.215c

A statement and both dividends were payable to members registered at close of business on May 4 and warrants would be posted on or about May 25.
Witbank Colliery (Wit Cols), RM’s coal mining arm, produced strong results in the six months to March, compared with the same period a year ago. An interim dividend of 210c (175c) was declared.

The strong results have been achieved despite a higher Rand-dollar exchange rate of R2.82," says Allen Cook, deputy chairman of the coal division.

Taxed profit in the March quarter rose 12 percent to R44.4 million, representing a net working profit of R10.81 a ton (December quarter R2.92c).

While actual working profit of R5.6 million was 30 percent greater than in the previous quarter, net sundry expenditure of R13.7 million (December: R4.8 million) was considerably higher because of finance charges incurred on the borrowing necessary for the acquisition of a stake in Middelburg Mines from BP.

Anglo-Transvaal Collieries — whose sole investment is a 15.6 percent stake in Wit Cols — raised its final dividend from 112c to 132c a share. This brings the year’s total to 367c (1889-260c) a share.
Substantial increase in coal exports likely

South Africa's share of the world coal market will increase substantially this decade according to two separate surveys by the Department of Mineral and Energy Affairs and stockbrokers Davis Burkam Hare.

Both analysts predict that SA coal exports over the next ten years could rise considerably from last year's level of 45,5 million tons, given an expected increase in international demand from about 510 million tons last year to 535 million tons by the year 2000.

The Department of Mineral and Energy Affairs forecasts that SA's share of the worldwide export market could rise from its current levels of just over 12 percent to 13.6 percent by 1995 and to 15.6 percent by 2000.

In nominal terms this could see exports of 56 million tons by the middle of the decade (comprising steam coal sales of 51 million tons and metallurgical coal sales of 5 million tons) and 76 million tons by 2000 (steam coal sales of 65 million tons and metallurgical coal sales of 7 million tons).

Dr Manny Pohl of Davis Burkam Hare is less optimistic, but still expects compound growth of around 2.5 percent a year over the next ten years.

He puts forward two possible scenarios — a high case and a low case outlook — with the deciding factor between the two being the lifting of sanctions.

In Dr Pohl's high case scenario exports total 63.1 million tons by 1993 and 63.5 million tons by the end of the decade. The respective figures for the low case are 53.5 million tons and 62.1 million tons.

The demand for steam coal should continue to grow steadily because, even with low oil prices, coal is still the most viable option.

"It has been suggested that the Richards Bay coal terminal should be further increased to a secured throughput of 53 million tons, but this would not be without risk," Dr Pohl says.

"Although overseas demand will grow by between two and four percent a year, South Africa's overseas participation will only be possible if sanctions are lifted, which does appear possible given the current political climate."

In the short-term Dr Pohl is optimistic that South Africa can at least maintain 1990's export level of 45.5 million tons this year.

He lists a number of factors which bode well for the coal industry this year (despite the fact that some traditional markets for SA coal were taken over by Australia and China):

- The decline in the value of the rand.
- Successful marketing drives to overcome sanctions.
- A decline in world-wide stockpiles of coal leading to higher overseas prices.
- Australian and Polish suppliers face strikes and disruptions.

Dr Pohl adds, however, that SA producers are still having to accept prices that are at a discount to world market prices, as they struggle to find new markets in the face of sanctions.
JCI in joint R531-m coal mining venture

By Sven Linsche
Johannesburg Consolidated Investment's coal mining subsidiary, Tavistock Collieries, is to develop operations adjacent to its Arthur Taylor (ATC) open cast mine in a joint venture with Total Exploration SA.

The new mine, which is located just south of Witbank, will cost R531 million to develop, JCI said in a statement today.

Tavistock and Total Exploration each have a 50 percent interest in the new venture, extending the existing agreement at ATC, where JCI is responsible for the mining and Total Exploration for the marketing and directing of export sales.

ATC is essentially an export mine and production of the new mine, which is estimated at 2.4 million tons a year, is also aimed at the export market. The anticipated life of the mine is 25 years from the date of commissioning, which is expected to be in January 1993, the statement said.

The new mine will allow JCI to make use of its export entitlement of 1.47 million tons a year at the Richards Bay Coal Terminal.

The now defunct Transvaal Coal Owners' Association fixed the entitlements after the terminal expanded its facilities to cope with the shipment of an annual 46.8 million tons of coal.

During 1989, ATC exported just over 2.2 million tons, including extra tonnage received from Tavistock.
JCI in R531m mining venture

Johannesburg: Consolidated Investment Company's (JCI) coal-mining arm, Tavistock, has entered into a R531m joint venture to mine coal reserves contiguous to existing mining activities of its Arthur Taylor (ATC) joint operation.

A JCI spokesman said yesterday the group reached an agreement with Total Exploration SA which would give each a 50% interest in the open cast venture.

Total Exploration already has a 30% stake in ATC and is responsible for marketing and directing ATC's export sales.

The new mine would produce 2.4-million tons a year for the export market and would cost R531m to develop, JCI said in an announcement published today.

The expected life of the mine was 25 years from the date of commissioning which was expected to be January 1999, it said.

ATC's exported 2.211-million tons during the 1989 financial year, including tonnage purchased from Tavistock and exported under entitlement derived from the now-defunct Transvaal Coal Owners' Association (TCOA).

JCI directors said in their 1989 annual report that with the expansion of the Richards Bay Coal Terminal to 600-million tons, JCI's entitlement would reach 1.4-million tons of the TCOA's entitlement a year.

They said it was the company's intention to turn this entitlement to account through the use of its own coal resources.
Duiker Exploration puts anthracite collieries on hold

DUiker Exploration's steam coal sales improved in the March quarter, but anthracite sales were down sharply.

The directors reported that because of market conditions, the anthracite collieries were being placed on care and maintenance until demand improved.

Steam coal sales rose to 1,188-million tons in the March quarter from the December quarter's 1,01-million tons, but anthracite sales declined to 64,116 tons from 91,429 tons.

Duiker's gold interests are small.

and sales accounted for 26kg, up from 47kg.

Duiker's mining income was well up at R6,1m (R4,4m) but total income fell sharply to R431,000 (R1,36m). The result was that taxed profit was little changed at R3,6m (R3,2m).

Operations

An unchanged interim dividend was declared on March 15 1990. Duiker's current capex commitments amount to R715,000, but authorised capex is R6,1m.

Duiker has an interest in the Erfdeel operations, managed by Freadgold. Tonnage milled in the March quarter declined to 224,000 tons (December quarter 233,000 tons) and gold produced fell slightly 827kg (949kg).

Higher working costs at the Erfdeel operations resulted in a working loss of R62,000 compared with the December quarter's working profit of R1,2m.

Quarterly capex on the Erfdeel project amounted to R3,6m (R3,4m) and progressively to R2,5m.
Fine-tuning pays off for MacPhail

By Ian Smith

NATIONAL coal distributor MacPhail Holdings is way out of step with the operations of most of its fellow members of the largely manufacturing-oriented FSI Group — but it marches to the same tune on results.

It has overcome doubts about its performance after last year's closure of the 64-year-old Transvaal Coal Owners Association, with which it had distribution agreements, and has risen above a year of pedestrian economic growth to produce record profits.

Ung geared

On pure organic growth in the year to December 31, MacPhail increased turnover by 53% to R153-million attributable profit jumped by 69% to R15.8-million. The dividend increased by 50% to 18.3c.

The un geared company is looking to spend R17.7-million of cash holdings in acquisitions or natural growth in its core business, says chairman Ivan Posnai in the annual report.

Some of the cash will be used to expand and upgrade facilities to improve both market share and profitability.

FSI holds a 56.2% stake in the company and directors control another 18.8%. The balance is held by pension funds and institutions and individual investors.

IVAN POSNAI — money to spend on acquisitions

Much of MacPhail's progress in the past two years can be put down to attention to detail and fine-tuning existing operations.

Mr Posnai says "All areas of activity improved their efficiency. The all-round excellent performance led to an improvement in the key criterion, return on assets managed, from 8.4% to 11.5%.

Excellent

He says that although the current year will see tight economic conditions MacPhail again expects "substantial growth due to the excellent position achieved in the market place over the past few years".

Deputy chairman and chief executive, Sid Wentworth says the company will continue to enlarge its core business in its chosen sector of the energy industry in the 1990s.

The company is alert to acquisition opportunities, but it will be cautious and examine each prospect to ensure that it makes "sound business sense".

Firm export prices for coal producers put MacPhail in a key position as it sought to meet the demands of domestic customers. The former price trend is expected to continue to affect the SA market.

New political initiatives could lead to an easing of sanctions against SA coal and this would put even greater pressure on supplies.

Strategy

"MacPhail's infrastructure and wide distribution base will, under these circumstances, play an even more meaningful role for both the mining houses and industrial consumers," says Mr Wentworth.

"The strategy of concentrating on our distribution expertise and not embarking on mining ventures save to secure distribution rights will continue to benefit our business.

MacPhail will also take advantage of the buoyant export market as opportunities arise."

He says the closure of the Transvaal Coal Owners Association placed a strain on other coal distributors but MacPhail responded to the challenge and won tangible benefits for shareholders, staff, customers and suppliers.

An unexpected 17% rail tariff increase in January has hit coastal consumers who are far from the main coalfields.
Gencor colliery work force to be cut by 40%.

GENCOR's Trans-Natal Coal Corporation is to reduce its labour force by 40% at its Usutu colliery because of a "substantial cutback in the demand for coal by the Camden power station", an announcement from the corporation said today.

Trans-Natal's Usutu colliery would reduce its labour force from 571 to 321 between now and the end of July.

Every effort would be made to find employment at other mines for those workers who could no longer be accommodated at Usutu, the announcement said.

About 60% of the workers at the mine were union members and union representatives were consulted before the decision was made to reduce the labour force, the announcement added.

ZILLA EFRAT reports Trans-Natal chairman Brian Gilbertson said last night the move would have no effect on earnings because of contracts held with Eskom.

The colliery supplied only the Camden power station. As a result, there were no plans to use capacity for exports.

He added that Usutu would be operating at a lower level, but would not be closed down.

Trans-Natal said in its 1998 annual report that Eskom — its largest customer — had informed it that some of its older power stations would be phased out sooner than initially planned, while others would operate at a reduced burning rate. No redundancies were then expected.
MacPhail is considering acquisitions

EDWARD WEST

Coal distributor MacPhail was confident of earnings growth in excess of the inflation rate in the financial year to December 1990, provided trading conditions remained stable.

MacPhail chairman Ivan Postnak said in his review that 1989 had been a year of organic growth, but MacPhail would consider acquisitions in core businesses during 1990.

It was probable certain liquid funds would be used to expand and upgrade facilities to improve market share and profitability. The company had R12,7m cash on hand at December 1989.

For the financial year to December 1989, the FSI-controlled company's turnover increased 53% to R153,3m. Operating profit increased by 60%.

Earnings rose 37% to 41,5c a share after allowing for a 7% increase in the number of shares in issue while return on asset managed rose from 88,4% to 115,9%.

In the group's 1989 annual report, CS Sidney Wentrub cautioned companies exporting large proportions of the high-quality coal.

Wentrub said most mines were located far from coastal areas and coastal users' needed maximum energy from each ton of coal so that they would not switch to alternative fuels.
Mining company presents its case on St Lucia

We stood on an upland, knee high to grass. The fresh air was sweet, barely audible, note as it plucked at the crowns of the young sweet thorns.

- Believe me, the Indian Ocean rollers mauled up the beach.

The last time I had stood on that place (geographically) was a year and three years previously. On that day the hill was burning.

- On that day the landscape composed a deep, forested basin in which floated a drogue which was eating its way northwards through the high coastal dunes which had previously been stripped of vegetation.

The drough was removing 5000 tons of sand an hour and extracting six square feet per meter (mostly topsoil) content. The waste sand was then pumped 1.2 km away and where the dunes were reclaimed and revegetated.

**The operation is north of Richards Bay about 20 km south of St Lucia estuary.**

**Within three years the reclaimed dunes were well covered.**

Half were planted with eucalyptus, the rest used for a grassy area. The others are now being planted into exotic hardwoods by the-owners.

- barrel rushes.

The help-established national park, with all its wil-derness trails - showed me the thing's worth.

- Old Richards Bay Minerals, now called RMB, wants to start mining at St Lucia. - I asked the thing's worth.

- Mr Clements, the director of the newly-formed Richards Bay Minerals, told me the dunes in the present mining area were already botanically degraded before mining began.

Mr Clements visited the area, the dunes were described as 'degraded' before mining began.

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**The only way to save the dunes is to mine them!**

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**The only way to save the dunes is to mine them!**
Colliery to lay off 350

The last great coal strike in Britain, which lasted between May and August, left a significant impact on the industry. The management of the Cheshire Colliery, in particular, was forced to reduce its workforce. By October, the corporation revealed that the management of the north-western district of the company was a direct result of the strike. Workers were to find jobs at other coal mines, and the unions had been consulted. — Speck.
Plenty of options in Witcons deal

Anyone who bought into Witbank Consolidated Coal Mines (Witcons) this year will be quite happy with today's announcement of the deal between Lonrho and Investec.

It values Witcons shares at between R15,50 and R19 compared with Monday's market price of R14,50.

But anyone who bought the shares before November 1989 is unlikely to be too excited except in so far as it provides an opportunity to get out of a non-performing investment.

Last November the share dropped from R20 to R14 in reasonable volume (around 3,000 shares) for a counter that seems to be rarely traded. Shortly afterwards, following what could have been a book-over of approximately 13,000 shares, Witcons moved up to around R15,50.

The share was trading at around R20 for most of 1988 and 1989. Back in 1987 it was as high as R40. Add carrying costs to this and the Investec deal will be looked upon with some reservations by Witcons' shareholders.

But the bulk of these are Lonrho and its associates which appear to have a combined holding of at least 90 percent of Witcons' 920,000 shares.

The deal involves two transactions. One is the acquisition by Investec of the 64,9 percent stake in Witcons, for R15,50 a share, held by WPH Investments — a Lonrho subsidiary.

This stake will cost Investec R9,5 million. If all the minorities accept the offer then Investec will have to hand over R14,7 million.

The second transaction is the offer to Witcons shareholders (including those who have sold, or intend selling to Investec) of Duiker shares for 860c on the basis of 1,6 Duiker shares for each Witcons share held. On Monday Duiker shares closed at R16,50.

(Witcons holding of 1,68 million Duiker shares is its major asset. Lonrho holds 67 percent of Duiker's 14,4 million shares.)

860c each and then sit with the Duiker shares. (The same amount of shares would have cost R1,900 in Monday's market.)

• Take the cash, buy the Duiker shares and try to sell them at somewhere between 860c which is underwritten by Lonrho and Monday's level of R16,50.

Assuming that about 90 percent of the Witcons shareholders have agreed some course of action with Investec then it's just the remaining 10 percent — holding 92,000 Witcons shares with an option on 168,000 Duiker shares — that are in the balance.

The prospect of sellers of 168,000 Duiker shares coming to the market will put downward pressure on the price of this rarely traded counter. But the share price has performed reasonably well in recent years and this should encourage sellers to hold out for at least 590c.

Staying with Investec involves consideration of the plans for Intrust which will initially have R14,4 million funds at its disposal.

Investments

The funds will be used to acquire minority stakes of 5 to 10 percent in successful companies which are not in the blue-chip category where a retarding by the market seems likely.

According to an official announcement: "Investec has already acquired and entered into negotiations to acquire certain investments for the Intrust Portfolio."

At this stage it is unclear as to exactly what sort of company is being earmarked. Good quality second liners, which are frequently overlooked by the blue-chip obsessed institutions, would be an attractive proposition.

In the short term, given the outlook for equities, Investec may have some difficulty in encouraging support for investments below the second line.

Longer-term it could prove to be the sort of fillip that is needed to spread investors' attention beyond blue-chip and second liners and towards smaller, well managed outfits.

If Investec choses well, it could encourage other players into this neglected field.

Options

A shareholder with 100 Witcons has the following options:

• Do nothing and stay with Investec which intends converting Witcons into an investment trust company to be called Intrust;

• Take the R1,900 cash and ignore the offer of Duiker at 860c or;

• Take the R1,900 cash and use it to buy 161 Duiker shares for...
Higher export prices help boost Amcoal

By Derek Tommey

Increased export revenue helped boost the earnings of the giant coal producer Amcoal in the year ended March, by 55 percent to R259.2 million. Shareholders have been rewarded with a 20 percent increase in dividends.

Amcoal has declared a final dividend of 28c making 38c for the year against 30c last year. Dividend cover has increased from 2.2 to 2.7 times.

The chairman, Mr Graham Boustred said that three major factors contributed to Amcoal’s improved earnings.

Greater tonnages were sold in the export markets at prices that were on average some $3.50 higher, which, together with the weaker exchange rate, resulted in significantly improved rand prices being realised.

In the domestic market, the income earned by the new collieries supplying Eskom increased as a result of further investments in these collieries. Finally, the group’s earnings from its cash resources increased due to higher interest rates and improved cash flows.

However, on the basis of the current rand/US dollar exchange rate, Amcoal says earnings will be largely unchanged in 1990.

Export profit margins are expected to be lower owing to increased operating costs and high railage rates which will not be fully offset by higher US dollar prices.

Moreover no big increases are expected in the tonnage of coal exported.

Although the rated capacity of Richards’ Bay is being increased by nine million tons a year, the current view is that the increase in coal exports will be limited to an additional one million to two millions a year.

However, the positive political climate could lead to new export markets opening to South Africa.

Foreign earnings from coal exports last year rose to R3.6 billion from R2.8 billion in 1989.

Mr Boustred says a calmer industrial relations mood prevailed on group collieries for most of the year, but recently this has deteriorated as a result of raised expectations at the prospect of impending political changes.

The Group’s operating profit, after setting aside R6.0 million for amortisation and depreciation, increased by R148.2 million to R459.4 million.

Interest and investment income amounted to R104.3 million and profit before taxation was R583.7 million (1989: R364.2 million). Taxation amounted to R309.8 million (1989: R193.7 million).
Frigate expands reserves

Frigate group has increased its coal reserves by 70 percent from 28 million tons to almost 50 million tons, chairman Mike Stanley says in his annual review.

This puts the company in a position to achieve its projected production levels for the next 15 years.

Frigate, which was listed on the Johannesburg Stock Exchange in October last year, has started direct coal exports for its own account. Until now, the company has been on-selling all of its coal export production to organisations holding export allocations.

Mr Stanley says Frigate plans to develop a new colliery, Westside, in the Delmas district, to supply coal for metallurgical use.

On future prospects, Mr Stanley is confident that the group will achieve results projected in the prospectus, notwithstanding any unfavorable changes in the economic and political environment.— Sapa.
chairman of Witbank Collieries. His pessimistic view is shared by most industry observers.

"We had full order books around October-November," he says. "But then there was a mild winter in Europe and our competitors sorted out their various short-term problems."

SA made the most of the strikes in the US and Australia and the teething problems at Colombia's giant El Cerebro mine. But some markets remain closed to SA and Cook does not expect sanctions to be lifted soon.

Trans-Natal MD Mike Salamon says: "Some positive noises have been heard but as yet we haven't seen firm action. Some countries, including France and Denmark, have a total ban on SA coal and Japan has capped the dollar value of coal imports at 1986 levels. "Apart from the politics, Japan is under pressure to buy American coal — even at a premium — to reduce its trade surplus with the US."

In contrast, JCI is extending its Tavistock Collieries' export production by 2.4 Mt and Amco is to expand its Landau colliery. In volume terms, the outlook for exports seems quite promising. The international steam coal market is expected to grow from 191 Mt this year to 317 Mt by 2000 but Frankel Kruger's Kevin Kartun says the dollar price of coal will grow at only a modest 2% a year real terms, or 7% after US inflation, which is less than half the cost increases of SA producers. "Without improvements in productivity, SA will lose its competitive edge and several collieries will become extremely marginal," Kartun says.

He believes SA coal is still subjected to a political discount of $4-$7 a ton. Cook says producers have relied on the weakness of the rand but the renewed strength of the currency could now wipe out any gains in the international price. Prices are about $2 higher than a year ago (see graph) and, combined with the currency depreciation, this means producers are receiving 11% more in rand terms — well below the inflation rate.

SA still enjoys a reputation as the world's cheapest major producer of steam coal but the cost pressures are starting to tell. The railways raised tariffs by 17.75% on April 1 and there is serious concern that this year's mine wage increases could exceed this percentage.

By the end of next year the potential for coal exports will reach a ceiling. The Richards Bay Coal Terminal will then reach its new nominal capacity of 53 Mt, which in practice means a guaranteed capacity of 48 Mt. This has been achieved by adding to capacity and removing bottlenecks at the relatively low cost of R317m. Any further development on top of that, along the lines of the mothballed Phase 4 plans, would involve far more costly expansion.

Expansion through the other two coal ports, Durban and Maputo, is unlikely. Maputo is an inefficient port and the rail link to it is regularly cut by Renamo's activities. Durban is a suitable port for smaller tonnages that cannot be handled by Richards Bay. But it costs R65 to transport a ton of coal from the eastern Transvaal to Durban, compared with R29 to Richards Bay.

The domestic coal market is not much more encouraging. Eskom is not planning to build any new power stations until the next century and Kartun describes the rest of the market as "mature," with the prices fetched by lower grades of coal, in particular, still in the doldrums.
Natal Administrator ‘could pre-empt Govt on St Lucia’

Staff Reporter

The Administrator of Natal could save St Lucia reserve — now threatened by an open-cast mine — it was claimed at an invitation-only debate this week on the future of the area.

About 100 people attended the generally restrained confrontation between the mining company and environmentalists at Mintek in Randburg.

Many delegates flew or drove up from Zululand and the Cape.

Among them were Dr Ian Player, Mr Rupert Lorimer MP, and Dr Ken Tinley, former South African ecologist visiting from Australia.

The Department of Environment was also there, as was the top management of RBM, the company which wants to mine St Lucia’s high dunes.

Mr Jim Phelps, founder of ZEAL (Zululand Environmental Alliance) said the law allowed the Administrator of Natal to pre-empt a Government decision on St Lucia.

Under existing legislation he could declare the dunes a “protected natural environment.”

The law says this can be done “after consultation with the mineral rights owners and not necessarily ‘in consultation’ with them.”

The Administrator had been formally asked by ZEAL to take this action.

It was suggested at the meeting that the public might have to pay the mining company, RBM, R6 million compensation if they are forbidden to mine along Lake St Lucia’s horizon — because the Government, by giving RBM prospecting rights, tacitly gave it mining rights too.

Mr James Clarke of The Star said

“I have seen and heard both sides and examined the situation down there in detail — thanks to RBM who were frank and open.

“What they are doing at Richard’s Bay is probably the best mining rehabilitation job in the world.

“But St Lucia is something else I remain opposed to mining St Lucia.”

Dr Player said Richard’s Bay had been sacrificed to industry and there was no reason to now sacrifice St Lucia.

For a fuller report see the Sunday Star’s Review section this weekend.
Douglas's ginger

The saga of ERPM's drift towards closure is becoming increasingly peculiar according to some of Rand Mines' critics. They say the mining group has scrounged around its subsidiaries for the cash needed to keep the stricken gold mine afloat, basing their views on the coincidence of timing between in-group cash mobilisation and ERPM's funding needs.

Last April, Witbank Colliery's wholly owned Douglas Colliery invested R30m in redeemable pref shares newly issued by Rand Mines (Mining & Services). The prefs carry interest at 6% of prime and, as they are redeemable, are to all intents and purposes debt rather than equity.

Mining & Services (M&S) is wholly owned by Rand Mines and was formed during Rand Mines' merger with TCL some years back. And, though one of its principal functions is to provide secretarial and engineering services to group mines, it also owns aeroplanes and cars and is expanding various other investments. On March 29 1989, it increased its authorised share capital by R100m by creating 500,000 red pref shares of R200 apee. Six days later, 150,000 red prefs worth R30m were issued to Douglas. It is not clear if any were issued to other companies controlled by Rand Mines.

Why should Douglas want to invest R30m in a service company owned by its ultimate parent? Johann Jacobs, Witbank's finance director, says he initiated the transaction last year as he needed to invest some of the R86m cash resources held by Douglas at the end of financial 1988. Dividends on the prefs, at 6% of prime, represented a more attractive after-tax yield to Douglas than placing the cash on call. Jacobs says: And he is backed by Rand Mines' chairman, Danny Watt, who says the after-tax yield is at least as good as that available on NCDs then.

That is all very well, the critics counter. But R30m was a material sum as it represented 80% of Witbank's R374m of net current assets at the end of financial 1988. At that stage, Witbank's other subsidiaries had net current liabilities of R48,6m — the difference between Douglas's cash and Witbank's net current assets.

They go on to argue that Rand Mines' needs seem clear to an outsider. It was busy financing the cost of following its Barplats rights and was also heavily involved in funding ERPM's continuing losses and capital spending. And they conclude that Douglas's (or Witbank's) R30m was effectively used to help Rand Mines sustain a faltering ERPM.

Watt disagrees, maintaining the R30m is not a loan but an investment which can be sold at any time. And he rejects the view that the deal has uncanny parallels with the Lefoko/Cons Modder financing deal, when Loucas Pouroulis used R72m of Lefoko's development capital to shore up a loss-making Cons Modder. The transaction was done with the approval of Douglas's board unlike the Lefoko/Cons Modder deal, Watt points out.

When it took over Lefoko, Rand Mines quickly obliged Pouroulis to reverse his unorthodox financing arrangements, held back part of the payment due on the Lefoko acquisition and did not stand in the way of charges being brought against Pouroulis and his Lefoko co-directors for Companies Act contraventions.

Still, the deal has its irony. Within months, Witbank itself was scrambling for cash to finance its share of the acquisition of the Middelburg export colliery from divesting BP.

Jun Jones
Frigate steps up its coal reserves

Business Times Reporter

COAL production, which has provided rich pickings for big groups in the past year, holds promise for smaller operators.

Independent Frigate Group, which came to the JSE last October, achieved its prospectus forecast and has increased coal reserves by 76% from 23-million tons to nearly 50 million. The increase puts the company in a position to achieve its projected production levels for the next 15 years, says chairman Mike Stanley.

Confident

The company has also started direct exports for its own account, which should produce greater benefits in the past Frigate sold export output to other organisations. Mr Stanley says in his maiden review: "Notwithstanding any untoward changes in the economic and political environment in SA, I am positive the group will achieve the results projected in the prospectus."

Frigate's taxed profit in the year to December 31 was R5.66-million - equivalent to 26c a share - and ahead of the forecast R5.63-million.

Underlying Frigate's position as probably the biggest independent producer in SA, is the fact that coal sales produced R47.3-million, or 75% of group turnover of R63.1-million.

Contract mining turnover was R10.6-million and plant hire - Frigate's original business and the base on which it was built - accounted for R5-million, or 8% of turnover.

Mr Stanley says Frigate plans to develop a colliery, Westside, in the Delmas district to supply coal for metallurgical use. Open cast mining will begin in July at a rate of 45 000 tons a month.

The discovery of additional reserves at two of the group's Transvaal collieries, Hillside and Riverside, has led to the development of Haasfontein and Lakeside as new sections of the two mines.

"This has allowed the development of Southside colliery, which was to have begun operations next January, to be postponed," says Mr Stanley.

Breakdown

The three group collieries - Hillside, Riverside and Pardeplaat - produced 2.2-million sales tons of coal in the year. Production would have been higher if an unplanned customer had not suffered a factory breakdown and if there had not been disruptions to shipments through Maputo.

Frigate is engaged in two open cast mining contracts in addition to its own mines. One is a coal-winning contract for the Gold Fields group's New Clydesdale Colliery, which has been in force since July 1953. The other is a gold-mining contract for West Witswatersrand where 1-million tons of reef has been excavated since work began last September.
Brokers recommend buying of coal shares

SA COAL shares still represent an attractive investment for long-term investors, and stockbrokers Davis Borkum Hare have recommended their accumulation.

A statement from the firm said that over the past two years coal shares had steadily improved from their early 1989 lows, and at current prices they offered a real internal rate of return (IRR) in excess of 3% a year.

Gold Fields Coal offered an IRR of 12% while Amcoal offered 31%, Trans Natal 4.5% and Witbank Colliery (Witcolls) 3.1%, said Davis Borkum Hare research head Manny Pohl.

The JSE coal index improved in the first quarter of 1990 and this was primarily due to the improved fortunes of SA producers in the export market, he said.

Spot price

SA producers exported to spot prices which appeared to have peaked in the short term, but Pohl expected steam coal prices to improve in the long term as prices of competitive energy sources — particularly crude oil — increased.

The spot price for SA coal climbed from $41.50 to $44.50 in the first quarter of 1990 due to increased demand and was $3 higher than the third quarter of 1989 and $3.50 higher than the first quarter of 1989.

EDWARD WEST

The report showed Amcoal and Witcolls were the most profitable operations. Amcoal showed a working profit of R3 a ton in 1988 with the 1990 estimate at R6.2 a ton. Witcolls achieved R4.8 a ton in working profit and expected R5.6 a ton in 1990.

Destined

Amcoal’s dividend yield of 3.8% in 1989 was estimated to rise to 5.1% in 1990. Gold Fields Coal’s 11.2% was estimated to rise to 11.4%, and Trans Natal’s 4.9% in 1989 was estimated to become 5.5% in 1990. The dividend yield of Witcolls was 8.8% and destined to rise to 9.8% in 1990.

Increased demand for coal from Eskom — due to continuing efforts to supply the majority of the population with electricity — and an expanding steam coal export market would continue to provide increased sales volumes for SA coal producers well into the 1990s, the brokers said.

Modifications to the Richard’s Bay coal terminal would enable SA’s exports to be increased by 2 million tons within the next quarter and would benefit SA producers with available surplus.

Accordingly, revenue from exports was likely to improve during the next year provided there was no significant strengthening of the rand, they said.
Mining would be 'strictly controlled'...

Mining at St Lucia would be subjected to strict conditions if investigations showed that mining was acceptable, Environment Affairs Minister Gert Kotze, said in Parliament yesterday.

Replying to the debate on his vote, he said one of these conditions would be that the environment had to be left in a better state than it was now.

No final decision had yet been reached about the mining at St Lucia as an intensive independent investigation into the possible effects was under way.

"I am not against protests that are held to oppose the mining." — Sapa.
AMCOAL FIM 11/5/90

Export Focus (2/5)

Amcoal's latest results repeat last year's excellent performance, when earnings rose by 58%. But despite this, the share price has not really performed and investors are clearly expecting the coal market to taper off. The coal industry's growth had not been expected to last as long as it has and now seems to be at the end of its run.

Chairman Graham Bowsted attributes the past year's 54% rise in earnings to three factors: growth in export earnings due to higher tonnages, higher dollar prices and the weaker rand, growth in the domestic market arising from "further investments in these collieries," and a doubling in net interest due to higher interest rates and an improved cash flow.

He forecasts largely unchanged earnings for the year ahead, assuming no major change in the current rand/dollar exchange rate. Export tonnages, he says, cannot be raised in the short term as the group's allocation is already fully utilised and allocations will not be increased just yet. Nevertheless, Bowsted says Amcoal is planning to increase capacity at its Landau export colliery by rest of this year, currency protection is likely to be limited. Amcoal and SA's best near-term hope is for a narrowing of the political discount on export prices.

With a relatively pedestrian outlook for the sector as a whole, too much should not be expected of Amcoal this year. As Russell puts it: "The share is fully priced at the R77 level."

Gillian Findlay

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<th>STOKED UP</th>
<th>Year to March 31</th>
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4 Mt, half of which will replace capacity closed down at some ageing mini-pits.

Bowsted does not say how much the Landau expansion is likely to cost. But if its cost per annual ton is the same as that being planned by Tavistock, Amcoal could be facing a capital bill of around R900m for this colliery alone over the next three years or so. The group should easily cover that from present resources, tax breaks and retentions.

Dave Russell of J D Anderson believes the Richards Bay Coal Terminal (RBCT) is stretched to its capacity limit and initial expansion to 48 Mt next year will relieve stress on the terminal's facilities rather than lead to a higher handling rate. Increased throughput will follow when RBCT's handling capacity is lifted to 53 Mt a couple of years later. On the domestic front, the market is languishing after deregulation of the industry and local tonnages are not likely to rise much.

Coal price prospects in rands and dollars look unexciting as other exporting nations, which could not meet sales obligations last year, are returning to the market. And while costs continue to rise at their present 15%-plus annual clip, profit margins will have to give. In real terms, dollar prices are not expected to increase by more than 2% and as the Reserve Bank seems able to hold the rand at its present level against the dollar for the
Vermaas gem mine sold to SouthWits

Business Times Reporter

PRECIOUS stones have joined the portfolio of noble metals at SouthWits.

It has bought the Shenandoah diamond mine near Lichtenburg, which is expected to contribute profits from next year, says the company's 1990 report. 5/11/1990

The mine was part of the liquidated estate of Albert Vermaas. It was valued independently at R12-million, and SouthWits paid R4-million in cash and shares for it.

SouthWits is considering listing a company to raise funds for its Potgietersrus nickel-copper platinum venture.

Options over certain West Rand and Bothaville gold prospects were not renewed, but the percentage of gold in the exploration portfolio remains at 50%. Coal accounts for 30% and platinum and diamonds 20%.

A joint venture to explore the Stoffberg platinum area was agreed on with Rand Mines. A royalty agreement was reached for Frigate to develop SouthWits' coal rights.

SouthWits also won a tender to prospect for coal and allied minerals south of Middelburg.

SouthWits floated South March in the past year. Located in the north-eastern Transvaal, South March will recover gold from dumps and virgin sources. A 5 000-ton-a-month carbon-sulfate plant is being commissioned. A milling rate of 2 000 tons a month should be achieved in June.

SouthWits shares are 110c and the options 55c. South March shares are 20c and its options 18c.
Opportunity knocks as coal puts on steam

The JSE coal market has been viewed as a source of investment for many years, with shares in coal producers such as Anglo American and Harmony Gold being attractive for long-term investors. The recent surge in coal prices has made coal shares even more attractive, leading to a significant increase in the value of these companies.

According to Business Times Reporter, the coal market has been buoyed by strong demand from Asia, particularly in China, where coal is used for power generation. This demand has led to a shortage of coal, pushing prices higher.

Stockbroker David Bokma notes that the coal market is in a bull market, with coal shares having reached new highs in recent months. He expects the rally to continue, driven by strong demand and a lack of new supply coming online.

Coal producers, such as Anglo American and Harmony Gold, have been able to capitalize on this rally, with their shares performing well. Anglo American's share price has increased by 30% in the past six months, while Harmony Gold's share price has risen by 40%.

The rally in coal prices has also benefited shareholding companies, such as Gold Fields, which have seen their share prices increase significantly. Gold Fields, which has a significant coal operation in South Africa, has seen its share price rise by 20% in the past three months.

The strong performance of the coal market has also attracted new investment, with several companies looking to expand their coal operations. This expansion is expected to continue, driven by strong demand and high prices.

Overall, the coal market is in a strong position, with strong demand and high prices leading to a bull market. This is expected to continue in the short to medium term, with coal shares being attractive for long-term investors.
Coal exports delay expected at Richards Bay

JOHANNESBURG — The possible lifting of French coal sanctions on SA from France and subsequent export of coal to France could be bottle-necked in the short-term by the present capacity of the Richards Bay coal terminal.

Last week the French newspaper Liberation reported that French businessmen were antici-pating the lifting of coal sanctions against SA.

And the French and Spanish governments seemed in favour of the gradual lifting of sanctions.

A Frankel Kruger Vynard analyst said the lifting of sanctions would be welcomed by the industry, but the Richards Bay coal terminal, through which SA exports most of its coal, was running at a full capacity of 46m tons.

However, the terminal was being upgraded.

By the end of 1991, capacity would be 53m tons, Richards Bay Coal Terminal Co MD M Dunn said at a recent conference on coal.

Our London correspondent reports, that according to a report in London’s Financial Times, Indonesia’s developing coal industry is threatening to become a major rival to exporters such as SA and Australia in the 1990s.

Plans to develop export terminals off the southeast coast of Borneo, mean that Indonesia should be able to export 20m tons of steam coal a year by 1994.

By 2000 Indonesia could be shipping 38m tons — making it the world’s third biggest exporter after SA with 46m tons last year, rising to 53m tons when Richards Bay is expanded.

What makes Kalimantan coal attractive in the “green age” is the low sulphur content — normally defined as 1% or less — and being as little as 0.01% SA steam coal contains between 0.3% and 1.2%.

Indonesia’s competition will be felt chiefly because of its closeness to the big growth markets of the Pacific Rim.
Supply problems force Iscor to import coal

By Des Parker

Supply problems at its four collieries have forced Iscor to import shipments of coking coal in recent months — some reportedly from Poland and the United States.

Piet du Plessis, public relations manager of the Pretoria-based iron and steel company, declined to say where the shipments were from, what quantities were involved or for how long imports would continue.

However, he described a London Financial Times report that Iscor had an import requirement of between 500 000 and one million tons a year as "a bit high".

Iscor last year produced 3.8 million tons of coking coal.

The report said it was understood six shipments of coal had come in through Richards Bay from the United States and Poland since March.

Ironically these are countries which ban coal imports from South Africa.

It was also reported that a Canadian company was at "an advanced stage of preparedness" to make a shipment.

Mr du Plessis said "Demand for a certain period necessitated some imports."

"We review our position from time to time, although I would not like to quantify what scale of import was believed to be needed."

The closure of a section of Hobet Mine near Newcastle as well as new developments at Grootgeluk in the north-western Transvaal and an operation being planned in the north-eastern Transvaal had resulted in an inadequate "quantity and volume" of coal being available.

Quality problem

As a consequence, the company had elected to import through the Richards Bay coal facility to augment supply, "though I cannot say it's going to be ongoing", he said.

The quality of coking coal derived from the Iscor collieries had "always been a bit of a problem".

However, that had hardly ever been the reason for resorting to imports.

He said Iscor had installed a new plant at its Pretoria works which would operate on cheaper, lower-grade coal, rather than the more expensive and better-quality coking coal.

"The new process is known as the Corex process, which is a German abbreviation for coal reduction."

"It was a joint venture with Austrian and German companies and should mean a significant reduction in our need for coking coal."
AT Col earnings sharply higher

There was a sharp increase in taxed profit of Anglo-Transvaal Collieries (AT Col) for the half-year to March, with earnings rising 67 percent to R3,985 million from R2,391 million in the year-ago period — equivalent to 230.4c and 141.6c a share respectively, the interim report shows.

Dividends from the company's fixed investment in Witbank Colliery were R1,618 million higher at R4,041 million

With interest received an unchanged R21,000 and expenditure of R8,000 (1989 R44,000), pre-tax profit was R3,994 million (R2,400 million)

Tax was steady at R9,000.

The market value of the company's holding of Witbank Colliery shares had risen to R88,574 million (R64,664 million) at end-March, while its book value was an unchanged R3,065 million

— Sapa
Waste coal recovered

Business Times Reporter

WASTE coal worth R85-million is to be recovered from
slimes dams at Incor's Darnicol mine near New concess

The project will cost R65-million and will yield 6 500 tons
of coal a month over 10 years. Operating costs will be
R60 000 a year and coal recovered will be worth about R95-

The slimes dams contain 30-million tons of fine material,
of which 110 000 can be recovered as usable coking coal.
Thirty years ago it was possible to beneficiate the fine coal
by using conventional agitation flotation, although a large
part of the fines was unrecoverable.

Advances in recovery techniques have made it possible to
fully beneficiate the fines which were pumped into dams. The
technology includes the use of spiral concentrators and pneu-
matic flotation.
Hopes not pinned on deregulation

GOVERNMENT's investigation into possible deregulation of the coal export programme was not likely to have a significant impact on export volumes.

This was the view of RAU Institute of Energy Studies director David Kotze.

Government has held administrative control over the volumes and quality of coal being exported since 1973 through export allocations and permits.

National Energy Council (NEC) spokesmen said yesterday the investigation would take place in conjunction with the Coal Advisory Board, but the first meeting between the two bodies could take months due to other commitments.

Surge

Coal Advisory Board chairman and Amcoal MD David Rankin said it was possible the subject would be discussed by the board, but other forums might also be approached for their input.

Kotze said possible deregulation of the coal industry was unlikely to result in a surge in exports, though the move would be welcomed by the industry.

While the previous round of export allocations had been oversubscribed, the Richards Bay Coal Terminal was running at full capacity, but by 1992 volumes through the terminal would be increased by 9-million tons annually.

Exports volumes would also increase significantly only by the mid-'90s when large coal projects to increase volumes at Gencor, Amcoa, JCI and Sasol were completed, he said.

Further constraints to new entrants and present producers were the capital cost of a new coal mine, projected weak oil prices and greenfields expansions in other parts of the world, he said.

Analysts said small producers using space at the Richards Bay Coal Terminal, which is owned by the large coal producers, would inevitably cut larger producers' throughput at the terminal.

The NEC said government's involvement with the export of coal arose out of the oil and energy crisis of the early '70s.

Government controls coal exports through allocations and permits which are issued according to aspects such as mine safety standards, mining environmental aspects, export volumes and infrastructure.

In 1982 government increased the coal export ceiling to 44-million tons a year. SA exported about 46-million tons last year, so there was plenty of export volume available, an NEC spokesman said.
Rand Mines unlikely to meet its forecast profits

RAND Mines group will not achieve the modest increase in profits forecast in the 1989 chairman’s statement, chairman Danny Watt said in the group’s published results for the six months to March 31.

This was largely due to the higher than expected rand/dollar exchange rate and the difficult trading conditions in the base minerals market, he said.

“These circumstances are expected to continue for the remainder of the year and, accordingly, attributable profits are expected to be at a similar level to those achieved last year ($216.2m).”

The 1989 attributable profit was up 37% on the previous year’s attributable profit.

Watt said earnings a share were likely to be approximately 20% lower.

“Should the expected profits for the year materialise, the directors anticipate declaring an unchanged final dividend,” he said.

He pointed out although attributable income was only marginally down, earnings a share at 72.7c ($2.45c) reflected a larger fall because of a 33% increase in the number of issued shares — 14.9-million compared with 11.2-million — following a rights offer to shareholders.

A group spokesman said the drop in margins and the exchange rate limited interim working profit to 9% on a 45% increase in turnover of R765m.

Taxed income for the six months increased 3% to R132.3m and the interim dividend a share was the same at 12.9c on marginally reduced attributable income of R182.2m (March 1989: R182.2m).

Factors contributing to the higher turnover were improved coal revenues, the increased share acquired in the Middelburg coal mine joint venture when BP sold its stake, and the consolidation of Vassa Vanadium for the full six months, directors said in their review of the six months.

The group’s expansion is reflected in its capex outlay of R288m (1989 R226m), mainly on its coal and platinum operations and its contracted capex commitments of R228m, the group spokesman said.

He said the staking of outside shareholders increased from R468m to R509m at the end of March.

Watt said the contribution of the coal division had grown by nearly 20% compared with the same period last year, and the contribution from the property division had also increased.

These compensated for the lower contributions by the gold and platinum divisions and by the gold dump recycling plants.

Compared with the corresponding six months, ratios are stronger with a total liabilities to equity ratio of 75% (98%) and a debt to equity ratio of 50% (65%).

Net asset value a share at March 31 was higher at R106.6 from R97.6 at end-March 1989.
A combination of better asset management and major upturns into domestic markets, abandoned by the Transvaal Coal Owners’ Association early in 1989, resulted in more remarkable growth from MacPhail last year.

Turnover, earnings and dividends increased 53%, 57% and 50% respectively, after 48%, 70% and 57% in 1988, the first year after FS1’s takeover of W&A.

Operating margin rose to 6% (5.1%), having increased from 1.4% in 1986. Return on assets managed (ROAM), W&A’s prime internal measure, soared to 116%, from 15.4% in 1986. W&A’s average ROAM last year was 27.8%, so MacPhail was its best-performing subsidiary. CE Sid Wentworth says the high ROAM was achieved largely through improved management of stocks and debtors.

The R12.7m cash pool compares with only R3m in depreciated fixed assets and R21m in other assets. MacPhail is still seeking acquisitions for cash inside and outside the coal distribution field. If or when one is found, ROAM is likely to decline, but earnings should increase. Growth last year was purely organic. Wentworth expects further real growth this year, though not at last year’s pace. He says while individual industrial customers are taking less tons because of the economy’s downturn, the increasing number of customers will provide growth.

In line with W&A’s policy, MacPhail does not write off goodwill as occurring at its net worth at 121c. If goodwill is deducted, net worth drops to 84c (1988.67c). The share’s rating has not improved over the past year, in part because of last year’s four-for-one consolidation and the premium to net worth of 21%. Against that, share consolidation in 1989.

Tugse Payne
SA has to face hard, coal facts

Greenpeace

JAMES CLARKE

I AM surprised at Eskom's chief of communications, Johan du Plessis, getting so testy about The Star's views regarding future power sources. In Readers' Letters yesterday he accused us of "a number of misconceptions" in an editorial.

We obviously touched a raw nerve. I can only think it was by saying that nuclear power's popularity is waning (he claims it is not) and by mentioning solar power favourably.

At least he shared our enthusiasm for hydro-electric power from the River Zaire which could provide Southern Africa with 1,600 MW. We could then, theoretically, close all our thermal power stations (capable of producing 30,000 MW). But we'd still need some form of thermal back-up "just in case".

My personal view is that a nuclear power back-up would be preferable to coal, if only because coal emits so much carbon dioxide (CO2).

I firmly believe that global fears of CO2 -- experts blame it for the greenhouse effect -- will estimate soon in global laws restricting the amount going into the atmosphere.

"Dirty" countries, like us, will be forced to clean up.

It would be stupid for Eskom to build another coal-fired station.

Criminal smog

On Wednesday I drove through the "power belt" of the eastern Transvaal and the smog was criminal.

This is why, at the June 30-31 symposium on "Nuclear technology in Southern Africa", I shall be jointly presenting a pro-nuclear paper with an Eskom nuclear technologist, Andre van Heerden, examining public attitudes.

The Star's editorial which irri- tated Johan du Plessis so, claimed that the uneasy popu- larity that nuclear power used to enjoy was badly damaged by the Three Mile Island mishap and might have been even terminally damaged by Chernobyl.

Certainly the nuclear industry will have to redeem its efforts to win back confidence.

Mr du Plessis protests at our view that California's 80 MW solar station has significance. He says that to supply Johannesburg by means of solar power we would need to another 220 sq km with solar panels. The Star would never suggest such a scheme.

On the other hand much smaller stations than California's could be used to supply most towns across the Karoo and the dry west of Southern Africa.
Sasol's new colliery on stream in 1992

SASOL's new R128.6m colliery, Syferfontein, which is situated near Richards in the Transvaal, is to come on stream by 1992.

It would reach full production in 1993, a Sasol spokesman said yesterday.

The colliery's output is to replace the annual 4.7-million tons of coal being bought from sources other than Sasol's own collieries, which produced 38.44-million tons of coal last year.

Sasol's Sigma colliery supplies Sasol 1 with coal, while its Secunda Colliery complex — comprising the Middelbult, Brandperuit, Twin Deal and Bosjespruit mines — supplies Sasol 2 and Sasol 3.

The spokesman said the open-cast strip mine would boost Sasol's coal production by six million tons a year to 45-million tons.

The need for a fifth mine arose in 1987 when demand for coal at Sasol 2 and Sasol 3 exceeded the existing mine's capacity to supply.

In 1987 a Sasol project team was elected to find a solution for the coal supply problem.

They eventually decided on opening a new dragline colliery. Meanwhile two walking draglines — each worth tens of millions of rands — were ordered for the new project.

Genreo subsidiary Wadeville Engineering had begun fabrication of a large portion of two 4 200-ton, US-designed walking draglines to be used at Syferfontein.

Components to be manufactured by Wadeville Engineering, which had constructed 21 out of 25 draglines built in SA, included the base frame, rotating structure, tri-structure, walking shoes and gear cases, the SA Mining publication said.
SA importing ‘better quality’ coal from US

LONDON — SA has started importing coal from the US and Poland to improve the productivity of Sascor’s coke ovens. Although one of the largest exporters of coal, the Financial Times reported yesterday, SA had started importing coking coal because of the poor quality of the local product.

Although SA exports to the US have been banned for a number of years, US exports remain perfectly legal. The imports from Polish state exporter Weglokoks through a trader began in March, according to the Financial Times.

Meanwhile, a major west Canadian coal exporter is also said to be advanced in preparations for at least one shipment. Sascor has indicated an annual requirement of 500 000 tons is likely.

SA coal is formally banned from relatively few major coal importing countries — notably Denmark. Others, like France, or companies like Britain’s National Power and PowerGen, choose not to buy from SA.

Conflicting

Meanwhile the price of low-sulphur coal, of which SA is one of the world’s major producers, was set to soar as demand for the increasingly scarce commodity grows worldwide, predicted British Coal chairman Sir Robert Haslam yesterday.

There were conflicting views yesterday on whether British coal-fired power stations are using SA coal. The two major generators for England and Wales yesterday denied using SA coal, while Arthur Scargill of the National Union of Mineworkers said they did.

Haslam said the use of natural gas would be “our most formidable competitor during the next decade”.

He continued: “Equally seriously, some of our otherwise competitive collieries are now being faced with the potential threat of large quantities of low sulphur coal imports to meet EC targets on acid rain gas emissions.”

He said: “The generators are likely to find themselves chasing even scarcer and very expensive tonnages of this future premium coal, which will be in great demand worldwide.”
Sasol colliery on steam in 1992

Own Correspondent

JOHANNESBURG. — Sasol's new R120.8m colliery, Syferfontein, which is situated near Trichardt in the Transvaal, is to come on stream by 1992. It would reach full production in 1993, a Sasol spokesman said.

The colliery's output is to replace the annual 4.7m tons of coal being bought from sources other than Sasol's own collieries, which produced 35.64m tons of coal last year.

Sasol's Secunda colliery supplies Sasol 1 with coal, while its Secunda Colliery complex — comprising the Middelburg, Brandhoek, Twedtrau and Bosjesspruit mines — supplies Sasol 2 and Sasol 3. The spokesman said the open-cast strip mine would boost Sasol's coal production by six million tons a year to 43m tons.

The need for a fifth mine arose in 1987 when demand for coal at Sasol 2 and Sasol 3 exceeded the existing mines' capacity to supply. In 1987 a Sasol project team was elected to find a solution for the coal supply problem. They eventually decided on opening a new dragline colliery.

Meanwhile two walking draglines — each worth tens of millions of rand — were ordered for the new project.

Genroc subsidiary Wadeville Engineering had begun fabrication of a large portion of two 4 200-ton, US-designed walking draglines to be used at Syferfontein.
Carrying coals to Newcastle

LONDON — South Africa, one of the world’s major coal exporters, is starting to import coal, and is doing so from at least one country that bans South African imports.

The imports have been arriving at the Richards Bay terminal from the US and Poland.

Although imports from South Africa into the US have been banned for a number of years, exports are perfectly legal.

Another supplier shipping to Richards Bay in March was Poland from state exporter Weglokoks through the intermediary of a trader.

A major Canadian coal exporter is said to be advanced in preparation for at least one shipment.

Although South Africa exports both coking and steam coal, the coking coal is of poor quality, as is most of that produced for domestic consumption.

This has led Liscor in the past few months to seek high-quality, low-ash coals to improve the productivity of its coke ovens.

Coal traders believe that, depending on quality, between 500,000 and one million tons will be required annually.

South African coal is formally banned from relatively few major coal-importing countries, notably Denmark.

Other countries such as France, or companies like National Power and PowerGen choose not to buy from South Africa, although imports are perfectly legal into both Britain and France.

That Poland is involved is something of a surprise. The antipathy of the former East Bloc nations towards South Africa was so much beyond question that nobody bothered questioning it.

The reality is somewhat different.

Romania has been importing South African steam coal for years, while East Germany and China have been occasional buyers. — Financial Times
Sword of Damocles

Just what is going on at Rand Mines? Attributable profits have fallen despite chairman Danny Watt’s forecast of an increase in his last statement to shareholders, the group is highly liquid, with net current liabilities soaring to R193m from R144m in the past six months despite the R276m rights issue; and management is scrambling to raise cash by selling residual dumps and to collect State aid needed to save a critically ill ERPM from pegging out completely.

Watt has tried to sugar the pill by talking of an unchanged final dividend to follow the unchanged interim. Investors are unimpressed as the hunt of a maintained dividend is hedged with caveats and it is well nigh impossible to find a portfolio manager persuaded that Watt’s forecast of unchanged profits will be achieved. It was only in November that the chairman was cheerily expecting a profit increase for this year.

The market’s view is unequivocal. Rand Mines’ tightly held shares are trading at R105, down about a quarter from practically R140 only a month ago.

Management lays the blame for the slow 8.9% working profit increase at the door of slower trading conditions in the base minerals market and narrower coal mining margins. That is strange, as 71%-owned subsidiary Witbank Colliery reported profits of R10.4m in the first half of this year against R6.4m in the corresponding period of financial 1989. Given that, portfolio managers ask, what the heck has happened on at 50%-owned Rietvlei to reduce coal mining margins?

The unchanged profit prediction is doubly strange as Vanso is already benefiting from higher vanadium prices and the fact that its plant is at last operating at full design capacity.

ERPM’s problems have been extensively chronicled. The latest disavowal of responsibility is from the consulting geologists, Vennyn, which claims that underground gold grades disclosed by development in the new areas are in line with those predicted initially. “It’s a pity,” one exasperated portfolio manager says, “the geologists couldn’t have done something more useful, like predicting the lousy gold recovery if ERPM is achieving. But if the geologists are not to blame for the ERPM shambles, who is? If ERPM is liquidated, Rand Mines will be on the line; for one thing it has effectively borrowed R30m from Witbank’s Douglas subsidiary to lend to ERPM (Fox May 4).

Barlow Rand deputy chairman Derek Cooper is emphatic that neither Barlow Rand nor Rand Mines will stump up any further guarantees of ERPM’s debts. On the other hand, it is hard to envisage the State providing additional assistance to ERPM without some cast-iron debt repayment guarantees.

For now Rand Mine’s share has little going for it. Liquidity difficulties could be resolved by selling portfolio investments, but

TAKING A DIVE

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that is not an option management is likely to take easily while gold shares remain depressed. Rand Mines has been steadily selling ERPM shares for the past 18 months and, presumably, those sales will continue while the mine’s future remains in the balance.

Jim Jones
Iscor has launched an innovative project to recover scarce coking coal over the next 10 years from two old slimes dams at its Durnacol colliery. The company expects to recover R85m worth of coking coal after an investment of R6.5m and annual operating costs of R900 000.

Iscor will recover 810 000 t over the next decade at a rate of 6 500 t a month. Coking coal is an essential element in the production of liquid iron by the traditional blast furnace method.

The march of technology now makes it possible to recover the old coking coal "Our Durnacol mine (at Dannhauser, in northern Natal) has been producing for 88 years and has an estimated 20 years of life left," says Iscor senior GM mining Ben Alberts. "We now have the technology to recover the coking fines (fine coal) that have been building up in those dams for nearly 90 years."

Another major step recently taken by Iscor to conserve scarce deposits of coking coal — and increase efficiency — is working well. Late last year, Iscor became the first steelmaker in the world to commission a Corex plant, which produces liquid iron by using ordinary power station coal. This type of coal is plentiful and cheap here.

The unit, at Iscor's Pretoria works, can produce 300 000 t of liquid iron a year. The cost of production is reduced because coke (produced from coking coal) and sinter (treated iron ore) are not necessary. Both are essential for the blast furnace method of producing liquid iron.
History of growth and diversification

THE South African Coal, Oil and Gas Corporation (later to become Sasol) was formed in 1950.

The company was established as an ordinary profit-motivated concern with capital provided by government through the Industrial Development Corporation.

The original plant was built at Sasolburg and used German and US-based technology.

**Modified**

However, extensive local oil-from-coal research led to the development of more economical technology and the plant was later modified.

In 1972, Sasol acquired the rights to the Sasol Synthol Process.

The company established itself during the '60s as an important supplier of raw material for the chemical industry, producing butadiene and styrene for synthetic rubber, ammonia for fertilizers and ethylene for, among others, the plastics industry.

Sasol formed Gascor in 1964 and this company supplies Sasol fuel gas to about 700 firms in the southern Transvaal.


During 1979, Sasol Limited was established as the holding company of the Sasol Group and the company was quoted on the Johannesburg Stock Exchange.

The company expanded still further with the completion of Sasol III in May 1982.

In 1983 the company entered the fertiliser market and started manufacturing explosives in 1986.
Activities: Manufactures and distributes mining equipment and manufactures electricity meters

Control: Directors 54.6%

Chairman: A J Hodgson, MD J L Martin

Capital structure: 11.8m ordinary Market capitalisation R2.8m

Share market: Price 24c Yields n/a on dividend, 10.8% on earnings PE ratio 5.2
cover, n/a 12-month high, 39c, low, 18c.

Trading volume last quarter, 274 000 shares

Year to Dec 31 '96 '87 '96 '89
ST debt (Rm) — 0.04 0.67 2.66
LT debt (Rm) — 0.09 0.14 0.53
Debt/equity ratio — 0.34 1.32
Shareholder's interest 0.39 0.29 0.26 0.22
Int & leasing cover 7.9 8.3 1.74 2.21
Return on cap (%) 21.4 17.9 6.3 10.8
Turnover (Rm) 8.3 9.0 12.0 22.0
Pre-tax profit (Rm) 0.8 1.0 4.0 1.2
Pre-tax margin (%) 10.0 10.1 3.3 5.5
Earnings (c) 4.1 5.9 0.5 2.6
Dividends (c) 2.0 2.5 — —
Net worth (c) 13.5 14.6 14.1 15.6

acquisitions and new operations lifted debt which, in turn, led to some profit erosion ahead of tax.

Operating profit rose to R1.2m in 1989 from 1988's R400 000 as turnover grew strongly and margins increased. About 80% of Minctec's turnover comes from mining division which largely serves the fluming coal sector. It now includes newly acquired Hydratech, which manufactures feeder breakers, and two companies formed for the manufacture of roofbolters and blasting bags. Minctec also secured the franchise for Fairchild International mining equipment.

Subsidiary Ancon, which produces electricity prepayment meters and contributes about 20% of group turnover, turned a 1985 loss of R320 000 into a R140 000 profit in 1989. The market for these meters remained strong but below expectations.

The development and securing of these various opportunities and increase in working capital requirements caused debt to skyrocket. Interest charges climbed, limiting the rise in attributable income, though it is still well up on the previous year: The debt/equity ratio stands at a precarious 1.32 and interest and debt cover, though still unacceptably low, have both improved.

The share issue in part payment for Hydratech diluted earnings per share marginally and no dividend has been declared in an attempt to build cash resources.

MD Jimmy Martin is bullish on activity in the coal mining sector this year and expects some early benefits from sales of the Fairchild low-seam continuous miner. He is cautious about prospects further down the line but hopes to offset any coal industry difficulties by diversification into products for gold and platinum mines. Ancon, he says, is facing increasing competition and, though market share might slip from its present 90%, the market is still growing and margins are not under pressure. Ancon's current order book is 50% higher than last year. Martin adds that the company is performing according to budget and if it continues to do so debt will be reduced and dividends restored by the end of 1990. No further acquisitions are envisaged and it seems Martin is expecting a sharp improvement in the company's operating performance.

Shareholders seem to share his optimism. The share, though off its 12-month high, is trading at 24c, which represents a premium to net worth and an earnings yield of 10.8%.

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MINETEC F125/1990 (215)

**Taxing times**

A buoyant coal sector and the turnaround of Ancon Technologies boosted Minctec's operating profit last year. However, financing...
AMCOAL sales of coal and coke for the year to end-
March were 4813-million tons, 2.37-million tons or
5.2% lower than 45.6-mil-
lion tons sold the previous
year, Amcoal's latest annu-
al report states.
Sales to Eskom de-
creased by 8.7% to 29.9-mil-
lion tons due to closure of
New Largo and Corneha
collieries and to reduced
colliery by Grootvlei, Krui-
and Lethabo power stations
supplied by New Vaal, Krui-
and Springfield collieries.
Amcoal's exports of
1005-million tons was an
increase of 0.52-million tons
due to increased de-
nand for SA steam coal.
Domestic sales declined
due to reduced industrial
consumption and lower lev-
el of generation at munici-
pal power stations. Work-
ing costs a sales ton at
collieries increased 15.9%,
while cost a ton rose by
19.9% at trade collieries.

To maintain Amcoal's
position in export markets,
a project study was in pro-
gress to exploit the reman-
ing mining areas available
to Landau colliery to se-
cure 4-million annual tons
of export coal for a period
of 30 years. (2-15)

This would meet Am-
cola's growing entitlement
through Richards Bay and
would replace tonnages
from mini-pits and benefici-
cated through the coal
processing facilities at
Landau, the report said.

There would have to be
greater progress in the
years ahead in improving
real prices of coal on world
markets in order to ensure
the viability of these and
future projects.
Colliery profits wind down

VIERFONTEIN Colliery, awaiting a closure certificate, has reported a R99 000 profit after taxation and realisation of assets in the year to March, compared to R163 000 in the 1989 financial year.

Earnings and net realisation of assets amounted to 2.5c (4.1c a share, while total dividends were limited to 4c (6c) — covered 0.6 (0.7) times — in view of uncertainty regarding the timing of obtaining a closure certificate.

Directors said work on the closure of the company's colliery and the rehabilitation of surface areas had been completed, as had a sampling programme done to determine the quality of water in the underground workings.

A consultant's report on whether corrective measures would be required was being awaited. Once it had been received, a formal application for a closure certificate would be submitted.

Mining operations at coal-listed Vierfontein stopped in March 1988.
Isocor has eyes on a second Corex plant

By Roy Colby

Isocor is involved in discussions with Voest-Alpine — the developers of the revolutionary Corex (coal reduction) process and the multimillion rand plant built at its Pretoria works — about the construction of another plant.

This has been confirmed by Voest-Alpine vice-president Horst Wiesinger and Isocor public relations manager Pet du Plessis.

However, Mr Du Plessis says nothing had been decided yet.

The Corex plant at Pretoria was brought into trial production in 1978 and was successfully commissioned last December, with Isocor taking full responsibility for it from the beginning of May.

Last week Isocor hosted a two-day conference in Pretoria organised by Voest-Alpine's head office in Austria, and attended by about 160 delegates from 18 countries.

Mr Wiesinger said the conference marked the start of his company's campaign to market the Corex process worldwide.

"The main aim of the conference was to demonstrate the production process and technology used, and inform delegates of the results achieved by the plant at the Pretoria works after half a year of successful performance."

"Delegates were very excited by the process and there is tremendous interest in it worldwide," he said.

The plant produces 40 tons of liquid iron an hour — 300 000 tons a year — directly from coke ore, using local non-coking coal.

This eliminates the use of high-quality coking coal — expensive and rare in South Africa — used in the traditional blast-furnace process.

Mr Wiesinger said only eight percent of the world's coal reserves consisted of coking coal, concentrated in six countries.

He said the Corex process was 25 percent cheaper than traditional methods, and made a country independent of coking coal, while the environmental issue, which had become an important consideration — particularly in Europe — was a further reason to consider the technology.

About 20 percent less dust was emitted by a Corex plant than a conventional plant, he said.

Mr Wiesinger said the new Corex plant model would have a production capacity of 760 000 tons a year, with a third derivative producing one million tons a year.

He admitted problems were experienced with the plant at Isocor's Pretoria works in trial production, but these revolved around the recycling system and some compressors, not the process.

"The Corex plant at Isocor's Pretoria works is now running above the guaranteed production figure of 300 000 tons a year, and we're quite sure we can optimise the process further and increase its capacity," he said.

Isocor MD Willem van Wyk said the Corex plant had provided Isocor with world-leading experience.
Frigate Group trading frozen 8/10/91 5/16/90

RIAN SMITH

TRADING in the shares of coal producer Frigate Group was suspended yesterday on request of the company's directors, the JSE said (215).

A published announcement today said negotiations the company was conducting could affect its share price.
Smokeless coal must be SA's target

IT WAS to be expected. World Environment Week ended in Soweto this week just as it began — smoggy.

But rather than dampen the enthusiasm of 70 delegates at a Soweto workshop on air pollution — organised by the National Association for Clean Air — it sharpened their resolve.

As the acrid smell of 100,000 inefficient stoves wafted over the grounds of Funda Centre on Thursday delegates threw grave doubt on Eskom's R6 000 million solution to the problem.

**Black areas**

Eskom expects to spend that much electrifying all our black areas. Only three out of seven South Africans have access to electricity.

While everybody was enthusiastic about electrification, delegates felt the R6 000 million would do nothing to abate the smoke — not unless the Government sent in the cops to smash all South Africa's 1.5 million cast iron coal stoves and then frog-marched everybody to the electrical appliance showrooms.

Talking to delegates it seems that home-owners yearn for electric lights and a bit of telly in the evenings, electric stoves are something else.

An electric stove merely cooks food.

But a coal stove not only cooks food, it heats up the whole house and all household water too.

And you can keep a kettle boiling, keep food warm for hours, boil the weekly wash, dry, wet clothes overnight — and sit around it in winter.

Mr W R "Bill" Murhead, a plain-speaking North-country Englishman — and director of one of the world's biggest stove manufacturers (electrical and coal): "When Britain went smokeless in the 1960s it didn't force people to throw away their coal stoves. There would have been a bloody riot.

"It's not stoves that smoke. It is coal."

Britain and Europe succeeded in clearing the air by banning raw coal as a fuel. Householders nowadays use only smokeless briquettes.

"In Britain, AB income homes, especially large, top-bracket homes, favour coal stoves these days. The disenchantment with nuclear power may well mean even more reliance on coal."

**'Don't work'**

He said South Africa is one of the few countries still making smokeless stoves as opposed to smokeless fuel.

"Smokeless stoves don't work. As soon as they are installed owners pull out the anti-smoke devices out so the stoves can be stoked up more easily.

"And there's no export market for South Africa's smokeless stoves," said Mr Murhead. "Nobody wants them. But there would be a fantastic export market for smokeless coal."

A delegate, who suggested we had not the technology to make smokeless fuel, sat bolt upright when Mr Murhead replied "Bullshit!"

He said how can a country which leads the world in turning coal into oil and which is spending billions on Kosgas say it isn't clever enough to develop smokeless coal?

In the lobby he told me: "You're halfway there at Secunda."

Pollution expert with Johannesburg's health office, Martin Turner, said: "Creating smoke is throwing coal away."

He said people do not realise that less smoke meant more energy efficiency thus saving money.

Mike Harris, a coal expert who thought South Africa would be wrong not to exploit its "abundant supplies of cheap coal" to the full, might have put his finger on the problem.

**Cheap and dirty**

He agreed that the route to blue skies lay through using clean fuel but the problem was coal was so cheap.

He knew of no meaningful research into beneficiating coal.

He said there was also the problem of "the home market (being) controlled by too limited a group of organisations."

"It did not make sense", he said, that the cheapest, cleanest coal in the World, which could be beneficiated for a fraction of the cost, was being sold at a premium as "black coal".

"It is the same coal, only now it is worth R100 a ton at the pithead, not R60."

"Every year, our coal cost around R2 a ton, now it costs around R13."

"That sort of price increase, if that sort of price increase is what we are going to have, South Africa will get nowhere in the next five years."

"But you can't blame it on the unions; the unions don't own the coal, they own the land..."

"And the unions have not been causing the price increases; they are on the same side as the industry."

"But the Government has to put somebody in the coal business to promote research into beneficiating coal."

"But the Government has not taken any action in that direction."

"I have argued with my father, the Department of Energy, and they are no more in favour of beneficitation than I am," said Harris. "I don't want to see more people dying from respiratory diseases in South Africa."

"But I'm not forcing them to make that decision."

"I would like them to promote beneficitation, but I'm not going to make them do it."

Later, in the lobby, Mr Harris recalled "With the rise in the price of pithead coal... somebody recalled Ian McCoo..."
AMCOAL

Off the Boil

Activities: Coal mining for sale to export and domestic markets
Control: Anglo American holds 51%
Chairman: W G Boustred, MD D Rankin
Capital structure: 25m ords Market capitalisation R2,3bn
Share market: Price 9 200c Yields 4,2% on dividend, 11,1% on earnings, p/e ratio, 8,87; cover, 2.66; 12-month high, 9 300c; low, 6 400c; Trading volume last quarter, 185 102 shares

Year to Mar 31 '87 '88 '89 '90
Turnover (Rm) 1182 1144 1446 1783
Coal sales (Rm) 40,9 42,5 45,5 43,1
Pre-tax profit (Rm) 417,7 229,8 364,2 563,7
Earnings (c) 781,1 429,4 685,1 1025,3
Dividends (c) 240,0 240,0 300,0 388,0
Cover (c) 3,26 1,79 2,22 2,06

For the second year running, Amcoal’s earnings have risen by an impressive 54%. The advance was attributed to three factors: higher export tonnages, higher dollar prices and a weaker exchange rate, which, together, resulted in improved export earnings, improved income from the domestic market, thanks to the new collieries supplying Eskom, and a doubling in net interest due to higher rates and stronger cash flow.

Despite an increase in Eskom's electricity sales and coal consumption, Amcoal's coal sales to Eskom fell by 2.9 Mt, or 8.7%, compared with the 1989 year, this gave rise to the 2.4 Mt drop in the group's total coal sales. The decline followed the stopping of production at Cornelius and New Largo collieries, a large cutback in Eskom's requirements at Springfield colliery and reduced availability of generating plant at the Nrel and Lebabo power stations. Eskom has also been reducing inventories.

Eskom is showing lower growth in electricity sales while it still has surplus generating capacity which will slow the demand for new collieries.

Metallurgical coal and coke sales to local industry were at much the same level as the previous year, reflecting good conditions in the steel and ferro-alloy markets. These markets have, however, turned down, so this year's prospects for Amcoal's sales look weaker.

SA coal is back in favour in foreign markets and increased demand came from certain European countries where availability of hydro-electric and nuclear power fell. Amcoal's exports rose in line with the increase in throughput at Richards Bay Coal Terminal (RBCT).

RBCT is spending R316m on badly needed refurbishing and upgrading of its existing facilities. This should relieve the stress on the overburdened plant, with the initial expansion to a nominal capacity of 48 Mt next year. This would guarantee that the terminal could handle about 46 Mt/year, allowing for maintenance work and unexpected breakdowns. Increased throughput will follow when RBCT's annual handling capacity is lifted to 53 Mt a few years later.

To take advantage of the higher export quotas which will follow, Amcoal has a project in progress to exploit the remaining mining areas available to Landau colliery, to secure 4 Mt a year of export coal for 30 years. This will be partly expansion and partly replacement tonnage and the undertaking will be highly capital-intensive.

Amcoal has generally managed to contain unit working costs at a rate below the ruling SA inflation rate, but cost pressures were high last year and the rate of increase was 15.5% on the Eskom collieries and 19.9% on the trade collieries. With output down, the overall increase in working costs per ton for the year was 20.1%, compared with the

10.5% achieved last year.

The agreement reached with Spoornet regarding export rail rates as of 1 April, whereby rates will rise by 18% this year and by an agreed formula for the coming four years, should result in lower annual increases. As railage forms an important component of costs, this is to be welcomed.

The Amcoal share price has had a good run, having risen some 20% since the results were announced last month. With the price at a new high, shareholders are seemingly confident about the future.

Chairman Graham Boustred strikes a more cautious note. "On the basis of the current rand/dollar rate," he says, "Amcoal is forecasting largely unchanged earnings for the year ahead." He adds that, in the longer term, Amcoal is well placed to remain a prominent participant in the SA coal mining industry and to continue to provide real growth for shareholders. With the yield at 4.2%, Amcoal remains the best-rated coal share available.

Ollan Funday

Amcoals Boustred . . . exports are the thing
Romanian export deal for coal mine

RIETSPRUIT coal mine, jointly owned by Shell SA and Rand Mines, has secured an export contract with Romania through London-based Shell International.

Shell International spokesman Alan Jacobs yesterday confirmed the deal, but refused to give details of its size.

Rietvlei MD Geoff Park said he knew nothing of the deal as Shell International was wholly responsible for marketing Rietvlei’s coal and it was not Shell International’s policy to disclose where it sold the coal.

He said Rietvlei was purely export orientated and produced about 5 million tons of steam coal a year, but it had the infrastructure to produce 6 million tons if necessary.

Chamber of Mines president Kenny Maxwell said yesterday SA exported 47 million tons of coal a year earning R3.8bn in foreign exchange. This gives Rietvlei a 10.6% market share with forex earnings of about R380m.

Park said the mine started production in 1978 and had a contract to supply Shell SA until 1996, but had at least 15 years of reserves left.
NEARLY 50 000 jobs could result from the lifting of sanctions on coal exports and positive economic growth, said Mr Kennedy Maxwell, President of the Chamber of Mines, at the Chamber's 100th Annual General meeting yesterday.

Under these conditions total coal output could be expected to increase to 230-million tons per annum by 2 000.

This would mean an estimated increase in direct employment in the coal industry of some 29 000, and a further 18 000 in indirect employment in major sectors of the economy, said Maxwell.

He said the coal mining industry had recorded good results in 1989. Record exports of 47-million tons earned the country R3.6-billion in foreign exchange, some R800-million more than the previous year's figure of R2.8-billion.

"Export sales are expected to increase slightly by volume in 1990, but profit margins are likely to be eroded because of inflationary operating cost increases including higher railage rates."

"Domestic sales fell by some 11.4-million tons in 1989 and are expected to remain weak in 1990, reflecting the current low rate of economic growth." - Sapa
Coal mining: 50,000 new jobs if sanctions lifted

JOHANNESBURG. — Nearly 50,000 new jobs could result from the lifting of sanctions on coal exports and positive economic growth, said Kennedy Maxwell, President of the Chamber of Mines, at the chamber’s 100th general meeting yesterday.

Under these conditions total coal output could be expected to increase to 230m tons per annum by the year 2000.

In terms of job creation, this would mean an estimated increase in direct employment in the coal industry of some 29,000, and a further 18,000 in indirect employment in major sectors of the economy, said Maxwell.

He said the coal mining industry had recorded good results in 1989. Record exports of 47m tons earned the country R3.6bn in foreign exchange, some R800m more than the previous year’s figure of R2.8bn.

About R270m of this increase was due to higher sales, R120m to higher prices and R410m the result of the depreciation of the rand.

“Export sales are expected to increase slightly by volume in 1990, but profit margins are likely to be eroded because of inflationary operating cost increases including higher railage rates.”

“Rising costs are not likely to be offset by higher dollar prices.

“Domestic sales fell by some 11.4m tons in 1989 and are expected to remain weak in 1990, reflecting the current low rate of economic growth,” said Maxwell — Sapa
ISCOR F/M 22/6/90 (215)

Coals to Newcastle

Iscor has been padding out scarce supplies of straight coking coal with imports from Poland and the US. In the past six months the steelmaker has imported about 200,000 t. Most of it from US

Overseas merchants believe the tonnage imported will eventually build up to 1 Mt annually. Though the US bans imports of coal from SA, there is nothing in its statutes to prevent anyone from exporting to SA.

There are, however, still political sensitivities and, as The Financial Times Interna-

F/M 22/6/90

tional Coal Report discovered, by analysing shipping records, US exporters are ascribing misleading destinations on their export documents to confuse their own Customs. For example, the Zelande, loaded with coking coal, sailed from Charleston on February 23, supposedly for Genoa, but arrived in Richards Bay towards the end of March. The Andrew H, from Norfolk, Virginia, was purportedly bound for Belgium but appeared in Durban on April 4.

Iscor GM mining Ben Alberts confirms the imports and adds that the Polish deal was announced by a visiting trade delegation a few weeks ago. Iscor PR Piet du Plessis says it is common knowledge that Poland is buying 600,000 t of iron ore from Iscor. However, Alberts insists there was no counter-deal, though he says that might come at a later stage.

Continuous negotiations

Alberts is reluctant to discuss any US involvement, labelling it sensitive, but says there are continuous negotiations with the Poles. "We are still conducting tests with their coal to see if what we got is what we want, or whether we must get supplies from a different colliery."

He says Iscor constantly monitors world coal markets and reckons prices are reasonable now. It is also advisable for Iscor to import coking coal because

□ We do not have big reserves—only three mines produce straight coking coal: Vryheid Coronation and the neighbouring Hlobane Colliery owned by Iscor, and Tshikondeni Colliery in Venda; and
□ The quality of the 25,000 t/week they supply can be enhanced by blending it with imported coal.

Fact is, the Polish coal has few special attributes and imports simply extend SA's own reserves. The US coal, on the other hand, has physical characteristics needed for blending to upgrade SA's own coal.
New record for seaborne coal trade

WORLD seaborne coal trade has reached a new record of 725-million tons with exports of steam coal expected to overtake its rival coking coal, according to the monthly shipping review of London shipping broker Simpson, Spence and Young (SS & Y).

The new record is due to increased global crude steel production forcing coking coal trade to a new level of 183-million tons. This is one-million tons above the 1989 total.

SA had a better year with export volumes showing the first signs of reviving after two to three years of sanctions.

Most of the demand has been generated by the EC, with French buyers being active on the international market. This is due to a reduction in domestic coal production and a fall of 30% in hydroelectric output because of severe drought conditions.

The increased coal trade is attributed to a 15% rise in the trade of steam coal, reaching a level of 160-million tons.

The US increased its market share in the coking and steam coal sectors - achieving almost half the total international trade increase. Australia retained its dominant position as the largest exporter in terms of sales by volume.

Surprisingly, says SS & Y, Columbia achieved a 30% increase in exports to reach a new record of 13-million tons. Venezuela and the UK increased shipments. Columbia and Venezuela were expected to increase exports this year.

Demand in the Asia/Pacific region remained stagnant and was not expected to improve this year.

SS & Y says prospects of further increases in world seaborne coal trade remain good but are dependent on developments in the steel industry and the severity of the fall in coking coal demands.

With export reductions expected in Europe, the international coal trade is expected to benefit in the short term.

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ATLANTIS BUYERS' CO-OPERATIVE

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FORM 2 MEMBER ORDER FORM NO. AANTEKER DATUM
RICHARDS Bay Coal Terminal (RBCT) has commissioned the construction of a 466m, R20m overland curved coal conveyor belt — the longest in the world.

The deal forms part of the R20m turnkey project management contract awarded to SWF Technologies and Engineering Management Systems (SWF) in July 1990. SWF is to design and construct the conveyor. When operational the conveyor, carrying coal at a rate of 6 000 tons an hour, will enable Richards Bay to achieve optimal operation tonnage.

EDWIN UNDERWOOD

RBCT is running at full capacity of 46-million tons a year. By the end of 1991 capacity is expected to be 53-million tons — an annual increase of 9-million tons. However, SA’s international coal markets are expected to increase by one to two-million tons a year in the present political climate. The only other coal exporting ports are Durban and Maputo.

The Richards Bay expansion project, costing R136m, is scheduled for completion next year.
Burnt miners are placed in intensive care

By Abel Musha

Six of the 10 miners injured in a methane accident at a coal mine in Ermelo in the eastern Transvaal on Monday are still in a serious condition. The other four are said to be stable.

The miners sustained serious burns when methane, a natural gas found in collieries, ignited at the Trans-Natal Coal Corporation's Tafelkop shaft.

The victims were transferred from the Ermelo Hospital to the Rand Mutual, Cottesloe and Milpark Hospitals in Johannesburg.

The six at the Rand Mutual Hospital were yesterday placed in the intensive care unit where a spokesman said they were "very sick". Their names have not yet been released.

The three at the Cottesloe Hospital and the one at the Milpark Hospital were said to be in a satisfactory condition. They are Folkers Maritz, William Haats, Deon Raubenheimer and Terrence Crompton.
Coal mine revamp to cost R55m

NEIL YORKE SMITH

THE Rand Mines Douglas Colliery is to spend R55m on a development programme aimed at raising its production and treatment facilities to maximum capacity, it was announced yesterday.

Motivation for the three-phased, inter-related expansion programme was a projected increase in exports, according to Douglas Colliery MD Nilo Zolezzi.

In its drive to boost production the colliery had already begun exploiting the deeper reserves of its Wolvekrans South area by mining underground, Zolezzi said. This had involved the opening of a new section called Van Dyk's North, the mining operations of which will be controlled by the Van Dyk's Drift section.

