ENERGY — 1990

JUNE — ~~July~~ ~~Sept~~ ~~Aug~~ OCT.

Electrification of all Soweto 'a priority'

Star 4/6/90

55

By Jacqueline Myburgh

Air pollution levels in Soweto are 2½ times higher than levels measured on the Eastern Transvaal Highveld, Johan van den Berg of Eskom said at the weekend during a debate hosted by Earthlife Africa.

Mr van den Berg was addressing the opening meeting of Earthlife's national congress near Johannesburg.

He said the Eastern Transvaal Highveld was often sited as one of the worst polluted areas in the world, and Eskom had earmarked R100 million to improve existing power stations in the area.

Air pollution

"But Eskom's priority is to electrify Soweto," he said.

"Eskom has a vision for the 23 million people throughout SA who do not have access to electricity, and who burn coal, wood and dung for energy," Mr van den Berg said.

He said the electrification of Soweto could have a dramatic effect on air pollution and would reduce pollution levels in the township to a third of current levels.

"The pollution is not only degrading the environment, it is affecting people's health."

Professor Harold Annegaarn of the University of the Witwatersrand's nuclear physics department, said SA needed nuclear power in order to meet the ideal of providing electricity to all.

He said that electrification of the townships would be substituting local coal burning by central electricity generation by means of burning fossil fuels.

"Not to contribute to the greenhouse effect on a global scale, and the SO_2 problem on a local scale, we are going to have to go nuclear," he said.

Nuclear power was now acceptable because the design of reactors had undergone fundamental change, according to Professor Annegaarn.

Smaller reactors were not dependent on human intervention and they did not require the same kind of protection from catastrophic damage as larger ones.

"There is also no CO_2 release from nuclear power stations, except in the production of the cement," he said.

Offer to Castrol staff

Star 7/6/90 Finance Staff (55)

Castrol South Africa employees have been given a unique opportunity to invest on the London Stock Exchange.

More than 60 percent of Castrol's staff have taken up the option which allows them to buy shares in Castrol's parent company, Burmah Oil Plc of the UK.

The shares are currently trading at 600p on the London Stock Exchange.

Based on the current market price, a return of 20 percent has been achieved since the share option began in South Africa in 1989.

"The share option runs for five years, at the end of which employees must buy and sell their shares and remit the profits to South Africa," says Martin Dando, financial director of Castrol.

He says that based on the past performance of the share price, South African employees should achieve a substantial return on their investment in the parent company.

JOHN MAREE

F|M 8|6|90 (55)

Maree was drawn by government from Barlow Rand to chair Eskom and prepare it for privatisation. He talks with missionary zeal of the electricity utility's central role in raising living standards and integrating the subcontinent's economies.

We cannot look at Eskom in isolation. It has to be seen in the context of present-day SA and developments we're likely to experience. So everything I say depends on finding political solutions which allow the country to go forward; economic solutions which allow fast enough growth to create the jobs needed; and educational solutions which allow our schools and technical colleges to turn out the skilled people we need.

I believe political solutions can be found quickly. But economic solutions will take longer and educational ones longer still. Basically, we have to address how the underprivileged can participate in the economy in such a way that we do not destroy the economic flywheel.

Eskom's product is probably the most important cost element in most businesses and international competitiveness will depend largely on power costs. So our aim is to hold price increases below the inflation rate, something I believe we can continue to do this decade, while continuing to finance capital expenditure out of operating revenue.

This will involve our people working more efficiently. Trouble is, productivity improvements are seen by many workers as exploitation by another means.

About 20m people do not have electricity. That seriously constrains the informal sector's growth prospects. What happens if we bring electricity to these people? A recent Pretoria University study suggested that electrification could lead to the creation of 1m jobs over the next five or six years.

We calculate fairly simple electrical power — bundled cables feeding power points and light sockets — could be supplied

to about 10m people in urban areas over the next six or seven years. That could involve Eskom working with municipalities or the private sector, as we did in Kwanobuhle with Volkswagen recently, in a joint effort. We're already involved with 20 or 30 such projects but Eskom's real task is to provide bulk power and the municipalities to reticulate it.

Electrification will have other spin-offs. It will create demand for more products, starting with simple things like electric kettles or hot plates. That will develop into larger electrical goods bought on credit which, in turn, leads people to think in longer time scales.

We will depend largely on coal-fired power stations for the rest of this century. By its nature, electricity generation involves long-range planning. Power stations generally have a life expectancy of about 40 years, so we will start new nuclear stations only after the turn of the century.

The environment? We are in a dilemma. Can we afford expensive pollution controls if they stultify the economy? Can we afford the standards of the developed nations?

Gradually we will move away from coal — our reserves are not inexhaustible. We will shift towards nuclear or hydro power by buying it from countries to the north — eventually, we should be able to tap the Congo River. We are already working to restore power deliveries from Cahora Bassa in Mozambique. All this implies greater trade with our neighbours.

Privatisation? I'm not certain when it will come, if at all. Eskom still needs more balance sheet restructuring — a 1:1 debt:equity ratio would be appropriate. We will be helped by a comparatively slow capital spending rate over the next five or six years. After that, spending will pick up, but its rate depends on sensible solutions to SA's problems. That's the most important of all.

Voltex makes R130 million acquisition of UK-listed firm

Star 8/6/90

By Ann Crotty

Voltex has announced the overseas deal the market has been expecting for some weeks.

The R130 million acquisition of a 52 percent stake in UK-based Bennett & Fountain (B&F) will give this electrical and electronics giant an attractive outlet for export sales.

B&F, listed in London, has 110 wholesale and retail electrical distribution stores throughout the UK.

The deal will be funded by debt, but a Voltex rights issue seems on the cards.

Voltex was formed early this year through the merger of assets from Elcentre and Berzack.

At the time that deal was being put together, management said it would be looking for acquisitions offshore.

By enlarging its potential market the B&F deal will not only provide foreign earnings, but will increase the level of utilisation of Voltex' production capacity. Both factors should help boost margins in the medium-to-longer term.

But the initial impact will be to reduce slightly the net asset value and earnings of Voltex, suggesting the purchase was relatively expensive and involved some goodwill.

Voltex is currently trading at 200c, having risen in response to recent results and speculation about an offshore deal.

Workers baton-charged — claim

Star 12/6/90

About 700 workers from the Elektrode Maatskapy of SA (Emsa) company in Meyerton near Vereeniging were allegedly baton-charged by police in central Johannesburg yesterday.

However, police spokesmen for both the Witwatersrand and police headquarters in Pretoria had no knowledge of the incident by late last night.

The incident occurred outside a building which houses the American consulate, where the workers had gone to demonstrate against Emsa, which is affiliated to the Danbury, US-based Union Carbide Corporation.

After a 30-minute demonstration outside the Kine Centre in Commissioner Street, police arrived and allegedly gave the 700 workers two minutes to disperse.

The commanding officer allegedly said over a loudspeaker that the gathering was illegal, but did not specify the applicable Act.

The workers began dispersing but exactly two minutes later those who had not dispersed were allegedly baton-charged.

National Union of Metalworkers of SA (Numsa) shop stewards' committee chairman John Musundwa held a meeting with American consulate officials, asking them to pass on to Emsa's parent company a petition asking UCC to address workers' grievances.

Numsa shop stewards' committee vice-chairman Jordan Mhlambi said later there had been several attempts to have grievances conveyed via Emsa management to UCC, but workers believed none of these had ever been passed on.

They have asked for an across-the-board R2-an-hour increase; for all increases to be linked with the rate of inflation; and for management to refrain from "racist attitudes".

Workers at Emsa's Meyerton plant embarked on strike action last Tuesday. Workers at all nine Emsa plants subsequently joined the strike in solidarity. — Sapa.

Delta gets stake in Jasco

Star 12/6/90 (55)

By Ann Crotty

Delta Electrical has announced the acquisition of a 20 percent stake in electronics group Jasco.

The deal puts an average price of 73c on Jasco shares, compared with the current market price of 50c.

Delta will be injecting Procom, one of its operating subsidiaries, into Jasco, which has a similar business, in exchange for an 11,5 percent stake share in Jasco.

The purchase consideration is expected to be around R2,5 million.

Delta will buy an additional 8,5 percent from the controlling shareholders of Jasco for a cash consideration of 71c a share — ex dividend.

According to an agreement between Jasco and Delta, the latter will always be entitled to maintain its shareholding in Jasco at 20 percent should further shares be issued by Jasco.

Delta and the controlling shareholders of Jasco will have pre-emptive rights in the event of a sale of their respective shareholdings.

Delta will appoint two directors to the Jasco board.

If the acquisition of Procom had been effective for the 12 months to end-February 1990, Jasco's earnings per share would have been 13,1c, compared with the actual 12,8c reported. Net asset value would have been increased to 37,7c a share from 32,7c.

On the basis of the 50c market price, Jasco is on an historic P/E rating of just under four times. Delta has ascribed a P/E rating (on the basis of the pro-forma revised earnings figure) of 5,6 times.

This stamp of support from Delta and the fact that Delta is highly regarded by institutional investors should help lift Jasco closer to the 73c level at which Delta values it.

Boom for Cape 'nuclear site' towns?

Argus 13/6/90 (55)

By SHARON SOROUR
Staff Reporter

SOUTHERN Cape towns around Bantamsklip, near Gansbaai, could get a major economic boost if Eskom goes ahead with a multi-million rand plan to build a new nuclear power station on the site.

PLANS

But the project is also likely to have a major ecological, cultural and social impact and might arouse controversy.

If a new nuclear station gets the green light, it will be built only after the turn of the century.

About 7 000 workers will descend on the region — some will be recruited locally — creating a high demand for new housing and services. Many of them will be foreign contract workers. The workforce will be reduced to about 2 000 once the power station is operating.

Eskom acknowledged in a report yesterday that the influx of thousands of people into the community would have a substantial impact on the businesses, schools, hospitals, recreation facilities, land, housing and water resources in and around Gansbaai.

The electricity supplier announced its intention to acquire an option on the Bantamsklip site. Negotiations to buy the land have begun. This follows four years of investigations, which included "external consultants", into possible sites for a new nuclear power station in the southern Cape.

Eskom said it needed to identify sites for future power stations now because it had wide implications for neighbouring land and how it would or could be used.

The southern Cape coast was singled out mainly because of the abundance of water for cooling purposes and the low population density.

However, controversy could centre on the ecological and historical features of the site. Bantamsklip was a "well-managed natural area" and the property was registered as a heritage site where the farmstead and outbuildings were cultural historical monuments.

Eskom assured in its report, though, that "these attributes... will not be significantly adversely affected".

It said the historic buildings were situated inland, while a power station's terrace would be on the coast. It also said that "careful management" by Eskom would be geared to protect the environment. A power station would necessitate the removal of vegetation from about 10ha.

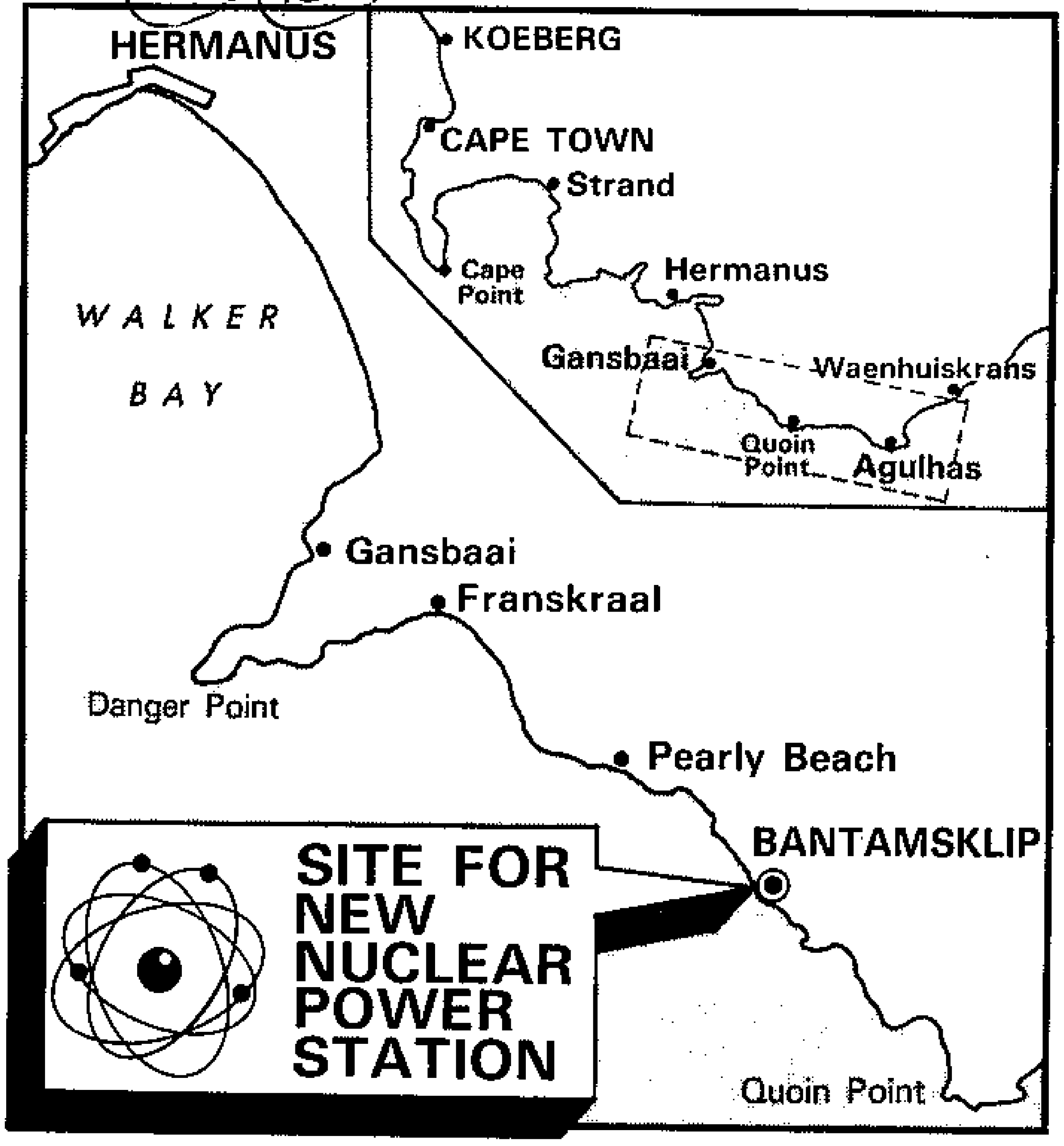
Eskom said it was "only securing its site options for further stations and that there are no plans to build a nuclear power station in the near future". The report said "a new nuclear station will not come into operation during this century".