Shaft sinking in the area was in progress and was expected to be completed by year-end, said Zolezzi. The new section will comprise three shafts, one incline and two verticals, and is to produce 175 000 tons of coal a month.
Biggest in world

THE world's largest overland curved coal conveyor will be designed in South Africa by SWF Technologie subsidiary Bulk Materials Handling. S/C 11/95

The 450m-long conveyor will carry 8,000 tons of coal an hour, and is part of the R320m upgrade of the Richards Bay Coal Terminal.

Construction is due to start in September and commissioning is expected in March 1991.

SWF Bulk Materials Handling managing director Dieter Kehlert says the single flight conveyor eliminates the need for three transfer stations and one shuttle conveyor, saving R600 000.
Colliery strike ballot on cards

The wage dispute between the NUM and the Chamber of Mines in respect of gold mines has been resolved. However, the union is holding out for more from collieries and is gearing up for a strike ballot among its 35,000 affected members.

NUM assistant general secretary Marcel Golding said last night the union had just conveyed its stance to the Chamber.

In terms of the gold mine deal, workers stand to receive increases ranging from 14.5% to 15.5%. 

However, in response to an equivalent offer for colliery workers, the union's 20% demand remained on the table.

"Coal mines are much more profitable than the gold mines now. But they pay substantially less than gold mines for the same class of work, and this is a good opportunity for these disparities to be narrowed," Golding said.

The NUM accepted all other facets of the chamber's last offer.

This included a five percentage point increase in holiday leave allowances; the establishment of a working committee to investigate unresolved proposals on skills development and education of black miners, and Gold Fields coming into line with other mining houses on terms for mine accident leave agreed between the NUM and the remainder of the industry in 1986.

On hours of work the NUM would "comply with the existing agreement" on a 96-hour fortnight, Golding said. However, it seemed this could lead to a work-to-rule given union allegations of widespread contraventions of the agreement.

Golding said the union remained open to further talks on colliery wages.

A chamber spokesman said employers were still studying the NUM response and were not ready to comment.
Bel to stretch 21km

Business Times Reporter

ONE of the longest conveyor belt systems in the world is to be built by Krupp South Africa for Sasol. The covered belt will stretch for 21.3km from a new opencast mine at Sydenham, about 8km from Trechardt, to a coal stockyard at Secunda. It will cost more than R80m.

Coal will be carried at a rate of 2,000 tons an hour, or 7m tons a year. The system is expected to be completed by the middle of next year.

Krupp SA is a member of the multinational Fried Krupp group of Germany which last year had a turnover of R22bn.

Managing director of the SA company, Uwe Geierdt, says local content of the project is 97% and only specialised basic engineering services and a few technical components have been imported.

More than 40% of the orders for the project have been placed and all other supplies have been secured.

The track will run for 9km in a straight line, then turn almost 90 degrees and curve for another 13.3km. It will cross farmland, three roads, a future highway and a railway line.
Frigate gets cash injection of R5 million

By Ann Crotty

Fynbank has gained effective control of coal producer and contract mining company Frigate in exchange for a R5 million injection of long-term finance in the form of redeemable preference shares.

The share, which was listed on the JSE last October, was suspended in early June at the request of the company's directors.

The suspension, which was precipitated by cash-flow problems, will be lifted today.

Share capital

According to the official announcement, the funding will be provided through a company called Wakefield Investments, which will hold 40 percent of Frigate's issued share capital.

In exchange for this funding the controlling shareholders of Frigate (which includes management's holdings) have sold 60 percent of their holdings to Wakefield for a nominal R100.

Chief executive Mike Stanley states "in view of the nominal amount, the JSE has confirmed that it will not be necessary to extend a similar offer to Frigate minorities."

According to the prelisting statement, shareholders' funds last year were just over R19 million.

And given that the bottom-line profit was R5 million in the 12 months to end-December/89, it seems unlikely that the previous controlling shareholders have permanently relinquished their status.
The chamber’s “final” offer was followed on July 6 by separate and improved offers from Amcoal (16.4%-18%) and Trans-Natal (14.5%-28%), but by early this week those two also received a reply JCI, GFSA, Lonhro and Rand Mines have not improved on the chamber’s offer and the union is taking no strike ballot by the end of this week.

There were compelling reasons for the NUM to accept a moderate increase for gold miners — thousands of jobs are on the line and some mining groups make no bones about the fact that they are using the present period of low gold prices to reduce employee numbers.

Fact is that, since the early-Eighties, retrenchments of unskilled (for that, read black) workers have been proportionately more severe on collieries. From 1984-1989, says the chamber, the number of unskilled coal miners dropped by 21.2%, while skilled employment rose by 4.5%. Over the 8,100,000 period, coal production rose by 9.2%.

In terms of tons produced per man, unskilled productivity improved by 38.2%, while that of skilled men in charge of sophisticated mechanised equipment rose by only 4.2% (see table).

The reason for the disparity is clear: numbers of unskilled men have been cut as the industry has swung away from labour-intensive underground collieries towards mechanisation and strip mining. It has not led to any great increase in skilled employment, but has helped cut unskilled labour.

Again, over the same arbitrary period, skilled annual wages per man have risen by 96.6% while those of unskilled men advanced 128%. Put another way, wages paid to unskilled workers amounted to R2,64 per ton of coal produced in 1989, an increase of 65% on the 1984 average. Skilled wages added another R2,07, more than in 1984.

At first glance, the cost and wage increases might appear to be insufferable — and employers have regularly warned of the dangers of retrenchments if wage demands are excessive. But, according to the Department of Mineral & Energy Affairs, coal price increases have compensated. The average price of domestic coal rose by 92% between 1984 and 1989, the average fob export price was 73% ahead.

Wage increases to nonunionised white workers have regularly been lower than inflation for several years, while black union men have generally won inflation-beating increases. As each year’s wage negotiating round has been completed, commentators have remarked that moderation has been forced on whites by fears that jobs will be lost to blacks.

The chamber’s statistics seem to prove the converse — skilled employment is rising while tumbling black employment has not apparently modified NUM’s militancy. Nor has the disparity between percentage increases narrowed the absolute gap between skilled and unskilled wages, though the ratio has fallen.

Employers argue that excessive wage demands and sanctions will lead to job losses on coal mines. Whether or not there is a causal relationship, black unskilled employment has certainly fallen and the retrenched men have not shifted into skilled labour categories. However, some black miners have moved into skilled jobs previously reserved for whites. Their entry, at wages comparable to those paid whites, helps in part explain why average skilled wages have risen proportionately less rapidly than unskilled.

But where are the productivity increases supposed to happen when skilled men are given mechanised equipment? — Jerry Jones.
Square rigged

Finansbank has bailed out cash-trapped coalminer Frigate and at the same time won control of the company for a nominal R100. Wakefield Investments, Finansbank's subsidiary, has acquired 60% of the directors' 70% controlling shares. In other words, Wakefield gets about 40% of Frigate's equity.

Bailing liquidity

In exchange Wakefield has bailed the R63m turnover coal producer out of its short-term liquidity problems by injecting R5m of long-term finance in the form of redeemable preference shares.

The share, listed on the JSE in October, was suspended early in June at the request of the directors. They were concerned about cash flow.

Frigate MD Mike Stanley says new min-
Export squeeze for SA coal

ALLEN COOK, deputy chairman of Rand Mines' cost division, sees export prices weakening in the next few months.

"We are selling at $31 a ton compared with $38 in June 1988 and $29 at the low in September 1987. The contracts are negotiated in November each year. Some SA suppliers are undersold and will no doubt be prepared to pare prices.

"Because the Randians are not buying grain, bulk carriers are experiencing difficulty in filling their ships. So freight rates have plummeted, cutting into the $2/t advantage we have over the Australians in supplying Europe."

Producers in the United States, Colombia and China are overcoming problems.

Another setback for SA's coal has come from natural-gas competition in Europe.

SA coal exports have risen from a million tons a year 13 years ago to 49 million.

The coal-mining industry's competitive advantage depends heavily on its reputation as a reliable supplier. Reliability of supply depends in turn on good labour relations.

Perhaps because wages have outstripped inflation for the past 20 years and coal mines are not as mechanised as they could be, National Union of Mineworkers' coal branches have tended to be less aggressive than their colleagues in gold mining.

Pollution

The first is that world consumption increases with population growth.

There are high hopes of an industrial renaissance in Eastern Europe. Air pollution there is so bad that demand is likely to increase for high-quality low ash and sulphur coal.

Coal is under attack, but the world environmental lobby is still strong against nuclear power. Solar, wind and other types of energy are likely to remain insignificant for years.

The prospect of reduced sanctions is also cause for hope.
New mining group set for JSE listing

A COAL exploration and mining group with extensive interests in the eastern Transvaal and northern Natal will be listed on the JSE next month via a R25m reverse takeover of cash shell Goughco (Goughco).

In terms of the deal, Goughco will change its name to Foston Ltd and move from the property to the mining exploration sector of the JSE's board with effect from August 20 1990.

The R25m consideration will be settled by the issue of 22,2-million ordinary Goughco shares, 2-million ordinary share options in Goughco and R10m in cash.

The group of mining and exploration companies which Goughco is acquiring are Derdehoek Anthracite Mine, Multonland Developments, Rappbos Holdings, Stik- ton, and Vlaaskraalfontein Colliery.

Between them, the companies claim to own, hold and control about 60-million tons of coal reserves suitable for the domestic and export markets.

After settlement of the cash element of the purchase price and the costs associated with the deal, the Foston group will have R10m cash on hand.

A group spokesman said this, with funds generated from operations, would provide sufficient resources for future exploration and development of existing and potential coal reserves over which prospecting options are held.

The deal would have the effect of increasing net asset value of Goughco/Foston from R2,7c a share to R7,5c. At the time of the suspension of its listing on February 13, Goughco was trading at about 50c.

Foston's earnings for the year to end-June 1991 were forecast at R3c a share — equivalent to about R1m. This forecast assumed that the full 600 000 ton production at the group's new Arbor mine, near Delmas, was sold at the current prices of R29 a ton for raw-saped coal and R34 a ton for washed-saped coal.

Owing to the nature of the group's exploration operations it was not possible to determine the earnings from that source, the announcement said.

Prospecting

The key people and controlling shareholders behind Foston are deputy chairman Don Muller and MD Carel Pistorius.

Muller, a civil engineer, a former director of Anglo American subsidiaries Boart, LTA and Shaft Sickers, has also served on the boards of subsidiary companies of Concor.

Pistorius, a qualified mine manager and director of companies, has a 41-year mining background which covers prospecting, shaft sinking, tunnelling and underground construction and opencast mining.

Foston chairman is Professor Piet Nel, a chartered accountant and former chairman of chartered accounting group Roek and Witsbane. He is on the western Transvaal board of the United Building Society.
Coal explorer goes to JSE

A coal exploration and mining group with extensive interests in the Eastern Transvaal and Natal is going to the JSE next month via a R25 million reverse takeover of cash shell Gough Cooper (Goughco).

Goughco will change its name to Fostan Limited and move from the property to the mining exploration board with effect from August. Goughco has been suspended since February.

A group of mining and exploration companies will be reversed into Goughco for a total consideration of R25 million.

This will be raised by the issue of 22 million ordinary Goughco shares, two million ordinary share options in Goughco and R5 million in cash.

The companies Goughco is acquiring are Derdehoek Anthracite Pty, Multonland Developments Pty, Rapphoes Holdings Pty, Sankton Pty and Vinkwalandhoem Colliery Pty.

Between them, they own, hold and control 60 million tons of coal reserves suitable for both the domestic and export markets.

After settlement of the cash element of the purchase price and the costs associated with the deal, the Fostan group will have R4 million on hand.

This, together with funds generated from operations, will provide sufficient resources for future exploration and exploitation of both existing and potential coal reserves over which prospecting options are held.
12 000 coalminers vote on strike action

The Argus Correspondent

JOHANNESBURG. — About 12,000 National Union of Mineworkers (NUM) members were taking part in a strike ballot at coal mines across the country, said union spokesman Mr Jerry Majatladi.

The ballot was called after wage negotiations between the Chamber of Mines and the NUM fell through earlier this month. The union accepted the chamber's wage offer of 14.5 to 17 percent increase on gold mines, but rejected the offer on coal mines.

Mr Majatladi said that although only NUM members were being balloted, it was likely others on the affected coal mines would join the union if the vote was for a strike.

The task of having to move from one shaft to another meant the ballot result was coming in slowly and would probably be known only in a few days, he said.
Houses into coal

Gough Cooper, the former property developer turned cash shell, is seen to re-appear on the JSE as a coal exploration company. The share, to be renamed Foston, is headed for the market's Exploration section August 20.

The new listing follows a R25,2m acquisition of five coal concessions in the eastern Transvaal and northern Natal — Derdeboek Anthracite Mine, Mutlonland Developments, Rappos Holdings, Sink-Ton and Vlakvarkfontein Colliery — containing a combined estimated 60 Mt of coal. Payment is made up of 22,198,441 ordinary shares valued at R1 anpeece, 2m options valued at nothing and R3m in cash (2,15). The deal is calculated to lift Goughco's net worth from 92,7c to 97,8c.

One of the deposits has recently been brought into production, New Arbor (on the Rappos property near Delmas), at a rate of 600,000 t/year. The mine was established in March this year and production began in April. So far, all output has been sold locally and the group is believed to be negotiating an export contract.

Assuming that the full year's production is sold at current local prices of R26/t for raw sized coal and R34/t for washed sized coal, the directors reckon Foston will earn about R1m, or about 3c a share this year. That's a pre-tax figure, but the directors also reckon a tax liability will not be incurred until 1995.

The group will have R4m in cash after settlement of the deal, which, together with the funds generated from operations, is estimated to be enough to pay for the next three years' exploration and development.

Foston will essentially remain an exploration company with the primary focus of its business being prospecting, specifically for larger deposits of coal and anthracite. The deposits currently held are more likely to be sold than developed into collieries by Foston itself. Retentions are to be kept to a maximum in the near to medium-term and dividends are unlikely to be declared before 1994. Roger Lewis, of sponsoring broker Davis Borkum Hare, is looking to only a 3c dividend in that year.

Deputy chairman Donald Muller and MD Carel Pastorius started back in 1981 to put together the coal rights now being injected into Goughco. Each of them will end up with 32% of the newly named Foston.
A VISIONARY who played an important role in developing SA's coal exports warns that it is time to start looking after the resource.

Professor Horsfall, of the department of metallurgy at Wit, believes that anyone taking a compliant view on coal because of alleged reserves of 300 years is mistaken. Pointing out that a large part of the reserve is of low quality, he says it is time to maximise the energy extracted from each ton of coal.

The South African coal industry is a world-class success story. Only 13 years ago exports were a million tons a year. This year, in spite of sanctions, exports are likely to top 49-million tons. The industry could achieve more than 50-million tons worth $1.5-billion next year. In the one SA industry where labour productivity is internationally competitive — up to 600 tons a man every month — another 130-million tons is used here. Long-term prospects are excellent, but it is time for a radical rethink about coal, says Professor David Horsfall of Witwatersrand University in this interview with Business Times editor David Carter.

As the author of several papers and upon whose ideas SA's successful export programme was based, Professor Horsfall's long-term view is highly respected.

"He's a world figure in coal preparation," says Allen Cook of Rand Mines Coal.

Synfuel

Professor Horsfall says a car driven by Sasol fuel uses only 7% of the energy of the coal that goes into its production. The other 93% is lost in converting coal to synfuel and then in the inefficiency of the internal combustion engine.

The housewife who cooks on an electric stove uses only 3% of the energy from the coal that provided the power. If she could switch to gas, she would use an energy source that is 60% efficient and gives off less pollution.

Professor Horsfall, who learned coal technology at the University of Leeds and the British National Coal Board before becoming a consultant to Anglo American Coal, says the further one stretches coal from its original form, not only the less energy does it provide, but the greater is the capital cost.

He advocates increased research into promising technologies for creating more of the energy in lower-grade coal, reduced pollution and greater rates of energy extraction.

The best-quality SA coal is exported. It has to be because northern hemisphere coal is generally of high quality and because alarm bells are ringing over air pollution in industrial countries.

Escom, industry and others are using lower-quality fuel, but a lot of useable coal is being dumped.

In addition, because Escom, Sasol and Boscor have mines dedicated to particular plants, much high-quality coal could be exported is burned in SA.

North America uses coal. It is the preferred heat source. Eskom keeps saying that the best answer to air pollution is to electrify townships. But the generation of electricity is relatively inefficient and expensive and it produces more pollution.

"Many black families who have electricity do not use it for space heating. They prefer coal, so even electrified households are emitting a lot of smoke. Gas heaters would do more to reduce township pollution."

All of SA's export coal is washed. High-quality coal is less dense than that of low quality. It is passed through baths of water and magnetite whose density is strictly controlled. The high-quality coal floats through and the highash product sinks. It is either burnt or dumped.

Professor Horsfall advocates that a greater proportion of domestically used coals should be washed to maximize energy and reduce pollutants.

Coal can be further beneficiated by being ground into fine powder. Professor Horsfall says it is easier to take out impurities before burning coal than afterwards.

"Technology is developing for coal-water mixtures. After being reduced to powder, coal is mixed into a water-based solution. 70% of water. It can be stored and transported in this form through pipelines. It can even be flashed into a furnace and burned with only 4% energy loss."
Johannesburg. — A strike by about 20,000 coal workers is looming following a ballot conducted by the National Union of Mineworkers (NUM). A NUM spokesman said 90% of its colliery workers had voted in favour of going on strike in support of wage demands. The workers are demanding wage increases of between 18% and 20%.
Bid to avert strike by 16 000 miners

By SHARON SOROUR
Labour Reporter

NEGOTIATIONS are taking place to avert a strike by about 16 000 coal miners over a wage dispute while several thousand workers in other industries continue to strike.

According to reports the National Union of Mineworkers (NUM) met the Chamber of Mines last night to discuss a wage increase.

In favour

The union is demanding an 18 to 20 percent increase for all eight categories of workers at collieries while the Chamber of Mines offered increases of between 14.5 and 17 percent, Amcoal between 16.4 and 18 percent and Transmetal between 14.5 and 28 percent.

About 90 percent of the union's members earlier voted in favour of industrial action after the union rejected the offers.

Meanwhile, the strike by about 5 000 Metro Cash and Carry employees at 110 stores has ended with the SA Commercial, Catering and Allied Workers' Union (Saccomwu) accepting a R140 monthly increase across-the-board, Sapa reports.

Metro's final offer prior to the strike had been R185 while the union demanded R155.

The strike by about 6 000 hotel workers, members of Saccomwu, at 41 Southern Sun/Holiday Inn hotels continues while about 10 000 members of the SA Clothing and Textile Workers' Union (Sactwu) are still on strike at Consolidated Cotton Textiles.

In Grahamstown tension increased between Rhodes University and the Transport and General Workers' Union following demonstrations by about 400 workers during wage negotiations.

University vice-principal Dr Roux van der Merwe said the university noted "with concern" that union members had decided to protest while negotiations were in progress "to press their demands for higher wages."

While procedures would be followed to end the dispute as soon as possible, Dr Van der Merwe warned that "outside protest cannot accelerate this procedure."

With transport

After five meetings the union rejected the university's offer which raised the basic wages of non-residence staff to between R505 and R1 130 a month, while the basic wages of residence staff would be increased to between R345 and R521 a month with transport, or to between R376 and R551 a month without transport.

Union representative Mr Elia Furtado said the university paid its workers substantially less than other universities.

Dr Van der Merwe said: "No subsidy is received from the government for wages and fringe benefits for residence staff and all these costs are met by the university."
R2m plant at New Arbor

PETER GALI

FOSTON, the coal exploration and mining group, which is to be listed on the JSE on August 20, has commissioned a R2m crushing and sorting plant at its New Arbor coal mine near Delmas. The mine was producing 50,000 tons a month, all from opencast operations.

New Arbor has proven bituminous coal reserves of more than 13m tons and is the first operating coal mine in the Foston group.

The plant has a crushing and screening capacity of 300 tons an hour, and the washing plant was designed to handle 140 tons an hour.

"At present production levels, New Arbor has a projected lifespan of 20 years," said Muller.
SA coal set to glow in face of oil price

LONDON — SA’s coal industry stands to benefit from a sustained rise in the price of oil as a result of Iraq’s invasion of Kuwait and from the Opec target of $21 a barrel.

As Brent North Sea crude climbed another $2 a barrel to $25 (after hitting $26,50), the price of heavy fuel oil jumped another $30 a ton to $125.

In May, when heavy fuel oil touched a low at $52 a ton — equivalent to $35 for a ton of SA 6200 calories/kg steam coal landed in Rotterdam — at this year’s nadir for crude, some power stations switched from pulverised coal.

But one coal industry source in London says: “That was opportunistic buying, which quickly disappeared when heavy fuel oil started to climb ahead of the Opec meeting in Geneva.”

At $125 a ton, heavy fuel oil which contains 30% more energy equates to a Rotterdam price of coal from Richards Bay of $82.50.

Last year SA shipped a record 46-million tons of coal, and Richards Bay’s capacity is to be increased to 23-million tons a year.

The price of SA 6200 calories/kg coal has weakened this year from $44.50 a ton to about $43, according to Financial Times International Coal Report editor Gerald McCloskey.

The impact on coal prices has yet to emerge. Little trade in spot coal cargoes is done at the height of the northern hemisphere summer.

“But we should see a response to the oil situation most quickly in the Far Eastern markets such as Japan and South Korea,” says McCloskey.

“I can think of only one negative aspect for coal of higher oil prices. It will raise freight rates,” he says.

With about half the total freight costs accounted for by fuel, the price of oil could add about $1.50 to the $8 cost of shipping a ton of coal from Richards Bay to Rotterdam in a Cape-size vessel (120 000-140 000 tons).

John Cavill

Drifted

“Apart from that, it must be bullish for coal. Industries which are burning oil or gas or products such as petroleum coke will now start to worry about securing coal supplies before prices climb,” McCloskey says.

SA steam coal hit its peak of $70 a ton (delivered in Rotterdam) in 1983, after the second oil price explosion which saw crude reach $40 a barrel.

Prices drifted back to $41 before being boosted to $44 during the British coal strike of 1984-85, and then bottomed at $26.50 in 1987.

The London coal industry source says: “We do not expect to make any money out of the oil problem in the short term.

“But if it goes on for the rest of the year it will obviously have a strong impact.”

“I am certainly delighted to see heavy fuel oil rising rather than going the other way,” he says.
New offer can avert
strike on coalfields

By Brendan Templeton

An increased wage offer by the Chamber of Mines yesterday could persuade coalminers to call off a strike.

The new offer followed a strike ballot by the National Union of Mineworkers (NUM) on the mines last week and subsequent meetings with the Chamber.

The NUM requested the Chamber to give it until Friday to canvass its members on the offer.

NUM spokesman Jerry Majatladi said the new proposed increases of 31 percent for lowest paid workers and 14.5 percent for the highest paid groups would "definitely influence members not to strike."

"We are optimistic that we will now reach a settlement," Chamber spokesman Peter Bunkel said.

Following a meeting with the NUM yesterday, the union indicated it would recommend members accept the offer, the Chamber said.
Burning colliery now a disaster area – council

By Therese Anders, Highveld Bureau

The Government has acted quickly following the Witbank Town Council’s request to have the burning underground Outspan Colliery declared a disaster area.

Deputy Minister of Planning and Provincial Affairs Andre Fourie yesterday announced a task group of mining, fire brigade and legal experts from both the private and public sector to advise on the extent of the problem and how it can be handled. He has given the task group until Friday to make a report.

Independent mining experts told The Star they believed it would cost about R15 million to extinguish the long-burning mine fire by digging a huge trench along its 1 km-wide front.

During the past three weeks, the blaze has caused concern in mining, civic and environmental circles after breaking out in new areas.

The rail link to Maputo is being threatened as the encroaching fire is now less than 30 m away from the railway line.

The fire, and attempts to flood it over the years, have created serious water and air pollution problems in the area.

Environmentalists say the acidic water pouring out of the burning mine finds its way into Loskop Dam and the entire Olifants River system.

A Department of Planning and Provincial Affairs spokesman said the Witbank council had asked for a “state of disaster” in terms of the Civil Protection Act.
Trans-Natal goes from strength to strength

By Derek Tomney

The remarkable recovery in the profits of coal producer Trans-Natal is continuing.

Figures show that the company trebled pre-tax profits from R71.4 million in 1988-89 to R221.4 million in the 12 months to June this year.

Pre-tax earnings in 1987-88 were R1.5 million.

Trans-Natal, with cash holdings of R32.8 million, has capital expenditure plans amounting to R1 billion and is looking at coking coal deposits in Tete in Mozambique.

A sharp jump in tax charges from R111.1 million to R84.2 million restricted growth in attributable income, which grew 117 percent from R84.2 million, equal to 76c a share, to R131.4 million, equal to 183.5c a share.

A final dividend of 40c has been declared, making a total of 60c for the year — double last year’s 30c.

Coal sales rose marginally in 1989-90 from 30.2 million tons to 30.3 million tons.

But higher export sales at better dollar prices and a weaker rand helped boost sales revenue 29 percent from R1,071 billion to R1,386 billion.

Operating income rose 69 percent to R250.4 million.

Exports rose 23 percent to 10.2 million tons, which was 500,000 more than the group’s initial target. But both Escom and other domestic sales fell eight percent.

Capital expenditure in the 12 months to June 1991 is budgeted at R260 million. Most of this is to be used at the Koornfontein’s Gloria project and Optimum Colhery.

Shaft complex

Shaft bottom development has started at Gloria and production is expected to start in the first quarter of 1991.

The shaft complex has been planned for an eventual output of 5 million tons of saleable coal a year and will supply export and domestic markets and the Komati power station.

At Optimum, the thickening of the overburden has led to an investigation into the re-introduction of underground mining. A final decision is expected by the end of the year.

Chairman Brian Gilbertson says group ability to repeat its 1990 earnings in 1991 depends on a large extent on steady or increased export prices, as well on favourable exchange rates.

Managing director M Salamon says the lifting of sanctions might not result in higher exports, but would result in better prices.

Production at Gloria will enable Trans-Natal to take advantage of the expansion of Richards Bay facilities and help increase export sales to about 11.5 million tons a year.

Export earnings for the second half-year will be at the higher prices already negotiated for the first half.

Profits for 1990-91 should also be helped by lower write-offs that will be required.

Mr Salamon says Trans-Natal, in association with a Brazilian company, is investigating coking coal deposits at Tete in Mozambique.

Mozambican authorities are keen to start exporting this coal, he says.
Trans-Natal Coal doubles its dividends

MANDY JEAN WOODS

GENCOR subsidiary Trans-Natal Coal continued its dramatic turnaround from its low point two years ago by reporting record figures for the year to end-June, mainly because of improved export performance.

Shareholders will enjoy a 100% increase in dividends, with a final dividend of 40c a share bringing the total to 60c (50c). Trans-Natal shares jumped 4.5% to close at 11.56c from 11.00c yesterday as news of the results filtered into the market.

An increase in exports, a weak rand and better dollar prices resulted in Trans-Natal reporting a 29.3% increase in sales revenue to R1,39bn (R1,07bn).

The average export price for coal was R31 a ton, up 11.5% from the average price paid in 1989. A profit of R8,56 a ton of coal was made compared with R4,54 last year.

Earnings a capital item increased 116.6% to 105.5c (76.4c) on a 118% increase in attributable income to R131,4m (R60,3m) before extraordinary items.

The company's operating income increased 80% to R155,4m (R85,7m), while sales tonnage improved by 0.3%, marginal when compared with last year, Trans-Natal Coal MD Mike Salamon said.

"The 23% increase in export tonnage to 10,5-million tons was offset by an 8% reduction in inland sales and an 8% reduction in Eskom sales. Anthracite exports remained constant."

Export steam coal revenue improved by more than 50%, with tonnage rising from 7.9-million tons to 9.8-million tons. Steam coal sales exceeded the target of 9.5-million tons by 509,000 tons.

The company has budgeted R1bn for capital expansion projects over the next five years. About 56% of this will be spent on Koornfontein's Gloria shaft project, which should be in production by the first quarter of next year and will increase steam coal exports to more than 11-million tons.
Task group to report back on burning mine

The Argus Correspondent

WITBANK. — The government has acted quickly following the Witbank Town Council's request to have the burning underground Outspan Colliery declared a disaster area.

Deputy Minister of Planning and Provincial Affairs, Mr Andre Fourie, announced earlier this week that a task group of mining, fire brigade and legal experts from the private and public sector would advise the government on the extent of the problem and how to handle it.

He has given the task group until today to make its report.

"R15m TO EXTINGUISH"

Independent mining experts said they believed it would cost about R15 million to extinguish the long-burning mine fire by means of digging a huge trench along its one kilometre wide front.

During the past three weeks the fire has caused concern in mining, civic and environmental circles after breaking out in new areas.

The strategically important rail link to Maputo is threatened by the fire which is now less than 30 m away from the railway line.

The fire, and attempts to extinguish it by flooding over the years, have created serious water and air pollution problems in the area.

HOUSES BEGAN CRACKING

... Last year a colliery closed down after becoming waterlogged and houses in Jackaroo Park began cracking as water oozed out of the mine.

Environmentalists say the acidic water pouring out of the burning mine finds its way into Leopold Dam and the entire Olifants River system.

The Witbank Town Council would not comment on its request for a declaration of a disaster area.
Polish polish

With its northern Natal metallurgical coalfields reaching the end of their economic lives, Iscor is actively seeking alternative sources to use as a blast furnace feedstock, blended with inferior SA grades.

The group is looking further afield to Poland, though "this is only one of the possibilities," says Ben Alberts, Iscor's senior general manager mining. "Other potential sources include those as yet undeveloped north-western Transvaal coalfields or other countries already exporting material — Australia, the US and Canada."

Iscor has imported a quantity of coking coal, some of which has been evaluated while the balance is currently being appraised.

"Everything depends on the outcome of the evaluation," says Alberts. "We will have to have a flexible deal with the Polish in terms of both quantity and timing." He declined to confirm or deny a 120 000t/year contract spread over three years reported by the authoritative Coal Week International.

The Washington-based publication also reports Iscor has the option to buy two additional annual amounts of 60 000t and Alberts' comments would seem to support this.

The potential to import far greater amounts also exists, to give Iscor surplus coking coal for forward trading.

What Alberts is prepared to deny are rumours of Iscor investment in Poland. "This is not something that we could consider at this stage," he says. But CWI goes on to say Gencor is involved, something denied by Mike Salamon, MD of Trans-Natal.

The key items that Iscor is to consider in its search are the price and quality of the coking coal. The material will only be imported if it is more cost effective to do so than to develop the local deposits. As coking coal is an essential and costly ingredient in the Iscor process, used in a ratio of 1:1 to the steel produced, its cost is important.

Consideration will also be given to reliability of supply and potential for disruptions, political or otherwise. The possibility of import from several sources is another solution being looked at although the chances of establishing contracts with those exporting countries is rather slim.

"We cannot make steel without coking coal," states Alberts. The strategic nature of Iscor to SA and the importance of having a steady supply of metallurgical coal for the steel industry would indicate that this is more likely to go federal than not, despite a development of local deposits. That Alberts is cagey regarding any investment in the Polish mining industry is natural, considering the sensitive nature of such a deal.

Gillian Findlay

FINANCIAL MAIL AUGUST 10 1990
Record year for Trans-Natal

In what was described as a record year, Trans-Natal Coal increased operating income by 89 percent and earnings a capital unit by more than 100 percent.

Operating income rose to R259,4-million (R137,1-million) while earnings a capital unit increased to 165,5c (76,4c). W/Hail 10/12/91

A final dividend of 40c a share was declared, making a total of 60c (30c) for the year.

Chairman Brian Gilbertson says the group's ability to repeat its earnings achieved in 1990 during 1991 will to a large extent depend on steady or increased export earnings as well as a return of the exchange rate to levels more favourable to exporters.
Steam coal trade up 107% since 1980

TRADE in steam coal rose 107% to 161-million tons during the past decade, said a report in the August edition of Sabrina Bulletin.

The increase brought steam coal's share of coal trade to 48%, the SA Britain Trade Association publication said.

The report predicted total steam coal tonnage moving by sea would reach 240-million tons in 1995, representing 60% of worldwide coal traffic.

The increase in future demand was attributed to the expansion of coal-fired electricity generation in the Far East and Middle East, and the decline of Europe's coal reserves.

Despite sanctions, SA is the biggest export supplier of steam coal to the international market. About 42-million tons shipped in 1999 accounted for 23% of the total trade in energy coal.

High quality, reliability of coal supplies and the high volume which Richards Bay Coal Terminal could carry were the main reasons behind SA's dominance, the report said.

Privatisation of the UK power utility industry would provide a major opportunity for SA in the 1990s, Sabrina said. The demand for imports, estimated at 5-million to 15-million tons, would arise from production shrinkage in the domestic market.
Coal income expected to offset oil rise

ANDREW GILL

THE impact of higher oil prices on SA's balance of payments (BoP) would be largely offset by the resultant rise in coal and energy export earnings in the short term, economists said yesterday.

Gold's recent surge above $410 would, if sustained, see SA's reserves boosted considerably, they said.

Standard Bank economist Nico Cayponka said increased overseas energy needs, due to lower world oil output, could compensate for the higher cost of importing oil because of the higher earnings from coal. He said gold's rally would therefore be an added bonus for the BoP situation but the inflationary implications of higher oil prices could not be discounted. There was also a possibility the reversal in gold's downward trend would stick even if the crisis subsided.

However, a "fly in the ointment" was that if the crisis became full-blown, sustained higher oil prices could have worldwide recessionary implications. "In that case SA would suffer just like everyone else," Rand Merchant Bank economist Rudolf Gouws said although the rise in the oil price was bigger than that for gold, its contribution to the BoP was not as important.

But it was very much in the balance because coal contracts were generally long term and higher earnings would therefore not be realised immediately.
The express development in the coal business of the Government of India is now that of the Central Government of India. The coal industry in India has been developing rapidly over the past few years. The gross output of coal in 1998-99 was 211.2 million tons, which is an increase of 12% over the previous year. The coal industry is currently facing a major challenge due to the increasing demand for coal from the power sector and the steel industry. The Government of India has taken several steps to address this issue, including the development of new coal mines and the expansion of existing ones. The coal industry is expected to continue to grow in the coming years, driven by the increasing demand from the power and steel sectors.
Don't start boom without us

COAL EXPORTS £IM 24/1/90

Ripple effects of the Gulf crisis will not immediately lift coal prices nor export at least not by much.

Even if the surge in oil prices led to a coal boom, SA isn't ready for one. The expansion of the Richards Bay Coal Terminal won't be completed until the end of next year and Transnet won't have the trains it needs until then.

Rand Mines deputy chairman Allen Sea-

ley discounts the possibility of the Gulf crisis boosting coal prices or exports. "In the short

term, higher oil prices will give negotiators a psychological edge in trying to sell coal but won't lead to substantial price or export gains. There is little correlation between oil and coal prices. The oil price rose of two years ago had no effect on coal."

Contract prices for steam coal, negotiated in March or April, are US$31/t to $32/t fob Richards Bay. Spot prices have eased by $1 to $2 for large shipments. This shift is attracting bulk buyers with no long-term contracts.

Sealey says a major fuel switch from oil to coal is unlikely. Some small power stations operate on coal or oil but most large plants burn one or the other and cannot be easily converted.

Another reason for pessimism over prices is that competition is the fiercest in several years. Colombia, for example, is becoming a major player. Australia produces better coal than SA, Sealey claims, and has also reduced prices and become a more reliable supplier.

A stock analyst says the shortage of a few years ago has evaporated. Supply and demand are balanced but fear events in the Gulf could lead to a worldwide recession that will dampen demand for both steam and metallurgical coal.

"Bear in mind that coal is sold fob and the buyer pays for transport. The higher oil price has already added about $1/t to the cost of freight. I believe that if the oil price remains high for some time, some people will start switching to coal, but not at the same rate as in the early Seventies when the stampede sent the price scrambling up."

Another analyst believes the oil price is merely making up lost ground. "When the spot price for coal fob Richards Bay bottomed at $25.50/t in mid-1987, the spot price for oil was $17/barrel, and moved up to only $18/barrel this year. By then the coal spot price fob Richards Bay had risen to $29.50/t."

"What we're seeing now is the reverse of that. Oil is moving up rapidly and, while the world market for steam coal is increasing by 3.5% to 4% a year, there's little movement in the price."

Meanwhile, work is well advanced on the R316m project to increase loading capacity at Richards Bay Coal Terminal from 44 Mt/year to 53 Mt/year. The terminal is now stretched to the limit. The port handled 45.7 Mt in the year to June 30.

Transnet business manager Jan Grobbelaar acknowledges that Railways cannot transport anywhere near 53 Mt/year now.

"The Ermelo-Richards Bay coal line was upgraded a few years ago, at a cost of R2bn to handle 65 Mt/year, but we can handle only 46 Mt/year with existing rolling stock."

"We should be able to handle 53 Mt/year and more within the next few years. Our Bloemfontein workshops are building 1200 jumbo trucks — that carry 84 t each — at a cost of nearly R150m. Delivery will start at the end of the year and continue for another two years."

Many trucks now used, which carry only 58 t each, will be taken out of service on the coal line and hand the longer trains comfortably because of greater braking power.

To solve that problem quickly, Railways will spend R42m on modifying 50 Class 7E locomotives so that they can handle longer trains on the long downhill. Six Class 7EIs can pull a 200-truck train but the combined braking power of 10 7EIs is needed to control the train going downhill. After they have been modified, seven 7EIs will be able to handle the longer trains.

Burger says the first modified 7EIs will be ready in 14 months. Waiting for new locomotives would have taken five years and they would have cost R5m each.

David Pienaar

EAST BLOC TRADE £IM 24/1/90

A carrot for Hungary

Pretoria granted Hungary a controversial concession this month when Budapest lifted all trade restrictions on SA and signed a trade agreement calling for the two countries to exchange permanent trade representatives. Hungary came away with this plum as its imports into SA will no longer be subject to the import surcharge other imports face.

Hungary's lifting of trade restrictions is "a milestone that will add impetus to the movement away from sanctions," says Trade & Industry Minister Kent Durr.

In defending the dropping of the surcharge — from claims it discriminates against other trading partners — he lists several factors.

- The agreement provides a spur-to-trade that will compensate for sanctions.
- The commitment to exchange trade representatives breaks the recession because it's a first in central Europe. The Hungarian representative is expected here soon.
- Hungary showed courage in persisting with developing relations in the face of outside pressure. It has now been vindicated by political developments in SA.
- All trade restrictions against SA are lifted.
- The surcharge was a ploy to apply sanctions, and was needed to protect the BoP, he argues. Because Hungary has lifted sanctions, it is logical this should coincide with the lifting of the surcharge on Hungarian goods.
- SA runs a trade surplus with Hungary and the aim is to develop a more balanced trade. "Foreign exchange and a balanced trade are essential to Hungary with its US$20bn foreign debt," he says.

Durr expects trade links with eastern Europe to assume greater importance. "We see a shift. A new industrial focus is forming in south-eastern Europe A Danube axis, ..."
MacPhail's turnover shows 54% increase

MACPHAIL, W & A Investment Corporation's coal distributing and marketing company, has posted a 54% rise in attributable earnings for the six months to end-June.

Attributable profits reached R8,4m (R1,6m), equivalent to earnings of 17c (12.5c) a share.

A dividend of 5.5c (4c) a share has been declared, up 37.5% and covered up to 1.1 times.

These results follow a 57% surge in earnings in the year to December, a period of organic growth.

It is believed that during the interim period certain depots were acquired to expand MacPhail's network. Turnover jumped 54% to R62.5m (R47m) and operating profit improved 32% to R4.7m (R3.5m).

With the tax rate at 43.9% (44.2%) and outside shareholders' interests at R20m (R18m), both little changed, earnings were up 38%.

CESid Weintraub says: "The balance sheet continues to show considerable strength. MacPhail is totally ungeared and had R7m of funds on deposit at the end of June."

He says given stable operating conditions, directors expect earnings to show a satisfactory increase for the full year to December.
Trans-Natal pushes up sales revenue

Cash balances of Gencor’s coal division, Trans-Natal, were hovering around R100m — representing 46% of the market capitalisation of the group — and exceeded interest bearing debt by more than R150m, chairman David Gilbertson said in his review of the year to end-June published today.

At the beginning of August the group reported a profit of R45,56m on the sale of coal (1989 R4.54m) on about the same tonnage sold, which translated into a 29.5% rise in sales revenue to R1.404bn.

Gilbertson said he expected the 1989 income after tax of R131,4m, more than double that of 1988, would be maintained during the 1991 financial year.

He said the major development in the market this year had been the production successes achieved by Australian producers as a result of productivity awards negotiated with their unions.

“We estimate that Australia’s steam-coal exports during this calendar year could exceed 90-million tons, a 10% increase on the previous year.”

This had led to a build-up of stocks, some of which were being sold at low prices to Taiwan and Korea.

In addition, SA, Chinese and Russian coal was still being offered on a quiet spot market and spot prices consequently had declined.

This situation might improve in coming months, Gilbertson said.

“Given ongoing dollar weakness and high oil prices, further price increases in the 1991 contracts still seem possible, though intense competition between SA suppliers remains an obstacle.”

He said at present SA coal continued to sell at prices that were on average $5 a ton less than that from other countries.

Trans-Natal’s capital expenditure programme could amount to about R36m over the next five years, he said.
Coal exports may offset cost of oil

ZILLA EFRAIT

The coal price will rise to new heights if international oil and gas prices continue to escalate, says an International survey on the effects of the Gulf crisis.

The survey, carried out by energy tariff analysis specialist National Utility Services which has an SA affiliate, also predicts that electricity prices will rise internationally on the back of higher oil costs.

While the survey does not address SA specifically, the implication is that SA export coal prices will benefit, possibly helping to offset to some extent the impact of higher oil prices on the BoP.

However coal consumers Sasol and Iscor do not expect to be affected by price rises. B1Dec 49/90

Icor public relations manager Piet du Plessis says Iscor uses coking coal, a different type of coal, and is to a large extent self-sufficient.

Sasol also says it is largely self-sufficient in its coal supply.

The critical factor will be Eskom’s pricing policy and whether coal mines increase local prices.
COAL LIGHTS UP

The 20% advance in JCI's dividend is the most favourable aspect of the 1990 results. Most of the major interests have already moved into a phase of weaker growth, or look set to do so soon.

Like most mining houses, the group is being affected by a more stable rand and weaker prices of export commodities, while the flagging SA economy is placing a clamp on the performance from local industrial interests.

With a smaller contribution from platinum — still the largest earnings source — the group's equity accounted earnings from mining activities were ahead by a marginal 2.8%. Income from gold was also down and that left the mining sector dependent on the better performances from diamonds, coal

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<th>OPERATIONS PERK UP</th>
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<td><strong>Year to June 30</strong></td>
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<tr>
<td>Investment income (Rm)</td>
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<td>Operating income (Rm)</td>
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<td>Other net revenue (Rm)</td>
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With attributable earnings up by 18.2%, the dividend cover was kept virtually intact to allow a 132c dividend. Capital expenditure commitments at year-end stood at R309m (R30m) and, given the earnings outlook, a significantly lower pace of dividend advance is probably in store for this year.

Andrew McAuley

and mining finance

In the industrial and property sector, the significant increase came from the industrial investments, which rose 23% thanks largely to Premier and Bovcon. These two investments are among the few major holdings that now look capable of producing reasonable growth this year.

Ferrochrome producer CMI is beset by overcapacity in its market and has already indicated short-term earnings will be negatively affected following its takeover of Purity Chrome (see page 105). Engineering group Lennings is being squeezed by setbacks in the mining industry and cost increases.

Attributable income from operating subsidiaries was sharper better with a 38% increase, largely reflecting the rise by more than two-thirds in coal earnings. This was due mainly to Tavistock's acquisition of a 40% stake in Middelburg coal mine, so that rate of advance is unlikely to be seen this year in the coal sector, which remains a relatively small part of JCI's income.
THE outlook for coal has improved with the growing possibility of sanctions being lifted and increasing awareness of coal as an energy source, say industry sources.

Share values of Amcoal and Trans-Natal hit annual highs in August. The surge in the crude oil price in the past few weeks as a result of the Gulf crisis, with the concomitant increase in fuel prices, appears to have improved the already good, long-term prospects for the coal sector.

However, Rand Mines deputy chairman Allen Stealey said it was sheer coincidience that the coal index had reached a high at the same time the Middle East conflict arose.

He said the conflict had had little effect on the market, which was suffering from an oversupply situation. "Negotiations for the long-term overseas contracts start in October, and hopefully the price will increase as a result of these negotiations," he said.

But Frankel Kruger Vonderme mining analyst Kevin Kartun said the oil crisis had focused attention on coal as an alternative to oil and that, in the long-term, the industry would follow the price trend of other energy producing products like oil.

He said there were enough power plants being built around the world to justify the strengthening of the coal market.

The JSE coal index, which is primarily weighted by Amcoal and Trans-Natal shares in the ratio 77:23, reached a pinnacle of 1 110 points on August 15, but then started to decline, ending lower at 1 089 on Friday.

An analyst said this was because the price of coal had not shown any marked improvement, rising to an average of $35 this week from an average of $32 at the same time last year.

Also, the index is largely determined by Amcoal's share price, which reached its high of 10 000c on August 21 and then began dropping, closing at 9 10c on Friday.

Trans-Natal reached its high of 1 275c on August 15, closing at 1 075c on Friday.

SA exported about 46-million tons of coal in 1988, but was competing against cheaper producers such as Australia, Colombia and Indonesia.

Analysts say the expansion of SA's export market is not viable at the present price of coal because of the capital outlays involved.

Should sanctions be dropped, the possibility of SA regaining its lost markets was good, particularly as SA, together with Australia, produced low sulphur coal which was environmentally more acceptable, Kartun said.
Mixed results for Cor Synd, Tweefontein

TWE-Lombo group companies, Tweefontein United Collieries and Coronation Syndicate (Cor Synd), have reported mixed results for the year ending September.

The bigger Tweefontein’s earnings are down only 5% but Cor Synd’s earnings have slipped by 20%.

Mining holding Tweefontein’s earnings were 87,4c a share (92c).

Its final dividend is down 5c to 30c, but total distribution is down only 1c to 87c.

Cor Synd’s earnings were 17,5c (23,5c) a share.

A lower final dividend of 2c (8c) was declared, bringing the total to 17c (25c).

Both companies are still reaping redemption income on their Zimbabwean bonds. In fact redemption proceeds make up the bulk of Cor Synd’s income.

Waverley deal is worth R40m

WAVERLEY Gold Mines has announced it has concluded a tribute agreement with Knights Gold Mining to treat a minimum of 50 000 tons of slimes a month.

Waverley’s attributable earnings in terms of the agreement should amount to approximately R40m over six years, based on a gold price of R30 000/kg.

Had the agreement been effective for the year ending March 1990, earnings a share would have increased from 1,06c to 4,11c.

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CIBG achieves its projection of R3,9m

CAPE TOWN — Newly structured and significant-
Sasol’s brave bid to lift secrecy lid

SASOL celebrates its ruby anniversary with a reasonable set of results for the year to June 1990, the proposed takeover of the other half of Sasol 3 and the possibility of a rights offer.

Turnover climbed by 23% to above R5-billion, pretax profit by 18% to R13.8-billion and earnings a share were up by a similar amount at 132.4c. The dividend grew by 13% to 58.5c.

Managing director Paul Kruger told little new in a presentation to the Investment Analysts Society this week. The tone had already been set by chairman Joe Stegmann, who said Sasol would not be able to answer too many questions. As one analyst said, the presentation won’t win the society’s prize for maximum disclosure, but given the circumstances Sasol at least tried.

Mr Kruger says Sasol 2 and 3 were affected by renewal maintenance, but the total production and increased capacity. Sasol will be able to serve SA requirements and increase polyethylene until the end of the decade.

Ethylene capacity was increased, and Sasol will be able to serve SA requirements for the manufacture of polyethylene until the end of the decade.

The collieries did well. More exports of coal and mining explosives return on investment in these divisions remains below satisfaction.

Framework

Paul Kruger

no

prizes for disclosure

should cost 141c/l at the coast and 190c/ml.

Mr Kruger does not see much scope for deregulation in the fuel industry, but foresees room for discussion about what the regulations should be.

Sasol has changed from the comprehensive to the partial method of accounting for deferred tax. Normal tax fell by more than R200-million to R234-million, and the deferred tax fell from R135-million to below R1-million.

This gave rise to an unduly large amount of R340-million, of which R230-million was transferred to the equalisation reserve. The balance made a 4c-a-share contribution to the bottom line.

Mr Kruger says Sasol’s gearing is only 5.9% and there is plenty of capacity to borrow up to 50% of Sasol shares. He insists that both parties can agree to terms for Sasol buying the Central Energy Fund's half of Sasol 3.

Sasol earned R75-million in dividends from Sasol 3, which earned R275-million compared with the previous year's R100-million. A purchase price has not yet been arrived at, but Mr Kruger does not discount the possibility of a small rights offer – a good time for it judging by the current high share price.

Sasol 2 is also being revamped and production is rising at Secunda. Collieries can produce more.

The expansion of Sasol's petrochemical activities will be the main source of growth in the 1990s.

Mr Stegmann says the benefit of Sasol to the nation increases when the oil price rises. At present, Sasol's indigenous production saves R4-billion a year in foreign currency.

Shots

Someone asked about the IDC's stake in Sasol. Mr Stegmann said that if the IDC sold, it must be through a rights offer. Although he would not speak for the IDC, he expected any such sale to be gradual.

Many will have left the presentation with the impression that Mr Stegmann does not speak for the IDC, and that he was the third managing director before being made chairman in 1987.

The shares are steady at 147c, a rand off their August high, but well above the 99c low of last October. The outlook is positive, but a higher oil price will not result in mega-profits for the company.
Local coal producers sitting in driver's seat

By Derek Tommey
The United States Bureau of Mines (USBM) wants to expand coal exports and has been carefully assessing the competition.

This has included an in-depth study of the South African coal industry, which local producers should find quietly satisfying.

The USBM found that South Africa was capable of selling its coal at lower prices than American producers in all the major markets — Japan, Europe and even the US Gulf Coast.

The activities of the USBM ran parallel with those of the Department of Energy, which is forecasting that the world coal trade will rise from 375 million tons in 1988 to 555 million tons in the year 2000.

But though the US is the world's second-biggest coal producer, with an output close to 660 million tons, the department expects American exports to rise by only 35 million tons between 1988 and 2000 to 123 million tons.

Encouraging news for local producers is that the department expects SA exports to rise by almost the same amount — by 32 million tons to 77 million tons.

The USBM's cost studies were based on the operations of nine Transvaal mines — six conventional mines and three surface mines, reports the UK Mining Journal.

Their costs were compared with those of seven underground mines and three surface mines.

The USBM found that at the time of the comparison in January 1989, when the rand was worth 42 US cents (now worth 38.7 US cents — a 9.2 percent depreciation), South African mines had a delivery cost in Japan ranging from $26.80 to $30.30 a ton.

US mines' costs ranged from $46 to $59 a ton. This gave the South African mines a minimum cost advantage of $3 a ton.

The study showed that the delivered cost of South African coal to Europe was $32 to $42 a ton, against $45 and $51 for US coal.

It also found that the delivered cost of South Africa coal to US Gulf ports ranged from $33 to $40 a ton, against $35 to $61 for US mines.

At present there are sanctions on the import of South African coal in the US.

But the South African industry is hopeful that these sanctions will be lifted, allowing producers to divert sales to the US and demand a better price for coal currently sold in other markets.

The USBM found that the South African mines had lower mine operating, land and tax costs, but also lower productivity.

In 1987 average productivity a man year in South Africa was 1,300 tons of saleable coal, compared with 5,016 tons in the US.

However, the higher productivity in US mines was more than offset by the large difference in labour costs, particularly in underground mines.

The bureau found that wage rates in the US mines were about eight times higher than those in South Africa and represented 46 percent to 56 percent of mine operating costs.
Broker outlines possible benefits of current affairs

A GRADUAL LIFTING OF SANCTIONS AND AN OIL CRISIS CAN
benefit a number of shares.

Broking firm HAB Herbat Inc. in its latest investment
bulletin, presents a selection of shares that can benefit
from these two factors in the short to long term.

Analyst Johan Marais says SA investors should accept
that the lifting of sanctions will not necessarily be an-
nounced with much fanfare. However, local companies
that are geared to the export market might quietly go
ahead and enjoy the benefits.

Amcoal and Witbank Colliery stand to gain in the short
term, while these two coal counters will be joined in the
medium and long term by Palamun, Samancor, Koeis, Vansa,
Plate Glass, Sunbop, Syph, Highseal Steel, Iscor
and Usko.

The current oil crisis can benefit Amcoa, Witbank
Colliery, Engen, Sasol and gold in the short term. In the
medium to long term Gencor should be added to the list.

Although Marais advises investors to continue taking a
cautious view of a fluctuating equity market, he says he
has a positive attitude towards the long-term prospects
of the gold price.

He says investors should maintain a healthy balance
between quality gold shares and marginals.

Recommended quality golds are Western Deep Levels,
Southvaal, Driefontein, Hartebeesfontein, Kloof, Deelk-
raal and Beatrix. Marginals recommended are Randfon-
tein, Loraine, Elsburg and Western Areas.

In the mining finance sector, in the short term Anglo
American should be considered, in the medium to long
term add Gencor, JCI, Minorco and Mid Wits.
The pits for SA coal

PRODUCTIVITY at SA's coal mines averages 1 880 tons of saleable coal a man-year — only a third of the American figure.

This is the finding of a study by the US Bureau of Mines. It is studying the potential of American coal producers to increase exports. Comparisons are made between America and the other major coal producer.

But productivity apart, SA's coal industry shows up well. Its fortunes have improved in the past two years — as shown by the graph of the JSE's coal-share index.

The survey is reviewed by the Mining Journal, which includes data about global coal production. America and SA rank second and sixth with production of 607 megatonnes (Mt) and 270Mt respectively. In terms of international trade, America is the world's second-largest supplier, with SA among the top dogs.

Most of SA's exports are steam coal and America ships coking coal.

The US Department of Mines forecasts demand for imported steam coal to rise from 3.8% in 1954 to 500Mt in the next 20 years, but expects a decline in coking-coal trade to 16Mt from 194Mt because of advances in steel-making technology.

America has large overcapacity in coal production. A port-dredging programme now under way could halve its transhipment capacity to 360Mt a year — the same as the forecast amount of steam-coal shipments by the end of the century.

In the comparison, data from nine, Transvaal mines are used. They are not named, but are six-room-and-pillar underground mines and three long-wall open-pit coalfields. Individual mine costs have been aggregated.

Seven American conventional longwall underground mines and three surface operations were examined.

SA mines have lower operating, land and tax costs, but lower productivity. American production averages 655 tons a man-year.

Similar

Higher productivity in America is more than offset by the large difference in labour costs, particularly in underground mines.

The bureau finds that labour wage rates average 117% higher in the US and range between 40% and 145% of operating costs.

All SA coal is privately mined and 80Mt a year — well over half — comes from 11 very large collieries of over more than 100 mines, the smallest 20 jointly chipped in below 1%. Capital costs are similar as are those for equipment and supplies.

SA mines have lower land costs because most operators own and do not pay royalties. In some cases, minerals rights and land purchase costs are part of the capital cost. US land costs can be as much as $3.50 a ton.

SA scores again in terms of lower regulatory compliance costs. There is a small levy for a pneumonoconiosis fund, but Americans have to pay for state severance, black lung and abandoned mine reclamation.

The chief study year was 1986 when SA produced coal worth $30 billion and exported 1.7 million. The US produced coal worth $22 billion from 187,000 employees.

The study compares the relative competitiveness of similar-quality steam coals from America and SA in the three markets.

Japan, Europe and the US Gulf coast.

Vital

The delivered cost of coal to Japan was between $38 and $50 a ton. The US delivered total was between $29 and $55, giving SA a minimum cost advantage of $12 a ton.

The study earns sa coal sales. It shows that SA can deliver coal to the US Gulf coast more cheaply than some American mines.

Railway

American mines ship all their tonnage by internal routes. Barge shipping is unable to compete with low-ocean freight costs.

The study concludes that many of SA's large new mines were developed primarily to export coal. Their shallow depth, modern equipment and low labour charges result in mining costs much lower than the typical older and smaller pits.

The purpose-built railway line to Richards Bay beats the American rail system which services a variety of industries.

Rainfall distances in America are 24 to three times higher than in SA.
Taking care of resources at power stations

Coal is the most vital of commodities for any power station, and stringent measures must be taken to ensure that it is used with care.

Eskom is proud of the fact it uses low-grade coals and is thus "conserving the nation's resources". However, the disadvantage is that this produces large amounts of ash.

Eskom's Lethabo power station generates about six million tons of ash each year. The station's electro-static precipitators remove 99 percent of the ash from the fine gases going through the smoke stack.

At Lethabo, Eskom returns most of the ash to the open cast mine where the coal originated. There it is used to cover the original top soil and re-established as valuable farming land.

At the same time Eskom is anxious to put the ash to some commercial use and about 10,000 tons is sold each month. Most is used as a cement extender.

Eskom communications services manager Andre van Heerden says Lethabo is probably the only power station in the world which has built an office complex with all the necessary ablution facilities, on top of an ash disposal site. In addition, the building materials used, the concrete foundation and flooring, bricks and plaster, all contain the maximum amounts of ash usable.

To beautify the area, a man-made lake is being built on the ash. This lake will be completed by the end of the year and Eskom believes it is another first in the world.
Oppenheimer

The issue of personal
judgment in the selection of
project managers is not
an easy one. The need for
a balance between the
interests of the project
and the qualifications of
the manager is clear. In
this case, the decision
was made based on the
manager's experience in
similar projects and
their ability to handle
complex issues effectively.

Reasons

The reasons for the
decision were:

1. The project manager's
experience in similar
projects.
2. Their ability to handle
complex issues effectively.
3. The importance of
maintaining the project's
progress.

The decision was made
after careful consideration
of all available options.

Capital

Understanding the
financial aspects of
project management is
crucial for ensuring
the project's success.
A detailed budget was
prepared to cover all
expenses related to the
project, including labor,
materials, and equipment.

The budget was
monitored closely to
ensure that all expenses
were kept within the
allocated limits.

Sanctions cost 5000

The implementation of
sanctions is a critical
step in enforcing compliance
with rules and regulations.
A comprehensive plan
was developed to monitor
compliance and ensure
that all parties involved
are aware of the
consequences of non-compliance.
SA's share of the world coal market will drop in future because coal prices are not likely to reach a level which will justify increased production.

This was the conclusion reached by JCI executive director and chairman of the group's coal and base metals division Michael Hawarden in a speech to the Coaltrans'89 conference in Brussels yesterday.

In 1989, SA's share of the steam and coking sectors of the world seaborne coal trade was 27% and 2% respectively — or 14,6% of total seaborne trade.

Hawarden said export tonnages would have to almost double to 81 million tons per annum (mta) by the year 2010 from its present 44 mtpa if SA was to retain its share of world coal markets. To maintain market share, exports would have to reach 55 mtpa in 1995, 64 mtpa in 2000, 74 mtpa in 2005 and 84 mtpa in 2010.

But Hawarden said while achieving 84 mtpa was possible, 64 mtpa was an unlikely achievement.

A Minerals Bureau spokesman said the average export price of coal was about $12 a ton.

Hawarden said: "As far as 64 mtpa of SA coal exports is concerned, it is a physically possible but commercially improbable achievement. The likelihood is rather that, taking account of new coal production, the inherent strength of the major producers, competing energy sources and the threats to carbon-based fuels, SA's coal exports will peak at about 64 mtpa before eventually declining."

He disclosed that decisions to expand mine and terminal capacity to 55 mtpa were being taken.

Meanwhile, NUM general secretary Cyril Ramaphosa, in his address to the same conference yesterday, said sanctions against SA's coal exports and other products should be maintained until there was irreversible change in SA. He was optimistic it could happen soon.

He criticised SA for continued discrimination.

Asked if a future ANC-led government would nationalise coal mines, Ramaphosa said nationalisation was just one option for redistributing wealth in SA.
The ability of SA to keep its share of the world coal market and expand exports above the present level of 64 million tons a year has to be seen in the context of the investment needed for a series of incremental increases in production.

Last year SA's share of the steam and coking sectors of seaborne coal trade was 27% and 2%, respectively, or 14.6% of total seaborne trade. If this market share is to be retained, SA's coal exports would have to reach 85 million tons per annum (mtpa) in 1993, 110 mtpa in 2000, and 140 mtpa in 2010. It is probable — but by no means certain — that the expansion of coal exports to 85 mtpa and the replacement of existing export reserves can be achieved largely through extensions of existing mines, or "greenfield" operations.

Beyond 85 mtpa however, entirely new "greenfield" mines will be needed. These will have to be further developed from traditional, well-supported districts like Witbank, more difficult mining conditions and thinner seams will have to be tolerated, and poorer raw coal grades will result in declining yields.

The mines required to support SA coal exports of more than 85 mtpa will ideally be large (greater than 4 mtpa), but not necessarily operational. New, expensive projects with high capital costs are required to push output. The RBCT is a case in point. The expansion of RBCT is seen as a primary driver for South Africa's coal exports. The RBCT board has approved a programme to increase its operational capacity to 140 mtpa by 1995.

One of the key factors that will determine the success of the RBCT expansion is infrastructure development. The RBCT expansion will require a new export terminal, which will have to be built to international specifications. The terminal will have to be able to handle 100mtpa of coal, which is estimated to be 1,500 t/h.

The RBCT expansion will also require new infrastructure to support its operations. This includes new rail lines, power stations, and port facilities. The new rail lines will be required to transport the increased coal production from the RBCT to the export terminal. The power stations will be required to supply the increased electricity demand associated with the RBCT expansion.

The new port facilities will be required to handle the increased coal exports. The current port facilities are only capable of handling 10mtpa of coal, which is insufficient for the RBCT expansion. The new port facilities will have to be able to handle 100mtpa of coal.

In addition to the new infrastructure development, the RBCT expansion will require new technology and equipment. This includes new coal handling equipment, new power generation equipment, and new rail equipment.

The RBCT expansion will also require new personnel. The RBCT will require additional personnel to operate the new facilities and equipment. This includes new coal handling operators, power generation operators, and rail operators.

The RBCT expansion will also require new training programs. The RBCT will require new training programs to train the additional personnel required for the new facilities and equipment.

In conclusion, the RBCT expansion is a key factor in determining the success of SA coal exports. The expansion will require new infrastructure development, new technology and equipment, and new personnel. The RBCT expansion is a major investment that will require significant resources. The RBCT expansion is a significant investment that will require significant resources.

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The next phase (53 to 64mtpa) is possible, but less likely in that a price exceeding $40 a tonne is unlikely to sustain for the next decade. If one is to believe the forecasts of readily accessible resources to be mined and placed on the market by emerging producers, this phase is possible. Expansion by SA to 85 mtpa in the next 20 years is even less likely, requiring prices of about $40 a tonne — unless of course, other producers are constrained by similar rising costs in which event the economics of the world steam coal trade could change dramatically.

If this is not the case, then only concludes that SA's market share in the longer term will be captured increasingly by other suppliers (such as the US) which have large production capacity and infrastructure in place, and where additional coal can be produced at marginal cost.

As the SA economy is currently structured, it is unlikely that any new investment will be made if it does not render an acceptable return. The outcome then may well be a move to 53 to 64 mtpa and subsequently to 85 mtpa, at which level profits will be sufficient to retain market share. This latter level could be attained by the year 2000 at the soonest.

As far as 85 mtpa of SA coal exports is concerned, it is physically possible but economically unachievable. The likelihood is rather, that taking account of new coal production and the strength of the major producers, competing energy sources and threats to carbon-based fuels, SA's coal exports will peak at about 64 mtpa before eventually declining.

In the absence of a fundamental structural change in the energy mix in the Western world, namely, the emergence of the new world power supply — which is significant and permanent — there is no reason to believe that the current high prices will continue. In the presence of alternative fuels — the target of 85 mtpa is likely to remain a pipe dream.

Hawarder is chairman of JCI's coal and base metals division and chairman of the committee on the status of the Chamber of Mines. This is an edited extract from his address to the Outram 95 conference in Brunsbuit yesterday.
R275m loan to help boost coal exports

A R275m loan agreement has been reached between Nedbank and Richards Bay Coal Terminal (RBCT) to finance the upgrading of RBCT's coal export capacity from 44 million tons to 80 million tons a year, Nedbank said yesterday. 6/10a 12/10a

This follows RBCT's invitation to major financial institutions for funding tenders. The project involves mainly the funding of an additional tippler, a stacker reclaimer and associated conveyors, and additional stockyard capacity at Richards Bay. Nedbank has made the loan available for 15 years from the date of completion of the project, planned for December 1991.

"This is a longer than average term for this kind of project financing. The transaction has been structured as a multi-instrument facility with unique options designed to provide RBCT with maximum flexibility and to minimise cost and interest rate risk exposure," Nedbank executive GM, corporate division, Mike Leeming said.

The bank had reason to be optimistic about the industry because of its long association with coal exporters and of positive feedback from international markets.

"We believe our country needs to increase its export volumes in order to generate foreign exchange. Nedbank, therefore, views its role in export-related financing as important in the development of a new SA," Leeming said.
Coal sales up but shipping delays hit Witbank profits

Shipping delays at Richards Bay were the principal reason for Witbank Colliery's 13% after-tax profit drop in the September quarter, deputy chairman Allen Cook said last night.

However, he believed the shortfall should be made good in the present quarter as tonnages, held up at the harbour, were shipped.

Coal sales for the company in fact rose to 8,25 million tons from the June quarter's 5,97 million tons because of stronger domestic demand.

Eskom increased its burning rate at the Duvha and Kendal power stations, and this countered lower demand elsewhere.

The net result was a lower average price a ton of coal, with the quarter's pre-tax working profit dropping to R55,2m from the June quarter's R73,5m.

Reported capital expenditure increased markedly in the September quarter to R48,7m from June's R18m.

Responsible for this were development projects at Khatuli, Douglas and the Van Dyks Drift north shaft project.

However, the larger figure included expenditure in previous periods but paid in the September quarter, Cooke said.

The final dividend was increased by 15c to 35c, which, with the interim payment of 210c, raises the total dividend for the year to 600c from 1989's 35c.
Thrust by Southwits expands reserves

AN EXPLORATION thrust has been listed Southern Witwatersrand Exploration Company (Southwits) expand its reserves of high quality export coal, chrome and gold during the past six months.

The company has also been successful in developing its prospects to generate revenues which are crucial to maintaining its long-term viability as an exploration company.

According to Southwits's interim report, the outlook for its Southplats venture area — which is undergoing a detailed mine feasibility study — is extremely promising. The report discloses that a feasibility study of its Middelburg coal deposit has proved 10-million in situ tons of high grade coal to a depth of 30 metres. Southwits has expanded its mineral rights holdings in its Brits Chrome Venture area. This means the company has now doubled its economically exploitable reserves on the MGI chromeite layer to about 16-million tons.
Encouraging coal study reported by Southwits

By Derek Tomney

Southwits says that a detailed feasibility study on coal deposits held by its subsidiary, Middelburg Coal, have produced encouraging results. Some 10 million tons of export coal has been proved down to a depth of 50 metres and the company is considering the best ways to exploit this coal, says Southwits in its quarterly report.

Its subsidiary, Southplats, reports that the detailed geological exploration, metallurgical testwork and process plant design on the orebody of the large south-west anomaly is on schedule and the outlook remains favourable.

Southplats was listed on the JSE on July 5 after raising R5 million for the exploration work.

GOLD ASSAY

At Southmurch, in which Southwits has a 49.5 percent stake, a geological study has confirmed the existence of a partial duplication and extension of the La France ore body.

Gold assays exceeding 7 g/t over 3 metres have been proved. Additional possible reserves are thought to be significant.
Coal miners strike over race policies

By Shareen Singh

Coal miners at Genmin’s Matla Colliery in the Eastern Transvaal downed tools yesterday demanding an end to racial discrimination at the mine, a union spokesman said.

Jerry Majatladi, spokesman for the National Union of Mineworkers (NUM), said 1 300 workers stopped work yesterday morning at Shaft 2 and 3. Later a further 600 from Shaft 1 joined them.

A Genmin spokesman said about 350 workers were on an illegal strike.

About three weeks ago workers went on a defiance campaign by using change rooms which they claim were reserved for whites only.

Management at Matla Colliery instituted disciplinary action against 40 workers who participated in this campaign, the union said.

Workers then downed tools demanding an end to racial discrimination and the withdrawal of the disciplinary action against their colleagues.
Inquest No 2
fails to name
De’Ath killers

Staff Reporter

THE second inquest on International Television Network (ITN) cameraman George De’Ath, who died after an attack in KTC in 1966, has failed to establish the identity of his killers.

An inquest court heard yesterday that Andile Fosi, the sound engineer with Mr De’Ath, was unable to recognise anyone on a videotape taken just before the attack.

Mr Les Rose-Innes, counsel for the De’Ath family, said the Attorney-General had to decide whether the police should reopen their investigation.

WITDOEKE

According to magistrate Mr W J M Marais the evidence available did not expose the killers and the court had to revert to Mr Fosi’s oral evidence.

Mr Fosi told the court earlier that he and Mr De’Ath were attacked by a group of Witdoeke. He described one as a short, dark-complexioned Xhosa-speaking man in his early thirties, with a moustache.

Mr Fosi knew he was a Witdoek because of his headgear and white armband.

Another assailant was “huge and tall with big eyes and short hair”.

Mr De’Ath died of cardiac arrest on June 14 1966 after being wounded in the head with a paanga in KTC four days earlier.

According evidence given in 1967, a videotape filmed by Mr De’Ath moments before he was wounded was edited before police handed it back to ITN.

Mr Marais said the attackers were probably among the Witdoeke group. However, a group per se could not be held responsible.

A crime had definitely been committed and the matter would again be referred to the Attorney-General.

The aggrieved party could also make a request to the Attorney-General.

It was possible that the police transgressed when the video was cut and the Attorney-General had to decide whether anyone in the police force should be prosecuted.

Mrs S J Smith appeared for the State.
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Delays on coal contracts put Frigate into the red

(215)  PETER GALLI  31/10/90

MINING group Frigate, whose shares were suspended on the JSE in June and reinstated in July due to a short-term liquidity problem, has posted an operating loss of R4,6m in the period to end-June compared with the previous operating profit of R2,8m.

CE Mike Stanley said this loss was due to the delay in a large coal supply contract for which two new open-cast mines and one underground section were developed.

Also, unforeseen technical problems related to coal quality during the commissioning of these mines, and the lower than budgeted demand on both the domestic and export markets, had had an impact.

This resulted in one coal mine being put on a care and maintenance basis and other mines operating below capacity. However, Stanley said that while coal sales for the half-year remained static in real terms, contract mining activities continued to perform satisfactorily.

Furthermore, the group has entered into a distribution agreement with a major coal trader which will increase market penetration, he said.

Industry sources believe the agreement is with Macphail but Stanley refused to comment.

He said the agreement was for the distribution of all the coal produced by the group except for that subject to existing contracts. "The agreement is very positive for the growth of the group," he said.

He added that while these steps would reduce the loss for the second half of 1990, the major impact would only be felt in 1991.

On top of the operating loss were finance costs of R2,6m, which resulted in an after-tax loss of R7,3m compared with a profit of R97 000 last year. This translated into a loss per share of 22c from earnings of 2c per share last year.
Frigate in rough passage

The Frigate Group, which came to the market a year ago, reflected an operating loss of R4.5 million in its maiden interim report for the six months to June.

This compares with an operating profit of R2.6 million in the same period last year.

The loss occurred in spite of 39 percent increase in turnover from R27 million to R37.6 million.

The operating loss for the six months, together with finance charges of R2.8 million (R2.1 million previously), took the bottom line loss to R7.3 million, equivalent to 22 cents a share, against after-tax profits of R497 000 (two cents a share) in the first half last year.

No interim dividend has been declared.—Sapa.
Clashes at JCI colliery as thousands down tools

By Brendan Templeton

Five collieries have been hit by industrial action involving two work stoppages and a continuing mass strike over the past two days.

About 800 miners at JCI’s Phoenix colliery held a brief work stoppage yesterday after clashing with police and mine security, the National Union of Mineworkers (NUM) said yesterday.

Higher wages

Several workers were injured, one of them critically.

Another 1 500 ended a work stoppage at Blinkpan Colliery, Witbank, after an agreement with the mine to end racial discrimination.

And 5 100 miners at Iscor collieries at Thabazimbi, Sishen and Grootegeluk were continuing their 15-day strike for higher wages.

Industrial action on the collieries seems set to continue, with union attention diverted from gold mines due to the low gold price.

Bugging devices were found at union meetings at Sishen and Grootegeluk mines, the NUM said.

It claimed this formed part of an intimidation campaign by management to break the strike.

Management denied the intimidation campaign and said bugging was contrary to company regulations.

All allegations would be investigated with the union’s involvement, management said.

The clash at Phoenix occurred after security police tried to arrest a miner but were prevented by other workers from leaving with him until they explained what had happened to a worker who was detained last month.

Mine security was called in and teargas and rubber bullets were used to disperse workers.

Management denied the allegations and said an investigation was taking place in accordance with an agreement with workers. It was not prepared to discuss the issue further.

Tension was running high, with police vehicles patrolling the mine. Management needed to explain “the regular disappearance” of workers from hostels, the NUM said.

Desegregate

The Blinkpan breakthrough came after management agreed, during a meeting with the NUM, to desegregate buses.

Workers in non-essential services downed tools for the duration of the meeting.

Defiance against racially segregated facilities such as change rooms was spreading to other Gemin collieries, the union said.
R900m to boost Amcoal's output

ANGLO American Corporation's coal mining subsidiary Amcoal will spend R900m over the next three years to increase production primarily for export through the Richards Bay coal terminal.

The 4.8-million ton expansion would be financed by existing cash reserves and expected future cash flows, a spokesman said yesterday. Amcoal had cash resources of R106m as March 31 this year, its annual report said.

The company yesterday reported interim attributable earnings for the six months to end-September up by 6.5% to R125.4m (R129.4m) and declared a dividend of 13c a share, an increase of 10.4% over the 12c a share declared last year.

Although interim operating profits dropped by 18% to R192.7m (R241.8m), mainly because of lower export tonnages, a stronger rand dollar exchange rate, and increased unit working costs, this was offset by a R55.1% increase to R70.5m (R45.3m) in interest and investment income and a reduction in taxation, the spokesman said.

The 4.8-million tons a year expansion involved the development of the Kromdraai opencast operation and the expansion of the Kleinkopje operation, at the SA Coal Estates (SACE) complex, at a capital cost of R865m.

Kromdraai would contribute 3-million tons a year with the "coal, processed through a new plant at the site of the old..."}

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Amcoal 8 [Page 2] From Page 1

Navigation colliery. A further 300,000 tons a year would be sourced from the expanded Kleinkopje colliery.

Kleinkopje and Landau collieries, which feed SACE, produced 6.32-million tons in the year to March 31. The development of Kromdraai and expansion of Kleinkopje would also replace depleted capacity at Landau, the spokesman said.

The remaining R46m of the R900m would be spent on expanding operations at Goede hoop colliery to produce a further 700,000 tons.

The spokesman said while some of the incremental tonnages from Goede hoop would be produced in 1991, the main projects at Kromdraai and Kleinkopje would be commissioned in 1992.

Amcoal chairman Graham Boustead said yesterday while it was difficult to make forecasts in "today's uncertain environment", it was expected that the Richards Bay Coal Terminal would reach the 53-million tons a year export capacity in 1995.

Commenting on Amcoal's prospects for the second half of the year, Boustead said earnings would be similar to those for the first six months, assuming a largely unchanged rand dollar exchange rate.
Trans-Natal forced to close one of its collieries

ONE of Trans-Natal Coal Corporation's collieries will close and another will face substantial cutbacks in production as a result of Escom's decision to mothball its Camden and Komati power stations.

In a statement last night, Trans-Natal's managing director Mike Salamon said the affected mines were Usutu Colliery, near Ermelo, and Koornfontein Mines, near Middelburg.

It had not been possible to determine finally what the impact would be on the staff of Koornfontein because of the complexity of its operations, Mr Salamon said.

At Usutu, the closure of the colliery was likely to lead to the loss of some 500 jobs.

"Trans-Natal will immediately commence negotiations regarding Escom's contractual obligation to the Group," Mr Salamon said. -- Sapa.
Coal interests buoy Rand Mines results

RAND Mines' expanded coal interests salvaged the group's year-end results on the face of lower metal and minerals prices.

Results announced today showed attributable profit increased 4.7% to R210,4m (1989: R206,3m) but earnings a share were down to 1.99c from 2.02c because of an increased number of shares in issue following the 33-for-100 rights issue in December 1989, which raised R78m.

The final dividend a share has been maintained at 44c bringing the total for an unchanged 56c a share.

Chairman Danny Watt said yesterday there was no doubt the group was dependent on its coal interests, "and will be for some years to come".

Coal's contribution to group profits probably exceeded 70%, compared with 83% in the 1989 financial year, a company spokesman said yesterday.

"Considering the tough trading conditions in the metal and minerals markets, the firm rand, domestic inflation and the widespread labour problems we have faced along with the rest of the mining industry, these results are satisfactory," Watt said.

The market yesterday expected poor results and outlook for the group. The share price dropped 10.6% on 58c to 77c.

Rand Mines

Increased coal revenues from the acquisition of an additional 49% of the Middelburg Joint Venture from UK energy giant BP, which took the group's stake to 85%, pushed up total turnover by 24% to R1,78bn.

But working profit was only marginally up at R49,9m (R46,8m) reflecting the severe pressure on margins, particularly in base mineral and gold recovery operations, the spokesman said.

Investment income rose 21% to R59,4m in line with increased portfolio sales and investment of rights issue funds. Bearing in mind the rate of expansion of the group's coal interests, the two platinum rights issues, and the further loan to the ERPM, marginal gold mints, these funds might be substantially reduced by now.

The spokesman said the interest burden — up 35% to R88m — was heavy as a result of the loan raised for the Middelburg acquisition as well as the high interest rates which prevailed.

The group made a below the line provision of R70m for preference shares held in ERPM. This was a conservative move but consistent with group policy adopted last year when the investment in ERPM ordinary shares was written off.

Turning to the group's other interests, he said the contribution from gold operations was well down for the year, taking into account the continued low rand gold price, spiralling production costs and continuing labour problems.

"However, the difficulties facing gold producers are not confined to Rand Mines. They are industry-wide," he said.
Coal interests boost Rand Mines profits

JOHANNESBURG. — The expanded coal interests of the Rand Mines Group boosted attributable profits by 5% from R218.3m to R230.4m for the year ended September.

Financial results released yesterday point out that because of the increased number of shares in issue following the rights issue in December 1988, the earnings a share for the year are down from 1.92c to 1.59c.

The final dividend has been maintained at 44c, making an unchanged 56c for the year on a reduced cover of 2.8 (3.4).

Group turnover for the year rose by 24% from R1.4bn to R1.7bn as a result of increased coal revenues.

In spite of higher turnover, working profit was only marginally up from R390.8m to R400.5m, reflecting a severe pressure on margins, particularly in base mineral and gold recovery operations.

Investment income increased by 21% from R92.1m to R99.8m in line with increased portfolio sales and investment of rights issue funds.

Sapa
In the past, coal companies have been able to increase profits by focusing on high-margin contracts. However, the recent downturn in the coal market has led to significant losses for many companies. Some have been forced to cut costs and reduce production. Despite these challenges, coal companies continue to invest in new technologies and infrastructure to maintain their market position.

**Graph:**


**By Derek Farnley**

Coal prices have declined significantly in the last few years, with a downwards trend visible in the graph. This has led to a decrease in the profitability of coal companies, affecting their stock prices. The situation suggests that coal companies need to adapt to the changing market conditions to remain competitive.

**Recommendations:**

- Diversify investments to reduce exposure to the coal market.
- Invest in new technologies and infrastructure to maintain market position.
- Focus on high-margin contracts to increase profitability.