"Once a decision has been taken regarding the type and design of the station to be used, Eskom will apply for permission to erect and operate such a station from the Council for Nuclear Safety."

The Council acted as an independent statutory body to ensure public safety and exercised regulatory control over various activities of the nuclear industry.

The public would be able to submit comment to the Council on any plans to build a new power station.

Eskom said the four-year investigation into sites in the southern Cape between Gansbaai and Arniston and between Quoin Point and Gansbaai was part of a 10-year investigation programme along the coastline of South Africa.



'Pollution will be minimal'

ESKOM has assured that the environmental impact of a new nuclear power station at Bantamsklip will be constantly monitored and believes the pollution will be "negligible".

A report says there is "no reason" to restrict farming activity surrounding the site, but produce will be monitored regularly by the staff of the station's environmental survey laboratory.

These measurements are cross-checked by the Council for Nuclear Safety.

There would also be no bar on recreational activities outside buffer zones on each side of the station.

The environment around the station — including discharges of cooling water into the sea — will be extensively monitored for radio-activity.

Eskom says the cooling water discharges will contain chlorine, boron, sodium sulphate, treated sewage effluent and radio-active materials, but the effect "can reasonably be described as negligible".

About 40 cubic metres of cooling water are required by a 1000 MW reactor every second.

Eskom also revealed that a new nuclear power station at Bantamsklip will cover about 700 hectares. This includes the security area from which the public will be excluded. The "terrace" will affect about 10ha.

The station will need a buffer zone along the coast on each side of the reactor buildings of at least 1,5km and 2km inland.

Between 20 and 25ha will have to be "reinstated after disturbance by construction".

of his stock," he said.

Eskom find nuke site near Pearly

Cape Times 13/6/90

55

Staff Reporter

ESKOM is negotiating an option for about 1 000 hectares of one of the world's finest fynbos areas between Pearly Beach and Quoin Point — earmarked by their experts as a suitable site for a second nuclear power station.

The site is on the farm Hogelkraal which is registered as an internationally recognised heritage site with the farmstead and outbuildings declared national monuments.

Most of the ground is owned by conservation-minded Mr Ian Bell and a portion by the state.

Mr Bell said yesterday that he was "shattered" by Eskom's intentions.

While he did not want to sell, he hoped "we can reach an agreement by which I can retain titles should they decide against going ahead".

At a Cape Town press conference called by Eskom to announce the site identification, Dr John Raimondo, head of UCT's Environmental Evaluation Unit, said that botanically the site was one of the best "laboratory areas" of its kind in the world.

"It's unique in that it has so many different habitats from the sea up to the mountains with a very wide range of fynbos species," he said.

The identified "construction" site which consists of about 25% of the area, is known as Bantamsklip.

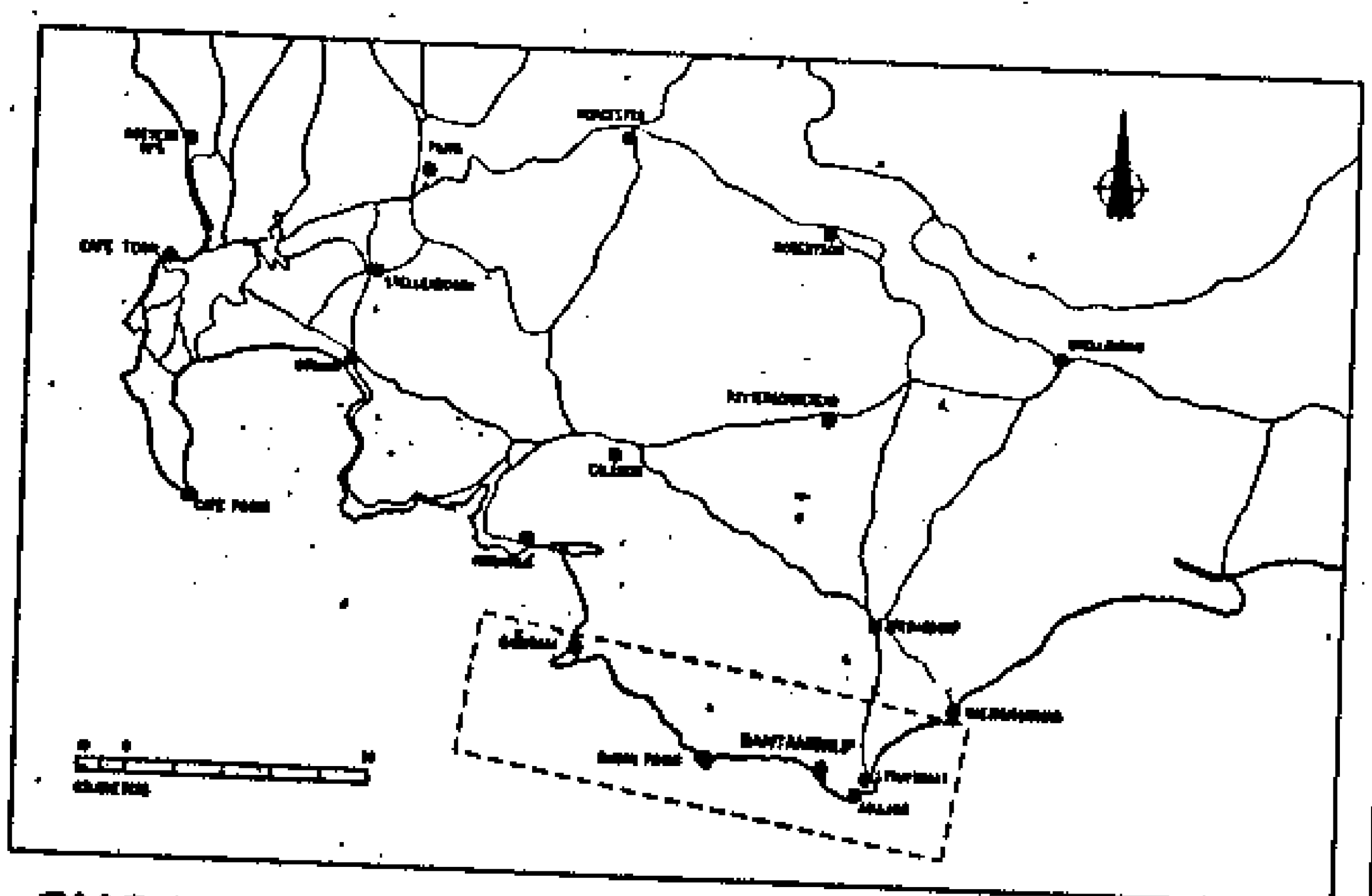
Dr Raimondo, who conducted a two-year environmental study of three potential sites in the Gans Bay to Agulhus areas, recommended to Eskom that the site not be bought unless very specific environmental criteria were met.

He said the other site which fitted Eskom's criteria was nearby Buffelsjag but this had a local population and was a popular recreational area.

Eskom's properties manager Mr Phanus Zondagh said Mr Bell was insisting Eskom buy the entire 1 300 hectares to retain for conservation. Eskom was "committed to this," and would let Mr Bell stay on, Mr Zondagh added.

Mr Johan van den Bergh, Eskom's general manager (management services), stressed that the site was being secured as "one of several options".

There were no plans to build a nuclear power station in the near future and any new station would not come into operation this century.



SUGGESTED SITE ... The Bantamsklip site which Eskom is negotiating to buy for a possible second nuclear power station.

Nuclear power best for environment

C/Pt Times 14/6/90 (55)

NUCLEAR power was the most acceptable form of electricity from an environmental point of view, the MP for Caledon, Mr Lampie Fick, said yesterday.

"It has no smoke, greenhouse gases, acid rain and the associated degrading effect on the environment," he said in a statement.

Mr Fick, in whose constituency the latest site to be earmarked for a nuclear power station falls, in one of the finest fynbos ares between Pearly Beach and Quoin Point, is also chairman of the Parliamentary Joint Committee on Environment Affairs.

"The possible environmental impact on about 6 000 additional people in the Walker Bay area is insignificant in comparison with the environmental advantages which can be achieved in the national interest through a nuclear power station in the place of a fossil fuel station."

The relatively cheap coal power from the Eastern Transvaal, which already had a considerable impact on the economic welfare of the country, was busy developing into an environmental burden, the price of which could possibly become so high that it would neutralise the economic benefits of the past.

"We cannot continue with our present system of energy use in South Africa, overloading the environment with the continuous release of greenhouse gases into the atmosphere at, for example, the power stations in the Eastern Transvaal Highveld," he said.

Mossgas legacy: Was it P W's last laugh?

CAPE TIMES 14/6/90

(55)

By GREG MILLS

Specialist student of Southern African regional security concerns.

WHAT WILL BE FINAL COST OF SEA OIL PLAN?

ALTHOUGH P W Botha's contribution has most often been appraised in the build-up of the SADF and Armscor, in years to come he might best be remembered for his intractability in the face of outside pressure. The Mossgas oil-from-gas project provides a frightening example of the latter.

South African research into synthetic fuel production can be traced back to the opening of the first Sasol plant in 1955. However, it seems apparent that through the implementation of Botha's Total Strategy and the concomitant spread of a security mindset, the strategic benefits of petroleum self-sufficiency now outweighed the enormous financial costs.

A second Sasol plant started production in 1980, followed by the third two years later. Never cost-effective, the financial drain of these prestige schemes was partially offset by a rising gold price in the early 1980s.

The first strike of gas and condensate off the south coast near Mossel Bay in 1980 illustrates the relatively short time in which Mossgas has come to fruition.

Middlemen

Only in February 1987, at a time when mandatory international sanctions seemed likely, did the government give the green light for the entire project. This decision was made the year *after* the oil price dropped.

Indeed, while South Africa paid about R120 (at its 1990 value) for a barrel of crude in 1980, this had dropped to R42 by 1990. This despite a premium of some 20% paid to middlemen.

Estimated to require some R5,5 bn of investment (at January 1987 prices) it appears that in real terms this forecasting was wildly inaccurate. With 80% of the finance being put up by the government and 20% by the mining giant Gencor, by mid-1990 it was reported that Pretoria had already committed more than R8 bn.

For this money, the South African public will receive an estimated 25 to 29 years oil, with no guarantee that this supply will be extended. Some sources put spending ultimately as high as R15 bn.

Mossgas has stressed that these costs have to be partly offset by the resultant job opportunities. With a "new approach devised to avoid spending valuable foreign currency on labour" Mossgas lists among its objectives to increase the "productivity and quality" of workers to a "Western European" level.

Little optimistic

In reality, however, the project depends on foreign workers and foreign-based companies, undermining Mossgas' self-sufficiency rationale.

And although the refinery is scheduled to start production in early 1992, as with the initial costing it seems that this was more than a little optimistic.

Two questions stand out. The first is why Pretoria decided to go ahead at a time when the oil price had dropped. It certainly was not concerned with the coal supply in South Africa, there being an estimated 65 to 70 years left in the fields adjacent to Sasol.

At a recent meeting of the SA Institute of International Affairs, the chief executive of Sasol, Mr Paul Kruger, noted that the rationale was, in his opinion, related to "strategic reasons".

Implications

However, if it was a "siege" decision, why then had the government not allowed AECI to embark on a planned oil-from-coal scheme of its own?

If Pretoria was concerned with the strategic implications of South Africa's isolation, it would have made more sense to hae used every available source to combat this.

It should also have made the local oil industry more competitive in the face of a privately-owned rival. After all, Sasol still requires government protection of some 8,5c/ℓ.

Moreover, this lack of open competition runs the risk of personal aggrandisement among government officials — something the NP has not been immune from.

Lowest level

There is little doubt, though, that the refusal of AECI's proposal was linked to the Mossgas decision; the latter's viability in turn related to the country's political isolation.

So paramount were these strategic interests to Botha that he ignored the pleas of members of his Cabinet that these could not be justified by the costs involved.

After all, he gave the go-ahead to the scheme at a time when the oil price had reached its lowest level since the 1973 crisis. Indeed, in his final days in office he is reputed to have curtly dismissed a Cabinet delegation calling for the project to be scrapped.

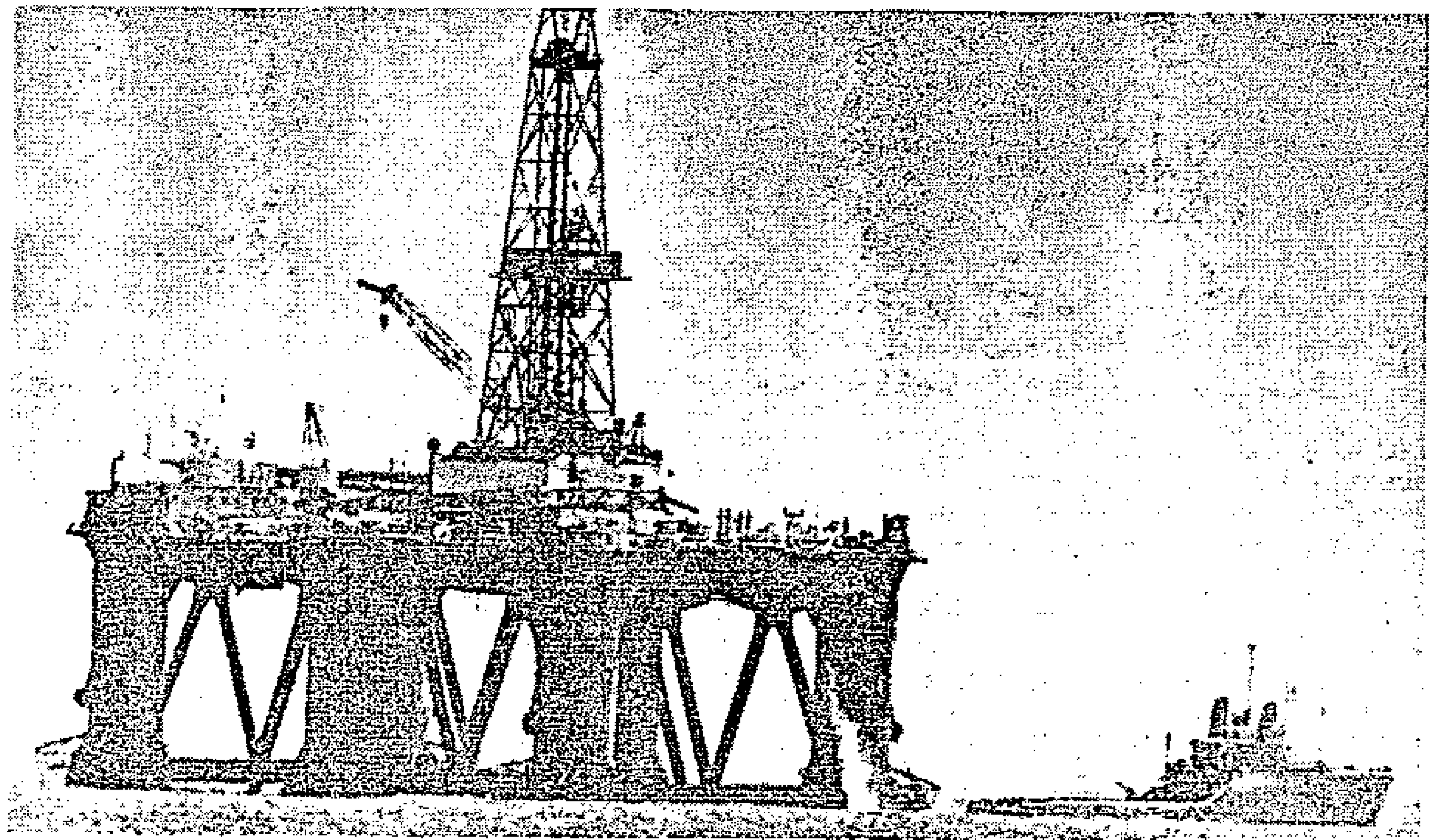
This raises the second query: what will be the final cost of a barrel of Mossgas oil? When asked this, Mr Kruger and Gencor acknowledged that they simply "did not know" and that it was "impossible to tell at this stage".