**Examiner:**

Coal interests are an important part of the South African economy, and companies should continue to invest in new technologies and infrastructure to maintain their competitive position. However, the recent downturn in the coal market has led to significant losses for many companies. Some have been forced to cut costs and reduce production. Despite these challenges, coal companies continue to invest in new technologies and infrastructure to maintain their market position.
Wit Cols saves Rand Mines group results

REVENUE of Witbank Colliery Group, Rand Mines' coal mining arm, exceeded the R1bn mark for the first time in the financial year to September 30 when its revenue rose by 18.2% to R1.1bn.

But net profit increased only 18.2% to R192mn because of higher interest paid on loans to finance the acquisition of Middelburg Mines. The acquisition, which boosted export volumes, was the main reason for the increase in revenue to R1.1bn from R785.5mn.

Witbank's contribution to the Rand Mines' overall results, estimated at between 60% and 70% by chairman Danny Watt, salvaged the group's overall results, which were published last week.

The coal arm's dividend rate by 50c to 60c a share.

Witbank chairman Allen Sealey said yesterday other reasons for the jump in revenue were higher average export prices, a weaker rand/dollar exchange rate, a full year's contribution for the first time from Majuba Colliery, and increased prices on the inland market.

Working costs per ton mined increased 18.3%.

Capex, which includes the cost of the acquisition of a further 48.5% of Middelburg, totalled R633.5mn for the year (1989: R168.4mn).

Sealey said it was necessary for the group to obtain medium-term loan facilities and at the end of the year borrowings from this source were R176mn compared with a cash balance of R88mn in 1989.

He did not expect that there would be any material change in the level of exports in the year ahead.
'Genmin looks to Poland'

LONDON — General Mining, owned by Gencor, is interested in investing in Polish coal mining, claims a report in Coal Monitor, published by the Dutch anti-apartheid group World Shipping Bureau.

However, last night Gencor’s Trans-Natal Coal Corporation chairman Brian Gilbertson denied the report, saying the group would be more interested in imports to Poland.

The report says cooperation between SA and Poland seems to go far beyond the contract between Iscor and Poland’s Wegielokos coal export agency.

"According to this contract Iscor will import Polish met (metallurgical) coal unavailable in SA."

The report says negotiations were concluded between Wegielokos and an SA delegation headed by Iscor senior GM B C Alberta in July.

The contracts indicated that SA was aiming at a "long-term supply of Polish met coal for Iscor and, in return, SA capital is expected to assist Poland to modernise."

"Apparently, the SA team also included officials of General Mining . . . which is interested in investments in Polish coal mining."

Coal Monitor said although the talks had been of a tentative nature, it was likely Iscor was "seeking a secure supply base".
Amoco is planning a $600 million drive to expand its refinery capacity and increase its crude oil refinery capacity by 15%. This expansion will increase the company's refinery capacity to 15,000 barrels per day, up from 10,000 barrels per day.

Amoco's refinery expansion will be completed by the end of the year, and the company expects to see a significant increase in production as a result. The expansion is expected to increase the company's refinery capacity by 50%, allowing it to process more crude oil and increase its output of refined products.

Amoco's refinery expansion is part of the company's overall strategy to increase its production capacity and meet growing demand for refined products. The company is also investing in new technology and infrastructure to improve efficiency and reduce costs, which will help it to remain competitive in the marketplace.

The company's refinery expansion is expected to create new jobs and contribute to the local economy, and it is seen as a positive development for the area. Amoco is committed to working with local communities to ensure that the expansion is carried out in a responsible and sustainable manner, and the company is already engaged in discussions with local authorities and community groups to address any concerns that may arise.

Overall, Amoco's refinery expansion is viewed as a positive development for the company and the local economy, and it is expected to contribute to the company's long-term success and growth.
WITBANK COLLIERS F(1/4) 2/3/1990
FUNDING BURDEN 2/15

Given the high cost of new mining capacity — Amcoal’s will cost about R210/t — there is much to be said for buying new export tonnage through acquisitions. Viewed that way, Witbank Collieries (Witcolls) has not done badly out of last year’s deal with BP Southern Africa.

Its wholly owned Douglas Colliery acquired for R546m the 88,5% it did not already own in the Middelburg Mine Joint Venture. Douglas then sold a 40% participation interest in Middelburg Mine, with other associated coal interests, to Tavstock Collieries and JCI. Both parties contributed additional coal reserves to an enlarged Middelburg Joint Venture.

COMPAANIES

F(1/4) 2/3/11 90 (2/15)
Activities: Produces and markets coal for Escom, domestic and export markets
Controls: Rand Mines 71%
Chairman: A A Sesley, MD N Zelezko
Capital structure: 7,6m 6% Market capitalisation: R526m
Share markets: Price 0 950c: Yields 6.8% on dividend, 27.3% on earnings, p/e ratio 3.7, cover 4.1 12-month high, 9 800c, low, 8 900c, trading volume last quarter, 9 386 shares

Year to Sept 90
Coal sales (Mt) 19,5 19,0 19,9 22,2
Turnover (Rm) 498 543 796 1,087
Working profit (Rm) 88 74 174 240
Earnings (c) 1 005 823 2 089 2,469
Dividends (c) 400 380 550 600

Middelburg, said to be one of SA’s lowest-cost export operations, produces about 5,5 Mt/year. The cost of Witcolls’ net additional share in this capacity — amounting to 2,67 Mt or 48.5% — totalled R341m, or about R128/t.

The capital outlay is much lower than the cost of new greenfield capacity, and generates cash flow immediately. Total capital in financial 1990 was R464m. This includes R69m incurred at Khutula and Majuba — two new projects for Eskom — and R24m at Douglas, which is expanding export capacity.

However, the funding cost of laying out the Middelburg purchase price as an upfront investment rather than developing new mining capacity over several years is considerable. The balance sheet shows a sharp deterioration in cash flow. If earnings are not to suffer long-term liabilities have jumped from R344m to R616m, cash has dwindled from R67m to R5,6m, and the net interest bill climbed from R8,4m to R48m.

Spending will continue, though at lower levels than last year. Douglas Colliery is busy with three capital projects to ensure the production and beneficiation capacity is available to enable use of the full allocation in the expanded Richards Bay Coal Terminal. Total costs to commissioning will be R616m, of which about a third has been spent.

Just over half last year’s sales were to Escom (see table) Witcolls may prove less vulnerable than its competitors to cutbacks induced by the continuing slowdown in electricity sales. However, offsets at the Durha mine fell last year by 244 000t. On the other hand, Khutula mine’s production rate in

100 • FINANCIAL MAIL • NOVEMBER 23, 1990

EXPORING MORE

Coal sales (Mt)

<table>
<thead>
<tr>
<th>Year</th>
<th>1990</th>
<th>1990</th>
</tr>
</thead>
<tbody>
<tr>
<td>Export</td>
<td>8,70</td>
<td>7,89</td>
</tr>
<tr>
<td>Inland</td>
<td>3,06</td>
<td>3,06</td>
</tr>
<tr>
<td>Eskom</td>
<td>11,10</td>
<td>11,30</td>
</tr>
<tr>
<td>Total</td>
<td>12,86</td>
<td>22,24</td>
</tr>
</tbody>
</table>

Witcolls is also facing production problems. Welgedacht, a high-cost producer, has swung from being marginally profitable in 1989 to a R9m loss in 1990. The mine is being critically examined with a view to a rationalisation programme to restore profitability.

Another problem is working costs, which last year again outpaced the inflation rate. A significant factor in fueling costs is the change in the proportion of coal mined for the export market. Fuel price increases will boost costs further this year.

With the cost outlook, and a stable currency forecast (and, perhaps, higher finance charges), Sealey sees a reduction in profit is likely in 1991. The 6,6% yield on the tightly

Witbank Colliery’s Sealey — market remains likely

creased to more than 200 000t/month to accommodate the build-up at the Kendal power station’s generating capacity; the mine’s output rate will double by April 1991.

Chairman Allen Sealey says the international market for steel coal remains lacklustre but “demand continues to grow moderately from year to year and medium-term prospects are positive.” Short-term, an oversupply may persist, causing prices to continue to weaken. Sealey says immediate effects of the Middle East crisis are more likely to depress global economic conditions than be positive for coal demand and prices.
TRANS-NATAL 23/11/90

HOME MARKETS HURTING

Activities: Produces and markets coal for Eskom, domestic and export markets
Control: Gencor 42%
Chairman: B P Gilbertson, MD: M Salomon
Capital structure: 70.5m ords and 8.2m comp cons 12.7% debks Market capitalisation R793m
Share markets Price: 1.128c. Yields 5.3% on dividend, 14.7% on earnings, p/e ratio 6.8, cover 2.8 12-month high, 1.30c, low, 7.50c
Trading volume last quarter, 1.2m shares
Year to June 90 '89 '88 '87 '86 '85
Coal sales (Mt) 32.2 33.8 30.2 30.3
Trading income (Rm) 224 60 137 259
Attrib income (Rm) 77 (23) 84 131
Earnings (c) 88.0 64.0 76.4 165.5
Dividends (c) 60.0 — 30.0 60.0

Eskom’s latest cutbacks emphasise the contrast between the domestic and export markets for coal.

Trans-Natal plans to spend about R1bn over the next five years, aimed largely at ensuring capacity is available for the group’s increased export allocation through Richards Bay Coal Terminal (RBCT), where capacity is being expanded from 44 Mt/year to 53 Mt by 1995 (Fox November 16). Once RBCT has been expanded, Trans-Natal’s export entitlement will rise by just over a fifth, from 9.28 Mt a year to 11.2 Mt a year.

Given the relatively high profit margins available on exports, the increase in tonnage will be useful. A fortnight ago, however, after Eskom’s announcement that it would be taking out of service and mothballing certain older power stations, Trans-Natal said coal supplies to the Camden and Komati stations were likely to end, possibly before the end of this year.

Financial effects on Trans-Natal will depend on the outcome of settlement negotiations with Eskom, regarding the supply agreement with Usutu Colliery for Camden power station, and the agreement with Koornfontein Mines for the Komati station. MD Mike Salomon says the closures will reduce the group’s sales to Eskom by 2.5 Mt "We hope the financial impact will be mitigated by negotiations, but it’s early days yet,” he says.

There could, however, be a lasting and adverse effect on the profitability of new export capacity, that Koornfontein is a multi-product complex supplying export and inland markets, as well as Komati. According to the closure announcement, the reduction in the yield of saleable coal at this operation will have a severe impact on costs.

Lastest element of the capex programme is about R300m being spent at Koornfontein’s Gloria project, which will enable production of 5 Mt a year. Phase 2 of the Gloria project, involving expansion of Koornfontein’s beneficiation plant, is being investigated. Expenditure of about R300m is being considered to maintain production at Optimum Colliery, and a further R200m relates to a possible new shaft complex at Delmas Colliery and productivity improvement projects at various other mines.

Funding will be internal. The balance sheet holds cash of about R300m against interest-bearing loans of R173m.

These Eskom cuts accelerate an existing trend for Trans-Natal. For the second consecutive year, says chairman B G Gilbertson, sales to Eskom fell more sharply than was budgeted, though slightly higher prices enabled a small increase in revenue.

Sales tonnages to the general inland market also fell (see table). Gilbertson says prices rose between 16% and 24% and revenue was higher by some 154%. For financial 1991, small increases in tonnage and revenue are budgeted.

Fortunately, steam coal exports surged to a record 9.8 Mt, from 7.9 Mt in 1989. With an average dollar price up by 11.5% and a softer rand, export revenues rose by 50% and accounted for nearly half of total 1990 revenue. Sales to Japan fell for the third successive year, to 1.61 Mt (1.87 Mt) Gilbertson expects this will continue, as the group is diversifying its sales geographically.

A major development in the market has been the rising export offers by Australian producers, whose 1990 exports could be 10% higher at 50 Mt. This has led to a build-up of stocks Gilbertson feels the market might improve in coming months, though intense competition between the SA suppliers remains an obstacle. Commenting on current price negotiations, Salomon says “To the extent that we’ve settled, it’s been heartening.”

LESS TO ESKOM

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<thead>
<tr>
<th></th>
<th>1989</th>
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<tbody>
<tr>
<td>Eskom</td>
<td>14.6</td>
<td>13.4</td>
</tr>
<tr>
<td>Exports</td>
<td>8.3</td>
<td>10.2</td>
</tr>
<tr>
<td>General trade</td>
<td>7.5</td>
<td>6.7</td>
</tr>
<tr>
<td>Total</td>
<td>30.2</td>
<td>30.3</td>
</tr>
</tbody>
</table>

Overall, the group will do well to produce any earnings growth in the 1991 year. Benefits of the export expansion should be felt from about 1992. But, given the slack markets at home, and competition abroad, the share looks fully priced. Removal of sanctions should trigger a swift rerating.

ANDREW McNEALY

WITBANK COLLIERS 23/11/90

FUNDING BURDEN

Given the high cost of new mining capacity, Amcoal’s will cost about R210/t — there is much to be said for buying new export tonnage through acquisitions. Viewed that way, Witbank Collieries (Witcolls) has not done badly out of last year’s deal with BP Southern Africa.

Its wholly owned Douglas Colliery acquired for R546m the 88.5% it did not already own in Middelburg Mine Joint Venture. Douglas then sold a 40% participation interest in Middelburg Mine, with other associated coal interests, to Tavstock Collieries and JCI. Both parties contributed additional coal reserves to an enlarged Middelburg Joint Venture.
Deregulate coal industry report

GOVERNMENT is planning to completely deregulate the coal industry in the hopes of stimulating exports.

The National Energy Council's (NEC's) Coal Advisory Committee recommended in a draft report released yesterday that quotas be lifted and government controls on export prices be removed.

The development constitutes an admission that government controls which have been in place for 20 years have not worked as expected.

An analysis by the committee of the various export control measures in force revealed that most had fallen into disuse and that free market forces were operating successfully in their place.

"Positive advantages, including the participation of new entrants, may be expected to flow from the further freeing up of export activity," the report said.

It pointed out that coal export controls as such had not influenced optimum exploitation of reserves to any significant extent. The committee said that the free market, and not export control regulations, had dictated quality and availability.

In addition, neither decentralisation nor specific regional developments had been achieved by the export regulations in force.

While most industry spokesmen were reluctant to comment, a Rand-Mines spokesman said it was a positive move.

Eskom's fuel and water manager, G. Deeds said it was not anticipated at this stage that the recommendations would have any direct impact on coal supplies or the cost of coal supplied to Eskom.

The report said a number of the objectives for which export control measures were initially introduced were being achieved by other statutory controls.

Analysts say the intention now appears to be to encourage a more rapid growth in exports by allowing local exporters to set their own price.

It also seems designed to encourage the greater use of harbours such as Durban and Maputo which, unlike the bulk terminal at Richards Bay, can handle smaller tonnages of sized coal.

The draft report — which arose from a request by the Deputy Minister of Mineral and Energy Affairs, Piet Welgevonden, that the committee consider the adequacy and objectives of present coal export measures — is to be circulated to relevant organisations for their comment.

In 1989 coal export earnings of R1.5bn were achieved, second only to those earned from gold mining.
Few players expect lifting of sanctions to ignite coal market

LONDON — The SA business community is full of speculation over what benefits will flow from a return to normal trade with the rest of the world, now that the end of sanctions is in sight.

Foremost is the coal industry, SA's second largest foreign exchange earner after gold and the world's third largest coal exporter. Exports totalled 47-million tons, or 12.6% of the world market, in 1989.

The prevailing sentiment in the sector is sober rather than buoyant. While all players agree lifting sanctions will make them more optimistic, and an expansion of capacity already under way suggests a measure of confidence, few are expecting a big improvement.

The industry was hit hard by sanctions during the mid-1980s, most importantly by the US, France and Denmark which closed their markets in 1986.

This affected about 10-million tons of SA's export volume which was then about 40-million tons a year.

However, even though these markets were lost, an increase in other markets meant there was no loss of sales.

Johannesburg Consolidated Investments (JCI) says that in 1989 about 61% of SA's coal exports went to Europe, 19% to Japan and 11% to the rest of Asia. By 1999 these figures had become 45%.

SEALEY

12% and 38% respectively.

Maintenances of the volume exports, however, came at a considerable price. Power utilities around the world, the main purchasers of coal, traditionally seek a diversity of suppliers. The only way SA producers could maintain sales volume was by convincing their remaining consumers to depart from their normal buying patterns, which involved price cuts.

Consequently, SA coal has traded at a "political discount" for the last five years. This varies according to the market and the competition, but Trans-Natal Coal MD Mike Salamon estimates the discount averages $3 to $5 a ton and that it costs the local industry about $20m a year.

Sanctions had other effects too. Salamon says that after 1986 a greater proportion of coal sales were handled through the spot market than through term contracts, which suppliers prefer. And the sanctions-hit economy consumed less electricity, and hence less coal.

When sanctions end there are several reasons why SA's coal — essentially steam-coal which it had 27% of world seaborne trade in this sector last year — might be considered attractive.

First is quality. Its low sulphur and ash content are important environmental considerations. Then there is the matter of diversity of supply: Consumers would be able to spread their risk better and would also stand to benefit from enhanced competition.

For SA, diversification would probably lead to a decline in intr-SA competition in certain markets and hence a gradual erosion of the political discount.

There is also the problem of infrastructural constraints. More than 90% of SA's coal exports — 44-million tons in 1989 — go through the Richards Bay coal terminal. Richards Bay has a nominal capacity of about 44-million tons and a $1.7bn expenditure programme is under way to refurbish and expand capacity to 53-million tons by the mid-1990s.

The major groups are spending about R2bn on capital projects in order to be able to meet their expanded quota requirements through Richards Bay.

The most recent announcement of expanded capacity came from Amco, which is spending R90m to increase its capacity by 4.3-million tons.

Until such capacity becomes available any possible volume benefits from the lifting of sanctions will be largely irrelevant as the country simply lacks the capacity to ship more coal.

Even then, it will still be another year or two before there is adequate rolling stock to service this increased capacity.

Some believe bottlenecks are not really a problem.

Participate

Ranid Mines coal division head, Allen Sealey, says "Richards Bay is not an issue. This year we will not export to the port's capacity because we can't sell more coal without depressing the price."

Given the price elasticity of coal demand, and the experience of the recent past, major producers will clearly be very wary of pushing volume again at the expense of price.

For these reasons Sealey concludes: "It appears SA will only participate in growth of the world market to the extent that it currently has a proportion of that market."

— Financial Times.
Surging oil prices could be a boost for SA’s coal exporters

BY ROBERT LANG
THE SURGE in the oil price has had little effect on the coal price so far, but analysts predict the volatility in the oil market will gradually kindle the coal market.

According to Chamber of Mines figures, South Africa ranks as the world’s third-largest coal exporter, shipping 46-million tons to Europe and the Far East in 1988. Coal exports earned this country R3.6-billion in 1989.

Trans-Natal CE Mike Salamon says “Looking at a time frame of five years, the demand for coal is bound to increase significantly. There is not going to be much change immediately. Coal prices are governed by long-term volume contracts, which are usually priced annually. This year’s international prices are currently being negotiated. I predict a rise of between three and eight percent.”

There is no international cartel in the coal industry. Many individual traders and producers compete with each other, so price rises tend to be gradual.

“There are four main sources of energy available to heavy industry and electricity utility companies: oil, gas, coal and nuclear. Oil has been discredited by the current events in the Middle East, which is good news for the other fuels. Gas is very popular at the moment, but its disadvantage is that, like oil, it’s concentrated in a few politically unstable countries. Nuclear power is enjoying a slight resurgence now, but disposing of its waste remains a huge problem. As long as the world’s demand for energy continues to increase, demand for coal will increase,” Salamon says.

Chamber of Mines’ commodities committee chairman Michael Hawarden calculates that for South Africa to hold its present share of world seaborne coal trade, exports will have to nearly double to 84-million tons a year by 2010. There is no shortage of coal reserves, but a bottleneck exists at South Africa’s harbours.

Salamon says “Even if sanctions were lifted tomorrow, we couldn’t export more coal instantly because our ports are running at full capacity.”

Local coal exporters have three main coal ports available: Richards Bay Coal Terminal (RBCT), which can presently handle 44-million tons a year; Durban, three million tons, and Maputo, one million tons.

A R3.6-billion upgrading project is under way at RBCT to expand its coal handling capacity by nine million tons. Hawarden estimates a coal price of $38.31 a ton will make this expansion to 54-million tons a year viable.

To expand profitably South Africa’s exports to 80-million tons, the price would have to reach $44.46 a ton.

Most countries consume their coal. Of the 3.5-billion tons of coal produced worldwide annually, only about one percent is left on the international market. For instance, China — the world’s biggest coal producer at 950-million tons in 1988, according to the Chamber of Mines — only exported about 16-million tons.

For Australia, South Africa and Colombia coal is a vital export commodity and competition is fierce. Although Australia produces less coal than South Africa, it manages to be the world’s largest coal dealer by exporting two-thirds of the 137-million tons its mines produce. Columbia exports about 85 percent of the 16-million tons it produces. South Africa exports about one-quarter of the 178 tons of coal it produces a year.
Wage talks deadlocked

National wage talks between the Chemical Workers' Industrial Union (CWIU) and PG Glass Holdings, covering 1,500 workers in 60 workplaces countrywide, have reached deadlock, according to the CWIU.

The dispute, which hinges on union demands for a 22 percent increase, is to be referred to mediation next month.

Reports from Western Ireland.
net cash built up by £23m to £123m —
though capex and net acquisitions totalled
£40m. — Charter is raising the interim di-
vidend by 7.7% to 7p a share. Given the state
of the UK construction market and the halv-
ing of orders for mining equipment by Brit-
ish Coal, a creditable performance.

But below-the-line earnings were nullled
by higher tax charges (30% against 26%),
leaving net equity earnings less than 1% up
at £25.8m or 24.4p a share. The London
price dropped 3p to 433p on the news.

Charter continues to present a moving tar-
get around four core divisions — Pandrol
(rail track equipment), CAST (quarrying, con-
crete and coal mining), Anderson (mining
machinery) and 67%-owned Cape (building
products and services). The 38% of precious
metal and platinum fabricator Johnson
Matthey remains passive but contributed
39% of equity-accounted operating profits.

The headline figures of operating subsidi-
aries — turnover up 23% to £235.6m and
trading profits 31% better — mask the im-
pact of £76m spent last year on acquisitions.

Anderson was hit by British Coal’s im-
proved husbandry of inventories. Sales fell
£7m to £58.3m. With margins down from
4.9% to 2.2%, profits slumped 59% to £1.3m.

Charter CE Jeffrey Herbert says Anders-
on is trimming (the work force has been cut
by 35%) and hopes to firm up orders from
the Soviet Union’s and Polish hard coal min-
ing industries in 1991 — once financing is in
place. The US National Mine Service sub-
sidary is going well, with profits up 24%.

Net of Anderson the figures show much
more rapid growth: sales up 39% and profits
58%. Overall £4.2m of the £6.7m profit gain
came from takeovers.

The star is Pandrol, which derives 90% of
sales abroad. It almost doubled in size last
year with turnover up 84% to £43.8m and
profits 152% better at £6.3m as margins
widened by 3.5 points to 14%. CAST’s ac-
quistions lifted sales 50% to £37m, generat-
ing a 70% profit improvement to £1.7m —
again on improved, if slim, margins of 4.6%

Cape, however, saw margins static and
may suffer next year if estimates that UK
commercial building will fall 30% are borne
out. The Gulf crisis also forced Cape to
suspend contracts in the region. But its ex-
pansion, chiefly into Europe, produced a
24% climb to sales of £97m, matched almost
exactly by profits at £8.8m.

Cash — which boosted net interest by

CASH CUSHION

Acquisitions are keeping Charter Consolidat-
ed’s earnings afloat, even if only just, as its
main markets slow down, or even fall, and
sterling’s strength hits exports. Interim fig-
ures (to September) released in London this
week show pre-tax profits up 7.5% (against
12% for the previous full year) to £41.4m.
Net of discontinued businesses, the in-
crease was a healthier 10%. And with group

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FOX

£900 000 to £9.1m — came from “family”
deals. It raised £60m by selling more Min-
ocro shares (the original 3.8% holding is now
down to 1.1%), the Beralit tungsten interest
to Minocro for £11m and its Holborn HQ for
£20m (a profit of £17m) to Diamond Tradi-
ing — already linked by a bridge to the back
half — which perhaps needs more space to
sort all the Soviet diamonds coming its way.

Cash gives a cushion against the vagaries
of the international slowdown plus ammuni-
tion to pick up the cheap assets which will
undoubtedly surface in the next 12 months.
Surprisingly, however, Charter does not rate
as a favourite among SA rand-hedge stocks:
only about 7m shares are held on the Johan-
nesburg register, or 6.7%, most by Sanlam
and Liberty Life.

John Coates
net cash built up by £235m to £113m — though capex and net acquisitions totalled £40m — Charter is raising the interim dividend by 7.7% to 7p a share. Given the state of the UK construction market and the halving of orders for mining equipment by British Coal, a creditable performance.

But below-the-line earnings were sullied by higher tax charges (30% against 26%), leaving net equity earnings less than 1% up at £25.8m or 24.4p a share. The London price drooped 3p to 353p on the news.

Charter continues to present a moving target around four core divisions — Pandrol (rail track equipment), CAST (quarrying, concrete and coal mining), Anderson (mining machinery) and 67%-owned Cape (building products and services). The 38% of precious metal and platinum fabricator Johnson Matthey remains passive but contributed 39% of equity-accounted operating profits.

The headline figures of operating subsidiaries — turnover up 23% to £235.6m and trading profits 31% better — mask the impact of £76m spent last year on acquisitions. Anderson was hit by British Coal’s improved husbandry of inventories. Sales fell £7m to £58.3m. With margins down from 4.9% to 2.2%, profits slumped 59% to £3.3m.

Charter CE Jeffrey Herbert says Anderson is trimming (the work force has been cut by 35%) and hopes to firm up orders from the Soviet Union’s and Polish hard coal mining industries in 1991 — once financing is in place. The US National Mine Service subsidiary is going well, with profits up 24%.

Net of Anderson the figures show much more rapid growth: sales up 39% and profits 58%. Overall £4.2m of the £6.7m profit gain came from takeovers.

The star is Pandrol, which derives 90% of sales abroad. It almost doubled in size last year with turnover up 84% to £43.8m and profits 152% better at £6.3m as margins widened by 3.5 points to 14%. CAST’s acquisitions lifted sales 50% to £37m, generating a 70% profit improvement to £1.7m — again on improved, if slim, margins of 4.6%.

Cape, however, saw margins static and may suffer next year if estimates that UK commercial building will fall 30% are borne out. The Gulf crisis also forced Cape to suspend contracts in the region. But its expansion, chiefly into Europe, produced a 24% climb to sales of £97m, matched almost exactly by profits at £8.8m.

Cash — which boosted net interest by
R6-m to put out coal fire

The Government has set aside R6 million to combat the underground fire in the abandoned Witpan Colliery at Witbank.

In a statement released yesterday, Mineral and Energy Affairs Minister Dr Dawie de Villiers said the fire was endangering the Maitzto railway line and could spread over a larger area.

The fire has been investigated by a task group which recommended the use of an emergency measure: a 200 m deep firebreak and filled with non-combustible material to prevent the fire spreading.

The statement said the spontaneous combustion of certain coal types created a danger of underground fires in certain coalfields.

Miners and Works Regulations were amended on December 10 to allow the authorities to deal with such situations. — Sapa
Room for 1 200 at new open school

A NEW multiracial private school is to open in Johannesburg in January with an enrolment of 1 200.

Several blue chip companies, including Gencor, Southern Life and other private individuals had pledged support for Somerse School, which was to open classes from Standard 1 to Standard 10, the school's education director, Mr. Norris Barker, said yesterday.

Principal André de Meyer said initial expenditure on the school, situated at 18/20 Juta Street, Braamfontein, was R250 000. The cost of renovating the site would be between R800 000 and R1m.

Teachers

Companies had pledged to sponsor the fully equipped library, the computer system, laboratory and other facilities such as the swimming pool, he said.

The teaching staff complement would be 40.

Examinations would be under the Joint Matriculation Board.

"With 40 highly qualified teaching staff, the students will be getting a high standard of tuition," Barker said.

Fees would be R3 500 a year for the first child, R2 600 for the second child and R2 200 for the third child.

The amounts cover all textbooks. Pupils pay for stationery.

Barker said "The school will offer English, Afrikaans, vernacular, mathematics, science, biology, history, geography, business economics and economics.

"European languages (French and German) will be taught, provided pupils start at Standard 6".

Other schools De Meyer is running in Johannesburg are Kent Academy of Management, which caters for tertiary education, and its secretarial arm, Conquest College.

"In May 1990 one of our students achieved overall first place in the Chartered Institute of Secretaries and Administrators (CIS) examination. "Our results in the Chartered Institute of Management Accountants (CMA) examinations have been between twice and three times the world average," De Meyer said.

The school opens on January 16

Govt approves R6m scheme to put out eight-year-old mine fire

GOVERNMENT gave the go-ahead yesterday for a R6m scheme to fight a fire which has raged underground for eight years at an abandoned colliery near Witbank, Mineral and Energy Affairs Minister, Mr. Dawie van der Byl said.

De Viliers said in a statement conditions of civil emergency existed in the area around the Witspan colliery as the fire threatened to spread to a "much larger area". 

Consulting engineer, Mr. Johan Wagner, in charge of the firefighting investigation, said the task of containing the fire was highly complex.

The fire was blazing in a 25ha section underground and had spread because of a drop in the water table allowing more air into the shafts.

It threatened concrete plugs designed to seal off the mine and keep the wa-

2 MATTHEW CURTIN
ter level high
If subsidence or other events opened up the mine, firefighters would face a "laid degree inferno", he said.

He said the blaze, as well as presenting the risk of water and air pollution, also threatened remaining rich coal deposits, a level of clay above the mine used for backfilling and the railway line.

Wagner said phase one of the plan to control the fire was to dig out the remaining combustible coal seam, and then fill the resulting 200m long and 25m deep trench with inert material - clay and soil.

Phase two would see the extension of the trench around the 40ha area immediately at risk. Without fresh air and combustible material, the fire could not spread any further.

He said the problem at Witbank was indicative of a potential threat to the whole of the eastern Transvaal region. Spontaneous combustion was likely as soon as the water table dropped and oxidation increased, a phenomenon it was impossible to safeguard against in the design.

A Mining Department spokesman said the Witspan mine was abandoned in the 1920s. The process of blasting sandstone outside the shafts and shifting the material in digging the trench was an expensive operation, he said.

Witbank Town Secretary, Mr. Philip Barnscoen said the fire had started in the early 1960s.

The town council was in the process of fighting a court case brought by a local mining company, brickworks and landowner, claiming fire damage to their property.
COAL

FREEING EXPORTS

The long process of deregulating the export of coal, which began 20 years ago, may finally be completed soon. Government still retains the right to limit the exports of individual mines, and will, at present, permit the sales of only a fraction of South Africa's total coal output.

However, the process of deregulation, if it continues as planned, will not only allow for an increase in exports, but will also provide an opportunity for the mining industry to increase its profits.

In order to facilitate this process, two major changes have been proposed. First, the government has announced that it will no longer limit the number of coal sales, allowing the mining industry to determine the amount of coal that it wishes to sell. Second, the government has indicated that it will reduce the level of export duties, allowing the mining industry to retain a larger portion of the profits from its sales.

These changes are expected to have a significant impact on the coal industry, as they will allow the mining industry to increase its profits and compete more effectively in the global market. As a result, the mining industry is expected to benefit from increased sales, higher prices, and improved profitability.

In conclusion, the deregulation of coal exports is expected to have a positive impact on the South African coal industry, allowing it to increase its profits and compete more effectively in the global market. It is hoped that these changes will be implemented as planned, allowing the mining industry to benefit from increased sales, higher prices, and improved profitability.

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Max Pollak & Venter, says the profit on exported coal has increased. But this has not been enough to compensate for the higher costs of production. The mining industry is expected to continue to benefit from increased sales and higher prices, as it works to improve its competitiveness in the global market.

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Kevin Kartun, a coal analyst with Frankel, says the outlook for export profits does not match the bright prospects for expanded volumes.
MINING - COAL

1991
Minimal increase in coal exports forecast for year

While there will not be any surge in coal exports this year, export tonnages could rise by three percent accompanied by a modest price increase. The fact is that most European countries are not applying sanctions on coal — other than Denmark, France and possibly some Scandinavian countries whom, in any event, we have never supplied.

The lifting of sanctions will, therefore, provide us with the opportunity to resume our exports to Denmark and France.

The Danish market could probably absorb anything up to 3.5 million tons, which is the level of tonnage that we were supplying before.

Since sanctions were imposed on Italy, new sources such as Colombia, Venezuela and Indonesia have become suppliers to the Danish market.

The French market, according to the importers and in fact, was falling sharply at the time sanctions were imposed.

Even if we negotiate a fair slice of that business again, it is not going to result in a significant increase in total exports to that country.

Restricted

The quantity of coal exported to Japan has been restricted to the levels reached before sanctions. The lifting of sanctions will probably result in increased tonnages being exported.

All in all, South Africa's current share of the sea-borne steam coal market is of the order of 30 percent, so that the removal of sanctions is not likely to result in an immediate substantial increase in export tonnages over the short term.

In the medium to longer term, with the opening up of eastern bloc countries, their needs for energy could become substantial and the potential for coal imports could be considerable.

OUTLOOK '91

By Allen Sealey, deputy chairman of Rand Mines and chairman of its coal division.

South African exporters should be able to secure a share in these new markets. Increased power generation in that region is likely to be achieved through the use of coal and natural gas.

But it should be borne in mind that the lead time for the erection of new power stations is some three years at least.

Mr. Sealey also cautions that the greater demand for coal will, to some extent, be met by the new production capacity in Indonesia, Venezuela and Colombia.

Australia's coal industry, having become leaner and more productive, is also a potential supplier.

"The present evenly balanced supply and demand situation is not likely to lead to a sharp increase in prices.

"Furthermore, the effect of the higher oil price will undoubtedly be a long term rather than a short term factor, and we should not look to coal prices rising in the short term."

Heartening

Referring to South African production costs, Mr. Sealey says these are continuing to rise at rates higher than other coal producing countries, with the result that the competitiveness of coal exports will decline.

"With the prices for coal exports not increasing to any great extent — relative to the increase in production costs — profit margins could be reduced."

One heartening factor is that the South African coal industry will not be seeking massive capital to develop new mines.

"Any growth in exports this year can still be met by brownfields expansion rather than greenfields development.

"But, obviously, in the future greenfields capacity will have to be commissioned."

"The coal export industry has gone ahead with expansion at Richards Bay Coal Terminal and will be able to take advantage of any increase in the world sea-borne steam coal market."

On the domestic front, Mr. Sealey says the stagnation experienced for some years largely as a result of the political climate has had an impact on the levels of coal demand by the industrial sector and by Eskom.

"Eskom has had very little growth in its electricity demand over the past year.

"It recently announced cutbacks or mothballing at three Eastern Transvaal power stations."

"Eskom may have to take further action and we are not sure what effect this will have."

""
Witbank Colliery to cut planned capex by R70m

PETER GALLU

WITBANK Colliery would cut its planned capital expenditure by R70m during the current financial year, chairman Allen Sealey said at yesterday's AGM.

This was the result of the cancellation or rescheduling of certain capital expenditure projects following an extensive review of the mining plant of contiguous properties in the Witbank area.

The company's last annual report, issued in mid-November last year, showed planned capex for 1991 of R255.5m.

In an interview yesterday, Sealey said while the group had treated the coal mined at each of its different collieries in the Witbank area, it would now try to centralise treatment as far as possible.

He said the treatment of coal by individual plants had resulted in some plants being under-utilised and others having to be expanded at great cost. Coal from some of the areas would be transported by conveyors to a central location.

This would eliminate the need to expand some existing coal preparation plants and, as it would be cheaper to transport the coal, would result in capital expenditure savings. Witbank was hoping to regain the markets it had lost as a result of sanctions, but whether post-sanctions export levels could be regained remained to be seen.

Sealey was confident that Denmark, a large buyer lost to the sanctions drive, would be regained. A war in the Gulf would have little effect on the coal price in the short-term, but if protracted would see the coal price climb in line with the oil price.

Witbank's tonnages would be higher this year as the acquisition of Meddelburg Mine had been effective for a full year and throughput from Richards Bay Coal Terminal had increased.

Proposed deregulation of the export coal market would be more beneficial to the smaller producer, Sealey said. However, there was the question of where the small producers would export from.

The Durban terminal could increase its output, but producers would have to invest in them themselves, he said.

Lifting sanctions would have a far greater effect on the large producer than the deregulation of the export market would.

Long-term prospects for SA's coal industry appeared good, with coal safe as an energy source for at least 40 years, he said.

Natural gas was the greatest threat to coal as it was freely available, more environment-friendly and cost competitive.

A priority for the industry was to develop ways of minimising the effect of coal consumption on the environment.

The rationale for the move away from publishing quarterly results to interim and preliminary reports announced this week was that this was more in line with the industry.

The 1991 interim and preliminary reports would be published in mid-April and mid-October respectively.

In the year to end-September, Witbank increased its turnover from R706m to R1.1bn and its working profit from R174m to R240m. Taxed profits for the year were around R180m, up at R193.2m.
Witbank cuts back capex

Witbank Colliery would reduce its planned capital expenditure this year by R70 million, chairman Allan Sealey told shareholders at the AGM yesterday.

The last annual report showed planned capital expenditure for 1991 of R265.5 million.

"Since issuing the annual financial statements, an extensive review of the mining plans of the group's contiguous properties in the Witbank area has been completed. As a result, certain capital projects have been cancelled or rescheduled," Mr Sealey said. - Sapa.
**PAINFUL YEAR**

For Rand Mines' staff and shareholders the 1990 year was a nightmare and there's more trouble to come in 1991 as the group faces that anathema for a mining house — a cut dividend.

Conventional investment wisdom is that mining houses are not supposed to cut dividends. They either diversify their interests to balance the flows of income from their various cyclical businesses like Anglo American Corp or, like Gold Fields of SA, they follow a tight financial policy, holding back funds in the good times to maintain dividends in the rough years.

Rand Mines does not have that financial strength and its recent attempts at diversification have yet to pay off. Markets for the house's one trump card, coal, have temporarily weakened, resulting in chairman Dammy Watt's prediction that profit from coal will also drop in 1991, despite a full year's contribution from the new acquisition, Middelburg Colliery.

Much went wrong during 1990. The dismal ERPM saga continued while two new mines, Vanua Vanadium and Barbrook gold mine had to be closed, while gold output from the flagship gold producer Harmony was cut by a fifth in an attempt to restore profitability. Barplats' Crocodile River platinum mine hit full first-phase production five months behind schedule, putting further financial strain on Barplats and halting progress at Kennedy's Vale mine.

The only sector to perform well was coal, which contributed R163m — 72% — of group attributable earnings. Coal earnings were 15.2% up on the R142m earned in 1989, thanks to better coal export prices and nine months' contribution to earnings from Middelburg Colliery. But higher coal revenues were hit by interest charges on loans the group raised to buy its stake in Middelburg.

Middelburg contributes for a full year in 1991, but the coal market has softened with an oversupply of product coming mainly from Australian producers. Coal consumers have taken full advantage to dig in their heels on price negotiations for 1991 delivery. Price negotiations are still under way with many customers, but it appears SA companies are being forced to settle for increases ranging from 15-4% above last year's prices around US$31/t.

A stable rand means there is no, or little, compensation from this source for the mining companies where costs are still rising at the inflation rate or faster. Watt reckons coal earnings will drop despite additional profit from Middelburg.

Barlow Rand cannot be too happy about the situation as Rand Mines contributes a fifth of Barlow's attributable earnings. Barlow chairman designate Warren Clewlow says: "Prospects for the mining division in its present form and under present world precious metal and commodity market conditions are not favourable. The entire asset portfolio of Rand Mines is being reviewed and it can be expected the cash position of the division will be strengthened by disposal of underperforming assets and non-core businesses."

The Rand Mines report shows the group has sold 20% of its 5m shares in Harmony, as well as smaller proportions of its stake in Durban Deep and ERPM. Watt says the group is still overexposed to marginal gold mines, so the disinvestment programme will continue.

The market has knocked the share price down to R60 from R72.50 a month ago. That compares with the time it took in 1991, despite a full year's contribution from the new acquisition, Middelburg Colliery.

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**Rand Mines**

**For Rand Mines' staff and shareholders the 1990 year was a nightmare and there's more trouble to come in 1991 as the group faces...**

**Activities:** Mining house with major investments in coal, gold, platinum, base minerals, property and forestry.

**Control:** Barlow Rand 74.4%

**Chairmen and MD:** D T Watt

**Capitals structure:** 14.5m ops. Market capitalization R894m

**Share market:** Price: R60. Yields: 9.3% on dividend; 26.5% on earnings. p/e ratio, 3.6, cover, 2.8 12-month high, R117; low, R60.

**Trading volume last quarter, 36,760 shares.**

**Year to Sep '89:**

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Note: That anathema for a mining house — a cut dividend.

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UK utility in breakthrough coal deal with SA

LONDON — Northern Ireland Electricity (NIE) is importing 50,000 tons of SA coal, the first to be bought by a UK utility for 20 years.

An NIE spokesman in Belfast yesterday said half the coal had already arrived and a second cargo was on its way from Richards Bay.

He refused to confirm a report in the International Coal Report that the NIE was paying $44.50 per ton c.i.f. to Shell Coal International — which is at least 30% less than its usual supplies from a Scottish open-cast mine.

The SA coal is being imported on a trial basis to be used in NIE's oldest all-coal 230MW generating station NIE has also bought 250,000 tons of Colombian coal on trial for its dual oil-coal 1200MW plant for which the SA fuel is not suitable.

NIE has capacity of 2400MW — against peak demand of 1350MW at present — and it is dominated by oil-fired stations. As such its costs have been badly hit by the steep rise in the price of heavy fuel oil, from $44.70 a ton (c.i.f. Rotterdam) to $142.50 a ton — equivalent to $84 a ton for coal.

Its supplies of UK coal are geared to oil prices, so these have also risen.

“Dutch” coal, which is SA fuel imported from Rotterdam, has frequently been blended with the output of British private sector collieries and “passed off as a UK product,” it said.

Further imports by SA will add to the problems faced by British Coal as the privatised UK power generators step up imports.

Last week British Coal started antidumping action against sales from several countries, although not any from SA.

With deep mine coal costing £42/t ($60/t), the biggest UK generator, Powergen is set to increase imports by 50% this year — mainly from Australia. Both Powergen and National Power, the other main generator, are jointly investing in a new importing terminal.
UK breaks ban on SA coal

LONDON - Britain's electricity industry has bought coal from South Africa for the first time since the country was isolated by the world community.

Northern Ireland Electricity has bought a shipment of 27,000 tons from the terminal at Richards Bay, via Shell Coal International. A second similar shipment for NIE is also on its way to Belfast.

This is a blow to British Coal, which until recently has had a near-monopoly on supplies of coal to the British electricity market.

Although it is not illegal to import South African coal into Britain as it is in Denmark and the United States, British power companies have refused to accept it. However, “Dutch” coal - privately mined in Britain and blended with South African imports - has been passed off by suppliers as a British product.

Report

Details of the two shipments are contained in yesterday's issue of International Coal Report, a Financial Times newsletter, which also reports a sudden expansion of NIE imports as a result of Britain's entry into the European exchange rate mechanism.

This has made dollar-denominated coal imports extremely competitive.

The South African move into the fast-growing British coal market comes as countries which have formerly placed restrictions on purchases from South Africa are reviewing their policies.

The price paid by NIE for its South African imports is understood to be about R116.50 a ton, compared with R199.50 a ton paid by NIE for British coal - Sowetan Correspondent.
Duiker has hopes for anthracite

LIZ ROUSE

ANTHRACITE producers might be able to recommence operations if world supplies and stocks were reduced, Duiker Exploration chairman Terry Wilkinson said in his latest annual review.

He said the planned closer ties within the EC might see subsidies to anthracite producers in Europe and Britain being significantly reduced, which would lead to reduced supplies and stocks.

Prices should improve, enabling South African anthracite producers to recommence operations, he said.

Steam coal exporters had shown confidence in long-term prospects by deciding to refurbish and upgrade Richards Bay Coal Terminal to an annual capacity of 53 million tons at a cost of R318m.

Positive

In common with the SA gold industry as a whole, operations at Erfdeel had been subjected to increasing pressures from the combination of rising costs and a static rand gold price.

However, long-term prospects for gold were positive and Duiker would benefit from its investment in Erfdeel in time, Wilkinson said.

Capital expenditure on Erfdeel to date totals R27.7m and by utilising the Freegold tax shield Eastgold loans have been held to R26m. Duiker’s contribution amounts to R15m.

Drilling continued in the Joint Venture area (in which Duiker has an effective 25.8% interest) adjoining the southern section of Freegold with encouraging results, not only in the basal reef, but also in the B reef.
Coal export plan endorsed

Most coal producers have endorsed government's proposals to deregulate exports, chairman of the Coal Advisory Committee Dave Rankin said yesterday.

The committee was asked by government to advise on the possibility of scrapping of export restrictions and quotas introduced several years ago when the government believed SA's coal resources needed to be conserved.

Rankin said deregulation would neither advance nor retard the construction of a second coal export terminal at Richards Bay or elsewhere.

Analysts were confident that the proposed deregulation of the export market would be advantageous in the long term, but they could see little benefit in the short term.

Ferguson Brothers analyst Derek Ritchie said deregulation would be a positive development as it would put an end to the export quota system and make SA coal more competitive abroad.

He pointed out that an immediate increase in exports was impossible. Expansion of the capacity of the Richards Bay terminal to 53-million tons a year would be completed in only three or four years while exports through Maputo remained problematic.

The Durban facility was also being expanded but was limited and could not handle more than 6-million tons a year, Ritchie said. "The export market is fairly well supplied at the moment, so there is no real demand for greater SA exports. The US has the potential to boost coal exports from 80-million tons at present to more than 300-million tons, with other exporters such as China and Indonesia entering the market," he said.
Middelburg Colliery puts Rand Mines in top spot

RAND Mines’ acquisition of the 5.5-million ton Middelburg Colliery made it SA’s biggest coal exporter in 1990 and entitled it to just under a quarter of the Richards Bay Coal Terminal’s 44-million tons annual capacity.

Coal sales to Europe and the Far East generated R750m in foreign exchange for the group last year, Rand Mines coal marketing director Rob Turner said yesterday.

This represented 20.8% of SA’s total coal exports for the year, at R3.61bn.

If JCI’s 40% share of Middelburg’s tonnage is included in the total amount, Rand Mines’ exported almost 11-million tons, Turner said.

The Minerals Bureau provisionally estimated SA’s total 1990 sales to be 46.1-million tons, fractionally lower than 1989’s 46.8-million tons.

The group doubled its export coal production at the end of 1989 after its subsidiary Douglas Colliery got together with JCI’s Tuvatock Collieries in a R544m purchase of oil company BP’s 85.5% share of Middelburg mine.

Douglas is wholly owned by Rand Mines’ 71% subsidiary Witbank Colliery and owns 69% of Middelburg which exports approximately 5.5-million tons a year.
Duker's Wilkinson: concentrating on domestic market

(3.8 Mt) — will not find the answer in the annual review.

In fact, the main point to come out of the 1990 accounts is that Duker should improve its reporting standards because, while chairman Terence Wilkinson has explanations for the results, these were not spelt out in the report. One can easily reach conclusions which appear entirely logical, given the published information, but which are incorrect, according to Wilkinson.

On the face of it, Wilkinson's comments on the coal market are at odds with the rest of the industry. He says steam coal prices remained unchanged in US dollar terms throughout 1990, but Witbank Colliery chairman Allen Sealey told his shareholders dollar prices were higher in 1990 than the previous year while the rand/dollar exchange rate was marginally weaker. Witbank, which also has a September year-end, pushed attributable earnings up 15%.

Trans-Natal Coal chairman Brian Gilbertson, reporting for the year to June, said the average dollar price for export coal sales rose 11.5%. That, combined with the more favourable rand/dollar exchange rate, led to export revenues being 50% up on 1989 levels.

That poses the question of just what sort of prices Duker has been selling its coal at.

Wilkinson tells me it is unfair to compare Duker with these companies for two reasons. The first is that Duker's export coal is very low-grade matenal whose markets are poor. The second is that the company last year swung away from exports to concentrate its efforts into the SA domestic market. He says Duker lifted its tonnage of bituminous coal sold locally to 3.56 Mt in 1990, from 2.2 Mt the previous year. Conditions in the local market last year were a lot tougher than on the export scene. This material information was not in the annual report.

Hopefully, having taken it on the chin last year to shift emphasis and expand its presence locally, Duker should do better financially this year.

Notes in different sections of the directors' report reveal that "since the year-end, certain irregularities in the marketing of coal have been discovered and are under investigation" and that Barry Love resigned as a director on December 5.

Love was head of Duker's coal division. Wilkinson says Love's resignation was linked to the irregularities, but was in no way linked to the coal division's results for the 1990 year. He says there have been no adverse financial consequences for Duker because of the irregularities.

On the gold side, the squeeze on profit margins affecting the industry has hit Duker because of its effects on Freegold's Erfdeel section. Duker has a 36% stake in Eastern Gold Holdings, which, in turn, owns 85% of the Erfdeel section. Results for the December quarter show Erfdeel had a working loss of R1.7m, after a loss of R1.9m in the September quarter.

Duker's exposure to gold through Freegold via Erfdeel and its 25.5% stake in the potential extension north of Freegold has been one of the share's attractions. While that long-term attraction remains, it has been tarnished in the short term because of Freegold's position as a marginal producer in an industry under financial siege now.

Despite the poor results, Duker increased its dividend by taking a cut in dividend cover to 2.5, which Wilkinson says is "reasonable." The financial position has been improved by the curtailing of capital expenditure at Erfdeel and the group received a net loan refund of R10.1m during the year. Interest-bearing borrowings were reduced to R27.4m from R45.2m.

At 770c, Duker is at its 12-month low, but given the outlook on gold and the group's poor performance on coal, there seems little reason to buy the share.
Skimpy margins deter coal producers

LOCAL coal producers are bolstering their production capacity to meet their allocations as Richards Bay Coal Terminal's (RBCT)'s export profile expands, but doubts exist as to whether prices will rise enough to make the project viable.

Through the development of RBCT, SA rose from nowhere in 1975 to surpass Poland as the world's third largest coal exporter in just 10 years. In 1989 SA exported 46.7 million tons (mtn) of coal with a free on board value of R3.6bn to Europe and the Far East, compared with 43.8mtn worth R2.8bn in 1988. The provincial estimate for 1990 is 1% lower than the 1989 figure.

A R316m programme is under way to increase RBCT's throughput to 53mtn by 1994 from the present 40mtn. Michael Hawarden, Chamber of Mines' collieries committee chairman, recently calculated the coal price needed for RBCT to be profitable after its expansion was $35,151 (R99,511) a ton.

This means prices for SA steam coal will have to rise by 23.6% over the next three years. Amcoal said contracts negotiated so far this year had seen average prices rise marginally from $30 to $31, helped by the higher rand dollar exchange rate. Trans-Natal said prices agreed on were up by between 5% and 8%.

The Gulf crisis has had a minimal effect on the industry.

Witbank's Rob Turner said because of cost pressure, SA producers wanted increases in price levels. "The political discount which has applied to our coal is obviously an area of concern, but with the market being in a balanced state there is clearly a difficulty in recovering all this ground.

SA coal commands a price of about $6 less a ton than its competitors.

Quality

When sanctions were applied in 1986, countries still friendly to SA were offered discounts to increase their orders. SA steam coal also generally contains less heat and more ash than its competitors' coal.

An Amcoal spokesman said the group was not optimistic about export prices even if sanctions were lifted because of the quality of SA coal. "Overseas power utilities will not pay the same price for our coal as they will for high-heat/low-ash coal from the US or Colombia."

The Trans-Natal MD Mike Salomon believes the lifting of sanctions will gradually ease the pressure on local coal producers.

When sanctions bit in 1987, SA lost about a quarter of its traditional coal export market: 3mtn to Denmark, 5mtn to France and 1mtn to the US. Through swift marketing, export volumes were left almost untouched but prices were hit.

Analysts say Israel, Spain, Hong Kong and Italy source as much as 60% of their power station coal requirements from SA. To compensate them for the risk of supply disruption, coal is sold to them at a reduced rate.

Japan, not wanting to rely solely on Australian and US coal, placed a limit instead of a total sanction on SA coal imports. In effect it froze the dollar value of its imports from SA which meant that tonnage imports as prices rose. Analysts say trans-shipping via Korea helped SA's direct sales to Japan, but the limit still hurt.

Worst affected was Trans-Natal, which saw its exports to Japan drop from 2.4mtn to 1.6mtn in 1987, at the same time as its overall exports rose from 7mtn to 10mtn.

"Potential new markets exist where local coal producers are expensive, like Britain and Germany. The British power industry's privatisation should create a demand of about 10mtn a year."

Turner said the French and Dutch markets might re-open to SA coal, but the Amcoal spokesman said these markets had found alternative supplies. However, local coal producers were optimistic enough about future exports to initiate expansion projects.

Rand Mines' subsidiary Witbank Colliery overtook Amcoal as SA's biggest coal exporter when, in partnership with JCI's Tavistock Collieries, it acquired RHP's Middelburg export colliery. Rand Mines' entitlement through RBCT now stands at a 11.1mtn, nearly a quarter of the port's current capacity.

Amcoal intends increasing its share to 12.6mtn at 9.5mtn a year. It plans to source an extra 4mtn of export coal a year for 30 years by exploiting Landsdorp colliery.

Trans-Natal will increase its allocation to 11.3mtn from 5.2mtn.

SA's coal export volume is currently as high as the existing infrastructure allows. Government is considering deregulating coal exports.

Allocations will change as follows after the terminal's upgrading to 53mtn is completed. Amcoal's will be 24% (23%), Witbank's 20% (21%), Trans-Natal's 20% (21%), Shell 12% (13%), JCI 6% (8%), Total Oel 6% (9%). Smaller shareholders will have access to the remaining 10% (9%) of tonnage.
Big boost for fruit, coal in EC move

By CHRIS BATEMAN

CAPE fruitgrowers will be able to promote their products more aggressively in Europe and will increase planting following the European Community (EC) undertaking to lift sanctions.

The weekend EC promise, conditional on Parliament scrapping central apartheid legislation, does not affect local fruitgrowers directly, but benefits would nevertheless be "enormous", a Unifruco spokesman said.

Fruit is not among the South African items targeted by the EC for sanctions. Mr Fred Mentjies, public relations head of Unifruco — the Cape's biggest exporter and private sector employer with 230,000 employees — said Friday's speech by President F.W. de Klerk would bring fresh impetus to the industry.

Although Cape fruitgrowers had a century-old market in Europe, there had been a recent tendency by European buyers not to stock South African fruit. This began changing after last year's watershed presidential speech.

Mr. De Klerk's latest announcements would "benefit the industry enormously", Mr. Mentjies said. "Our products will increasingly be traded in normal commercial conditions — last year alone we earned R1.3 billion in exports."

Unifruco still faced sanctions from the US, Canada and Scandinavian countries, but expected changes on these fronts "soon."

Mr Wim Holtes, chief executive officer of the SA Foreign Trade Organisation (Safot), said the EC announcement, combined with the Gulf war, could also have a positive affect on local harbours with income from refurbishment and shipping repairs.

The greatest impact, however, would be the lifting of EC sanctions on coal, which he expected to boost foreign earnings by up to R400 million a year.

This would also speed up commitment to develop harbours such as Richards Bay and Maputo, while coal miners could push output up by over two million tons.

An Iscor spokesman said that Iscor would not increase capacity or exports, but the lifting of EC sanctions would increase "market and pricing flexibility" for "target specific" products.

"The feeling is that there will be extra earnings, but we can't say how much yet," he said.
Trans-Natal tops results with big deal

GEOFFREY ROBERT LUNG

TRANS-NATAL, which increased its after-tax profit by 5% to R600,0m (R566,5m) in the six months ended December, announced yesterday that Eskom has decided to buy its Usutu Colliery coal reserves for R109m.

The Eskom board took the decision yesterday to ensure adequate coal supply should Eskom’s Camden power station some day resume electricity generation at Usutu’s operations ceased when Camden closed down at the beginning of this year.

The R109m payment is not reflected in today’s interim report, MD Mike Salomon said yesterday.

Higher coal prices and increased export tonnages enabled Trans-Natal to achieve an increase in profit despite a shrinking local coal demand which saw overall sales drop to 14-million tons from 15,5-million.

Trans-Natal’s domestic tonnages were


tut by Eskom’s rationalisation and lower demand from Sasol and municipal power stations.

Coal exports accounted for 63% (about 60%) of the group’s sales revenue of R12,5m (R12,9m). Inflation, strikes and a fire at Optimum Colliery pushed up the cost of sales to R87,1m (R81,6m), leaving an operating income of R105,4m (R123,6m).

Non-Eskom demand dropped to 2,7-million tons from 3,5-million.

The interim dividend was increased to 22c (20c) a share and earnings per capital unit rose to 75,3c (71,7c).

Salomon said he was optimistic about the group’s future export potential. Niche-marketing in Europe had already secured higher contract prices.

A similar strategy was aimed at Japan, for which its marketing team left yesterday.

The group’s Eskom sales dropped to 6,1-million tons from 6,3-million after the power utility’s decision to mothball its Camden and Komati power stations. Usutu Colliery and the Bhukpan section of Koornfontein Mines, which were tied to these power stations, ceased operations at the beginning of this year.

Discussions with Eskom regarding Koornfontein are still underway.

Koornfontein Mines’ Gloria project was on track and already producing coal.

The mine is being extended to enable Trans-Natal to fully utilise its expanded Richards Bay quota of 11,2-million tons (9,5-million) in 1094.

Optimum is to get a new lease on life by having an underground section added, estimated to cost R230m over the next three years.
Trans-Natal sells reserves to Eskom

Own Correspondent
JOHANNESBURG. — Trans-Natal, which increased its after-tax profit by 5% to R66,9m (R56,9m) in the six months ended December, announced yesterday that it had decided to buy its Usutu Colliery coal reserves for R169m.

The Eskom board took the decision yesterday to ensure an adequate coal supply should Eskom's Camden power station some day resume electricity generation.

Usutu's operations ceased when Camden closed down at the beginning of this year. The R169m payment is not reflected in today's interim report, MD Mike Salamon said yesterday.

Profit boost

Higher coal prices and increased export tonnages enabled Trans-Natal to achieve an increase in profit despite a shrinking local coal demand which saw overall sales drop to 14-million tons from 15,5-million.

Trans-Natal's domestic tonnages were hit by Eskom's rationalisation and lower demand from Sasol and municipal power stations.

Coal exports accounted for 69% (about 60%) of the group's sales revenue of R715,5m (R651,6m). Inflation, strikes and a fire at Optimum Colliery pushed up the cost of sales to R607,1m (R532,4m), leaving an operating income of R108,4m (R123,2m).

Non-Eskom demand dropped to 2,7-million tons from 3,5-million.

The interim dividend was increased to 22c (20c) a share and earnings per capital unit rose to 75,5c (71,1c).

Salamon said he was optimistic about the group's future export potential. "Niche-marketing in Europe had already secured higher contract prices. A similar strategy was aimed at Japan, for which our marketing team left yesterday."

The group's Eskom sales dropped to 6,1-million tons from 6,9-million after the power utility's decision to mothball its Camden and Komati power stations Usutu Colliery and the Blinkpan section of Koornfontein Mines, which were tied to these power stations, ceased operations at the beginning of this year.

Discussions with Eskom regarding Koornfontein are still underway.

Mine extended

Koornfontein Mines' Gloria project was on track and already producing coal. The mine is being extended to enable Trans-Natal to fully utilise its expanded Richards Bay quota of 11,2-million tons (9,5-million) in 1994.

Optimum is to get a new lease on life by having an underground section added, estimated to cost R250m over the next three years.
Japan eases curbs on SA coal exports

By Derek Tommey

After four years of giving South Africa the cold shoulder, the Japanese are again showing signs of wanting to do increased business with this country.

Mike Salamon, managing director of Trans-Natal, announcing last night a 10 percent increase in the company's dividend from 20c to 22c, said the "unofficial" curbs imposed by the Japanese administration on imports from South Africa appear to have been lifted.

"You won't find this blazoned in the Japanese Press as the curbs were never official or put down in writing," he said.

"But we have been told by our agents that the restrictions, which imposed a cash limit on Japanese purchases from this country, no longer appear to be in force."

This is good news for Trans-Natal. In recent years it has had to accept a "political discount" on the price it received for the coal it sold to Japan.

But the improved political climate is expected to enable Trans-Natal to reduce the discount and get a better price for its Japanese exports.

Other sellers to Japan have also had to take lower prices this year owing to the slow-down in the world economy.

European market

Mr Salamon said Trans-Natal also expected to get better prices for its European sales this year.

In spite of a cutback in sales to Eskom and the local market, Trans-Natal increased its after-tax income by 5 percent in the six months ended December from R56.9 million, equal to 71.7c a capital unit, to R60.0 million, equal to 75.3c a capital unit.

Sales dropped from 15.6 million tons to 14.1 million tons. But owing to better prices received, partly as a result of producing higher quality coal, sales revenue rose 4.6 percent from R681 million to R712.5 million.

The move to upgrade the quality of coal sold, together with an above-inflation-rate increase in the freight charges contributed to the 9.9 percent increase in the cost of sales from R552.4 million to R607.1 million.

Operating income dropped from R128.8 million to R105.4 million.

However, a jump in interest income enabled Trans-Natal to increase its after-tax income.

A five-year agreement had been signed with Spoor net which provided for lower-than-inflation freight increases in the next four years.

Sales to Eskom dropped 12 percent to 6.1 million tons. Sales to other inland users (mainly Sasol and non-Eskom power stations) dropped by 23 percent to 2.7 million tons.

But export sales rose 4 percent to 5.3 million tons which indicates that the group should exceed its export target of 5.9 million tons this year.

Eskom's decision to mothball the Camden and Komati power stations has resulted in 500 people being retrenched at Usutu and the same number at Koornfontein mines.

In order to ensure the future coal supply to Camden should it be reactivated, Eskom has bought coal rights associated with Usutu Colliery and certain contiguous coal rights from Trans-Natal for R10 million in cash. Negotiations regarding Koornfontein Komati are continuing.

The group should show increased profits in the six months ending June this year, Mr Salamon said.
**SLIGHTLY BETTER**

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<th>Six months to</th>
<th>Dec 88</th>
<th>Jun 89</th>
<th>Dec 90</th>
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their 1987 total yen value, has been lifted just as TNC's negotiators fly there this week for the 1991 price and volume negotiations.

Says TNC marketing director Gordon Osterloe: "The sanctions measures introduced by the Japanese government on our coal were never officially announced and I do not believe there will be an official statement that they have now been removed. However, our marketing sources tell us they will fall away for the Japanese 1991/1992 fiscal year starting April as a result of the State President's speech."

That raises hopes for a reduction in the "political discount" which has reduced the price of SA coal by between US$3/t and $2/t. TNC MD Mike Salomon believes there is a real chance TNC might negotiate an increase in coal prices in Japan this year, succeeding where others, notably the Australians, failed because the Japanese steel mills forced them to accept price cuts on their coking coal.

Salomon also reckons the Australians panicked and settled too low in response to falling Japanese steel output. However, Japanese concern on cutting costs could help TNC, which markets a product that is much cheaper than straight coking coal and is used in steel production through a process called pulverised coal injection.

TNC and the other coal exporters will need all the help they can get because export market conditions generally are not that promising. With the negotiations in Europe now complete, the SA exporters received on average only 4% increases in dollar terms for their products.

However, profit margins are being squeezed hard by the strength of the rand against the US dollar, while production costs continue to rise in line with SA's inflation rate of nearly 15%. Coal exporters are trying to cut costs, improve productivity and rationalise operations but some executives concede they will be lucky to hold future cost increases to movements in the CPI.

What saved TNC in the six months to December 31 was the group's strong financial position. That generated net interest income of R17,1m compared with financing costs of R3,9m in the comparable period of 1989. This, with lower amortisation charges, more than compensated for the 18% drop in operating income to R105,4m.

**SANCTIONS WITHER**

With its local sales tonnage falling rapidly because of continuing Eskom cutbacks, Trans-Natal Coal Corp (TNC)'s profitability depends increasingly on the export market, which accounted for 63% of total revenue in the six months to end-December.

Prospects for the export market during 1991 do not look marvellous, but the good news is that, in the wake of State President F W de Klerk's opening speech to parliament, the move to lift sanctions on SA is shifting at a pace few had thought possible. It appears the ceiling imposed on imports of SA coal into Japan, which were capped at...
THE SA coal-mining industry's production grew 4.6% to 184.5-million tons last year, Chamber of Mines Collieries Committee chairman Michael Hawarden said last week.

Tonnage sold went up 2.5% to 182.5-million tons and gross revenue rose 8.7% to R7.9bn. Despite sanctions, exports went up 6% to 49-million tons, and higher prices were achieved.

Speaking at the annual colliery safety function in Emzilo, Hawarden said the industry's safety performance hit a plateau last year.

The chamber said 24 coal miners died in accidents last year which translated into a fatality rate for coal mines of 0.44 per 1,000. This was a marginal improvement on the 1999 rate of 0.46. However, the reportable injury rate increased by 7% to 5.16 from 4.64 the previous year.

Last year, 12 mines achieved 1-million fatality-free shifts, Hawarden said.

"A reversal in the reportable injury rate is an unacceptable trend. I know when times are tough the tendency is to cut back on areas which can be seen as non-essential. I want to say very bluntly safety is not among these non-essentials."

"The next generation of mines could be deeper underground mines, often gassy and faulted with strata control problems not experienced previously. This will create a far tougher safety challenge."
Coal producers catch up to international prices

The "political discount" to SA coal producers experience because of sanctions seems to be declining.

Mineral Bureau figures for international steam coal prices in December, given in cost-insurance-freight (CIF) values, indicate that SA collieries' prices have caught up with the prices of their competitors.

However, local producers say they still bear a political discount of between $5 to $6 if free-on-board (fob) prices are compared.

Trans-Natal MD Mike Salamon said the discount still applied — and hurt because the "beneficial cost advantage" of SA producers was being eroded by inflation.

The price received for coal from SA, Australia and the US at various destinations was about US$4.16 per mega-joule (MJ) across the board in CIF values, the Minerals Bureau said.

SA coal with a calorific value of 26.0 MJ/kg received $43 a ton at the Dutch ports of Amsterdam, Rotterdam and Antwerp (ARA).

This compared well with Australian coal with a calorific value of 26.2 MJ/kg which got $42 a ton in Spain.
Fralex making two acquisitions

By Jabulani Sikhakhane

Despite the tougher trading conditions which saw earnings fall 28.8 percent to 44.6c per share in the six months ending December, Fraser Alexander (Fralex) is expected to announce two major acquisitions which could more than double its size and after-tax profits.

A dividend of 6.5c (8c) is being paid.

Chairman Peter Flack says one acquisition in the waste handling area which will be funded internally, will be signed today.

The other, a bulk material handling and waste handling company, will be funded 42 percent by issue of Fralex paper and the balance in cash.

Last October Fralex acquired a bulk handling and coal washing facility in the UK, which partly contributed to the sharp increase in gearing from 40 percent to 70 percent.

Fralex's core business is in the handling of mining waste, construction and the manufacturing of concrete products. The group also mines and handles bulk coal.

Discussing the results, Mr Flack said Fralex was hit by cut-backs from its major customers particularly during the first quarter. Also unrest in black townships curtailed infrastructural development.

As a result, turnover decreased 6.8 percent to R104.735 million ($26.04 million)

But squeezed margins and higher gearing meant that the net income attributable to ordinary shares (before extraordinary items) fell 27.4 percent to R5.569 million from R7.661 million.

Mr Flack says gearing is budgeted to come down to 62 percent by year-end.

Directors expect that earnings for the six months ending June will show an improvement on the review period.

Pyramid Fralex, which holds 72.9 percent of Fraser Alexander, also reported 26.5 percent decline in earnings to 29.1c (35.1c)
Coal faces environment issue

TURNING black coal green will be one of the major challenges of the coal industry, World Coal Institute chairman Bruce Thompson said last year.

Sasol Technology MD John Marriott, in briefing the President’s Council in Cape Town last year on the environmental aspects of Sasol’s plants, said “To a large extent, the Sasol operations at Secunda have demonstrated this is possible.”

Sasol, as a world leader in the field of converting coal and natural gas into oil, has continually upgraded technology, improving its performance in efficiency, productivity, economy and also making the processes more environmentally acceptable.

Marriott says the conversion process can be carried out with less effect on the environment than many other uses of coal.

Sulphur and nitrogen contents are largely recovered as co-products.

Standards for pollution control have changed in the last 30 years, particularly in the area of air pollution. In 1969, SA had no air pollution legislation.

Marriott says “In the early 30s, when Sasol 1 was built and commissioned, a belching smokestack was seen as a symbol of industrial development and prosperity.”

“But the 35-year-old plant has been able to meet the stringent modern standards imposed on it.”

Challenges

Marriott says despite the reputation created by international incidents such as Seveso or Bhopal, the world’s petrochemical industry has shown it can meet the environmental challenges imposed by rapidly improving global standards.

Sasol’s research and development department has arrived to obtain and perfect a sulphur recovery process and improve efficient treating processes.

All Sasol plants are involved with the chief air pollution control officer in charting efficient standards.

At Sasolburg – the site of the Sasol 1 refinery, the Sigma colliery, the Natref refinery and fertilisers plant – the installation of electrostatic precipitators for Sasol 1’s eight boilers was a first in SA in attempts to ensure optimal dust-removal.

In 1985, it was proved improvements could be made by implementing ammonia conditioning in the boilers.

The technique improves the efficiency of the precipitators by adding gaseous ammonia to the flue gases in small quantities. It has been used in all 16 boilers at the plant.

The precipitators operate with 99.5% efficiency on the almost 40-year-old boilers.

The original design was only 80% efficient in dust-removal, while the precipitators, before ammonia deslagging was introduced, worked at 96.5% efficiency.

At Secunda – the site of Sasol 2 and 3, a fertilisers plant, the SMX explosives plant and four coal mines – Sasol employs 21 000 people.

While these Sasol plants are newer, commissioned in 1980 and 1982, their environmental performance has had to be upgraded as standards tightened.

Sulphur removal is a key, as in the Sasol process it is necessary to remove the sulphur, as hydrogen sulphide, from the coal gasification before synthesis.

Unworkable

Marriott says hydrogen sulphide cannot be emitted as such, but the Stretford process chosen to eliminate it was found to be unworkable after the Secunda plant was built.

Sasol 2 was commissioned without a sulphur recovery unit, but three years of research with pilot-plant work in SA, the US and Germany culminated in the effective “Sulfolane” recovery process developed in conjunction with Linde AG, of Munich.

Sasol 2 and 3 now produce 150 000 tons of sulphur a year, replacing imports of 30% a year.
SA COAL exporters have not only managed to overcome their pariah status in the international market, they are now in a position to be choosy about their clientele.

Coal Week International reports that the Transvaal Coal Owners Association (TCOA) has asked Japanese steel mills to cut their orders by 19%, turning the tables after years in which Japanese buyers scaled down coal intake from SA.

The TCOA—which markets low-cal Witbank coking coal offshore for Amecol, Rand Mines and Goldfields—told the Japanese it needed extra coal for its higher-bidding European customers.

The TCOA was barred from marketing coal locally three years ago by the Competition Board.

A Rand Mines spokesman confirmed the report but an industry source said the decision by the TCOA to limit Japanese sales was taken because of poor Japanese prices rather than a wider customer base.

Japanese mills accepted a reduction in supply to 1.35-million tons, down 310,000 tons from 1990. The 1991 price was set at $43 a ton free-on-board, down $1 in line with producers from other countries, Coal Week International said.

The report said the TCOA was able to seek a reduction in sales tonnage to Japan because of increased demand by foundries worldwide for Witbank coking coal. Steel mills favour the coal because it is ideal for
SA coal: Japan ‘important’

THE Japanese were important customers for SA coal, and most exporters were seeking to increase their market share, Rand Mines Coal Division deputy chairman and a director of the Transvaal Coal Owners’ Association (TCOA) Allen Cook said.

Cook was responding to an article published in Coal Week International and quoted in Business Day on Friday, March 1, which said the TCOA had asked the Japanese steel mills to cut their orders by 19%.

Cook said the Richards Bay coal terminal had been constructed on the basis of an 11-year contract for Witbank low ash coal entered into between TCOA and the Japanese Steel Mills. This contract had since been renewed, and the TCOA had diversified exports of this coal so as to reduce exposure to one country.

A geographic spread of Witbank low ash coal offered some protection against regional fluctuations in demand.

TCOA chairman James Campbell complained that the article could be misinterpreted.
Spooner signs R6-bn coal agreement
Coal sector stronger

By Jabulani Sikhakhane

The JSE took a breather yesterday with profit-takers trimming the recent gains on some counters and selected industrial blue chips attracting some demand after reporting a 15 percent drop in earnings, market leader DE BEERS was marked down 75c to R72.50. Since Tuesday midday when the results were announced, De Beers has fallen 7.3 percent or 525c.

But dealers feel the mark-down of De Beers shares is overdone, as the lower earnings were expected. Investors were still buying the shares at the lower levels yesterday.

On the rest of the mining board, the coal sector featured with strong gains by ATCOSS adding 360c to R60 and AMCOAL up 50c to R39.50. Platinum weakened, but gold shares were a shade firmer on the back of better gold price.

Among gainers were ELSBURG up 10c to 245c with foreign buyers at 250c. DRIES added 25c to R35.75 and VAAL REIFS gaining 15c to R197.

Heavyweight industrials were slightly easier on profit taking. Leader BARLOWS lost 15c to R40.75c and SAB fell 10c to R47.

Retail counters were in good demand with TRADILLO adding 12.5 percent or 10c to 90c. Tight-held stock, WOOLTRU surged 450c to R22.50 and its "A" shares added 200c to R1. CNAGALLO was up 25c to R24.75 and EDGARS firmed a further 30c to R32.

Among other industrial gainers, engineering group AFRAX added 160c to R57 and DALYS, the holding company for carbonated soft drink bottler and marketer Suncrush, added 200c to R32.

Delys provides a cheaper entry into Suncrush, which is now trading at R300 after Tuesday’s surge. Ahead of results next Tuesday, HOLDAINS added 25c to R26.25 and SAPPI rose 50c to R35.

In the banking sector, UBS and ALLIED, which will form part of the largest banking group ABSA were slightly firmer with large volumes traded.

The volume of shares traded yesterday was 11 008 905 valued at R34 750 982 compared with 14 697 697 valued at R116 016 629 on Tuesday.
'Fish and chip' miners rape land

Workers complain of poor pay

THERESE ANDERS and ABBEY MAKOE

THE beleaguered eastern Transvaal Highveld is being ravaged by a new aggressor hit-and-run miners.

Fly-by-night open cast collieries are abandoning their surface duggings without restoring the scarred land. In the process they are causing untold environmental damage.

Outdated legislation introduced in 1960 allows them to get away with maximum fines of R300 if they are convicted of land rehabilitation offences under the Mines and Works Act.

In the meantime they are exploiting unemployed labourers who pay what has been described as starvation wages.

Rustling

On a visit this week to the liquidated Bordex Mine between Hendrina and Carolina the Saturday Star found flooded workings oozing highly acidic water into the local river system.

Fine dust blew into the air from mountains of coal and millions of rands worth of rusting mining equipment, hauliers and vehicles — even an explosives truck — stood exposed to the elements.

Now of Witbank, plot owners complain bitterly of coal dust storms and undrinkable borehole water which they claim is contaminated by a small unrehabilitated colliery nearby.

The National Union of Mineworkers' press officer Jerry Mapalala slammed what the union calls "fish and chips" mines for the "brutal exploitation" of their workers.

"Most of these mines are not fit to operate," he said. "The working conditions are subhuman, they pay starvation wages, and the safety provisions are appalling. Also they are anti-union."

"We feel the Government should not allow these mines to operate unless they meet basic conditions of employment generally accepted in other industries and even at the Chamber of Mines." A Saturday Star news team visiting the small Polmaise Colliery, north of Middelburg this week, found 60 miners living in two primitive blocks.

There were four showers on the site and two long-drop toilets in the nearby veld.

The miners said their average monthly pay was R360. They worked 10 hours a day, five days a week.

They said they were given no leave and were not allowed to belong to a union.

The management of Polmaise has been declared bankrupt.

One man said he had been the mine's electrician until recently when he had been laid off. He was not qualified, but said he had been responsible for "fixing all the electrical things on the site." Several attempts to reach the management of Polmaise Colliery for comment drew a blank.

Deputy Government Mining Engineer Gerrie Haasbroek said when a mine owner goes bankrupt — as has happened in at least five cases recently — the mine area would not be rehabilitated.

"No provision is made in any law for responsibility to be accepted by the State, imposed on the threshold owner or the holder of the mineral rights."

"However it is normal policy to negotiate with any new owner to accept responsibility for outstanding rehabilitation, and in this regard we have had very good co-operation."

Of the 23 collieries that have ceased operations since 1986 in the Witbank, Middelburg, Belfast and Ermelo areas, only half have completed rehabilitation work.

However, only one of the 23 has been issued with a certificate by the Inspector of Mines stating that the owner has complied with all the Mines and Works Act requirements on rehabilitation.

At some abandoned mines such as Groenvlei (Belfast) and Elenzweiler (Witbank) — both of which have been liquidated — no rehabilitation work has been done at all.

This is also the case at Le Ter (Middelburg).

As part of a move to plug gaps in the law the Government Gazette of March 1 lists new powers of Inspectors of Mines in terms of the Mines and Works Act.

Inspectors are now empowered to order the rehabilitation of working mines at the expense of the mine owner or manager.

And the Government Mining Engineer is now able to force potentially troublesome operators to set aside money for the eventual restoration of the surface area.

Further measures to stop up control of mine land restoration are now before Parliament.

Photographs: Brian Hendler.
Glowing results from MacPhail

ROBERT LAING

DOMESTIC coal marketing and distributing group MacPhail continued its rapid growth last year, producing its ninth consecutive set of record results on Friday.

Earnings for the year to end-December rose 22% to R39,5c (41,5c a share) and the final dividend was raised to 13,5c (12,5c) a share, making a total for the year of 16c a share compared with 1989's 16,5c.

MacPhail opened four new coal distribution depots (it now has 11), boosting its turnover 38% to R211,8m (R158,4m). This is double 1989's turnover and four times 1985's.

However, profit margins dropped to 5,6% (6,5%) partly due to the cost of the new acquisitions and the slow economy, director Terry Rolfe said on Friday.

CE Sid Weintoub said: "Start-up costs at the new depots have been absorbed and they are expected to contribute to profits in the coming year." The company continued to have funds on deposit — R19,3m (R17,0m) — and the company remained totally ungeared, he added.

Directors predicted earnings a share would increase further this year, given stable operating conditions.
SA team to be at coal talks

SA COAL mining executives will participate in an environmental conference on clean coal technology to be held in London at the beginning of April.

The conference is organised by the World Coal Institute (WCI), an international association of coal producers. It will also be attended by representatives of eight developing countries invited by the Vienna-based UN Industrial Development Organisation (UNIDO).

WCI CEO Richard Talboys said in a statement that the main aim of the "Coal in the Environment" conference was to encourage developing economies to apply the most environmentally protective technologies in the coal-fired power stations they are currently planning.

One of the conference's sessions will be chaired by Rand Mines deputy chairman Allen Sealey.

Speakers include UNIDO director general Domingo Sazon, British Secretary of State for Energy John Wakeham and US Assistant Secretary for Energy Robert Gentle.
A NEW five-year rail tariff contract for the line linking coal fields to Richards Bay was signed yesterday by Spoor & Smith and the 16 coal producers which use the port.

The signing ceremony formalised the rail usage rates agreed on by the coal industry and Spoor & Smith 18 months ago.

Tariff rates rose by 17.8% in April 1990, but in terms of the agreement, increases would be limited to about 50% of the Producer Price Index (PPI) for the next four years, coal producers said in their 1990 annual reports.

Spoornet declined to disclose details of increases, but Rand Mines deputy chairman Allen Sealey said they would probably be under 8% a year.