The current estimate doing the rounds in the oil companies is $25 (R65) per barrel though, as with the final cost of the project, this is likely to rise.

Sasol boss

As the price of crude, barring the outbreak of hostilities in the Middle-East, is not expected to reach even Sasol's US$23 (R60) level before the turn of the century, it seems inconceivable that Mossgas will ever make a profit.

Perhaps the final comment should be left to the Sasol boss. When pressed as to the reasons behind the scheme, he stated openly: "If the decision of Mossgas had to be made today, there would not be a Mossgas."



BOTTOMLESS PIT ... ? Pretoria is reported to have committed more than R8 bn to the Mossgas oil-from-gas project and spending could reach R15 bn.

LETTERS — Box 11 CAPE TOWN 8000

Noordhoek powerless to resist looming abuses

From M G E WILEY, chairman, Noordhoek and District Civic Association (Noordhoek):

IT IS with increasing horror and frustration that residents of Noordhoek watch their future unfolding.

Four major developments are planned which are totally incompatible with the character and environment of the surrounding communities and will have a profound effect on the residents and the lifestyles they have chosen and spent their life-earnings to obtain.

The residents of Noordhoek have vigorously opposed these developments through letters, deputations to every level of officialdom, special meetings, petitions and public protest. Of course, the residents and their protestations have been ignored.

The first development is a marina housing estate which will cater for the highest possible population density

Sunnydale combined has been ignored by the authorities, as has the fact that neigbouring Ocean View, already reeling under recent dockyard retrenchments, has limited work opportunities for its labour force in an area with no prospect of improvement.

The third development is the infamous kaolin mine proposed for the slopes of the magnificent Chapman's Peak and overlooking the scenic drive which is said to be the busiest tourist route in the country. The present saturation coverage surrounding this issue serves to illustrate the almost total opposition of not only the residents but also a very substantial portion of the general public (50 000 signatures).

Should this mine go ahead, especially on the scale proposed by the miners, it will place an enormous question mark over the ability ofa the

Umbilo oil leak an act of sabotage

ST 14/6/90

Own Correspondent

DURBAN — Three independent investigations have revealed that sabotage was the cause of the oil leak into the Umbilo River over the weekend.

The Department of Water Affairs, the Pinetown Municipality and the Old Oil Man Company investigated the leak.

They found that "somebody from outside came in and deliberately opened four valves which led to the damage," according to Mr Lin Gravelet-Blondin, the water pollution spokesman.

He said today that a complaint has been lodged with the police and that investigations were under way.

"It seems that somebody deliberately opened the four valves which let the oil run into the river.

"However, it has now been cleaned up, although there is minor damage to river life over the affected area. But it is very small," he added.

Mr Gravelet-Blondin said that when he spoke to company representatives, he told them that they would be responsible for the clean-up of the river.

"It would cost about R10 000 and I have been told that the company has agreed to do this," said Mr Gravelet-Blondin.

According to investigations by the Department of Water Affairs, the oil appeared to have spilled from storage tanks at the Old Oil Man, overflowing from the premises, across a road, down into a stormwater drain and into the river.

Green outcry over Eskom's nuclear power plans

55

A proposal to establish a nuclear power station among historical buildings has been greeted with dismay by environmental groups.

By EDDIE KOCH

GREEN groups in South Africa are in an uproar over Eskom's announcement this week that the corporation has identified a site for its next nuclear power station — in the middle of an International Heritage Site.

Eskom public relations officer Andre Van Heerden told *The Weekly Mail* there were no immediate plans to buy the site and that no nuclear power station would come on stream in the next 10 years.

However, Earth Life Africa, a national environmental pressure group, said Eskom was making a "piecemeal" announcement in order to defuse public protest and disguise the fact that Eskom was committed to building more nuclear power stations in South Africa.

"We demand a moratorium on the nuclear industry until there has been a full consultation with all the people of South Africa and they have consented to a nuclear future and its attendant hazards," added Mike Kantey of Koeberg Alert, an anti-nuclear lobby in Cape Town.

The site identified by Eskom as the possible place for its second nuclear power station is at Bantamsklip, 70km to the east of Hermanus.

Van Heerden stressed that Eskom does not intend to purchase the site immediately.

"Eskom is only securing its site options for further stations and there are no plans to build a nuclear power station in the near future. Eskom has stated categorically that a new nuclear station will not come into operation during this century," said an official press release from the company.

The green lobby's fears about the potential hazards of a nuclear accident have been compounded by the fact that the site is slap in the middle of a registered Heritage Site with a farmstead and outbuildings that are historical monuments.

Ian Bell, owner of a farm on the site targetted by Eskom, said last night that he was "shattered" by the corporation's plan to build a power station there.

"The impact on the environment will be devastating no matter how well it is managed," he said.

According to Eskom's environment impact study, the site would not be "significantly adversely affected".

Van Heerden said nuclear-generated electricity was the only viable option for South Africa. Local supplies of coal would run out early in the next century.

MOSSGAS FM 15/6/90

End of the bonanza?

It's less than a year before the first usable gas arrives at the Mossgas refinery in Mossel Bay, yet questions remain about the benefits of the project. (SS)

The massive metal rig will leave its Saldanha Bay construction site for its location point in the Indian Ocean on October 1 and the first gas is expected to arrive at the onshore refinery by June.

This development will signify the end of a four-year bonanza for local contractors. From then on, the project, which in the construction stage provided employment to more than 10 000 people, will employ a permanent staff of 1 000.

Hopefully, the costly R8bn Mossgas synfuel project will be the last of its kind in SA. As the so-called "strategic necessity" of SA providfng for its own fuel needs falls away with the country regaining international respectability, so, too, will the need for embarking on future Mossgas-type projects.

Former Sasol GM and critic of the Mossgas project Jan Hoogendoorn says as a partial return on the R8bn investment, the benefits of job creation and skills training have been miniscule. During the contract period nearly 7 000 people were trained for engineering jobs. But, as Dorbyl MD Dawid Mostert says, most of the training was in the semi-skilled area rather than the skilled area where the real labour shortage lies.

One small compensation is that the project's initially projected 25-year lifespan now looks closer to 30 years. In that time, it's probable that further gas reserves will be found, as well as commercial quantities of oil.

But, unlike Sasol, it's unlikely that many downstream chemical products — other than alcohol, oxygen and nitrogen — will flow from the plant. Its financial viability will, therefore, be totally dependent on the fuel price. Gencor executive director in charge of the project Bernard Smith recently told the *FM* that Mossgas would break even in real terms at an oil price of US$25/barrel.

Hoogendoorn says this figure can't be

FM 15/6/90

verified as figures on the capital cost of Mossgas aren't available and there is no information on the quantities of oil it will produce. Besides, it's unlikely that international oil prices can be sustained at $25. The current price of Brent crude is around $16.

No doubt some industries — for example mechanical engineering and ship repair — have benefited. Mostert will certainly be sorry to see the end of the construction phase of the project. His company benefited more than most.

"The project was a tremendous benefit to the mechanical engineering industry and saved thousands of jobs. The decision to build four rig modules in Port Elizabeth came at a time when the local business sector was fighting its way out of a recession. Durban's engineering sector was given a lifeline by the much needed work provided by the accommodation module and the module support frame. Cape Town benefited from other module work." (SS)

Local content

And, thanks to a ministerial decision to aim for maximum local content in the construction of Mossgas, new technologies and products have evolved. One is a special steel developed for the offshore operation by Iscor which manufactured 67% of the steel for the project.

Mossgas director of projects Bob St Leger says even though the project won't reach its target of 80% local content, considerable forex savings have resulted. At times, there was even a price premium on going for local content. In addition, foreign purchases valued at about R120m were covered by counter-trade deals, thus indirectly increasing SA exports.

Mostert notes that, though there's unlike-

FM 15/6/90 (SS)

ly to be any more synthetic fuel projects in SA for some time, the technologies developed can be used in exploiting the offshore Namibian and Mozambican gas fields. ■

P[illegible] 15/6/90 The Star Finance (55)

Allied investors left in the dark

By Derek Tommey

The appointment this week of Mr Louis Shill, chairman of Sage Holdings, as chairman of the board executive committee at the Allied Group raises a number of questions.

Mr Shill's name first came to prominence on Tuesday when, in a surprise coup at the annual meeting, he ousted from Allied Group's board two recently appointed and highly respected independent directors. He also ousted a senior Allied official from the board at the same time.

This was followed on Wednesday by Mr Shill's appointment as chairman of the board executive committee of the Allied Group. The importance of this appointment is that it puts him in an extremely strong position to influence the affairs and operations of the Allied.

He has said his intention is to strengthen the executive committee so as to enable it to take the strategic long-term decisions which he regarded as necesary to implement the cooperation agreement between Sage and the Allied.

This cooperation agreement apparently provides for the sale by the Allied of Sage products. With Mr Shill in the saddle at the Allied, many Allied Group shareholders, no doubt, would like to know more about the agreement and what benefits or costs it will contribute.

According to remarks at the annual meeting by Allied's managing director, Mr Kevin de Villiers, the agreement is costing that organisation between R8 million and R12 million a year.

Parktown residents vote at meeting to boycott Mobil

(55) Star 16/6/90

Staff Reporter

Parktown residents who attended a meeting to debate the merits of an application for a petrol station in their suburb last night voted to boycott all Mobil products.

The 200 angry residents also resolved at the meeting with Mobil representatives to call on ratepayers in other affected areas to join the boycott.

Mike Lamb of the Parktown Ratepayers' Association said objections were based on resentment of business intrusion into residential areas.

Mobil's survey canvassing views of Parktown West residents on the desirability of a petrol station was criticised for failing to consider residents' attitudes to increased noise and air pollution and increased traffic congestion which might result from a filling station on the corner of Loch and Seymour avenues.

Residents claimed the facility would become an environmental hazard and lower the value of their properties.

Mr Lamb claimed Mobil's main objective was to trap the traffic on Jan Smuts Avenue.

Mobil spokesman Barry Jordaan said the area earmarked for the petrol station was no longer suitable for residential purposes because of the high level of noise and air pollution along Jan Smuts Avenue.

DP argues for a fair deal on taxation of emigrants

B Day 19/6/90

Political Staff

CAPE TOWN — Foreign investors who had bought Eskom stock with SA rands would now have to pay tax on the interest, but it was not fair this should be made retrospective, DP Pinelands MP Jasper Walsh said yesterday.

He said this provision in the Income Tax Bill, which was debated in Parliament yesterday, would largely apply to emigrants who would be greatly disadvantaged.

"There is no strong lobby group for emigrants, many of whom will have left the country when there was little hope of a peaceful political settlement.

"Hopefully some of these people will now be reconsidering their position."

Walsh said this provision should apply only to those who acquired Eskom stock after a specified date.

Walsh also said inestimable millions of rands were not collected in tax because of the lack of suitably qualified staff in the Receiver of Revenue's offices.

Walsh said unfilled staff positions existed and continued to remain unfilled due to a lack of supply of suitably qualified staff.

"The best financial brains in the country are matched against the Revenue office staff. The former are able to command high fees for their services. The latter are restricted to civil service salaries. And the beneficiaries are professional people and top executives. The shortfall has to be made up somehow.

"The losers are the salary and wage earners. And, in the case of indirect taxes such as VAT and GST, the public at large."

Walsh said he believed the system of taxation through the appropriate legislation should be scrupulously fair.

Sapa reports that CP finance spokesman Casper Uys welcomed government's moves towards separate taxation of married women, but regretted that this could not be fully implemented now.

Broader

He said he understood the problem of possible manipulation on women's income, but felt that if there were irregularities they could be dealt with through existing methods.

DP finance spokesman Harry Schwarz said in the debate it would be suicidal to increase the tax rate.

He said what was needed to produce more revenue was a broader tax base.

"The more people earn, the more tax can be levied, and the programmes for job creation can thus be seen as producing more revenue for the state, which will assist in the redistributive process."

Tax evasion and, in some cases an inability to collect tax due to social and political disorder, were problems which confronted the Exchequer.

Indirect taxation was normally the most acceptable form of taxation when there were not massive income gaps. When there was massive evasion or non-payment of direct taxation, the fiscus turned inevitably to greater indirect taxation and forms of indirect taxation. VAT was such a tax.

The process of taxation had not been equitable until now, as in respect of certain social services there had been colour discrimination. Stopping the discrimination would have a redistributive effect.

No petrol price rise expected during June

ZILLA EFRAT

NO PETROL price increase was expected for June following the recent downward movement of international product prices, the National Energy Council (NEC) said at the weekend. B Day 19/6/90

In May PWV motorists underpaid 2,776c/l for 93 octane petrol. The amount they had been underpaying had steadily increased from 0,221c/l in January to 4,893c/l in April.

May's figures represented a break in this trend because lower international market prices resulted in the landed cost of 93-Octane falling from 49,035c/l in April to 46,918c/l in May.

For the first time this year, SA motorists overpaid for their diesel in May. During this month, diesel moved into an over-recovery position of 0,763c/l following April's under-recovery position of 0,259c/l.

The landed cost of diesel fell from 44,409c/l in April to 43,387c/l in May due to lower international prices.

DP to debate troika issue today

Political Staff

CAPE TOWN — The intense debate on the future role of the DP and its troika leadership structure will be resumed at a special parliamentary caucus meeting today.