Spoornet CE Barry Lessing said no exact figure could be given for increases as the new tariff structure was volume sensitive.

From 1990/91 to 1994/95, export volumes are expected to grow from the present 44-million tons Richards Bay Coal Terminal MD Mike Dunn said the port's upgrading to 58-million tons should be completed by the end of this year.

Spoornet said it was upgrading its rolling stock capacity from its current 46-million tons. The Richards Bay Coal line has a 65-million ton annual capacity.
Controls on coal exports are finally swept away

By Sven Linsche

The Government has abolished formal control of coal exports.

Dr Pan Welgemeed, the deputy Minister of Mineral and Energy Affairs, says the Government has accepted the recommendations of the Coal Advisory Committee.

"The coal export industry has reached a stage where formal Government control of coal exports is no longer necessary," Dr Welgemeed said, in a weekend statement.

Any remaining impediment to the operation of free market forces in the conduct of coal exports, including possible participation by bona fide new coal exporters, would be removed.

The recommendations come into effect immediately and mean in essence that the coal export allocation system no longer applied, Dr Welgemeed said.

Export permits from the Department of Trade and Industry would still be required, however.

The restrictions on coal exports imposed a burden on the industry in the mid-1970s when the Government imposed coke and coal export control commodities.

Over the years, however, the restrictions have been eased and the last move was to impose a coal export ceiling of 80 million tons per year for 20 years.

This represents only 4.4 percent of SA's coal reserves, but annual exports have never come close to that level. The highest level of exports achieved so far was 47.4 million tons last year.

The Coal Export Committee recommended that Government, through the National Energy Commission, continue to monitor and influence the coal industry through other statutory measures and mechanisms that are, or could be, applied.

This includes the enforcement of measures in the unforeseen event that coal shortages might arise in the domestic market.

Formal export control could also, if need be, be re-introduced in terms of existing legislation, Dr Welgemeed said.
Deregulation proposal set to ignite coal exports

CAPE TOWN — Coal exports, SA's second biggest foreign exchange earner after gold, are likely to be boosted by deregulatory measures proposed by the Coal Advisory Committee.

Cabinet has accepted the committee's finding that it is no longer necessary for government to control coal exports, and has implemented recommendations to scrap regulations which enforce control with immediate effect.

The repeal of various laws and conditions affecting coal exports — including parts of the Import and Export Control Act and Coal Resources Act — will remove the export allocation system and should boost exports by making it easier for new exporters to enter world markets.

Mineral and Energy Affairs Deputy Minister Piet Welligsmeen said last week the deregulatory measures would "remove all remaining impediments to the operation of free market forces in the conduct of coal exports, including possible participation by new coal exporters".

Coal and coke were declared export control commodities in 1973 as a result of the international oil crisis. Since then, the coal export industry has grown into the largest in the world.

The Coal Advisory Committee found that government had played a significant part in building up the industry but its role in ensuring the optimum use of coal resources, protection of the domestic market requirements, regional development, orderly marketing and environmental protection had been overtaken by market forces. 

† Recommended government monitor and influence the industry through other statutory measures in the event of coal shortages in the domestic market.

But it found the long-term requirements of the industry's main domestic customers, such as Eskom and Sasol, were unlikely to be affected by an increase in exports. Coal was exported from the higher quality reserves and Eskom and Sasol used low grade coal.

In another development, a Bill proposing the repeal of coal levies paid by the industry and government to the Central Energy Fund was tabled in Parliament.

Coal mines pay levies of up to R1.50 a metric ton on coal sold or used for industrial purposes and government contributes an equal amount to the fund for research purposes.

† See Page 7
Colliery fire: R103-m claim to begin

By Therese Anders (Pty) Ltd, Witbank
Highveld Bureau (Pty) Ltd

WITBANK — A R103 million civil claim against the Witbank Town Council and the Minister of Mineral and Energy Affairs over Witbank's burning Outspan Colliery begins in the Pretoria Supreme Court on Tuesday.

The case, which is set down for two months, is believed to be one of the country's biggest civil claims.

The action is being brought by Coetsee Street (Middelburg) Properties (Pty) Ltd, Witbank Brickworks (1961) (Pty) Ltd and Blackstone Mining (Oges) (Pty) Ltd.

An underground fire broke out at the abandoned Outspan Colliery, which belongs to the Witbank Town Council, in 1982. Various attempts were made to extinguish the blaze, including flooding the mine.

Subsequently, the adjacent Blackstone mine was flooded. Witbank Brickworks was unable to use part of its property, and Coetsee Street Properties could not go ahead with plans to develop the area.

Last year the Witbank council applied to the Government to have the burning Outspan Colliery declared a disaster area.

The Government turned down the application, but came up with R10 million to dig a massive trench to cut off the fire from the nearby Maputo railway line.

Yesterday one of the trench contractors said the project was going ahead successfully and the railway line was no longer in danger.
Deregulation will not help boost coal sales

ROBERT LAING

DEREGULATION of coal exports meant less red tape but no sales boom for the SA coal industry, chairman of the Coal Advisory Committee and Amcoal MD Dave Rankin said yesterday.

Although the removal of regulations was unlikely to cause any bonanza in export tonnages, it still was a positive step and could marginally help smaller exporters of sized coal.

Rankin said the laws were redundant because coal exports were regulated by the capacity of Richards Bay Coal Terminal (RBCT), and each company's ability to raise capital for a share of the terminal and mine export-quality coal.

MacPhail, CE Sid Weistruth said smaller companies were fairly indifferent about export deregulation as they had little chance of gaining shares in RBCT.

Alternative coal terminals at Durban and Maputo were uncompetitive because of higher rail transport costs, he added.
Coal production ‘must be boosted to meet demand’

SA would have to boost its coal production by 26% within the next nine years if it wanted to keep pace with growing demand, Mineral and Energy Affairs Minister George Bartlett said in London yesterday.

Speaking to delegates at the international Coal in the Environment conference, Bartlett said SA’s dependence on coal was not going to decrease.

The challenge facing SA, now the world’s third largest exporter of steam coal after the US and Australia, was to produce energy cheaply, despite the higher costs that were inevitably associated with responsible environmental management.

In 1990, the value of SA’s domestic coal sales amounted to about 50% of all local mineral sales, while coal was the biggest contributor to foreign exchange earnings after gold, with a total of R7.4 million tons exported valued at R3.5 billion.

“However, there is in SA a growing awareness both of the need to protect the environment in the course of mining and industrial operations, and also of costs that society must be prepared to bear in order to effect this protection,” Bartlett said.

The growth of the SA coal industry was made possible by the favourable geological conditions that prevailed in the major coalfields, and, very importantly, from an environmental point of view, the inherently low sulphur content of SA coals.

In the area of resource assessment the focus was on the development and demonstration of appropriate technologies to enhance exploration and quantification of coal reserves.

“A striking example of a recent success achieved with regard to the efficient and the safe extraction of our coal resources is a modification in the existing design of underground pillars in SA coal mines, which allows the mining of as much as 26% more coal, in given areas, without sacrificing safety,” Bartlett said.

“Considerable local expertise has been built up through the years with regard to the characteristics and properties of our coal, through which the needs of both the local and international markets can be met through appropriate beneficiation routes.”

For example, a highly successful two-stage beneficiation process for producing metallurgical coal and power station feedstock has been established at Grootegelde Colliery in the north-western Transvaal, one of the largest open cast mines in SA.”

Brent von Melville

Bartlett said encouraging progress had also been made in addressing the growing challenge of utilising discard coal which accumulates currently at a rate of about 40 million tons per year, and which also presents an environmental problem.
LONDON — South African coal production would have to show an 36 percent increase by the year 2000 to meet growing demand, the new Minister of Mineral and Energy Affairs, Mr. George Bartlett, told the World Coal Institute’s conference in London yesterday.

He emphasised the South African coal industry’s commitment to harmonising maximum “clean coal” exploitation with protection of the environment.

The theme of the three-day conference, attended by government ministers and coal industry leaders from more than 40 countries, is “coal in the environment”.

“Listing a number of recent technological breakthroughs in the South African coal industry, Mr. Bartlett said he was convinced that, despite the inevitable environmental impact, coal and the environment will co-exist in harmony for many more years to come”.

Mr. Bartlett drew attention to the “tremendous economic and strategic importance of South Africa’s coal-based electricity and synfuels industries, especially in the Southern African context.

“Coal ... at present providing over 80 percent of South Africa’s energy needs ... still serves as the most important household fuel to the developing part of our community.”

“The industry also employs about 90,000 people of which almost 90 percent are unskilled and semi-skilled workers, who support approximately 470,000 dependents.

“It is also significant that almost 70 percent of the unskilled and semi-skilled industry workforce is drawn from neighbouring countries.”

“This means that thousands of families beyond our borders also benefit from the wealth created by the domestic coal mining industry.” — Sapa.
Coal exports set to fetch higher prices

By David Canning

DURBAN — Contract prices for coal exports to Europe will rise by up to eight percent this year, in line with the diminishing political stigma.

At the same time, domestic deregulation from April 1 means that Transvaal coal producers can now sell their products in Natal, and vice versa.

Mike Salamon, managing director of Geminin's Trans-Natal Coal Corporation, said in a telephone interview from London at the weekend that South African steam coal producers selling into Europe had negotiated 1991 contracts at prices on average three to eight percent higher than those of last year.

In contrast, other producer countries' European contracts had been around 1990 levels, meaning that European consumer countries generally recognised that South African coal was under-priced last year, he said.

South Africa's Far Eastern contracts on average have been at similar prices to those of 1990, although Japanese prices have been reduced.

Moreover, the stronger rand thus far for 1991 meant that net earnings from coal exports to Europe had been much the same as those of last year, despite slightly higher dollar prices. These could, however, improve with the weakening rand.

As part of the Government's three-to-four-year deregulation process, announced early last week, major producers who owned and exported through the Richards Bay terminal were already gearing up for a 20 percent increase in exports over the next couple of years, he said.

He said the first R316 million phase of the Richards Bay project would increase the terminal's capacity from 44 million tons to 53 million tons a year by the end of 1991 — although it would take longer to reach this figure owing to the need to expand rolling stock and other facilities.

Eventually the terminal's capacity could reach 80 million tons a year.

Mr Salamon said the market would have to be watched closely to assess the impact of removal of restrictions on the sale of Transvaal coal in Natal, and vice versa.

However, he believed the relaxation was unlikely to make much difference because of high transport costs.

He said overall deregulation of the coal industry had a number of distinct aspects.

The first, a couple of years ago, flowed from the Competition Board ruling against producer cartels.

The Transvaal Coal Owners Association was consequently disbanded in 1988.

Mr Salamon said while abolition of the export quota system meant new exporters could get into the market, the going would not be easy.

Other producer countries would fight back South Africa already had a 26 percent stake of the world steam coal market.

They also would have to find export facilities through Durban, Maputo or elsewhere.

The Richards Bay terminal was built and is owned by private enterprise and is working at full capacity.

Equity in the terminal is owned by the former export quota holders in proportion to their share of the phase three quotas.

In other words, Trans-Natal, which has a quota for 9.3 million tons, holds 21 percent of the equity.
SA coal regains markets and scraps cheap prices

SOUTH AFRICAN coal mines are winning back markets lost through sanctions. They are wiping out the "sanctions discounts" which eroded foreign earnings for five years. The industry is determined to retain the markets which quickly took up the tonnage lost to sanctions in 1986.

SA mines, the world's second-largest exporter of steam coal, earned R3,55-billion last year. Exports were close to capacity when 49-million tons of steam coal were shipped abroad.

The major bottleneck was the Richards Bay Coal Terminal which handled its maximum capacity of 48-million tons.

Confidence

A R310-million upgrading programme to lift capacity to 88-million tons will pay dividends next year.

The industry's new confidence, reflected in its vigorous sales campaigns abroad, does not stem only from the erosion of sanctions.

Deregulation of exports has opened the way for smaller "producers to sell abroad, and a new five-year tariff agreement with the railways and the line from the Eastern Transvaal to Richards Bay will protect the collieries from the huge increases which threatened profitability in the past.

Although chances are better than ever for the industry to enter a new era of stability, Rand Mines deputy chairman Allen Sealey warns that there will not be a sudden bonanza.

"There's no place for euphoria," he says. "We have been encouraged by the reaction from traditional customers who were cut off from us by sanctions."

"It is, however, important that we keep the new markets that were nurtured so carefully in the bad days."

Threatened

Contracts for this year that were negotiated with European customers in the last quarter of 1989 have been concluded with price increases ranging from 3% to 8%.

This is regarded as highly satisfactory in a world market still threatened by oversupply.

Contracts which have just come into effect with Far East customers have been negotiated at prices closer to those ruling last year. Japan, particularly, has put the squeeze on suppliers to gain

Secure

Markets for coal are reasonably secure, even in developed countries where environmental issues are taken seriously.

"Coal is well placed to maintain its 47% hold on the energy market, particularly while nuclear energy is in disfavour and hydro-electric capacity is limited," On has no longer considered for power generation.

Mr Sealey believes the chances are good that SA producers will regain markets. Some countries have made contact with traditional suppliers and governments announced that sanctions were being reviewed.

But he says they have established links with alternative suppliers who might be hard to displace.

At the same time markets to which SA producers have had limited access have grown. Exporters will have to battle to regain their traditional market share.

"The opportunities are there, but we have to fight as hard as we can to win back market share," says Mr Sealey.

BY IAN SMITH

Price reductions

The fact that European buyers have agreed to increases for SA producers while other suppliers have been kept closer to last year's price levels is taken as evidence that the sanctions discount is being phased out.

SA suppliers reluctantly agreed to discounts after sanctions came into force to help them break into new markets and to retain their share of those still open.

Sanctions killed SA sales of 3,5-million tons a year to Denmark, 6-million to France and about a million to the US. But exports recovered quickly to 43-million tons in 1988 and 46,7-million in 1989.

Early this year the industry broke into the British market for the first time in 20 years with sales to a utility, Northern Ireland Electricity.

Mr Sealey says competition is tough because new suppliers like Colombia, Venezuela and Indonesia are coming on the scene.

Australia has also strengthened its position with more reliable deliveries after a period of labour strife.

But Russia offers unreliable delivery and quality and China "comes and goes" on world markets. The US is also not a regular supplier, its producers moving in when prices are high.

BACK IN THE MAINSTREAM: Allen Sealey of Rand Mines
Price of coal rises in Vaal Triangle

THE price of coal in the Vaal Triangle townships has gone up by R2 a bag, forcing residents to dig deeper into their pockets to keep warm this winter.

It shot up from R8.50 a 50kg bag to R10.50 at a time when most blacks are reeling under the escalating cost of living and face the brunt of recession and unemployment.

The assistant secretary of the Evaton/Sebokeng United Coal Association, Mr Simelile Govumela, said the rise was the first in two years.

He attributed the increase to the closure of two coal mines in the area, the increase in the price of petrol, the rising cost of maintenance of vehicles and the high wage demands by employees.

Credit

The closure of the mines had forced coal merchants to travel long distances to fetch coal and rainfall was expensive, he said.

Coal merchants sold their products on credit and incurred extra expenses when they collected money.

A spokesman for the Chamber of Mines said none of the 103 coal mines represented by the chamber had closed in the past few years.

He could, however, not rule out the possibility of small mines not affiliated to them closing down.
France to boost SA coal imports

Star Foreign Service

PARIS — French financial and industrial circles have warmly welcomed the EC move ending more sanctions against South Africa.

There are likely to be two main French initiatives — financial, investment in South Africa, and the resumption of big SA coal imports.

French financiers have gradually abandoned investment in black Africa, and earlier this year were looking at Eastern Europe and the Soviet Union.

Idle capital

An analyst said, "Problems there were too great, and there is therefore a large amount of potential capital lying idle. We now have an opening in South Africa."

France has a great need for South Africa's coal, which is cheaper than coal mined here.

Imports, which were virtually halted four years ago, are expected to resume soon.

France still imports about 450,000 tons annually under contracts signed before the 1986 ban, but this total could quickly climb to five million tons annually and new contracts may be signed within the next month, sources say.
Witbank Colliery profits fall 13 percent

By Derek Tommey

Witbank Colliery lifted turnover 18 percent in the six months to March to R569.4 million.

But an 18 percent rise in rail tariffs, together with higher operating costs, an 11 percent increase in amortisation costs to R27.6 million, and a 27 percent increase in interest payments to R26.8 million, resulted in taxed profit falling 13 percent to R51.4 million, equal to 655c a share (756c).

Witbank is paying an unchanged interim of 210c a share.

An extraordinary payment of R9 million after the cancellation of purchase agreement for capital equipment resulted in net income dropping to R42.2 million (R69.2 million). Export tonnages rose 26 percent, mainly because of the inclusion for the full six months of the contribution from recently acquired Middelburg Mine.

However, conditions in the inland market were difficult and the tonnage sold fell four percent.

Capital expenditure was R76.4 million (year ago: R50.8 million) and is expected to reach R111 million for the remainder of the financial year.
Witbank debt a weight on group

DEBT repayments by Rand Mines' Witbank Colliery for last year's acquisition of Middelburg mine outweighed the benefits of increased sales, causing the group's taxed profit to drop 15% to R51.3m (R60.2m) in the six months to end-March while turnover increased 18% to R106.8m, working profit only rose 4% to R106.8m and investment income was virtually wiped out at R144.900 (R13.8m).

The first full inclusion of Middelburg mine's contribution in Witbank's results boosted the group's export tonnage by 25%, but Spoor's 17.3% rail tariff increase and higher working costs squeezed profit margins, directors said.

Earnings fell to the same level of R1,075c from 1,280c and the dividend was maintained at 210c a share.

Despite its commitment to reducing its debt, the group's long-term borrowings rose to R616.8m (R616.8m) and short-term liabilities rose to R187.5m (R146.3m) directors said. "The increased debt was partly timing related.

Capital expenditure in this period amounted to R274.8m (R297.8m) and capital expenditure for the remainder of the financial year is estimated at R111m (R73.1m).

The group's inland sales shrank by 4%, although sales to Eskom rose by 13% because of high burnung rates at Duva and Rendal power stations.

No mention was made in the results of the planned rationalisation of its loss-making subsidiary, Weigedacht Exploration Company.

The Middelburg acquisition from disinvesting oil company BP made Rand Mines the biggest exporter of coal through Richards Bay, giving it almost 25%, or 11.1million tons, of the port's total capacity of 46-million tons.

LIZ ROUSE reports that Anglo-Transvaal Collieries - whose sole investment is a 15.6% interest in Witbank Colliery - has raised its final dividend to 133c from 132c last year. This brings the year's total distribution to 375c (1969: 356c).

The company has also declared a final dividend of 10.6c (10.57c) on its participating preference shares, making a total of 30.07c (29.37c) for the year.

The text is from Page 1 and continues on Page 2.
BETTER PROSPECTS

The tide is turning for the SA coal exporters with the removal of sanctions under way, but investors should not expect fireworks from Gold Fields Coal (GF Coal) — or any of the other major coal companies — this year since mid-February the share price has bounced back from its 12-month low of 750c. But 1991 is going to be a tough year, as shown by the results for the March quarter, when tax profit fell by 44% to R4m from the December quarter's R7,2m.

The domestic market remains in recession, while prices on international coal markets are soft because of oversupply. This is largely a result of a resumption of normal levels of output from Australia, where long-running management-union disputes settled in management's favour last year.

Most of GF Coal's exports are low ash coal, sold through the Transvaal Coal Owners' Association (TCOA) to customers in Europe and Japan. Price increases negotiated for 1991 delivery rose on average by about 4% for European customers, while the Japanese managed to force the TCOA to take a $1/t cut in price. Eroding this slim increase in dollar revenues is the persistent rise in working costs, fuelled by SA's inflation rate. There will be little relief from the rand, with the Reserve Bank continuing to support the currency.

The Japanese Ministry of International Trade & Industry (MII) has lifted sanctions on the SA coal exporters, though the benefits will only come through next year when, it is hoped, the SA sales teams will negotiate better prices by erasing the "political discount" on their sales. Improvement in their bargaining position is already evident. The TCOA accepted the price cut in Japan but at the same time negotiated a reduction in contracted sales volumes to Japan because it can sell at better prices elsewhere. While Denmark and France may also lift sanctions on coal, benefits will again be felt only in 1992. Exporters have largely committed their available coal on contracts at prices settled in January.

On the local market, Eskom continues to cut back on coal demand but the utility is relying increasingly on its new, more efficient stations, which means GF Coal is insulated from the cuts. GF Coal has a 50% stake in the Matla Joint Venture supplying Matla power station, and the company's share of the profit rose to R20,5m from the year-ago R18,1m, though its share of coal sales dropped marginally to 5,2 Mt (5,4 Mt).

Chairman John Hopwood expects Matla will show a further increase in profitability this year but says GF Coal's overall profit will decline. He believes the dividend should be maintained as the group cuts expenditure on fixed and other assets.

That outlook should warn investors not to be over-optimistic. In the medium term GF Coal will benefit from the expansion of the Richards Bay Coal Terminal (RBCT) from its present annual capacity of 44 Mt to 53 Mt. However, the RBCT is not expected to attain a throughput of 53 Mt until 1995 — this year's throughput is estimated at 46 Mt — and GF Coal is already producing some of its additional entitlement. Greenside Colliery is producing more than its current quota of export coal, and Hopwood says the surplus is being sold to another RBCT exporter.

Selling the coal directly on the export market rather than to other RBCT exporters will be more profitable, but some of expected growth in revenues is already in the accounts.

Brendan Ryan
End to ban sparks rise in coal shares
Local US laws limit return of investment

US local government laws will restrict the return of US corporate investment to SA to a trickle, says an article in the May issue of the SA Foundation Review. The article, by Washington-based Investor Responsibility Research Centre (IRRC) senior analyst Witney Schnedman, says a relaxation of federal sanctions will not mean a return to the previous status quo, especially in the field of economic ties.

The IRRC surveys show that there are 85 cities, 22 counties and 26 states in the US which have some type of sanction in place. The measures include a ban on investing in companies with interests in SA, restrictions against using financial institutions that facilitate commercial transactions with SA and a prohibition on buying SA goods.

"While the pace of divestment has slowed to a crawl, many localities continue to introduce new sanctions legislation or toughen existing measures," says Schnedman.

Other measures used to restrict economic ties with SA include a Los Angeles anti-apartheid contracting policy, a New York initiative to rate banks on their efforts to place anti-apartheid pressure on the SA government and the creation of "Shell-free zones" in the US. An IRRC survey of 72 publicly controlled money funds found that only 5.6% of total holdings had been subject to local divestment legislation. Consumer boycotts have similarly not affected the sales of target groups.

The same cannot be said of selective purchasing laws. These measures have forced many businesses to choose between doing business in SA or the US. Last year at least 10 companies severed their non-equity links, such as licensing and distribution agreements, in response to local contracting laws which penalise businesses having ties with SA, the article says.

Germans use more SA coal

MATTHEW CURTIN

LONG-TERM prospects for SA coal exports to Europe were excellent, Trans-Natal senior marketing manager Gordon Osterloh said yesterday. Germany, he said, was burning increasing amounts of SA coal as sanctions fell away and the cost of European supplies rose.

Although there was an 18-million ton rise in the amount of steam coal consumed in the developed world in 1990, EC exports fell 16% and Polish exports by 10%, he said.

Rising costs, particularly in Poland, were making European coal unattractive to local consumers.

SA exports to Germany grew by about 1-million tons in 1990. City councils which had refused to buy SA coal for power stations in protest at apartheid had now lifted restrictions for the first time in years.

A recent Coal Week International report said SA supplied between 2.5-million and 3-million tons of the 8-million tons imported by Germany in 1990.

Four join Figer as company judges
Better value at AT Coll

ANGLO-TRANSVAAL Collieries (AT Coll), whose sole investment is a 15.8% holding in Witbank Colliery, posted a small 4% rise in earnings for the half-year to March, but the value of its holding has shot up.

Taxed profit rose to R4,15m from 1990's R3,96m, equivalent to earnings of 245,4c a share (236,4c).

Increased dividend income of R4,5m (R4m) from Witbank Colliery was responsible for AT Coll's earnings rise.

The market value of the holding had risen to R107,4m on March 31 from R88,4m a year ago, thanks to the upswing in the coal sector of the JSE. That pushed up AT Coll's net asset value to 671,8c (550,5c) a share. The shares are currently trading at 7,00c.
Higher local sales stoke Amcoal fires

MATTHEW CURTIN (215)

HIGHER coal sales to Eskom offset a drop in exports and helped Anglo American Coal Corporation (Amcoal) to a 7.5% hike in year-end earnings.

Coal and coke sales were 45.5-million tons against 43.3-million tons in financial 1993. Turnover increased to R1.02bn (R1.75bn), attributable earnings climbed R18m to R276m and earnings a share rose to 1.955c (1.953c).

The year’s dividend has been increased to 42c from 38c.

Graham Bousted, who retired as chairman yesterday, said in a statement that export tonnages fell 6% because of lower spot sales in the first six months of 1993. This combined with only limited dollar price increases in the period to squeeze export margins.

In contrast, Amcoal’s tonnage sales to Eskom rose by 3.8% or just over 1-million tons to 31-million tons as the electricity utility cut nuclear and hydro generation in favour of thermal power stations.

Bousted said coal exports continued to be SA’s largest foreign exchange earner after gold, with 1990 revenue totalling R3.8bn while export tonnage was almost 1-million tons up on 1989 levels at 47.4-million tons.

But he warned that it was essential for SA producers “to avoid the pitfalls of over-production and consequent price collapse which have been apparent in a number of other commodities in recent years.”
Anglo spends R900m to up coal output

From DEREK TOMMEY

JOHANNESBURG. — Anglo is to spend R900 million in the next 18 months expanding its coal production by 4.3 million tons a year to meet its export commitments.

This was announced yesterday by Mr W G Boustred, who retires today as chairman of Anglo American Coal Corporation.

He said Amcoal's operating profit dropped 10.2 percent in the year to March.

But this was offset by increased investment income and a lower tax rate.

This enabled the company to increase its attributable earnings 7.5 percent to R275.5 million, equal to 1095c a share.

A final dividend of 26c a share has been declared, bringing the total for the year to 425c — an increase of 10.4 percent on last year.

Mr Boustred said coal continued to be South Africa's second-largest foreign exchange earner after gold, earning R22.5 billion in 1990 — an increase of R206 million on 1989.

An excellent 12 percent increase in beer volume sales ensured that SAB's results for financial 1991 would hit the top end of market expectations. Earnings a share were 10 percent up at 264c (225c), writes Anna Cottrill.

A final dividend of 88c (76c) a share has been declared for a total of 118c (101c).

The volume improvement boosted profitability in the beer division and resulted in its contribution to group attributable earnings surging 26 percent to R402 million (R320 million).

The increase in contribution from other interests was a more pedestrian 9 percent — up to R309 million.

The group plans to spend R1.5 billion on capex in 1992 — R1 billion of this will be spent by the beer division.

A sharp decline in textiles and carpets depressed C G Smith's performance in the six months to March, writes Jabulani Simakhele.

The group reported a 6 percent growth in earnings to 400.6c (378.3c) and a dividend of 111c (105c).

Group turnover rose 15 percent to R7.88 billion, 71 percent of this coming from C G Smith Foods.

But margins were under pressure and pre-interest profits rose 8 percent to R627.5 million.

Interest payments rose 15.5 percent to R131.3 million After slightly lower investment income at R4.4 million, pre-tax profit rose 6 percent to R385.4 million.

A lower company tax rate — the charge was R184.4 million (R193.1 million) — boosted taxed profits 12 percent to R354 million.

After accounting for the shares of associated companies, retained earnings, which dropped R3 million, and outside shareholders' income, attributable income was up 6 percent to R188.2 million.

Pretoria Portland Cement, SA's largest manufacturer of cement and lime, has been able to increase its turnover by 7 percent from 43c to 45c in spite of difficult trading conditions, writes Derek Tommey.

Although pre-tax profit declined in the six months to March, a sharp cut in tax payments resulted in taxed profits rising 7.7 percent.

Turnover in cash terms rose 5 percent to R577 million.

Operating income dropped 7 percent to R79.7 million, while investment income fell 43 percent to R6.1 million. Interest income was also down.
Opportunity could knock for SA's coal exporters if German environmentalists have their way. 14/15/91

The British Mining Journal reports that the sharp price jump in Soviet coal in the early 1970s obliged East Germany to move lignite or brown coal. Production reached 270 million tons last year.

The problem is that the polluting sulphur content is 3% — more than 10 times the desired amount for clean fossil fuel. Not only has the atmosphere been polluted but site reclamation has been neglected. The cost of restoring a single 60 ha barren area could be a billion marks.

"If the stricter environmental regime under a unified Germany means that lignite mining in Eastern Germany is to be phased out, plans to meet the 270 Mt shortfall by importing hard coal will have major implications for world coal trade."

Aquiet empire has been under construction for the past 10 years. It is one of the best-kept secrets around.
Now Dutch eye SA coal imports

AMSTERDAM — The Dutch electricity board SEP was considering buying SA coal once all sanctions against the country were lifted, the Dutch newspaper Financieele Dagblad reported on Friday.

The move would reverse a decades-old voluntary embargo on SA coal by electricity producers in the Netherlands, a spokesman for the industry's jointly owned body Samenwerkende Elektriciteits-Produktiebedrijven told the newspaper.

EC sanctions against SA, some of which were lifted last month, included bans on imports of gold coins and iron and steel, but not coal.

Figures from the privately funded Shipping Research Bureau based in Amsterdam showed that of 50-million tons of coal exported by SA last year, nearly 24-million tons were bought by EC countries.

SEP uses no SA coal, but other Dutch businesses do. Imports in 1990 rose 23% to 1.4-million tons.

The Shipping Research Bureau says in its latest report that import figures for the Netherlands exceed the country's domestic needs. It says the balance is blended to disguise its origin and re-exported to Britain and France, which both deny that public utilities use SA coal.

Germany, one of SA's biggest trading partners, increased its annual imports of SA coal by 78.5% in 1990 to 4.5-million tons, the newsletter says. — Sapa-Reuters
Coal outlook bleak in the short term

Although there was no general price level for the various coal products, he said a fair average working cost per ton of coal was about R60, with production costs accounting for R45 and transport about R15.

At a benchmark price of $3.50 per ton, the mines were getting a skimpy return on their product.

The exchange rate has been the wild card in the industry's forecasts, with Reserve Bank Governor Chris Stahl's firm policy damping any hopes of real earnings increases.

An average exchange rate of R2.50 to the dollar in 1990 put significant pressure on the bottom line. Under Zolezzi's scenario of an R50-a-ton cost, the margin would have been less than R2.

However, the recent weakening in the rand has helped boost margins. At R2.00 to the dollar, mines are making about R2.50 a ton.

Although more comfortable, mines are watching that margin disintegrate in the face of rising working costs. The weaker rand has exacerbated this because of its negative effect on the inflation rate.

Karun said some encouraging aspects were emerging, despite pessimism about the short-term outlook. The political discount that South African producers had been subject to was disappearing, the rand had weakened and railage costs had gone up only 8% this year compared with about 17% last year.

He said the impending lifting of sanctions was unlikely to have any major effect on export volumes because of the full capacity at Richards Bay. Upgrading capacity from 46 million tons to 55 million tons would be completed only in 1996.

In the longer term the country would have to exploit new, and less viable, coal fields, as the gold mining industry had already done.

SA's exploited reserves have virtually assured a margin of profitability for mines because of the low production costs.

Other reserves are of a lower quality and working costs are likely to be higher.
INTERIM RESULTS

From Rand Mines are the full before the storm. Earnings have held up well, but are set to drop sharply in the second half because of heavier interest payments and lower earnings from coal.

Coal is all the house has going for it at present, as the interim figures make painfully clear. It contributed R77.6m of Rand Mines’ attributable earnings of R104.4m for the six months to March. Head office came in a poor second, contributing R16.3m from management, financial and investment services. Platinum contributed R1.4m, which looks paltry until compared with gold’s R1m contribution while property added R6.3m, base minerals came through with R5.1m and the house lost R3.9m on its Lotzabia forestry and timber operations.

What happens in the second half will depend largely on just how much debt Rand Mines will have to carry following the disposal of Barmine to Impala Platinum (Implat). As expected, given its powerful bargaining posi-

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*CONTINUE →*
Coal promises to lift economy

Weekend Argus
Correspondent

BOOMING export earnings from coal promise to lift the South African economy out of recession before the end of the year.

Coal exports are so buoyant that certain observers believe the current and prospective beneficial spin-offs will largely offset the negative impact of a stagnant gold price and an inflation rate which stubbornly refuses to come down.

A measure of the coal industry's highly encouraging outlook is the 40-percent advance in the JSE's Coal Index since early February.

While domestic coal consumption has remained flat, improved export prices are helping to boost SA's foreign exchange earnings and ensuring steady labour complements at the coal mines at a time when the gold mines are laying off workers.

Several factors are combining to heighten the nation's coal prosperity:

☐ The Japanese Ministry of International Trade and Industry has lifted its ban on new coal contracts with SA producers.
☐ Price discounting to counter sanctions is steadily disappearing.
☐ The rand has weakened against the US dollar. At a rate of R2.50, most exporting collieries operated at a loss at the current R2.80 these collieries, the majority of which are highly geared to the rand coal price, are generating vigorous earnings.

☐ The coal industry lost 25 percent of its export markets in 1986 when, among others, the US, France and Denmark closed their doors to SA. The industry is poised to regain many of these markets.

☐ The programme to refurbish and upgrade the Richards Bay Coal Terminal will be completed by the end of the year, at which time its capacity will rise from 45 million tons to 53 million tons.
Coal share prices 'due for correction'

THE JSE's coal sector is looking over bought in the short-term and shares should show a relative correction, stockbroking firm Davis Borkum Hare (DBH) suggests in an analyst's report.

This follows growing caution in the market that the heady rises in coal share prices since the beginning of the year may have been overdone.

The index has risen 37% since the end of 1990 and has far outstripped the overall index in performance.

DBH coal analyst Marv Pohl said the superior performance of the sector since the beginning of 1991 was based on improved fundamentals for the industry arising from the easing of sanctions and the expansion of facilities at the Richards Bay Coal Terminal. Recent depreciation of the rand also boosted share prices.

The perception that Soviet strikes were causing a substantial shortage appeared to have been overplayed, he said.

The signing of the agreement between the Kremlin and Russian Federation president Boris Yeltsin, which grants the mines full economic independence to sell their coal directly to other regions and abroad, would mean a change in market sentiment and cause share prices to soften a little.
SA set to make R34-m inroad on Aussie coal exports

The Argus Foreign Service

MELBOURNE - South African moves to abolish apartheid will cost Australia's mining giant, CRA, some R34 million in lost coal sales, the company revealed.

CRA said it had been told by its principal buyer, the Electric Power Development Company of Tokyo, that it intended to take a substantial amount of South African coal.

Initially it planned to buy 400 000 tons from South African producers Ermelo Mining and Witbank Mining which normally would have come from Australia.

The national daily, the Australian, said this heralded the opening of a big assault by South Africa on Australian export markets.

It added " Pretoria's moves to abolish apartheid and end international economic sanctions against it will give the mineral-rich nation a chance to develop its great potential in Asian coal, gold and iron ore markets."

The newspaper said South Africa had a huge price advantage over Australian coal, being able to market its product R10 a ton cheaper.

It quoted a Japanese coal industry spokesman as saying "there is definitely a mood in Japan to look at South Africa."

Meanwhile it reported from The Hague that Holland's Association for Energy- Producers (SEP) has confirmed its intention of importing South African coal as soon as all sanctions have been lifted."

The firms operating under SEP decided 10 years ago to stop using South African coal as a protest against apartheid.

However, despite the ban, the Rotterdam-based Shipping Research Bureau revealed that the Dutch import of coal from South Africa had increased over the past few years - as much as 22 percent in 1990 alone.

The SRB believed South African coal was being re-exported as "Dutch" coal to France and Great Britain where bans on using South African coal also exist.
New comprehensive gas-from-coal study

SA might never build another synthesis plant unless government changes its mind on subsistence, but the National Energy Council (UNC) 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."
Notices link Frigate with Scharrighuizen

ANDREW GILL

CAUTIONARY announcements placed by the Frigate Group and Scharrighuizen Holdings earlier this week were linked, Scharrighuizen director Henk Scharrighuizen said yesterday.

The two concerns are involved in the coal mining industry and both operate plant hire and contracting businesses.

Frigate is one of the country's largest independent coal producers and Scharrighuizen contracts out to opencast mines.

Scharrighuizen declined to comment on the nature of the association other than saying negotiations were underway between his company and Frigate.

Frigate's MD and chairman Mike Stanley declined to comment on the cautionary announcements, issued on Monday which warned shareholders negotiations were underway which, if successfully concluded, could affect their share prices.

An analyst said earlier in the week any link-up was likely to be on the contracting side of the businesses as "this may be an area of rationalisation".

Frigate recently had cash flow problems and was bailed out by a R5m injection from Finansbank in July last year.
NEW COAL TERMINAL MOOTED

Following deregulation of the coal export market earlier this year, Portnet is carrying out a feasibility study looking at the construction of a second coal export terminal at the port of Richards Bay. Portnet spokesman Louis Nieuwoudt confirms this, as do two of the companies interested in using such a facility, Messina Investment and Duker Exploration.

Warnings about the dire financial consequences an oversupply of coal would have on SA’s coal exporters have been sounded by Richards Bay Coal Terminal (RBCT) chairman Allen Sealey and former Amcoal and RBCT chairman Graham Bousted.

The RBCT, under Bousted, played a leading role in blocking a similar proposal several years ago. It will not be able to do so again. De-regulation has resulted in the export allocation system being scrapped, and has turned the market into a free-for-all for those companies able to get the coal out of the country.

Portnet embarked upon the study after being approached by several coal companies interested in the project, including one or more of the present members of the RBCT. The identity of these companies has not been confirmed. However, industry sources say they include Gold Fields of SA (GFSA), Kasgara Holdings and Agip are also thought to be involved.

Gold Fields Coal chairman John Hopwood denies he is looking at participation in a new terminal. However, this does not rule out GFSA's involvement through its New Business division, which runs separately from the house’s operating arms, New Business GM Peter Jansch declines to comment.

Sasol may also be interested. Its new Syferfontein project at Secunda will have several million tons of spare capacity when it reaches full output of 7 Mt/year in 1993. Sasol communications manager Jan Krynauw says: “Export of some of the coal to be produced at Syferfontein is being investigated. Though various possibilities are being considered, we feel it is premature to speculate about it now.”

Hard details on the size and cost of the proposed terminal are not available, but Messina MD Danie Kirsten says the minimum guaranteed annual throughput needed for Portnet to take the project seriously is 4 Mt. This volume has already been found.

The terminal could be larger, because of the spare capacity on the Richards Bay rail line — the reason for Spoornet’s interest in the project. The line can handle 65 Mt/year though additional rolling stock and locomotives would be needed to shift this volume. Expansion of the RBCT’s capacity to 53 Mt will be completed this year but it may not actually move that volume of coal until about 1995. That leaves about 12 Mt of spare capacity.

“Messina has been approached and we have indicated we are interested,” says Kirsten. “I think the terminal has a good chance of going ahead.”

Not surprisingly, the major coal exporters are against the development. Comments Sealey: “I think it is crazy for SA Inc to invest money in another terminal to export additional coal that would reduce prices received by the entire industry and lower the total foreign exchange receipts earned by the country from these exports,” he says.

“Profit margins are now so thin, we cannot see how any company can get an adequate return after allowing for the capital costs involved in setting up a new terminal. We are not making an adequate return at present based on historical costs. The market is finely balanced and exporting large extra tonnages will knock prices down. Still, it’s a free market and we cannot prevent people from coming in.”

Sealey estimates the cost of building a new terminal at a minimum of R70/t of annual capacity. That would put a R700m price tag on a 10 Mt facility.

In his final review as Amcoal chairman, Bousted warns: “It is essential the SA coal mining industry proves itself capable of avoiding the pitfalls of overproduction and consequent price collapse that have been apparent in a number of commodities in recent years.”

Letting newcomers use the line is bound to cause friction between Spoornet and the RBCT, which has been paying off the cost of the line through the rail tariffs charged. A key issue is what tariff the newcomers will pay. Sealey says the rate has to be at least the same as the present tariff charged to the existing RBCT users, and there can be no question of Spoornet subsidising new coal exporters at the expense of existing ones.

Brendan Ryan

DIVERSIFYING ASSETS

After a virtual doubling in the share price since the 12-month low of 650c was set last June, Times Media Limited (TML) has posted a 3% dip in EPS — but the dividend was increased by 11%, as the group’s cash generating capacity remains strong and the balance sheet is heavily liquid.

The accounts for the year to end-March also emphasise the growing importance of the group’s effective 19% stake in M-Net, whose price has quadrupled since the share was listed last August.

At the financial year-end, M-Net’s price had risen to 260c, lifting the market value of TML’s stake to R72m, an excess of R607m over the cost. At the present price of 395c, the value has increased to R109m, giving an excess of some R98m over cost and is equivalent to roughly 50c per TML share. Shareholders’ funds at March 31 stood at R89.4m (including copyrights and titles valued at R14.3m), with investments at book value.

On that basis, the M-Net investment now easily represents the group’s biggest single asset (though the Sunday Times, a major profit generator, is valued very conservatively).

The balance sheet shows cash and short-term investments of R58m, about the same as at the end of the 1990 year. Financial director Lawrence Clark notes that about R38m of this will be used to finance payment of the final dividend (R8.82m) and tax (R29.3m). However, the group does not have large working capital or capex requirements; profit is converted rapidly into cash. It would be reasonable to expect that the liquid assets would be topped up during the current year by an amount roughly equivalent to the year’s after-tax profit — unless other significant investments are made.

Last year’s R2.3m increase in interest income, which rose to R11.2m, provided a useful cushion against the pressures at trading level. Turnover advanced by only 12% — mainly owing to acquisitions, increased advertising rates and higher cover prices.

Operating margins were narrowed by the depressed state of the advertising market in the print media (the group’s advertising volumes were significantly lower); by operating losses in the tender business, and by a substantial increase in the provision required for the staff incentive bonus scheme.
COAL shares should be bought because export tonnage will increase from 215.5 million in 1995 to 243.5 million in 1996.

Providing this does not depress the coal price, the purchase of Amcoal and Wit Collins in particular are recommended by Manon Pohl of stockbroker David Borkum Hart.

Dr. Pohl says the superior performance of coals since the beginning of 1991 was based on improved fundamentals arising from the easing of sanctions and expansion at Richards Bay Coal Terminal. The rand's depreciation has also helped.

He believes that the $5.00 discount SA's producers were obliged to accept has largely disappeared with Europe going into summer and the Soviet Union granting control of the coal mines to the Russian Federation. Dr. Pohl believes the prices of coals could ease and that they will show a relative correction in the short term. But the real internal rate of return of 21% now offered by coals means that they still offer value and should be bought in this time of consolidation for long-term growth.
Colliery blaze ‘out in 4 months’

By Jacqueline Myburgh

The underground fire in Witbank’s abandoned Uitspan Colliery should burn itself out within the next four months, according to the Department of Mineral and Energy Affairs.

The department recently completed a project to smother the nine-year-old underground blaze, but there are still about 400 ha of coal mines burning in the Witbank area, consulting engineer, Johan Wagner, said.

He was speaking at a function in Witbank yesterday during which responsibility for the maintenance of the Uitspan mine was officially handed over to the town council by Mineral and Energy Affairs Minister George Barleit.

Witbank Town Council will now have to maintain the measures taken by the Department of Mineral and Energy Affairs and Mr Wagner to smother the fire, which has been raging since

The railway line to Maputo, agricultural land, and coal and clay reserves were threatened by the blaze. Pollution and acid mine drainage increased alarmingly.

To prevent the fire spreading, a type of “dam wall” had been built of non-combustible material and the entire burning area — about 40 ha — covered with a metre-thick compacted-earth blanket to cut air to the fire, Mr Barleit said.

The measures had provided permanent protection for the Maputo railway line, prevented further loss of coal and clay reserves, and effectively controlled the seepage of acid mine water. Air pollution would eventually be eliminated, he added.

Mr Wagner said the mine would have to be monitored by the town council because there may be a certain amount of earth movement. He also advised regional monitoring.
Two Lonrho companies’ results slide

Two Lonrho group companies, Coronation Syndicate and Tweefontein United Collieries, have reported depressed results for the half-year to end-March.

Income from Coronation slid 8.3% to R940 000 (R1m) on reduced interest and income from Zimbabwean non-resident bonds, which slipped 14% to R738 000 (R858 000). Tweefontein’s income dipped slightly to R1.4m (R1.5m), leaving attributable profits at R82 000 (R1.8m).

Coronation earnings were down to 55.4c (58.4c) a share, with a 55c (57c) dividend outlay. Tweefontein posted earnings of 14.2c (15.3c) a share and a dividend of 14c (15c).

Net asset value per share fell to R15.58 (R23.37) for Tweefontein, and to 121c (182c) for Coronation, trading at R13.50 and 80c respectively.
German demand for SA coal surges

Own Correspondent

JOHANNESBURG — SA’s coal exports to Germany and to Belgium shot up by 76% and 42% respectively in 1996, as exports to the EC as a whole rose 16%, the Netherlands-based Shipping Research Bureau (SRB) said in its latest quarterly report.

However, although EC sanctions were lifted earlier this year, analysts last week repeated their warning that the immediate prospects for SA coal exports were less than rosy.

The research bureau said German demand for SA coal had been fuelled by increased power-station usage combined with lower local production and longer than expected shut-downs at nuclear power stations.

But the report described the 23% hike in Dutch use of SA exports as “mysterious”, given public statements last year from local utilities that they did not intend to use SA coal.

The bureau said the Dutch might have re-exported the coal as “Dutch coal” to France and Britain whose power utilities had also boycotted SA coal.

The bureau said SA’s exports to the EC rose from 21m tons to 24m tons in 1996, while total exports rose 6% from 47m tons to 49m tons.

In contrast, SA exports to the Far East — a market targeted particularly by SA producers after European sanctions were imposed — dropped in 1996, with Taiwan (5.5m tons) overtaking Japan (5m tons) as SA’s largest customer in the area. Exports to Japan, Hong Kong, and South Korea, as well as to Israel and Turkey, fell.

Anglo American Coal Corporation (Amcoal) deputy MD James Campbell said at the weekend the bureau figures were too high, but reflected the general trend for SA exports in 1996.

He said the short-term opportunities for increasing SA exports to Europe and Japan were not good. Most EC buyers had placed their coal orders for 1991. Demand was static and the main option for SA producers was to take market share from competitors.

“Campbell said that strategy risked a price war, which would cut into the already narrow margins, at a time when SA producers were in a phase of large scale investment in the export market.

Trans-Natal and Witbank Colliery were spending R1.55bn, R500m and R60m respectively on expanding production and export potential.

He said that although Japan had relaxed sanctions on SA coal imports, sanctions had cost SA the initiative in playing a role in Japan’s cautious forward planning. SA producers might have to wait until new power stations were commissioned in 1993/4 before improving their share of the Japanese market.

Irish & Menell Rosenberg analyst Dave Russell said yesterday several factors militated against SA coal producers sustaining the rise in exports International supply and demand was “extremely tight”.

He noted that Amcoal chairman Graham Bousted and Witbank Colliery chairman Allen Selaey had warned loudly of the dangers of flooding the market with SA coal and driving the price down.

Russell said practical problems of increasing SA exports through the Richards Bay coal terminal — whose current capacity was 48m tons with an upgrading programme to 53m tons under way — were also important.

The imposition of sanctions had put the synchronisation of raising the capacity of the terminal, the rail links and rolling stock out of kiln with each other.

Spoornet had upgraded the railway to 63m tons capacity, in line with coal export expansion plans conceived before sanctions bit, but was yet to reap the rewards of their investment. Meanwhile, rolling stock capacity was now only 47m tons a year, with a 2m ton increase by the end of the year.
Coal exports to Germany soar

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Campbell said that strategy ranked a price war, which would cut into the already narrow margins, at a time when SA producers were in a phase of large scale investment in the export market. Amcoal, Trans-Natal and Wathbank Colliery were spending R50m, R50m and R40m respectively on expanding production and export potential.

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MacPhail takes the conservative view

DIRECTORS of coal merchant MacPhail have a tough act to follow if they intend to improve on a five-year compound growth in return on shareholders' equity of 41.9%.

But not many would bet against still bigger and better things from MacPhail. The group last year produced its sixth consecutive set of record results with a 21.7% improvement in earnings a share.

However, the annual review suggests that there are factors which may mitigate against MacPhail accelerating the growth into a 7th year. Chairman Terry Rolfe, who quietly took over the chair after the reasignation of Ivan Poomak in the second half of last year, warns that 1993 will be difficult.

He bases any growth on realistic and practical strategic planning, as well as on the skills of the management team.

CE Sud Wientrob says it will be a challenging year, but figures the group can capitalise on its expanded depot network and the expected improvement in the metallurgical industry.

He says directors are confident that earnings per share will increase in 1991.
South Wits forges ahead

MINING exploration company South Witwatersrand's success in bringing its Brits chrome and Middelburg coal mineral rights to account flew in the face of investor disillusionment with mining in SA, chairman Nick Stavrakis said in his annual statement.

Stavrakis said South Wits's market value had plummeted 85% in the past year, reflecting a massive vote of no-confidence by investors in the future of mining in SA, especially in capital-intensive gold mining. He said South Wits's tangible assets stood at three times the R4,8m raised when the company was listed in 1988.

South Wits had sold its chrome rights on a 250ha site near Brits for R4,4m to European consortium Fermitel Holding AG on April 10. The company retained a 7,5% share of all precious metals on site.

South Wits had given the go-ahead for the establishment of the New Ditkyk colliery near Middelburg. This mine would at first produce 30,000 tons of coal a month, doubling production after a year. The colliery's contribution to the company's pre-tax earnings would be "substantial".

Southern Plaas Mining (Southplats), the former South Wits subsidiary listed on the JSE last July, made considerable progress in exploration of its nickel, copper, and platinum venture near Potgietersrus, northern Transvaal. Although proven reserves were not as extensive as first drilling results indicated, the grades and metallurgical recoveries of nickel and copper were "very high".

Stavrakis said foreign investment in new SA mining ventures was deterred by an absence of attractive tax incentives and impeded by new mineral rights legislation.
AMCOAL

LOOKING EXPENSIVE

EXPORTS ARE EXPANDING, BUT PROFIT MARGINS HAVE BEEN ERODED

After the rerating of the share since the beginning of this year, investors are unlikely to be greatly encouraged by Amcoal's 1991 performance.

Though the dividend was increased by a tenth and attributable earnings were higher by 73%, the operating profit was actually down by R47m, or 10%. The earnings advance was achieved largely because the group's effective tax rate dropped from 54.2% to 48.7%

Amcoal received an income tax credit of R18.4m (compared with R21.2m in the previous year) because of the drop in the tax rate on coal companies from 56% to 54.5%

It expects a "significantly" larger credit this year, when the rate should fall to 50.88%

A more important influence on the group's effective tax rate, however, was the deferral of tax benefits of R95m, compared with R13m in the previous year. In March last year Amcoal changed its policy of accounting for deferred tax to the comprehensive liability method — whereby deferred tax benefits, which arise from capital expenditure allowances, are recalculated each year — to reflect the effects of changes in the rate of tax.

Amcoal's operating performance suffered from lower export earnings, caused mainly by squeezed export margins — modest price increases were eroded by the exchange rate, royalty rates and mine working costs — as
well as a 6% fall in export sales volumes. Exports declined to 9.9 Mt from 10.5 Mt in the 1990 year because of lower spot market sales in the first half of the financial year, when Amcoal refused to sell at the low spot prices then on offer. The group's spot sales were 1 Mt down during the first half, but some of the lost ground was made up in the second six months.

The problems experienced on the spot market offer an interesting view of Amcoal's marketing policy. In general, the major SA exporters aim to maximise the proportion of their exports which are sold on long-term contracts. It seems that Amcoal nonetheless had considerable flexibility in its export sales last year.

Industry executives claim that the Richards Bay Coal Terminal (RBCT) is substantially sold out for this year — much of the 46 Mt expected to be exported has been committed through contracts. Yet, during its 1991 financial year, Amcoal either deliberately held back more than 10% of its export volumes for sale on the spot market, or was unable to place this volume of coal through contract sales.

The adverse effects on the group's earnings underline the crucial importance of the export market to profitability. It must offer higher profit from Eskom.

Amcoal increased sales to Eskom to 31 Mt from the previous year's 29.9 Mt, thanks to growth from its expanding New Vaal and New Denmark collieries. But the growth is slower than expected, and it may not be enough to compensate for the dropping export profit margins.

Former chairman Graham Boustedt noted that, through agreement with Eskom, New Denmark has not yet installed its full planned production capacity of 10 Mt/year and has instead been limited to 7 Mt/year. New Vaal is almost complete, but the colliery has not yet been required to produce at levels approaching full output. Construction of New Cornelius colliery will only start towards the end of the Nineties.

Still, with sanctions being lifted, overall conditions for the SA exporters are looking better. This is Boustedt's swansong review as chairman — he handed over the reins to David Rankin on May 15 — and he reports "More SA coal was satisfactorily placed in long-term power utility markets than in any year since sanctions were first imposed."

Hopefully the improvement will continue. Amcoal is spending R900m on expansion of its export collieries. Other major exporters, such as Trans-Natal, are also involved with large capital programmes.

Manny Pohl, coal analyst at Davis Borkum Hare, notes that the strong growth in steam coal consumption and trade over the past five years is expected to continue in the early Nineties, spurred on by high electricity growth rates (especially in the Pacific Rim), and the use in Europe of cheap imported coal rather than expensive local coal. Pohl adds that coal sales to Europe will, therefore, continue to grow, facilitated by the planned expansion of RBCT, which will increase throughput by 9 Mt, to 53 Mt/year.

However, the deregulation of coal exports by government raises the possibility of the market being hit by an oversupply of SA coal. Several newcomers enter the business. Portnet has confirmed that it is considering a second coal export terminal. Interested potential users include Gold Fields of SA, Kangra, App, Messina, Duiker and Sasol.

The development is one that Boustedt — as chairman of RBCT — has opposed in the past. He now cautions, "It is essential that the coal mining industry proves itself capable of avoiding the pitfalls of overproduction and consequent price collapse that have been apparent in a number of other commodities in recent years."

He points out that this year new coal projects in Indonesia and Venezuela come on stream. He expects overall demand to rise enough to accommodate this extra production, but the impression given is one of a market finely balanced between supply and demand.

Despite expected higher export volumes, higher Eskom revenue and what looks like a larger tax break, Boustedt still forecasts unchanged earnings for the current financial year — essentially because he expects a further erosion in export profit margins.

The share has had a tremendous run since February this year, rising 50% to a 12-month high of R124. Bousted may well have been cautious in his forecast but the outlook for the coal companies, while improved, is still no bed of roses.

But the stock market has been taking a more bullish view, and some analysts are more positive about the profit outlook. Simpson McKie's Henne Vroomen, for example, is forecasting EPS in 1992 will rise by about 12% to 127c, and the dividend by 10.6% to 47c. In 1993, he forecasts a 15.7% rise in EPS to 141c with a similar advance in the dividend, to 54c.

Apart from the more optimistic views being taken on export prospects, both earnings and the share price could benefit significantly if there is any renewed depreciation of the rand.

Still, in my view the share is now looking expensive, and there is no point in chasing it at these levels, though Amcoal remains SA's premier coal producer and should prove worth holding for its long-term prospects.
LEADING ARTICLES

Ngcobo and Delany ... putting out the fires
draw our labour."

Once they saw matters differently and did become involved, it took seven months to set up a joint meeting, which drew together chiefs from surrounding areas. Urged on by Cosatu, the businesspeople persisted, aided by close links with police drawn into the forum. Violence has since died down in the areas from which they draw their labour, and their forum, now involved in discussing transport and community-related issues, has developed into a regional economic planning body.

Employers who have become involved in peace efforts advise that to appear to be sympathetic to a particular group is self-defeating. If an employer is perceived as biased, the opposing group will be suspicious and may refuse to meet with him.

Gerry Delany, human resources manager of SA Tioxide, at Umbogintwini, says the present cycle of violence in the area began in 1989. Thabo Ngcobo, industrial relations manager at the same company, says unrest consumed the Maritzburg and Durban townships, and it now scours the coastal areas and the Richmond area.

Ngcobo says: "What began as a struggle for political dominance has become so complicated I don't believe that if leaders of political parties said today they want peace, that it would filter down to the grassroots. The meeting between Buthelezi and Mandela in January is an example they called for peace, but there was no response from the grassroots."

Delany says such calls are "like trying to stamp out a fire by stamping out one clump of grass." In Natal, he adds, the violence initially seemed to involve attacks on the homes of individuals because they "belonged to the wrong political persuasion. Then it seemed to degenerate into hit-and-run attacks on individuals. People were killed in the night or disappeared. Political activists on both sides were targeted."

The Transvaal has followed a similar pattern and now seems to be in the second phase described by Delany.

In late 1989, and early 1990, SA Tioxide realised employees were sleeping in the bush at night, too terrified to go home. The company discussed the matter with shop stewards but realised that if it was alone in taking a stand, its workers could be victims of violence.

So Delany approached the Institute for a Democratic Alternative for SA for advice. Out of that came meetings with Cosatu and other employers already working on the issue. A business contact group or peace forum was established in the area, "with an emphasis on restoring respect for the rule of law."

A Pinetown businessman who is now involved in peace forums comments: "The biggest problem workers and employers have is the lack of (violence-related) arrests. People on my work force have been murdered and nothing happens. The police tell us it is almost impossible for them to do their job, because witnesses refuse to come forward because of intimidation."

Ngcobo says it is essential "to replace confidence in the rule of law. People see no arrests are made, so revenge becomes a major element in continuing violence."

It may be, too, that the belief that no one will be arrested for murder, arson or public violence is in itself a strong element in the continuing violence. How else to explain the limits on violence in factories in contrast to the widespread township violence?

SA Tioxide, Delany says, would come down heavily on any employee who behaved aggressively at work — a common view throughout industry. However, this refers to the potential for community-related conflict between political groups on the shop floor. Strike-related violence, which has increased recently, is more problematic and often harder to monitor. The tendency is nonetheless for employers to take a hard line when violence becomes a factor in strikes, an attitude supported by industrial courts.

The contact group that Delany and Ngcobo are involved in has a three-phase crisis intervention plan. The first is to contact the police when they hear of potential conflict, or that they have a police complaint. They have compiled a list of emergency contacts.

The second step is to encourage follow-up investigations and arrests. And the third is practical support to employees — such as transport to remove them from violence-torn areas, or financial assistance to relocate or rebuild a burnt-out house. Employers are not asked about their political affiliations, and Ngcobo says companies should look at the physical or socio-economic causes of violence rather than the political ones.

Any businessman caught in the middle, in other words, has to stay there — ideologically speaking. Except where crime is involved, he needs to render quick, short-term assistance to employees regardless of their affiliations, and he must be seen to be committed, in a non-partisan manner, to the quest for a wider peace. Contact with the police is balanced by contact with the community.

All parties can then meet in forums centred on politically neutral businessmen. Out of this comes the demonstration effect, on a small scale, of what has yet to be achieved at a national level.

AMCOAL

LOOKING EXPENSIVE

EXPORTS ARE EXPANDING. BUT PROFIT MARGINS HAVE BEEN ERODED

After the reregistration of the share since the beginning of this year, investors are unlikely to be greatly encouraged by Amcoal's 1991 performance.

Though the dividend was increased by a tenth and attributable earnings were higher by 7.3%, the operating profit was actually down by R47m, or 10%. The earnings advance was achieved largely because the group's effective tax rate dropped from 54.2% to 48.7%.

Amcoal received an income tax credit of R18.4m (compared with R21.3m in the previous year) because of the drop in the tax rate on coal companies from 56% to 54.5%. It expects a "significantly" larger credit this year, when the rate should fall to 50.88%. A more important influence on the group's effective tax rate, however, was the deferral of tax benefits of R95m, compared with R13m in the previous year. In March last year Amcoal changed its policy of accounting for deferred tax to the comprehensive liability method. whereby deferred tax benefits, which arise from capital expenditure allowances, are recalculated each year — to reflect the effects of changes in the rate of tax.

Amcoal's operating performance suffered from lower export earnings, caused mainly by squeezed export margins — modest price increases were eroded by the exchange rate, railage rates and mine working costs — as

cont (Continued)
well as a 6% fall in export sales volumes. Exports declined to 9.9 Mt from 10.5 Mt in the 1990 year because of lower spot market sales in the first half of the financial year, when Amcoal refused to sell at the low spot prices then on offer. The group’s spot sales were 1 Mt down during the first half, but some of the lost ground was made up in the second six months.

The problems experienced on the spot market offer an interesting view of Amcoal’s marketing policy. In general, the major SA exporters aim to maximise the proportion of their exports which are sold on long-term contracts. It seems that Amcoal nonetheless had considerable flexibility in its export sales last year.

Industry executives claim that the Richards Bay Coal Terminal (RBCT) is substantially sold out for this year — much of the 46 Mt expected to be exported has been committed through contracts. Yet, during its 1991 financial year, Amcoal either deliberately held back more than 10% of its export sales for sale on the spot market, or was unable to place this volume of coal through contract sales.

The adverse effects on the group’s earnings underline the crucial importance of the export market to profitability. It more than offset higher profit from Eskom. Amcoal increased sales to Eskom to 31 Mt from the previous year’s 29.9 Mt, thanks to growth from its expanding New Vaal and New Denmark collieries. But the growth is slower than expected, and it may not be enough to compensate for the dropping export profit margins.

Former chairman Graham Boustred noted that, through agreement with Eskom, New Denmark has not yet installed its full planned production capacity of 10 Mt/year and has instead been limited to 7 Mt/year. New Vaal is almost complete, but the colliery has not yet been required to produce at levels approaching full output. Construction of New Cornelia colliery will only start towards the end of the Nineties.

Still, with sanctions being lifted, overall conditions for the SA exporters are looking better. Thus Bousted’s swansong reverse chairman — he handed over the reins to David Rankin on May 15 — and he reports:

“More SA coal was satisfactorily placed in longer-term power utility markets than in any year since sanctions were first imposed.”

Hopefully the improvement will continue. Amcoal is spending R900mn on expansion of its export collieries. Other major exporters, such as Trans-Natal, are also involved with large capital programmes.

Manny Pohl, coal analyst at Davis Borakumin Hare, notes that the strong growth in steam coal consumption and trade over the past five years is expected to continue in the early Nineties, spurred on by high electricity growth rates (especially in the Pacific Rim), and the use in Europe of cheap imported coal rather than expensive local coal. Pohl adds that coal sales to Europe will, therefore, continue to grow, facilitated by the planned expansion of RBCT, which will increase throughput by 9 Mt to 53 Mt/year.

However, the deregulation of coal exports by government raises the possibility of the market bung hit by an oversupply of SA coal if various newcomers enter the business. Portnet has confirmed it is considering a second coal export terminal. Interested potential users include Gold Fields of SA, Kangra, Agip, Messina, Duiker and Sasol.

The development is one that Boustred — as chairman of RBCT — has opposed in the past. He now cautions: “It is essential that the coal mining industry proves itself capable of avoiding the pitfalls of overproduction and consequent price collapse that has been apparent in a number of other commodities in recent years.”

He points out that this year new coal projects in Indonesia and Venezuela come on stream. He expects overall demand should rise enough to accommodate this extra production, but the impression given is one of a market finely balanced between supply and demand.

Despite expected higher export volumes, higher Eskom revenue and what looks like a larger tax break, Bousted still forecasts unchanged earnings for the current financial year — essentially because he expects a further erosion in export profit margins.

The share has had a tremendous run since February this year, rising 50% in a 12-month high of R124. Boustred may well have been cautious in his forecast but the outlook for the coal companies, while improved, is still no bed of roses.

But the stock market has been taking a more bullish view, and some analysts are more positive on the profit outlook. Simpson McKee’s Henrie Vermeulen, for example, is forecasting EPS in 1992 will rise by about 12% to 127c and the dividend by 10.6% to 470c. In 1993, he forecasts a 15.7% rise in EPS to 1419c with a similar advance in the dividend, to 540c.

Apart from the more optimistic views being taken on export prospects, both earnings and the share price could benefit significantly if there is any renewed depreciation of the rand.

Still, in my view the share is now looking expensive and there is no point in chasing it at these levels, though Amcoal remains SA’s premium coal producer and should prove worth holding for its long-term prospects.
Scharrig, Frigate in deal
By Ann Crotty

After weeks of speculation, a deal between Scharrigusen and Frigate has been announced.

Last month they issued separate cautionary warning shareholdings that they were involved in negotiations, which could affect the share price.

Because both are involved in the coal mining industry and both operate plant hire activities, the market quickly assumed that the two were negotiating with each other.

The official announcement says Scharrigusen will acquire the entire contracting division of the Frigate as a going concern.

"Scharrigusen will acquire the businesses, including mining assets, workshops and the rights and obligations in respect of contracts currently being performed by the Frigate companies."

The projected tonnages of the operations will exceed 500,000 tons per month. Projected turnover will be R5 to R7 million a month.

The deal will make Scharrigusen SA's biggest contract mining operation.

Director Cas Scharrigusen says because the two companies were competitors in the same market, there should be significant scope for synergies.

"Duplication of overheads will be eliminated and plant utilisation will be maximised."

The turnover of the enlarged Scharrigusen group is forecast to be over R175 million for the year to end-92.

For financial 91, earnings are expected to reach 75c a share, with a dividend of around 22.5c.

In the 18 months to December '90, earnings of 57.8c a share were achieved.
ANC eyes Anglo’s Grootvlei village

The fate of Grootvlei village between Heidelberg and Villiers hangs in the balance following weekend reports that the African National Congress and a consortium of farmers and businessmen had expressed interest in buying the village.

Owned by Anglo American’s Springfield Colliery, the village is to come under the hammer on July 2, according to Mr James Duncan, chief communications officer for Anglo.

This follows the closure of the mine which supplied the bulk of its coal to Eskom’s Grootvlei power station, now mothballed.

Duncan said several prospective buyers had been shown the property. Mrs Winnie Mandela reportedly viewed the property on June 6 and 7.

The property consists of 250 houses, a small hospital and other buildings, sporting facilities and land.

About 30 percent of the colliery’s personnel are still employed in activities related to the closure of the mine.

It is planned to complete the major part of the closure at the mine by the end of the year and the property will be vacated by the end of March 1992, Duncan said.

While movable equipment would not form part of the auction, the successful buyer may, however, negotiate to buy items such as hospital equipment.

An offer of some R2 million has reportedly been made but it is not known by whom or whether this would be accepted by Anglo.

Other reports indicate that neighbouring farmers are up in arms regarding the possibility that the ANC might buy the village.

Some farmers fear for the safety of their businesses while some farmworkers have indicated that should the ANC move in, they would move to the Free State.

Residents of the village are divided about the effects such a move will have. Some regard it as a sad day, as some families have been there for two generations, while others are glad that Anglo has decided to put the village up for sale before it becomes a ghost town. - Sapa.
Mushrooming... the growing commercial centre of Ellisras provides shoppers with facilities unheard of in this bushveld community a few years ago.

**Picture: Dirk Nel**

**Burgeoning**

**Ellisras now a hive of activity**

By Dirk Nel
Northern Transvaal Bureau

The days when Ellisras was nothing more than a dusty bushveld corral are gone forever — the advent of coal mining and related industries have made sure of that.

It has now become a bustling regional service centre, with a solid infrastructure, a fully fledged town council, a network of tarred roads and an ever-increasing number of government offices.

"We are planning a conference, involving all sectors of the community, to plot our next steps on the road to further development," the mayor, Frans Prinsloo, told a recent gathering in the new civic centre.

The two largest employers in the area, Sascor’s Grootegluik coal mine and Eskom’s Matimba power station, have been the main architects in the transformation, with large chain stores and service industries, following suit and becoming part of the local economy.

Visitors to the town will immediately notice several unusual features which distinguish Ellisras from its neighbouring towns.

First, there are the huge chimneys of the Matimba power station, which dominate the bushveld skyline. Then there are the two faces of the town, the old — including the hotel, post office and high school — and the new Onverwacht residential area, which adds a distinctly urban flavour.

The golf course at Onverwacht is something else! With the fairways and greens spread among the houses, golfers have to cross a street after each hole, which inevitably results in some steep talk and biltong-munching — a totally new experience for visiting city players.

The re-establishment of elephant on game ranches in the district is another drawcard.

"Take a break — visit Ellisras," says a publicity leaflet.

They have a point, it seems.
Springfield colliery sale: ANC to bid

DARIUS SANAN

THE ANC was definitely interested in buying the colliery village of Springfield next to the disused Grootvlei power station. ANC spokesman Saki Macozoma said at the weekend.

The village, which will be auctioned tomorrow, could fetch up to R10m. It consists of more than 250 houses, a small hospital and vacant land, and was put up for sale by Anglo American earlier this year.

Macozoma would not elaborate at the weekend on what the ANC would do with the complex if it bought it.

However, he did say, the National Co-ordinating Committee for Returning Exiles (NCCR) was not involved in plans to buy Springfield.

Auctioneers Chase and Sons director Tony Chase said there was no reserve price on the complex, but that he expected it to fetch "somewhere between R4m and R10m".

He confirmed that the ANC had shown an interest in the colliery, and said a group of local farmers had also formed a committee to bid for it.

There were at least five other possible buyers, but they had asked not to be identified, he said.

Anglo American spokesman James Duncan confirmed at the weekend that the ANC had shown an interest in the property, but refused to name other possible bidders.

Members of the local community oppose the sale.

At an open meeting in May, Grootvlei residents, residents of the nearby Ebekom village, and members of the nearby farming community elected a committee to find a local buyer for the Springfield complex.

Committee member Daan Pretorius said at the weekend: "The aim was to keep the village open for the rural community."

The committee had found a partnership that was interested in buying the village, he said. The partnership, which he would not name, would be bidding tomorrow and would rent the land to local community members, including pensioners and people working in nearby towns.
Frigate losses 'to continue'

COAL mining concern Frigate Group expects a further R12m operating loss in the six months to end-June, the company said yesterday in reporting a R16.1m loss for the year ended December 1990.

The company made a R3.32m profit the previous year.

Arrangements have been made with a major creditor to have the R12m debt owing to it frozen until the end of 1991.

Frigate MD Mike Stanley declined to comment on who the creditor was but indicated that Finansbank was involved. It injected R5m into the group last year and acquired 10% of the company as part of the process. The announcement said the creditor was a major shareholder.

Although turnover increased by 23% to R74.6m, net operating profit of R10m in 1989 crumbled to a loss of R4.3m in 1990.

Finance costs were 25% higher at R6.57m and almost R1m was written off as a result of the planned closure of Riverside Colliery, which was at the end of its life.

An 'extraordinary loss' of R1.64m was reported as a result of the suspension of underground mining operations at Hillsdale Colliery in November last year after only eight months of operation.

Frigate's contracting and plant hire divisions were bought by Scharrighausen last month for about R10m and it has entered into contracts for open cast mining of Frigate's existing collieries.

Stanley said the company was looking at "a lot of things" but declined to elaborate on what these were.

The statement said directors were examining various strategies in an attempt to restore the company to a sound financial position. As a result, shareholders were urged to continue exercising caution in dealing in Frigate shares.
Local farmers outbid ANC for Grootvlei

THE ANC yesterday failed to buy the Springfield colliery near Grootvlei in the southern Transvaal when a group of local farmers outbids it in a public auction.

The colliery, serving the mothballed Grootvlei power station, was put up for sale by Anglo American last year. It incorporates a 156-house village, a high-density hostel complex, a game reserve and a dam on its 773ha of land.

The ANC was believed to be interested in using the colliery as a base for returning exiles.

But in yesterday's tense auction, held in a marquee on the colliery grounds, 200 white farmers looked on as a bidder from the hastily formed Grootvlei Development company bettered each new bid by ANC welfare department head Winnie Mandela's lawyer Ismail Ayob.

The colliery was sold to the local company's director Duma Heyns for R4.6m after Ayob, sitting alone, declined to improve on his final offer of R4.5m.

Heyns, a Pretoria businessman, and his partner, local farmer-turned-businessman Gert Viljoen, were immediately mobbed by the jubilant crowd.

Ayob slipped out soon afterwards.

Viljoen said the company planned to sell off the houses in the village — with existing residents being given first option to buy — before redeveloping the area and attracting new residents.

He and Heyns insisted that their company's bid was not politically motivated.

Anglo American spokesman James Duncan said yesterday only 350 mining personnel still lived at the colliery.

• Picture Page 3
FRIGATE

DISMATED FM 5/17/91

Frigate management's decision to go mining on its own account instead of sticking to the business it knew best — contract mining for other companies — has backfired and cost the group dearly.

After losing R28m in the past 18 months, Frigate has been forced to sell its contracting and plant hire divisions to Scharrigshussen Holdings (Scharrigs), which continues to make money doing what Frigate used to do successfully — contract mining.

Scharrigs made a loss of R1.3m in the 18 months to end-December, compared with Frigate's R16m loss for the year. This was followed, according to MD Mike Stanley, by another R12m loss in the six months to end-June. As part of the deal, Scharrigs will do the mining in Frigate's opencast coal mines through a contract negotiated at arm's-length. Scharrigs does contract mining for a number of coal majors including Rand Mines, Gold Fields of SA, Kangra Holdings, Sasol and Trans-Natal.

Frigate's outlook is bleak because its financial future now rests on management doing what it has so far been unable to achieve — make its own coal mines pay their way.

All Frigate really has left after the deal, which took effect from July 1, is its four coal mines grouped under subsidiary Rapid Coal Holdings. Scharrigs has bought the contracting and plant hire divisions for R7.75m, settled by issue of Scharrigs shares at 30c a piece. This amount may be increased to around R10m after settlement of an adjustment account. Scharrigs has taken over debts of R16m relating to equipment used by these companies.

That still leaves Frigate heavily in debt to its major shareholder and creditor, Wakefield Investments, which is a wholly owned subsidiary of Finansbank and holds 40% of Frigate. Frigate's debts amounted to R63.6m at end-December, against R40.4m a year previously. Wakefield has granted a moratorium on repayment of R12m of Frigate's debt until December 31.

MD Mike Stanley declines to elaborate on the statement that "The directors are at present examining various strategies in an attempt to restore the company to a sound financial position." He says the coal mines will be run under new management, which seems to consist essentially of ex-Lomho coal division manager Barry Love, who is now consulting to Frigate.

The saga of what went wrong at Frigate would make a good case study at a business school. After starting up a plant hire operation in 1977, it diversified very successfully into contract mining from 1984, when Stanley bought into the business. But from 1987 Frigate started acquiring its own coal mineral rights.

It was listed in 1989 with the aim of mining deposits "for which sales outlets can be clearly identified and which may be too small to attract larger mining companies."

That was the theory. Harsh reality involved major production problems. These were caused by delays in colliery start-ups, extraordinary losses when Frigate tried its hand at underground mining instead of the opencast operations it knew best, problems with beneficiation plants to upgrade coal for the export market, delays sending coal through Maputo and the temporary suspension of operations on one colliery because of low fob prices through Durban.

Bottom-line is that Frigate has come nowhere near to achieving aims set out in its prospectus. Investors should stick to the established coal producers who have shown they know their business. — Brendan Ryan
End of US curbs ‘to boost steel, coal’

THE JSE’s steel and coal sectors stand to reap the greatest benefits from the lifting of US trade sanctions, say market analysts.

But they believe these benefits will be felt only after some time, when international steel and coal prices firm. An increase in these prices is forecast in line with the economic recovery in major industrialised countries.

One analyst said that as the steel and coal sectors bore the brunt of sanctions “it stands to reason they will benefit most”.

Anglo American Corporation stands to benefit through subsidiaries Anglo American Coal and Highveld Steel.

Barlowes has substantial steel interests through Middelburg Steel & Alloys and it is exposed to the coal sector through Rand Mines’ Witbank Colliery.

Isecor will be a major beneficiary in time, and that is reflected by the rise in its price.

But Ferguson Brothers’ William Bowler cautions that benefits will not be immediate as “world steel markets are currently depressed and at present there is softness in world coal markets”.

An indication of the depressed state of steel markets is the 65.5% slump in British Steel’s pre-tax profits in the year to March.

Analysts said the benefits in the coal sector would be through higher prices, as export capacity was constrained by the limitations of the Richards Bay terminal and inadequate rail transportation. Coal exporters no longer had to take a political discount in price.

The Richards Bay terminal is being expanded, and capacity constraints are likely to be alleviated when railway extensions are completed.

Analysts said it was often difficult to know to what extent lower exports were due to slowdowns in international economies or to sanctions.

Sappi and Samancor were cited as groups affected largely by depressed international commodity prices.

Benefits will flow to shipping and transport companies through increased trade, said John Rogers of Edey Rogers. Companies involved in trade finance, and wine and fruit exporters, should also do well. Tourism would improve — if township violence abated.

The lifting of US sanctions was not expected to have much effect on trade with Africa, as this had continued throughout the sanctions period. Analysts also feel Africa could pose a payments problem for SA suppliers.

The Premier Group is considered best placed to benefit from any increased trade with Africa, as it already has a substantial distribution infrastructure in the continent.

Analysts said companies involved in basic commodities, especially foodstuffs, would prosper if trade with Africa picked up.

Regarding the American market, a senior manager of trade insurer Credit Guarantee, Gernot Kruger, said it would take time for SA companies to regain lost market share.

He gave the example of Namibia, which was struggling to increase exports. One reason for this was that despite the country’s independence, local authorities in the US still had sanctions legislation against Namibia on their books.
Coal market moves during sanctions seen as a hurdle for SA exporters

LONDON — Whatever else South Africa's coal exporters are expecting from a lifting of the US sanctions it is not a flood of orders from coastal electricity producers in the United States.

Once a significant source of coal for the Florida utility Gulf Power, South African coal producers are entering a very different market from the one from which they were excluded in 1985.

The past five years have seen the rocketing growth of exports from a much closer source of low cost coal, the mines of Colombia and Venezuela. And today the spot market, which was once dominated by South Africa, is as much the province of these US producers that the big South African exporters once displaced on their home ground.

But if the lifting of sanctions will have no immediate effect on South African coal business in the US it will make a lasting impact throughout the rest of the world. Buying coal from South Africa has once again become respectable.

Apart from the American blocking of imports for the past five years, a measure that did not extend to US exports of coking coal to South Africa's Iron and Steel Corporation, the only other significant boycott was that imposed by the Danish parliament. This looks set to remain at least into 1992 following the parliament's reaffirmation of its sanctions stance, thus thwarting an attempt by the Danish government to have them dropped.

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Coalmen seek price boost as sanctions end

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The United States government has been imposing sanctions on Iran for years, but recently, those sanctions have been lifted. This has led to a significant increase in the price of coal. Coal is a crucial energy source for many countries around the world, and its price has a direct impact on the economy. As the price of coal increases, it becomes more expensive for companies to produce and distribute energy, which can lead to higher costs for consumers. In some cases, this can result in a decrease in the availability of coal, as companies may choose to cut back on production in order to reduce costs. The lifting of sanctions on Iran is expected to have a significant impact on the global coal market, as Iran is a major producer of coal and the lifting of sanctions may lead to an increase in production and supply. This could lead to a decrease in the price of coal, but it may also have negative consequences for the environment, as coal is a major contributor to greenhouse gas emissions. Overall, the lifting of sanctions on Iran is a complex issue with many potential outcomes, and it remains to be seen how it will affect the global coal market.
Investors advised to take coal profits

The euphoria that has catapulted the JSE’s coal index from 2 555 points at the start of February to a year high of 4 476 last week is misplaced.

Investors would do well to take their profits before the euphoria wore off, Franchel Max Pollak Kruger analyst Kevin Kartun said yesterday.

He said the index’s performance, heavily dependent on Amcoal, belied the poor fundamental conditions facing the coal industry.

As sanctions were lifted, investors had made the “simplistic” assumption that those exports worst affected, namely coal and steel, would be those to benefit the most from SA’s revived international standing.

He noted that Amcoal, a tightly held share, had increased its market capitalisation from R2,01bn in mid-February to R3,32bn this week in generally thin trading.

Kartun said that once SA’s coal producers reported their interim and final earnings for 1991/1992, which he believed would show at best flat performances, share prices would “dive”.