Most caucus members appear to favour dumping the three-person leadership format — an arrangement endorsed by a comfortable majority of rank-and-file party members at the federal congress in Durban about a year ago.

However, any change in the leadership structure will have to be approved by another federal congress. B Day 19/6/90

The timing and venue of such a congress still have to be finalised, but party members are mentioning possible dates ranging from August to October.

Although opposition among MPs to the troika system has been spurred by the DP's poor showing during the Umlazi by-election, it is by no means a forgone conclusion that this sentiment will be mirrored by the party's grassroots supporters.

Indeed, the DP Cape Western region decided by a substantial margin to reject a return to the one-person leader format on May 31.

Today's caucus meeting will also continue the process of examining the party's future role in view of the Umlazi setback.

While the party does not intend to ignore its role in white electoral politics in coming months, the party leadership has indicated its bridge-building role is in extra-parliamentary politics.

vestments

ded

28 February 1990 R'000	28 February 1989 R'000
88 665	53 884
1 848	2 693
1 001	962
847	1 731
208	504
639	1 227
–	1
639	1 226
	362

The MINISTER OF NATIONAL EDUCATION:

(1) Yes, as part of the HSRC's ongoing research concerning socio-political trends.

A random sample comprising 1 287 adult White South Africans, which was drawn in May 1990, showed 47% support for the National Party, 26% for the Conservative Party, 12% for the Democratic Party and 1% for the Herstigte Nasionale Party. Fourteen per cent were either unsure or refused to answer the relevant question or did not indicate a White Parliamentary party.

(2) No.

(3) No.

HOUSE OF REPRESENTATIVES

QUESTIONS

† Indicates translated version.

For oral reply:

General Affairs:

Questions standing over from Wednesday, 13 June 1990:

Mossgas project: contracts awarded 55

*1. Mr L T LANDERS asked the Minister of Mineral and Energy Affairs and Public Enterprises;

(1) (a) How many and (b) which South African and foreign companies have been awarded (i) on-shore and (ii) off-shore construction and fabrication contracts on the Mossgas project;

(2) whether all the expatriate and/or foreign workers employed by a certain company, the name of which has been furnished to the Minister's Department for the purpose of his reply and which has been awarded a contract on the Mossgas project, passed the required compulsory qualification quality control tests?

C102E

†The DEPUTY MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES:

(1) (a) (i) *ONSHORE*

Construction Contracts: 69
69 contracts with 51 RSA companies.
Foreign companies Nil

RSA COMPANIES INVOLVED WITH CONSTRUCTION CONTRACTS
Aminco, Babcock Engineering, CBI Constructors SA, Dorbyl Structural Engineering, Frankipile SA, 3G Construction, Genrec, Group 5 Projects, LTA Construction, Murray & Roberts, etc.

If necesary a complete list of names can later be provided at request.

Fabrication Contracts: 570
473 contracts with 157 RSA companies
97 contracts with 58 foreign companies.

RSA COMPANIES INVOLVED WITH FABRICATION CONTRACTS
Consani Engineering, Cyclops Engineering, D B Thermal, Dorbyl Group (3), Elgin Engineering, Envirotech, Fraser & Chalmers, GEA Aircooled Systems, Howden-Safanco, International Combustion, Rapid Allweiler, Steinmuller.

FOREIGN COMPANIES INVOLVED WITH FABRICATION CONTRACTS
Borsig, Cleveland, Fillipo Fochi, Glitch, Graham Manufacturing, Luigi Resta, I P M Leffer, Linde AG, Mannesman Demag, Rhine Ruhr, etc.

(a) (ii) *OFFSHORE*:
The nature of the work was such that a total of 135 main contracts were placed for construction/fabrication.

Contractors/Fabricators entered into further large numbers of sub-contracts.

In view of the special high technology nature of the work, arrangements were made for joint ventures between RSA and foreign companies.

MAJOR CONTRACTS
Construction/Fabrication
RSA companies 18
Foreign companies 9

(b) *RSA COMPANIES*
Dorbyl, Genrec, CBI, ICAL, Babcock, Algoa Pipe, Murray & Roberts, Grinaker, OVCON, LTA, etc.

FOREIGN COMPANIES
MIOC, Allseas, RGC, Roevin, IPCO/SME, Shore Crossings, etc.

(2) Mossgas does not have any control over the workers which are appointed by contractors to execute contracts for Mossgas.

The company which is referred to has, to the best of the knowledge of Mossgas, no foreign workers on its payroll. However, the company does make use of the services of labour brokers from time to time,who may well have foreign workers in their employ. SS

All welders employed by this company on Mossgas contracts have, according to the company, passed the necessary qualification tests.

Mr L T LANDERS: Mr Chairman, arising from the hon the Deputy Minister's reply, can he tell us whether the Government or his department in any way monitors the qualification quality control tests carrried out for the Mossgas project; if not why not; and if so, in what way?

The DEPUTY MINISTER: Mr Chairman, to answer the hon member, it is not the duty of our department to do that. That, I think, is the duty of the Department of Manpower. It is in their field of responsiblility, not that of my hon Minister.

Mossgas project: expatriate/foreign workers

*2. Mr L T LANDERS asked the Minister of Home Affairs:

(1) Whether his Department received a memorandum or letter of protest from a group of workers on or about Wednesday, 28 March 1990, in connection with the employment of expatriate and/or foreign workers on the Mossgas project or related matters; if so, what are the relevant details; Hansard 20/6/90

(2) whether he or his Deaprtment has taken any steps in this regard; if not,why not; if so, what steps;

(3) whether a certain company, the name of which has been furnished to the Minister's Department for the purpose of his reply, and/or its labour brokers made application for temporary residence permits, work permits, visas for the purpose of work permits and visas for the purpose of employing expatriate and/or foreign workers; if so, (a) what is the name of this company or its labour brokers and (b)(i) how many expatriate and/or foreign workers has it employed and (ii) from which countries do they emanate?

C103E

The DEPUTY MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES (for the Minister of Home Affairs):

(1) to (3) The company involved is Dorbyl Shipbuilders (Pty) Ltd. The department is not aware of expatriate workers being recruited for employment by the company concerned.

The matter as dealt with in my letter of 30 May 1990 addressed to the hon member, a copy of which is laid upon the Table, is consequently only related to foreign workers and not expatriate workers. Hansard 20/6/90

As far as could be ascertained the company has not directly recruited any foreign artisans and therefore has no foreign workers registered on its payroll as employees. Apparently, due to the demand for top skills (welders and boilermakers) required to carry out Mossgas/Mossref contracts the company's normal recruitment methods were not meeting its requirements. SS

The company therefore made use of labour brokers to bring the workforce complement to its requred level and five brokers were selected i.e. Axos, Roevin, Bogalho, Opex and Industrial Manpower Suppliers. I am told that the company has no direct interest in any of the brokers from a management or financial point of view, and that it did not directly assist brokers in recruiting foreign labour.

According to information received, the number of foreign workers supplied by the labour brokers concerned to the company in question as at 28 March 1990 was as follows:

Axis Engineering	— 0
Bogalho's CC	— 34
Opex Engineering	— 0
Industrial Manpower Suppliers	— 79
Roevin	— 0

The countries of origin of these foreign workers are Portugal and Turkey.

I have instructed my Department to conduct an in-depth investigation into the matter of the recruiting of foreign labour by labour brokers. This investigation will be done in conjuction with the Department of Manpower. It is the policy of the Government that preference be given to the local labour market. Recruitment practices that could jeopardise this policy will not be tolerated. SS

Mr L T Landers MP
PO Box 15
Cape Town
8000

Dear Mr Landers

FOREIGN WORKERS: MOSSGAS PROJECT AND DORBYL DURBAN

With further reference to your letter of 23 April 1990, I wish firstly to respond to the grievances of the striking Dorbyl workers as put to the Department's Regional Representative in Durban on 28 March 1990.

According to records a spokesman for the workers told the Department's Regional Representative that they were protesting against the granting of work permits to a number of Portuguese artisans who were allegedly unskilled and had to be trained by local workers. Furthermore that the Portuguese workers were paid exorbitant wages and that besides this they also received the benefit of company housing and transport.

I can only comment onthe question as to whether the foreign workers are skilled or unskilled, since remuneration and fringe benefits are private matters between employer and employee. According to my information the foreign workers were subjected to a trade test on their arrival at the site and almost all the workers failed this test initially. About two days later however the workers were subjected to a second test which they all passed. The reasons advanced for their initial failure was that they were subjected to the test immediately after a long flight of 72 hours from Europe and to a certain extent unfamiliarity with the local equipment. As soon as the foreign workers were sufficiently rested and familliarised with the equipment it transpired that they were able to produce in some cases up to almost 4 times as much per shift as a local worker. From the information at my disposal I am therefore satisfied that these foreign workers are indeed well skilled in their work.

Foreign workers are not permitted to be employed in the RSA unless it is assured that no suitably qualified workers are available locally. This has always been and still is the policy of the Department of Home Affairs when considering the granting of work permits and in this regard the recommendation of the Department of Manpower is a prerequisite. In this particular case the Department of Manpower was consulted before approval was granted to recruit workers overseas.

It may be mentioned that the Department of Home Affairs also requires from a prospective employer an indication of the steps he has taken to train local workers with the view to eventually replacing foreign workers. Dorbyl indicated that they have an apprenticeship training programme in operation and that their record in this regard (four apprentices to every skilled artisan) is indeed of the best in the country. Apprenticeship training is however a long term solution and could not be relied upon to solve Dorbyl's immediate requirement regarding the recruitment of sufficiently skilled workers on a short term contract basis in order to comply with their contractual obligations.

With the above assurances in mind I trust that you will appreciate that it will be impossible to withdraw the work permits of all foreign workers in Dorbyl's employ or for that matter the work permits of all such workers on the Mossgas project, without seriously jeopardizing the continuance of the project as a whole. South Africa has always had a shortage of trained workers in specific categories because of the relatively few large projects undertaken and the time span between the undertaking of these projects. South Africa will probably for a long time still be dependent on overseas expertise.

It must be borne in mind that the Mossgas project is the first full-scale offshore project the country has ever undertaken. It was accepted from the outset that overseas labour would be required and the Government stated its intention to endeavour to keep the local content as high as possible. According to my information all possible steps were taken to achieve this goal.

Kind regards 55

E LOUW
MINISTER OF HOME AFFAIRS AND OF NATIONAL EDUCATION

Mr L T LANDERS: Mr Chairman, arising out of the hon the Deputy Minister's reply, can he tell us whether, in its efforts to obtain local labour, these companies advertised in the Durban area, in the province of Natal, or whether they advertised nationally?

The DEPUTY MINISTER: Mr Chairman, I wish to say on behalf of the hon the Minister of Home Affairs that here again I do not think it is part of the line function of this Department to look after the labour issues. I think the labour issues form part and parcel of the line function of the Department of Manpower.

I would like to have the opportunity to answer the last question later on. Then we can ask these questions again. At that stage I shall try and answer them.

Mr L T LANDERS: Mr Chairman, further arising out of the hon the Deputy Minister's reply, can he tell us whether he or his Department in fact confirmed, via the Department of Transport, that the flight he referred to in his reply to my letter did in fact take 72 hours from Lisbon to South Africa, because according to an official of the Department of Transport, this would have entailed travelling around the world three times. Normally such flights take only 11 hours.

The DEPUTY MINISTER: Mr Chairman, I am sorry I do not know which question the hon member is referring to. I am not standing here as the hon the Deputy Minister of Transport. I am standing here on behalf of the hon the Minister of Home Affairs. That has got nothing to do with transport matters. I should like him, if it is possible, to explain more about the problem of travelling halfway around the world in the probable time. Infortunately, I do not have a question that refers to that.

Mr L T LANDERS: Mr Chairman, with all due respect, I should like to address you on this point. This hon Deputy Minister is not the hon the Deputy Minister of Home Affairs, yet he is expected to reply to me on matters pertaining to Home Affairs, Mineral and Energy Affairs, as well as Manpower. [Interjections.] It is an absolute sign of contempt towards hon members of this House as well as to the voters out there whom we represent.

The CHAIRMAN OF THE HOUSE: Order! As far as I am aware, any Minister or Deputy Minister is not obliged and can refuse to reply to any question.

†The MINISTER OF THE BUDGET: Then he must not be here.

†The CHAIRMAN OF THE HOUSE: Order! Then the House must take the matter further. However, I think it is the Deputy Minister's prerogative to refuse or whatever. The House can furthermore take a decision thereon.

†The DEPUTY MINISTER: Mr Chairman, I do not have any question which deals with the Department of Transport. I have no question before me, of the three which I have been asked, while the whole Cabinet is continuing with the Cabinet Sitting, which deals with Transport.

†The CHAIRMAN OF THE HOUSE: Order! I agree with the hon the Deputy Minister. However I think that the hon member's complaint is that this matter naturally pertains to something in connection with the Department of Internal Affairs and that he expected that the Minister concerned or the Deputy Minister of Internal Affairs could have replied to these questions. [Interjections.]

Mr L T LANDERS: Is it not convention, Sir, that in anwering questions hon Ministers are also expected to answer supplementary questions from hon members? If an hon Minister comes to this House prepared to answer only the questions that are tabled, then we are absolutely wasting our time as well as the voters' time.

†The CHAIRMAN OF THE HOUSE: Order! An hon Minister may for instance say that he will refer the question to another hon Minister or whatever.

†The MINISTER OF THE BUDGET: [Inaudible.]

†The CHAIRMAN OF THE HOUSE: Order! I agree with the hon the Minister of the Budget, but we cannot now castigate this hon Deputy Minister. I think we must castigate the right people.

†Mr P A S MOPP: [Inaudible.]

†The CHAIRMAN OF THE HOUSE: Order! Does the hon member at the back there want to ask a question?

†Mr P A S MOPP: No, Sir.

New question:

Mossgas contracts: expatriate/foreign employees

*1. Mr L T LANDERS asked the Minister of Manpower: 55

(1) What is the total number of expatriate and/or foreign persons employed within South Africa on on-shore fabrication and construction work on Mossgas contracts as 6-G welders, 3-G welders, boilermakers and workers in other specified categories of employment;

(2) whether a certain company, the name of which has been furnished to the Minister's Department for the purpose of his reply, has employed labour brokers for the purpose of supplying manpower for its Mossgas contract; if so, (a) what are the relevant details and (b) what is the name of this company;

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

C104E

†The DEPUTY MINISTER OF MINERAL AND ENERGY AFFAIRS AND PUBLIC ENTERPRISES (for the Minister of Manpower):

(1) This information is not available at the Department of Manpower.

(2) Yes.

(a) It is understood that two of the brokers used by the company, whose name was furnished to the Department, make use of foreign as well as local workers and three of the brokers make use of local workers only.

(b) Dorbyl Shipbuilders (Pty) Ltd.

(3) Matters with regard to applications for work permits, temporary residence permits and the repatriation of foreign workers are the responsiblility of the Department of Home Affairs.

When the Department of Home Affairs receives an application from an employer for the importation of foreign labour, that Department normally approaches the Department of Manpower for a recommendation regarding the availability of local labour. 55

Before the Department of Manpower makes a recommendation to the Department of Home Affairs, the matter is thoroughly investigated. In this process details of all unemployed suitable work-seekers registered with the Department are scrutinised and private employment offices, trade unions and training centres, where applicable, are consulted to ensure that the need cannot be satsified from local sources.

The Department of Manpower's prime objective is to curb local unemployment. However, if skilled workers are not locally available, the employment of skilled foreign workers could contribute to the creation of jobs for our own people.

Mr L T LANDERS: Mr Chairman, arising from the hon the Deputy Minister's reply, I must first ask the question as to whether he is prepared to entertain supplementary questions in this regard.

The DEPUTY MINISTER: Mr Chairman, I am prepared to entertain all supplementary questions that are related to the questions on the Question Paper.

Mr L T LANDERS: Mr Chairman, further arising from the hon the Deputy Minister's reply, I must ask the hon the Minister, through the hon the Deputy Minister, what the precise recommendations of the Department of Manpower were to the Department of Home Affairs in this regard?

The DEPUTY MINISTER: Mr Chairman, as I understand it from the answers of the two hon Ministers, the two hon Ministers had a discussion on the possibility that there are not enough people trained to do certain jobs in this country. [Interjections.] That is why people came from overseas. I mentioned the two countries that people came from specifically to work on Mossgas, as required by the people at Mossgas. As far as I can gather from the answers, the Government is not involved. The Government gave out the contracts to private people and these people are importing the people they need with the

Hansard

consent of the Department of Manpower and the Department of Home Affairs.

Mr L T LANDERS: Mr Chairman, further arising from the hon the Deputy Minister's reply, he says that the Government is not involved, but the Government is involved because the Government issues visas and work permits. However, is it not true that the Department of Manpower recommended to the Department of Home Affairs that workers only be contracted from Spain and West Germany and, if so, does the contracting of these foreign workers from Portugal and Turkey represent, therefore, a deviation from the conditions laid down by the department?

The DEPUTY MINISTER: Mr Chairman, the policy set out by the Department of Home Affairs and the hon the Minister of Home Affairs as to who might or might not be contracted is another question. I would like to advise the hon member to put those questions on the Question Paper so that we can answer them next time. [Interjections.]

For written reply:

Own Affairs:

Management/local affairs committees

4. Mr W J DIETRICH asked the Minister of Local Government and Agriculture:

Hansard 20/6/90

(1) Whether any (a) management and (b) local affairs committees falling under his Department are no longer functioning; if so, (i) how many, (ii) for how long, and (iii) where are they situated, in each case;

(2) whether any of these management and local affairs committees are controlled by political parties represented in the House of Representatives; if so, (a) how many and (b) by which political party in each case;

(3) whether the functions of these committees are being administered by other bodies; if so, by which bodies;

(4) whether any savings have been effected as a result of these functions being so administered; if so, what savings;

(5) whether he will make a statement on the matter? Hansard 20/6/90 C107E

The MINISTER OF LOCAL GOVERNMENT AND AGRICULTURE:

(1) Management and local affairs committees do not fall under the jurisdiction of the Department but under the Provincial Administrations. Information has been obtained from them to anwer questions (1)(a), (b)(i), (ii) and (iii).

(a) Yes/. . .

(1) (a) Yes.

(b) No.

(i) 5 management committees.

(ii) From March/April 1990.

(iii) Cape: Ashton, Elliot and Robertson.

Transvaal: Boksburg and Witbank.

(2) No.

(a) No.

(a) and (b) fall away.

(3) Yes — The Provincial Administrations and the parent local authorities.

(4) Do not know as the functions are administered by the Provincial Administrations and the parent local authorities.

(5) No.

HOUSE OF DELEGATES

**Precedence given to questions on general affairs on this day pursuant to the resolution adopted by the House on Tuesday, 19 June 1990.*

QUESTIONS

† Indicates translated version.

For oral reply:

General Affairs:

State President:

Question standing over from Wednesday, 13 June 1990:

Single Chamber of Parliament

*1 Mr D K PADIACHEY asked the State President:

Whether he will consider dissolving the existing three Houses of Parliament and taking legislative steps to convert them into a single Chamber of Parliament comprising all current members of Parliament to act as an interim legislative authority while a new constitutional dispensation is being negotiated; if not, why not; if so,what are the relevant details?

Hansard 20/6/90 D224E

The MINISTER OF CONSTITUTIONAL DEVELOPMENT (for the State President):

No. There are various reasons which render such a step inappropriate namely, *inter alia*, the following:

(1) The Government does not have a mandate for such a fundamental interim amendment of the Constitution.

(2) It is essential that fundamental constitutional amendments be preceded by peaceful negotiations between all interested parties which enjoy substantial support.

(3) Such an amendment of the Constitution will not contribute to the broadening of democracy among all South African citizens. At the same time it will destroy the protection of minorities as provided for the present Constitution, without replacing it with something else. To this the Government will not accede.

Mr M RAJAB: Mr Chairman, arising out of the hon the Minister's reply — he has in fact replied on behalf of the hon the State President — may I ask him , more particularly in view of a newspaper report which was published in the *Daily News* on Monday of this week, whether he could tell us whether the hon the State President has in fact received a request from the Ministers' Council of this House to infact dissolve this House? Hansard 20/6/90

The MINISTER: Mr Chairman, I am not in a position to reply to that question.

The LEADER OF THE OFFICIAL OPPOSITION: Mr Chairman, further arising out of the hon the Minister's reply — if it is possible for him to reply — in response to the explanation given by him in respect of the mandate, is it not correct that the *de facto* situation is that we are actually functioning as one Chamber, and the mandate which the Governemnt has had was already in respect of the removal of discrimination, and the three Chambers are in fact discriminatory? Would the hon the Minister not consider that the combining of the three Chambers into one is — shall I say — a programme to remove discrimination within the mandate that the Government received in the election last year?

The MINISTER: Mr Chairman, the Government is firmly committed to, and has also clearly expressed during the past election, the view that the present Constitution is unacceptable in terms of a truly democratic constitution and that it has to be replaced by a new constitution providing for political participation of all South Africans at all levels of government. However, the view of the Government, which it expressed during the election, and for which it has also received a mandate, is that any new constitution should be the result of peaceful negotiations amongst the leaders of all parties committing themselves to peaceful negotiations and enjoying substantial support.

Minister:

Meeting: teachers' organisations

*1. Mr H M NEERAHOO asked the Minister of National Education: Hansard 20/6/90

(1) Whether he and/or his Department was involved in a meeting attended by representatives of teachers' organisations and held early in June 1990; if so, what was the

Star 21/6/90 (55)

Call for more new reactors

By Jacqueline Myburgh

Construction of a second nuclear energy plant in South Africa should not start later than 1998, according to Eskom's chief executive, Ian McRae.

Delivering the keynote address at a symposium on nuclear technology at Eskom's headquarters in Johannesburg yesterday, Dr McRae said a nuclear reactor should be introduced every few years, subject to national affordability.

"The capital costs of nuclear power are considerably higher than those for coal, which could affect the short-term affordability of the option," he said.

But Eskom was confident enough in the long-term future of nuclear power to have initiated a programme to search for potential nuclear station sites.

Pollution

With regard to the environmental advantages of nuclear energy, Dr McRae said increased power generation by coal-burning would ultimately place an unacceptable pollution burden on the Eastern Transvaal Highveld. This could be obviated if more nuclear power were used.

To become a "winning nation" on a par with Japan, Korea and Taiwan, South Africa had to become technology driven, Dr McRae said.

He called on the Government to appoint a Minister for Technology and to develop a national strategy on technology, by close interaction with the private sector and engineering profession.

The availability of energy was vital, Dr McRae said. The developing section of the community, which had previously been denied appropriate energy, now had to be given electricity and thereby the opportunity to participate in the economy.

Oil rig workers down tools for better pay

CAPE TIMES 21/6/90 Staff Reporter

OIL rig workers on three rigs off Mossel Bay went on strike this week, demanding higher wages and were taken off the rigs, a Chemical Workers' Industrial Union (CWIU) official said yesterday.

CWIU spokesman Mr Martin Jansen said about 120 workers — employed by Sopelog — downed tools on Tuesday on three rigs demanding an 18% salary increase and a minimum wage of R1 200 a month.

The union and the management of Sopelog, one of the sub-contracting companies to Soekor, began negotiations yesterday and will continue today, Mr Jansen said.

He added that management took the striking workers off the Nymphea, Omega and Actinia rigs.

A source on one of the rigs said workers had been airlifted from the Nymphea and Actinia rigs on Tuesday night.

Striking workers on the Omega were taken ashore yesterday morning, he added.

CONSERVATIONISTS' NATURE RESERVE CHOSEN FOR REACTOR

W/Mail 22/6/90

Living in the shadow of a nuclear nightmare

(55)

By GAYE DAVIS: Cape Town

IN ONE of life's grim ironies, the site chosen by Eskom for its second nuclear power station on the Cape coast lies on a private nature reserve owned by two dedicated conservationists who use wind and solar-powered energy in their historic homestead.

The recent announcement that their farm Hagelkraal, near Pearly Beach, had been earmarked came as little shock to Ian and Avanol Bell, however.

With "sinking stomachs and beating hearts" they first learned that Eskom would be surveying the area to identify potential nuclear reactor sites three years ago.

One of the geologists who came to assess the area became a friend; Ian Bell tells how they watched, over the months, as possible sites dotted on an aerial map dwindled to just three. One was their farm, the others lay on either side of it.

"We realised then that if it wasn't going to be us, it would be so close as to make no difference," Ian said.

"We had a total invasion of experts checking out the area for two years," said Avanol. "We had no option but to assist — by refusing we'd just be making ourselves miserable.

"We learned a lot of good lessons from that experience: it gave us a taste of what it's like to be invaded, to be powerless.

When the Bells acquired Hagelkraal 10 years ago, it was from the deceased estate of Cape architect Brian Mansergh. He stipulated in his will that it be sold only to people who shared his love of the land and his commitment to conserving it.

And so the Bells committed themselves to guarding and preserving Hagelkraal's 1 300 hectares, stretching from limestone hills behind thatched-roofed stone farm buildings built as long as 160 years ago to a 1,5km sweep of untouched coastline.

It is a coastline rapidly disappearing under developers' buildozers; that Hagelkraal's beach and dunes are still pristine is due to the Bell's barring access, even to campers.

Over the decade they've lived there, they have dedicated themselves to ridding the land of alien vegetation threatening the fynbos species unique to the Cape, which alone comprise one of the world's six floral kingdoms.

It's an expensive, thankless task because there are no subisidies: the Department of Agriculture doesn't consider fynbos an agricultural resource despite its providing between 75 and 80% of the country's export wildflower crop.

"The locals thought we were loonies," Avanol recalled. But they found selling firewood from the rooikrantz trees infesting their land covered their costs and, over the years, cleared about 100 hectares, living on an income generated by harvesting and drying the flowers of their veld.

Their approach resulted in Hagelkraal being registered as a natural heritage site and a private game reserve in 1988 a mere formality.

Then, in February last year, a combination of summer's blazing heat and searing winds sparked a devastating wildfire which ripped across their land — almost engulfing their homestead, devouring their orchard and destroying all their prime harvest veld.

A devastating blow, it came on the back of an earlier setback when a tar road was cut through the farm in 1982, separating the homestead and limestone cliffs from the land sweeping down to the coast.

The occasional fire can be good for fynbos, drawing up species which have lain dormant for years. But the heat also hastens the appearance of alien seedlings. Controlled burns over small areas mean they can be rooted out with relative ease. But the fire burned more than 90% of the farm, and the alien invasion is threatening to run out of control.

None of the private and public sector bodies Ian approached to help raise the R50 000 he reckoned it would cost to deal with the problem agreed to: it's unlikely they would now.

Eskom blanketed its announcement in assurances that it was only identifying a possible site: it stressed in a press release that no new nuclear station would come on-stream during this century.

But the press release omitted to mention that nuclear reactors take at least 10 years to build — and this week, Eskom's chief executive confirmed the couple's fears by stating that work on a new nuclear reactor should start as soon as 1995.

The geological survey was still underway when an earth tremor cracked one of their buildings and sent a piece of limestone cliff crashing earthwards, firing their hopes.

"We thought the good Lord had saved us. But the geologist dismissed the quake: he said it would simply mean an extra R18 or R20-million to make the foundations deeper," said Ian.

Like their battle against the alien vegetation, the Bells are fighting this one almost alone. They have seen Eskom's public relations team in action and rate it as one of the slickest. There have been few signs of any broad-based opposition to a reactor in the area.

"I was shopping in Hermanus and I asked someone what she thought about having a reactor so nearby and she said: 'Oh, it'll be far away'. Nobody cares."

But Hermanus residents might wish they had cared more once building starts.

According to Eskom, construction will bring as many as 7 000 people into the area, for whom housing and other facilities will have to be built.

Super-load transporters carrying components weighing up to 400 tonnes will have to make their way from Cape Town through Hermanus's quaint narrow streets. Roads and bridges will have to be strengthened if new ones aren't cut and power lines will stretch across the landscape.

Once construction starts, the Bells will take leave of Hageikraal — but for now, they are enjoying what they have, and hoping against hope that the nightmare will again become a dream.

Picture: RASHID LOMBARD

Fighting alone ... The Bell family outside their historic homestead on their farm Hagelkraal which has been earmarked for a nuclear reactor

Reactions seem to have fall-out

W/Mail 22/6/90 (55)

By GAYE DAVIS: CAPE TOWN

CONTRADICTORY statements regarding plans for building more nuclear reactors in South Africa came from Eskom this week.

In Cape Town, Eskom PRO Carin de Villiers, told *The Daily Mail* any decision to build a new nuclear reactor would depend on a substantial improvement in the country's economic growth rate and would come only after the conomy had been monitored for some time.

But in Johannesburg, Eskom's chief executive Ian McRae revealed a decision had already been taken — even though the country's growth rate shows little signs of recovering from its slump.

McRae said South Africa should start building at least one nuclear reactor every two to five years, possibly starting as early as 1995 but "not later" than 1998.

De Villiers told *The Daily Mail* Eskom generated "miles too much power" at present.

Peak usage during 1989 was 20 589 megawatts; the country's coal stations and Koeberg nuclear reactor provide a total of 31 465 megawatts.