Coal producers said yesterday that the industry was not on the verge of an export bonanza.

TransNatal MD Mike Salamon said SA producers were likely to see a 3% rise in 1991, while their competitors would achieve static if not lower prices.

However, this reflected the dwindling “political discount” on SA coal exports, introduced by SA producers in the wake of sanctions imposed in the 1980s “to obtain a higher market share in a smaller world”.

The lifting of sanctions improved export prospects in Japan only, because other markets were already supplied.

Amcoal chairman Graham Bouldred warned in his annual review that it was vital that the coal industry avoided “the pitfalls of overproduction” and consequent lowering of price that had been apparent in a number of commodities in recent years.

Witbank Colliery deputy chairman Allen Cook echoed Salamon’s view that although the Richards Bay coal terminal would have a theoretical capacity of 53-million tons a year by January 1992, with SA producers anticipating export growth of 3-million tons a year, the terminal would be working at full capacity only by 1994/1995.

Coal exports in 1990 stood at 45-million tons.

Market conditions were not right for an export boom, he said yesterday.

A Spoeren official said the track capacity for coal exports stood at 65-million tons against a rolling stock capacity of 47-million tons.

The railway group had ordered 800 new CTL-8 coal wagons, of which 170 were delivered in March, with the final deliveries expected by 1994.

In the meantime, the association’s president, André Moolman, claimed prices were moving ahead.

The group said it expected production to increase by 7% this year, while exports were expected to rise by 10%.

The average price index was up by 5% on the year.

The group, however, took the view that it would be unreasonable to expect much of a rise in coal prices.

“Virtually all commodity prices are not expected to increase much this year,” the group said in its annual review.

Coal and overall indices

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Graph: FIONA KRUGER Source: IRET
Bosawu also alleges that the bank has given the Inkatha linked federation, Uwwa, representation without membership—a claim which the bank refuted.

Durnacol action signals NUM resurgence

By DREW FORREST
THE entire 5 000-strong black workforce at Iscor's Durban Navigation Colliery (Durnacol) staged a three-day wage strike recently—signalling that the National Union of Mineworkers has recovered from last year's ethnic-political upheavals at the mine. Iscor's Ernest Webster confirmed an illegal strike between July 9 and 11 at Durnacol, near Vryheid in northern Natal, in protest against an annual pay rise of 10 percent implemented on July 1 at all the corporation's mines.

The dispute was settled after negotiations between management and the NUM, he said. In September last year, 1 500 Xhosa miners were sent back to Transkei and Ciskei after ethnic-political violence in which at least one worker died.

The "repatriated" workers have since been dismissed. The violence was apparently sparked by rumours that Xhosa miners had insulted Zulu leaders and that the NUM was an African National Congress front.

The NUM alleged an alliance between Inkatha, the police and mine management aimed at rolling back the NUM presence at Durnacol.
Witcol acquires RM coal interests

JOHANNESBURG — Rand Mines has reorganised its coal mining interests, restructuring the group so that all its coal operations fall under Witbank Colliery.

A group spokesman said yesterday that negotiations were "being finalised with a view to restructuring all the operating coal interests within the Group."

Witcol would acquire RM’s shareholding in subsidiary Concorp (Jupiter) investments, and subsidiary Manhattan Syndicate, as well as some other coal rights in exchange for Witbank shares. RM has a 50.5% stake in Manhattan.
Rand Mines shifts its coal operations

RAND Mines has reorganised its coal mining interests, restructuring the group so that all its coal operations fall under Witbank Colliery (Witcol).

A group spokesman said yesterday that negotiations were “being finalised with a view to restructuring all the operating coal interests with the Rand Mines Group”.

Witcol would acquire Rand Mines’ shareholding in wholly owned subsidiary Corgroup (Jupiter) Investments, and subsidiary Manhattan Syndicate as well as some other coal rights in exchange for Witbank shares. Rand Mines has a 90.9% stake in Manhattan.

Corgroup and Witcol currently run the group’s coal operations, with Corgroup and Shell SA holding 50% stakes in the Riet spruit opencast mine.

Corgroup has a 36% stake in Rand Mines’ two Eskom-linked collieries, Kuthala and Majuba.

Rand Mines and Witcol have advised shareholders to exercise caution in their share dealings until more details on the consolidation are available. An announcement is expected soon.

The move is the latest in the group’s restructuring programme, sparked by the demise of its platinum and vanadium operations and hard times at its gold mines.

Negotiations between Rand Mines and Genmin continue, with the parties ironing out the details of a deal which will see Impala Platinum acquire platinum operation Barplats.

Analysts have said that the deal has been held up while the two mining groups discuss with government tax arrangements necessary to finalise the deal. However, the Financial Mail reported this week that Genmin chairman Brian Gilbertson said the deal would go ahead regardless.

Genmin had to decide only the extent to which shareholders would be called upon to finance the deal.

Implats has been running Barplats’ Crocodile River mine for about two months.

Analysts have also said that Rand Mines has held talks with Sappi over the sale of its timber subsidiary, Lotosha Forests.
South Africa has raised $342 million (R1 billion) so far this year, mainly through pri-

"International institutions are yet to play a significant role," says Mr Leape

RM, Witbank Colliery cautionary
By Derek Tomney 215

Rand Mines (RM) and Witbank Colliery have advised sharehold-
ers to exercise caution in their dealings pending a further an-
nouncement. Sf&d 26/1/91

The cautionary accompanies a report that Rand Mines is to put all its operating coal interests into Witbank Colliery in exchange for Witbank Colliery shares.

The transaction will increase Rand Mines' stake in Witbank Colliery to above its present 71 percent.

Market analysts say the move is part of a tidying-up operation. Witbank Colliery intends acquiring Corgroup (Jupiter) Investments and Manhattan Syndicate, as well as certain other coal rights.
SCHARRGHIUSEN 26/7/91
BIG OPERATOR 215

After turning in an excellent set of results for
the six months to June, independent mining
operator Scharrghuisen (Scharg) reckons
there is better to come over the next 18
months.

That is largely thanks to the acquisition of
the plant hire and contract mining divisions
of competitor Frigate, which ran into finan-
cial trouble (Fox July 5) and was forced to
sell these profitable divisions to reduce debt.

Scharg is forecasting earnings of 45.5c a
share and a final dividend of 15c a share for
the second half. That would give totals of
75.3c and 24c respectively for the year to
December. For the 1992 financial year, EPS
are estimated at 125.4c and the dividend is
forecast to be 40c. Not surprisingly, the
share price has soared from 150c in Febru-
ary to 395c, before dropping back to current
levels around 350c.

Director Teuns Scharrghuisen says the
deal makes Scharg the largest independent
opencast mining operator in SA. He is confi-
dent the earnings and dividends forecasts
will be met, citing his group's previous suc-
cesses in beating forecasts given in annual
reports.

The group does not own any mines but
operates them on contract for owners. That
was what Frigate did successfully before
taking the plunge and setting up its own coal
mines, after which it ran into all kinds of
mining and marketing problems and built up
debts of R63.6m by end-December.

Scharg now operates more than 250
earthmoving machines and equipment with a
replacement value of R138m. It carries out
contract mining for major coal groups in-
cluding Rand Mines, Gold Fields of SA,

Kangra Holdings, Sasol and Trans-Natal. It
also runs West Witwatersrand Gold Hold-
ings' opencast gold mine near Randfontein
and does rehabilitation work — this recently
included the extinguishing of an under-
ground coal fire threatening a rail line near
Witbank.

Acquisition of Frigate's equipment has
pushed long-term liabilities to R21.6m from
R5.4m. However, there are net current as-
sets of about R7.1m. Scharrghuisen reckons
the financial position is strong and long-term
liabilities will be reduced to R10.5m by the
end of next year.

Brandon Ryan
RM, Witbank Colliery cautionary

By Derek Tomney

Rand Mines (RM) and Witbank Colliery have advised shareholders to exercise caution in their dealings pending a further announcement.

The cautionary accompanies a report that Rand Mines is to put all its operating coal interests into Witbank Colliery in exchange for Witbank Colliery shares.

The transaction will increase Rand Mines' stake in Witbank Colliery to above its present 71 percent.

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Low tax bill a boost for Trans-Natal’s earnings

TRANS-Natal Coal yesterday reported increased earnings for the year ended June by virtue of a sharply lower tax bill offsetting a R97m fall in operating profit.

In overraking Amcoal as SA’s biggest coal exporter, MD Mike Salamon said higher costs associated with higher export sales, losses incurred at Koornfontein and inflation had caused the slide in operating profits after turnover had climbed 3% to R1,43bn.

Tonnages, however, dipped 2,8-million tons to 27,5-million largely as a re-ult of sharply lower output by Eskom. Export tonnages climbed to 10,6-million from 10,2-million.

Attributable income climbed 5% to R1,381m as the total tax bill fell to R25m from R30m.

Salamon said Eskom’s mothballing of Komati power station had affected Koornfontein worse than was anticipated. The mine spent five months of the year producing operating losses as the saleable yield fell and the retrenchment of 493 workers caused a period of unrest.

An agreement was still being thrashed out with Eskom over the loss of revenue resulting from the mothballing of Koornfontein. The other mine associated with the mothballing, Usuta, had its coal rights sold to Eskom for R169m.

The cash is not registered as an inflow in the income statement because management “used the opportunity to write off assets, including R277m arising from the mothballing, R273m at Savmore and Delmas Col-beries, remaining cost of control (goodwill) mainly at McAlpine and Titus.

The net result was a R1m inflow from extraordinary items.

These, however, were account entries and the R109m helped boost cash holdings to R307m. Most of this would go towards Trans-Natal’s capex programme, which should amount to about R1bn over the next five years.

He said the group’s cash position should remain positive despite anticipated capex of R336m over the financial year. About 65% would be spent on the Gloria Project at Koornfontein, which had reached “an economic production level”. It produced 299,000t in July.

Alternatives were being investigated at Optimum, leading to the de-ferment of the underground mine. Salamon said they were looking at rationalisation opportunities between Koornfontein and Optimum, which were only about 10km apart, with Optimum possibly taking in Gloria production.

He said the company would be hard pressed to increase earnings.

Exports to Europe were contract-ed until December and the Far East until March. Tonnages to Eskom, which fell to 11,2-million tons from 13,4-million, were expected to bottom out at about 10-million.
Kind tax break helps Trans-Natal prosper

By Derek Tommey

As a result of a favourable tax break, the recovery in the profits of Trans-Natal, the giant coal producer in the Gencor group, is continuing.

The company has also taken over top spot as South Africa's biggest coal exporter.

The managing director, Mike Salomon, reports that attributable profits in the year ended June rose just over 5.0 percent to a record R138.1 million equal to R2.96 a share.

The final dividend has been raised by 32.5 percent to 53c a share, to make a total payment for the year of 75c a share, a 23.5 percent increase on the 60c paid last year.

These results contrast sharply with those three years ago when Trans-Natal recorded a loss of R27.2 million and paid no dividends.

Strike action

But Mr Salomon warns that in the present conditions the company will find it hard to maintain the current level of earnings. Much will depend on increased efficiencies at the Kromfontein mine, which experienced strikes earlier this year, and also on the rand value of export earnings.

Although the export coal industry has not benefited to any extent from moves overseas to ease sanctions on South Africa, Trans-Natal's exports rose four percent from 10.2 million tons to 10.8 million tons in the year ended June, to make it the country's biggest coal exporter.

So far the only positive development in the sanctions scene has been the removal by Japan of restrictions on the value of South African coal that could be imported. But Mr Salomon said that Trans-Natal had no intention of chasing markets in those countries now being opened up to South African exports.

He said that the market overseas for steam coal was delicately balanced. There was a lot of coal was coming from Australia and new production was coming from Indonesia and Venezuela. In addition much US coal was available on a marginal basis owing to the American market being depressed.

However, this had been countered by the turmoil in Russia and Eastern Europe which had reduced the amount of coal available for exports from that region.

On the demand side the UK has become a significant importer, but not of South African coal, probably because of opposition by the British trade unions.

Mr Salomon said the international steam coal market grew strongly in 1990, expanding by 12 percent to 166 million tons, which was more than double the long-term growth rate of five percent.

In South Africa, Trans-Natal's sales to Eskom dropped 16 percent from 13.4 million tons to 11.2 million tons. This was mainly the result of the mothballing of the Camden and the Komati power stations, which reduced sales to Eskom by two million tons.

Other inland sales were down 15 percent from 6.7 million tons to 5.7 million. Factors causing the reduction in sales included Sasol's move to self-sufficiency and a lower level of sales to municipal power stations. This trend was reversed in April when the company won a contract to supply the Johannesburg power station.

Domestic demand was also hit by the downturn in the economy. At the same time many customers in the export business were hit until fairly recently by the relatively strong rand which severely affected their ability to export.

Overall, sales were down 9 percent from 30.2 million tons to 27.5 million tons.

Sales revenue in the year ended June rose 4.3 percent to R1.43 billion. The cost of sales rose 10.6 percent to R1.25 billion, partly owing to the need to wash a greater amount of export sales. Wage increases averaged about 15 percent.

Operating costs

Operating income was R180.4 million, down sharply from the R259.4 million last year.

But the reduction in the rate of tax announced on March 20, and the lower income before tax had a material effect on the deferred tax balance. The net effect was that income after tax rose four percent to R137.1 million.

The sale of Usutu coal rights to Eskom produced R109 million, but this was offset by the writing off of mining assets.

The group held R307 million in cash at the end of June, and much of this will be used to finance this year's R330 million capital expenditure programme.
It is quite a thought that South Africa—third biggest coal exporter in the world—will be exporting coal long after the Middle East's oil has dried up.

Our $50 billion tons of exploitable coal should last 300 years. Oil won't see out next century. And we have another $20 billion tons of coal which might one day become economically exploitable.

But will the public tolerate coal's continued use?

The short answer from the industry is that it would be crazy not to.

I noticed that the coal men who met at a "Coal in the Environment" conference organised by Naca last week, were keenly aware of coal's deteriorating image and clearly understood public concern over acid rain and global warming which are partly caused by coal burning. There's also coal's role in ill health, sinkholes, water pollution...

The universal feeling among delegates was that we cannot possibly eschew such an abundant resource. Somehow we must learn to burn it in such a way it does not wreck the atmosphere. Most experts felt the acid rain problem has been "solved" and that future coal-fired power stations will not release sulphur.

The big worry now is carbon dioxide from coal. It accounts for a third of man-made carbon dioxide which in turn accounts for half the man-made greenhouse gases.

This can be curbed but the process is expensive—although I doubt it is as expensive as the industry would have us believe.

Interestingly, at two environmental conferences in Johannesburg last week—on minerals exploration and the other on coal—the following conclusion was drawn.

When it comes to development (or the continued use of coal) the deciding factor will not be facts, but public perceptions.

In a way this puts an enormous responsibility on the public. Through ignorance it could stop a proposed development which in fact might well have been of great benefit to the country.

On the other hand the public's negative perceptions of mining's impact on the environment has been ingrained by the industry itself.

But things are changing.

Dr Roland Merrilees, a project evaluation consultant who spoke at the minerals conference said: "In the 1970s it was the dark greens (environmentalists) versus the non-greens (industrialists).

"Now we are all light green."
Witcol acquires Rand Mines coal operations for R290m

WITBANK Colliery (Witcol) has acquired the coal operations of parent Rand Mines for R290m.

A Rand Mines spokesman said yesterday the deal would see an issue of Witcol shares to Rand Mines and Cor-group (Mercury), an asset holding company within the group.

He said the transaction was effective from October 1, and would double Witcol’s earnings by nearly 11% if superimposed on projected earnings for 1991.

However, “the directors are budgeting for a real increase in earnings a share” for the enlarged operation in 1992, he said.

Rand Mines issued a cautionary announcement to shareholders at the end of July in which the group said it was reorganising its coal interests so that they all fall under coal mining arm Witcol.

The move is one of many Rand Mines has undertaken to restructure the group in the face of the failure of its platinum division and troubled times at its gold mines.

Rand Mines has surrendered control of its platinum arm, Barplats, to Impala Platinum in exchange for a diluted stake in the company, and is on the verge of selling the assets of its mothballed Vansa Vanadium operation to a consortium headed by directors of Chromecorp Technology.

The group is also likely to transfer its Winterveld chrome mine from Vansa, which wholly owns the mine, to Middelburg Steel and Alloys in 1992. Rand Mines is looking for a buyer for its timber subsidiary in the north eastern Transvaal, Lotzahle Forests.

The spokesman said “the most obvious benefit arising from the transaction is the consolidation within Witbank of all the group’s coal operating interests which will facilitate the rationalisation of reserves and lead, in the opinion of management, to significant synergies in the medium to longer term.”
Witcol consolidation finalised

Finance Staff  ·  Ster 13k/91

Rand Mines has announced further details of its plans to consolidate all its coal operations under Witbank Colliery (Witcol).

Under the agreement published today Witcol will issue new shares worth R290 million to Rand Mines and Corgroup (Mercury), an asset holding company within Rand Mines.

The immediate effect of the deal will be to dilute Witcol's earnings by 10.7 percent but Rand Mines is budgeting for a real rise in earnings in financial 1992.

The new shares will only participate in Witcol's earnings from October this year and will not rank for the current financial year's final dividend.

"The most obvious benefit arising is that this consolidation of the group's coal interests will facilitate the rationalisation of reserves," the directors state.

Competitive

The major Rand Mines coal asset, not under control of Witcol, was a 50 percent stake in the Retspruit coal mine, which it controlled jointly with Shell, and a 30 percent interest in each of the Khutula and Majuba Eskom-tied collieries.

A Witcol spokesman says Retspruit coal should in future be far more competitive on the export market, as the mine plans to improve the coal quality and the yield, while at the same time reducing working costs.

Furthermore, income from the Eskom-tied collieries should reflect steady growth as the income is based on a return on capital invested which should grow as the mines are developed. Rand Mines also owns mineral rights which are currently being exploited by the two collieries.

Rand Mines also controls 50 percent in Manhattan Syndicate, which owns surface rights linked to the Retspruit mine.
**Export driven**

While year-end results from Trans-Natal Coal (TNC) are at record levels, the increased profit is courtesy of the Receiver of Revenue — the fundamentals are not that exciting.

Attributable income is 5% up but, like industry leader Amcoal, the more telling statistic is operating income, which is 30% down. Amcoal's operating profit for the year to March was 10% lower.

What made the difference at the attributable level was the reduced tax rate announced in this year's March Budget. It reduced TNC's rate from an effective 54.5% to 50.88%. Calculation of the benefits of this on the deferred tax bill resulted in a tax credit of R5m compared with last year's charge against income of R70.9m.

TNC's normal tax jumped to 29.9m from the previous financial year's R18.3m, because of the higher interest income. This reflects continuing strengthening of the balance sheet.

Operating income has been clobbered more heavily than Amcoals because TNC was hit by both lower profit margins on the export market and by a sharp fall in Eskom business. Sales to Eskom dropped 16% to 11.2 Mt, following closure of the Komati power station, which took its coal from TNC's Koornfontein Mines. Amcoal is benefiting from increased Eskom business as newly commissioned power stations fed by the New Denmark and New Vati collieries build up to full output.

TNC has done better than Amcoals on the export front and it now claims to be SA's largest coal exporter. It exported 10.6 Mt (10.2 Mt) in the year to June, compared with the 9.9 Mt Amcoal exported in the year to March, which was 5.7% down for the year.

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**Tighten contracts**

MD Mike Salamon says the policy is to sell more than 90% of TNC's coal on contracts and management has moved in the past three years to tighten the terms of its contracts. Most coal supply contracts agree on a basic volume that must be taken, with an optional additional amount. Salamon says this system makes it very difficult to predict with confidence how much coal will be sold.

TNC no longer allows optional volumes in its contracts.

Exports are the key to TNC's profitability, contributing 64% of revenues compared with 62% in the 1990 year. TNC is maintaining its high export performance, unlike some other groups, which appear to be slipping slightly behind on calendar 1990 sales tonnages.

Total shipments through Richards Bay Coal Terminal (RBCT) are running behind schedule. I am told that forecasts on RBCT's exports for this year have been revised from 46 Mt to between 44.7 Mt and 45.1 Mt. It appears a major reason for this is that Far East customers are taking more of the cheaper Australian coal on offer and extending their commitments for SA coal.

Salamon indicates TNC will battle to improve on the 1991 earnings performance. Its Koornfontein multi-product mine has experienced severe operating and financial problems with the closure of the Komati power station.

The group continues to strengthen its balance sheet, writing off mining assets and goodwill worth R120m against the R109m paid by Eskom to buy the Usutu coal rights. TNC also wants to rationalize the Optimium and Koornfontein operations and so defer the need to go underground at Optimium until the next century, when the capex will be easier to handle.

At R16, the shares, like other major coal stocks, looks expensive, unless investors are expecting further sharp falls in the rand/dollar rate.

Brandon Ryan
NEW CHALLENGE FOR COAL EXPORTERS

BUSINESS
AGIPCOCOAL, a subsidiary of the giant Italian State energy corporation ENI, has taken total control of Kangra Coal Corporation, the producer and exporter built up by low-profile entrepreneur Graham Beck.

The international operator regards South Africa as an essential element in the world coal market. This motivated the acquisition of Kangra, says Agipcoal SA managing director Johan Jooste-Jacobs.

Mr Jooste-Jacobs told Business Times "South Africa must be part of any company's portfolio if it is to be a truly international player in coal".

He would not disclose the value of Agipcoal's investment in SA, but described it as "substantial" in terms of its worldwide operations. Mr Beck was not available for comment.

Agipcoal's interest in expansion opportunities can be gauged by the fact that it was one of the bidders for BP's Middelburg operations which were eventually sold for more than R500-million.

The Kangra deal gives Agipcoal control of two major collieries - Strathey in the Carolina district, with annual production of 500 000 tons, and Spitzkop in the Ermelo district, which produces about 1 2 million tons a year. Reserves total about 40 million tons.

Both collieries produce high-quality low-sulphur coal which finds ready markets.

The deal also entitles Agipcoal to an annual export allocation of 1,1 million tons through Richards Bay Coal Terminal (RBCT) at its current total annual capacity of 46 million tons. Agipcoal's allocation will rise to 500 000 'million tons' by 1993 when Richards Bay export capacity is scheduled to reach 53 million tons a year.

Oil

Agipcoal is now one of 10 holders of Richards Bay export allocations and will win representation on the RBCT board from June 1.

Agipcoal SA is part of a group with operations in Venezuela, Australia, Italy and the US.

Its presence in this country is intended to strengthen its position as a supplier to the international coal market. It is following oil majors like Shell and Total into world markets instead of being merely a supplier to the captive Italian market.

Agipcoal has negotiated a contract to supply 400 000 tons of coal a year to ENEL, the Italian State electricity company.

Exports of SA coal to Italy are running at between 4 million and 5,5 million tons a year. ENEL takes most.

Agipcoal SA will export about 1,2 million tons a year. It sells 200 000 tons in SA, mainly to industry in Natal.

Agip has maintained a low-key presence in SA since the early 1980s through subsidiary ICODEV. It acquired re...
Kangra Coal

Steelhead, established in 1986, has two underground workings. Mining sources say net profit for the two mines in the last financial year was about R3.5-million. (4.15)

They say Appcoal-SA could double production capacity from the two collieries with relatively low capital expenditure. But a major investment from the foreign parent could result in the quick development of a major player.

Hopes for SA coal mining have been buoyed by the progress exporters have made in winning back markets while maintaining their foothold in new, ones explored after sanctions were imposed.

World market prospects are not bright in the short term, but SA producers have succeeded in eroding the “sanctions discount” which helped them to maintain foreign sales after 1992.

SA was the world’s second-biggest exporter of “steam” coal last year, earning R3.52-billion in foreign currency.
RAND MINES

Coal-fired

Following details of the Barplats deal with Impala Platinum, two more parts of the new-look Rand Mines have fallen into place, with the disposal of Loxaba Forests and the re-structuring of coal interests.

Chairman Daan van der Watt says sale of the investment portfolio is going ahead according to plan and an announcement on the sale of Venetia's vanadium mine and plant is imminent, but won't add anything to the forecast earlier this year that Rand Mines' total dividend could be cut as much as 50% because of the $343.5m borrowings the house has been forced to shoulder as part of the price of doing the Barplats deal.

The house's fortunes are overwhelmingly dominated by coal. The key point in Witbank Colliery (Wit Coll's) circular to shareholders is that Wit Coll's is predicting at least a 50% jump in attributable earnings for its 1992 financial year. The document predicts earnings of 1.738c a share for the year to September 1991 with a real increase for 1992 on an enlarged capital.

Wit Colls is issuing 2.4m shares worth R290m to acquire Rand Mines' various coal interests - mainly minority stakes in Wit Coll's' operating collieries. As a result, Rand Mines' stake in Wit Colls will rise from 70.8% to 77.4%. The Wit Colls shares will be split 10-for-1.

A real increase on the enlarged capital continues...

implies a rise of at least 15% in earnings on 10.2m pre-split shares. That, in turn, means a jump in attributable earnings of at least 50% from this year's R135m to R204m.

The forecast, along with favourable market reaction to the decision to split the shares, is what sent the Wit Colls share price shooting up to a 12-month high of R135 before slipping back to current levels.

The increase in earnings is expected to come from the benefits of a more favourable rand/dollar rate on next year's sales and extra income from the assets being acquired.

What is not spelt out is the longer-term reasoning behind the deal, which lays the corporate groundwork for a planned major rationalisation of operating collieries by taking out Rand Mines minority shareholders.

Only the interests of Wit Colls' minority need be considered in the proposed rationalisation, about which Wit Colls directors will not comment at this stage.

Aim is to reduce working costs through a rationalisation of where various coal reserves are treated and to plan future operations to make the best use of existing infrastructure.

However, well Wit Colls may do, the overwhelming dependence on Rand Mines now has on one commodity, coal, is strategically unhealthy. It remains to be seen what controlling shareholder Barlow Rand intends doing about the overall structure of its mining and related interests, which include ferrochrome, stainless steel and cement - all held outside Rand Mines.

Brendan Ryan
Mine effluent ruined my land

By STEPHANIE HULL

AN ELDERLY farmer claims his land was destroyed by pollution from a nearby coal mine.

Mr Frances Hopkins, 65, plans to take legal action against Eskom and Gemmin in his quest for compensation. He will also submit an affidavit to the attorney-general of Natal.

He claims the companies are responsible for a flood of polluted water from a Newcastle colliery which contaminated his water, destroyed part of his grazing, caused the death of thousands of chickens and forced him to stop farming the land.

Mr Hopkins will demand more than R900,000 in damages as well as restoration of the land, which could cost as much as R3-million.

"They have destroyed my dream," said Mr Hopkins, who is on the verge of bankruptcy.

In hospital until last week with a heart condition, he is determined to ensure that those responsible restore the land.

According to the retired horticulturist, the 80-hectare farm on which he was farming thousands of chickens and some cattle was thriving until a year ago.

Elderly farmer demands massive damages

He became aware that there was a problem when frogs deserted his dam and small animals disappeared from the veld.

Then his cattle became reluctant to drink from the dam.

Suffered

In August last year and again this January, his wetland area was flooded by a huge volume of water which, he claims, came from the Kilbarchan Colliery, owned by Eskom but run by a Gemmin subsidiary, Trans-Natal Coal Corporation.

He claims the water has been intermittently running on to his farm ever since and that he was told by Kilbarchan that there was nothing it could do to stop the flow.

"I want to ensure that they either give me the millions needed to make this land arable again, or undertake to do so themselves."

Mr Johan Kreek, the senior manager of Natal mines at Trans-Natal, said when Mr Hopkins told him that "allegedly polluted" water from the mine was running on to his property, it was investigated and the flow was stopped. He denied that any water was still flowing.

He said Trans-Natal had offered to drill a new borehole and rehabilitate the polluted portion of the property "without accepting responsibility for the alleged pollution". The offer was rejected.

A spokesman for Eskom said that in terms of Trans-Natal's contract to run the mine, Trans-Natal was responsible for environmental management and legal action against Eskom would be inappropriate.
Sasol profits break R1bn barrier for the first time

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 164.7c (132.4c) a share.

The dividend was bolstered 20% to 71.25c (59.5c) a share.

Market analysts were expecting earnings and dividends at about 175c and 75c respectively. Matheson & Noble 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 85c (5.5%) to R15.10.

The strong bottom-line performance came on the back of a 56% jump in turnover to R7,85bn (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 was due largely to 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.

Brent von Melville

For the first time, Brent von Melville

Sasol's share price, weekly close (cents)

Brent von Melville

Sasol's share price, weekly close (cents)

Sasol's share price, weekly close (cents)

Turnover of the group's fuel products increased by 24.7% to R5.5bn, resulting from a 3.5% improvement in sales volumes and high petroleum prices during the Gulf war.

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 1992 and bring total production to about 45-million tons.
Trans-Natal planning to close loss-making Kilbarchan mine

Trans-Natal Coal Corporation says the Kilbarchan Colliery near Newcastle in Natal as to be closed unless new strategies can be devised to make the mine viable again.

In the 1990-91 financial year, the mine showed a loss of R7 million and in July-August a loss of R2 million, despite management's efforts to reduce costs.

Mike Salamon, managing director of Trans-Natal, says it will be impossible to continue operating the mine unless production costs are reduced substantially.

Employees and employee representative organisations have been told of the mine's problems and how some of these problems are being addressed. Management has also asked employees to come forward with ideas which could reduce production costs and make the mine more viable.

The mine's mineable coal reserves are sufficient until March 1992.

Kilbarchan's clients have been assured that, if production at the mine is stopped, their requirements can be sourced from other mines within the Trans-Natal Group — Sapco.
Natal coal mine looks for reserves to avoid closure

MATTHEW CURTIN

TRANS-NATAL’s Kilbarchan coal mine, near Newcastle in Natal, faced closure in a matter of months unless it was able to slash working costs and find extra payable coal reserves, Trans-Natal senior manager Johan Kriek said yesterday.

The colliery would close within 10 months if two feasibility studies under way showed that potential new coal reserves near Newcastle were not viable. Kilbarchan currently produced about 1-million tons a year for inland consumption and export but it needed to produce about 3-million tons a year to survive, Kriek said.

One of the areas which were under investigation looked promising, and the results of the feasibility study were expected in October.

If Trans-Natal opened up the new reserve, it would use Kilbarchan’s infrastructure and 650-strong workforce to develop the new area. The mine’s reserves would last only until March next year.

The colliery turned in a R7m loss in 1990/1991, as labour unrest accentuated the problems of a static coal price and escalating costs. In July and August the mine’s loss was R2m despite attempts to reduce costs.

Kriek said the cost of sales exceeded revenue by 20% this year, against 15% last year.

He noted the costs of coal mining in Natal were typically higher than mining in the Witbank area because of the depth of the coal seams, more difficult mining conditions and geological disturbances.
MacPhail steady as demand levels off

COAL marketer and distributor MacPhail yesterday reported a marginal increase in earnings for the six months ended June to 17.5c a share from 17c.

The W&A subsidiary declared an uncharged dividend of 5.5c a share in reporting turnover up 5% to R101.5m from R98.3m.

Operating profit climbed R100,000 to R4.7m while attributable profit was up 3% to R2.48m.

MacPhail chiefs said effective asset management and overhead control countered difficult trading conditions in the recessionary climate resulting in a marginal earnings increase.

The recessionary conditions, he said, had resulted in demand levelling off. He did not anticipate any significant improvement in trading conditions for the second six months, but earnings per share were not expected to decline for SA’s largest coal marketer and distributor.

The company had R12.5m of funds on deposit at end-June and continued to be totally ungeared. The company’s unaudited balance sheet showed the net asset value per share higher at 158.5c a share from the December year-end figure of 140.7c. The share fell 10c yesterday to 230c.
Another coal terminal mooted

SA is set to build a second export coal terminal at Richards Bay, as small coal-producers look to export markets, says the SA Coal Report.

In a recent bulletin, the independent journal said despite the lack of information on a second export terminal, it was "almost a certainty that a second terminal will be built at Richards Bay."

The journal said small producers had been looking at export markets since deregulation of coal exports on April 1.

Although there was ample railway capacity, alternative export facilities at the Richards Bay coal terminal, whose capacity was taken up by the large producers, were inadequate, sparking interest in the building of a new terminal.

Portnet spokesman Louis Neswoudt said yesterday a feasibility study being carried out with a group of coal producers was still in progress. No specific tonnages had been identified yet, but the terminal would be capable of handling 10-million tons of coal a year.

He said Portnet would investigate how the terminal might be financed only once it had commitments from coal producers that they would supply at least 10-million tons for export. A final decision was unlikely until next year.

However, Frankel Kruger analyst Kevin Kartun said the question of a second terminal was academic until rand-dollar prices improved. He echoed fears raised this year by Amcoal chairman Graham Houstead and coal terminal chairman Allen Stealey that the SA coal industry would suffer if export volumes rose too fast. A jump in exports would make markets jittery about oversupply and depress already sluggish prices.

It is understood that coal companies Gold Fields Coal, Massina Coal and Kangra, recently bought by Italian company Agip, are interested in using a new terminal.

Gold Fields' new business division GM Peter Janisch said the coal division had extensive coal reserves. With little prospect of new Eskom business, the alternative was to seek export markets.

Kangra director Clive Beck would not comment yesterday, but Massina MD Dane Kirsten said the company was producing coal which needed export facilities.
Coal exporters in row over terminal

COAL producers are squabbling about whether a second terminal should be built at Richards Bay to handle increased exports.

The cost of the project is between R500-million and R600-million.

Major coal producers are worried because an increase in exports of 8-million to 10-million tons through a second terminal to an overtraded world market could result in a softening of prices.

They include Amecol, Lonrho’s Trans-Natal, Rand Mines and international oil companies Shell and Total.

They have for years enjoyed protection from competition by Government export allocations. But protection fell away last year when coal exports were deregulated.

Risk

Aspirant exporters counter that producers such as Indonesia, Colombia and Venezuela are going ahead with large expansion projects which will increase world supplies irrespective of SA’s contribution.

It is thought that potential newcomers to the coal export trade include big names such as Sasol, Iscor and Gold Fields of SA. Smaller mineworkers in that category are likely to include Kangra and Messina Investments.

The companies decline to comment on their involvement in the Richards Bay project.

Existing exporters are shareholders in Richards Bay Coal Terminal (RBCT) which loads their coal at the port. The newcomers would therefore have to risk capital to construct a terminal of their own.

They would also need additional port facilities from Portnet. They are conducting a study with Portnet to determine the feasibility of the venture.

Portnet confirms that a study is in progress, but declines to name the companies involved.

A Portnet spokesman tells Business Times no specific tonnages have been committed. But at least one additional berth would have to be provided.

An RBCT spokesman says the decision to build a second terminal should be carefully weighed. He says it would not be possible to build and operate a small greenfields terminal which could match the reliability and efficiency of the existing one.

He maintains that to match the existing terminal’s economies of scale, the new one would need “considerable subsidy of some form or other”.

“Such subsidy would be unacceptable to the existing users of RBCT,” he says.

A Portnet source says his organisation does not see its role as deciding who should export or not. If it is asked by coal mineworkers to provide more export capacity, it must respond to their needs.

However, the Government at one stage undertook to discuss increased exports with existing exporters before making a decision.

Steps

Expansion of the RBCT due for completion by January 1992 is within budget of R316-million. This will raise annual throughput capacity from 44-million to 53-million tons. But the actual rise in throughput will be limited by growth in foreign markets.

It is planned to raise exports in steps of about 5-million tons each year. Exports should reach about 48-million tons in 1995.

The RBCT is a private company and representation on the board is directly proportional to export entitlements allocated to its shareholders.

Ten companies are involved and their entitlements are in proportion to their contributions to the provision of terminal facilities.
Coal group set for JSE

Own Correspondent

JOHANNESBURG — A new coal mining group called Smaldeel Coal (Smaldel) should be listed on the JSE main board in October pending final approval by the exchange.

An announcement of the listing and the private placing of 10m ordinary shares at R0.50 a share is expected tomorrow. The group plans to raise R80m.

The shares have been pitched at the stated net asset value of R0.50 a share.

After the offer, Smaldeel’s issued share capital base will have increased to 44m ordinary shares, boosting shareholders’ equity to R34.2m from R27.2m.

Smaldeel’s current asset is its 100% interest in Smaldeel Collieries in the Ogies/Kendal area in the Eastern Transvaal. The mine, according to the listing prospectus, has an estimated life of 25 years with an ore reserve of 29mmt valued at R35m.

Kinsman said the shares on offer were being made available on a ratio of R1 for every R2 invested by controlling shareholder Sacoal. Sacoal would hold about 77% of the issued share capital.

Smaldeel’s prospectus forecast showed earnings of R3.61c a share for the 1992 financial year to July with an average earnings growth of 77% for the three years to 1995. The group plans to pay a maiden dividend of 1.3c a share for the 1993 financial year.

Kinsman said operation of the mine would commence on October 1 with an immediate production target of 50 000 tons a month of grade B washed coal and 15 000 tons of raw coal nütls.

However, Kinsman added, the mine planned to increase its production target to 80 000 tons a month after the first six months. He said Smaldeel was involved in negotiations to acquire two additional ore deposits.
A NEW coal mining group called Smaldeel Coal (Smaldeel) should be listed on the JSE main board in October pending final approval by the exchange.

An announcement of the listing and the private placing of 10-million ordinary shares at 80c a share is expected tomorrow. The group plans to raise R8m.

The shares have been pitched at the stated net asset value of 80c a share. After the offer, Smaldeel's issued share capital base will have increased to 44-million ordinary shares, boosting shareholders' equity to R34,2m from R37,2m.

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However, Kinsman added, the mine planned to increase its production target to 80 000 tons a month after the first six months.

He noted the coal would be marketed by Coalrite Distributors. Smaldeel had entered a marketing agreement with Coalrite to handle the total coal produced for the next five years.

Although the coal produced was intended for local industrial application, the directors expected roughly 30 000 tons would be allocated as part of larger consignments intended for export.

He said Smaldeel was involved in negotiations to acquire two additional ore deposits.
Coal profits cut by rise in costs

MATTHEW CURTIS

A steep hike in working costs slashed the profit of SA steam coal exports, Chamber of Mines economist Francois Viruly said in the chamber's latest newsletter.

The price of steam coal exports rose to R22 a ton from R17 a ton in 1990 in the first half of this year, only a 1.2% increase. In contrast, production costs climbed 20% to R42 a ton from R35. Transport costs rose to R36 from R33 a ton, knocking the overall profit margin back by 68%.

Viruly said: "Although the recent depreciation in the rand increased the rand price of steam coal to R22 a ton, the increase was well below the rise in working costs."

He said analysis showed that the so-called "political discount" - offered encourage customers to buy SA coal when sanctions were in force - had all but disappeared. Outstanding price differentials reflected differences in the quality of coal exports.

SA's ability to compete in the post-sanctions era would depend on the rand exchange rate, international coal prices and whether working and transport costs could be contained.

Viruly said the degree to which SA's coal industry had weathered sanctions - coal exports rose 5% between 1985, when sanctions were imposed, and 1990 - reflected the determined marketing efforts of producers.
Coal exports euphoria misplaced, says analyst

MATTHEW CURTIN

THE JSE's coal index has so far this year more than made up the ground lost after 1986, when sanctions were imposed on SA exports, but much of the current euphoria is misplaced or at least overdone, says Mathison and Holden analyst Tony Rogers.

Rogers, speaking this week, said that despite the fibre the industry gained this year from the lifting of EC and US sanctions, the prospects facing export and domestic markets were not exciting.

Long-term earnings growth, assuming static volumes after 1995, would be limited to dollar-price increases, depreciation of the rand, or the ability of local producers to reduce cost increases to internationally competitive levels, he said.

However, he noted the weakness in the international steam coal market prevalent in the second half of last year had continued in 1991, with a finely balanced demand-supply position swinging to one of marginal oversupply.

Mounting supplies overseas had knocked steam coal prices.

Australian producers increased export tonnages by 10% in 1989 over the year before, because of improved industrial relations and productivity drives.

Indonesia was expected to increase coal output by 30% this year and by another 21% in 1992, with about 80% of production set for export markets.

Exports were increasing from Columbia and Venezuela, with the threat of China becoming a major coal exporter in the long term.

Although the US National Coal Association estimated world coal trade would grow by 2.6% a year, Rogers said the immediate danger was that new supply would more than match those levels, and coal prices would remain sluggish for some time.

SA exporters had won 3% to 8% better prices in Europe — against Australian gains of less than 3% — and increased sales in the past year as sanctions were lifted. "Political" discounts on SA coal prices had disappeared, and the freeing of the market had reduced the competition between local exporters.

However, Rogers said that competition in Europe was fierce and volumes in the medium term were expected to be static. SA producers would increase sales only by winning business from competitors, raising the spectre of a price war.

SA exporters were not in a good position to capitalize on growing international demand. Despite the expansion in the Richards Bay coal terminal from its current capacity of 49 million tons a year to 83-million tons by next year, Spoornet would only have rolling stock — new "jumbo" wagons — to match the new capacity by 1994/1995.

Margins for the coal companies were not adequate at present to justify capex for the construction of new export facilities or for expansion of the existing terminal again. Furthermore, the development of new coal reserves, likely to be of lower quality, would be restricted also.

Within SA, the prospects for growth were poor as the increase in Eskom's electricity demand tapered off. Annual growth in 1984 was 8% but last year fell to 1.4% from 3.7% in 1989. Power stations had been mothballed and planned expansions delayed, as electricity demand was hit by the recession.

Rogers said that, contrary to general perceptions, supplying coal to Eskom could be risky.

The phasing in or out of power stations had important effects on companies which contracted to supply their coal.

The mothballing of the Komati and Camden power stations knocked the profitability of Trans-Natal's Koornfontein mines — operating profit fell 30% this year — as the amount of coal the company supplied to Eskom fell from 13.4-million tons in 1990 to 11.2-million tons for this year.
Duiker lifts quarterly profit 42%
Exports boost for Witbank Colliery

ANDREW GILKES

RAND Mines' Witbank Colliery has reported a slight increase in attributable earnings for the year ended September on a steady increase in turnover and increased export sales.

Turnover rose 14.3% to R1.244bn from R1.087bn and operating profit was 4% higher at R262m. After-tax profit for the year was R146m from R145m after a R2m tax bill.

A final dividend of 36c a share was reported, to bring the total for the year to 66c, unchanged from 1990 on an earnings increase of 1c to 18c a share.

The Rand Mines coal arm recently underwent restructuring as well as a 10-for-1 share split and a 2-for-1 million share issue. However, the new shares do not qualify for the final dividend.

Export tonnage increased by 11% to 87.7 million tons as a result of the inclusion of Middleburg mine tonnage for the whole year, while Eskom consumption rose 6.6% to 12.4 million tons. Inland tonnage dropped by 11% to 2.7 million tons.

Directors said higher sales, better prices and the effects of a weaker rand/dollar exchange rate had led to improved export earnings, and more than offset increased working costs and rail tariffs. They said cost-cutting measures were successful implemented during the year.

"Income from coal sales to Eskom increased mainly as a result of the higher capital invested." Other inland sales fell.

Financing costs were marginally higher at R51.9m because of the inclusion for the full year of interest on Middleburg Miny borrows raised in 1990.

According to a statement, R9.1m in compensation was paid to a supplier on cancellation of a dragline purchase. This was "treated as an extraordinary item."
Greenhouse effect: In SA coal is the real villain

Although the depletion of the ozone layer and the greenhouse effect are not pressing issues yet in South Africa, they can’t be wished away.

An environmental system that addresses only local issues would not be looking at the big picture.

So where does South Africa fit into that picture, according to the President’s Council environmental report? Chlorofluorocarbon (CFCs) gases, found in aerosols, air conditioners and fridge and the like, have been identified as a threat to the ozone layer.

The report notes that South Africa’s contribution to the total world consumption is a mere one percent or 12,000 metric tons. Of this total, 50 percent was used during 1986 for aerosols, 30 percent for cooling systems, and 20 percent to make plastic.

South Africa is a signatory to the Montreal Protocol, which commits countries to phasing out the use of CFCs, but the mining industry has said phasing out will be expensive. The report recommends “special attention” to the problem.

CFCs also contribute to the greenhouse effect, which promises to make things literally hot for earthing. But the most plentiful greenhouse gas is commonly or garden carbon dioxide. After CFCs comes methane in order of importance.

South Africa’s calculated proportion of the contribution to the greenhouse effect amounts to two percent of the estimated world total.

“However, in terms of carbon dioxide emissions over our own territory, the picture is less rosy. In 1987 South Africa produced around 332-million tons of carbon dioxide, most of it from the energy industry, with motor vehicles a close second.

The villain, of course, is coal, which provided more than 80 percent of our energy consumption.
**TRANS-NATAL COAL**

**Taking the exports lead**

**Activities:** Coal producer supplying both inland and export markets

**Control:** Gencor 41%

**Chairman:** B P Gilbertson; MD M Salamon.

**Capital structure:** 70,8m ords. Market capitalisation: R83m

**Share market:** Price R13.25, Yields 5.7% on dividend, 13% on earnings, p/e ratio, 7.7, cover, 2.3 12-month high, R16.75; low, R10.25 Trading volume last quarter, 1.2m

**The share price has eased from a 12-month high of R16.75 to reach R13.25 since preliminary results were released in August.**

**Reasons:**
- Realised that, despite record earnings and export volumes for the year to June, the fundamentals for coal are not that exciting.
- Trans-Natal Corp (TNC) owes its record earnings to tax cuts in this year's Budget, that lowered the tax rate from 54.5% to 50.88%. The effect on deferred tax was a credit of R5.5m compared with a charge of R70m for financial 1990.
- The group was hammered on the domestic market by a 16% fall in sales to Eskom, following the utility's decision to close Komati power station, which had serious repercussions on productivity and profitability.
- The Koorrofontein Mines division ran at a loss for the five months to end-May, while retrenchment of 423 employees severely disrupted labour relations on this mine. That was the major reason overall group employee productivity improved only 1.5%, against a target of 14%. Other individual mines achieved productivity increases of 10%-25%.
- Exports contributed 64% of revenue. TNC overtook Amcoal as SA's largest coal exporter, with 10.6 Mt for the year to June, compared with Amcoal's 9.9 Mt for the year to March. TNC sold more coal on contract than Amcoal, cutting its exposure to volatile spot market, and tightened the terms of its contracts.

**Trans-Natal's Salamon remains finely balanced**

**Contracts agree on a base volume that must be taken with an optional additional amount. That made it difficult to predict sales volumes with confidence and TNC no longer allows optional volumes.**

TNC is maintaining high export performance but the steam coal market is soft, with forecast total Richards Bay Coal Terminal shipments for calendar 1991 down around 45 Mt from the previous estimate of 46 Mt.

**MD Mike Salamon says the market remains finely balanced, with no shortage of coal.**

**Trans-Natal Coal**

**Cent**

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<td>7</td>
<td>1100</td>
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</table>

**EVERTE**

**FM 25/10/91**

**Slashing costs**

**Activities:** Manufactures fibre reinforcing cement and other products, mainly for the building sector.

**Control:** Nueva Holdings (Switzerland) through Everete Holdings

**Chairman:** G Buettiker, MD G M Thomas.

**Capital structure:** 88.5m ords. Market capitalisation: R240m

**Share market:** Price 270; Yields 2.4% on dividend, 2.6% on earnings; p/e ratio, 39.1 cover, 1.1 12-month high, 275c, low, 220c Trading volume last quarter, 28 000 shares.

**Year to June 30**

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**With sales volumes down by almost a third over the past two years, something obviously had to give in order to compensate for lost economies of scale. It turned out to be 945 jobs, or 19% of the year ago workforce, including 408 positions permanently scratched after a cost-cutting evaluation undertaken during the closing months of the 1991 financial year.**

**Main focus of this exercise was to reduce the plant's building, products and pipes. Most of its administrative structure was scrapped, to reduce fixed overheads. In all, the group estimates permanent cost savings of R13.5m (in current money terms) which, by itself, would have doubled both pre-tax profit and attributable earnings last year.**

**Short-term benefits could be even greater, as the above estimate is based solely on jobs.**
Sasol to export coal

SASOL plans to become a coal exporter. Production from its new R1.3 billion Syferfontein mine near Thabazimbi in the Eastern Transvaal will exceed Sasol's needs. Officials say high-quality coal from the N5 seam will be available for export.

Exports could total a million tons a year, but the coal would have to be upgraded by a washing plant. This would require further capital expenditure as coal produced for Sasol's use does not need to be washed. It is merely crushed and screened.

Since 1982, demand for coal from Sasol 2 and 3 has exceeded supply from its Secunda Collieries as a result of greater operating efficiencies. Sasol has had to buy coal. In the last financial year it bought 2.7-million tons.

When Syferfontein reaches full production it will raise Sasol's output from its Secunda Colliery (for Sasol 1), Secunda Collieries and Syferfontein to an annual 45-million tons. That would nearly equal output by Amecol, South Africa's largest coal miner.

Sasol is believed to be involved in moves to establish a second coal export terminal at Richards Bay.
Value of coal exports ‘to rise’

THE rand value of coal exports will improve by 15% in 1991 to R4,6bn as the value of SA’s non-gold exports continues to creep up on the value of gold exports, the Minerals Bureau has predicted in its 1990 review of SA’s mining industry.

Gold earnings in 1991 were put at R29bn, a 5% year-on-year increase after a 6.7% fall in gold production to 600 tons by the end of the year.

The bureau said the value of non-gold exports would increase by 9% to R12bn. About three-quarters of SA mineral production is exported.

With world economic growth staying at depressed levels, knocking demand for minerals, average dollar export prices of most commodities were not expected to rise significantly by the end of the year. The bureau said “This could, however, be offset in large measure by the expected decline in the value of the rand”.

In the report issued this week, the bureau said the international supply and demand situation for steam coal would be tight overall in 1991. Thanks to higher oil prices in the wake of the Gulf crisis, SA’s export tonnage would rise 1% overall, while dollar prices would increase by 15%.

In contrast, precious metals would “perform poorly” overall this year, with lower revenue from diamond sales expected as well.

The bureau included figures for the first time on the size and value of platinum group metals (PGMs) — platinum, palladium and rhodium — rose from 4.6-million ounces in 1989 to 6.3-million ounces in 1990. The value of sales rose from R4,6bn to R5,1bn, due mainly to substantially higher rhodium prices, which offset lower platinum prices.

Of SA’s mineral production, only that of coal, PGMs and iron ore increased in 1990 alongside an overall rise in prices for the commodities. Iron ore exports rose 17% in tonnage and by 41% in value to R780m.

The bureau said 1980 was one of the most critical that SA’s mineral industry had experienced in its 108-year history. World demand for most of SA’s minerals fell during the year, although domestic sales improved. The total value of mineral sales amounted to R83bn, of which exports contributed 78% or R63bn.

Notwithstanding the effect of lower dollar prices, a stable rand, and adverse economic conditions at home and abroad, the mineral industry contributed nearly 11% of GDP in 1990 and half of the value of total exports. The industry employed 607,000 workers in 1990, with earnings of R10bn.

SA’s mineral exports also contributed two-thirds of the country’s foreign exchange earnings.

![SA mineral export sales](chart)

### SA mineral export sales

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<th>Real (Real)</th>
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<td>1991</td>
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Source: TCSA-MICRO/Stats SA
JSE appoints Andersen as executive president

THE JSE has confirmed the appointment of Ernst & Young executive chairman Roy Andersen to succeed Tony Norton as executive president.

Speaking to Business Day from Hong Kong last night, Andersen said: "I am excited about taking up the position as I believe the JSE has an important role to play as we move into the new SA.

"There are tremendous challenges ahead but I thrive on challenges and there will be opportunities to make the stock exchange relevant to all sectors of the population.

"I have some ideas of what I would like to do and have done a fair amount of background work. But I have a lot to learn and it would be presumptuous of me to say much more at this stage."

"I only start work in March and I am looking forward to working with Tony Norton before his departure I would like to see an open relationship with the Press but I first need to understand the issues which will confront me," he added.

"Andersen is to take up the position at the beginning of March 1992 so there will be a two-month overlap with Norton who leaves at the end of April, the JSE and Ernst & Young said in a joint statement yesterday.

JSE chairman Humphrey Borkum said Andersen's strength in strategic management made him well qualified for the position. "We are delighted to have attracted a candidate of Roy Andersen's calibre."

Borkum added: "In making this appointment, the JSE would like to stress that it believes the decision taken seven years ago to appoint an executive president was the correct one.

"Thanks to the able leadership of Tony Norton, the position has been successfully established. Andersen's proven leadership capabilities equip him well for the task ahead."

Another JSE member, who did not wish to be named, expressed dismay that details of the appointment had been leaked to the media before members were informed.

Market talk yesterday was that Andersen's package would be in the region of R600 000 a year.

Andersen, 43, who qualified as a CA in 1972, has been with the firm for 25 years in SA and the US, and was chairman and COE of Ernst & Whinney in SA at the time of the merger.

Andersen's successor at Ernst & Young will be voted by the partners. An announcement will be made shortly.

Born in May 1946, Andersen attended Wits University and was awarded prizes as the top student in two of five academic years. After completing articles with Ernst & Whinney in Johannesburg, he was transferred to the firm's Dallas office until 1979. His promotion in the firm was his return to SA and in 1988 he was elected senior partner and CEO of Ernst & Whinney at the age of 39, and later executive chairman of the merged group.

Andersen is married with three children.

Bomb blast damages dam

A BOMB blast which damaged a dam wall near Schweizer-Reneke on Monday could be linked to the recent suspension of water supplies to nearby Implaleng township for non-payment of bills, western Transvaal police said yesterday.

An arson docket has been opened following the pre-dawn explosion which blew an 18cm by 18cm hole in the dam wall, but did not penetrate the concrete.

It has not yet been established what kind of explosive device was used in attempts to destroy the 10-million-litre dam. There have been no arrests.

PEANUTS

By Charles Schulz

Maggie Mines goes under with debts of nearly R12m

A COAL mining company which owes its creditors almost R12m was placed under formal liquidation in the Rand Supreme Court yesterday.

The order was given by Maggie Mines Pty Ltd, a shareholder in the mining company. Pard Piper Investments Pty Ltd, a shareholding director David Wannig, who is also a director of Basil Read Civil Engineering Pty Ltd, said Maggie Mines owed R2.6m to Basil Read.

He said the company's accountant had informed him in June that the company had financial and cash flow difficulties because sales of its processed coal had not materialised.

The company's books and financial statements as at May 31 showed Maggie Mines had liabilities of R11.3m and assets of about R3.5m.

Ernst & Young deputy chairman Tom Wixley said: "We knew when we appointed an executive chairman of such a young age that the appeal of challenges beyond the firm was inevitable. Therefore our emphasis has been on building a strong team to support Roy Andersen."

He said that under Andersen's leadership, the firm had experienced significant growth and Ernst & Young had emerged from the merger as one of Southern Africa's largest accounting firms, with 186 partners and over 1 000 staff.

Andersen's successor at Ernst & Young will be voted by the partners. An announcement will be made shortly.

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His promotion in the firm was his return to SA and in 1988 he was elected senior partner and CEO of Ernst & Whinney at the age of 39, and later executive chairman of the merged group.

Andersen is married with three children.
Export boost for Amcoal

By Sven Lünsche

Improved coal export sales boosted Anglo American Coal's (Amcoal) attributable earnings 15.4 percent to R137.8 million (R159 million) in the six months to September.

This translated into a rise in earnings per share from 549.1c to 632.4c, from which an interim dividend of 150c is being paid and which is 3.7 percent up on last year's 138c.

The interim report shows sales of coke and coal fell in volume terms from 31.718 million tons to 21.195 million tons, mainly because of lower sales in the domestic market and to Eskom, in particular.

However, the directors say the new collieries supplying Eskom are beginning to show improved results, while the group as a whole managed to contain the rate of increase in unit costs.

Export sales rose to 4,742 million tons from 4,608 million last year. Coupled with a weaker rand, this lifted turnover to R549 million (R594 million).

Ongoing capital expenditure on the Landau replacement project reduced investment income by 36.3 percent to R45 million, but a tax credit of R25.8 million allowed taxed profits to improve to R133.3 million (R128.6 million).

The directors expect Amcoal to maintain earnings growth for the full financial year, with sales forecast to maintain the level of the first six months.
It's not often that extraordinary charges are three times a company's disclosed net profit, but R735m is the net cost of writing off Rand Mines' disastrous investments in Barplats and Babbrook. The result is that a 7% increase in "normal" EPS is not enough to prevent dividends from being slashed by almost half.

Incidentally, chairman Dafni Watt is being ingenious when he says this distribution is "marginally higher" than he forecast at half-time, what he actually said then was that "total dividends could be cut by as much as 50%.”

The company no longer discloses the source of earnings, but, given the current structure, it can be assumed that virtually all the operating profit is derived from coal and the investment income from gold mines.

Vanax, which has now disposed of both its vanadium and chrome interests, has become relatively insignificant, though the R50m it will receive for the sale of its chrome interests will be a useful contribution towards running down Rand Mines' debt.

Rand Mines expects to eliminate its R87m debt early in the new financial year — though this presumably does not include borrowings in the now 70%-owned Witbank Colliery (who's own preliminary report a fortnight ago did not give any balance sheet details), Barplats and elsewhere.

Long-term borrowings in the preliminary group balance sheet are R832m.

Rand Mines is now largely an intermediary between Witbank Colliery and Barlow Rand. It holds about 4,850 Witbank shares for each of its own, and this investment alone is worth R63 per Rand Mines at Witbank's current R13. Income from other investments in the year just ended was worth just under R6 a share, but this will have been reduced by disposals, and only when the annual report is published will it be possible to evaluate what is left.

Even so, Rand Mines' own current distribution is virtually covered by its dividends from Witbank. Watt says the group can now embark upon a period of consolidation leading to sound profits in the years ahead. If there are no further nasty shocks in store —
Witbank Colliery to change name

Shareholders will be asked to approve the change of Witbank Colliery's name to Randcoal.

Chairman Allen Sealey says shareholders will be asked at the AGM in January to approve the name change.

"The name Randcoal more closely describes the business of the group and is readily recognisable on the local and international coal markets." — Sapa
SA coal regains German client

STADTWERKE Bremen – a German electrical utility that stopped importing from SA under political pressure in the 1980s – is to end its boycott of SA coal.

The Journal Coal Week International said representatives from Stadtwerke Bremen would visit SA this month. Stadtwerke’s chief buyer, Bernd Gabriel, told the journal that price and other terms would be discussed for 1993 coal contracts.

The utility’s imports from SA could total 400 000 to 500 000 tons a year. Stadtwerke was a major importer from SA up to 1990.

“Now that international sanctions are rolling back, the utility wants to exploit favourable quality, price and logistical factors to take 45% of its total annual coal imports of 1-million megawatts from SA, subject to terms offered,” the journal said.

Presently the utility imports 400 000 tons from the US along with 250 000 tons of Polish coal and 220 000 tons from British Coal. (2/5)

“Switching to SA as its biggest single supplier would help Bremen out-flank the Poles who seek to focus their German tonnage on the East German market,” the journal added.

The October issue of Mining Magazine showed that SA, with total coal production of 266-million tons in 1990, was the world’s eighth biggest producer. China ranked first with 1.66-billion, the US second with 927-million tons, and the Soviet Union third with 733-million tons.

Prospects for coal demand look bullish as the world’s coal-fired electricity generating capacity is expected to rise by over 65% by the year 2020, compared with installed capacity of 1 640 GW in 1990.

About 47% of coal output is used in electricity generation.
Witbank Colliery
plans big changes

BREN'T VON MELVILLE

WITBANK Colliery — the coal arm of Rand Mines — is to totally reassess its coal reserves, and change its name in an attempt to create a more efficient and cost-effective mining plan.

"By ignoring historical mine geographical boundaries and examining the optimal exploitation of total reserves, we believe that a more optimal and cost-effective mine plan can be evolved," chairman Allen Sealey said in his annual review.

Sealey said a project team would examine various alternatives and, assuming the investigation confirmed expectations, a final proposal would be discussed with partners Johannesburg Consolidated Investments and Eskom.

Further rationalisation of the southern reserves at Khutala and adjacent blocks would also be examined.

During the year the group concluded an agreement with Rand Mines to acquire the Khutala and Maquba Eskom-tied collieries, and the coal rights being exploited by them, and a 50% interest in the Rietspruit Colliery, a joint venture with Shell SA.

Sealey said the acquisition had resulted in Witbank Colliery holding all the operating coal interests in the Rand Mines group, and would facilitate rationalisation of these interests. In line with the recent restructuring of the Rand Mines group, with the coal interest consolidated within Witbank, the name of the company would be changed to Randcoal.
Waste coal process makes millions of tons saleable

A BREAKTHROUGH in the treatment of waste coal material looks set to improve the efficiency of SA’s coal industry and give it access to millions of tons of low-quality reserves in coal dumps and slurry dams.

The Industrial Machine Systems (IMS) Process Plant, which has developed the process “fine coal processing by oil beneficiation”, has developed the recovery technique in an attempt to make the process more profitable.

Heads of the IMS process division, James Whitehouse, said yesterday that a pilot plant had been presented to mining houses three weeks ago and two pilot plants were in operation.

He said: “There are millions of tons of coal fines already in slurry ponds and an estimated further 4 million tons are produced each year by the mines.”

Earlier attempts to exploit the coal fines — ultrafine particles of less than 100 microns — had floundered because they were not commercially viable, and in many cases technically unsound. IMS had invested millions of rand in developing the process “to the point of commercialisation”.

Rand Mines technical spokesman Peter Hand said yesterday that although the process was still in the early stages of application, the coal-oil flotation process had proved viable, boosting recovery yields by 1% to 2% and making the treatment of waste material economic.

The key to processing coal particles is to ensure they are as dry as possible. If there is a large degree of moisture in a comminution of coal, energy produced from burning the coal is wasted in heating the water content of the fuel.

Trans-Natal coal processing group manager Adrian van den Berg said the coal fines were exported without being adequately dried, exporters would incur penalties for selling coal of a lower heat value. The new process, in tandem with thermal drying, had good potential, but Trans-Natal was still investigating the viability of the system.

The cost of erecting new plant and operating costs were crucial considerations.

Hand said the advantage of the coal-oil flotation process was that coal particles stuck to oil in the coal washing process, making them inherently water resistant. Coal particles are put through a flotation process to separate the coal from the worthless ash.

He said the resultant coal slurry was less moist and, in theory, easier to dry. The final success of the process would depend on operating a pilot plant continuously and monitoring the success of the “dewatering”.

In the past, coal fines have been pumped underground or into slurry dams which have bloated the landscape around Witbank, SA’s prime coal producing region.
UK miners seek ban on SA coal
LONDON — A public inquiry is to be held following a campaign by Britain’s National Union of Mineworkers (NUM) to block the import of South African coal through Bristol’s port.

The NUM says a deal between First Corporate Shipping — the port’s new controllers — and National Power to import 5 million tons of coal a year from 1993 would cost the jobs of 10,000 miners.

It believes the huge imports planned would force closure of all pits in south Wales, Derbyshire and the Midlands.

—IStar Bureau.
Ringing the changes

Activities: Mines and markets coal for Eskom and the export and domestic markets
Control: Rand Mines 70%
Chairman: A A Sealey, MD N Zoloezi
Capital structures: 102,4m ords Market capitalisation R1,3bn
Share market: Price 1 300c Yields 4.6% on dividend, 14.2% on earnings, 7.0% cover, 3.1 12-month high, 1 575c, low, 54n, Trading volume last quarter, 129 000 shares
Year to Sept 30

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* Figures restated to reflect change in accounting and 10-for-1 share split in September 1991.

The Wit Colliery report at last provides some details of the plans that management has been working on for the past year concerning a major rationalisation of the group's various operating collieries. It is proposed to combine the operations of Middelburg and Duvha collieries, which work the same block of coal reserves in the centre of the Witbank coalfield.

The aims are to contain the rate of increase of working costs and to limit future capital expenditure by getting greater production volumes from the existing coal mine infrastructures. Wit Colliery's management believes it can achieve this by mining the area as one operation.

There are a number of obstacles to be overcome. Not the least of these are the contractual aspects, with Duvha being a ted-supplier to Eskom's Duvha power station while Middelburg is a joint venture between Wit Colliery and JCI's Takestock Colliery. But these are not insurmountable. It's clear that Wit Colliery's management intends making the scheme work and it appears that JCI is going along with the plans.

Earlier this year, Middelburg Colliery cancelled a drillings order and then had to pay R1,5m to suppliers Bucyrus-Enri. The company paid R9m of this and JCI picked up R6m. The drilling was to have been the third operated by Middelburg. It was originally needed to bring the mine's production up to its planned maximum rate.

However, CE Allen Cook says the instigating findings in the rationalisation study showed that, by combining the coal mine and Middelburg, the existing mining capacity could meet all customer demands on the two mines, with extra tonnages coming from Douglas, if required. Eliminating the extra drillings means capital savings of R100m.

Cook says details of the scheme are still being finalised and that negotiations with Eskom and JCI will follow. He hopes to have

of lacklustre conditions on both the export and domestic coal markets. Chairman Allen Sealey remains hopeful that real earnings growth can be achieved this year, along with an increase in dividend.

He is basing this on expected limited growth in export tonnages, in addition to the volumes the group will be marketing from its 50% stake in Rasputra. Before October, this product was sold by Wit Colliery to the other partner in Rasputra, Shell, which was responsible for marketing it.

With plenty of coal available on world export markets, the outlook for achieving dollar price increases for 1991 delivery is not exciting, so a key factor in Wit Colliery forecasts is the value of the rand. Cook says he is looking for an average rate of US$1/R2.90 for the year to September 1992. So far the rand is holding up better than expected. At R13, the share offers a historical dividend yield of 4.6%, about in line with the sector average. It looks fully priced.

Brendan Ryan

KANHYM

Kanhy's share price was a pedestrian performer until Malbak's acquisition of Fedfood was announced. It was apparent that Kanhy executive chairman Dim Jacobs would presage over a merger between Kanhy and Fedfood.

In effect, though Fedfood was the larger and more diversified company, Kanhy's management has taken it over as Jacobs is CEO of both groups and Neels Kilian has combined responsibilities as finance and technical director.

Until recently, Fedfood's p/e was higher than Kanhy's, though they are now similar. At 8.3, both groups are exposed to cyclical areas of the food business Fedfood to fishing and frozen foods, Kanhy to the meat price. As a combined group, they should be less exposed to risk, unless the meat price, fishing catches and the vegetable crop all slump together.

Jacobs has managed to reduce Kanhy's exposure to the meat price considerably, by increasing the contribution of added-value products to operating income from 7% to 61% of sales, which have been sold under the Enterprise, Bokkie and Herts labels — are more easily controlled by the manufacturers.

Chicken producer Mielke-Kip does not compete with Rainbow in the volume market but concentrates on chicken portions and prepared products such as the Liske-It-Lean range endorsed by Weightless slimmer clubs.

FINANCIAL MAIL • NOVEMBER 29 • 1991 • 79
Tax changes help Anglo American

ANGLO American can thank amendments to the Income Tax Act for its 21% increase in attributable earnings in the six months to September.

The changes made it possible to sell assets, resulting in an investment surplus of R128-million.

But Anglo’s receipts from the sale of about R700-million in Gencor and FNB shares will be brought to account only when the year’s results are published in March.

Anglo has raised R1-billion partly to pay for its share of Middleburg Steel & Alloys (MSA), which is to form part of the Columbus stainless-steel venture.

By CIARAN RYAN

Angolo’s earnings were fully consolidated — previously they were equity accounted. The consolidation of earnings was offset by an increase in outside shareholders’ share of investment income.

Rupert Pardoe, a divisional manager with the chairman’s office, says net income showed a steady improvement as a result of the group’s healthy diversification.

“The trading side benefited particularly from coal and Amevcoil, which is having a reasonable year. Our diversified portfolio protects us against severe downturns.”

Chairman Julian Ogilvie Thompson says in the chairman’s review that the economy is poised for recovery in 1993, but will be affected by the international picture.

“Prospects for growth in the international economy look weaker than they did earlier this year which is bound to have an impact on the South African upturn.

“Most encouraging though is the high level of export growth in manufactured goods, a process likely to be boosted in 1993 by the ending of remaining economic sanctions.”

Coal

Tax was R19-million lower in spite of the increase in pre-tax income to R956-million. The changes in the Income Tax Act make it possible to sell investments after 10 years without the danger of tax on supenses.

No further taxes are due on its dividend income, these having been settled by subsidiary and associate companies. The effective tax rate was 14% (1992: 19%)

Attributable earnings were R556-million (R440-million), while trading income improved by 10.6% to R250-million, the result of a strong performance by Amevcoal, which benefited from good export sales and a healthy domestic take, primarily by Eskom.

Dividends from Rustenburg Platinum and the financial services investments were higher. But lower dividends were received from some of the industrial interests, particularly Sanmecor.

Investment income of R650-million was 6% higher than in the comparable period last year.
Australian tax cut may dull coal markets

The Australian government's decision to scrap its tax on coal exports would dull already depressed export coal markets, local industry sources said yesterday. AP-DJ reported yesterday that Australia said it would abolish a coal export duty from July 1 next year. The tax was levied at A$3,350 a ton — only on coal exported from the country's key producing area in Queensland run by Broken Hill Proprietary (BHP). Witbank Colliery (Witcol) deputy chairman Allen Cook said BHP was "likely to pocket the change and try to increase its market share by cutting prices". He said Witcol would not cut prices as export margins were tight. Cook said the coal export market was delicately balanced and if BHP cut prices, it risked losing improved margins brought on by the abolition of the tax. The bulk of Australian exports was consumed by Pacific Rim countries, for which

Coal tax

SA was a minor supplier. Kangra Coal director Clive Beck said cheaper Australian exports of steam coal might depress free market spot prices which were already running at a large discount to contract prices. However, he noted the already higher freight costs of Australian exports to Europe — which is a main market for SA steam coal — meant SA exporters were unlikely to be affected. The major effect would be on market sentiment.

He added BHP mainly exported coking coal, which SA did not export. SA producers export steam coal at a full-on-board cost of about $22.50 a ton, against BHP costs of $22.00 a ton. Contract prices are about $33 a ton, with Australian exports cheaper than SA's to the Far East, but more expensive to Europe. Australia is the biggest exporter of coal worldwide, supplying 106-million tons in 1998, against 96-million tons from the US and nearly 98-million tons from SA.
Portnet plans coal terminal

PORTNET is committed to building a new coal export terminal at Richards Bay at a cost of hundreds of millions of rand if negotiations with SA’s smaller coal exporters are successful.

Last week the R1.6bn expansion programme at the existing coal terminal was completed. But there is growing concern among SA’s big coal exporters about the viability of the project.

A Portnet spokesman said yesterday negotiations between the group and SA’s five minor coal exporters — understood to include Gold Fields Coal, Kangra, Messina, Investments and Sasol — would be completed by March, and would determine whether the terminal would be built.

Portnet has said the key to giving the green light to the project is a commitment from coal producers to supply a minimum of 10-million tons of coal a year.

Work on upgrading the Richards Bay Coal Terminal from 44- to 55-million tons ended on November 30, an official at Engineering Management Services (EMS) said yesterday. EMS’s subsidiary Senerco oversaw the project.

Witbank Colliery (Witcoal) chairman Allen Sealey said a pre-condition for the new coal terminal “should be that it is economically viable without hidden subsidies”. Witcoal, Anglo American Coal Corporation (Amcoal) and Trans-Natal are

Portnet

SA’s largest coal exporters and have a lion’s share of the existing terminal.

Sealey said: “All those involved in the ‘new terminal’ feasibility study should not lose sight of the fact that port capacity must be matched with rail capacity.”

“What effect a quantum leap in exports of 5-million tons per annum will have on the 10-million tons being proposed, will have on the world sea-borne steam coal market, remains to be seen.”

SA is the third largest exporter of coal worldwide, behind Australia and the US.

and Witcoal, Amcoal and Trans-Natal have warned of the dangers of pursuing export volumes in the depressed economic climate. They fear any attempt by SA to grab more market share will lead to a price war, slashing already thin margins.

Sealey said SA exports in 1991 would fall marginally from the 1990 level of 48.9-million tons, “highlighting the fallacy propagated by some commentators, that the port capacity at Richards Bay is restricting exports.”
Iscor sacks 3 300 striking coal miners

MORE than 3 300 striking miners at Iscor's Durban Navigation Colliery (Durnacol) were dismissed yesterday after they failed to heed an ultimatum to return to work, Iscor said. Only about 150 workers had reported for work.

NUM official Kgalema Molanthe said almost the entire 3 500-strong workforce had been dismissed after embarking on a legal wage strike on November 4.

He said union officials and management met on Tuesday to try to reach settlement. A union proposal for mediation — the second since talks deadlocked — was an undertaking to persuade workers to return to work by Monday was turned down.

The Iscor spokesman said the strike started after workers refused a wage increase offer of between 10% and 14%, implemented at the beginning of July. Durnacol was a marginal mine and losses sustained due to strike action had become untenable, he said.

Management's position throughout had been to preserve jobs, rather than "accede to unrealistic wage demands. All other Iscor workers, unionised or not, accepted the increases which are considered a fair median in the mining industry."

Iscor said the mine would employ new workers "as soon as possible"
Leaner Rand Mines fold a ‘positive development’

THE FALL of the house of Rand Mines to the status of a coal-mining house bodes well for the group’s future, despite being short of its platinum, vanadium, chrome and forestry interests, says chairman Sammy Watt.

Watt said in his annual review that the group’s reorganisation was “a positive development”.

“In the process of change the company has shed many problematic operations to concentrate on its significant investment in one of the premier coal mining companies in SA,” he said.

Coal mining arm Witcol contributed 88% of attributable earnings in 1991 from Rand Mines’ six operating divisions.

In 1990 Witcol contributed 81% of those earnings, against only 50% of the group’s total attributable income in 1989.

Watt said Rand Mines had peripheral but important interests in gold mining, property and management surfaces plus a significant reservoir of skills in deep-level mining.

“Adjusting to the change in structure will not be without problems for many of our employees but the rewards to be earned in the long-run will be worthwhile and of benefit to all stakeholders,” Watt said.

He said the complexity and magnitude of the problems Rand Mines faced in the past year were such that the remedial measure taken “cut deeply and traumatically into the very fabric of the group”.

Write-offs related to the sale of the now-mothballed Barplats Mining (Barmine) platinum operation and the mothballing of the developing Barbrook gold mine slashed Rand Mines’ net asset value from R101,64 a share in 1990 to R55,25 a share in 1991.

Strength

In taking on R327m in debts from Barplats Investments (Barplats), the group’s debt to equity ratio climbed from 33% to 88%.

In the same time, retrenchments in the group, from its head office at the Corner House in Johannesburg to its gold mines, saw the strength of its workforce drop 26% in the year for 70,365 to 52,212 employees.

Five years ago Rand Mines employed nearly 100,000 staff.

Watt said a feature of 1991 was the “remarkable change witnessed in industrial relations, not only for the mining industry but for other sectors of the economy”.

Trade union leaders and most workers had a greater awareness of the problems facing industry.

The productivity schemes put in place on the gold mines after union and association negotiations were “a historical breakthrough” as the union movement had consistently rejected the idea of performance-related pay increases in the past.

However, he said 1992 would be a difficult year for the gold mines.

Gold prices were unlikely to overtake this year’s levels in rand terms.

Rand Mines four gold mines had pulled themselves round in the second half of the year to offset first half, after-tax losses of R42m.

Watt said the debt-laden KBPM had realised working profits for two quarters running despite being one of SA’s highest cost producers.

The challenge facing the mine now was to cover its deferred interest charges.
3 000 dismissed miners leave Durnacol colliery

ABOUT 3 000 NUM members left Iscor's Durban Navigation Colliery (Durnacol) in northern Natal yesterday after they were dismissed by management for rejecting an ultimatum to return to work, an Iscor spokesman said.

At least 300 miners remained on the mine premises and production at the mine continued.

The Iscor spokesman said employing a new workforce would start only next week. He said not all miners had been informed of the dismissals and management was still communicating with workers.

NUM official Kgalema Motlanthe said yesterday at least 1 500 miners were paid off and bused out of the mine. The union's lawyers would approach the company asking it to give preference to dismissed workers when they started employing a new workforce, Motlanthe added.

The workers were dismissed after they failed to heed an ultimatum to return to work earlier this week. More than 3 000 coalminers embarked on a legal strike on

VERA VON LiEBES

November 4, demanding above-inflation rate increases.

The company offered wage increases of between 10% and 14%, implemented at the beginning of July.

Meanwhile, Doornfontein gold mine management and NUM representatives held talks yesterday believed to centre on the reinstatement of 5 600 workers dismissed from the mine on Wednesday.

Motlanthe said management was last night awaiting a written "proposal" from the union guaranteeing steps would be taken to avoid a repeat of illegal strikes. Talks were expected to continue last night.

Doornfontein owners Gold Fields of SA said earlier this week workers were fired after they embarked on illegal strike action starting with the night shift on Monday and rejected an ultimatum to return by Wednesday morning.

The NUM said workers were protesting against the dismissal of at least 50 miners after last month's anti-VAT stayaway.
ISCOR will start employing a new workforce at its Durban site in northern Natal this week after the dismissal of about 3,000 miners who refused to comply with an ultimatum to return to work, a company spokesman said on Friday.

The spokesman said about 500 miners, who responded to the ultimatum last week, were keeping the mine running. The mine was also relying strongly on its white workforce.

Only limited production was going on at the mine, although it was too early to determine losses caused by the four-week strike by more than 3,000 NUM members.

The miners embarked on a legal wage strike on November 4, demanding above-inflation increases against the company offer of increases ranging between 10% and 14%.

NUM acting general secretary Marcel Golding said yesterday the union would meet management today to negotiate a settlement for the dismissed workers.
Smaldel gears up for listing
despite gloomy coal forecasts

NEW coal mining company Smaldeal Coal (Smaldeal) is gearing up for its listing on the JSE on December 19 despite gloomy short-term prospects facing the domestic and export coal markets.

Smaldeal plans to raise R8m from the issue of 10-million ordinary shares at 80c each in order to finance the construction of a coal screening and washing plant at the Smaldeal colliery in the eastern Transvaal. Since the publication of the listing prospectus, the company has acquired a second colliery, the Black Stream mine.

Executive chairman Ed Young said yesterday that Smaldeal had 45-million tons of coal reserves and would produce 130 000 tons of A and B grade steam coal a month at full production.

He said the total capital cost of putting the mining group together would be about R24m, and Smaldeal expected pre-tax profits of about R13m in its first year. Smaldeal planned to pay a maiden dividend in the 1994 financial year.

Young said he was bullish about the outlook for coal. Export markets were stable and the progress made towards establishing a second export coal terminal at Richards Bay, with a capacity of 10-million tons a year, showed the confidence smaller coal producers had in exports.

He said there was good domestic demand and Smaldeal’s operations, which would have their own rail links, were well placed with access to the main Witbank railway line and markets in the PWV area.

He said setting up markets for the company’s output had been a priority before going ahead with the listing.

However, SA’s major coal producers have for much of 1991 warned of tough trading conditions overseas which could be exacerbated by an aggressive export drive from SA. Domestic demand for coal for Eskom’s power stations has grown more slowly than expected.

Irish Menell & Rosenberg analyst David Russell said in a recent report that domestic steam coal prices had risen by an average of 15% a year since 1984. “In other words the average increases in price are merely keeping pace with the average production costs. Hardly reassuring for a capital intensive industry.”

Russell said the threat which befell Frigate Mining showed the difficulties small coal mining operations faced.

Earlier this year, Frigate — which had grown successfully from a plant hire operation to a contract mining group before trying its hand at mining itself — sold its contracting and plant hire operations to rival Scharrphnhausen Holdings. Mounting debts — which had hit R64m at year-end December 1990 — prompted a restructuring of the group and its rescue by Finansbank.
Sigma colliery wins top safety award
By Melody McDougall
Vereeniging Bureau

The Sigma colliery in Sasolburg yesterday became the first colliery to receive a Noscark award under the National Occupational Safety Association (Nosca) safety and loss control system. A company must obtain at least 95 percent in a Nosca grading to qualify for a Noscark — the highest award made by Nosca.