Allowing for maintenance and power stations being otherwise out of commission, the surplus stood at about 3 000 megawatts, she said.

This was one of the reasons "we don't need to build (another nuclear reactor) at the moment", De Villiers said

"If the economy hots up we might start building this century, if not then only in the next decade."

Economic growth rates would have to be assessed over a period of some length.

Koeberg Alert spokesperson Mike Kantey accused Eskom of "doublespeak".

Kantey said when Eskom announced it had earmarked a national Heritage Site, the farm Hagelkraal in the southern Cape, for the country's second reactor it clearly stated no new station would start operating before the end of the century.

ANC guerrilla tells of ...

NUCLEAR POWER GOES GREEN

(55)

FM 22/6/90

This week's first international symposium on nuclear technology in southern Africa, held at Eskom's Megawatt Park, highlights the growing global acceptance of nuclear power as an environmentally friendly alternative to coal.

With SA's coal reserves destined to be totally committed to power generation by 2030, the use of nuclear power is going to become increasingly important. The symposium took place against a background of increasing concern over the greenhouse effect on global warming.

Operational safety is another important consideration. The Massachusetts Institute of Technology estimates that about 30 people were killed outright by the Chernobyl nuclear disaster but predicts that at least another 1 300 will die of radiation diseases. The institute also claims that between 1 600 and 4 000 people will have their lives shortened by pollution from each coal-fired power station around the world of similar size to Chernobyl.

"So one could say that nuclear power is cleaner, and safer, than coal power, especially in view of the stringent safety measures applied at Western nuclear power stations," says one Eskom official.

The fear of global warming and disastrous climatic changes have induced a re-evaluation of nuclear power as a more acceptable alternative to coal.

"In May SA became a signatory to the World Association of Nuclear Operators. The number of overseas speakers attending the symposium highlights the growing interest here, and overseas, in the increased use of nuclear power," says Eskom CE Ian McRae.

Eskom and the Atomic Energy Corp are leaders in Africa in nuclear power generation.

"Nuclear power has to be phased in gradually and we must start now," says the SA chairman of the Institution of Nuclear Engineers, Tug Wilson. ■

SA demand for energy set to double — expert

B Day 22/6/90

GERALD REILLY

PRETORIA — It was clear that SA faced a rising demand for energy that could double by early in the next century, National Energy Council CE D C Neethling said yesterday.

Speaking at the Nuclear Technology in Southern Africa symposium in Sandton, Neethling said current projections of future economic growth rates and the structures of the economy remained major factors of uncertainty.

He said coal and uranium were the only major players when decisions on new power plants had to be taken by the year 2000.

However, other options could be the enhancement of the Cahora Bassa hydroelectric scheme in Mozambique, new coal-fired plant in Botswana, potential offshore natural gas and additional hydro power from the Kunene scheme in Namibia.

Neethling said with a demand-driven approach and an appropriate management programme in place, the chances of the capacity excesses of the past were less likely.

On alternative sources of energy, Neethling said the most important was harnessing the vast hydro resources of southern Africa. This was an option which featured prominently in Eskom's future vision.

Neethling added SA faced a future shaped by new and high technologies with an ever-increasing demand for skilled manpower and a dedicated thrust for policy-directed research and development. Also there was a dire need to share internation expertise.

Atomic Energy Corporation CE WE Stumpf told delegates the AEC's wide-ranging capability in related products, technology and services would be marketed as part of the corporation's drive towards commercialisation.

He said over many years the AEC had built up a significant capability in the production, supply and application of medical and industrial isotopes.

Value

However Stumpf warned that the AEC would have to take strong action to survive. This included the introduction of a strong sense of commercialisation, the streamlining of its structures and diversifying from purely nuclear to nuclear-related tecnology.

The national policy to add value to mineral exports made the AEC's efforts to develop an alternative cost-effective enrichment technology of the utmost importance as a strategic programme.

Of over-riding critical importance was an effort to curtail future total fuel costs by reducing the cost of the enrichment step, Stumpf said.

The country's uranium and thorium should be seen as the primary energy resource in the future once coal reserves became depleted.

Eskom GM (Generation) P M Semark told the symposium that SA's political standing in the world community had to be normalised if the country's nuclear fuel cycle operations were to be fully commercialised and costs reduced.

He warned if the challenge of cost reduction could not be met then nuclear power stations would remain an expensive novelty for the forseeable future.

With Koeberg station, SA had taken to the waters of the Rubicon. "Eskom now stands on a stepping stone between then and the far bank which is the start of a significant continous programme of nuclear power station construction."

If the move was made too soon a huge financial burden would be placed on SA's limping economy, "but if we wait too long we place all that has been done to date at risk of decay".

The timing of further construction was debatable but the need for a master plan was immediate.

On skilled staff, Semark said the second wave of young technologists had just been trained in France.

"There is, however, serious concern about the exodus of skilled professionals from the industry," Semark said.

The greatest danger facing the industry was having to rebuild its knowledge and skills base after a decade of haemorrhage.

Businessman sues Shell

CPress 24/6/90

55

By CONNIE MOLUSI and DESMOND BLOW

BUSINESSMAN David Phasha claims petrol worth nearly R2 million has leaked from faulty underground storage tanks at his Soweto garage.

He claims Shell (SA) is responsible and that they offered him R10 000 in compensation.

"This is laughable," he told *City Press*. "I am sueing them for R2 278 133 in damages."

Phasha claims that for seven years petrol pumped into the tanks, installed and maintained by Shell at his Orlando West Service Station, simply seeped into the ground through a hole in the tanks.

He said that between 1981 and 1988 – when he at last confirmed the tanks were faulty – he ran his business at a loss and acquired extra debt by having to sell or cash in some of his investments and take out loans on which he paid R300 000 in interest.

David Phasha

Garage owner claims R2-m for losses

Phasha said he had also had to pay the Receiver of Revenue R114 960 GST on sales that did not occur because the petrol had not been sold but had seeped away.

He repeatedly complained to Shell, he said. They checked the leak detector in the tanks and assured him the tanks were not leaking.

However, in 1988 after he had spent more than R176 000 on tracing the cause of the loss, it was discovered the leak detector had not been properly installed.

Phasha said: "The whole saga started in 1982 when people started watching fires floating on water in a stream close to the garage."

He examined the fires and found petrol seeping into the stream at several places along the stream's banks.

The district sales manager of Shell, Keith Sepati, also examined the bank and confirmed there was a leak and sent for an engineer.

Sepati later informed him the engineer had mended the leak and Phasha was compensated for the loss of 20 000 litres of petrol.

"I accepted this because I believed and trusted Shell's network. The fires in the stream were washed away by the first rains of the season."

But the petrol station continued to show a loss and in 1983 Phasha sold some of his investments to obtain cash to pay his business debts.

Phasha still suspected seepage but Shell assured him there was none, Phasha said.

After further complaints to Shell more tests were conducted but he was told these proved negative.

The situation did not improve and in July 1988 one of the pumps was damaged by a car. When it was replaced it would not function, and other pumps also malfunctioned.

An engineer inspected the pumps and said he believed there was a leak although no leakage was shown in a pressure test.

When the engineer examined the leakage detector he found it had not been properly installed, but just wired and left hanging.

Shell has denied liability for the losses.

A Shell spokesman said Shell would defend any court action.

'War' declared on use of asbestos in Soweto

B/Day 28/6/90

WILSON ZWANE

THE National Environment Awareness Campaign (NEAC) has declared war on asbestos, used in the roofing of most Soweto houses, according to NEAC president Japhta Lekgetho.

Lekgetho said that as exposure to asbestos could cause lung cancer, thousands of families in the township were at risk.

"Because of overcrowding and the use of coal stoves, the roofs flake easily and are quickly damaged. Such weathering of roofs containing asbestos is dangerous," Lekgetho said. Asbestos manufacture should cease.

According to recent figures released by Unisa's Bureau of Market Research, 67,6% of formal houses and 38% of outside buildings in Soweto are roofed with asbestos-containing materials.

Health consultant Brian Gibson said products containing asbestos — such as brake pads, room partitions and roofing sheets — were made from high-density materials and the release of asbestos fibre was minimal.

"No member of the public will contract an asbestos-related disease from asbestos fibre levels in the buildings. Also, the weathering of asbestos-containing building materials such as asbestos-cement contributes marginally to environmental levels."

It would take an aggressive action to release asbestos fibres in measurable quantities, as asbestos in asbestos-cement (used for roofing and partitioning) was firmly bound in a cement matrix, he said.

"Current cases of asbestos-related diseases are a result of excessive exposures 20 or more years ago in factories or mining areas where conditions were extremely dusty. Scientists agree that asbestos can be used safely under modern control measures," Gibson said.

Environmental measurements conducted over the years indicated that asbestos levels in Soweto Central measured between 100 and 600 fibres a cubic metre.

At risk

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"These levels should be compared to the 85 000 fibres a cubic metre measured in the vicinity of a mine in 1965, and to the 1-million fibres a cubic metre that is exposure limit for occupational exposure in SA."

Gibson conceded that, according to scientific researchers, communities living close to unrehabilitated asbestos mine dumps were at risk from asbestos in their environments.

Of the three kinds of asbestos — blue asbestos (crocidolite), brown asbestos (amosite) and white asbestos (chrysotile) — the blue and brown types were more dangerous as they were tougher and stayed in lungs longer, Gibson said. White asbestos was the more widely used in SA.

'Us and them' — and Mobil the winner?

By Jacqueline Myburgh

What used to be the oldest residential suburb in Johannesburg, boasting gracious Victorian and Edwardian mansions, Parktown is now Johannesburg's fastest-growing business district.

Only the odd historic home has been retained. But, on the whole, old Parktown — on the east side of Jan Smuts Avenue — is no more.

West of Jan Smuts Avenue it is a different story: Parktown West is an intact, inner-ring, turn-of-the-century suburb, tranquil and leafy.

Its residents have ceaselessly fought commercial development — and have so far succeeded. But the first signs of seediness are creeping in with some big homes becoming communes.

Now Mobil wants to build a garage and showroom on the corner of Seymour and Jan Smuts avenues.

Residents have held pavements protests and public meetings.

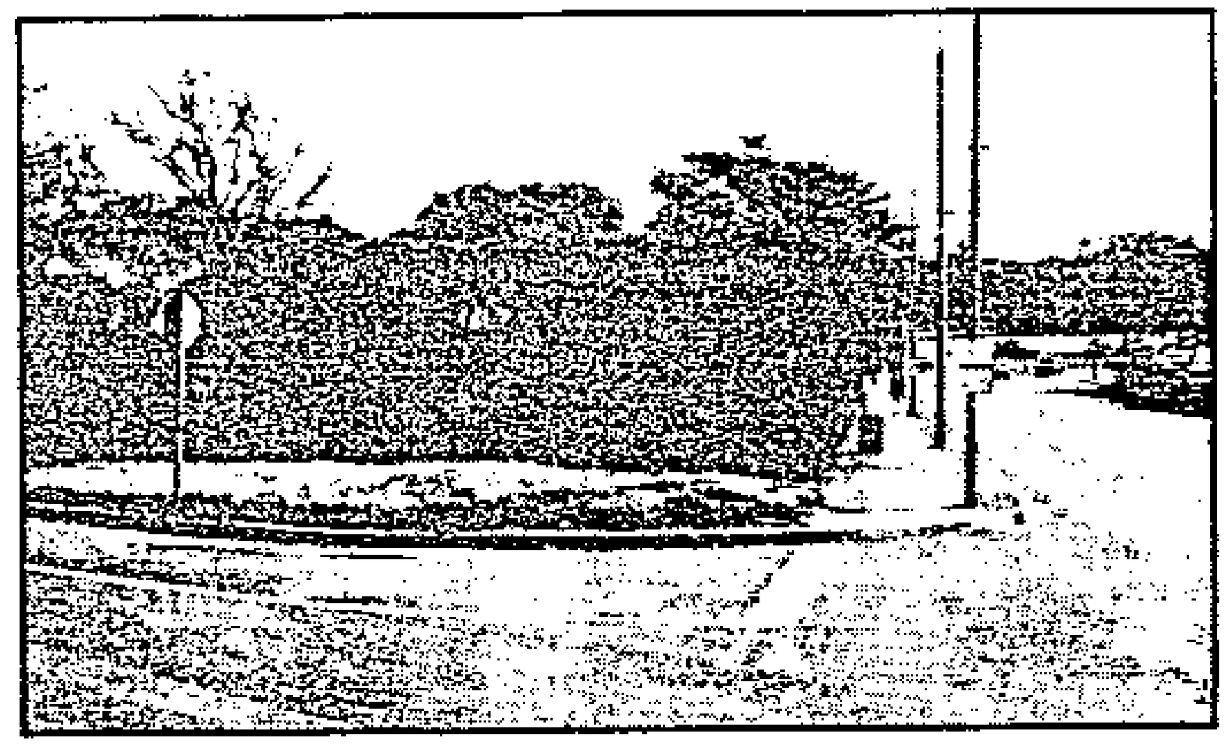
They have been encouraged by Mobil's defeat in Forest Town, 2 km down Jan Smuts where its plan for a garage was turned down.