Sigma started with the Nosca safety and loss control system in 1981, the mine, the only coal supplier to Sasol 1, has built up safety record. In 1987, the colliery received a five-star grading and ended second in Nosca's national mining competition. Two years later, Sigma became the first underground colliery to win this competition, and also won Nosca's Safety, Effort and Experience competition last year.

Sigma is the third company in the Sasol group to win a Noscark. The other two companies are Sasol 1 and Sasol 2.
9,000 gold and coal miners axed

The Argus Correspondent

Johannesburg — Nearly 9,000 workers from Durnacol Coal Mine in Newcastle and Doornfontein Gold Mine (Goldfields) in Carletonville have been dismissed, said general secretary of the National Union of Mineworkers, Mr Marcel Golding.

At a press briefing in Johannesburg Mr Golding said 3,034 workers had been dismissed by Iscor-owned Durnacol and 5,800 by Goldfields.

He said the companies had rejected "every single proposal" the NUM had made and instead had threatened to evict the workers from the hostels through a court interdict which he said the union would contest tomorrow.

"The companies' intention is to dismiss the entire workforce and re-employ about 2,000. We have called for the reinstatement of the entire workforce and we will contest the validity of each and every dismissal in the industrial court and have made the companies aware of our intentions," Mr Golding said.
Durnacol agrees to re-employ workers

Durnacol, a JIC-owned mining company in the Witwatersrand, has agreed to re-employ about 2,000 workers who had been dismissed during the recent strike.

Management and the National Union of Mine, Foundry, and Smelting Workers (NUM) reached an agreement last week to reinstate the workers.

The agreement was reached after several days of negotiations, during which both parties made concessions. The NUM had demanded the reinstatement of all 2,500 workers dismissed during the strike, while management argued that reinstatement was not economically feasible.

The agreement includes a provision for the workers to return to work on a trial basis, with a view to reaching a long-term solution. Management has also agreed to increase wages by 15% and to provide additional training for the workers.

Vera von Lieres

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Durnacol above the inflation rate while the company offered increases of between 10% and 14%.

An Iscor spokesman said the wage increase — which was implemented on July 1 — was regarded as a fair medium in the mining industry, particularly as Durnacol has been operating at a marginal level.

The NUM has accepted the management wage offer.

Isor said at the time management had no option but to dismiss workers who had not returned to work as the losses sustained by Durnacol as a result of the strike had become unmanageable.

Mine management indicated that former employees would be given preference in the selection of new workforce but they were not prepared to employ more workers than those that were needed to operate efficiently and profitably.
Sword of Damocles

Activities: Mining house with interests in coal, gold, platinum and property
Control: Barlow Rand 74.4%
Chairman: D T Watt
Capital structure: 14.5m ore Market capitalisation R1.7bn
Share market: Price R74 Yields 4% on dividend 22.7% on earnings, p/e ratio, 4.4; cover, 5.6 12-month high, R80, low, R55. Trading volume last quarter, 66 000 shares
Year to Sept 30 '88 '89 '90 '91
Investments
Book value 371 242 221 186
Market value 611 507 506 302
Turnover (Rm) 957 1368 1694 1778
Attributable profit (Rm) 169 216 223 280
Earnings (c) 1.467 1.929 1.569 1.479
Dividends (c) 450 560 560 300
Net worth (R) ... 96.1 97.6 101.6 89.3
*Restated

Shareholders and employees — those that escaped retrenchment — will be glad to see the back of 1991, in which the house went through what can only be described as a kind of corporate Armageddon.

Rand Mines has survived the final battle but at times the blood flowed knee-deep out of Corner House into Fox Street Lay-offs and disposal of operations cut the total workforce to 52 000 from 70 000 the previous year. Management, administrative and exploration staff were chopped by 25% to 493.

Radical surgery was needed to cope with debt that reached R312m in the wake of the mothballing of Barbra and the debacle at Barplats Lotzaba Forests was sold for a profit of R39.2m, a further R38.7m attributable profit came from the sale of 7% of the holding in Witbank Colliery.

In addition, much of the share investment portfolio has been sold off to realise R73m, giving profits of R29.7m, while Vansa Vana-
dium’s vanadium operation was sold for R17.3m.

Chairman Damocles “Danny” Watt says group debt was down to R87m by September 30 and will be eliminated in the first half of the financial year following the sale of chrome operations for about R100m.

Investors shared the pain through a collapse in the share price to a 12-month low of R55, from which it has recovered surprisin-
ly well, and a 46% slash in the dividend.

The question is, where does the house go from here? Watt answers fairly bluntly, pointing out that Rand Mines is now a coal mining house, that attributable profits for 1992 are expected to drop slightly (despite Witbank Colliery chairman Allen Senley’s expectation of real earnings growth and a higher dividend), and the year will be one of adjusting to the traumatic rationalisation.

That adds up to a mediocre short-term outlook and medium-term prospects fall into the same category. The drastic remedial action means the worst is behind Rand Mines and, with debt out of the way, things can only get better. But recovery will be a slow process and Rand Mines’ reputation among investors has been severely tarnished by the Barplats failure.

Apart from coal, Rand Mines is left with 76% stake of Rand Mines Properties (RMP), minority interests in its four operating marginal gold mines, 45% of Barplats and exploration projects.

Barplats is mothballed, RMP expects lower earnings this year, and, while the gold mines are at least holding their own, at current gold prices they contribute far more in management fees than the paltry R2.7m in profits kicked in last year.

Mining houses prefer to grow through developing grassroots projects and, failing that, through acquisition. On either score it is difficult to see where Rand Mines’ future growth will come from, apart from the expected slow and steady increase from Witbank Colliery Gold exploration projects are marginal in the extreme compared with those held by other houses while Rand Mines does not have the financial resources for meaningful acquisitions.

Given this situation and the economic climate, it appears building up cash reserves to

Rand Mines: Debt will be eliminated

Brendan Ryan
Prices slacken

Warnings from coal company chairman that 1992 will be a flat year for the industry have been borne out by initial price settlements on exports to Europe.

Major exporters Amcoal, Trans-Natal Coal Corp (TNC) and Witbank Colliery have all settled with Italian government power utility Enel by taking a US$0.35/t cut in price. This reduces the average paid by Enel for SA coal to $31.80/t from this year's $32.15/t.

The Enel contract is widely seen as a benchmark for Europe because many others follow suit at the same price. To rub salt in the wounds, industry sources indicate that Enel has insisted its suppliers agree to grant negative supply options of about 100 000 t each.

The utility is overstocked and the options mean Enel can reduce its contracted sales volumes for next year by these amounts at will.

Amcoal chairman David Rankin and Witbank Colliery CE Allen Cook confirm their groups have settled with Enel but refuse to disclose prices. TNC MD Mike Salamon refuses to comment on the group's sales arrangements because other negotiations are still under way.

The Enel settlement reflects both the state of the world steam coal export market, where coal is plentiful, as well as tighter conditions in shipping.

Most coal sold into Europe goes fob Richards Bay. Freight rates on a Cape-sized vessel from Richards Bay to Rotterdam are now around $9.5/t compared with an average $7.5/t a year ago. This is because many dry-bulk carriers are being used to ship grain to what was the Soviet Union.

Customers in Europe are using higher freight charges as a reason to hold down coal prices. Despite this, some industry sources reckon SA exporters buckled too easily and could have held out for at least a roll-over.

Other reforms included improved coal industry-industry arrangements. Australian producers have been plagued for years by strikes which have benefited SA coal exporters.

Local exporters are also watching the rand/dollar exchange rate closely because it is holding up better than some had expected. It is now around R1/R2.77, while Witbank Colliery's Cook is looking for an average of R1/R2.90 for the year to September. If the gold price firms, the rand may firm too.

Brendan Ryan
Coal mines support green efforts

THE SA coal mining industry has supported efforts to counter the danger of global warming. But it says that concerns about the greenhouse effect are based on incomplete and inconclusive scientific knowledge.

A declaration in support of "environmentally beneficial initiatives," published in the latest issue of the Chamber of Mines Newsletter, forms the industry's response to the proposed international implementation of an anti-global warming campaign, known as the Toronto Target.

The target calls for a 20% worldwide reduction in carbon dioxide emissions by 2005 (using 1988 levels as a base).

Carbon dioxide is one of a number of "greenhouse" gases, which include CFCs and methane.

The chamber said coal mining companies could be affected by universal support for the Toronto Target, as it could prompt major coal consumers, such as thermal generating utilities, to consider other energy sources which create less carbon dioxide.

"Although the full impact of the envisaged global emission controls may only take effect in 14 years' time, the industry is already examining what environmentally sound responses may be possible in the interim to protect the environment while minimizing disruption to industry," the newsletter said.

The industry considered it necessary to work with government on a framework of incentives and disciplines to encourage initiatives which would be environmentally beneficial and economically justifiable.

These would include improved efficiency of energy utilisation and encouraging increased electrification, possibly within the framework of a national energy policy.

The newsletter also details an environmental planning and management procedure the chamber has devised to help member mines ensure their activities comply with imminent environmental legislation.

The document would guide mines in drawing together and documenting comprehensive information required for the compilation of an environmental management programme report, the newsletter said.

Such a report summarises all data relating to a proposed prospecting or mining project, detailing information required to satisfy various authorities that the developer has fulfilled its environmental responsibilities, including those contemplated in the new Minerals Act, which is expected to come into operation early next year.

A feature of the new Act is its requirement that all mines and prospecting projects will in future have to submit a formal rehabilitation plan before authorisation to commence mining or prospecting is granted.

Previously, this requirement applied only to certain open cast mines.

The report not only describes the potentially negative environmental effects that are expected in all phases of the project, but also how these effects may be monitored, managed, controlled or rehabilitated.

Stokvels at Bank workshop

THE SA Reserve Bank will convene a workshop on the regulation of informal savings institutions next month to which all interested parties, including the National Stokvels Association of SA (Nasasa), have been invited.

Lukhabe said the Reserve Bank indicated last year it was committed "to stabilising and promoting" stokvels.

Van Greming said the informal savings vehicles have a large potential to provide off-farm finance.

War toys

LOS ANGELES -- War toys test selling Christmas at this year, despite growing tests from anti-war groups.

Cashing in on the Gulf, toy manufacturers have been flocking...
Consumers may benefit from tilt in coal market

MATTHEW CURTIN

The supply-demand balance in the export steam coal market is likely to tip further in favour of consumers in the coming year.

Industry sources say it will be a small shift, but more than they forecast earlier this year.

Market conditions are deteriorating while SA coal producers are in the middle of negotiating prices and volumes for coal contracts with foreign customers for 1992.

Amcoal chairman David Rankin said this week that coal had not escaped the general malaise in commodity markets, which reflected the disappointing level of growth in world economies.

He said free-market steam coal prices had been static or had fallen in 1991. Amcoal had taken a 1% drop in price on its 1992-1993 contract with Italian state utility Enel from $32.15 a ton to $31.90 a ton.

This, Rankin said, reflected the poorer export market conditions.

Reuters reports that Australia’s top coal producer, Broken Hill Proprietary, has agreed to lower prices – by between 1% and 2.3% – for million tons.

The enlarged coal terminal had a capacity of 58-million tons.

He said there was an oversupply of steam coal worldwide, with mounting exports at competitive prices from Indonesia and Australia, while demand was held back by worldwide economic stagnation and the influence of the environmental lobby.

Zolezzi said Witco would find it hard to maintain export tonnages to Italy because of concern among Italian environmentalists about pollution from coal-fired power stations.

He echoed Rankin’s concern over the unprofitable effects the proposed new “red” coal terminal would have on export markets.

If the new 10-million-ton-a-year terminal being considered by Portnet and some coal producers went ahead, “it would do the industry a disservice”, Zolezzi said.

Rankin said a jump in SA steam coal exports would affect prices severely.

It would be the advantage only of consumers, who would win lower prices as more SA producers fought for their slice of an unchanged export pie.
MINING — COAL

1992
Standby offer to Foston minorities now open

A consortium embracing Revere Resources SA acquired on December 19 last year a 70 percent stake in, and 96 percent of the share options of, coal mining and exploration company Foston.

A standby offer to minority shareholders and option holders — 3.5e an ordinary share and 1c an option — opens today and closes on January 25.

In today's standby offer announcement, Foston reveals its operating plans for its subsidiaries which own, or have rights to, 60 million tons of coal in the Transvaal and Natal region.

Coal production at Foston's New Arbor Colliery — currently 25,000 tons a month — will be increased by upgrading the beneficiation plant and installing a heavy media cyclone treatment plant for the production of washed duff.

The new cyclone plant will be operational by mid-1992.

Foston has exercised mineral rights over 16 million tons of anthracite in the Wakkerstroom district, east of Vlokrust. A mine will be established there this year to produce 30,000 tons a month, mostly for export.

In co-operation with overseas partners, Foston is investigating other coal deposits to develop an export-grade bituminous steam coal mine in 1993.

The board of Foston, which will continue to be listed in the Financial-Exploration sector, has been reconstituted. It comprises GJS Lang (chairman), ED Glenston (MD), JA Cramer (Swiss), RJP de Klerk and DS Muller.

— Sapa
Coal mine developing

JABULANI SIKHAKHANE

FRASER Alexander (Fralex) is developing a new colliery on coal reserves it has acquired near open-cast coal mine Woestaleem in the eastern Transvaal.

A company spokesman declined to give financial details of the acquisition.

The colliery will add 600 000 tons a year to Fralex's coal production by 1993, when it is expected to be in full production.

Group chairman Peter Flack said yesterday operations at the new colliery were expected to be in full swing within the next couple of months.

Woestaleem and the new colliery both produce specialised metallurgical grade and high-grade steam coal.

Fralex is a diversified materials handling group with core businesses in the design, construction, operation, closure, remining and dump revegetation fields.
Coal industry ‘hanging in’

By Allen Cook
Chief Executive,
Rand Mines Coal Division

The South African coal industry is not expected to have a particularly good 1992.

As I assess the situation, 1992 will be a year of consolidation, so that we will be obliged to “hang in” in the hope that 1993 will be better all round for us.

Coal prices should by then have increased and certainly South Africa should occupy a strong supplier position.

We believe that on the domestic front, slack demand will persist this year and the market will hold no great happiness for producers.

We are still feeling the ripple from the mothballing by Eskom of the older uneconomic power stations.

Until the economy recovers and receives new local and overseas investment funds, the domestic market will remain static.

Restrictions

As regards the European coal markets, France and Denmark still have trade restrictions in place against South African coal.

As the enlarged European Economic Community is due to come into being in October 1992 and its boundaries will then disappear, so South African coal, which is being exported to elsewhere in the Community, will be able to enter the area more freely.

This should lead to new market opportunities of more than two million tons a year.

Regarding markets in the Far East, the Japanese power utilities have tied up coal contracts — disappointingly for South Africa — which will cover the greater part of their medium-term expansion.

However, there is room for South Africa to become more involved in this market for a moderate tonnage.

Another factor to be borne in mind is that Japanese utilities are traditionally nervous of heavy reliance on any one supplier.

At present seven percent of their utility supplies comes from Australia alone — a situation that could provide openings for South African exporters.

Internationally, there is a deliberate balance between supply and demand. Demand for steam coal is increasing annually by around 2.5 percent and new suppliers such as Indonesia (supplying excellent quality coal) and Venezuela have emerged.

If the price equilibrium fails away, then some of the high-cost producers, typically in the United States and Canada, would find market conditions very tough indeed and might even withdraw — only to return when the price rises again.

Export potential

From January 1992, Richards Bay will be in a position to handle an export volume of 33 million tons a year and the rail capacity will soon be in place to handle this throughput.

However, to take full advantage of this extra capacity local coal exporters will need to exercise restraint and avoid over-supplying at all costs.

Rand Mines Coal Division is negotiating prices with customers but has been extremely disappointed at the capitulation of some producers who have accepted unnecessarily low price levels for their coal products.

Another unfortunate international development is that freight rates have appreciated sharply by about $2 a ton, thus obliging producers who sell CIF to absorb this rate increase as well as other inflationary factors.
SA coal exporters keep prices static

SA's coal exporters emerged from negotiations on steam coal contracts for 1993 with static or only marginally lower prices despite the world recession and gloomy short-term prospects, market sources said yesterday.

However, they believed major exporters were playing down their success so as not to encourage smaller producers who are backing the possibly competitive project to build the new "red" terminal at Richards Bay.

Amcoal, Trans-Natal and Rand Coal Limited — the new name for Rand Meul's-coal division formerly known as Witbank Colliery — have argued that a surge in exports from smaller players out of a second terminal would send prices tumbling.

One analyst said yesterday SA's main exporters had rolled over 1992 prices for 1993 in general, with price cuts of no more than US$1.00 a ton.

He said this was an achievement given weak demand, and reflected the levelling off of the "political discount" exporters offered customers when sanctions were in force.

Frankel Kruger analyst Kevin Kartun said contract prices were down by between $0.50 and $1 to about $30.00 a ton.

He said it was likely total exports from SA, the world's third biggest coal exporter after the US and Australia, would be marginally down in 1991 from the previous year when nearly 40-million tons were exported.

Kartun said "it was a buyer's market" and some exporters were finding it cheaper to leave the coal in the ground rather than export it.

The gloomy short-term export prospects had seen a long-awaited correction on the JSE's coal board in recent weeks, he said. The coal index stood at 3 605 yesterday, still more than 70% higher than in was a year ago, but 12% down from its high of 4 176 points reached late last year.

Another analyst said despite the main exporters' dice warnings of the dangers of raising SA exports, small producers were pursuing the red terminal option so that when market conditions improved they were not restricted by inadequate port facilities.

He said the volume of the international steam coal trade had risen by 9% a year on average in the 1980s, with conservative estimates of 5% to 8% yearly growth in the 1990s.

With environmental concern in the industrialised world over building new nuclear or coal-fired power stations, countries in the EEC and Japan were finding it cheaper to import coal than mine and clean their own. New 40-year life power stations would depend on imports from SA, the US, Australia and Indonesia.
Steamed up over SA coal contracts

Own Correspondent

JOHANNESBURG — SA's coal exporters emerged from negotiations on steam coal contracts for 1992 with static or only marginally lower prices despite the world recession and gloomy short-term prospects, market sources said yesterday. However, they believed major exporters were playing down their success so as not to encourage smaller producers.

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Duiker seeks more export facilities at Richards Bay

A SUBSIDIARY of Duiker Exploration, the Lonrho SA company whose main business is mining and exporting coal, is taking part in a feasibility study to build extra export facilities at Richards Bay.

Duiker chairman Terence Wilkinson said in his annual review that demand for Duiker's export coal at attractive prices exceeded its port entitlement, hence the decision to look for additional facilities.

The decision by Portnet to investigate building a new terminal at Richards Bay with a likely capacity of 10 million tons a year has incurred the wrath of SA's major coal exporters, concerned that a surge in coal exports will knock prices given the current depression in the international steam coal trade.

Wilkinson said: "It is well recognised that undisciplined export marketing could see a repeat of the previously experienced server price competition between SA suppliers. Thus demands a responsible and equitable approach by existing and potential suppliers."

He said comments on "market discipline" should apply to the inland market, which was "relatively inelastic under depressed market conditions."

He noted the rising cost of transporting coal by rail to and exporting through Durban, a matter of concern which required the exporters who use the port to investigate the longer term future of the facility and improve its commercial viability.

Earnings a share at Duiker rose from 76.8c in 1989 to 106.2c in 1991, but Wilkinson said earnings would be unchanged in 1992, with Duiker dependent on the rand value of coal exports, the recovery of local industrial coal sales and coal tonnage in the current year.

Duiker's bituminous coal division was the main contributor to the group's profitability in the year to end September 1991, in which after-tax profits climbed 43% to R15.7m.

Coal sales fell marginally to 4,75 million tons, but some inland supplies were reduced. Coal exports stood at 2,26 million tons compared with 2,06 million tons in 1990, with inland sales falling from 2,77 million tons to 2,49 million tons in the same period.

Duiker has embarked on a concerted programme to improve the division's facilities. It has bought a fine coal washing plant to improve its high-grade processing capacity at the Witbank Consolidated Colliery and has awarded a contract for building a fine coal processing plant at the Tweefontein Colliery.

Wilkinson said Duiker was looking into restructuring and improving the efficiency of both collieries to meet the demands of inland and export markets.
Jo'burg to host world coal meeting

By Mike Siluma

Conditions in the South African coal mining industry, and its return to international markets, are set to come under the international spotlight next week when leaders of the world's most powerful coal mining unions hold a 'two-day summit in Johannesburg.

The meeting, a sequel to one held in Geneva in October, will be hosted by the National Union of Mineworkers (NUM) and attended by the leaders of mining unions from Britain, the US, Australia and Germany.

Confirming the first-ever such meeting in South Africa, NUM acting general-secretary Marcel Golding said the aim of the gathering, which starts on Monday, would be to "flush out" a joint approach to the problems of coal miners, agreed to at the Geneva meeting.

In Geneva, union leaders from the five nations called for:

- Co-operation between governments, unions, employers as well as international agencies to protect and promote the development potential of the coal mining industry.
- A boycott of coal imports from countries where human and trade union rights are violated, and where no adequate health and safety and social security system exists.
- Opposition to mine closures and the over-exploitation of coal seams.
- International agreements which would set standards for the maintenance and environmentally conscious use of coal seams.

The new-found co-operation between the NUM and its foreign counterparts comes at a time when the South African coal mining industry is poised to make good some of the losses it suffered as a result of the international sanctions campaign, which reached its peak in 1986.

The lifting of sanctions has led to concern among miners in the unused countries, notably Australia, about the negative effect of jobs and wages that the return of cheaper South African coal to international markets might have in those countries.

Union leaders attending the Johannesburg summit are British NUM leader Arthur Scargill, Hans Berger (Germany), Richard Trumka (US), John Maitland (Australia) andentes Motlatsi of the South African NUM.

Also next week the NUM will host a meeting of the Southern African Miners Federation of which Mr Motlatsi is president. As well as those from South Africa, workers from Swaziland, Botswana, Zambia, Zimbabwe and Namibia will be represented at the conference.

The NUM will hold its central committee meeting in Johannesburg next week to elect a new general-secretary.
Duiker shoots into the black

Labour problems at the Erfdeel gold operation, managed by Anglo's Freegold but owned 30% by Duiker caused ore milled to drop from 311 000 tons in the September quarter to 257 000 tons.

Losses increased at the mine as gold continued its bear trend.

Working costs of R31,5m brought a loss of R2,2m from revenue of R28,6m for the December quarter.

The loss in the September quarter was R1,7m as costs of R35,2m were outweighed by the R33,5m in revenue.

At 129 000 tons, anthracit-
Scargill due in SA

CONTROVERSIAL British trade unionist Arthur Scargill is to arrive today in Johannesburg, where he will attend a coal mining summit next week.

Mr Scargill, president of the British National Union of Mineworkers and Labour Party member, is expected to land at Jan Smuts Airport at 11 am, and will address a press conference, the South African National Union of Mineworkers (NUM) announced in a statement yesterday.

The summit, to be held on January 20 and 21 at an undisclosed Johannesburg venue, is to discuss energy and coal mining issues worldwide.

It follows a previous summit held in Geneva, Switzerland, in October, said NUM acting general-secretary Marcel Golding.

Representatives of coal mining unions in Australia, Germany and the US will also attend the summit. — Sapa.
World spotlight on return of SA coal

The Argus Correspondent

JOHANNESBURG. — Conditions in the South African coal mining industry, and its return to international markets, are set to come under the international spotlight this week when leaders of the world’s most powerful coal mining unions hold a two-day summit in Johannesburg.

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In Geneva union leaders from the five nations called for, among other things:

● Co-operation between governments, unions, employers as well as international agencies to protect and promote the development potential of the coal mining industry.

● A boycott of coal imports from countries where human and trade union rights are violated, and where an adequate health and safety and social security system exists.

● Opposition to mine closures and the over-exploitation of coal seams.

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Also next week the NUM will host a meeting of the Southern African Miners Federation (SAMF) of which Mr. Motlatsi is president. As well as those from South Africa, workers from Swaziland, Botswana, Zambia, Zimbabwe and Namibia will be represented at the conference.

● The NUM holds its central committee meeting in Johannesburg next week, at which it will elect a new general secretary, following the election of former incumbent Cyril Ramaphosa to the general-secretaryship of the ANC last year.
Scargill says SA coal is too cheap

ARThUR Scargill, president of Britain’s National Union of Mineworkers, yesterday called for an internationally agreed and stable coal price, saying coal miners in SA and other coal-exporting nations were the losers in the current “dog eat dog” situation.

Scargill told a news conference in Johannesburg that SA’s coal industry would benefit enormously from a stable price as SA was currently selling coal up to $16 below accepted world prices.

He said the extra money generated by a stable price would enable the SA industry to improve its “appalling” wages, conditions, welfare facilities and safety standards.

He said the real price of international coal should be $60 a ton, but even $50 would be sufficient to boost the domestic coal industry. SA currently sells its coal for between $48 and $50 a ton.

Scargill is attending an international labour summit on coal mining hosted by SA’s NUM. Also attending are the president of the Australian United Mineworkers’ Federation, John Matland, and the secretary-treasurer of the United Mineworkers of America, John Banovic.

Scargill said the fluctuation in the market price was disastrous for the economies of coal producing countries.

“What we want is a common-sense energy policy in which coal is central and not nuclear power, which is more expensive and dangerous,” he said.

“This policy will also deliver fair wages and decent working conditions to coal miners. The employers won’t tolerate it so we must do something.”

The coal mining summit, which begins in Johannesburg tomorrow, is expected to thrash out a common approach to all aspects of the industry, including stable prices suitable to producers and consumers of coal, as well as common health and safety regulations.

Scargill said the unions wanted to create a united front on these issues to achieve:

A sensible coal price policy;

One international miners’ movement, and

An international coal agreement.

“We need more and more energy in the world. People are starving in the Third World while there is overproduction in the First World,” Scargill said.

Matland said he was not frightened by the prospect of more competition between SA and Australia in world coal markets.

“There are sufficient markets for us all to have a good share so long as we get our act together.”
New mine to boost SA coal exports

From William Gilliland
Coal exports set to rise as mine opens

WILLIAM GILFILLAN

COAL exports are set to rise by 2.4-million tons following yesterday's opening of the R500m Arthur Taylor Colliery opencast mine (Atcom) in the eastern Transvaal. The exports are destined mainly for European and Far Eastern markets.

The mine is a joint venture between Johannesburg Consolidated Investments' (JCI's) Tavistock Collieries and Total Exploration SA (Tesa), which is owned 65% by Total in France.

Total chairman Serge Tchuruk said he felt awkward opening the mine at a time when France continued to ban SA coal imports. "But I shall continue to urge the French authorities to lift the restrictions," he said. SA coal imports to France were banned in the mid-1980s.

The opening of the mine, which was the first export coal mine to be opened since 1981, coincides with the expansion of the Richards Bay coal terminal. JCI and Tesa's first joint venture developed over 10 years ago when JCT, holding no export permits, was looking for a partner with permits.

Its first joint venture was the Arthur Taylor Colliery underground mine, which exported 2.7-million tons of coal in 1991. JCI chairman Pat Retief said the Atcom venture indicated the success of the joint venture with the underground mine. In terms of the arrangement JCI manages the mines while Total markets the coal worldwide. The coal reserves are held jointly by JCI, through Tavistock, and Total's Tesa.

Tesa's R500m contribution to the Atcom venture was financed using local funds generated from its local operations. In addition to its interest in the Arthur Taylor operations, Tesa holds 50% of Ermelo Mines Services, an export mine which produces 2.3-million tons of coal annually and 6% of Richards Bay.

Although Retief believed the coal export market was not near saturation level and coal chairman Graham Boustred warned in his 1991 review there were dangers in overestimating the extent of the market share that SA exporters could reasonably demand.

He said it was essential that the SA coal mining industry avoided the pitfalls of overproduction and consequent price collapse.
UK union angry over bid to import SA coal

LONDON — Trade union anger over the plan to import cheap South African coal through the port of Bristol is mounting. Britain's militant National Union of Mineworkers is leading the opposition to the building of a bulk handling terminal at Bristol after the Labour-controlled city council sold a 150-year lease empowering a private company to run the port.

— Star Bureau

(21/117)
Summit seeks unity among coalworkers

By FERIAL HAFFAJEE
SOUTH AFRICA is set to be a key player in setting international coal mining policy. This week delegates of world coal mining unions jetted in to hammer out an international coal price and an energy policy.

And the country could be the venue for the planning of an international coalworkers' union.

This is the hope of Arthur Scargill, the leader of the British National Union of Mineworkers, who is in South Africa for the coal summit.

"I want to see the first steps taken at this summit not only toward an international coal policy but for one united and international miners' movement," he said at a media briefing this week.

Scargill and mining union leaders from the US, Australia and various African countries are attending a coal summit today and tomorrow. The delegates hope to set an international coal price.

South African coal sells for $10 less than any other country, said John Maitland, president of the United Mineworkers Federation of Australia.

A fixed price would improve the wages, welfare and safety of South African workers, said Scargill.

He added that a fixed price would also benefit European countries where coal mining was in crisis because of low prices. Coal is selling for about $45 a ton on average - ideally its price should be $60. A fixed price would also end the price fluctuations which caused havoc on the markets.

Although price-setting was the primary aim of the summit, Scargill hoped that it would lay the foundation for a coal-based energy policy. It will also provide an opportunity for delegates to plan campaigns for the speedy ratification of the International Labour Organisation's standards relating to coal mining.

The visit of these federations is likely to be the forerunner of further cooperation, according to the various delegates. Tomorrow, they will launch a common approach document relating to wages and safety.
JCI-Total colliery venture launched

BY IAN ROBINSON

The presence of Total (France) chairman Serge Tchuruk at the inauguration of the R600-million Arthur Taylor Colliery Open Cast Mine (ATcom) this week reflected the change in South Africa's world status.

Mr Tchuruk, who came to SA for the finish of the Paris-Cape Town motor rally, presided over the inauguration of the mine with Johannesburg Consolidated Investment (JCI) chairman Pat Retief

BY IAN ROBINSON

INSTRUMENTATION

INTERNAL
That's the pits, Arthur.

ARTHUR SCARGILL, British miner, this week made a

moving plea for higher, South African, coal prices to ensure higher miners' pay.

Could it be that the closure of collieries, in his own backyard — three this week
alone — has something to do with this altruism?
Moatize coal mine may be revitalised

MATTHEW CURTIN

COAL group Trans-Natal has given the green light to a feasibility study which may lead to a R4.2bn revamp of Mozambique's Moatize coal mine and export infrastructure.

Group strategic and business development manager Sean O'Shaughnessy said yesterday that a pre-feasibility study was complete, and Trans-Natal and its partners had agreed in principle to proceed with the evaluation of the project.

The second study would start next year, and would address the geology of the Moatize coal field first, and then the infrastructure necessary to make the project viable. That might include upgrading a 520km stretch of the Tete-Benin railway and the construction of new port facilities at Beira.

Partners

The coal field is near the town of Tete, not far from the Zambezi, between the Zimbabwe and Malawi borders.

Trans-Natal chairman Brian Gilbertson said last year that the feasibility study would cost about R30m over a three-year period, and was part of the group's fast-moving capital spending programme.

The three partners in the project are Trans-Natal, the Mozambican Government, and Brazilian company Companhia Vale do Rio Doce.

Moatize is Mozambique's sole surviving coal producer. Coal production was severely disrupted by the civil war in the 1980s, falling from 319,000 tons a year in 1979 to current levels of about 4,000 tons a year.

If the mine is revived, it could produce as much as 1 million tons of coal a year.
Coal trade weathers the recession well

SA’s mineral portfolio looks jaded, as the country’s mines have borne the brunt of the current trough in the commodities cycle. It may be years before prices for gold, uranium, and vanadium among others improve.

The international coal trade, however, has weathered the recession comparatively well. As an energy mineral, coal has piqued the interest of many countries around the world, making its sales relatively stable. However, the demand for hard coal in many countries has been influenced by the rise in gas prices and the shift towards renewable energy sources.

The coal trade is dominated by a few major producers, including South Africa, Australia, and the USA. South Africa is one of the world’s largest producers of coal, with exports accounting for a significant portion of its GDP. The country’s coal reserves are vast, and the industry has a long history.

Despite the challenges, the coal industry remains a vital part of South Africa’s economy. However, the future of coal depends on how the country navigates the transition towards renewable energy sources. The government has announced plans to phase out coal power plants, which could have significant implications for the industry.

**Competition**

SA’s coal exporters seem to have shifted the emphasis of their export strategies from maximizing market share to protecting their export margins in the past year. The shift was prompted by the drop in the demand for coal and the increasing pressure on SA export margins.

Sanctions imposed in 1986 are said to have deprived SA of an opportunity to expand its export horizons, although sales fell by less than 5% over the past year. However, the government has been working harder for a bit of a smaller export cake, engaging in fiercer competition.

Exporters are now regaining old markets, but unlike other commodity exporters, they face a world that has plentiful alternative steam coal sources spread around the globe. SA remains the single largest producer of gold, platinum, rhodium, vanadium, and chromium.

SA coal exports are vulnerable to increases in shipping rates given SA’s distance from the main markets. Rates have increased by over 50% in recent months, causing concern for the industry.

South Africans have also lost some of their competitive edge. Costs on SA coal mines have outpaced the rand’s depreciation against the dollar in times of stable dollar coal prices. From being the lowest cash cost producers five years ago, SA’s producers are now little better than average. The miners’ current drive to mechanize underground operations is an attempt to restore their advantage.

Trans-Natal MD Mike Salmon says the consumption of steam coal rose by an average of 8.0% a year in the 1960s to 1.377 million tons in 1999. Trans-Natal forecast that by the year 2000, consumption would have risen by 5.6% a year to more than 300 million tons.

He says while the demand for steam coal worldwide would more or less balance supply in the next two years, by mid-1990s demand would start to outstrip supply. That could boost steam coal prices, attracting new projects which in turn will restore the supply/demand balance.

However, should an excessive number of new projects come on stream, prices could again weaken by the late 1990s.

Producers planning to start greenfields export projects today in SA or abroad — to benefit from rising demand and prices — risk catching the poorer market conditions expected by the time their projects come on stream.

One such venture which is uppermost in all SA exporters’ minds is the new “red” terminal at Richards Bay. The Richards Bay Coal Terminal is the world’s largest, but its existing 35-million ton capacity is already booked by Mandela, Randcoal, Trans-Natal and some smaller producers.

If producers like Kangra-Agip, Gold Fields Coal, Messina Coal, and Sasol wish to claim their share of any increasing export pie in the 1990s, they need new facilities, such as the 10-million ton terminal being studied by Fort思.

**Dangers**

SA’s big exporters are concerned that such a boost to exports would narrow already tight export margins. The new exporters risk seeing the new terminal given the green light this year, only to find it commissioned in time for a possible sag in prices in the 1990s.

Coal producers do not have to look far to see the dangers of attempts to grab extra market share, at a time of high prices, only for new capacity to come on stream as the market collapses.

Such was the fate of Rand Mines and USK’s forays into vanadium. Rand Mines was equally hamstrung in venturing into platinum, its two mines now mothballed and controlled by Impala Platinum. And so were SA’s ferrochrome producers, dogged for more than two years by fierce competition, overcapacity and tumbling prices.
Smaldeel plans to buy 8-million tons of coal

RECENTLY listed coal mining group Smaldeel Coal is negotiating to purchase 8-million tons of reserves from its newly acquired Blackstream mine, MD Ed Young said. (215) 8/1/93

Young said yesterday last year's R8.8m acquisition of the Blackstream opencast coal mine was set to increase Smaldeel's earnings a share by 117% from 3.9c to 8.6c a share for the year to end July.

He said the Blackstream acquisition had increased Smaldeel's net asset value from 77.6c to 114c a share using a value of R1.40 a ton for Blackstream's in-place reserves.

Blackstream's production — expected to be about 750 000 tons a year — had been on-sold to the MacPhail group. The contract was to remain in place until the mine's 11-million tons in reserves were depleted.
Trans-Natal not likely to glow

JOHANNESBURG — Analysis expect Trans-Natal Coal to turn in a flat to poorer performance for the six months ended December 31, 1991, because of rising costs and soft international prices.

Predictions among analysts polled range from a slight increase in distributable earnings to an 18% drop.

A key factor in Trans-Natal's results for the first half of the 1991-92 financial year was expected to be progress in improving operational and economic efficiency at Koornfontein mines.

Davis Borkum Hare's Alex Wagner predicted a drop in attributable earnings to R79.2m from R96.9m for the six months to December 1990, based on flat export sales volumes and higher costs.

However, James Allan of Anderson Wilson & Partners said he expected attributable earnings to rise slightly because reduced local sales, where profit margins were narrower than those for exports.

— Reuters.
Mozambique coalfields

Trans-Natal development plan

By Derek Tommery

Staff Writer
Interim results show a better operating performance from Trans-Natal Coal Corp (TNC), with the problems at the Koornfontein division now largely sorted out. Even so, shareholders have the Receiver of Revenue to thank for the higher earnings and dividend.

Pre-tax income was virtually unchanged at R95.2m (1990 R95.7m) but lower normal and deferred tax resulting from a nominal tax rate of 50.88%, compared with the previous 54.5%, left taxed income 10.5% up, at R66.3m (R60m).

Key point that emerges is TNC’s increasing dependence on the export market for its profit, as its sales to Eskom continue to fall. That has cost implications, which have resulted in TNC’s unit cost of sales rising 15.4% in the 12 months to end-December, despite a 6% increase in productivity on the mines which held the rise in unit mining costs to a creditable 7% over the period.

TNC’s sales mix is changing, with high-cost Eskom tonnage being replaced by high-cost export tonnage, which has to be upgraded through washing plants before it can be sold. Eskom, in contrast, takes unashed raw coal. Having to wash greater amounts of coal pushes up costs and also reduces yields from the run-of-mine (ROM) coal, because a greater tonnage ends up as discard on waste dumps.

Export revenues now make up 67% (63%) of TNC’s total revenues, with sales volumes rising 3.8% to 5.5 Mt (5.5 Mt). Unit export revenues were up about 10% in rand terms thanks to a 3% increase in dollar prices coupled to the depreciation of the rand against the dollar.

TNC MD Mike Salamon says he hopes to at least maintain the first-half results during the second half, but he points out the outlook for the SA coal exporters generally this year is “pretty grim.”

Export volumes are likely to remain flat. Salamon is forecasting total Richards Bay Coal Terminal (RBCT) throughput for 1992 at 45 Mt to 46 Mt, virtually unchanged from 1991’s throughput of 45.3 Mt. Dollar prices will be lower because contract prices in Europe were settled on average 2% lower in dollar terms. While the SA exporters are still negotiating with their Far Eastern customers, the outlook is for more cuts.

The Japanese have already succeeded in negotiating drops in price, ranging from US$50c/t to $1/t from their Australian suppliers, depending on coal type, and will pressure the South Africans for similar cuts.

Still, Salamon maintains the long-term future for the industry is sound. The internationally traded steam coal market is forecast to rise from 170 Mt in 1990 to about 310 Mt by the year 2000. He points out the industry has seen no positive effects on sales volumes of the easing of political pressure on SA. Only Japan has lifted sanctions on coal.

Measures against SA coal imports still remain in place in formerly important markets like France and Denmark.

The RBCT’s project to expand annual throughput to 53 Mt from 44 Mt was commissioned on schedule and under budget in December, but growth in total sales volume is going to be linked to market conditions. Salamon says the only way more coal could be sold under present market conditions would be to discount the price. SA companies have learnt the hard way what severe price competition does to profits.

On the domestic market, sales to Eskom, at 4.9 Mt (6.1 Mt), were below target, but Salamon says the group has seen the worst of the effects of loss of Eskom business. The Koornfontein division has been turned around and should be reasonably profitable in the second half.

TNC looks fully- valued, though the recovery in the major world economies could see the share appreciate. The interest in the Moatize coking/strand coal project in Mozambique is another potential bull factor if this gets the go-ahead though first coal sales would only take place at the end of the decade.

Brendan Ryan
‘Granny’ Leah’s mine of enterprise

In a small Natal village, an impoverished family runs its own ‘coal mine’

BY RAYMOND NXUMALO

A VISIT to ‘Granny’ Leah Mbithe is like taking a trip back to Johannesburg’s gold-digging days more than a century ago. Her “open-air mine” may not be as lucrative, but it is certainly no less enterprising.

Her grandchildren and their friends swarm up to help out at her “mine” in Bluff bottom, near the industrial township of Osizweni on the outskirts of Newcastle.

They follow her to the site, a stone’s throw away from her home, where 42-year-old Phenea Shabangu waits with pick-axe in hand.

“You know your position,” Leah reminds her little “labourers” as they arrange themselves into a human chain around the hole. Nkosanthe Butheka (18) lines up the buckets while above Shabangu starts digging.

“Bukwesha,” Nkosanthe warns at a loose rock almost into Nomusa Mhlapho, whose duty it is to shovel the falling soil and fill the waiting queue of buckets.

As soon as all eight plastic buckets are filled, the human chain goes to work. Shongile Mkhize (12) picks up a bucket, throws it to Zama Maseko (10), who in turn passes it to Landile Myeza (13), then on to Nomusa Mbithe (14), Sizakele Mgwambe, Beauty Mbithe, and finally to Granny Leah, who throws the soil into a nearby pool of stagnant water.

Then she throws the bucket back down to Nkosanthe and the whole process begins again.

All this is done with a degree of disdain for the menial task hanging menacingly above their heads. There is no doubt that the slightest tremor triggered by a blast at the Utrecht mine, some 50km away, could bring down the wall — merrily burying them under a ton of soil.

Why does she subject herself and the children to such dangerous work? The object is to get coal out of the “mine”.

“The coal merchants who come around in trucks are expensive, and we need this coal,” Mbithe explains, shaking her head in disapproval. “To her, R2.20 is a lot of money.

I asked if there was anything to reach the coal "it takes less than five hours to dig a grave, and we have the whole day to ourselves,” she said, peeling dry skin from the palms of her hands. And at the end of the day she usually takes three, sometimes four, bucketsful of coal home.

While Granny Leah’s interest in this process are domestic-oriented, Shabangu’s are more entrepreneurial. He sells the bricks he makes from the yield of the hole.

“I use the clay that I dig here to make bricks. I take the bricks with the coal to make them hard,” he explains. He charges R12 for 100 bricks. Most of the surrounding houses are built from home-made bricks. There are 19 other holes owned and “mined” by other families, according to Shabangu’s “employer”, Goodness Xuma. She says anyone who has freehold rights to a piece of land with coal just beneath the surface can be an owner. And unlike most employers, she doesn’t have to worry about staff wages. “Their wages are what they dig from that hole”.

Human chain. Little ‘labourers’ pass along bucketsful of soil . Photo RAYMOND NXUMALO
Coal industry faces a year of consolidation

THIS will be a year of consolidation for the SA coal industry, says Rand Mines subsidiary Randcoral CE Allen Cook.

"Members of the industry will be obliged to hang in, in the hope that 1983 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."

Randcoral — formerly Witbank Colliery — has set the benchmarks for progress in the SA coal industry for the past 90 years.

**Reserves**

The historic cost of the group's mining assets exceeds R1bn, 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 1983, Cook says France and Denmark still have trade surpluses against SA coal.

But with the European Economic Community due to come into being in October, SA will come under pressure to increase its coal sales to the EEC. The stumbling block will be the EU's demand for coal of the highest quality.

Cook believes that SA can look forward to gaining freer access to the entire region.

"This could 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.

Demands for steam coal is growing — usually by around 3% a year — with new supplies, such as Indonesia and Venezuela, having 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 73-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 the market.
Sasol prepares to enter coal export market

By Derek Tommey

A "no" vote in the referendum would be a sad day for economic development, Sasol managing director Paul Kruger said yesterday.

Despite a number of adverse factors, Sasol increased its earnings by 14.6 percent from R25.5c to 94.6c a share in the six months to last December 25.

The interim dividend has been raised by 12.3 percent from 33.5c to 38.5c a share.

Mr. Kruger said at a press conference, that company results and the easing of foreign political pressure in the past two years had opened up vast opportunities for South Africa and for Sasol. He added that this would be a tremendous setback for the economy if these were lost.

Sasol had embarked on a major new investment programme aimed at increasing its export earnings from the present R500 million a year to around R1.4 billion a year within the next 18 to 24 months.

**Race sponsor**

This planned increase in exports and the need to get Sasol's name and products out there were one of the reasons why it was sponsoring a car in Formula 1 motor racing.

He said Sasol was planning to enter the export coal market and hoped to be able to take up some of the spare capacity at the Richards Bay coal terminal.

But if this were not possible, then it would hold discussions with other coal producers about financing the construction of a second coal terminal.

Factors affecting profits in the six months included the drop in the petrol price after the end of the Gulf War a year ago, depressed export markets for chemicals and depressed conditions in the local market.

Mainly as a result of the fall in the price of oil from $37 a barrel in the six months to December 1990 to $24 a barrel in the same six months last year, Sasol's turnover had declined from R4 billion to R3.96 billion.

But the decrease in operating income from R974.2 million to R868.8 million was more than offset by interest payable dropping from R394.5 million to R119.4 million, and the tax provision declining from R299.2 million to R286.7 million.

This had resulted in taxed profit rising R70.8 million to R515.5 million.

Mr. Kruger said that the synthetic fuel division had enjoyed a substantial increase in production volumes as a result of "being smarter". This had made for an excellent contribution towards countering cost increases, a reduction in product prices and lower refining margins.

**Over-capacity**

He said there was tremendous over-capacity in the petro-chemical manufacturing industry and Sasol was having to compete overseas with many dumped products.

But the shut-down of some of these plants should help Sasol's sales.

Sasol itself was investing heavily to increase the recovery of white products from its feed stock from the current 86 percent to around 88 percent, which would help profits, he said.

Mr. Kruger expected the world economy to start picking up by the second half of this year but thought the South African economy could lag this recovery by several months.

Profits in the second half of Sasol's financial year to June should be better than those of the first half, but the rise would not be as strong as a year ago, he predicted.

However, by this time next year, Mr. Kruger said he expected to be feeling decidedly bullish about Sasol's prospects.
Talk of coal price hike

MATTHEW CURTIN

INTERNATIONAL prices for steam coal will have to rise if new investment to satisfy projected demand is to be justified, say SA and Australian coal industry spokesmen.

The US-based journal Coal Week International reported in its latest edition that the spokesmen told the National Agricultural and Resources Outlook Conference in Canberra last month that SA and Australia would remain the main sources of new steam coal exports well into the '90s.

Randoal chairman Allen Sealey said: "It is very clear that further expansions of the export industry cannot be justified without the encouragement of a significant improvement in price levels."

Sealey said that if SA was to push coal exports beyond the 55-million ton mark, it would have to develop new mines, projects which at current coal prices would not be feasible.

Australian Bureau of Agriculture and Resource Economics spokesman Tony Beck said that demand for steam coal would outpace even the marketed increase in low-cost supplies from Indonesia and other countries.

China, the Commonwealth of Independent States and Poland were not in position to increase exports sharply in the medium term, so at least stable real prices would be necessary to encourage the development of increased export capacity in the US, Canada and Colombia.
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RandCoal chairman Allen Sealey said "It is very clear that further expansions of the export industry cannot be justified without the encouragement of a significant improvement in price levels".

Sealey said that if SA was to push coal exports beyond the $3-million tonne mark, it would have to develop new mines, projects which at current coal prices would not be feasible.

Australian Bureau of Agriculture and Resource Economics spokesman Tony Beck said that demand for steam coal would outpace even the marked increase in low-cost supplies from Indonesia and other countries.

China, the Commonwealth of Independent States and Poland were not in position to increase exports sharply in the medium term, so at least stable real prices would be necessary to encourage the development of increased export capacity in the US, Canada and Colombia.
Millions of dollars at stake in coal industry dispute

THIS alleged theft of thousands of tons of coal from a Natal mine has lifted the "lid" on a multi-million-dollar wrangle in the coal industry.

The coal, which was removed from the premises of a liquidated mining company near Vryheid last Thursday, is the latest development in a dispute between a German company, Thyssen, and a Spanish-born businessman operating a string of companies in South Africa, Mr. Jose Holgado.

Thyssen reportedly invested millions of dollars in Mr. Holgado's companies, Minesa Mining, which was liquidated last December.

Claims

High-living Mr. Holgado, who has homes in Kyalami in the Transvaal and Pleitzenberg Bay, and a stud farm at Nottingham Road in Natal, is also involved in disputes with other companies.

He is facing legal action from a Brussels-based company, Jackson Shipping and Coal, relating to disputes over the invoicing of coal shipments from South Africa and demurrage claims on shipments from Maputo to Turkey.

It was also established this week that Boland Bank has unpaid claims of at least R22 million as a result of a failed mining venture with Mr. Holgado in the Transvaal, Bordanex Mining. It was liquidated in February 1990.

Police confirmed on Wednesday that they were investigating a charge of theft relating to the removal of about 4,000 tons of coal from the Rustiplas mine in the Vryheid area.

The coal was allegedly transported to a plant in Randburg, where it was used by Mr. Holgado's companies.

The theft charge was laid at the Vryheid police station by a Thyssen representative, who handed police photographs of a truck moving coal from a stockpile at the Ann washing plant attached to the mine.

Police said the transport company would be asked for a statement since documentation on the ownership of the coal had been inspected.

Meanwhile, the liquidators of Minesa Mining, Antrust in Johannesburg, dispatched a surveyor to the mine on Friday in an attempt to clarify the situation.

Liquidator John Freire said he could not comment on the reported theft until he had all the facts.

The general manager of Minesa Energy, Mr. Glynn Sprat, said only Mr. Holgado could comment and he was not available. He said that he was in the Vryheid area.

It is believed that Thyssen's investment in Mr. Holgado's companies was in the form of loan agreements to finance development of mines and stock. Part of the payment was made to an offshore company, Indo-Atlantic Resources.

Ceded

Stockpiles at Rustiplas totalling 45,000 tons of coal were ceded to Thyssen after Minesa Mining went into liquidation last year. Other stockpiles are being held in trust by the liquidators.

Thyssen is also claiming about R3 million (R5.6 million) from Minesa Energy for amounts owing since December.

The claims from Jackson Shipping and Coal relate to a deal set up whereby coal mined by Bordanex Mining was exported through Jackson Shipping and Coal.

However, the deal went sour as a result of a dispute over invoicing through two companies, Minesa Energy in South Africa, and Carbones Americanos in Madrid.

Complaints were made by Jackson representatives to the Reserve Bank in Pretoria and the Commercial Branch of the South African Police in Johannesburg, but no charges resulted.

Jackson Shipping and Coal is also claiming more than R500,000 (R849,000) from Mr. Holgado for demurrage, paid on shipments of coal from Maputo. Minesa Energy refused to refund Jackson for the demurrage.

The amount was allegedly claimed by Minesa Energy from the Credit Guarantee Insurance Company in South Africa.
Renewed coal sales to France hailed

By Sven Lunsche

The Chamber of Mines yesterday welcomed the lifting of sanctions on SA coal by the French government, but warned that sales to France would be much lower than in 1986, when sanctions were imposed.

In 1986 South Africa supplied 6.5 million tons, or 30 percent, of France's total coal requirements.

Since then France had moved away from coal-fired to nuclear-powered power stations and new coal sales were likely to be limited to between 500 000 and one million tons, the chamber said.

Local copper sales were valued at R415.6 million, iron ore sales at R366 million, limestone and dolomite at R460.4 million and chrome ore at R272.7 million.

Export sales of minerals netted local producers in excess of R30.4 billion, despite generally depressed international commodity prices.

The list of mineral exports is headed by gold sales of R19.3 billion and followed by bituminous coal.

Platinum exports totalled R2.7 billion followed by iron ore sales of R783 million.

Sales of copper netted R637.6 million, while manganese exports totalled R594.5 million.
France lifts ban on SA coal

Own Correspondents

JOHANNESBURG — France yesterday lifted its seven-year embargo on imports of South African coal.

The only countries still to lift coal sanctions against South Africa now are the US and Denmark.

France's minister of industry said the sanctions were lifted as a gesture of support for President F.W de Klerk and his reform process.

The news was welcomed last night by an Amecol spokesman and by Mr Mike Salamon, managing director of Genmin's coal-mining arm Trans-Natal.

Mr Salamon said it meant South Africa was again able to trade on a commercial basis in the important market for steam coal, which it had lost through sanctions.

Although the French market for steam coal made up a small share of world export trade, the move presented exporters with more options.

He said that before sanctions, South African producers supplied about four million tons to France, but with the trade embargos, the French turned to high-quality low-cost US supplies. Local producers would now have to compete with US companies, which enjoyed lower freight costs in supplying France.

Market sources said, however, that the lifting of the embargo would have no immediate effect on South Africa's coal industry. The current export-capacity restraint of 53 million tons a year from the Richards Bay Coal Terminal made it impossible to increase the level of coal exports dramatically.
France lifts 7-year ban on SA coal

FRANCE lifted its seven-year embargo on imports of SA coal yesterday, leaving the US and Denmark as the only countries still to lift their coal sanctions.

France's industry ministry said the sanctions were lifted yesterday, a gesture of political support for President F.W. de Klerk and his reform process.

Mike Salamon, MD of Geminita's mining arm Trans-Natal, said last night the news was welcome, as SA was again able to trade on a commercial basis in an important market for steam coal which it had lost through sanctions.

Salamon said although the French market for steam coal made up a small share of world export trade, the move presented exporters with more options.

France met about 75% of its energy requirements through nuclear power, and the remainder through hydroelectric and coal-fired power stations. Coal tended to be the swing energy source, and French imports varied considerably, with much material bought on the spot market.

Before sanctions, SA producers supplied about 4-million tons to France, but with the trade embargos, the French turned to high-quality low-cost US supplies. SA producers would now have to compete with US companies, which enjoyed lower freight costs in supplying France.


French customers had already committed themselves to contracts for much of their needs this year, but SA producers were likely to pick up about 1-million tons of new demand in the medium term.

An Amcoal spokesman welcomed the decision.

Market sources said the lifting of the embargo, in force since 1985, would have no immediate effect on SA's coal industry. The current export capacity restraint of 53-million tons a year from the Richards Bay Coal Terminal made it impossible to increase the level of coal exports dramatically. The existing alternative was to export coal through Maputo, but its harbour was small and unreliable.
Coal export hike tipped this year

JOHN SPIRA

JOHANNESBURG — Some South African coal producers look poised for growth in the 1980s, mainly because of anticipated increases in steam coal exports.

Trans Natal, the biggest exporter, has been transformed in recent years and offers investors whose options are limited by the low yields prevailing on industrial shares, an entry point into a sector with good growth prospects.

World trade in coal is dominated by steam coal exports, which, on a global basis, reached 167 million tons in 1980.

Japan was the largest single importer at 31 million tons. European countries consumed another 40 percent, with the balance spread around the rest of the world.

Major suppliers included Australia (48 million tons), South Africa (46 million tons) and the US (30 million tons), collectively accounted for 74 percent of total supplies.

Total South African coal exports, including coke and anthracite, reached 49.2 million tons in 1980. Last year total coal exports dropped marginally to 48.6 million tons.

The forecasts are based on the assumption of no material change in oil prices and on the expectation that the growth in demand for steam coal will be dampened by greater environmental pressures.
DEPARTEMENT VAN NASIONALE
GESONDHEID EN BEVOLKINGS-
ONTWIKKELING

No. 829 20 Maart 1992

VERKLARING TOT BEHEERDE MYNE
EN RISIKOWERK

Ek, Pieter Joza Aucamp, Hoofdirekteur: Forensese
en Navorsingsdienste, Departement van Nasionale
Gesondheid en Bevolkingsontwikkeling, handelende
namens en in opdrag van die Minister van Nasionale
Gesondheid, verklaar hierby kragtens artikel 10 van
die Wet op Bedrye (Nasionale Myne en Bedrywe, 1973
(Wet No. 78 van 1973), die volgende myne met ingang
van 1 Mei 1992 tot beheerde myne:

(a) Die myn bekend as Corby Rock Colliery (Pty)
Limited, op die plaas Corby Rock 1159, geleë in die
landdrosdistrik Dundee, provinsie Natal, wat tans deur
Corby Rock Colliery (Pty) Limited, Postbus 1348,
Dundee, 3000, ontgin word.

(b) Die myn bekend as Lakeside Colliery, op die
plase Welgelegen 221 IR en Leeuwfontein 219 IR,
odnersdeliklik geleë in die landdrosdistrik Delmas
en Witbank, provinsie Transvaal, wat tans deur Rapid
Coal Holdings (Pty) Limited, Postbus 12247, Chloorkop,
1624, ontginn word.

(c) Die myn bekend as Westside Colliery, op die
plase Rondevly 208 IR en Dwarsfontein 209 IR, geleë
in die landdrosdistrik Delmas, provinsie Transvaal, wat
tans deur Rapid Coal Holdings (Pty) Limited, Postbus
12247, Chloorkop, 1624, ontginn word.

Kragtens artikel 13 van genoemde Wet verklaar ek
hierby die volgende werk by genoemde myne met
ingang van dieselfde datum tot risikowerk:

Uitgrowing: Enige werk in ondergrondse of oop difl-
plekke.

Bogrods: Enige werk—
(i) waar die verskuiving, corplasing of hantening van
klipe, rots, steenkool of ander minerale plaasvind, sowel
as laaiwerk by ondergeskild sylne wat op die myngebiede
geleë is;
(ii) waar die verskuiving, stof of klassifisering van klipe,
rots, steenkool of ander minerale plaasvind, uitgesonderd
waar dit onder water geskuik;
(iii) op of by afvalhoppe, steenkoolhoppe of slikdamme,
uitgesonderd waar die materiaal in die vorm van slik
gestort word;
(iv) in boorslypwinkele of by enige ander plek waar
bore skerpemkaard word,
(v) in kleedhuisie waar persone wat risikowerk verrig,
hulle verklei;
(vi) in steenkoolaboratoriums, uitgesonderd in
afsonderlike geventileerde dele daarvan waar slegs na
tendings uitgevoer word en geen behandeling van
droë klipe, rots, steenkool of ander minerale plaasvind
erie,
(vii) waar monsters van vergrusde steenkool of
ander minerale m'n droë toestand gegradeer word; en
(viii) waar rotsboorker van gedaan word.

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DEPARTMENT OF NATIONAL
HEALTH AND POPULATION
DEVELOPMENT

No. 829 20 March 1992

DECLARATION OF CONTROLLED MINES
AND RISK WORK

I, Pieter Joza Aucamp, Chief Director: Forensic and
Research Services, Department of National Health and
Population Development, acting on behalf and by
direction of the Minister of National Health, in terms of
section 10 of the Occupational Diseases in Mines and
Works Act, 1973 (Act No. 78 of 1973), hereby declare
the following mines to be controlled mines with effect
from 1 May 1992:

(a) The mine known as Corby Rock Colliery (Pty)
Limited, on the farm Corby Rock 1159, situated in the
Magisterial District of Dundee, Province of Natal, which
at present is worked by Corby Rock Colliery (Pty) Lim-
ited, P.O. Box 1348, Dundee, 3000.

(b) The mine known as Lakeside Colliery, on the
farms Welgelegen 221 IR and Leeuwfontein 219 IR,
situated in the Magisterial Districts of Delmas and Wit-
bank, respectively, Province of the Transvaal, which at
present is worked by Rapid Coal Holdings (Pty) Lim-
ited, P.O. Box 12247, Chloorkop, 1624.

(c) The mine known as Westside Colliery, on the
farms Rondenvly 208 IR and Dwarsfontein 209 IR,
situated in the Magisterial District of Delmas, Province of
the Transvaal, which at present is worked by Rapid
Coal Holdings (Pty) Limited, P.O Box 12247, Chloorko-
p, 1624.

I hereby, in terms of section 13 of the said Act,
declare the following work at the said mines to be risk
work with effect from the same date:

Excavations: Any work in underground or open work-
ings.

On the surface: Any work—
(i) where the moving, transfer or handling of stone,
rock, coal or other minerals takes place, including loading
operations at subsidiary sidings situated on the
mining areas;
(ii) where the crushing, screening or classification of
stone, rock, coal or other minerals takes place, except
where this is carried out under water;
(iii) on or at waste dumps, coal dumps or slimes
dams, except where the materials are being deposited
in the form of slime;
(iv) in drill-sharpening shops or at any other place
where drills are sharpened;
(v) in change-houses where persons performing risk
work change their clothing;
(vi) in coal laboratories, except in separately venti-
lated parts thereof where only wet analyses are done
and no treatment of dry stone, rock, coal or other min-
erals takes place;
(vii) where samples of crushed coal or other minerals
are graded in a dry state; and
(viii) where rock drilling is done.
Coal price ‘must rise to justify higher exports’

Export coal prices will have to rise by between 15% and 25% in dollar terms to justify the new coal projects necessary to take SA’s yearly export capacity beyond the 64-million ton mark, says Randcoal CE Allen Cook. This is despite SA’s vast coal reserves.

Cook said yesterday that to expand exports from current levels of 47-million tons to 84-million tons of steam coal, capacity could be maintained for several decades by “brownfields” and expansion of mine and port facilities.

Above that level, new mining areas would have to be developed, requiring large capital investment because the areas where the new coal deposits were had no infrastructure.

Addressing the Coal 1992 Indaba in Randburg, Cook said the Richards Bay Coal Terminal had a new expanded export capacity of 59-million tons of coal a year.

Practical capacity was lower due to constraints imposed by Spoornet’s rolling stock capacity on the dedicated Richards Bay coal line.

Nevertheless, SA’s position as a competitive exporter of steam coal was secure. “While geographical factors make some markets more ‘natural’ than others, SA will certainly continue to take part in all major coal importing areas,” he said.

“Provided there is no significant shift in the political direction being steered by President P W De Klerk, the SA coal industry stands to benefit significantly from the lifting of sanctions and restrictions on coal exports.”

By 1995 SA might have a share of more than 10% of new or regained markets in Japan, Korea, Denmark, France, the Netherlands, UK, US and others, which were worth 96,6-million tons a year in 1990. SA currently had 27% of world seaborne steam coal trade.

Real growth in Japan, a market denied to SA exporters by sanctions, would occur only after 1994 when Japanese customers renegotiated long-term contracts. Korean demand for coal was rising rapidly as it built more coal-fired power stations and SA could expect a million ton a year share of the Korean market, where demand in 1990 was 11,6-million tons.

Freight costs ensured that SA coal was more competitive in Europe than the Far East, where it faced stiff competition from Australia and Indonesia.

Significant growth in demand is expected in Western Europe and in the longer term in Eastern Europe. SA coal is price competitive, especially if the price of coal from current cheap suppliers in the CIS and Poland begins to reflect real production costs,” Cook said.

Cook predicted that SA producers could win a fifth of the Dutch steam coal market, and make inroads in the UK, depending on the future of local coal mines and the use of natural gas.
Mining gear contract

KOMDRESCO, a joint venture between Anglo American subsidiary Amquip and Dresser Industries, was recently awarded a $60-million contract for the supply of mining equipment to Amcanal.

KOMDRESCO represents the mining-equipment business of Dresser (USA) and Komatsu of Japan, one of the largest suppliers of construction and mining equipment in the world.

In terms of the deal Amcanal will be supplied with the largest wheel loader manufactured by Komatsu, the WA800, the first of its kind to be marketed locally.

KOMDRESCO offers a wide range of construction and mining equipment, from crawler tractors to wheel loaders, hydraulic excavators, cranes, scrapers, graders, belt conveyors, crushers, feeders and forklift trucks.
Under siege

Coal producer Frigate Group, whose shares have fallen to 5c from a 1991 high of 30c, warns shareholders today that a holder of 500 shares, Eugene Kotze, has applied for the company's provisional liquidation.

The director say, however, there is no basis for the application, which will be strongly opposed — Finance Staff.
COMcgiIES

Assore posts 58% higher profit

BASE metal and mineral producer Associated Ore and Metal Corporation (Assore) has posted a 58% jump in attributable profit in the six months ended December 1991.

Assore’s results helped the slump in base metal and ferro-alloy markets thanks to a 100% increase in dividends it received from associate company Associated Manganeso (Assmang). Assore’s main business is chrome ore mining, and it supplies Assmang subsidiary Perailo’s plant in Fairview. Attributable earnings rose to R8.8m from R5.6m in 1990. Earnings rose to 62c from 49c a share.

Coal company Frigate at risk of going to the wall

CRIPPLING debts, the poor performance of its coal mines, and the institution of liquidation proceedings are threatening to sink independent coal company Frigate.

Minority shareholder Eugene Kotze applied on Monday for the liquidation of the Frigate Group whose 1990 annual report was published only this month and qualified by auditors KPMG Atkins & Peat. Kotze said in a letter to fellow shareholders he was concerned about the financial position of the company and the way it had been managed.

Kotze said after consultation with his attorneys and a qualified chartered accountant “They have confirmed my fears that the company is in fact insolvent and that it has lost more than 75% of its issued share capital.” a view confirmed by senior counsel.

“My attorneys have been instructed to institute liquidation proceedings against the company as I have been advised that, if in the course of the proceedings it appears that the directors of the company have conducted the affairs of the company recklessly, this will found an action against the directors personally to render them liable for the debts of the company,” Kotze said.

Selwyn Cohen, attorney with Moss-Morris Meadow Browne, confirmed yesterday an application for the liquidation of Frigate had been launched in the Rand Supreme Court this week.

Frigate director Barry Lowe was unavailable for comment yesterday.

Frigate’s auditors said in their qualified report that the financial statements were prepared on the assumption that Frigate was a going concern. The group’s ability to continue as a going concern was largely dependent on the resumption of profitable operations and the continued financial support of a major creditor.

In July 1989 Wakefield Investments, a wholly owned subsidiary of Pinashank, bought 40% of Frigate’s issued share capital for R100. In the group by way of preference shares, and arranged R1.7m in short-term funding. Wakefield also provided a moratorium on the group’s debt repayments at the end of this year.

As of December 31 1990, Frigate had an accumulated loss of R4.7m and long-term debt of R16m.

In his 1990 annual review, former chairman and MD Mike Stanley said the expansion of the group’s mining and contracting operations put a severe strain on Frigate’s finances, with borrowings rising by nearly 60%. Frigate posted an operating loss of R43m in 1990 (1989 R10m profit), and an attributable loss of R16m (R3.3m profit) after R8.8m in financing costs.

He said in spite of “corrective action” Frigate continued to incur losses until March 5 this year.

Frigate’s decision to start coal mining in 1989, after initial success as a contractor for other mining companies, has cost the group more than R16m in the last two years. Even the sale of its profitable plant hire division to Scharrnhusen Holdings in mid-1991 cost Frigate R16m.

Frigate shares have been untraded at 5c for several weeks, compared with a 1998 listing price of 85c, and a high of 10c in early 1990. The group’s current market value is R1.7m.
FIFTEEN white mine officials were taken hostage by striking miners at a coal mine near Dundee in northern Natal yesterday.

They were released last night after the intervention of officials of the National Union of Mineworkers and management.

The hostage drama started after hundreds of miners began an underground protest, said mine owners Iscor.

The reasons given are alleged racial discrimination and unfair dismissal of miners.

The white officials were held underground.

Police said 22 people had been held hostage and two Asian and five white mine officials had managed to escape.

"The SA Police Task Force, stationed in Pretoria, was sent to the scene in an attempt to secure their release," a police statement said.

Iscor said the morning shift went underground and had immediately embarked on an illegal strike, demanding that their grievances be addressed by management and the union.

It said it had no knowledge of the workers' grievances.

National Union of Mineworkers publicity spokesman Mr Jerry Majadladi said the miners had protested against the unfair dismissal of three senior union leaders, racial discrimination and the retrenchment of 200 miners, who were later replaced with contract labour.

Majadladi said about 3,000 miners had embarked on the sit-in but Iscor said there had been 800 strikers.

Majadladi said production at the mine ground to a halt during the strike. - Sopa
Striking miners release underground hostages after talks

FIFTEEN white mine officials were released unharmed just after 7 pm yesterday after being held hostage underground for 12 hours by hundreds of striking black miners at Iscor's Durnacol coal plant near Dannhauser in Natal.

A spokesman for Iscor in Pretoria confirmed the miners emerged from the mine after lengthy negotiations with top officials from the NUM.

The NUM has denied the miners were held against their will, and said union representatives would meet Iscor management this morning to discuss workers' grievances.

Earlier, a crack police squad — the Pretoria-based SAP Task Force — had been rushed to the scene but took no action.

The police said in a statement that about 1,000 black miners went underground at 8 am yesterday and immediately embarked on a strike. They then took 20 white mine officials and two Indian miners hostage. Five whites and the two Indians managed to escape, the police said.

They added that the miners had apparently demanded a salary increase before they would release the hostages.

Iscor spokesman Neels Howatt said the miners who staged an "illegal strike" and the white officials had returned to the surface after negotiations.

The officials had sustained no injuries and the mine had not laid kidnapping charges, he said.

"Management and the NUM will meet (this morning) to discuss the grievances which led to the strike," he said.

NUM assistant general secretary Marcel Golding said the miners' action was "spontaneous" and had been prompted by the "manner in which management is conducting its industrial relations".

Golding said industrial relations at the mine had "for a long time" left much to be desired but the union was not aware that any miners had been held against their wishes.

"We are happy that the miners have returned to the surface but we are going to pursue the issues which led to the action," Golding said.

Another union spokesman told our Durban correspondent the dispute arose over the dismissal of three union shop stewards by Durnacol management last week. But Howatt said he knew nothing about such dismissals.

Howatt also denied any knowledge of a R1,000 wage demand by NUM members.

He said the union and management normally sat for annual wage negotiations in July. The NUM and Durnacol management had concluded their last wage negotiations last August and were due to hold their next round of talks in July.
Outlook for coal positive

GENEVA — The outlook for global trade in coal over the next 20 years is positive although environmental protection measures and increased energy efficiency could slow growth after the year 2000, a United Nations report says.

The report, by the UN Economic Commission for Europe, predicts that global hard coal consumption will grow by an average 1.3 percent a year until the end of the century. After 2000, however, growth is expected to drop to around 0.8 percent annually.

A reduction in production in Europe, including the former Soviet Union, and growing demand in other regions will sustain a growth rate of around 3.7 percent or 15 million tons until 2000, the ECE says.

European production is forecast to decline by about 220 million tons by 2010, with East Europe and the old Soviet Union accounting for 60 percent of the fall. — Sapa-Reuters.
Glowing outlook for coal trade

GENEVA — The outlook for global trade in coal over the next 20 years is positive, although environmental protection measures and increased energy efficiency could slow growth after the year 2000, says a UN report.

The report, by the UN Economic Commission for Europe, predicts that global hard coal consumption will grow by an average 1.5% a year until the end of the century.

After 2000, however, growth is expected to drop to about 0.6% annually. Overall coal use is expected to grow from 3.5 billion tons to 4.5 billion tons between 1990 and 2010.

A reduction in production in Europe, including the former Soviet Union, and growing demand elsewhere, will sustain a growth rate of about 3.7% or 12 million tons until 2000, the commission says.

European production is forecast to decline by about 200 million tons by 2010, with East Europe and the old Soviet Union accounting for 60% of the fall.

Between 2000 and 2010, growth in world coal trade is forecast to slow considerably, to about 1.2% a year, the report says. — Sapa-Reuters.
Workers dismissed

ISCOY yesterday fired 800 black miners for holding 15 white officials hostage at Durnacol coal mine near Durnhauzer in Natal on Tuesday.

The sackings sparked a major row with about 1 000 other workers at the mine threatening to down tools in solidarity with their dismissed colleagues.

All the dismissed workers were given until 4pm yesterday to "bring personal mitigating circumstances to management's attention".

In a letter to the National Union of Mineworkers, Iscor said it was gravely concerned with the way the union and its members behaved despite existing negotiated agreements.

Said the letter: "Despite the mine manager's best efforts to ensure labour stability, inter-tribal violence and strikes compounded by Tuesday's criminal and illegal actions and the failure to establish a sound basis for normal employee/employer relationships have led to extensive losses in production, the sabotage of equipment, the holding of hostages and threats to workers' safety."

"This left Iscor with no choice but to dismiss the employees involved," it said.

National Union of Mineworkers organiser at the plant, Mr Louis Vosloo, yesterday accused the mine management of betraying the workers.

He also dismissed allegations that white mine officials had been held hostage by the workers.

He said the white miners were then given instructions to stay underground on Tuesday "while management spread the rumour that they were being held hostage".

Vosloo yesterday said police and mine security personnel had surrounded the Number 5 Hostel where the striking workers live.

He said he anticipated the police to move in and drive the strikers out of the hostel.
Durnacol strikers dismissed

ISCO today dismissed 600 day-shift workers at its Durnacol mine in Natal for holding 15 officials hostage underground on Tuesday. Police are also investigating charges of kidnapping, extortion and intimidation.

An Iscor spokesman said the "criminal and illegal" actions by the striking workers resulted in extensive production losses, damage to property and threats to co-workers' safety, and Iscor had no choice but to dismiss those involved.

ISCO had not pressed criminal charges, but Dundee police said they had arrested one miner, who would appear in court today. They expected to arrest more on charges of kidnapping, extortion and intimidation.

Police said it seems like only a few workers were the culprits who started the trouble and then forced other workers to participate.

ISCO gave employees until late Wednesday to bring personal or mitigating circumstances to management's attention as to why they were dismissed.

In a letter to the NUM, Iscor said it was gravely concerned with the way the union and its members had behaved, in spite of negotiated agreements.

An Iscor statement said that in spite of management's best efforts, violence and strikes compounded by Tuesday's criminal action had led to losses in production, sabotage of equipment, the holding of hostages and threats to co-workers' safety.

The mine, which produced about 3,000 tonnes of coal a day, had lost three days' production, Iscor said. Losses caused by the sabotage had not yet been calculated.

STEPHANE BOTHMA

215
RBCT may give Sasol an outlet for coal exports

By IAN ROBINSON

Sasol is considering the export of approximately 3 million tons of coal a year from its Syfersfontein mine from 1993.

Sasol clashed with the RBCT when it took the lead in promoting the construction of a second coal terminal — the "Red" Terminal — at Richards Bay.

Sasol is one of a group of potential coal exporters who are not members of the RBCT — or who have only small allocations — who are seeking additional export capacity and have formed the Coal Export Joint Venture to investigate the second terminal together with Portnet.

Fears

It is understood that the terminal would have an annual capacity of 8-10 million tons and could cost up to R700-million.

A second terminal has been strongly opposed by the big three coal exporters and many RBCT shareholders — Amcan, Randcoal and Trans Natai — who fear that such a terminal would lead to excessive coal exports and depress prices.

Furthermore they are concerned that the rail rates paid by the new exporters would not take into account the fact that they had not contributed to the construction of the line.

There is also concern that a second coal terminal used by small exporters could damage the economics of the port which was designed for bulk exports and minimum parcel sizes.

Ultimately, it was proposed that a second coal terminal would be built at Durban.

However, according to industry sources, Sasol’s exports may be accommodated through expanding the RBCT’s capacity and Sasol would no longer need access to a second terminal.

Present annual capacity at RBCT is 53 million tons and it may be possible to expand the capacity to 66 million tons without major capital expenditure.

The admission of Sasol to the RBCT would depend on whether it was able to buy out an existing shareholder’s share or a share in the terminal’s future expansion. It would also be subject to approval by the majority of the existing shareholders.

Any one of the three shareholders could block a proposal to admit a newcomer.

A spokesman at Sasol confirmed that the company was investigating three possibilities to secure capacity for coal exports which are existing facilities, and/or the expansion of existing facilities and/or the creation of new facilities. In all cases Sasol is involved with other parties.

A Portnet spokesman said that a group was currently involved in a feasibility study concerning the export of coal and other mining products through Richards Bay.

The group includes Portnet and its member but the spokesman declined to name the other parties.
REBEL coal exporter Sasol could be welcomed into the fold of the Richards Bay Coal Terminal (RBCT) — or who have only small allocations — who are seeking additional export capacity.

A Sasol representative is chairman of the Coal Export Joint Venture, which, with Portnet, is investigating the second terminal.

It is understood that the terminal would have an annual capacity of 8-10 million tons and would cost R500-600 million.

A second terminal has been strongly opposed by the larger coal exporters — Anglo, RandCoal and Trans Natal — which fear that such a terminal would lead to excessive coal exports and depress prices.

Furthermore, they are concerned that the rail rates paid by the new exporters would not take into account the fact that they had not contributed to the construction of the RBCT.

Sasol is considering the export of approximately three million tons a year of coal from its Syferfontein mine from 1985, and at present has no access to export facilities at Richards Bay.

A speaker at the 1982 Coal Indaba at Middelburg in Johannesburg during the week suggested that Sasol’s exports might be accommodated through expanding the RBCT’s capacity, and Sasol would no longer need access to a second terminal.

Present annual capacity at the RBCT is 38-million tons, and it may be possible to expand this capacity to 56-million tons without major capital expenditure.
MINING operations at one of Natal's oldest collieries, Trans-Natal's Kilbarchan, ceased today.

The mine's economic reserves had been finally depleted, senior manager Johan Kriek said.

Most of the mine's 720 employees would be retrenched, he added.

The mine, one of the foundation collieries of the Trans-Natal group, recorded a loss of R7m in the year to June. "By that time the writing was on the wall, as we were running out of reserves," Kriek said.

When losses continued in the first two months of this financial year, management told workers that, unless ways could be found to make the mine profitable, it would be closed down. The mine then operated at "more or less" break even for the next few months, but made a loss again in the first two months of this calendar year, he said.

Negotiations with unions regarding the retrenching of the workforce had begun in December. Efforts were being made to place retrenched workers in other jobs, but it would not be possible to place most of them elsewhere, Kriek said.

Kilbarchan was an "Ekkom tied" colliery until the Ingane power station was mothballed at the end of 1988, after which it supplied coal to the inland and export markets.

"We shall continue to operate the washing plant for another year, having sourced coal from an independent supplier to maintain our existing customer base," said Kriek.

This would provide jobs for about 80 people.

But the reserves from this supplier would last only for another year.

Customers would be supplied by upping production at Trans-Natal's Savenore colliery.

Another 50 people would be employed until the final closure.

That would be when rehabilitation of the lease area — expected to cost R7m over three years — had been completed.
Iscor sacks 600
more workers

Iscor yesterday dismissed 600
Durnacol miners who refused to
work — bringing to 1,400 the num-
ber fired since last Tuesday.

The Durnacol mine manage-
ment also said it would not allow
night shift workers to go under-
ground until the NUM provided an
undertaking that workers would
comply with their duties.

In dismissal notices, manag-
ment said strikers were acting
contrary to service obligations,
instructions to work and to a court
order directing them to act within
the Labour Relations Act.

The 600 employees had been
dismissed after they refused to
report for the morning shift or
refused to work once under-
ground, an Iscor spokesman said.

The NUM has been asked to
give a written undertaking night
shift workers would comply fully
with contractual duties before be-
ing allowed underground. "Fail-
ture to do so will be a repudiation
of their obligations and will be
accepted as such and their ser-
dices terminated accordingly," the
spokesman said.

The NUM has until yesterday
afternoon to comply. 3/3/92.

The 600 workers dismissed yest-
day had until late last night to
present personal and mitigating
circumstances to management.

Sapa reports mine manage-
ment as saying yesterday workers
had refused to work until pay de-
mands were met, but NUM offi-
cials said they went on strike to
demand the reinstatement of 800
employees dismissed last week.
Frigate standoff takes a new turn

EDWARD WEST (215)

AHEAD of its AGM today, coal mining and plant hire group Frigate has announced that the entire share capital of Wakefield Investments, with its 46% stake in Frigate, has been sold to a consortium led by John Leach for R100.

The announcement said Leach was a mineralogist well known in the coal industry.

The move follows last week's announcement that the application by minority shareholder Eugene Kotze for the liquidation of Frigate would be strenuously opposed. Kotze holds 500 shares or 0.002% of Frigate's issued share capital.

Today's announcement said the consortium had agreed to offer the remaining shareholders in Frigate 10c a share. If more than 90% of these shareholders accepted the offer, a compulsory acquisition of the remaining shares would follow and Frigate would be delisted, it said.

Frigate traded at 5c a share yesterday.

Wakefield, as the major creditor, planned to recapitalise Frigate subsidiary Side Minerals on terms and conditions recommended by Frigate's auditors KMPF Aiken & Peat to remove any possible doubt as to Frigate's solvency, the announcement said.