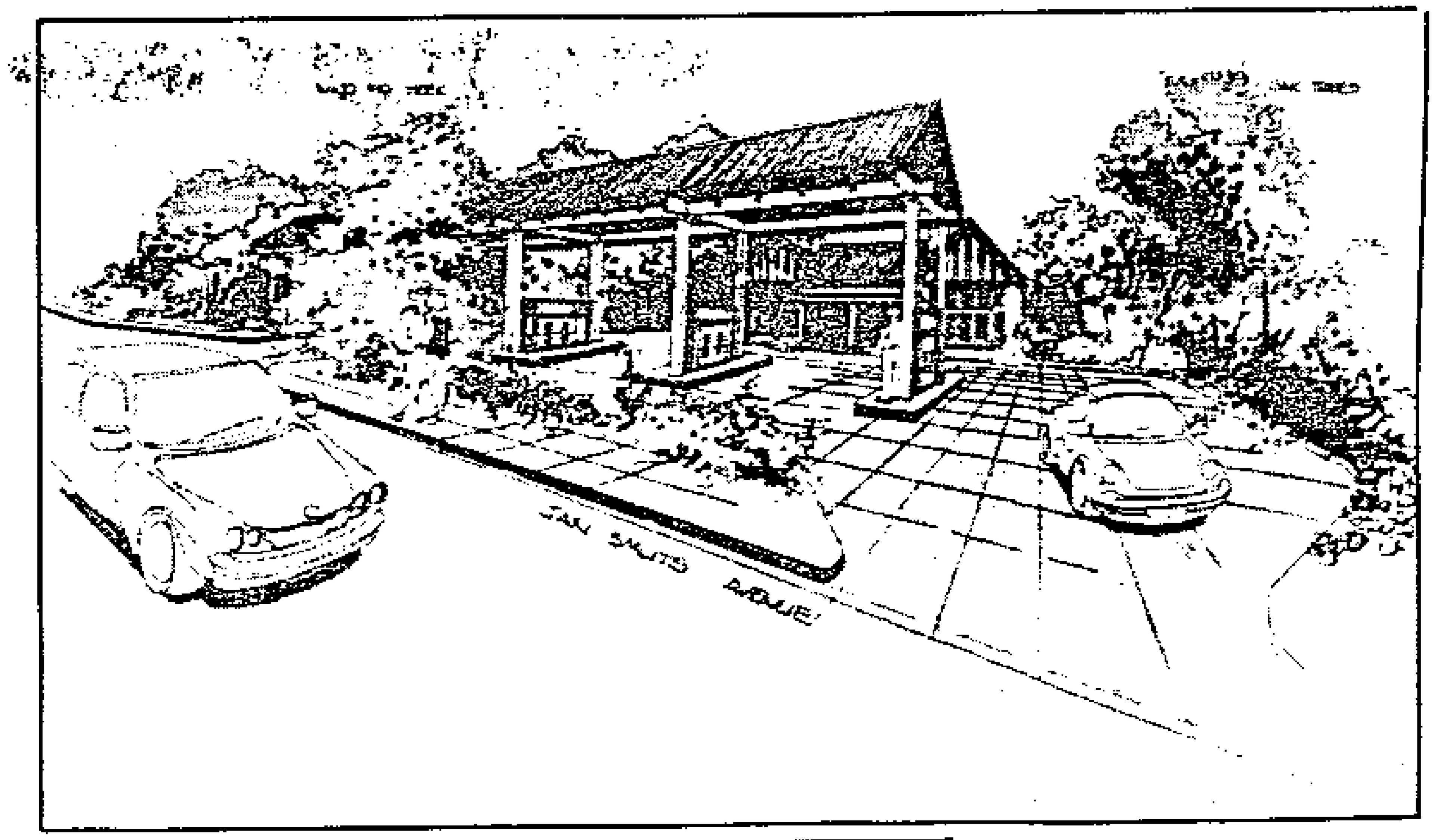
Many residents feel they do not stand a chance against Mobil and neither does the city council, which opposes the garage.

Mobil went to the Department of Local Government/Housing and Works.

It is now up to the Minister to decide. Johannesburg council and the townships board can only make recommendations.

It is a typical "us and them" situation.





Residential v commercial . . . A view from the street (top) of number 17 Jan Smuts Avenue. Mobil has said they will preserve the trees on the property if they build a service station. Residents fear increased noise levels and a safety hazard if Mobil builds the proposed service station (above). Norah Schaerer (42) lives with her parents in the house at 17 Jan Smuts Avenue (left). She thinks Parktown West's days are numbered.

MOBIL SAYS:

Mobil — the Southern Africa Energy Company Ltd — says residents' concerns about the city's commercial sector creeping into their suburb are unreasonable.

The oil company has objected to accusations that the service station would devalue their properties, or that it would disrupt the already constricted flow of traffic on Jan Smuts. It also denies its motivation is greed — and it denies there are adequate service stations feeding the area.

As proof of its concern, Mobil is considering — although it has not promised — the appointment of the University of Cape Town's respected Environmental Evaluation Unit (EEU) to be the final arbiter of whether the plan is fair.

Mobil says residents' concern about devaluation of properties has come too late.

"Properties along Jan Smuts Avenue are already being sold at as much as 30 percent below the level they would fetch in other suburbs," says Barry Jordan, director of Mobil's resale marketing.

And despite fears that Mobil's move would be the start of a commercial invasion, the development could constitute a "finger in the dyke".

"While office blocks, doctors' surgeries and restaurants in residential areas usually create a precedent for further development, a service station is a one-off case," says Mr Jordan.

"Service stations do not generate traffic, they simply supply existing vehicles with fuel."

According to Mobil, there is a demand for a service station on this site. The nearby Mobil Parktown service station is at full capacity, he claims, and has created the need for another. He says 55 000 cars pass the site on Jan Smuts each day.

He said that pollution levels, particularly noise, have reached magnitudes considerably in excess of recommended maximums in the Environmental Conservation Act.

Levels of air pollution have already exceeded the limits laid down by the EC and USA. Any pollution caused by the existence of the service station would be negligible.

Mobil plans to take various steps towards making the service station more acceptable to residents. It says it will restore and preserve the existing house, at considerable cost; create noise berms to protect neighbours from the existing traffic noise; and it will have an aesthetic building which will be well maintained.

It does not intend to withdraw its application: "We have been sensitive to residents' objections and we believe we have been reasonable and environmentally responsible in our proposals," says Mr Jordan.

RESIDENTS SAY:

Residents of Parktown, with the unflinching Flo Bird at their helm, are not prepared to accept Mobil's claims that motorists heading north from Johannesburg need a garage in Parktown West.

Certainly the locals don't need a garage, says Mrs Bird — and if north-bound motorists genuinely need one, why choose a purely residential area to build it in?

A service station would be the beginning of the end, she says.

"Mobil's town planner, our town planner and the council's town planner, agreed at the township board hearing that if the garage were built, Parktown West would inevitably go commercial.

"Residents will have no choice but to get out — which means they'll apply for business rights themselves, and sell up. Homes are very special places to people," says Mrs Bird, who is chairman of the Parktown and Westcliff Heritage Trust.

"A petrol station is the most traumatic thing you could build in a residential area."

Mrs Bird says Parktown West residents would be prepared to accept UCT's Environmental Evaluation Unit's decision — if Mobil called them in.

But Parktown's major concern is that neither the Environmental Evaluation Unit's opinion, nor that of the Johannesburg Council, nor the Parktown residents or the township board need have any bearing on the final decision. It is purely up to the Minister of Local Government.

"We can say what we like, the council can oppose the garage, and the township board can make a recommendation that the application be refused — the Minister can still give the go-ahead without giving a reason.

"And there's no recourse to appeal," says Mrs Bird.

"The decision is being made by an anonymous person in Pretoria, who has not even attended the township board hearing."

Residents fear increased traffic through the suburb (via Seymour Avenue); loitering around the garage; traffic stream chaos in this already busy area where traffic off the freeway tries to get into the mainstream (and cars from the mainstream try to cross into the left hand only lane); and increased noise.

"Petrol stations belong at shopping centres, not in residential areas," Mrs Bird says.

Couple moves after 36 years

Caught between Parktown residents and Mobil, the elderly couple who have lived at 17 Jan Smuts Avenue for 36 years are keen to leave.

"We want to move to a retirement village," says Victor Schaerer (73) whose house was built in 1904.

Mr Schaerer and his 69-year-old wife, Dorothy, who is confined to a wheelchair, were approached by Mobil about a year ago.

Local residents say the offer was R750 000 — much more than they would get under normal circumstances.

The Schaerer's tennis court long ago saw its last game: "Obviously we don't use our tennis court any more," said Mr Schaerer.

"Mobil has employed two traffic engineers on this project, and I believe in leaving the matter to my brothers in the trade," says Mr Schaerer, a retired engineer.

The commercialisation of Parktown West is inevitable, he says.

"And I don't really care," adds his wife.

The couple plan to live in a retirement village.

"This place has become too noisy. We can't sit on the stoep and hear each other talk," says Mr Schaerer.

Column heads south to Mossgas

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ZILLA EFRAT

THE tallest column for the Mossgas refinery site started its journey of nearly three weeks by road and sea to Mossel Bay on Sunday. B Day 26/6/90.

The 62m tall alkylation isostripper, which left Cyclop Engineering in Alrode Alberton, will take seven days to reach Richards Bay on a specially configured Autonet push-pull haulier with a combined pulling power of 180 tons. It will be loaded onto a barge and towed to Mossel Bay, where it will arrive about two weeks later.

More than 4 500 man hours were required to complete the column, which has an empty fabricated weight of 113,8 tons and an operating weight of 208 tons. Internal fittings will weigh 26 tons.

A Mossgas spokesman said yesterday the project was on track, with the first gas expected offshore by mid-1991. By end-May, the project was 69,1% complete.

Atomic energy out in the open

PETER DELMAR SS

THE Atomic Energy Corportion (AEC) is to be commercialised and will embark on a marketing campaign to sell its services and products to the private sector, Administration and Economic Co-ordination Minister Wim de Villiers announced yesterday.

Speaking at a function in Johannesburg at which the AEC's new corporate identity was unveiled, De Villiers said the corporation would embark on a policy of making its expertise widely available locally.

This would save SA about R150m annually in import replacement. In addition, export opportunities were being identified for many locally developed products.

De Villiers said the AEC would be converted from a state subsidised organisation to one which would be self-sufficient while still providing services in a private sector manner.

AEC CE Waldo Stumpf said with the technologies made available by the corporation, industry would not only reduce imports, but generally lift technological levels. B/Day 27/6/90

He said these technologies had been proven in the stringent nuclear environment. They included areas such as plating, special fabrication and welding, the separation of dust from air, turbine technology, the production of isotopes for both medical and industrial applications, a sophisticaed analytical capability, laser technology, metallurgy and the identification and characterisation of mineral deposits.

A corporate marketing department had already been established.

AEC goes public with its hi-tech services

Star 27/6/90

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By Derek Tommey

South Africa could become an important supplier of nuclear fuel rods to the world's nuclear powers in two or three years' time, says Dr Wynand de Villiers, chairman of the Atomic Energy Corporation.

The corporation has plans to become a one-stop supplier to the nuclear power industry, he said.

At present many electricity authorities buy their uranium from one source, have it enriched by a second party and then get it made into fuel rods by a third.

As a result of experience gained in supplying nuclear fuels rods to the Koeberg power station, the Atomic Energy Corporation was well placed to do all this in one go.

Dr de Villiers believes that oveseas utilities would welcome such a service.

At present the AEC is going slowly with the scheme as many countries will not purchase South African uranium. "But this is expected to change in the near future".

The AEC also needed to build up a track record for reliability, other AEC officials pointed out.

In the meantime, the AEC is looking for partners who are able to commercialise the hi-tech skills it has acquired in developing the nuclear fuel rod manufacturing process.

These included the fabrication of stainless steel and aluminium, the separation of dust from air, the manufacture of turbines, laser technology, metallurgy and the identification and characteristion of mineral deposits.

Public offer

This public offer of hi-tech services by the AEC is the result of a Government decision to make the scientific para-statals start earning money.

The process is called 'commercialisation' and is intended to make the para-statals cash generators instead of cash users.

The AEC could at least double its present income of R170 million a year said Dr de Villiers.

The 'commercialisation of the AEC was announced by Dr Wim de Villiers, a former head of the organisation and now Minister for Administration and Economic Coordination who numbers among his duties the need to cut Government spending.

He said it was intended that South Africa should use its comparative advantages, especially in the metals and minerals field.

South Africa had relied too much on the higher gold price that followed the 1973 oil price jump, he said. If South Africa had started developing these advantages South Africa would be a different country today.

The news of the commercialisation of the AEC was announced at a meeting in Johannesburg yesterday attended by potential customers.

Generally the feeling was the commercialisation of the AEC was a worthwhile development. But some doubt was expressed about whether the AEC's specialised high-tech resources were not too rarified for industry.

Concerns

Another concern was that the AEC is not allowed to initiate any project itself but has to wait for someone to come along and seek advice and a partnership.

It was felt that the AEC knew better than most people its skills and abilities, and that this prohibition could seriously affect its ability to enter identifiable niche markets.

The AEC's chief executive, Dr Waldo Stumpf, said that the AEC had established a comporate marketing department and that all departments were becoming market-oriented.

AEC plans to be market driven

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Star

27/6/90

The Atomic Energy Corporation (AEC) yesterday revealed its new corporate image.

Speaking at a function in Johannesburg, the Minister of Economic Co-ordination, Dr Wim de Villiers, said AEC's move to a market driven approach was in line with the Government's policy of making governmental bodies financially as self-reliant as possible.

AEC•AEK

"The Government was excessive in putting 63,7 percent of the country's fixed investments into parastatals," he said and there were plans to make its proven technologies available on a commercial basis.

"This would lead to an annual reduction in imports of about R150 million." — Staff Reporter.

Sasol gives go-ahead for six major projects worth R1,2-bn

55 Star 27/6/90

By Sven Lünsche

The Sasol board has announced the go-ahead for six major new projects valued at R1,2 billion, which will boost its operating income by R300 million, or 18 percent, by 1993.

In a statement issued by the diversified chemical giant, managing director Paul Kruger says the projects will save more than R400 million in foreign exchange through exports and import replacements.

Just more than half — R750 million — of the investment will be made at Sasolburg, where Sasol I is located, and the rest at Secunda, the site of the giant Sasol II and III plants.

The programme comprises the first of about 20 projects with a capital value of R3 billion, which were announced in Cape Town last month.

Details of the outstanding projects will be announced when viability studies have been completed.

The projects will be directed at the replacement of imported industrial chemicals, but some of the facilities will be directed at the export market.

Sasol has indicated that the future of the group lies in higher value added chemicals, but Mr Kruger says the future of the synfuel division should not be underestimated.

The new programme will add value to the chemical fractions derived during the production of synfuels.

Detailing the expansions at Sasol I, which should be completed by January 1993, Mr Kruger says they will consist of three major projects:

- A wax expansion project which will be directed at the local and foreign candle wax market, as well as the production of specialised waxes, and will double Sasol's producing capacity to 123 000 tons.
- Replacement of the old ammonia plant by a new 240 000 ton plant, with the possibility of further capacity expansion if discussions between AECI and Sasol lead to further rationalisation.
- A facility to produce parafinnic products for detergent and solvent markets.

In Secunda, the major investment is a R320 million anode coke plant at Sasol II, which should be in production by March 1993. It will produce anode and needle coke, minerals which at present are imported into South Africa.

Sasol will also increase its production of ethylene by 60 000 tons per annum to just over 400 000 tons by expanding the ethylene recovery plant at a cost of R115 million. It will come on stream by July next year.

The final project at Secunda is a R40 million N-butonal plant, which will be in production by January 1992 and will focus mainly on the export market.

Ratepayers issue ultimatum to Mobil

55 (88)

Star 28/6/90

The Parktown Ratepayers' Association has issued an ultimatum to Mobil — to withdraw its application to build a service station on Jan Smuts Avenue, or face boycotts.

In a statement yesterday, the chairman of the association, Flo Bird, said if the association had not received such an undertaking from Mobil by June 30, a boycott of the oil giant would be "pursued with all the energy we can muster".

The association is not satisfied with the work done by Mobil's traffic engineers in selecting the site on the corner of Seymour and Jan Smuts avenues.