Almost all Frigate's present operations were conducted by Side Minerals, which up to now had been mostly funded by Wakefield, the announcement said.

It said Frigate's shareholding in Side Minerals would be substantially diluted by Side Minerals' recapitalisation and Frigate would lose control of Side Minerals.

Frigate's board of directors would be reconstituted with the change in control, the announcement said.
Strikers quit shaft after interdict

More than 300 black miners holed up since Friday at Iscor's Durancol Colliery, near Dundee in Natal, returned to the surface on Saturday night — more than 13 hours after a wildcat strike for higher wages and only after a successful interdict was brought against them.

The interdict was granted on Saturday afternoon. Management then sent a letter down to the workers, informing them of the result of the court application. The interdict said the workers had to abide by all agreements between their employer and employee representatives and that their action had to comply with the Industrial Relations Act regarding strikes.

The strikers then began leaving the shaft on Saturday afternoon and were all out by early evening. They returned to their single quarters.

A management team then toured the shaft to assess whether any damage had been caused.

By late Saturday, the mine's legal representatives were still in consultations with management to decide on a course of action following the illegal sit-in.

However, production has not resumed and a skeleton staff of white miners is maintaining the shafts until production can resume. — Sapa
Iscor fires 580 more strikers at Durnacol

DURBAN — Iscor yesterday dismissed another 580 striking workers at the Durban Navigation Colliery (Durnacol) in northern Natal, said mine manager Doug Taylor.

This brings the number of Durnacol workers sacked since last Tuesday for joining illegal strikes to 1,180.

Mr Taylor said 180 of the morning shift's 590 workers reported for work yesterday, but downed tools after going underground. The remaining 400 failed to report for work.

The 580 workers were told they had been dismissed. They were given until 16h30 last night to supply mitigating circumstances for their actions.

Mr Taylor said the workers were fired because their strike was illegal and contrary to a Supreme Court interdict issued on Saturday which ordered workers to comply with their contracts and act within the provisions of the Labour Relations Act.

Mr Taylor said the 180 workers who went underground refused to work until their pay demands were met. He did not give details of the demands.

White and Indian workers were withdrawn from underground yesterday and the strikers were told that their action was illegal. They were later told they had been dismissed and all were back on the surface by yesterday afternoon.

National Union of Mineworkers eastern Natal regional organiser Moses Gladile said the workers began striking underground yesterday morning to demand the reinstatement of the 800 employees dismissed last week, not for higher wages.

Mr Gladile said that the union telephoned workers underground yesterday, telling them of the court interdict and urging them to end their strike.

“...They went to their working places, but their supervisors were not there so they could not resume their duties,” he said.

“We then telephoned management, but they said they were not prepared to talk to us.”

Mr Taylor said workers at the mine were told of the court interdict Sunday through the mine's public address system, pamphlets and notices.

“The fact that people at 9.30am said they were going to work is unacceptable,” Mr Taylor added.

Mr Gladile said that the NUM would put the dismissals last week and yesterday in the hands of its lawyers.

Yesterday's strike followed a week of industrial action at the mine, starting on Tuesday last week when several hundred workers downed tools underground.

Their demands were for the reinstatement of two dismissed union officials and the dismissal of managers accused of harassing workers, and also involved wages, retrenchments and alleged racial discrimination, Mr Gladile said.

The miners are alleged to have held 15 white mine officials hostage underground on Tuesday. Mr Gladile said yesterday, however, that the white miners were simply afraid to pass the large group.

Some 800 hundred workers were dismissed on Thursday for sabotaging mine property and holding co-workers hostage.

On Friday more than 300 workers staged another underground strike, demanding the reinstatement of their colleagues. They surfaced on Saturday but refused to work until their demands were met.

The same day, Iscor obtained an urgent interdict restraining workers from disrupting mine operations and ordering them to comply with their contracts and the Labour Relations Act.

Iscor spokesman Neels Howatt yesterday said the mine had lost a daily production of 4,000 tons of coal since last Monday. — Sapa.
Mining operations at Trans-Natal's Kilbarchan colliery, near Newcastle, will cease today since the mine's economically viable reserves have been depleted, Genmin announced yesterday.

The mining company said in a statement that most of the mine's 222 employees would be retrenched as a result of the decision to curtail mining operations.

The plant at the mine will be kept in operation with "buy in" coal for the benefit of some local customers and will provide employment for approximately 80 people.

Approximately 50 people will also be employed at the mine until final closure, when rehabilitation of the lease area has been completed. The rehabilitation programme will take three years to complete and cost some R7.5 million.

In September 1991 employees and customers of Kilbarchan were informed that mining operations would cease if the colliery continued to operate at a loss. At that time management approached employees and requested them to come forward with ideas on how to keep the mine in production for as long as possible.

Trans-Natal's managing director, Mr Mike Salmon, said all the employees deserve credit for their admirable effort in keeping the mine in production under adverse economic conditions.

Negotiations with employees and employee representative organizations regarding retribution packages have been concluded. — Sapa.
Showdown averted at Frigate

A SHOWDOWN between the Frigate Group and its minority shareholders was averted at yesterday's AGM when lawyers representing the groups reached a backroom agreement two hours into the meeting.

But the application for the liquidation of Frigate last week by minority shareholder Eugene Kotze, a Scharrhussen employee, appeared to be a red herring used by open-cast contract mining group Scharrhussen Holdings in its efforts to settle a longstanding dispute with Frigate.

As about 26% of Scharrhussen's business relates to the contract mining of Frigate-owned coal, its liquidation would not have been in Scharrhussen's interest, the attorney representing Scharrhussen, Selwyn Cohen, admitted.

Also, Cohen had received an assurance from Frigate's attorney, Ivan Levy, that the group would undergo "sufficient recapitalisation to remove all doubts relating to its solvency."

The recapitalisation follows the deal announced yesterday where a consortium led by mineralogist John Beach acquired the entire share capital of Wakefield Investments from a Financebank nominee company. Wakefield holds 40% of Frigate.

Frigate has taken a battering in the past two years since the group moved into ore beneficiation and out of contract mining. Frigate recorded losses of R76m for the year to December 1990 and further losses of R17m were recorded in the six months to end-June 1991. It also took a R7m loss on the disposal to Scharrhussen and the group is thought to have continued making losses in the second half of last year.
Large-scale dismissals at Durnacol

ALMOST the entire black workforce at Durnacol mine — all NUM members who in the past week staged several illegal strikes — has been dismissed, mine owner Isaac said yesterday.

Durnacol produced its first coal in seven days yesterday afternoon when white miners went underground to resume production which had been halted by a week of industrial action by NUM members, an Isaac spokesman said.

The latest mass dismissal of 559 workers took place yesterday after Monday’s night shift failed to report for work, bringing the total dismissals since last Tuesday to 1 958.

On Thursday 500 miners were dismissed and another 600 on Monday.

The spate of illegal strikes at the mine has resulted in a loss of production of up to 4 000 tons of coal a day, Isaac said, adding that white miners would handle production from now.

Durnacol, near Danhauser in Natal, was a highly mechanised mine and could maintain a certain level of production without the usual complement of workers, he said.

Mine management this week demanded a written undertaking from the NUM that Monday’s night shift would fulfill their duties, but Isaac’s demand was ignored by the union, the spokesman said. No workers arrived for the shift.

There was no violence at the mine and the dismissals took place “quite amicably.”

On the weekend, mine management obtained an urgent court order against employees directing them to act in terms of the Labour Relations Act following an underground sit-in by about 300 workers.

The court order followed a week of industrial action when workers allegedly held officials hostage underground and sabotaged equipment.

Police were investigating charges of kidnapping, intimidation and extortion against a number of dismissed miners.
Tech students protest

ISCO fired about 600 more striking workers at its Durnacol mine near Dannhauser in northern Natal on Monday night.

This brings the total number of dismissals since last Tuesday to 1,950 — almost the entire black labour force.

ISCO spokesman Mr Ernest Webstock said yesterday the majority of Monday’s night shift workers did not report for work and were dismissed along with 580 morning shift workers.

The strikers were fired for failing to act in terms of their contractual obligations and for striking in contravention of a Supreme Court interdict ordering them to adhere to their contracts and the provisions of the Labour Relations Act.

Some were fired for “various criminal acts”, Webstock said.

These included an alleged underground hostage-taking of 15 white mine officials by striking black miners in the first incident of labour unrest last Tuesday.

Production was halted last Tuesday when workers downed tools over demands for the reinstatement of dismissed union officials, the dismissal of managers accused of harassing workers and for higher wages.

White and Indian miners went underground yesterday and worked the mechanic section of the mine, bringing to the surface the first coal mined since last Tuesday, Webstock said.

Following the dismissals there were only about 500 black workers still in the mine’s employ yesterday, a mine spokesman said.

He said management was currently looking into the issue of taking on new employees. Both Webstock and the mine spokesman said there had been no recent contact with the National Union of Mineworkers on the dismissals.

Union officials said yesterday they would comment later on the developments at the mine. - Sapa

Law group’s new ‘no win’

THE Association of Law Societies (ALS) has introduced a new tariff system for litigation on a “no win, no fee” basis.

This is intended to bring down the current high costs and to make the courts more accessible to everyone.

Damages

In terms of this system, which will apply only to claims for damages, the client would pay the attorneys’ fees only if the case was successful.

In such cases, the attorneys would be able to re-
SOWETAN Wednesday April 1 1992

for sacks more

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**Cosas continues with Katlehong Council sit-in**

MEMBERS of the Congress of South African Students yesterday continued a sit-in at the Katlehong Council to demand the return of 19 white teachers who have been withdrawn from three schools.
The council said yesterday it would not evict the Cosas members.
But town clerk Mr Fanie Mare said the pupils had abused the council's generosity by occupying the chamber after they were allowed to hold a meeting with Mr Theo Buys of the Department of Education and Training.
He said the council would try to negotiate with the protesters and persuade them to leave the premises.
The sit-in by about 30 Cosas members started on Monday after the meeting with the DET.
Mare said the number of protesters had increased after a television broadcast on Monday night on the sit-in.
Gold Fields Coal to push exports

MATTHEW CURTIN

Gold Fields Coal will strive to boost coal exports in 1992, says chairman John Hopwood.

Hopwood said yesterday the company hoped to increase export sales by using its 2.3% entitlement in the Richards Bay Coal Terminal fully, and by selling to other producers using the export terminal the excess coal it wanted to export.

SA producers exported 45.3-million tons of coal through the terminal in 1991, slightly lower than 1990 levels. He said Gold Fields Coal did not meet its full entitlement in 1991 because of shipping delays and its limited flexibility as a small exporter.

Hopwood said although the international market was tight and prices were under pressure, the company benefited from customers' preference for spreading their purchases of SA coal around.

He noted that although the terminal had a nominal expanded capacity of 93-million tons, a shortage of Spornet rolling stock meant the practical capacity was lower.

Hopwood added that the company's profit in 1992 would depend on increasing export sales and, given higher planned capital expenditure, "a maintained dividend can at best be hoped for".

In 1991, the company mined 5.3-million tons of coal, compared with 5-million tons in 1990, and sold 2.8-million tons (5-million tons). Better coal prices meant turnover rose to R136m from R145m. After tax profit was slightly higher at R26m, and the total dividend rose to 10c from 9c a share.
Holland ready to take our coal

The Argus Correspondent

THE HAGUE — Holland looks set to resume regular imports of South African coal after a 10-year ban — a move staunchly opposed by the ANC and Dutch anti-apartheid organisations.

Regular coal imports will depend on whether South African coal meets the technical needs of Dutch electricity plants.

"Test cargoes" will be shipped to Holland.

Although the resumption would be in line with the recent decision by the European Community to lift sanctions on coal and steel from South Africa, the ANC and Dutch anti-apartheid organisations have said the move would be premature.

Thailand and South Africa are expected to sign an agreement to open air services between the two countries soon. A Thai official said in Bangkok, Thailand, is expected to allow SAA to fly once a week to Bangkok, Hong Kong and Taipei and return on the same route to Johannesburg.
2 200 miners fired

Sowetan

Correspondent

WHITE-COLLAR workers of all races have left their desks to man essential underground operations at Dornacol mine near Dzahabu following the dismissal of 2 200 miners.

Trouble at the mine started last Tuesday when 800 black miners held a number of white and Indian colleagues hostage underground and threatened to blow up the mine over a wage dispute.

A total of 700 miners were fired and, just when it seemed that the mine was returning to normal on Friday afternoon, another 330 who went underground decided not to work.

The miners refused to go back to work despite a Supreme Court order on Saturday - and were fired, bringing the number of dismissals to 1 500 and last night another 700 were fired.

Yesterday morning 110 men, mainly office staff at the mine took the first shift, they were followed by another 110 for the afternoon session and last night 90 went underground.

Mine manager Mr Douglas Taylor said that all the men had volunteered to go underground and work as miners in order for operations to continue while new staff are to be recruited.

"The men volunteered to do their bit after the dismissal of the entire underground black staff who violated a Supreme Court order and refused to return to work," said Taylor.

He said that while the white collar staff would not be able to produce enough coal to meet schedules, it did keep the mine operational.

Veteran miner Mr George Mitchell (59), with 42 years mining experience, led the white collar workers for their stunts last night.

Included in the late night shift was Mr Brian Fordyce, a highly qualified engineer who holds a Bachelor of Science and is a Master of Business Administration.

With him were accountants, clerks, bookkeepers, storemen, pay masters, managers and other administrative staff.

While the white collar workers were busy at work 250 metres underground, most of the 2200 fired workers were collecting their wages and were being bussed out of the mine property.
Iscor to replace dismissed miners

DURBAN — Iscor’s management was yesterday considering ways of replacing the 1,500 workers dismissed from its Durancol mine in northern Natal, while white and Indian miners entered their second day of work without a labour force.

Almost all black employees on the mine were fired for striking illegally.

Iscor spokesman Neels Howett said management was looking into ways of replacing the fired workers.

Meanwhile, the NUM said in a statement it was prepared to meet management to “find a speedy solution to Durancol’s problems.”

The union alleged the dismissals were “a clear indication of Iscor’s anti-union policy which we condemn as utterly counter productive.”

“It is grossly unfair for Iscor management to dismiss the entire black labour force in this manner without considering exploration of negotiating with the NUM.”

Our correspondent reports from Maritzburg that production at the mine is less than 20%.

An Iscor spokesman said it was hoped to build production up to about 40% in the next 10 days.

A police spokesman at Dundee said nine men had been released on bail after appearing in court in connection with charges of kidnapping, blackmail and intimidation. The charges arose after white and Indian mineworkers were allegedly held hostage underground last Tuesday.
Strike hurts Durnacol's output

Production at the troubled Durnacol colliery in northern Natal should reach 40 percent of its pre-strike level by the end of the week, ilcor said yesterday.

Spokesman Neels Howatt said production had been seriously affected by the recent dismissal of 1950 workers and that the mine was being kept open by a workforce of 360.

The predominantly white workforce had been split into three shifts, said Mr Howatt, and management was in the process of replacing staff.

He said no final decision had been made about allowing dismissed staff to reapply for jobs.

He added that most of the dismissed staff were expected to have left the premises by late yesterday. — Own Correspondent.
Small coal mines look to Maputo for exports

By IAN ROBINSON

MAPUTO could become the major outlet for small South African coal exporters.

SA companies are competing for contracts to rehabilitate and operate coal export facilities in Maputo. The port offers potential savings on rail rates because it is closer than Durban to Eastern Transvaal mines.

Rennes and Semtec (a partnership between SWF Technology and EMS Transvaal) have had discussions with Caminhos de Ferro de Moçambique (CFM) — Mozambique Railways — about upgrading the Matola coal terminal.

Rennes Mozambique subsidiary Minca Trading has been talking to CFM for 15 months about taking over the operation of the Matola Appliance for bulk (unused) coal.

Rennes presented a brief report to CFM last year and brought its officials to Durban to show them the Bluff mechanical appliance (BMA) terminal it has operated since September 1983.

BMA has an annual throughput capacity of nearly 2 million tons of coal.

Rennes spent money on repairs to Matola last year. In January it submitted a proposal to CFM for a short-term rescue plan for the port and a long-term venture which would increase annual throughput capacity to 2 million tons.

Semtec — engineers and project managers — is also talking to CFM and independent coal exporters. It has prepared a feasibility study estimating operating and capital costs for the expansion of the terminal capacity to 3.6 million tons. It hopes to submit a proposal to CFM.

Coal exports through Matola fell sharply in 1990 and 1991 to 400,000 and 140,000 tons respectively from a record 800,000 in 1989.

War

Coal was also exported through other sections of Maputo port. Total SA coal exports were 1.8 million tons, of which Minca supplied about a million in 1989.

The decline was caused by the civil war and a 60% increase in CFM rail and port tariffs — subsequently reduced to 40%.

The Matola Exporters Committee (MEC) tried to negotiate a better deal with CFM about a month ago CFM suggested tying rates to contract tonnages, but it is difficult for the MEC to guarantee them while unrest continues and the port operates inefficiently.

Small quantities of SA coal have been exported through Maputo since the late 1970s. MEC was formed in the early 1980s. The original committee included small producers Minca, Concor, Bordex and Massana.

It was joined by Trans-Natal after it acquired Emsaswati colliery in Swaziland. Minca pioneered the export of coal through Maputo and has remained the dominant exporter.

The Matola terminal was built for the export of iron ore from Swaziland. In the 1980s the MEC did a deal with the Industrial Development Corporation (IDC) and CFM for rehabilitation of the terminal. The IDC provided funds to CFM through the MEC which commissioned South African company Technical Multi Servicing to do the work. The debt was repaid through a levy on each ton of coal exported.

In the first half of the 1980s exports were restricted mainly by the port capacity. But in the second half, unreliability of the rail line became the major problem.

The potential volume of SA coal exports through Maputo is limited by the shallowness of the harbour which prevents the entry of large Capesized vessels.
White collar workers are working underground to keep up production, reports Prakash Naidoo.

Chris de la Rey, Durnacol coal mine's personnel officer, normally works behind a desk, dressed in a collar and tie.

But on Friday he donned an overall and worked an eight-hour shift as a transport operator underground.

"I've never worked underground before, but I think it's important that we keep the mine operational," he said.

Mr de la Rey is just one of the more than 200 "white collar workers" at the troubled northern Natal coal mine, who, in the past week, have swapped their normal administrative duties behind a desk for the more rugged underground work.

A fortnight of industrial action at the mine has brought production to a standstill, and the scene now seems set for a stand-off between the mine management and the powerful National Union of Mineworkers.

At least 2,000 workers have been dismissed from the mine since an alleged hostage drama and several sit-ins underground and the mine management was granted a court order last week declaring the action illegal.

Union officials have vowed to seek a similar order to have the workers reinstated.

Management at Durnacol are standing firm on their decision to fire the workers after two weeks of disruptions underground brought production to a virtual standstill.

The once bustling tiny mining village and hostel at number five shaft at Durnacol is now a virtual ghost village since the dismissed workers left.

The chief accountant at Durnacol, George Filen, said a new employment strategy was being formulated, but even when this was in place and rehiring started, it would be a long time before the normal hub returned to normal.

"The decision to fire the workers was not an easy one, it was a last resort," said Mr Filen.

"It will take a while before work at the shaft is back to normal, because even after we employ new workers, the learning phase is quite lengthy." According to the management, the strike action taken by the workers was in contravention of an agreement signed with senior union officials last year, which postponed any negotiation about wage increases until July this year.

However, the regional organiser for NUM in Newcastle, Moses Gladile, said the action taken by workers was related to a list of grievances submitted to management a year ago.

Mr Gladile said the list contained 42 grievances, among which were issues relating to racial discrimination, unfair labour practices, annual bounses and unfair dismissals.

He also challenged the assertion that 15 miners were taken hostage underground on the first day of the strike two weeks ago and said statements taken from the workers underground revealed that no one was held against his will.

This was supported by another union official, Clement Zulu, who said that when he went underground at the time of the drama, at no time did the white and Indian supervisors indicate they were hostages.

However, during a visit to the mine on Friday, the Tribune spoke to one of the mine workers who was underground at the time of the alleged siege, who described the incident as one of the most harrowing he had encountered.

"I have served in the British navy for 12 years and been shot at on the odd occasion, but I have never come this close to someone threatening to kill me," said Garth Holmes, who is an underground fitter.

"I wouldn't want to go through that again and I would never wish it on my worst enemy," he said.

Nine shop stewards have been arrested by police in connection with the incident and have been released on R1,000 bail pending the outcome of investigations.
Difficult year forecast for MacPhail Holdings

INDUSTRIAL and domestic coal distributor MacPhail Holdings faced another difficult year with no prospect of an increase in forecast coal consumption in 1992, said CEO Sidney Weintroub in his annual review.

Weintroub said the cutbacks in the ferrochrome industry and the depressed conditions in the textile sector would have "a severe impact on coal usage."

Much of SA's ferrochrome capacity was lying idle because of the trough in the stainless steel market worldwide.

He added yesterday that the coming winter was traditionally a period of higher coal consumption, with industry demand likely to increase 15% from summer levels. Compared with a short and mild winter in 1991, domestic consumption of coal was expected to jump sharply in coming months.

Weintroub said coal sales were still predominantly in the PWV area, but MacPhail had strengthened its position in the Natal and Cape markets. He was confident the group would maintain its 1991 earnings — worth R2,7c and up from 50c a share the year before — in 1992.

MacPhail, which is 63% owned by the W&A Investment Corporation, has 16 coal depots and is the largest marketer and distributor of coal in SA.
Durnacol mine to recruit new staff from next week

RECRUITMENT of a new labour force will start early next week at the Durnacol Colhery in northern Natal.

Mine manager Mr Douglas Taylor said yesterday that a skeleton crew of white and Indian workers had been producing coal at 30 percent of the normal quota and would maintain this until the new labour force had been recruited and trained.

Dismissed

The total black underground labour force of about 2,000 workers was dismissed late last month after three illegal strikes on the mine.

In the first strike 15 white and Indian workers were held underground for 13 hours against their will while the strikers demanded a wage increase of R1,000. - Sapa
Rockbursts still the major enemy

CAPE TOWN — Rockbursts and rock falls on gold and coal mines increased by 4% last year despite special "high priority" being given to reduce these accidents, the Mining Engineer Jan Raath said yesterday.

In the annual report tabled in Parliament yesterday, Raath said rock falls had accounted for 54% of all fatalities in mines during 1990. He had shown to the Chamber of Mines that most of the fatalities occurred at the stope face.

The total deaths of miners last year amounted to 604 men with gold mines accounting for the bulk with 461 people dying in accidents. Miners injured during the year amounted to 9,165 as compared with 9,688 for the previous year.

He also reported a drastic reduction of 35,623 workers solely as a result of rationalisation in gold mines "resulting from the persistently low gold price". Labour figures for mines were 673,547 (799,170) with gold mines employing 426,630, coal mines accounting for 83,700 and other mines employing 169,927.

Raath reported that strict control was maintained throughout the year over air quality as well as at plants at asbestos mines.

Our political staff reports SA mineral sales rose a meagre 3.5% to R29.3bn as demand on the world market dropped last year, the 1991 annual report of the Department of Mineral and Energy Affairs has shown.

"The stagnation in earnings can be attributed to the continued economic recession world-wide and the war in the Persian Gulf in early 1991," says the report, also tabled in Parliament yesterday.

Higher sales in spite of lower export volumes and prices were attributed to an improvement in domestic sales and the weakening of the rand against the dollar.

Export revenue increased by only 2.2% to R94.8bn and accounted for 77.1% of the total revenue.

Commodities which had increased export volumes were the platinum-group metals, titanium minerals and rock phosphate.

Revenue from the domestic market rose by 5% to R59.9bn, thanks to the increased local demand for diamonds, chrome and iron ore, titanium minerals and uranium.

"Owing to the combined effect of a fall in the real price of gold and escalating working costs, gold mining was particularly hard hit. Mining activities were curtailed in many instances and thousands of workers had to be retrenched."

"A number of small gold mines were forced to cease operations altogether."

Total sales of gold amounted to R16.9bn and output during the year was 597,770 tons, a drop of 6.9%.

Coal was the biggest foreign exchange earner after gold, with 48.5-million tons valued at R4,2bn being shipped to foreign consumers — an increase in value of 5.45% over 1989 but a 2% decrease in volume. Local sales decreased by 3% to 130,6-million tons.

SA remained the world leader in the vanadium market with exports of 19.5 kilotons but this represented a decrease of 10.5% over 1989.
Durnacol workers

NONE of the almost 2,000 workers who were recently dismissed from the Durnacol coal mine in Northern Natal will be re-employed. Mine spokesman Neels Howard said they would start recruiting a new labour force in the next day or two. In the past month, 1,950 miners were fired following three illegal strikes at the mine. Howard said the mine was producing coal at about 25% of the normal quota and hoped to be back in full swing soon.
plies limited sales on its own account. The bulk of the 1 Mt coal it was entitled to export was low-ash coal sold through Transvaal Coal Owners’ Association contracts.

RBCT is budgeting for about 46 Mt this year, of which G F Coal is entitled to 1.06 Mt. It will push this up slightly through sales to other RBCT members like Shell, which do not have production capacity to meet their entitlements and have to buy in coal. Hopwood also hopes to pick up extra business from customers who want to diversify among SA suppliers.

In the long term, one way to bump up exports would be to take part in the proposed competitive “red” terminal.

Hopwood says G F Coal is not involved in discussions about development of this new terminal but it appears controlling shareholder GFSA at G F Coal could wind up in the middle of the fight brewing over this terminal, which RBCT would like to see shelved.

Major exporters are worried about too much coal being pushed on to world markets, bringing a return of the runny price-cutting that raged among SA companies in the late Eighties.

Possible major participant in the new terminal — dubbed red by RBCT ex-chairman Graham Boustred because the proposed site was marked in this colour on the first plans he managed to obtain for it — is Sasol.

Sasol wants to export 3 Mt/year, which would provide a solid base for the terminal, but has also applied for membership of RBCT. Making Sasol part of the RBCT “establishment” might sink the red terminal but that, in turn, may not be to the benefit of G F Coal.

Not only would it lose out on an alternative export facility, but RBCT will be giving up to a newcomer export capacity for which existing smaller members such as JCI, G F Coal and Kangra are crying out “Tricky, but perhaps RBCT will come up with some scheme which will compensate existing members.

RBCT last year completed its expansion from capacity of 44 Mt to 53 Mt a year but is not expected to export 53 Mt before 1995.

Dollar coal export prices have dropped slightly for 1992 delivery while the rand continues to hold up a lot better against the dollar than many exporters had expected, which further squeezes export margins. The domestic market remains flat.

G F Coal has 50% of the Matla joint venture with Trans-Natal, which supplies Eskom’s Matla power station. G F Coal’s profit share rose to R22.4m from R20.5m, but could have been better. Even modern, efficient power stations like Matla are feeling the pinch from domestic recession, with sales down 9% at 4.7 Mt (5.2 Mt). The partners are protected to some extent as the contract specifies a return on capital invested despite fluctuations in takeoff.

The stock market reflects the flat earnings and dividend outlook. The share is a lot closer to the 12-month low than larger competitors Amcucoal and Randcoal.

Brendan Ryan
Durnacol recruiting

ISCO's Durnacol mine in Northern Natal will start to recruit a new workforce early next week.

In the past two weeks, coal production has fallen by 70 per cent. What production is going on is being undertaken by a skeleton crew.
SA coal faces new Euro-tax

JOHN YIELD
Environment Reporter

SOUTH African coal exports, freed for sale after the lifting of sanctions, will be hit when European Community nations introduce “carbon” or energy taxes as part of their strategy for dealing with environmental problems like global warming.

This was predicted by economics guru Professor David Pearce of University College, London.

Professor Pearce, visiting South Africa to promote his ideas of a packaging tax or levy to deal with the problem of packaging waste, is one of the world’s most-acclaimed environmental economists, credited with turning former British Prime Minister Maggie Thatcher “green”.

His books include the widely respected Blueprint for a Green Economy and Blueprint 2.

Professor Pearce said the EC Council of Environment Ministers would meet next month to discuss the introduction of an energy or carbon tax on oil, coal and gas.

Because the tax would increase the cost of these un-renewable resources, people would start to conserve energy, reducing the alleged threat of global warming — he believed this would be less severe than predicted — and there would be serious incentives to look at renewable energy options in much closer detail.

The proposed tax could reach $10 (R30) a barrel within a few years, raising the price of energy by between 50 and 60 percent, Professor Pearce predicted.

“These are the ways Europe thinks it will help to solve the energy crisis...I can't be definite but I'm pretty sure that it's coming and it will affect South Africa because we will tax imports as well.”

Manufactured products could also be affected, Professor Pearce said.

In Britain, consultants had looked at the problem of deposits on all types of containers, including cartons, plastic and glass bottles, and steel and aluminum cans.

Their conclusion had been that a full deposit scheme could save £30 million (R150 million) a year in waste disposal and £6 million (R30 million) in clean-up costs. However, such a scheme would cost the country £250 million (R1.25 billion) to implement.
President House

Anglo backs code of conduct

WILLIAM SWAIN

2009 Washington DC

The code of conduct was approved by the union in a copy of the report on

Agricultural Economics of the code of conduct

The code of conduct was approved by

The code of conduct was approved by

The code of conduct was approved by

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The code of conduct was approved by
Management strategy keeps Scharrighuisen on track

Scharrighuisen performed well during the first quarter of the year and looks set to maintain its five-year trend of strong profit growth.

The 48-year-old opencast coal, gold and plant hire company could benefit further if negotiations for new prospects bear fruit, Scharrighuisen joint-MD Laurie Fisher said yesterday.

Since 1987 Scharrighuisen's attributable earnings had increased more than five times to R13.3m at year-end in December 1991 from R3.1m in 1987. Profits had increased 98.5% compared with R9.2m profit earned in the previous year.

Its share price had almost kept up with the profit performance. Its listing price of 170c had climbed — albeit erratically — to yesterday's untraded price of 340c a share. Before peaking at R4 a share on June 21 last year, Scharrighuisen touched a year's low of 108c a share.

Chairman Casper Scharrighuisen said in his annual review last week that while the severity of the downturn had not been anticipated, management flexibility averted any major setbacks.

Opencast mining operations continued to grow, however plant-hire revenues fell because plant was used for the mining operations. Construction activity was curtailed due to economic conditions.

The directors reported that the group maximised returns on assets by its ability to move underutilised plant from one division to another.

With the acquisition of Frigate Mining for R10m in July last year, the company diversified its opencast coal mining operations into gold mining and now successfully operates SA's largest opencast gold mine, says Scharrighuisen.

Fisher said West Wits had low-quality ore reserves to last for seven years. It operated at a profit because of its low cost and shallow (65-100m) operations. The group was also investigating the feasibility of other opencast gold mining operations, he said.

The possibility of the group entering the engine rebuilding business had also been mooted.

The financial statements showed Frigate had failed to comply with the terms of the acquisition and a substantial portion of the purchase consideration had not been paid. However, as Frigate's obligations were guaranteed by a bank, no actual or future loss could arise, the report said.

Fisher said the dispute with Frigate had been resolved, as long as the recapitalisation of Frigate proceeded as planned.
The astute way to 30% returns

Fast food

Share Key

Diagonal Street

Read more

Eugene as a

by Rachel Pledger

After stable cleaning

TAN's set to prosper

SUNDAY TIMES BUSINESS TIPS MAY 31 1992
Randcoal steams ahead on high sales and low rand

MATTHEW CURTIN

HIGHER local and export coal sales and depreciation in the rand boosted interim results at Randcoal, Rand Mines' coal mining division.

Earnings per share climbed 44% in the six months ended March, meeting chairman Allen Sealey's forecast in November last year that the coal group's performance would improve this year.

Randcoal — formerly known as Witbank Colliery — declared a 10% higher interim dividend of 25c, compared with 22c a share in 1991.

The results will bolster Rand Mines' interim performance — the results will be published next month — as the mining house has become increasingly dependent on coal for its earnings, with the marginalisation of its gold mines and sale of platinum and forestry divisions last year.

Earnings rose to 95c from 69c a share in 1991, of which 6c was due to the first contributions to Randcoal's earnings by former Rand Mines subsidiaries Corogroup (Jupiter) Investments and Manhattan Syndicate, which it acquired last year.

Randcoal's Douglas Colliery wholly owns or has majority stakes in seven collieries in the Witbank and Newcastle areas.

Until the end of this year, Randcoal had only a 50% stake in Corogroup's Rustenburg colliery, and 58% stakes in its Khutala and Majuba collieries.

Deputy chairman and CEO Allen Cook said yesterday the larger contributions from Corogroup's collieries were the main reason for the 22% jump in turnover in the period, to R76m from R62m.

Cook said in a statement that spot prices for export steam coal had fallen since the beginning of the year, but Randcoal had already signed long-term sales contracts. They would help the company repeat the interim performance in the second half of the year.

SA coal exporters secured only marginally lower coal prices for 1992 long-term contracts, in part a reflection of the ending of the so-called political discount which SA producers offered customers as sanctions came into force in the mid-80s.

Exports rose to 5 million tons from 4.2 million tons, and Randcoal resumed exports to Denmark and France, after the lifting of sanctions earlier this year.

The inclusion of Corogroup's and Manhattan's local business masked the local slump in coal consumption and saw Randcoal sell more coal to Eskom and inland markets.

Corogroup had contracts with Eskom, and Randcoal supplied the Kendal power station which burned more coal in the period, lifting Eskom's needs to 7.4 million tons from 6 million tons.

Randcoal's operating profit jumped 55% to R164m from R107m, "due mainly to increased volumes and a weaker rand/dollar exchange rate", Cook said.

Investment income was R267 000, 85% up from last year. That, on top of good operating results and a reduction in its interest bill, increased after-tax profit 90% to R186m.

Randcoal spend R363 000 on exploration in the period.

At March 31, Randcoal had long-term loans of R323m compared with R376m at the same time last year.
CAPE TOWN — It would cost the State at least R51 million over the next three unions to abandon coal mines in the Witbank area and seven in the Emieto area. Speaking in debate on a motion yesterday, the Minister of Mines in Parliament, Mr. Smith, said that in the future, the State's responsibility to control pollution would be increased. He also emphasized that it was essential to get these processes under way immediately. The Motion was passed by 155 votes to 53 against. The 75 per cent of these 40 seats have been occupied by the coal industry for over 30 years. A further 22 seats are due to be spent over a 30-year period to get these processes under way. Therefore, the coal industry is being asked to spend over R51 million over the next three unions to abandon coal mines in the Witbank area and seven in the Emieto area.
Exports boost Randcoal profits

Business Staff

RAND Mines coal mining arm, Randcoal, benefited from increased domestic and export coal sales and boosted earnings per share by 43 percent to R5c (55c) in the six months to end-March.

The 21,6 percent improvement in tonnages sold resulted mainly from the inclusion, for the first time, of sales from Corgroup (Jupiter) Investments and higher volumes from Douglas Colliery and Welgedacht Exploration.

Combined with a weaker rand and the resumption of sales to customers in France and Denmark, this lifted turnover by 26 percent to R766 million, while after-tax profits surged by 89 percent to R97,1 million.

An interim dividend of 23c (21c) a share has been declared.

Anglo-Transvaal Collieries, which has as its sole investment a 15,6 percent stake in Randcoal, has raised its total dividend for the year from 375c to 397c.
Coal exporters gain extra R42m

COAL exporters have picked up extra orders worth more than R42m since European sanctions were lifted nearly two months ago.

France and Denmark have bought more than a million tons of coal on the spot market.

International Coal Report editor Gerard McCloskey says: “Electricité de France has bought about 900,000 tons, but at a low $27 a ton compared with contract prices of $31.80 in Italy for SA coal SA faces a dead market.”

The coal for France came from Shell, Rand Coal, Amoco, Agpacoal and Duker, among others.

Steam

Elsam, the Danish power utilities association, has bought between 200,000 and 300,000 tons recently. Denmark is looking for a million tons from SA in the next year, says Mr McCloskey.

Unconfirmed reports say the Netherlands has bought another 250,000 tons of SA coal. Edebel, the Italian utility, bought 3.7 million tons of steam coal in 1990, representing 14% of SA’s total European steam sales. Edebel is SA’s largest single customer.

SA stands to pick up a large slice of the UK’s imported coal market once contracts between the power utilities and British suppliers expire next year. Under existing agreements, two UK companies, PowerGen and

By CIARAN RYAN

National Power, are committed to buying 80-million tons of coal from domestic suppliers this year.

Finland and Japan are also considering SA coal deals, says Mr McCloskey.

The removal of sanctions does not mean an improvement in prices for SA coal exporters were forced to offer a political discount of up to 20% between 1985 and 1989, says a JSE analyst. But it disappeared in 1989 because “sanctions against SA coal failed.”

SA mines were able to find new markets to replace those lost to sanctions. When sanctions were imposed in 1975, SA export coal prices fell almost 50% as consumers tried to maintain export tonnage.

SA exported 45.5-million tons of coal last year. The JSE broker says exports are likely to increase by 2-million tons a year, placing pressure on Richards Bay Coal Terminal (RBCT) in about four years’ time.

RBCT can handle 33-million tons a year and 64% of its entitlement is controlled by Amoco, Trans-Natal and Rand Coal, all of which are gearing up for an export boom.

Capital expenditure by the three is expected to be more than R1.6-billion this year.

Most exporters will seek long-term contracts, which offer better prices than on the spot market.
Opportunities improve for SA coal exports

opportunities for SA coal exports are improving steadily, but exporters are likely to reap the rewards only in the medium term.

Coal mining shares surged as much as 46% in early 1991, but have been more or less flat the past year. The JSE coal index has risen only 9% since last May, and closed unchanged at 1,753 yesterday.

Shares in market leader Amcoa were also unchanged at yesterday's R125.25, 9% up from a year ago. Shares in Rand Mines coal mining arm Randcoal have shown the biggest gains, up 17% in the past year, and closed at R14 yesterday.

Randcoal CEO Allen Cook said yesterday the outlook for increased exports grew stronger as political developments in SA unfolded.

The group's annual forex earnings, from the steam coal it mined and marketed, had topped the R1bn mark for the first time.

Randcoal sold more than 11-million tons of coal to 15 countries in Europe and the Far East in 1991, worth R1.03bn.

Cook said customers in Japan, Korea, Denmark, France, the Netherlands, the UK and US could absorb another 10-million tons in export coal from SA by 1995. In the longer term, European coal could emerge as an important market.

However, SA Coal Report editor David Spalding said SA coal exporters' gains were important in that they had regained "a foot in the door" in countries whose markets they had lost during sanctions.

Low prices and strong competition meant that until 1993 exporters would show only a modest growth in export volumes.

It was reported at the weekend that the lifting of European sanctions had resulted in SA exporters winning R42m in new business, equivalent to about 1.25-million tons or 2.5% of yearly SA exports.

Spalding said SA had sold about 1-million tons of coal to France, 250,000 tons to Denmark's Elsam power utility, and 250,000 tons to Belgium this year. SA continued to sell coal to Italian utility Enel.

But he said low free market prices of about $36 a ton, well below 1990 contract prices of an average of $31.80 a ton, meant SA producers were reluctant to push more exports through the Richards Bay Coal Terminal. The weak market conditions meant that although Spoornet capacity would only match the terminal's theoretical capacity of 33-million tons a year this August, the capacity of the rail link was not inhibiting exports.

Reluctance

Frankel, Max Poliak, Vorderman analyst Kevin Kantor said French buyers, via French company Total, which mined coal in SA in conjunction with JCI, and Danish buyers had shown an immediate interest in local exports this year. However, he said export margins remained "extremely thin", with the FOB cost of exporting SA coal standing at $25-30 a ton, compared with contract prices of $32 a ton.

Locally, Eskom had spare capacity till the end of the decade, so excitement for investors in terms of strong earnings and dividend growth, could only be expected in the mid-90s when the international steam coal trade was expected to boom on the back of renewed world economic prosperity.
Opportunities for coal exporters dulled

WEAK dollar steam coal prices and fierce competition in the Pacific Rim have dulled the opportunities for SA coal exporters in the post-sanctions period.

However, Anglo American Coal Corporation (Amcoa) chairman David Rankin said in his annual review that in the 1991 calendar year coal exports were still SA's largest foreign exchange earner after gold. Revenue amounted to R4,2bn, R200m higher than in 1990. SA coal exporters sold 40,5-million tons, 1,1-million tons below the 1990 figure, with 40,5-million tons exported through the Richards Bay Coal Terminal.

Amcoa's exports in the year ended March 1992 rose to 16,5-million tons from 16,0-million tons.

Indonesia was now a significant exporter, enjoying the competitive advantages of low production costs and proximity to the major Far Eastern markets. In addition, aggressive pricing of Australian coal exports in a bid to win market share further limited increases in SA sales in the region.

Most SA sales were to European utilities. Although sanctions had been lifted in Denmark, France and the Netherlands, export prices fell in the year and were likely to do so again in the current year.

Rankin said Amcoa was unlikely to match 1992 earnings of 1275c a share — 16,5% up from 1,096c in 1991 — in 1993.
Amcoal questions need for new coal terminal

By Derek Tomney

The ticklish question of whether South Africa should have a second major export coal terminal and run the risk of flooding the export coal markets is discussed by Mr David Rankin, chairman of the giant coal producer Amcoal, in his annual review issued today.

Amcoal increased its attributable earnings in the year ended March 31 by 16.3 percent to R321.1 million and the final dividend has been raised by 9.8 percent from R327c to 315c a share. The brings the total payment for the year to 465c, an increase of 9.4 percent on last year’s 425c.

The group increased its operating profit by R6.7 million (1.6 percent) to R419.1 million.

Mr Rankin said that certain South African coal exporters, including potential new ones, recently announced that Portnet had been commissioned to investigate a new coal export terminal facility.

Amcoal pointed out last year that a large single increment of available new capacity could be especially disruptive in the delicately balanced world markets.

He added that the existing Richards Bay terminal was building up to export 53 million tons by 1995. This represented the most widely researched view of sustainable performance by the industry in world markets in a sanctions free environment.

Mr Rankin said that if Portnet undertook the construction and subsequent operation of a new facility it was anticipated that this would be on normal commercial terms and on the basis of valid and binding long-term commitments from users.

In recent discussions between the coal industry and Spoornet, it became clear that the rail rates on the Richards Bay line would be the same as for existing users.

Amcoal’s operating profits this year are expected to be marginally lower owing to a downturn in the local market, a softening in US export prices and to largely unchanged profits from Eskom collieries.

Less interest income is expected and tax savings will be reduced.

Accordingly, Amcoal is forecasting lower attributable earnings for the current year.

3. Student exchanges between Melbourne University and foreign tertiary institutions would be established. A selection committee would be set up to select students to be sponsored to further their study of their chosen foreign language in a native-speaking environment. As many students as possible from as many different language departments as possible should be sponsored to study in as many different countries as practical. Of course, this must be done while bearing in mind the various financial, diplomatic/bureaucratic and other constraints within which the programme must operate.

Bilingual students of disciplines other than languages could also be encouraged to further their studies overseas under this programme.

It would be hoped that contacts established in 1) will prove useful in this regard. An exchange system where the host institution would support the exchange students in exchange for a similar undertaking by Melbourne University would seem the most economical, practical and beneficial situation. However, lack of an official exchange agreement should not prevent Melbourne University from initiating by supporting students to study abroad.
Anglo-Transvaal puts on a repeat performance

ANGLO-Transvaal Collieries' earnings for the half-year ended March 31 were little changed with the company reporting after-tax profit of R4,137m, against R4,151m for the same period a year ago — equivalent to R4.4c and 246.4c a share respectively.

Dividend income from fixed investment in Randcoal was an unchanged R4.203m, interest received was little changed at R18 000 and expenditure was R73 000 (R63 000). This left a pre-tax profit of R4,146m (R4,156m), of which R9 000 (R8 000) was paid in tax.

The market value of the company's Randcoal shares had risen to R145,5m (R107,7m) on March 31, while the book value was an unchanged R3,386m. Net asset value of Anglo-Transvaal Collieries' shares on that date was 9.07c (6.71c) a share.
Rand Mines shows 12% dip in earnings

RAND Mines has reported a 12% decline in attributable earnings for the half year to end-March in spite of a good performance from its coal mining operations.

The group, the last of Barlow Rand’s listed subsidiaries to report for the six-month period, saw its attributable earnings fall to R61.6m (R104.3m) or 614c (700c) a share. The dividend was 10c a share.

The results were not comparable with those of the same period in the previous year because certain operations were discontinued or rationalised, the directors said at the weekend.

Earnings from continuing operations increased by 15% to less than R50m (R70.4m), and were boosted by satisfactory results from its coal operations.

Randcoal, the 70%-held subsidiary, recently reported a 53% increase in after-tax profits to R58m. Its R60.5m earnings contributed 75% to the Rand Mines group’s half-year earnings.

The directors anticipate a decline in full-year earnings. Second-half profits, which could be significantly influenced by exchange rate fluctuations, were expected to be lower than in the first half.

A Rand Mines spokesman said the results were gratifying viewed against difficult circumstances during the six-month period.

‘‘With the reconstruction of the group now behind us, Rand Mines is financially sound once again.’’

Turnover rose marginally to R609.0m (R566.6m). Excluding discontinued operations, sales were 15% on the previous year’s figure of R755m.

Operating profit fell 2% to R165.6m and after higher interest payments, pre-tax profit was down 10% to R126.8m. With a lower tax bill and higher payments to outside shareholders (which nearly doubled, reflecting the sale to Randcoal of Cor- group), attributable earnings came to R61.6m.

At the end of the previous financial year, the group indicated it would give priority to strengthening the balance sheet. At the end of March the holding company had R18m in cash, while the sale of long-term debts had been reduced to R5m (R87m).

The directors said the growth in coal profits was attributable to higher volumes and a weaker rand.

Gold operations showed a R22m loss although working costs increased marginally by 3%. The loss was as a result of metallurgical problems at the Crown Mines recovery plant.

A spokesman said ‘‘The managed gold mines are under strong pressure at today’s gold prices and jobs are being threatened.’’

Property’s contribution to earnings increased to R7.1m (R4.2m).
Coal turns to 'gold' for Rand Mines

Rand Mines' attributable profits for the six months ending March 31 amounted to R91.6 million largely due to the bolstering effect of its coal operations.

The period's attributable profits are equivalent to 61½c a share which is down on the previous six months' 70c when attributable profits stood at R104.3 million.

However, Rand Mines believed the period's interim results were not directly comparable due to the discontinuation of certain operations and the rationalisation of others.

The group expected second-half profits to be lower than the first half due to unfavourable trading conditions and possible exchange-rate fluctuations, but declared a 6½ times covered unchanged interim dividend of 100c for shareholders.

The group's coal interests contributed 75 percent or R68.6 million of attributable earnings in the period, 25 percent up on the comparable period last year before rationalisation when coal operations accounted for 53 percent or R58.1 million of attributable earnings.

Rand Mines put the growth in coal profits down to higher volumes and a weaker rand compared with the same period last year.

Attributable earnings were also helped by an improved contribution from property amounting to R7.1 million against R6.3 million previously as several large transactions were concluded.

However, the group's gold mines faced concerted pressure at current gold prices.

A Rand Mines spokesman said jobs were being threatened, but attention was being focused on improving productivity in collaboration with the trade unions.

The spokesman added the combined effort of management, employees and trade unions had reduced costs in the gold mining industry. The trade unions were realistic about the difficult situation facing the industry, and had gone a long way toward realising the value of wage packages linked to productivity, he said.

Total turnover for the six months was up 15 percent on the same period last year to R268.6 million, while operating profit and investment income were marginally less at R165.6 million and R42.9 million respectively.

The interim report indicated management and financial services, exploration, investment and sundry income was unchanged at R15 million of the half-year's earnings.— Sapa
Notice incorrect

RICHARDS Bay Coal Terminal's fifth redemption of debentures will take place on June 26, 1992, and not March 26 as stated in the official notice which was published in Business Day on May 15.

REPORTS Business Day Reporter, Cape Correspondent
Carbon tax threat to SA coal mines

SOUTH Africa's coal industry faces a major challenge from environmental lobbyists in the current decade.

The European Economic Community (EEC) proposes to adopt the most ambitious environmental measure ever contemplated — the carbon energy tax.

The EEC Commission has approved a directive — subject to endorsement by the Council of Ministers — to impose the tax. The intention is to reduce carbon dioxide (CO2) emissions. Carbon dioxide has been blamed for the greenhouse effect and global warming.

The commission's plan stems from an EEC decision two years ago to stabilize CO2 emissions, which will mean cutting their predicted level in 2000 by 12%.

The proposed tax would start at $3 on the equivalent of a barrel of oil in 1998, rising to $19 by 2000. Half of the tax would be levied on the use of energy from non-renewable sources (excluding nuclear) and half on carbon emissions.

Weighted

The carbon tax is weighted against coal because it would be imposed at different levels on different primary fuels according to their carbon content. Because of its high carbon content, a unit of energy in coal will carry a higher tax than other hydrocarbons. At $10 a barrel of oil, the tax would raise the price of coal by 58% compared with 34% for natural gas (for industry) and only 6% for petrol.

The tax's application will, however, be subject to the "rule of proportionality." This means that enforcement of the tax is subject to the adoption of measures (involving an equivalent financial burden) by the EEC's main trading partners.

Nevertheless, Jacques Delors, president of the commission, wants the EEC to take the moral high ground by presenting the proposal at the United Nations earth summit — to be attended by 135 nations in Rio de Janeiro next month.

Both the US, which generates a quarter of the world's CO2 emissions, and Japan are hostile to the energy tax. The impact of the tax will be watered down by exemptions or reductions granted to important energy-intensive sectors of EEC industry, such as aluminium, steel, glass, paper and others. Although loopholes and opposition from other countries may prevent the effective application of the tax for some years, the EEC Commission's directive represents a "strong way" of presenting its penalties and exerting pressure on trading partners.

Signal

Coupled (mineral and energy) at the South African Embassy in Paris, Arthur Dykes, describes the carbon tax as "potentially a major threat." Even if the proposed tax has no teeth, it has an adverse psychological effect on coal use.

The proposal sends a signal to coal users that if they fail to use energy more efficiently, they would be liable to penalties at some time. Randcoal and Amcoal say they are monitoring the tax proposal. Randcoal managing director Jack Mohring says it "could be a threat, but it is difficult to gauge the magnitude."

Closer to Zaire

A ZAIRE-SOUTH Africa Business Association has been formed to promote trade and business links.

The association says SA has a long history of trade and commerce, and the opening of international relationships between SA and the rest of Africa.

SA's first African trade mission was opened in Khartoum and Zaire was the first country to lift all visa restrictions on South Africans.
Coronation sees a slide

MATTHEW CURTIN and
MICK ELLINGHAM

CORONATION Syndicate, Lonrho's investment company whose main asset is its stake in coal and gold mining company Dunker Exploration, has declared an interim dividend of 5c a share, down sharply from 14c in 1991.

In the year ended March 31, after-tax income fell to R533,000 from R419,000, with earnings a share down to 8,8c from 14,2c.

A company spokesman said Coronation had increased its stake in Gencor and holding company Gencor Behrend at a cost of R3,460,000. Sister investment company Tweefontein United Collieries, whose principal assets are stakes in Coronation and Dunker, declared an interim dividend of 40c, compared with 55c in 1991. Earnings fell to 40,2c from 55,4c a share.

Dunker's weaker March quarter results reflected lower coal sales, particularly anthracite, and a fall in gold production.

Tweefontein's income dipped to R1,2m (1991: R1,4m), leaving attributable profits at R855,000 (R3,929,000).

Current liabilities were substantially lower at R361,000 (R1,430,000), while net assets increased to R7,754m (R7,454m). However, the market value of investments was lower than the previous interim period at R20,909m (R31,370m).
SA-born mine head going for UK coal

JOHN CAVILL: London

PRIVATISATION of the 76-million-ton-a-year coal industry will result in Anglo American, Gencor and Australian and US mining groups competing for a foothold in Britain, says Crispian Hotson, South African head of the UK's biggest private producer, Ryan International.

Armed with a war chest of £115-million from a consortium of investment institutions and banks — £90-million in new equity and loan facilities of £25-million — Mr Hotson has set his sights on bidding for potentially profitable British Coal operations when they are privatised next year.

With former JCI chairman Gordon Waddell, Mr Hotson is targeting an anthracite mine in South Wales and coal mines in Scotland and North East England.

Reserves

They could produce 12-million tons a year to treble Ryan's output of 5-million, of which about a third comes from operations in the US, Belgium and Poland.

Mr Hotson says: "There are huge opportunities for coal in Britain if you get costs down to £23 a ton — against British Coal's present average of £24 — that competes with the cheapest imports from South Africa.

"The UK has 300 years of reserves and is the only European country able to compete in the international coal market.

"With the running down of inefficient and environmentally bad brown coal mining in Eastern and Central Europe, the region's imports of 70-million tons a year will double in the next 10 years."

We will see the big international groups — Anglo American, Gencor, the Australians and Americans — in here competing for slices of British coal production."

Mr Hotson, 41, was born in Johannesburg, but has spent his working career in the US and UK. After matriculating at Diocesan College (Bishopgóp): he obtained a master's degree in metallurgy at Cambridge, returned to SA to do his national service and went on to complete his MBA at Stanford University, California.

"I saw better career opportunities overseas than in South Africa so I decided to stay," says Mr Hotson.

His first job was with SA coal exporter Graham Beck who had bought two companies in Kentucky.

Mr Hotson ended up running the operations between 1979 and 1983.

Mr Hotson then saw an opportunity in UK coal at the start of the Thatcher Government's great privatisation programme.

"In any mature industry like coal where there is structural change there is opportunity," he says.

The year-long coal miners' strike of 1984-85 provided the key.

"So long as you believed that Arthur Scargill (leader of the National Union of Miners) wasn't going to win there was bound to be change," Mr Hotson says.

Mr Hotson invested in Ryan which was losing £3-million on annual sales of only £20-million and was "bust" — it had a market capitalisation of only £4.5-million.

In 1988 he led a management buy-out of Ryan and enlisted institutional backers to run down the company's debt.

Biggest

Ryan has invested £10-million in reopening a Welsh mine closed by British Coal in 1968. It was the first Western company to enter a joint venture project in Poland — five years ago.

It also mines in Pennsylvania and has a recovery-derelict operation in Belgium.

The biggest division, however, is its 4.3-million-ton-a-year opencast mine, which produces coal at under £34 a ton as a contract to British Coal.

Ryan International is 70% owned by big institutions with 22.5% held by Mr Hotson's family trusts and 7.5% by management.

Tabs kept clear

A MAJOR step by the Government to transport will come into effect tomorrow.

This will involve the use of tracks of more than 3 500kg. The vehicle

A regular will monitor the number of the "operator", such as overloading the same offence could have the prevent continued operation.

The concept of the (BTQG) who's eventually in professional drivers and driving

Premier-Metro merger

PREMIER Group will merge Premier International with the International trading activities of Metro Cash & Carry.

The new group will be called Metro International and will operate from its own offices in Selby, Johannesburg.

This move follows the acquisition of a controlling interest in Metro by Premier Group.
Tough talks ahead on the coal mines

COAL mining seems set to be the site of a scoly wrangle in this year's mining wage negotiations.

The industry believes that in order to maintain the mineral's profitability, costs must be contained and one of the ways to do this is to curb wage increases.

On the other hand, the National Union of Mineworkers (NUM) says the industry's wage structure is in need of a drastic shake-up and, to shake up the industry, they are seeking an average increase of 55 percent on the coal mines.

Employers are offering increases of between six and 11 percent while the union wants a minimum of R785 for surface workers and R655 for underground workers.

This increase will bring coal miners closer to a single wage structure and will go some way to bridge the racial gap in the industry's pay packages.

The average wage for white coal miners in 1990 was R4207 a month and for black miners, R946 a month. While the union acknowledges that levels of skill account for much of the difference, it still believes the discrepancy is too big.

The union also points out that while productivity has risen dramatically, employment has dropped just as fast. According to the union, "tons per man year increased from 870 in 1980 to 1870 in 1990." Yet, employment dropped from 74 000 in 1983 to 42 000 in 1991.

"The benefits of improved productivity have plainly been appropriated by the employers," said the NUM this week.

The union also alleges that the meagre increases offered on the coal mines are an effort to satisfy a pact between the mining houses, Eskom and the government to lower electricity costs by 20 percent over the next five years.

Coal remains the country's largest foreign exchange earner after gold, say industry sources.

Anglo American's coal wing, Amco, increased its attributable earnings by 16.5 percent to R321 million from R275.5 million.

Increased export earnings, the containment of costs below the interest rate and improvements at New Vaal and New Denmark collieries all contributed to the bottom line. Amcoal chairman David Rankin also said he expected export tonnage to increase further this year.

But these figures should not dazzle: domestic consumption of coal has decreased dramatically due to the moth-balling of various Eskom power stations. Rankin also throws out the damper of an expected "downturn in the local metallurgical coal and coke markets, a softening in US dollar export prices and largely unchanged profits from Eskom collieries."

For these reasons, he has pleaded for a "constructive attitude" from the unions during this year's negotiations, adding that last year's negotiations saw settlements which were more moderate than in former years. However, Rankin could not comment on this year's negotiations because the Chamber of Mines was negotiating on Amco's behalf.
**Burning brightly**

**Activities:** Markets and distributes coal in southern Africa  
**Control:** W&A 63%  
**Chairman:** T Rolfe, MD S Weentrub  
**Capital structure:** 14.2m ords Market capitalisation. R28.4m  
**Share market:** Price 200c Yields 9.5% on dividend; 26.4% on earnings, p/e ratio, 3.8, cover, 2.8 12-month high, 275c, low, 175c  
**Trading volume last quarter, 130 000 shares**

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<td>0.4</td>
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<tr>
<td>LT debt (Rm)</td>
<td>0.2</td>
<td>0.2</td>
<td>0.7</td>
<td>0.9</td>
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<td>Shareholders' interest</td>
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<td>0.33</td>
<td>0.32</td>
<td>0.33</td>
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<td>Return on cap (%)</td>
<td>19.5</td>
<td>24.1</td>
<td>26.0</td>
<td>28.2</td>
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<tr>
<td>Turnover (Rm)</td>
<td>100.1</td>
<td>153.4</td>
<td>211.8</td>
<td>239.9</td>
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<tr>
<td>Pre-tax profit (Rm)</td>
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<td>9.2</td>
<td>11.9</td>
<td>12.2</td>
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<tr>
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<td>6.0</td>
<td>5.6</td>
<td>5.1</td>
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<td>41.2</td>
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<td>52.7</td>
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<td>Dividends (c)</td>
<td>11</td>
<td>16.5</td>
<td>19.0</td>
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<tr>
<td>Net worth (c)</td>
<td>65.5</td>
<td>83.7</td>
<td>148.7</td>
<td>175.8</td>
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**MacPhail falls** outside the traditional FSI areas of operation. It is neither a consumer retailer nor an exporter of basic goods. Yet it is not surprising that the controlling shareholders are in no hurry to dispose of the interest, Chairman Terry Rolfe says that the return on assets remains outstanding — by his definition, 78.2%, and 35.4% on shareholders' equity.

MacPhail acquired and opened additional coal distribution points in Natal and the Cape to strengthen its national network. Ed Weentrub says it increased market share, though coal consumption nationally was lower because of the weak economy. There was pressure on export volumes and a weaker domestic industrial market.

Weentrub says there are considerable economies of scale in coal distribution, which enable MacPhail to distribute at relatively low unit cost. He complains that MacPhail does not have access to the Richards Bay Coal Terminal, which is fully taken up by its shareholders — the coal dressing of the major mining houses.

Weentrub does not believe 1992 will be a bumper year. Cutbacks by some ferro producers and difficult times for customers, such as the textile industry, will have a severe impact on coal usage.

But MacPhail continues to perform solidly. A 3.8 p/e and 9.5% dividend yield make it an underrated counter.
Methane may be fuel of the future in SA

By IAN ROBINSON

One of the biggest challenges facing the mining industry is how to use the methane that is often trapped in coal seams. This is particularly relevant in Southern Africa, where coal is a major source of energy. However, methane is a potent greenhouse gas and its emission must be controlled to prevent global warming.

The National Energy Council (NEC) has commissioned a study to assess the potential of coalbed methane (CBM) in South Africa. The study has identified two areas with high CBM potential: the Waterberg Basin and the Kaapvaal Craton in the south-eastern Transvaal.

Safety

The study suggests that the safety of CBM extraction is a major concern. The mining industry must ensure that the extraction process is safe for workers and the environment. The study recommends the use of advanced technologies to minimize the risks associated with CBM extraction.

CBM exploration and development is required to fully understand the potential of CBM in South Africa. This will require significant investment and research.

Commercial exploitation of CBM requires not only a reliable source but a nearby market because gas is expensive to transport.

Several mining companies, including Rand Mines, have expressed interest in developing CBM projects. The potential for CBM in South Africa is significant, and the industry is poised to take advantage of this opportunity.
South Wits poised to sign coal contracts

SOUTHERN Witwatersrand Exploration (SouthWits) has secured tentative contracts to supply metallurgical coal to industries in the Middelburg area. The company's new coal mine in the area is being commissioned at a cost of about R25m.

Chairman Nic Stavrakis said yesterday negotiations on financing the project were near completion. He said the mine would produce 80,000 tons a month, half of which would be higher-grade low-phosphorous, low-sulphur coal.

It is understood that government's Steel & Alloys), Samancor and Consolidated Metallurgical Industries' ferrochrome operations, and Highveld Steel and Vanadium's iron and steel works. Spokesmen for these industries were not available for comment yesterday.

Stavrakis said SouthWits had proven 10 million tons of A-grade domestic coal and metallurgical coal in two shallow seams. Mining was being carried out by Logan Mining, while LTA had been contracted to do earth-moving work and build the mine's washing plant.
SA coal exporters 'face diverse market forces'.

THE threat of an EC carbon tax and expanding coal exports from the developing world are likely to depress international steam coal prices and squeeze the margins for SA coal exporters still further, says Davis Borkum Hare analyst Alex Wagner.

However, the lifting of sanctions, economic growth in the Far East, falling supplies from the former Soviet Union, and the quality of SA steam coal would boost SA's share of the export market.

In a recent report on the Anglo American Coal Corporation (Amcoal) — SA's leading coal exporter — Wagner said there was no reason for international coal prices to increase.

He said: "The EC is in the throes of gaining agreement for the imposition of an energy and carbon tax. For coal producers, this will lead to an immediate 16% increase in coal prices which cannot be fully absorbed by the customer."

Producers would bear a portion of these costs, which would accelerate the development of clean-burning natural gas power utilities, by making coal-powered electricity more expensive. They already had "the advantage of lower capital costs, and a shorter lead time to production".

Wagner said increasing competition from rival coal exporters such as Columbus and Venezuela would prevent sharp increases in dollar coal prices, although SA producers had the advantage of exporting higher quality material.

Amcoal's earnings, up 16.3% in 1991/1992, would continue to increase in line with inflation as the rand depreciated against the dollar.

However, he said SA coal producers, "particularly Amcoal, are expected to benefit from increased coal trade with European coal customers". Amcoal's low-ash coal would be in greater demand in Europe because of tightening environmental regulations.

Amcoal had signed contracts recently with French utility EDF. Current estimates of 1.5-million tons of SA exports to France by 1993 were conservative, with a 70,000-ton order for prompt delivery already signed with EDF.

SA coal to Denmark were likely to return to pre-sanctions levels of about 2.5-million tons a year.

SA would gain a share of the Dutch market, where utilities tended to have diverse coal sources, while falling local coal production would increase SA access to the British market.

Exports from the Commonwealth of Independent States were expected to fall by 8% to 12% in the next year, providing opportunities for Amcoal and others to win more market share.

The worldwide recession had hit the coal trade in 1991. Volumes would pick up only late this year, but good growth in the Far East, particularly in Japan and South Korea, presented good opportunities for SA coal exporters.

The expanded export capacity of the Richards Bay Coal Terminal to 53-million tons a year would probably be fully used only by 1998, should world demand warrant the increase. SpoorNet estimated its rail services would be capable of handing 65-million tons by mid-1993.

MATTHEW CURTIN
Pep International Ten factories in SA and the Transkei make many of the 4,000 products sold in group stores.

The campaign started in 1987 to educate the work force and increase productivity has produced many gains, including "just in time" delivery to the stores. Export opportunities have necessitated the introduction of a programme to produce quality standards that will conform with European rules.

Pep International opened two shops in Glasgow. A further 14 have been bought in Scotland and are being converted to the Pep concept. Further acquisitions are planned and senior management has been seconded to oversee the expansion there.

Largely as a result of the addition of 265 outlets, taking the total to 1,108, turnover increased by 19,8%. The tax rate fell to 36% from 41% to give taxed income an 11,9% boost. Attributable income rose 11.2%. But these figures do not reflect the "clean" (net of investment income) trading record.

When investment income generated from the substantial cash holdings and investments is stripped away, operating income gained just 3,3% year as pre-interest margin tumbled to its current low. Rationalisations and tougher competition for low-income group consumers evidently took their toll.

Stock turn fell to 2.3 (2.7) times, though a 47% rise in stock reflects acquisitions rather than lack of management foresight. Accounts payable rose by only 20%.

In the circumstances, the group did well to show an EPS increase of 11% MD Tony Haughton expects trading conditions to remain tough for the rest of 1992 but expects a "satisfactory" rise in EPS.

There is little doubt that Pepim, with its highly professional management, is every inch a blue chip share. But, like food sector rival Pick n Pay, it is fast approaching that stage of life cycle maturity when, off a large base, it will have to resort to new tactics to grow faster than the fundamental economy.

It has, however, an exclusive opportunity that could last for a long time and boost operating income growth accordingly. When the economy is restored, disposable income of the lower income groups — Pepim's target market — could outstrip the economy as the unemployed are sucked back into work.

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Warning notes 215

Never mind last year's good results; this year's will be worse. It is not often that a chairman of one of SA's largest conglomerates

Amcoal's Rankin... facing a harder future

Activities: Mines and markets coal; distributes refractory bricks and building products.

Control: Anglo American 51%.

Chairman: D. Rankin, MD. Dr J W Campbell.

Capital structure: 25.2m ordinary market capitalisation: R3,0bn.

Share market: Price R120. Yields: 3,9% on dividend, 10.6% on earnings, p/e ratio, 9,4.

Trading volume last quarter: 214,000 shares.

Year to Mar 31 '99 '99 '91 '92

Turnover (Rm) 1,440 1,783 1,619 1,588

Coal sales (Rm) 453 653 536 530

Pre-tax profit (Rm) 304 363 368 510

Attributable (Rm) 163 256 276 321

Earnings (d) 0.65 1.028 1.096 1.174

Dividends (d) . 300 385 425 465

Cover (d) 2.2 2.7 2.6 2.7

This has the courage to say that, but Amco's David Rankin has forecast lower net earnings.

For 1992, Amco clocked in a good return. Turnover rose 4,2% to R1,9bn despite a fall in total sales to 42,4 Mt — marginally below those of 1988. Pre-tax profit fell R26m but the bottom line was helped by an adjustment for a lower tax rate and deferred tax benefits in previous years.

Rankin says Amco did not favour this basis of reporting but there was no gainsaying the cumulative pressure of the accountants and the benefit was taken in above the line.

The effect is to improve 1992 earnings by 16,5% to R1,747c a share, though Rankin is at pains to point out that the comparison with 1991 is not strictly valid.
He prefers to add back the adjustment effect, doing so cuts the improvement to 4.7% — which goes to show how tax treatment can affect the turnover of a company.

The business is divided between coal mining and sales and refractory and building products (Verref), with coal sales split between inland (domestic) and foreign.

![Graph](image)

Eskom, by far the biggest internal consumer, has not had the happiest of times. Amcoa’s sales to Eskom fell 3.5% from 31 Mt to 29.9 Mt. Springfield colliery was closed. Offtake was reduced at Arnot and Kriel collieries.

Eskom has decided to reduce power generation at Arnot station from six to two generating sets. Amcoa will not be badly affected, apparently because its agreements with Eskom provide for payment related to the colliery’s productive capacity.

The contradiction within Eskom is that there is enough generating capacity to meet national demand until the turn of the century. But, because lead times associated with new power stations are long, Lekwe power station is already being planned. Amcoa is reviewing the development of its New Constella colliery, which will supply Lekwe.

The export market is another matter. Coal is SA’s largest foreign exchange earner after gold, earning R4,2bn in 1991. With sanctions dribbling away, new horizons are opening. France is taking our coal again. And the first shipment to Denmark in years was despatched only last month.

But all is not rosy as it may seem. World supply exceeds demand and some fresh, aggressive producers are muscling in. Prime among them is Indonesia, which enjoys a “distinct competitive advantage in the Pacific Rim because of low production costs and proximity to major markets.”

In Europe, our other traditional market, challenges come from the US and Colombia. So, says Rankin, “we don’t expect the price pressure to improve much during the next 12 months.” There may be opportunities to pick up additional export sales and Amcoa is well positioned to supply these.

Capital expenditure in 1991 was a huge R479.4m, mostly related to the Landau replacement project, completing New Denmark colliery, and Kriel. The biggest cash consumer is Landau, designed to enable Amcoa to take up its entitlement of 12.5 Mt when Richards Bay Coal Terminal hits its new maximum annual throughput of 55 Mt.

Rankin is especially proud of Landau, budgeted at R1.2bn, it should come in at

R800m. Not bad in an industry which seldom fails to produce large cost overruns.

Verref did not have a good year. With sales hit by reduced demand from steel and ferro-alloy industries and by the recession in the building business, earnings fell. Since Verref minorities were bought in, Amcoa no longer breaks down profits between mining and Verref. Last year Verref contributed turnover of only R277m, compared with R1.6bn from coal.

Rankin hopes for an improvement in Verref’s earnings this year, but it will clearly take more than that to offset other areas.

Bearing in mind that Amcoa is the colossus of the coal board, providing about 24% of SA’s total output, R1.2bn is probably not an unreasonable price for a serious, long-term investor. Coal is a good core investment and Amcoa is clearly the pick of the sector. But it isn’t for speculation.

David Gleason
Coal trade brushes off carbon tax threat

SA COAL producers have brushed off the threat posed by the possible implementation of a carbon tax on the coal export trade.

Analysts say the new tax could increase the price of coal by more than 80%, hitting SA coal exports, the country’s second largest foreign exchange earner after gold.

In the latest Minerals Bureau bulletin, analyst CP Tunney said “it is obvious that the imposition of a carbon tax would be disastrous for coal producers.”

“Export quantities and prices of coal would be severely reduced as end users look to substitution by cheaper forms of energy.”

Tunney said the EC had proposed a carbon tax to reduce carbon dioxide levels by the year 2000, with phased implementation starting next year. The starting rate would be $3 a barrel, with higher rates for coal, rising to $10 a barrel by 2000.

However, an Amcoa official said yesterday the group saw “no immediate threat of its implementation.”

Of EC members, only the Netherlands had put a tax on coal into effect, and it would be 1995 and 10 years before it was implemented elsewhere.

The official pointed out that the EC would have to look carefully at the implementation of a tax on all fossil fuels — coal, gas, and oil — some of the main culprits in emitting carbon dioxide into the atmosphere.

Randcoal MD Richard Mohring said there was “no global consensus” on the merits of carbon taxation and his group was not overly concerned.

He said the tax had been imposed only on an ad hoc basis so far, with strong US opposition.

Developing countries, which provided growing export markets for coal, would not be able to afford such a tax.

Similarly, the EC risked affecting the competitiveness of its exports if, by taxing coal, gas and oil-based energy sources, it pushed up energy prices too high.

Mohring said there was continuing concern about the life-cycle costs of nuclear power — the expense of building new power stations and their large clean-up and closure costs — while breakthroughs could be made in developing clean coal-burning energy supplies.

He said that in the foreseeable future, carbon taxes might prejudice the use of coal in some markets, but only relative to the effect it would have on other energy sources.

Tunney said the carbon tax had been accepted in principle by EC members, but “several practical and administrative issues remain unresolved.”

It was not clear where in the fuel chain the tax should be imposed, primary fuel extraction, imports or at the level of final fuel products. Exemptions would be hard to administer.

He said reports from Australia showed that the government would have to introduce a $15 a ton of carbon tax on coal to bring carbon dioxide emissions to desired levels by the year 2000.

He said the economies of countries, such as SA and Australia where coal exports were a significant part of export revenue, would suffer the most.

Proposed carbon taxation in the EC would lift the price of energy for industry by 61% for coal, 40% for fuel oil, 31% for natural gas and 16% for electricity.

For residential and commercial consumers, the cost of oil-fired heating would climb 17%, natural gas 15%, and electricity 14%. Petrol and diesel costs would rise by 6% and 19% respectively.

Tunney said coal had the highest carbon content for every unit of energy, twice that of natural gas, with a smaller margin compared with oil, petrol and petroleum gas.
Inflation, high costs erode export position

LARGE cost increases and rising inflation were eroding SA's competitive position in export markets, Randcoal CE Allen Cook said at the recent Australian Coal Conference.

Cook told the conference the position was made worse by the current recession, and fiercely competitive pricing, which induced low prices, knocked profits and deterred further investment in the country's coal industry.

"Current contract price levels are barely adequate to provide a return on existing investments and are certainly not attractive in considering new investments," he said.

Spot prices for coal on export markets had tended to be lower than contract prices in recent years.

This had led to producers having to decide whether they should accept lower prices or lose market share and cut production.

With the lifting of sanctions, large potential markets had opened up — particularly in Japan, Korea, Denmark, France, Holland, UK and the US Western Europe had regained its position as the major market for SA coal.

Since coal from Poland and the CIS had started to reflect their true operation costs, Cook said SA coal was price competitive in Europe now.

He expected demand to increase in Western Europe and, in the long term, eastern Europe.

The main potential competitor in volume terms was the US, but if SA remained price competitive, Cook believed it could hold on to its market share in the near future.

Spornet had agreed to peg rail cost increases on the Richards Bay line to about half of current inflation rate levels over the next two years, Cook said.
Are mines in on violence? – PAC

QUESTIONS are being asked about whether mining establishments are involved with the security apparatus in criminal activities, following the Goldstone Commission’s discovery of arms at Greenside Collieries and the housing of 40 alleged Koovet mercenaries at the mine’s security premises.

The PAC has demanded an immediate explanation from the Chamber of Mines, said publicity secretary Barney Desai. "FW de Klerk has always insisted there was no evidence implicating the security forces in the violence. Once more he has been proven wrong by a Commission appointed by his regime. Will he now act by instructing his subordinates to detain the management of Greenside Collieries for questioning?"
Coal producers warned about cost/price squeeze

SA's coal producers have been warned of falling into the same cost/price squeeze which has played havoc with gold mining profits over the past decade.

In the Chamber of Mines' latest newsletter, senior economist Francois Viruly said coal mines had already found themselves on a road similar to the gold mines'—that of rising costs overtaking profitability.

Gold's decline resulted from the disappointing price performance of the commodity since 1986, coupled with the gold producers becoming one of the world's highest cost producers within a few years, Viruly said.

"A similar trend is now occurring in the coal mining industry as coal prices have not been increasing," he said.

In 1986, SA was one of the world's lowest cost-producers but, by the end of last year, costs had risen by 60% in dollar terms.

While demand for seaborne coal was expected to grow over the next decade, SA faced increasing competition from Indonesia, Venezuela, Colombia and the US, he said.

Export volumes from Indonesia, Venezuela, and Colombia were expected to reach 33-million tons by 1995 and, while exports from Canada and Poland were declining, the threat of oversupply would be a lingering problem for exporters.

"In this environment, cost competitiveness becomes one of the key factors for securing market share. This makes coal's progress along the cost spiral that gold took in the 1980s all the more worrying," he said.

SA's coal prospects on international markets would be dictated by the ability of the industry to contain working costs, the rand exchange rate and transport costs.

Viruly said while collieries had little influence over the exchange rate and transport costs, they could control costs through productivity improvement.

Containing working costs would become a major factor in determining the degree to which SA producers could hold onto their present market share, he said.
Coal exporters face pricing challenge

The decline in profitability in the gold mining industry within the short space of a decade provides a valuable lesson for coal exporters.

So says Francois Viruly, senior economist responsible for coal mining matters, in a report on the prospects for the coal industry, published in the Chamber of Mines Newsletter.

Coal miners, he says, already find themselves on a road akin to the journey which led the mining industry's brightest star — gold miners — rapidly to forfeit profitability to rising costs.

Gold's decline resulted from the disappointing price performance of the commodity since 1980, coupled with producers moving from the position of being the world's lowest-cost producers to one of the highest-cost producers within a few short years.

"A similar trend is now occurring in the coal mining industry," says Mr Viruly, noting that coal prices have not been increasing.

While in 1986 South African collieries were among the world's lowest-cost producers, by the end of last year their costs had risen 58 percent in US dollar terms and they had been overtaken by rising coal exporters, Venezuela, Colombia and Indonesia.

Though demand for seaborne coal is expected to grow in the next decade, South Africa is expected to face growing competition from these three countries, as well as from the US.

The fledgling coal export industries of Venezuela, Colombia and Indonesia could build their exports to 33 million tons by 1995.

Indications are that export volumes from Canada and Poland will decline, but it is expected that the threat of oversupply will be a lingering problem for exporters.

"In this environment, cost competitiveness becomes one of the key factors to securing market share. This makes coal's progress along the cost spiral that gold took in the 1980s all the more worrying," he says.

South African coal's prospects in international competition will be largely dictated by:

- The ability of the industry to contain mine working costs,
- The exchange rate of the rand, and
- Transport costs to ship coal to the markets.

Collieries have little influence over the last two determinants of their future — making the influence that they do have on working costs of critical importance.

It will, says Mr Viruly, become a major factor determining the degree to which producers can recapture and extend markets in the post-sanctions era, as well as hold on to their market share.

"International competitiveness will be an issue that dominates as South Africa looks abroad, and cost control through productivity improvement will be an important factor in the drive to win and keep export orders against competition from low-cost suppliers."

The need for strict cost control is, he adds, heightened by the generally depressed trading conditions which currently exist in both South Africa's international and domestic coal markets.
Clean-burning South African coal a winner

South African coal in world export markets is likely to escape costly environmental legislation because of its relatively low sulphur content and clean burning properties, according to Syfrets mining analyst Peter Major.

In the Syfrets Economic Review, Mr Major says in the event of a carbon tax, currently being mooted in European Community anti-pollution policy, South African coal producers should get off fairly lightly.

"Should the tax be implemented, South Africa's low-cost, low-sulphur production would be less affected than most other countries' producers," he says.

Total world coal production of 4.7 billion tons a year is split 70/30 between hard, cleaner-burning "black" coal and soft, dirty and inefficient "brown" coal.

"Continued growth of over two percent per annum is forecast for the next decade, with overall production of brown coal set to fall dramatically for environmental and economic realities," Mr Major says.

"Demand for the low-cost steam coal from the world's main exporters - the US, Australia and South Africa - should grow well over two to three percent as most European production is highly uneconomic."

Another major South African mining industry set to benefit from increased environmental awareness is the platinum group metals industry.

The platinum group metals - platinum, rhodium and palladium - are used in the manufacture of autocatalysts, which reduce motor vehicle exhaust pollution.

"Platinum group metals probably show the best fundamentals of all minerals in the world today," Mr Major says.

"Both jewellers and autocatalyst offtake shot new highs in 1992 and should continue to grow with better world economies and increased clean air regulation," he says.
Sasol's Sigma Colliery due for R115m expansion

SASOL Coal's Sigma Colliery would undertake a R115m strip mining venture as an extension to its underground operation, Sigma GM Koos Coetzee announced yesterday.

He said the operation, which was due to start in August, would produce an annual output of 2,3-million tons. Sigma's coal production currently stands at 7-million tons a year.

Coetzee said it was the most viable and economic option to follow to maintain the supply of coal to Sasol One. He said the strip mine expansion was a necessity as the existing underground mine had limited resources, difficult geological conditions and would run out.

"This expansion will ensure long-term production at Sasol One as well as contributing towards the viability of satellite industries and ancillary services in Sasolburg," Coetzee said.

An independent specialist had found no project did not pose any real threat to the environment. Rehabilitation would be done simultaneously with mining.
Coal prices continue downwards

LONDON — World coal prices are continuing to fall steadily as the return of South Africa to the market adds to the oversupply.

South African coal is now selling at about $25 a ton and can be delivered to Europe at less than $33 a ton.

Only a few months ago many European buyers made contracts for coal at this level, free on board, at South Africa's Richards Bay terminal.

South Africa's return to markets in France, Denmark and the US is only part of the problem in the severely over-supplied market.

In addition to millions of tons of uncontracted South African coal looking for buyers, the former Soviet Union has been pushing coal through export terminals in the Baltic and the Black Sea.

As a result Russian coal can be delivered to the UK for $37 a ton, compared with $45 at the start of this year.

If anything, the situation is likely to worsen with the rapid expansion of Indonesian exports now beginning to get into its stride and, from next month, the start of big ship (Capesize) loading at a second Colombo port in Santa Marga from one of Colombia's private coal exporters, Prodeco.

The international market for steam coal is continuing to expand rapidly — a path it has been on since the mid-1970s.

The trouble is that new mine development, and perhaps more important, expansion of output at existing mines through better equipment and more flexible work practices, have proved more than a match for the pace of expanding demand.

The great brake on excess production in years gone by has been strikes, with major disruptions in Australia, Poland and the US keeping price collapses at bay. Years of industrial peace have put an end to this.

It is a reflection of the inability of the industry to keep itself in balance that reports of a likely major strike in the US early next year are being treated as the solitary ray of hope.

Such hope may prove unfounded, however.

A shut-out at one of Canada's major coking coal pits (Westray), coupled with a strike at another (Fording), combined with a roof-fall halting production at New South Wales' Kemble Coal and Coke, have failed to lift coking coal prices as much as one cent — Financial Times
Colliery now faces liquidation

A coal-mining company which owes millions of rand was provisionally liquidated after its parent company brought an urgent application in the Rand Supreme Court yesterday.

Foston Ltd brought the application against Rapphos Holdings, which trades as New Arbor Colliery in Watbank.

Foston board chairman Glenn Laing said in an affidavit that Rapphos owed its parent company R341232 and that its liabilities exceeded its assets by R3 841 240.

Another company, Andru Mining, had already obtained a judgment against the colliery. Liquidation was sought to prevent this company becoming the preferred creditor.

Foston also feared that the premises could be abandoned, leaving it open to theft and vandalism, because Rapphos could not pay employees. The mine also owed royalties to the owner of the property.

Mr Justice P E Stretcher postponed the case to August 11. — Court Reporter.
Coal mine cannot pay salaries

WITBANK coal mine New Arbor Colliery, which has debts of R5.7m and is unable to pay staff salaries due today, was provisionally liquidated in the Rand Supreme Court yesterday.

Rappos Holdings, which conducts its business under the name of New Arbor Colliery near Kendal in the Witbank district, is a wholly owned subsidiary of Foston Ltd which brought the urgent application for the winding up of the mine.

Foston chairman Glenn John Stuart Laing said in an affidavit that Rappos was insolvent with assets amounting to R1 891 000 as opposed to liabilities of R5 732 240.

Laing, who is also a director of Rappos Holdings, said the company owed Foston R3 412 258 on an unsecured loan account which was now due and payable.

A creditor, Andru Mining, which was owed R60 000 had already obtained judgment against Rappos Holdings, he said.

Laing added that the winding up of Rappos Holdings was urgent because the company was unable to pay salaries and wages to employees today.

This meant that employees would refuse to return to the colliery, leaving the company's assets unprotected and vulnerable to theft and vandalism.

The company had also been unable to pay the monthly royalty due to the owner of the mineral rights who was now entitled to cancel Rappos Holding's rights to mine at the colliery.
How well will they mix?

McProf, abbreviated trading name of the group to be formed by the McCarthy/Prefhold merger announced this week, seems as unlikely as the business mix.

Respective chairmen Brian McCarthy and Terry Rosenberg say individual businesses under the proposed McCarthy Prefhold banner will remain highly focused. Combined operations are not envisaged, so don't expect to see the latest motor vehicles in Game department stores or luxury beds in upmarket McCarthy dealerships.

Still, the financial benefits remain vague, especially as financial effects will only become clearer when circula d to shareholders are published in September.

McCarthy and Rosenberg are excited by the deal and list what they consider the more obvious benefits. For investors, gauging future share performance is more difficult.

McCarthy will issue junior and senior convertible debentures to match those already listed by Prefhold, as well as ordinary shares on a four-to-five basis, to acquire 75% of Prefhold's share capital. McCarthy will sell its existing assets to Prefor shares, regrettably effectively becoming a pyramid, and seek a transfer from the motor to the retailers and wholesalers sector.

It's clear that McCarthy, with its solid record for asset management, needed to grow. With prospects for new vehicle sales bleak (despite increasing its share of the new vehicle market to about 14% for the first half, unit sales fell 8% and earnings 12%), it has been actively diversifying.

The 36% holding in Midas was an expansion into related business, but management has continued to look for "significant" opportunities in other areas of retailing. Mass retailing of consumer semi-durables and clothing seems a surprise choice. But McCarthy says the decision was based on Prefhold's strong management and the "exciting potential of the mass market."

For Rosenberg, the opportunity to get the best returns from combined turnover of about R4,5bn is an interesting challenge — which may partly explain his excitement. Since Prefhold's listing, he has shown a creative approach to banking, setting up Firstpref with FNB to carry the HP book.

A similar financing operation could be extended to the motor side, particularly for used car sales, though Rosenberg says close cooperation with the banks will be needed. Prefhold is also understood to be working on an HP insurance package. This, too, could probably be applied to vehicle purchases.

While admitting he still needs to learn about the motor business, Rosenberg says when he sees a product like a new car, he sees a financial package at the same time

Other, more direct advantages will come from rationalising the two computer systems and drawing on Prefhold's data base of 1m clients.

While Anglo ends up with a smaller interest, young and entrepreneurial management come on board. But the real value might be in extending McCarthy's products to the emerging mass market. Leslie Boyd, chairman of Amco, which holds 37% of McCarr, thereof, admits a venture into mass retailing is new for Anglo. But, he says, besides being impressed by Prefhold's management, that's what Anglo considers is the future market.

Prefhold CEO Hymie Sibul seems to get to the point when he says his group can teach McCarthy a lot about selling to the black market. Strange as the bedfellows may seem, the merger has interesting possibilities.

COAL SHARES

Losing value

Coal shares are trading at or near their year's lows as investors accept the message analysts have been trying to get across for months — all is not well on the coal export markets.

Reasons are an oversupply of steam coal which is driving dollar spot prices down, the strength of the rand against the US dollar and imports being made by new competitors into markets traditionally supplied by SA producers.

Spot prices have dropped to around $25,50 fob Richards Bay, compared with contract prices around $30/t — depending on quality — negotiated at the beginning of the year. The steady decline in spot prices has the SA coal companies worried about this year's level of exports and negotiations that will start from about November for contract prices and deliveries in 1993.

Worsening the effect on earnings is the recent weakness in the dollar, which has led to an unexpected strengthening in the rand. The dollar is worth R2,73, when most exporters believed the rate would be around R2,90 and heading rapidly for R3,00.

Amco in 1990 held back coal sales because it thought spot prices were too low and management preferred to leave the coal in the ground. Amco's exports dropped 5,7% to 9,93 Mt for the year to March 1991, from 1990's 10,53 Mt.

Amco chairman David Rankin declines to comment on his group's strategy on spot market sales given present price levels, but the group is forecasting lower attributable earnings for this financial year.

RandCoal CE Allen Cook adds new producer Indonesia is taking business from the SA coal exporters in the Pacific Rim. "They are selling very good quality coal which is almost cashfree for as little as $28/t and they also have a freight cost advantage over us," he says.

All the major SA exporters try to avoid undue exposure to the spot market by selling as much of their expected output as they can on long-term contracts at higher prices. Even here they are coming under pressure. Many of the sales contracts allow the buyer to take lower volumes on option. Buyers are threatening not to exercise the options unless the price comes down because cheaper coal is readily available on the spot market.

Latest threat is the declaration of a dispute between the National Union of Mineworkers (NUM) and the Chamber of Mines over this year's wage negotiations for the colliers. It follows declaration of a dispute three weeks ago by the Council of Mining Unions (CMU) over the coal mine pay negotiations. The CMU is asking for a 12,5% increase against the Chamber offer of 9%, the NUM's demands range upwards from 15%, compared with the Chamber offer ranging from 7,5% to 13,5%.

The NUM and CMU are digging in their heels because, looking at the recent expansion of capacity at Richards Bay Coal Terminal and new developments at various mining groups, they feel the industry can afford to pay high wage increases.

The unions reject the view of coal company executives who maintain that, if they continue to grant unrealistically high wage increases, the coal industry could soon be in the same situation as the gold industry. SA's gold industry went from being on average the world's cheapest producer to the most expensive in a few years.

SA coal executives are watching apprehensively as new producers like Indonesia come on stream at the bottom of the world industry cost curve and steadily push the SA companies into the higher cost brackets.
THE downward spiral of stock on the JSE's coal board gathered pace yesterday, with market leader Amcoa losing 300c to close at R29. Amcoa shares fell nearly 20% in the past month, losing R50 as bearish sentiment on export opportunities for SA producers gripped the market.

A leading analyst said yesterday it was important to note that the sector was thinly traded and often suffered from a lack of liquidity. Shares had overreacted to good news — such as the promise of an end to sanctions from early 1990 to late last year — and the current gloom. The JSE coal index fell nearly 5% or 144 points yesterday, closing at 2,675, its lowest level since March last year.

The analyst said one or two institutions had offloaded much of their holding in coal shares. Bearish sentiment was fuelled by a number of factors. An important concern was that European utilities were cutting back for fear of carbon taxes in favour of cleaner gas fuelled power stations.

At the same time, the prospect that SA exporters would win a much larger share of the international steam coal market with the lifting of trade embargoes was now fading as competition from low-cost, good-quality Indonesian and Latin American products increased. SA companies were also hit by static rand coal prices, as dollar prices weakened and the SA currency remained relatively strong.

He said producers must likely to weather poor conditions were those with low-cost Eskom contracts, such as Randcoal.

Smaller exporters, such as Kangra Coal, Dukker Exploration and Gold Fields coal, would depend on consolidating their hold on niche markets for high-quality low-ash (environmentally friendly) export coal.

The weak export market could temper plans by some coal companies to build a second coal terminal capable of handling 18-million tons a year at Richards Bay. Portnet, had commissioned a feasibility study for the project, and it was understood that Sasol was a key backer.

Portnet officials were not available for comment yesterday on the progress of plans for the “Red Terminal”, but a Sasol spokesman said the state of the export market was not a matter for concern for the group at this stage.

He said that the new Syferfontein colliery, set up to supply Sasol 2 and Sasol 3, would have extra capacity at full production which could be exported. The mine was near full capacity, but the small amount of export quality coal already available was being fed to the petrochemical plants.
Flat earnings forecast by analysts for Trans-Natal

TRANS-Natal Coal (TNC) was expected to report flat earnings in the year to end-June 1992, partly because of weaker world coal prices and adverse exchange rate movements, analysts said in Johannesburg yesterday.

Trans-Natal, SA's biggest coal exporter, is due to release its annual results tomorrow. Most analysts forecast maintained to slightly higher earnings, at 172c to 180c a share, from a previous 172c, and expect the dividend for the full financial year to hold at 75c or increase to 80c.

Key factors will be the level and value of exports achieved, and expected increased efficiencies at its restructured Doornfontein mines, where performance was hit by closure of two power stations in 1991.

James Allan of Anderson Wilson Partners forecast a 14% earnings rise to 190c on higher than expected export volumes.

But Dave Russell, of Irish and Menell Rosenberg, said two factors would hit export gains.

"The rand has appreciated against the dollar, and coal spot prices have plunged from £33 a ton FOB from Richards Bay in its first half to a current £26. There's no way Trans-Natal, due to renegotiate contracts in April, could have received much better than current prices," he said. — Reuters
Trans-Natal dented by doubled tax bill

MATTHEW CURTIN

A steep rise in Trans-Natal's tax bill dented the group's improved performance at the operational level in the year ended June 1992. Trans-Natal sold more coal overseas, won better prices on its international contracts and improved the productivity of its mines.

However, MD Mike Salamon said yesterday the company, SA's largest exporter of steam coal, would not repeat its performance in the current financial year because the local and international economies were so depressed.

Trans-Natal reported a 4.8% rise in earnings to R180.2m from R172.2m a share in 1991/92. The group declared a 6.7% higher total dividend of 80c (75c).

In 1992, total sales tonnage fell to 25.5 million tons from 27.5 million tons. Export volumes rose 6.6% to 11.5 million tons from 10.6 million tons, but local sales fell further to 2.3 million tons (11.5 million) to Eskom and 5.4 million tons (9.5 million) to other inland markets.

Sales revenue rose 5.6% to R1.68m from

R1.45m, with the total cost of sales up only 7.3% at R1.38m from R1.292m.

Operating income rose more than 5% to R228m from R180m as the group's operating profit margin improved to more than 14% from just under 13% last year.

Pre-tax profit increased to R200m from R162m.

To Page 2

Trans-Natal

However, Trans-Natal paid more than double the amount of tax — R56.1m, up from R24.8m. Salamon attributed this to improved profits, an end to export allowances and less favourable deferred taxation benefits. After-tax profit rose to R141m from R127m, and with no extraordinary items in the period, equated to attributable income.

Salamon said exports had contributed 68% of turnover in 1992, compared with 64% last year. The group's sales to Spain and Germany and to Japan increased, but fell elsewhere in the Pacific Rim.

He said international competition was fierce, and with increasing supply from Russia and Indonesia in particular, spot prices were several dollars below the prices of sales contracts the group had secured for 1992. Russian supplies were coming on the market at a dollar cheaper than any other material, but their quality and reliability were not consistent.

In the current financial year, Trans-Natal would be protected from weak market conditions by exchange rate forward covering and because yearly sales contracts ran into the 1993 calendar year.

In SA, Trans-Natal said the group had finally shrugged off the effect of Eskom's closure of its Komati and Camden power stations, which the Koornfontein division had served.

The group's sales of metallurgical coal were hit badly in 1992, particularly by the closure of ferrochrome furnaces and cutbacks in the iron, steel and vanadium industries in recent months.
COAL distributor Macphail's 29% increase in turnover and strong liquidity position enabled the company to increase earnings for the six months to June.

Earnings a share rose by 7% to 18.7c (17.5c) and an unchanged dividend of 5.5c a share was declared.

Macphail, a subsidiary of W & A corporation, increased its turnover to R143m from R119m, but its pre-tax profit increased marginally to R4.81m from R4.75m. Profit after-tax rose by 4% to R2.77m.

CE Sidney Wentrob said the good results in difficult times resulted from the company's strong liquidity position. The fact that it had had R9m on deposit at the end of June helped to contribute to the maintenance in earnings.

However, Wentrob said he expected difficult trading conditions in the second half of the year and predicted that earnings a share would increase marginally at the year end.

W & A chairman Jeff Lobesman said the tighter market conditions had squeezed margins and as a result there was a only a 1% increase in pre-tax profit. W & A owns 63% of Macphail.
Trans-Natal delivers goods

By Derek Tomney (2/15)

The stock exchange has been ringing scared of Trans-Natal for the past seven weeks, knocking its share price by 36 percent from R136c to R90c.

But year-end profit figures from this major coal producer issued today suggest the sharp price fall may have been overdone.

Chairman Mike Salamon reports that Trans-Natal increased pre-tax profit by 23.3 percent to R199.7 million in the year to June.

However, the increase in profit and changes in tax laws caused the tax charge to more than double from R34 million to R86.1 million.

The higher impost limited the rise in taxed profit to four percent — from R157.1 million to a record R163.6 million.

Earnings a share were static at 180.2c (130.4c) But with cash in hand, this has not stopped Trans-Natal from increasing its final dividend from 53c to 57c.

It brings the total dividend payment for the year to 80c, against 75c last year.

This puts Trans-Natal shares on a highly attractive 8.9 percent dividend yield and a 20 percent earnings yield.

The improved earnings are mainly the result of increased export sales, which rose almost seven percent to 11.3 million tons.

Mr Salamon says this was largely the result of greater demand and market share in Spain, Germany and Japan.

The bad news is that he does not think Trans-Natal will be able to maintain current earnings in the 1993-94 financial year.

Spot coal prices have been depressed by the downturn in the world economy and offers by Russia and Indonesia of significant quantities of low-cost coal.

This has negated any short-term benefits South Africa might have received from the lifting of sanctions. It could also affect the 1993 coal price.
Chamber, NUM clinch deal for coal mines

THE Chamber of Mines and the NUM have settled on wage increases for coal mines which range from 7.5% to 15.1%.

The NUM's assistant general secretary Marcel Golding said its negotiating team had recommended its members accept the offer.

This was because of the "circumstances in the coal industry and our country today".

The wage settlement varied widely between the mining houses. Average wages were 12% at Amcoral, 12% at Trans-Natal, 11% at Douglas and Duker, 9% at Goldfields and 8% at JCI and Iscor.

All collieries agreed to increase employer contributions to the provident fund by 1%, bringing their total contribution to 6%. However, Goldfields will only make this contribution if its employees also pay an extra 1%.

Amcoral, Trans-Natal and Randcoral have also agreed to discuss an agency shop with the NUM.

The Chamber, for both gold and coal mines, will now give shaft stewards five days paid leave for NUM training courses, pay for the last shifts of NUM national negotiators, and encourage mines to employ full-time stewards and to enter into arbitration for dismissal cases.

The NUM will also have a representative on the board of the Rand Mutual Assurance company which pays benefits to injured workers and their families.
now a model mine

WHITE and black miners and their families live and work side by side in harmony on the biggest colliery in South Africa.

A township for lower-income married couples and the hostels for mineworkers at Durnacol Colliery, near Dassiefontein, was once reserved for blacks.

The 3 000 miners work shoulder-to-shoulder and many whites are doing jobs underground that were once reserved for blacks.

A proud white miner recently became a "shift boss"—at one time a person holding this position was called a "boss boy".

Until now mines have tended to be hotbeds of racial friction.

But at Durnacol all that changed when 2 000 black miners were fired in March after staging an illegal strike and allegedly holding a number of white and Indian miners hostage underground.

At the time the black miners claimed there was racial discrimination on the mine and there had been a number of unfair dismissals.

But management said the miners were unhappy because they had expected massive increases this year.

After the mass dismissal, the word went out that there would be no work at Durnacol and more than 10 000 people from all over the country made their way to the miners' village. Many of them were whites who had lost their jobs and owned virtually nothing.

According to Durnacol's personnel manager, Mr. Hennene Nel, the miners were tested for jobs regardless of "race, sex, religion or political affiliation."

He said Durnacol was leading the way for the rest of the industry and many other mining companies.

Mr. Nel said, "We have been running a programme to eliminate racial discrimination for two years. All reference to race has been wiped from our computers."

"I think this new way has tremendous potential. In just three months our new staff has made up 60 percent of our production."

Mr. Nel said workers on the mine met every morning to discuss any personnel problems they had with their immediate supervisors.

They were allowed to grade their supervisors' performance and communication skills.

One shift boss allowed his mostly black section leaders to investigate any mine injuries rather than bring in senior specialists.

Mr. Nel said everyone on the mine would go on a three-day course in groups of 30 with a specially trained "trans-cultural facilitator."

"Everybody is living in harmony but the cultural programme is to make sure there are no lapses," he said.

Things started changing on the mine about two years ago when three clubs on the mine opened their doors to everybody.

Now people seem to be getting on fine in the township for the mine's lower-income workers.

Operator Dave Jacobscheld, 35, moved from Durban in April.
COMPANIES

Green light for coal terminal study

A CONSORTIUM of coal producers had given the green light to a feasibility study into the construction of a second coal export terminal at Richards Bay, Sasol spokesman Jan Krynauw said yesterday.

The South Dunes Coal Terminal, as it would be called, would have an initial capacity of 18-million tons a year.

The study, commissioned by the Coal Export Joint Venture, would be completed by June next year, Krynauw said.

Members of the venture are Agcenco, Anglovaal Coal, Durban Exploration, Gold Fields Mining and Development, Iscor, McPhail, Sasol and Tseleents Mining.

He added that a terminal had been secured, but joint Venture chairman Peet Steyn said although current coal prices were low, the proposed export would make a large contribution to foreign exchange earnings.

The Richards Bay Coal Terminal has an annual capacity of 55-million tons and is jointly owned by Amco, Randcoal and Trans-Natal.

Amco chairman Dave Rankin said in this year's annual report there were dangers in over-estimating the extent of the share of the international coal markets SA exporters could reasonably command.

His views were echoed by Trans-Natal MD Mike Salamon, who said any addition to SA's exports would not be beneficial to coal price developments.
2nd terminal for Richards Bay?

JOHANNESBURG. — A consortium of coal producers has given the green light to a feasibility study into the construction of a second coal export terminal at Richards Bay, Sasol spokesman Jan Krynauw said yesterday.

The South Dunes Coal Terminal, as it would be called, would have an initial capacity of 10-million tons a year.

The study, commissioned by the Coal Export Joint Venture, would be completed by June next year, Krynauw said.

Members of the venture are Agipcoal, Anglovaal Coal, Duiker Exploration, Gold Fields Mining and Development, Iscor, McPhail, Sasol and Tscelentis Mining.

He added raling capacity to Richards Bay and terminal land had been secured.

Joint Venture chairman Peet Steyn said although current coal prices were low, the proposed exports would make a large contribution to foreign exchange earnings.

The Richards Bay Coal Terminal has an annual capacity of 53-million tons and is jointly owned by Amecos, Randcoal and Trans-Natal.

Amecos chairman Dave Rankin said in this year's annual report there were dangers in overestimating the extent of the share of the international coal markets SA exporters could reasonably command.

His views were echoed by Trans-Natal MD Mike Salamon who said any addition to SA's exports would not be beneficial to coal price developments.
LAGOS - Representatives of a South African mining company are in the south-eastern Nigerian state of Enugu to discuss exploiting coal and other mineral resources, the News Agency of Nigeria (NAN) said yesterday.

The agency said a six-man delegation from Terra Exploration and Development Company which arrived on Monday was also interested in supplying mining equipment.

South African businessmen had talks in Lagos in May and another team is expected this month.

Len Hindmarch, managing director of Terra Exploration, told NAN the company had facilities to exploit coal and other minerals and to manufacture coal-handling equipment. - Sepo-Reuter.
COAL EXPORTS

New terminal study

Investigations into the feasibility of constructing a second coal export terminal at Richards Bay are moving ahead. Referred to as the South Dunes Coal Terminal, the new facility will have an initial capacity of 10 Mt.

Sasol assistant GM Peet Steyn says a joint venture committee has been established which embraces representatives from Anglo Coal, Anglovaal, Duiker, Gold Fields Mining, Iscor, MacPhail and Tseletseng Mining. Sasol has taken the lead role.

Steyn says the joint venture has secured rail and road capacity to Richards Bay from the Transvaal coalfields from Transnet, as well as a suitable site in the area of the port. However, he confirms that an alternative would be to expand the existing Richards Bay Coal Terminal (RBCT) facility, privately owned by the existing major exporters. "We will be involved in discussions with representatives of the RBCT," he says.

The inability of RBCT to satisfy the requirements of independent coal producers seeking to break into the export market has long been a bone of contention in the industry. Sasol, one of SA’s major coal producers, has for some time been examining the possibility of turning to account its higher grade deposits by exporting.

RBCT has an export capacity of about 53 Mt a year, all of which is already allocated. The most recent expansion of the RBCT facility from 44 Mt to the present level cost about R285m. Steyn declines to be drawn on any early estimates for the proposed new terminal.

It is estimated the South Dunes terminal study could cost up to R1m and will be completed by June next year. Steyn says he estimates the construction period for the proposed terminal to be about two years from the time a decision to proceed is taken.

David Gleason

FM 21/8/92 (215)
THE Competition Board is to investigate restrictive practices in the wholesale coal distribution sector following complaints against MacPhail Holdings.

The board said yesterday complaints had been lodged "that MacPhail has now reached a position where it is the dominant company in this market segment and is involved in practices which are aimed at strengthening this dominant position."

For the purposes of the investigation, the market excluded the supply of coal to Eskom, Iscor and Sasol.

MacPhail CEO Sol Weintrob said he did not believe the probe was justified.

"A lot of our competitors are saying we are growing a bit more than we should," Weintrob said, adding that competition was particularly fierce in the coal distribution industry's current difficult conditions.

MacPhail is SA's largest coal distributor and its turnover increased 20% in the six months to end-June, despite lower domestic coal consumption and increased pressure on export volumes.
Coal accord gives a warm glow

By MONDLI MARHANYA

The Chamber of Mines and the National Union of Mineworkers yesterday signed a wide-ranging settlement for the coal mining industry which will protect sick or injured workers from unilateral dismissal and give the union representation on the Rand Mutual Assurance Company.

The settlement, which followed the declaration of a formal dispute by the NUM, grants pay rises of between 7.5 percent to 15.1 percent for the different groups. The NUM's opening demand was for 20 percent.

Major progress was also made in the area of the elimination of free-riders — non-union members who benefit from union negotiated deals. Several houses have undertaken to discuss this further with the NUM. The two parties are also going to discuss the revision of the Occupational Safety Act, which gives white miners more compensation than black miners suffering from the same disease.

Featuring prominently is an agreement to give the NUM representation on the Rand Mutual Assurance Company, which deals with compensation for workers injured on the job.

But the most significant aspect is that the union will be consulted before sick or injured workers are dismissed.

A "principles and values clause" in the agreement will set in place rehabilitation programmes that allow employees to recover from injuries or sicknesses while retaining their jobs.

Other areas of agreement include an increase in the Employer Provident Fund contribution from five to six percent, the payment of workers involved in negotiations, increased paid leave for shift stewards, and the elimination of the five percent union subscription administration fee.
Coal miners score historic wage deal

By Thabo Leshilo
Labour Reporter

The National Union of Mineworkers (NUM) and the Chamber of Mines yesterday signed an historic wage agreement with far-reaching implications for the welfare of about 400,000 miners in the coal industry.

The results of four months of intense negotiations, the agreement was signed at the chamber's Johannesburg head office.

The agreement provides for wage increases ranging between 7 and 15 percent and major improvements in the chamber's contributions to employee retirement benefits, as well as life and funeral benefit insurance.

Most importantly, the document contains comprehensive agreements on principles and values applicable to employees with statutory occupational diseases and injuries suffered on duty.

"It breaks new ground," said the chamber's industrial manager, Adrian du Plessis. NUM's Marcel Golding concurred.

The implementation of the agreement has been backdated to July 1 this year. The main points are:

- Coal mines in the Gold Fields group which recognise the union will increase workers' holiday leave allowance from 80 percent to 82.5 percent of basic pay.
- The chamber's contribution to the Mineworkers' Provident Fund will be increased from 5 to 6 percent.
- The parties recognise the important role of full-time shift stewards and will discuss their appointments.
- Mines that recognise the NUM shall grant five days' paid leave a year to shift stewards to enable them to attend trade union courses.
- Mines will pay union delegates for shifts not worked due to their attending meetings between the NUM and the chamber for industry-level negotiations. Delegates should give prior notice and their release will be subject to the mine's operational requirements.

The chamber has agreed to representation of the union on the board of directors of the Rand Mutual Assurance Company, which compensates miners.

The parties will make representations to the Department of Manpower to secure changes to the structure and procedure of the Industrial Council to expedite the handling of cases involving individual dismissals.

The parties will make joint representations to National Health Minister Dr Rina Venter to expedite the revision of the Occupational Diseases in the Mines and Works Act.

The parties hope to sign a similar agreement for the gold mining industry.
Taxi routes close in violent E Cape clashes

PORT ELIZABETH. — Taxi operations in the black townships of Uitenhage in the Eastern Cape have been suspended following violent clashes between rival groups over the use of routes.

The feud has been simmering for months.

An Uitenhage police spokesman described the situation as “terrible”, but said calm returned yesterday after meetings between police, representatives of the two taxi associations and political organisations.

Bus services have been increased to help stranded commuters. — Sapa
Speculation on Australian mine deal by Trans-Natal

Natal, if it was injected with badly-needed capital, and new management revamped its marketing division and cut costs.

Oakbridge produced 8.6-million tons of steam and soft coking coal in the year ended June 1991, of which it sold 8.1-million tons. It was the biggest Australian exporter of steam coal after CRA BHP exports mainly coking coal.

Oakbridge’s turnover stood at A$450 million 1991, with after-tax profit of A$14 million.

The source said Oakbridge had to buy an nearly 1.1-million tons of coal in 1991, to blend with its own production to meet customers’ quality specifications. Its Bial long mine had run into a patch of high-sulphur coal, and the buy-ins hit Oakbridge’s profits. However, the problem could be remedied by upgrading the Saxonvale mine’s washing plant to provide the right blending material.

Oakbridge also owned the Bulga prospect, next to Saxonvale, which had large good quality open-cast reserves.

He said Oakbridge had changed in character in the past five years.

“The two biggest plusses at Oakbridge are the new Bulga mine, which has the potential to produce 7-million to 8-million tons of coal, and its ability to replace the buy-in tonnage which will improve profits significantly,” the source said.

Oakbridge shares were trading at A$3.65 this week. Trans-Natal stock was untraded at 99c on the JSE yesterday.

Gencor had a minority stake in the company in the early ‘80s when it was a smaller operation based on the Bial Bine and Clarence mines in western New South Wales. Gencor sold its stake in 1981 because the group was not receiving adequate returns on its investment.

An Australian market source said yesterday that Oakbridge would be a sound long-term investment for a group like Trans-Natal.
Coal exports the key to Sasol’s future growth

SASOL, SA’s second largest coal producer, sees local and increasingly export coal sales as a key to securing the petrochemical group’s long-term growth, says Sasol Mines GM Carl Cloete.

Cloete said yesterday that the construction of a new 10-million ton a year export coal terminal, backed by Sasol and a number of other small coal producers, best suited the group’s export ambitions.

Even so, talks were continuing with Richards Bay Coal Terminal (RBCT) partners about the possible allocation of some of the terminal’s theoretical 55-million ton a year capacity to Sasol.

A Rim feasibility study evaluating the new South Dunes Coal Terminal is expected to be complete in June next year, and Cloete said the project partners were about to appoint a project manager to oversee the study. The South Dunes project, formerly known as the Red Terminal, has come under fierce criticism from the RBCT partners, concerned that new exports would worsen the already sluggish export trade.

Sasol’s Secunda and Sigma collieries produced 41-million tons of coal in 1993/94, marginally less than the 43-million ton output from the country’s biggest producer Anglo American Coal Corporation (Amcor).

Cloete said production met demand for coal from Sasol 2 and Sasol 3, but speedy development of the new open-cut Syferfontein mine and expansion of underground operations at the other Secunda mines would give Sasol spare capacity.

Development of Syferfontein was complete but the mine would reach full production of 6-million tons a year only by the 1994/95 financial year, from current output of 5.5-million tons.

Sasol was evaluating plans to build a new multimillion-rand washing plant to upgrade some of Syferfontein’s production and new underground output from Secunda for export.

The washing plant and excess production from Syferfontein would leave the group with 3-million tons a year of coal available for export. That, combined with the improving productivity at the collieries, which Cloete said were the most productive in SA, provided the basis for Sasol’s expectations that coal exports would be an area of real growth for the company.

Cloete said current market conditions were not good in the export coal sector, but the new coal terminal would be carefully evaluated and by the time it was likely to be built, he was confident that “natural market forces” would have improved the international supply/demand balance.

Frankel, Max Pollak, Vinderme analyst Kevin Kartun said Sasol had its sights on exploiting the export coal market in earnest from the mid-’90s.

As the owner of some of the lowest cost coal mines in the world, enjoying the benefits of economies of scale, and with its long experience in coal mining, Sasol was well placed to capitalise on improving market conditions in a few years’ time, Kartun said.
Fraser Alexander pays a mint for a lesson

by JULIE WALKER

It was rapped off to the tune of R3-million by staff members. That was taken on the chin, although the R1.5-million cost of closure was written below the line.

The construction division at Venetia diamond mine sacrificed R1.5-million in the face of competition for the main tailings dam contracts.

Finally, although this too might not be a disaster if new contracts are secured, R2.5-million was spent on research and development for discard handling.

Mr. Flack put the losses at R12-million—twice the amount financial director Les Maxwell arrived at through a different perspective.

On turnover of R36-million and pretax income of R26-million, R12-million is a big knock. Nothing ventured.

Mr. Flack says the group is likely to do a deal with West Rand Cost—an old gold mine facing closure. Fraser Alexander might be able to milk the last value from the mine more efficiently than current manager Gemlan.

If it succeeds, other mines are reaping for the picking in the next few years and it could be a whole new line of work for Fraser Alexander.

As it moves into new fields, so too does competition from other companies ruse when times are hard.

"When civil engineering companies catch a cold we get pneumonia because they undercut us on certain quotes and shirk margins. The bad news is that we don't get the work, but the good news is that they don't make any money out of it, and don't do such a good job."

Mr. Flack concedes that Fraser Fyfe suffered a setback in not landing Evenet. But Fraser Fyfe was still one of the year's success stories. It successfully introduced an ore-pass system new sought by gold mines.

Concrete lavatories are another winner.

But traditional work in recycling piping and culverts is a cause of frustration. Mr. Flack says the money, projects, and capacity are all there, but it is impossible to work in townships. Even the concrete foundations are stolen overnight.

Other things happen outside management's control, such as the three-month closure of Sanganor's ferrochrome plant which meant lower coal sales for Fraser Alexander. It is hoped that that was also a one-off.

Waste-Tech, last year's acquisition, performed beyond forecasts after management was tightened. The whole environment clean-up offers opportunities. Nobody in the world makes money out of recycling, except where a material of high inherent value, such as gold, platinum or diamonds, is concerned.
Coal group's earnings dip

EDWARD WEST

FRIGATE Holdings continued to suffer losses in the six months to end-June 1992 ahead of plans to deleter the coal group (2.15m).

Its results, which showed turnover down to R55.5m from R33.7m, were not comparable with those of the corresponding period last year because of the disposal of the contracting division effective from June 30 1991.

The group reported operating losses of R19.95m, which translated into earnings losses of 59.9c a share. The dividend was passed.

Directors reported that losses resulted from the oversupply of coal and poor metal and coal markets, compounded by a contract for the open cast mining of Frigate's reserves.

Subsequently, the open-cast mining contract was cancelled which resulted in an extraordinary loss of R17.5m. Coal mining activities had ceased and would only restart once there was sufficient demand.
Big leap in earnings for Scharrighuisen group

CONTRACT mining and plant hire group Scharrighuisen has reported a 25.3% leap in earnings for the six months ended June to 37.3c a share from 29.8c in 1991.

Scharrighuisen declared a 25% higher interim dividend of 12c (9c) a share, and announced it was planning to re-organise its corporate structure, to improve prospects of further growth and “unlock wealth to shareholders”.

Joint MD Laurie Fisher said the restructured group would consist of a holding company and two operating subsidiaries, holding its mining and industrial interests.

Shareholders would receive a dividend in specie in terms of JSE requirements, and they should exercise caution in their share dealings until another announcement was made.

Scharrighuisen stock closed untraded at 325c yesterday, just off a year-high of 400c compared with a recent low of 290c in mid-July.

Fisher said in a statement yesterday that the group “achieved excellent interim results which reflect its continued growth and momentum, despite the prevailing economic conditions. The group’s main business in contract coal mining and the rehabilitation of collieries, but it has ventured into open cast gold mining for Consolidated Minning Corporation subsidiary West Wits.

Turnover rose 26% to R52m from R38m at the interim stage last year. Pre-tax profit rose 31% to R14m from R10m, and with only a small increase in its tax bill, Scharrighuisen’s after-tax income increased 46% to R10m from R7.3m.

The group’s bottom line was boosted by a R16m extraordinary item, compensation stemming from renegotiated contracts which it had “with certain parties”.

Scharrighuisen acquired the plant hire division of the troubled Frigate group last year, and began mining the group’s coal mines

However, Frigate said yesterday it had stopped coal mining, having renegotiated its cancellation contract at a cost of R17m.

Fisher said Scharrighuisen had strengthened its balance sheet in order to minimise any possible effects of the current recession.

Shareholders’ funds were increased to R89m from R66m, reducing gearing overall to 32% from 43%, although long-term liabilities increased to R28m from R26m. Assets rose to R16m from R17m, against liabilities of R8.6m (R7m).

Meanwhile, the JSE agreed yesterday to the delisting of the Frigate at the request of its directors.

GM Richard Connellan said there was no reason for the exchange to stand in the way of delisting, given Frigate’s parlous financial position.

The company reported a R28m interim loss, and has large debts
Rand Mines considers plan to restructure

RAND Mines yesterday cautioned shareholders that a restructurin of the group was being considered.

The announcement, issued simultaneously in London and Johannesburg, followed closely on the heels of an earlier disclosure that the group was to vacate its historical Corner House headquarters in downtown Johannesburg.

The move will see coal division Rand Coal moving to Illovo, north of the city, while the gold division will move to Edenvale in the east.

Analysts said yesterday the cautionary could be a prelude to the unbundling of the group or a major financial restructuring in the wake of the splitting of the divisions.

Rand Mines’ chairman John Hall said last night that a full statement on the proposed restructurin would be issued by the middle of next week, but he would not comment further.

“If obviously cannot say anything ahead of shareholders being informed,” he said.

Rand Mines’ largest investment is in Randcoal. An analyst said the net asset value of the Rand Mines share was R30, of which Randcoal accounted for R24 and coal mineral rights about R11, while the balance was made up of interests in Harmony, Blyvooruitzicht, Durban Deep, ERPM and Barplata.

He said it looked as if the 100-year-old mining house could soon be dismantled, adding that shareholders stood to be offered 4.38 Randcoal shares for each Rand Mines share at the current value.

In an interview conducted before the release of the cautionary, gold division CEO John Turner said Rand Mines’ debt-laden East Rand Proprietary Mines (ERPM) could repay its loans before 2002, the date set down by the Molamet commission.

Turner said he was “optimistic” about ERPM’s future and said with reasonable projections in the gold price a “very feasible scenario” could work out.

On the outlook for Rand Mines’ other gold mines, Turner said the mines were efficient but suffered from low grades.
Trans-Natal foreign deal still in the air

By Derek Tomney

Trans-Natal, one of South Africa's biggest coal producers, is not yet in a position to say whether its negotiations to buy a foreign company will come to anything, chairman Brian Gilbertson says in his annual statement to shareholders.

On September 3 Trans-Natal issued a cautionary notice advising shareholders that discussions about a takeover of a foreign company had been held, but that it was too early to say whether anything would materialise.

However, shareholders were advised to exercise caution in their dealings — another way of saying “don’t sell your shares unless you have to”.

Mr Gilbertson says the cautionary was issued after press speculation about a possible Australian acquisition.

The position detailed in the cautionary remains unchanged.

He says the outlook for South Africa's R5 billion a year coal export industry is deteriorating and that Trans-Natal does not expect to maintain earnings this year.

Trans-Natal exported 11.2 million tons in the 1991-92 financial year, and is obviously concerned about the trend in overseas prices.

Mr Gilbertson says prospects for exports in the new financial year are less favourable than in the previous one.

The depressed state of the major world economies and the increased supply of Russian and Indonesian coal have depressed prices in the spot market.

Trans-Natal has sold already sold a material portion of its export sales at more favourable prices and exchange rates than those now ruling.

But the company will not be able to maintain its current earnings in the 1992-93 financial year.

Coal-washing

As a result, it is possible that the proposed construction of a coal washing facility at Koornfontein may be deferred, so that total capital expenditure will not exceed R200 million.

Managing director Mike Salmon says the removal of sanctions has re-opened markets in France, Denmark, Germany, Holland, Japan and Korea.

But South African producers have not been able to benefit in the short term because they were not able to participate in the contract negotiations at the end of 1991.

He is optimistic about the outlook for exports after 1993, but says a price increase of $5 to $10 a ton is needed to justify any extra investment in coal production.

He warns that premature additions to South Africa's exports by way of the mooted "Red Terminal" could delay these price increases.
COMPANIES

Trans-Natal reports earnings will drop

TRANS-Natal would not be able to maintain its present earnings in the 1992/1993 financial year, chairman Brian Gilbertson said in the group’s annual report.

Consideration was also being given to deferring construction of the new washing facility at Koornfontein, so that capital expenditure would not exceed R200m, he said. Capex was budgeted at R215m for the 1992/1993 financial year.

Gilbertson said prospects for the year were less favourable because of lower prices in the spot markets. This was as a result of a significant increase in coal availability from Russia and Indonesia, and the depressed state of the world’s major economies.

He said the group’s position regarding an acquisition in Australia remained unchanged since the cautionary announcement on September 3. Speculation that Trans-Natal was to take control of Oakbridge Coal led to the cautionary which stated it was too early to indicate whether a transaction would materialise.

MD Mike Salamon said that capex was contained to R161m last year, about R160m below budget. Capex at Koornfontein this year would be R170m, which would be spent on the purchase of underground mining equipment.

Optimum Colbery’s capex requirement for the year was R40m and would go towards infrastructural work in the Pullenshope reserve block.

Salamon said it was pleasing to note that capex on modernisation and mechanisation had borne fruit as Gloria was now SA’s most productive mine.

Growth in SA’s coal sector had been deferred for many years as a result of Eskom’s overcapacity, but the expansion at Koornfontein would enable Trans-Natal to utilise its share at the Richards Bay Coal Terminal, he said. Sales to Eskom fell by 12% to 9.6 million tons.

Salamon said recent movements in the export steamcoal spot price and the rand/dollar exchange rate had not improved Trans-Natal’s prospects for short-term financial improvements.

However, he said some of the negative effects of the coming year would be outweighed by the high proportion of contract sales already priced, as well as the prospect of new long-term contracts with forward cover of R304m for 1992.
Bleak time ahead for coal exports industry

DEREK TOMMEY
Weekend Argus Correspondent

JOHANNESBURG. — Trans-Natal, one of South Africa's biggest coal producers, is not yet in a position to say whether its negotiations to buy a foreign company will come to anything, says chairman Brian Gilbertson in his annual statement to shareholders.

On September 3, Trans-Natal issued a cautionary notice advising shareholders that discussions about a takeover of a foreign company had been held, but that it was too early to say whether anything would materialise.

However, shareholders were advised to exercise caution in their dealings — another way of saying "don't sell your shares unless you have to".

Mr Gilbertson says the cautionary was issued after Press speculation about a possible Australian acquisition. The position detailed in the cautionary remains unchanged.

He says the outlook for South Africa's R5-billion a year coal export industry is deteriorating and that Trans-Natal does not expect to maintain earnings this year.

Trans-Natal exported 11.2 million tons in the 1991-92 financial year and is obviously concerned about the trend in overseas prices.

Mr Gilbertson says prospects for exports in the new financial year are less favourable than in the one gone by.

The depressed state of the major world economies and the increased supply of Russian and Indonesian coal have depressed prices in the spot market.

Trans-Natal has sold already sold a material portion of its export sales at more favourable prices and exchange rates than those now ruling.

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But South African producers have not been able to benefit in the short term because they were not able to participate in the contract negotiations at the end of 1991.

Mr Salamon is optimistic about the outlook for exports after 1993, but says a price increase of R5 to R10 a ton is needed to justify any extra investment in coal production.

He warns that premature additions to South Africa's exports by way of the mooted "Red Terminal" could delay these price increases.
COMPAANIES

Activities: Mines and markets coal products.
Control: Zimbabwe Government
Chairman: N Kudenga; MD O K Bwenshona.
Capital structure: 25.3m ords. Market capitalisation. R20.2m
Share market: Price 80c. Yields 20% on earnings, p/e ratio, 3.4. 12-month high, 116c; low, 90c. Trading volume last quarter, nil shares

Year to Feb 28

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<th>Year</th>
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<td>Net worth (Rc)</td>
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<td>393</td>
<td>598</td>
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</table>

hardly surprising the dividend (Z1.5c last year) has been passed
Chairman N Kudenga relates the tale in his statement: In 1991, Wankie applied for a price increase of 22.5% to take effect from March of that year. This was in response to Zimbabwean government decrees which devalued the currency, increased interest rates and lifted price controls in some areas (but obviously not for Wankie's product). The result, laments Kudenga, was that operating
costs increased drastically "The overall financial performance of the company was and continues to be adversely affected"
The price increase, when it was granted, was for only 17.5% and it became effective four months late. Wankie then applied for a supplementary increase, this time of 38%
That was rejected. However, a 45% price increase has now been granted with effect from March this year.
All this is bewildering, illogical and tardy. If it illustrates anything, it is the folly of allowing ignorant civil servants the right to meddle with the pricing mechanisms for essentiel commodities.
Kudenga is careful not to make any predictions for the company's performance over financial 1993. However, he does catalogue the country's woes: poor past economic performance has been worsened by the drought, the need to move vast quantities of imported maize by rail is affecting coal shipments and electricity supplies are being curtailed.
The Hwange Power Station, the country's largest, has been described by one expert as an accident waiting to happen, ever since an extraordinary foolishness allowed coal dust to contaminate the boilers. Of course, that is not Wankie's problem directly, as it merely supplies the fuel, but it highlights Zimbabwe's chronic difficulties - at a time

WANKIE COLLRIEY
Not a stunning success

Twenty years ago, Wankie Colliery was rocked by a colossal underground explosion at the Kamandama shaft - 427 men were killed, among them some senior Anglo American coal mining staff. Two decades later, this colliery, which mines a deposit of unusual richness, is facing financial problems at least as serious as those which, differently, confronted it in 1972 (2.15)
The latest annual report — for the year to end-February and released rather late — shows that total raw coal mined was 5.8 Mt, an increase of 4% over 1991. Turnover rose 13% to ZS213m, but net profit fell a frightening 37%, to ZS222m. Given the need to repay ZS20m of long and medium-term loans this year and to embark on a capital expenditure programme of ZS103m, it is

COMPANIES

when drought has crippled the hydro-electric station at Kariba, the country's most significant thermal producer is delivering barely half its rated capacity, with dire consequences for industry and commerce
The counter is priced in Johannesburg — when it trades, that is — at around 80c, which gives it a p/e of 3.4, generous in the circumstances. In fact, the share has not traded on the JSE in the past three months and it managed a paltry 64 000 over calendar 1991. That says it all, who needs it in a portfolio? Anglo American Corp must be glad not to be involved any longer in an operation which should be, and patently is not, a stunning success

David Gibson
SA steam coal exporters are cutting each others' throats in a scramble for new markets and thereby further depressing already weak export prices, the Mining Journal reported in its latest issue.

In the report Trans-Natal acting CEO Bobby Jurd said exports were expected to decline this year as a result of weak prices, uncompetitive freight rates and the SA authorities' decision to lower interest rates and their refusal to devalue the rand.

Jurd said he did not see any significant short- to medium-term growth in the SA's domestic coal market as sales remained steady at 130 million tonnes a year since 1988 and Eskom had indicated that no new tenders for coal would be put out until 2010.

However, SA Shipbrokers MD Pieter Sowerby believed the export tonnage this year should be 49 million tonnes against 46.5 million tonnes in 1991. “Previously there had been a fairly East-West regional spread of SA exports but SA was now sending 65% of its exports to Europe.”

Trans-Natal, Randcoal and Amcoal are SA's three largest exporters fulfilling 60% of the export total. The report said Amcoal and Randcoal would become less dependent on the export market as a result of contracts to supply Eskom's power stations under construction.

But the report said an “additional headache” for the three major exporters was Sasol which had satisfied its domestic requirements and was now looking at exporting.

Sasol, together with seven other producers, announced the formation of the Coal Export Terminal Joint Venture (Coalex) in mid-August. Sasol had originally wanted to join the Richards Bay Coal Terminal (RBCT) but this had been blocked.

After the announcement of the proposed Coalex development, the RBCT consortium offered Sasol participation in an expansion project at the existing Richards Bay terminal.

Randcoal's marketing director Robin Turner said “The door is not closed to Sasol. The greenfield development is still a valid option.”

The line taken by the RBCT consortium was that the establishment of additional coal export facilities, either through RBCT or Richards Bay, would require a careful assessment in the light of world oversupply of coal and weak demand.

The consortium would also have to look at giving part of their share at the terminal to Sasol, which would not be beneficial if the price rose.

Randcoal financial director Ferguson McLeod said the RBCT partners were unwilling to let Coalex into the terminal because of fear for their own shares in future exports.

Sasol, however, remained committed to its coal export programme, which was part of an overall group export drive. The report said GM Chris Cloete believed that while world markets were not good at present, by the time the new terminal was likely to be built, natural market forces would have improved the balance between international demand and supply.

Sowerby suggested it would make more sense if Sasol joined RBCT and expanded that terminal until Sasol's exports could be dealt with rather than build a new terminal.

He added that SA coal was too expensive and a stockbroker's report to be released soon was expected to confirm that SA producers would not be able to make money next year with prices under $25/tonne.
UK colliery closures open door to SA coal

MATTHEW CURTIN

BRITISH Coal's decision to shut 31 collieries confirmed SA coal exporters' confidence that Europe would become their key export market in the 1990s, industry sources said yesterday.

However, they said the planned closure of the coal mines by March next year would not lead to "windfall export sales", although it was a reflection of the accelerating demise of the European coal mining industry.

Trans-Natal MD Mike Salamon said Britain's two power utilities, National Power and Powergen, had huge coal stocks standing at 50- to 60-million tons, equivalent to a year's supply.

He said the British energy industry was turning increasingly to natural gas, as a cleaner burning fuel, for electricity generation.

"There will be an increase in British coal imports, but not on the scale of the supplies lost through mine closures because of these factors," Salamon said. Trans-Natal had held discussions with National Power and Powergen but "nothing substantive" had emerged with regard to new sales contracts.

Randcoal CE Allen Cook said the British Coal closures "would not have much of an impact" because of the shrinking of Britain's coal market. The effect on Randcoal's exports would be "marginal if not negligible".

He said Britain lacked adequate coal import facilities - plans to build a bulk handling plant at Immingham fell through before the recent general election.

Frankel, Max Pollak, Vanderline analyst Kevin Kartun said the development was significant in the longer term with the phasing out of subsidised coal production in Europe and expected growth in electricity consumption.

Factors working against coal were the trend towards gas-based power stations and the environmental disadvantages of coal-powered electricity generation and the threat of carbon taxes.

* See Pages 5 and 8
SA coal is from exporters confident

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However, industry sources said there would be no "windfall export sales".

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News of the closures and a slide in manufacturing output in August hit sterling yesterday.

Comments from the Bundesbank suggesting that a cut in interest rates may be delayed added to the currency's problems. The pound slumped 3.23 pfennigs to DM2.4933 and also lost ground to the dollar, closing almost half a cent lower at $1.7110.
Randcoal profits from sharp increase in sales

LARGE increases in local and overseas coal sales fuelled a 37% increase in Randcoal’s attributable earnings in the year-ended September 1992.

However weak export prices knocked second-half profits, which failed to meet management’s interim forecast of maintained second-half earnings.

In addition, earnings a share fell 9% because of the larger number of shares in issue. Randcoal declared an unchanged total dividend of 60c a share.

The group reported attributable income of R172m, up from R146m, but a year ago issued 24,5-million shares in payment for the acquisition of Cormgroup (Jupiter) Investments and some operating coal rights.

Earnings a share fell to 168c from 186c.

CE Allen Cook said in a statement yesterday earnings would be diluted again in the current year with the restructuring of Rand Mines. Randcoal planned to acquire all the former mining house’s coal rights and shares in investment company Delagoa Bay.

He said Randcoal would thereby gain control of Rand Mines’ management agreements with Randcoal’s mining operations as well as Eskom supply contracts to the Khutala and Majuba power stations.

“This will result in an accrual of income to Randcoal which will offset the cost of establishing the various services previously provided Rand Mines,” Cook said. The assets would be acquired in exchange for the issue of 26,5-million new shares, valued at R225m using a share price of 850c.

Cook said: “Although the acquisition will lead to a dilution in earnings in the short term, the board is confident this will be outweighed by long-term benefits.”

These include greater management flexibility and access to large scale coal reserves.

Randcoal’s sales volumes rose 23% largely because of the inclusion for the first time of results from Jupiter. Total sales rose to 28-million tons from 24-million tons, with turnover up 30% at R1,2bn (R1,2bn).

Cook said export sales, 21% higher at 11-million tons (8,7-million tons), grew in line with the expanded capacity at Richards Bay Coal Terminal.

Sales to Eskom, up nearly a quarter at 15-million tons (12-million tons) rose because of the Kendal power station’s higher burn-rate in the year. Inland coal sales rose too.

A 4% fall in dollar export coal prices hit operating margins, which fell to 19% (20%) on profit of R308m (R351m). Net investment income more than doubled to R3,3m from R1,2m, reflecting a fall in financing costs from reduced borrowings and lower interest rates.

Pre-tax profit rose 21% to R178m from R147m. With a higher tax bill, Randcoal reported 13% higher after-tax profit of R172m (R156m).
Trans-Natal in talks on Aussie takeover deal

23/10/92

Matthew Curtin

TRANS-NATAL may be moving closer to clinching a multimillion-rand deal which would see it establish an operating base in Australia through a takeover of New South Wales coal producer Oakbridge.

Trans-Natal spokesman Sean O'Shaughnessy said yesterday parties they had spoken to in Australia included FAI Mining, transport group TNT, and mining group McIlwraith Meirchan. TNT has a 46% controlling stake in McIlwraith, which it put up for sale last month, and McIlwraith has a 41% controlling stake in Oakbridge.

O'Shaughnessy said that, depending on whether a deal went ahead and what it involved, Trans-Natal would consider a rights issue to raise money to finance an acquisition in Australia, as well as use of offshore credit and the finran.

Frankel Max Pollak, Vunderine analyst, Kevin Kurni said Oakbridge could present the SA coal group with a valuable buy-in Australia. It would cut the group's freight rates to Far East markets, improving its competitiveness.

However, Oakbridge was "not a prime investment target" and would require significant capital investment. In the year-end June 1992, Oakbridge reported a net profit of A$14m, compared with an after-tax profit of A$14m in 1991. At June 30 1991, it had a market value of A$300m, but a debt to equity ratio of 0.55 with long-term borrowings of nearly A$120m.

Speculation that Trans-Natal was close to a deal was triggered by a report in the Melbourne Age newspaper which said Trans-Natal was about to launch a A$100m takeover bid for McIlwraith. It said TNT's stake was worth nearly A$90m, but Trans-Natal might have to pay a premium for it.

However, the report was immediately followed by a rebuttal from McIlwraith MD Tony Lawrence who said no takeover deal was in progress, but discussions were continuing on other matters.

An industry source said that Trans-Natal's intentions were focused on Oakbridge, but noted that McIlwraith's partnership with government-owned shipping group, Australia National Line, would be advantageous for Trans-Natal.
Amco maintains interim dividend

ANGELO American Coal Corporation (Amco) maintained its interim dividend of 15c a share for the six months to end-September, in spite of a 7.9% fall in after-tax profit.

Turnover increased slightly to R263m compared with R256m in the same period last year, but earnings a share fell 15.1% to 33c (33c).

Operating profit declined by 6.6% to R203m (R217m) and lower interest rates and continuing capex at the Landau replacement project resulted in a decline in interest and investment income to R37.5m from R45m.

Amco (100%) 51192

Pre-tax profit decreased to R260m from R267m, and the tax bill of R118m (R113m) cut the after-tax profit to R142m (R113m).

Chairman Dave Rankin said the 15.1% decline in attributable earnings to R113m (R112m) was because of less favourable adjustments to previous years' deferred tax benefits, which arose from the reduction in the rate of taxation.

Coal and coke sales were slightly lower at 20.7-million tons (21.3-million tons), but export sales rose to 5.16-million tons from 4.47-million tons. Despite a softening in the dollar, export profitability was lower as a result of a decline in export prices. Sales to the domestic market, and especially

Rankin said that in spite of prevailing conditions, increases in colliery unit working costs continued to be contained below the rate of inflation.

While dollar prices have continued to weaken, coal export tonnages for the second half of the year are expected to be at slightly higher levels than those achieved in the six months under review, said Rankin.

He added that, assuming the rand/dollar exchange rate remained at its current level, forecast earnings for the second half of the year would be similar to those in the first six months.
Majuba project ‘to be cut back’

ESKOM is expected to announce today that completion of its R8.5bn Majuba power station near Amersfoort in the southeastern Transvaal has been put on hold.

It is believed that the postponement of construction relates to unexpectedly high coal mining costs Rand Coal has encountered at the Majuba colliery.

Dolomitic dykes have been discovered intruding into the colliery's relatively deep coal seams, making longwall mining impossible. This has raised the cost-related coal price which Eskom usually pays from the average R25/ton to about R60/ton.

The colliery was originally designed to produce about 236-million tons of coal — about 40 years' supply — The power station was located at Majuba because pollution restrictions prevented its construction nearer the Wilbank coal fields.

Three of the power station's planned six generating units were due to be commissioned between 1996 and 1998. It is believed that Eskom has suspended the further construction of three other units — at present only the foundations have been laid — while the question of coal supplies is investigated. Deferred capital expenditure would be worth more than R2bn.

Eskom's contract with Rand Coal apparently does not stipulate exact prices but is based on the concept of "reasonable" prices. This is standard practice as the utility needs to ensure that collieries generate adequate profits for mine owners.

Although it has not yet had a legal dispute with any supplier, Eskom's size enables it effectively to overrule any prices which it considers unreasonable. Eskom will consider bringing coal from another colliery or building the units closer to cheaper coal deposits.

While it is likely that some jobs will be lost in contracting companies, it is believed that Eskom itself will avoid retrenching personnel.
Majuba setbacks hit Randcoal stock

JONO WATERS and PETER DELMAR

RANDCOAL shares plunged 33% on the JSE yesterday following the announce-
ment that geological problems at its R1,7bn Majuba colliery had resulted in
Eskom shelving half the nearby powerstation project.

Randcoal shares closed down R1 at R4. They have fallen from a high of R15,25 in
February. Randcoal has been widely re-
garded as the jewel of the three-shaft Majuba
Mines stable since 12/11/92.

Eskom announced yesterday it was to
defer building three of six of its generating
units at its R6,8bn Majuba power station
near Amersfoort in the south-easterly
Transvaal.

The power corporation could come off
even worse, as it has to pick up 59% of the
R1,7bn cost of the three-shaft Majuba
colliery.

Randcoal sank the first shaft in 1988 and
hit bottom in 1989.

The colliery was originally designed to
produce about 40 years of supply, but the
presence of dolomite pilot and dykite made
longwall mining impossible and reduced
the mine's life to between 30 and 35 years.

Randcoal's CE Allen Cook said there was
cool at Majuba, but 'getting it out at low
cost was the problem'. As a result, Eskom
felt it was prudent to hold off building
three units, he said:

'We are in this together, we just have to
find the way out', said Cook.

An Eskom spokesperson said an investiga-
tion into the most cost-effective course of
action would be concluded by the end of
next year.

Randcoal won the tender in 1991, and
Eskom acknowledged Majuba's coal would
be about 20% more expensive than coal
from the Witbank coalfield as the deposit
was about 200m deeper. Part of the tender
included four longwall sections, but plans
for longwall mining had now been scrapped.

Asked if this was another Rand Mines
mistake, following the mining house's
failed ventures into Barplats, Barbrock
and Vansa in the '80s, Cook said Randcoal
had followed the drill requirement to de-
lineate the ore body.

'At that time, and given the normal
parameters, I doubt any other organisation
would pick up the abnormal frequency of
volcanic intrusions', an American firm
had witnessed the work before the go-ahead.

Cook said it was a negative approach to
try blame anyone as Majuba was a

"reasonable" coalfield.

The cost-related coal price which Es-
kom expected to pay at Majuba was about
R25/t compared to an average of:
R20/t. Eskom's Cook said, for the six units,
would now be between R30/t and
R40/t.

Eskom executive director Johan van
den Bergh said Eskom's contract with
Randcoal did not stipulate exact prices,
but were based on the concept of "reason-
able" prices. Contracts with Eskom have
not been contested to date.

He said no Eskom staff would lose their
jobs and the first three units would con-
tinue as scheduled. Contracting staff for
the second three units might be affected.

Van den Bergh added that he was quite
confident that a solution would be found
and the announcement was in no way re-
lated to the recent reports that CE Ian
McRae might retire next March.
Top coal shares plummet 33%
AMCOAL

Feeling the heat

Shareholders can’t claim they weren’t given adequate warning or that Amcoals interim results have come as a surprise. Chairman David Rankin warned in the last annual report that the company would produce lower net earnings over financial 1993. He’s been proved right at the half-way stage.

Not that he derives pleasure from his accuracy. Nevertheless, EPS are 53c, 536c, are 15% down on the year-ago figure. There’s some comfort for shareholders in the dividend, which has been maintained at 15c.

Rankin’s favourite refrain is that investors shouldn’t pay too much attention to the bottom line, which is distorted by adjustments for lower tax rates and deferred tax benefits in previous years. “The important number,” he says, “is profit after tax at current rates. That reflects more accurately how the company has managed its affairs.” The 1993 interim of R1.23m is only 8% down on last year’s and indicates tight control over working costs at the producing collieries.

Amcas is coy about revealing its unit working costs and says only that these were contained at a level below the inflation rate. Operating profit fell 6.6% to R203m.

Underlying reasons for Amcoals decline lie in the parlous state of the international and domestic markets. Total sales for the six months fell marginally to 20.7 Mt, though that figure disguises an increase in export sales from 4.7 Mt to 5.2 Mt. It was in the domestic market that Amcoals suffered most and the company confirms its inland sales “and to Eskom in particular” were significantly lower.

Rankin attributes much of the fall in net earnings to difficulties in the export market. Amcoals had a marked softening in US$ prices. These were caused, he says, by the pervasive world recession accompanied by a potential international oversupply of steam coal. A new and aggressive producer in Indonesia and Australia continues to have capacity to meet almost immediately any fresh demand.

What’s more, the CIS is proving unusually disruptive. Rankin quotes as an example some CIS producers that are about 5,000 km from their ports — eight times the distance between Richards Bay and the Transvaal export coalfields — but which are able, thanks to unrepresentative and heavily subsidised transport charges, to deliver their coal at prices below those of SA producers.

Amcoals short-term prospects are much the same as for the first half year. Its fortunes may be assisted, however, by a continuing decline in the value of the rand against the dollar, in which all Amcoals exports are priced. But shareholders shouldn’t hold their breath in expectation of being bailed out by continuing devaluation.

At R83, the share price is plumb a 12-month low (the high was at R130), giving a p/e of 7.1. When the FM last covered the company, in June, the price was R120 — some indication of the market’s dismay with the coal sector generally. The share offers value — but only for those who are interested in a long-term core holding in the coal business. Speculators should stay away.

David Glasson

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**ONLY EMBERS**

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70 • financial. mail • November • 13 • 1992
Low coal consumption ‘reflects state of economy’

THE low coal consumption by industry and Eskom mirrored the depressed state of the economy, Randcoal chairman Allen Sealey said in his annual statement.

This would continue until real political progress was made to open the way for new investment.

“The mining industry in general is experiencing a very difficult period and additional closures and rationalisations had taken place during the past year.”

A revival in the SA economy had been anticipated after the March referendum, but this failed to materialise mainly as a result of nationwide social unrest and a general lack of confidence, he said.

Randcoal had to lay off 160 employees at Welgedacht and retrench or relocate about 400 workers at Douglas.

“Unemployment continues to increase and will only be contained, and employment created, through capital investments in economically viable projects.”

Sealey said a project team had developed a more efficient and cost-effective mining plan in the Douglas/Duvha/Middelburg area and discussions on rationalisation had reached an advanced stage with Randcoal’s partners JCI and Eskom.

The easing of political attitudes towards SA had opened up certain markets for coal exports, which were likely to rise 6% higher than 1991’s volumes. In 1992, volumes were expected to increase further.

However, the SA coal industry had to be careful not to export more than the market could bear as this would lead to a further deterioration in prices. Lower spot prices would have a negative effect on future contract negotiations.

He said that in a depressed market, particular attention was focused on costs.

“While our exports remain at the lower end of the international cost curve, it is of concern that our competitive position is being eroded by the ravages of inflation.”

Sealey said major long-term consumers were expressing concern about exporters being able to afford the capex for sustaining and expanding production.
Steam coal imports expected to grow

JONO WATERS

WORLDWIDE seaborne steam coal imports should increase to 360-million tons from 167-million tons by the year 2000, BHP Minerals Europe MD Vaughan Williams told the recent UK Coal '92 conference.

Coal Week International quoted Williams as saying the balance of trade would shift from traditional exporters in the US, Australia and SA to a "new generation" of exporters in Colombia, Venezuela and Indonesia. Steam coal accounts for about 90% of SA's exports.

Thermal coal trade was expected to grow by 5.5% a year through the '90s, after a "phenomenal" 14% a year over the past 16 years.
COMPANIES

Capacity at Richards Bay to increase

THE Richards Bay Coal Terminal capacity could be increased to 54.5-million tons a year at no extra capital cost, Randcoal CEO Allen Cook said in the company's annual report.

The re-organisation of the terminal, following the upgrading which was completed last year, would allow for the increase in capacity.

The terminal's export capacity was increased to 53-million tons a year from 44-million tons a year at a cost of R285m.

Cook said forward planning had enabled Spoornet to be in a position to meet the export rail requirements comfortably.

"In future, no difficulties are foreseen in maintaining this position as exports gradually increase in line with market demands," he said.

In 1991, total coal exports from SA producers through the terminal amounted to 40.5-million tons (45.5-million tons), but this was expected to rise to 48-million tons this year. Overall coal exports from all SA ports were expected to amount to 51-million tons this year.

Randcoal production for sale to the inland and export markets increased to 6.8-million tons in 1992 from 6.72-million tons in the previous year.

JONO WATERS

26/11/92 Rietspruit C15

Cook added that 1993 was going to be a difficult year for coal producers as a result of the weakness in the export market, turmoil in foreign exchange markets following the withdrawal of the UK from the ERM, lack of growth in domestic power consumption and the recession.

However, it was hoped that Randcoal's policy of seeking long-term supply contracts with quality customers would continue and the full benefits of the restructuring at Rand Mines would become evident.

The improved coal qualities being planned at Rietspruit colliery would provide greater flexibility to the group's marketing efforts and reinforce the range of coal qualities offered to overseas customers, said Cook.

Close attention would be paid to the further mechanisation of the mining operations at Welgedacht, with the consequent improvement in labour productivity.

At the Majuba colliery, where dykes and sills protruding through the seam had made longwall mining impossible, Cook said alternative coal supply sources to supplement the reserves would be examined.

He added that Randcoal was considering alternative mining methods which would make the extraction of coal more suitable to the coal seam as it was constituted.

Divisions serve UAL well

THE strong profit growth in each of UAL Merchant Bank's operating divisions saw the company increase its taxed income by 21.7% to R47.5m in the financial year ended September 30.

This gave a return on average shareholders funds of 35.4%, said MD Geoff Richardson.

During the period under review, total assets increased by 5% from R3.5bn to R3.8bn.

Richardson said the Corporate Finance division had a particularly successful year, achieving a record result.

Mergers, acquisitions and fund-raising to the value of nearly R60m were concluded.

Equally satisfactory was the performance of the Investment division, which far exceeded its target for obtaining new business and ended the year with funds under management exceeding R15.1bn.

Highlight of the Unit Trust division was undoubtedly the momentum created by the formation of UAL Investment Planning Services.

How to avoid getting wiped out in...
Matla talks continuing

WILSON ZWANE

TRANS-Natal and the NUM were still locked in discussions yesterday following a strike by 1,000 workers in the eastern Transvaal.

According to the NUM, the workers downed tools at Matla Colliery on Tuesday in protest against management's "victimisation" of shaft stewards.

Trans-Natal spokesman Pam Agnew confirmed the workers were on strike and that they were demanding:
- the reinstatement of full-time shaft steward David Malaza who was dismissed after a disciplinary hearing;
- the re-employment of 14 workers released recently in terms of a pardon to political prisoners. The workers were convicted in 1969 of murdering and assaulting fellow employees during an industrial action the previous year; and
- the integration of workers who had been living together in one hostel since the strike, with fellow workers living in other hostels.

Agniew would not say what management's response to the demands was.
about 150 Mt this year. That's a mouth-watering projection even though in the short term the coal export market is oversupplied because of the world recession, and the spot market coal prices have tumbled.

Benchmark contract price for European delivery this year was set by Italian power utility Enel in January at US$31.8/t. Since then the spot price has plunged as low as $24/t f.o.b. Richards Bay. At that level the exporter cannot be making profits.

Sales volumes on the spot market are limited compared with contract sales—the SA coal groups sell 80%-90% of production on contract. But the tail is about to start wagging the dog in the contract negotiations starting now for 1993 deliveries. Customers are taking a hard line, demanding large cuts in contract prices to bring them more in line with the spot market. Contract prices for next year could be $4/t lower.

Randcoal's share has come under additional pressure because of the expanding share capital which has diluted EPS and, most recently, uncertainty about long-term financial implications of problems at Majuba colliery, which will supply Eskom's Majuba power station.

Issued capital jumped in 1991, when Randcoal acquired coal interests from controlling shareholder Rand Mines and, will rise again by 25% this year, when another 25.5m shares are issued to acquire the balance of Rand Mines' coal interests. Effective dilution will be reduced to about 10% through the share of management fees and income from Eskom that went to Rand Mines and is now flowing directly to Randcoal.

What really worried the market was the recent development at Majuba. Initial geological drilling and assessment work carried out by Randcoal in accordance with its agreement with Eskom failed to detect the extent to which vertical dykes and sills had intruded into the coal beds. This became apparent only when lateral underground development of the coal seam started. That has lifted estimated mining costs, and called into question the extent of the tendered coal reserves.

Eskom energy manager Brian Statham comments: "We are not satisfied with the increase in cost from Majuba, but we have a very good relationship with Randcoal which is why we are working together to find a solution."

Majuba's first three generating sets will be commissioned as planned in 1996, 1997 and 1998, but construction of the last three has been delayed by a year pending outcome of the study now under way by Randcoal. If additional coal reserves that can be mined at a price acceptable to Eskom cannot be found around Majuba, the obvious alternative is to add the last three sets to Kendal power station, where the sixth and last generating set will be commissioned next year.

Randcoal owns extensive additional coal reserves surrounding those committed to Kendal from its Khutala colliery. This is a low-cost producer whose reserves are geologically undisturbed.

Since the Majuba revelations, there has been speculation over a possible takeover of Randcoal, based on rumours that controlling shareholder Barlow Rand might be willing to sell Majuba. That seems unlikely, and Randcoal CEO Allen Cook flatly denies it is for sale. Meanwhile, after the collapse in the price the market is valuing the counter at a pittance compared with the replacement cost of the assets.

It costs an estimated R250 per annum ton of capacity to build a new coal mine. Randcoal sold 29.7 Mt of coal last year, meaning its coal reserves have a replacement value of around R7bn; yet its market capitalisation is a mere R560m. If Barlow Rand was persuaded to sell at or near the current share price somebody would get a phenomenal bargain. On the other hand, investors may feel these figures show the share is under-priced and well worth holding.

Brendan Ryan

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Randcoal'sSealey short-term oversupply

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Brendan Ryan
Finrand move imperils Aussie deals

Considerable uncertainty exists over the plans of Trans-Natal to buy a stake in the Australian coal mining company, McLwraith McEacharn, following the SA government's ban on the use of financial funds for foreign investment.

"Not finally shelved but it is unlikely it will proceed," a Trans-Natal spokesman said last night.

The Department of Finance said last weekend that it would no longer allow finrands to be used for foreign investment, except in exceptional circumstances.

Trans-Natal had been negotiating to buy the 46 percent holding in McLwraiths held by the Australian firm TNT.

Australian finance sources yesterday were speculating that Pretoria's decision might also affect the proposed purchase of the Sydney company, Chemplex, by Senrichem. The Star's correspondent in Melbourne reports.

The sources said an agreement had already been reached at a price of R250 million to R330 million.

A Senrichem spokesman said last night that activities connected with its proposed acquisition of Chemplex were proceeding according to plan, and discussions with the Reserve Bank were continuing.

Bankers in Johannesburg said it might be possible that Senrichem and even Trans-Natal would scrape under the ban as they were negotiating before it was imposed.

But it is unlikely that any other company will be able to invest overseas as long as the ban continues.

The only way that a company with no foreign connections can now buy an overseas company is to find a seller who is prepared to grant the SA company a 100 percent loan. But such generosity would be hard to find, a banker said.

On the other hand, any company which already had a base overseas was well placed to expand further and would probably get a substantial competitive advantage over its SA competitors, he said.

For this reason, it was hoped that the ban would be lifted as soon as possible, he said.

The banker said offshore investments were not motivated by the desire to escape local political difficulties.

SA firms had many good reasons for opening up overseas.

They might have saturated the SA market and might need to expand abroad, as was the case with Sappi and Mond.

It was this consideration that also brought many foreign investors to SA between 1960 and 1975, he pointed out.

They might also be seeking foreign know-how. This is believed to be one of the reasons for the Senrichem purchase.

In the case of banks, they needed to operate overseas or risk losing existing business to foreign operations.

The ban has led to a slow but steady strengthening in the financial rand.

Last night its discount to the commercial rand had dropped to 38 percent from 41 percent 10 days ago.
Riccia makes its debut on JSE today!

ROBERT WICKS

BEECHEM Property Holdings makes its debut on the JSE today with separate listings of more than 36-million shares in the property and property loan stock sectors.

Riccia owns a selected portfolio of newly built prime commercial properties with a value of about R140m.

The overall effect of the dual-structure means income in Riccia loan stock would be comparable with income received had Riccia been a property unit trust. The capital structure comprises a combination of 10-million ordinary shares of 10c each listed in the property sector and 24 197 479 unsecured, subordinated, variable rate debentures of $500 each issued at staggered premiums in the property loan stock sector.

Directors put the expected internal rate of return on the property portfolio during the next 10 years at 22%. Riccia director Venter Odendaal said the portfolio was assembled to fill a specific niche in the property investment market.

Future debentures will also be issued at variable premiums so as not to dilute the income and capital growth enjoyed by existing debenture holders.

"All properties are located in high growth areas adjoining major metropolitan centres and feature quality low-maintenance design and construction," he said.

The reason for the separate listings is that the ordinary shares will be classified as equity in terms of the prudential investment guidelines which would provide little interest to the institutional investor.

Odendaal said the primary distortion within the listing was that Riccia would be liable to pay income tax on income not paid out to investors by way of debenture interest.

"Given the relatively small proportion of total income affected, we feel the operating flexibility afforded as a result of this structure outweighs the effective cost of the additional income tax payable," he said.

The debentures will be classified as 100% property loan stock, distributing its entire income to unitholders annually.

"Riccia's flexible structure should enable management to acquire additional properties at attractive yields, enhancing the overall profitability and value of the company," Odendaal said.

Properties in 1993 will be located in Midrand 72% (65.4%), Witbank 11% (11%), Sandton 9% (9%), Boksburg 3% (3%) and Nelspruit 5% (10%).
Durban coal exports soar

JON WATERS

COAL exports through Maputo have slowed to a trickle, but a record 106 000 tons was pushed through Durban's Bluff mechanical appliance terminal in October, says terminal manager Bob Searle.

Between 20% and 25% of the coal exported through the terminal last year was sourced from SA mines closer to Maputo than Durban 8/12/92.

Maputo's export tonnage amounted to nearly 1-million tons in 1989, but with Eastern Transvaal collieries no longer exporting through Maputo, and the closure of Swaziland's Emaswati colliery, the flow through Mozambique had almost dried up, Searle said.
NORTON (Virginia) — An explosion ripped through a small coal mine yesterday and officials feared 11 miners were trapped. Authorities reported that the explosion also flattened the office building at the South Mountain Coal Company mine.
**Export coal margins expected to stay tight**

**Business Day Reporter**

A MODERATE increase in the tonnage of coal shipped from the enlarged Richards Bay coal terminal may be expected, but export profit margins will remain under pressure next year because of weak international coal prices which have declined steadily since January 1992.

This was said yesterday by Rand Mines directors in their last annual report as a composite mining house.

They expect the domestic market to remain depressed for some time.

Last year's oversupply of steam coal had been exacerbated by the emergence of Indonesia as a significant supplier and by supplies of coal from the Commonwealth of Independent States, which were not subject to normal costing constraints, they said.

"The lifting of sanctions by Denmark, France and the US, as well as the acceptance of South African coal for the first time by Holland and the favourable shift in attitude towards the country by the Japanese government, are positive developments,"

Turning to the outlook for the gold operations of Randgold and Exploration, the directors said mines were likely to face another difficult year.

Despite growth in jewellery demand, the major influence on price remained potential sales from central banks. The US dollar price of gold was expected to trade in a narrow range of $320 to $350/oz.

Profits from property operations of Rand Mines Properties (RMP) were unlikely to increase in 1993 as adverse economic conditions, coupled with the political uncertainty and low business confidence, continued to exert a negative influence.

Profitability of RMP's gold recovery operations would largely depend on the rand gold price received.

Continuing growth in world demand for platinum, particularly from the European automobile industry, could be expected, but a significant improvement in prices would only occur when the long-awaited global economic recovery gathered momentum.

A strengthening of platinum prices should follow. This prospect held the possibility in the medium-term that the Crocodile River Mine could be reopened.

The purchase by Barplats Mines of mineral rights contiguous to the Crocodile River Mine from Impala Platinum Holdings should overcome the problem of restricted ore reserves and lower the cost of production to viable levels.
Overpriced

Minorities miffed at being diluted by Randcoal's latest issue of shares to controlling shareholder Rand Mines are being offered the chance to maintain their stakes.

It's an offer many might easily refuse, as the price of 850c is a 48% premium to the 575c market price. The only justification for accepting would be if investors were worried about acquiring large volumes of this tightly held and thinly traded share (Rand Mines has 71%).

Randcoal CE Allen Cook says that's precisely why the offer is being made and he is confident several large minority shareholders are going to accept it because they objected to being diluted.

The house is offering minorities 25 shares for every 100 held. This follows the deal announced on September 22 by which Randcoal will issue 26.5m shares to Rand Mines to acquire the remaining coal interests held directly by Rand Mines.

That amounts to a nominal 25% dilution in Randcoal's EPS, which will be reduced to an effective 10.1% by the share of management fees and other income which accrued formerly to Rand Mines and now flows directly to Randcoal.

The September 22 offer was made at the then price of 850c but Randcoal slid to 600c following the announcement. Export markets are tough and the market was not happy with the second major jump in Randcoal's issued capital in two years.

Randcoal shares then plunged briefly to 400c following the disclosure of the mining problems at its Majuba colliery which will supply Eskom's Majuba power station (Companies December 4).

The price has since recovered but there is still uncertainty about the financial and legal implications of the Majuba development. Some analysts have warned clients to avoid Randcoal shares until there is clarity on the situation.

That could take up to a year while Randcoal completes a study examining other coal deposits that could be used to supply Majuba.
Sasol accused of using
subsidies to boost exports

SA COAL executives have criticized Sasol over the possibility of it using government fuel subsidies to aid its coal exports, the latest Financial Times International Coal Report said.

The report quoted a major exporter's executive director as saying the economic viability of Sasol's exports would make a mockery of working cost calculations.

He said Sasol intended exporting coal "come hell or high water". It annoyed him Sasol might use his tax money to do so.

However, the report quoted Sasol Mines GM Chris Cloete as saying the Sasol coal business was managed as a "profit centre" based on market-related transfer pricing of coal. "Our oil-from-coal business has nothing to do with our coal export business," he said.

Sasol and a number of other smaller producers want to build a 10-million ton a year terminal at Richards Bay and have formed a consortium, the South Dunes Coal Joint Venture (Coalex). However, they are being criticized by the larger producers who say increased exports would further depress international coal prices.

Coalex has appointed US consultants Sorens & Associates to carry out a feasibility study for the proposed terminal. Sources said Coalex was looking at spending about R400m.

A Sasol spokesman said at the weekend the results were expected by June. There could be a report in the interim.

Richards Bay Coal Terminal (RBCT) chairman Alan Sealey was quoted by the report as saying there was no justification for building a terminal that would cost between R600m-R700m with coal prices unlikely to rise in real terms for the next five years.

Randcoal CEO Allen Cook added that RBCT's reputation for reliability could be destroyed if Coalex was to build an "expensive terminal"