"The Mobil consultants had not bothered to measure anything except the gaps between cars to assess whether vehicles could get in and out," Mrs Bird said.

A Parktown engineer made his own investigations.

"In terms of these he stated the garage would increase accidents, cause congestion and even back-ups on the M1 off-ramp," she said.

Petrol price in SA could drop

STAR 28/6/90

Oil prices are falling overseas, raising the prospect of a lower petrol price in South Africa.

A senior Government official said last night the decline in overseas oil prices was good news and he was holding thumbs it might drop further.

However, it would be necessary to work out the finances of the oil equalisation fund before he could make any further statement about the future of the local petrol price.

Oil prices overseas have dropped by a third this year. But the recent falls had been in the spot price and South Africa normally bought oil on a term basis, the official pointed out. — Finance Staff.

● See Page 24.

Training fund for Mossgas to close down

By REG RUMNEY (SS)

THE last rites for the training trust fund linked to the Mossel Bay oil from gas project were read out in Rivonia yesterday. W Mail 29/6/90

The end of the SA Fabrication and Construction Training Trust Fund (SAFCTF) will mean the loss of around 2 000 jobs for locals to expatriate workers, according to executive director Rene Schmetz.

East Cape Training Centre training director Leon de Villiers said at the press conference yesterday the average cost of creating jobs via the fund was around R7 000 a job. He pointed out that it would cost more merely to land an expatriate worker in South Africa.

That more expatriates will have to be imported is disputed by Mossgas itself.

Project director Bob St Leger said yesterday the bottom line was that the project was 70 percent complete, and that because the labour peak was expected to be from September through to December, Mossgas would only be able to absorb a limited number of trainees who might qualify now. The number of expatriate artisans contractors would have to bring in was expected to be less than 10 percent of the peak labour force, or about 850 out of 8 700.

The well of money needed to keep the fund going has run dry. Mossgas stopped pumping money into the fund at the end of May. It has put up R57-million of the R75-million originally budgeted to train local workers for Mossgas. Another R16-million to R20-million is needed to complete training Mossgas workers and keep the fund going until the end of March.

The government has failed to come up with the cash requested by the fund to keep going.

The reason, according to Manpower Department director general Joel Fourie, is timing. He said yesterday it had been hoped that the R7-million destined for the Unemployment Insurance Fund could have been diverted to the training trust fund, since it too provides for the unemployed. The Central Energy Fund would have supplied another R7-million or so on a rand-for-rand basis. But changes to the Unemployment Insurance Act were not effected in time. In the meantime, Mossgas has decided that it has put enough money into the trust fund.

The fund has provided 7 800 workers since it became operational in mid-1988, Schmetz said yesterday. He described the fund's passing as a tragedy.

De Villiers said the workers trained already comprise 4 200 mechanical workers such as welders and 3 600 in civil work, such as bricklaying — for the Mossgas and the construction industry in general. Around 95 percent of the workers trained were black. Of the people trained, an estimated 5 100 were in jobs, 4 000 of them employed at Mossgas.

Money troubles cause collapse of R75m Mossgas-govt training plan

8 Day 29/6/90

DANIEL FELDMAN

A R75m training fund established to train thousands of skilled workers for Mossel Bay and other major projects has collapsed after being unable to secure additional funding.

SA Fabrication and Construction Training Trust Fund (SAFCTF) executive director Rene Schmetz said yesterday last minute discussions with government had failed to preserve the organisation.

Of the fund's R75m expected price tag, Mossgas and the Manpower Department were to split the cost evenly. Mossgas ended up paying more than R50m while government was unable to furnish more than a minimal amount.

The fund was established two years ago as a combined effort between the Constructional Engineering Association and the SA Federation of Civil Engineering Contractors.

Eastcape Training Centre director Leon de Villiers said 7 800 people had been trained since the programme's inception: 4 200 in mechanical fields and 3 600 in civil engineering areas. Of these, at least 5 100 have already been placed — 4 000 on the Mossgas project itself.

Special training facilities opened in Port Elizabeth, Mossel Bay, George, Oudtshoorn, Saldanha Bay, Pinetown, Benoni, Vanderbijlpark and Johannesburg. The programmes lasted about 22 weeks, with the average expenditure per person R7 000.

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Expatriate

"To let such a major breakthrough in training methods die is a tragedy," said Schmetz.

"We are repeating the mistakes of years gone by, and SA must broaden its economic home base because it can't afford the continuous importation of skills."

He said in the absence of the training fund, a further influx of expatriate labour would be needed to complete the Mossel Bay job.

Manpower Director-General Joel Fourie said yesterday government regretted not being able to supply the needed income.

He said the department had never formally committed itself to supplying R37m, but did submit legislation to Parliament that would have allowed it to give approximately R16,5m a year to the project.

Unfortunately the legislation was not acted upon during the current session, and the money was needed before the next session was scheduled to meet.

The additional funds that Mossgas gave to the project, in excess of the original R37m it pledged at the outset of the project, expired at the end of May. After that date, people entering the training programme would qualify after the company's labour peak on site at Mossel Bay had been reached.

Mossgas projects director Bob St Leger said: "We are proud of the part Mossgas has played in instigating and encouraging the training of construction labour by the industry, and had hoped that this would continue once our own requirements had been met."

Falling crude prices keep petrol price hike at bay

GERALD REILLY

PRETORIA — Tumbling crude oil prices are expected to eliminate the possibility of a petrol price rise in the short term, Central Energy Council sources said.

This is in spite of the fact that the slate fund has taken a battering over the past five months with an under-recovery situation since January.

For the first time this year, this month is expected to show an over-recovery.

Yesterday's Dubai price dropped to $13,40 a barrel compared with a May average of nearly $15, the OPEC basket price was $14,22 a barrel on Monday and in May it was $15,5 and the Brent (North Sea) oil was $15,65 compared ~~with~~ $17 in May.

Inroads

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It has been reported from London that a huge crude surplus has accumulated and the downward trend in prices could continue.

According to the National Energy Commission the under-recovery in petrol in January amounted to 0,221c/*l*, in February 1,579c/*l*, in March 3,904c/*l*, and in April 4,893c/*l*.

This, motor industry sources said made big inroads into the slate stabilisation fund.

Motor Industries Federation director Jannie van Huyssteen agreed that as long as conditions prevailed on world crude markets there would be no need for a petrol price hike. B/Day 27/6/90

"They've had a windfall and in spite of the strain on the slate the price in the view of the trade can be held where it is for at least the whole of July."

No early fall in fuel price

Star 29/6/90

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Oil prices overseas have fallen 30 percent this year and this should in time lead to some reduction in local petrol prices.

However, economists close to the Government warn that an immediate reduction should not be expected.

South Africans underpaid for their petrol early this year and the deficit was borne by the equalisation fund which was set up to iron out changes in the oil price.

This underpayment has depleted the fund and it will be necessary to rebuild it before the Government agrees to a cut in the petrol price. The Government would also like to see whether the lower oil price will be long-lasting before it makes its price decision.

This means that South Africans might have to wait a few months before they see a cheaper price. Only if the overseas oil price were to slump further would there be a possibility of a petrol price cut in the short-term. Should the current low price not be maintained, the chances of a cut would be minimal. — Finance Staff.

a month, he said, adding that part of the money was put aside for loan purposes.

Call to expand power grid

GERALD REILLY (55)

PRETORIA — There was an urgent need to increase access to grid electricity for the benefit of the millions of South Africans excluded from it, a Solar Energy Society of SA seminar was told yesterday.

Johannesburg consulting electrical engineer E F Raynham said Eskom had estimated that out of a total population of 26-million people, only 8-million had access to grid power. B Day 29/6/90

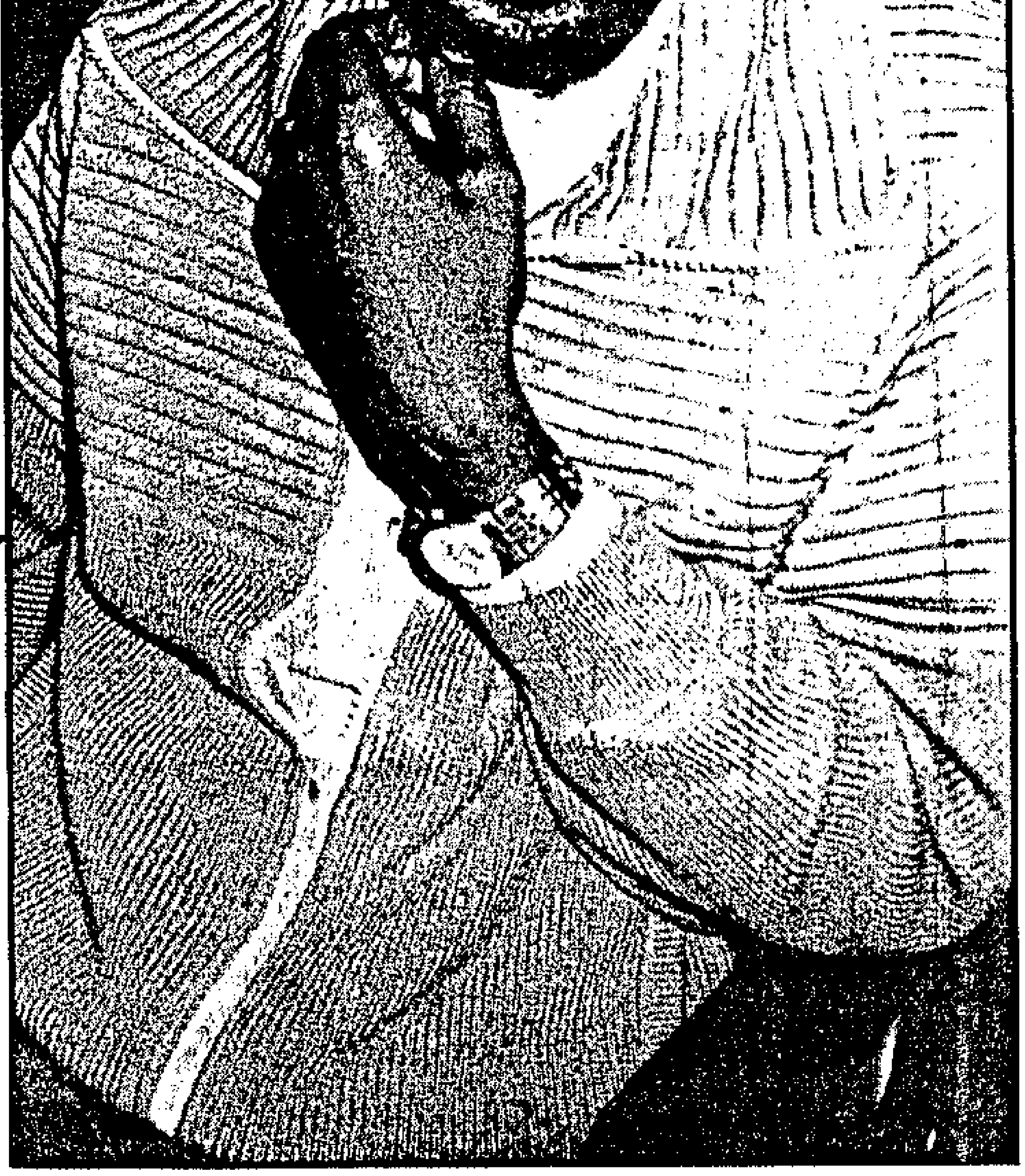
He said Eskom had previously seen itself as being in the business of merely supplying electricity. But today its role had become one of active marketing oriented to customers' needs.

While the greater part of urban and peri-urban areas had access to grid power, there was a growing realisation that affordability rather than availability had placed electricity beyond the reach of the majority.

The average cost of a basic electricity package for a township dwelling was estimated at R2 000. Local authorities in low income areas had indicated residents could not afford even a R150 connection fee.

Star 30/6/90

(55)



LEAKING TANKS?: Filling station owner David Pasha claims he lost R2 million worth of petrol due to leaking storage tanks.

'River of fire': man sues oil company for R2-m

JOVIAL RANTAO

RESIDENTS of Orlando West, Soweto, could not believe their eyes when their nearby stream appeared to catch fire one day in 1982.

David Pasha, who owns a filling station nearby, went to see for himself and was amazed to see flames on the surface of the water.

Upon investigation it seemed that the cause of the trouble was petrol leaking from his underground storage tanks.

Now, seven years and "R2 million worth of petrol later", Mr Pasha is suing the company responsible for the installation and maintenance of his tanks for R2 278 183.

Stong smell

In all that time, Shell (SA) maintained that there was nothing wrong with the tanks — even though, Mr Pasha claimed, he was losing thousands of litres of petrol a month.

Mr Pasha told Saturday Star that when the fire started, he went down to the stream to examine the cause of the fire.

"As I drew closer to the stream, I noticed a strong smell of petrol and immediately thought there was a leak in my storage tanks," he said.

The matter was reported to Shell, said Mr Pasha, and the company's representative examined the bank, confirmed there was a leak and sent for an engineer.

Mr Pasha said he was later told that the leak had been fixed and that Shell would compensate him for the loss of 20 000 l of petrol.

"I thought everything was all right but still books at my petrol station continued to show loss in earnings. I went through the books as I suspected bad management and theft. In 1983 I had to sell some of my investments to obtain cash to pay my business debt," Mr Pasha said.

He said each time he informed Shell about his suspicion of leakages, the best the company could do was to conduct pressure tests, which would invariably prove negative.

Matters took a turn in July 1988 when one of pumps at the garage was damaged by a car. After it was replaced, the pumps would not function.

"After much persuasion, Shell sent another engineer who discovered that the pump was not functioning because pressure was lost between the storage tanks and the pumps, suggesting nothing else but a leak," Mr Pasha explained.

The engineer inspected the pumps and "said he suspected a leak although no leakage was shown in a pressure tests conducted by Shell".

When the engineer examined the leakage detector he found it had not been properly installed, but just wired and left hanging,said mr Pasha.

As a result of the leak, Mr Pasha said between 1981 and 1988 he ran his business at a loss.

Added Mr Pasha: "I also had to pay the Receiver of Revenue R114 960 GST on sales I did not make. The Receiver used purchasing figures, obtained from Shell, to charge me GST. I pleaded with the Receiver that my tanks leaked but, as I had no proof, I had to pay."

Confirmed

He said that when Shell removed the leaking tank, a Shell engineer confirmed there was a leak. "He actually showed me and my lawyer the hole, adding that the supply pipes were also leaking," Mr Pasha said.

Shell (SA) has denied the allegations levelled at the company by Mr Pasha.

A spokesman said as the matter was sub judice the company would not respond to the allegations point by point.

Mr Pasha instituted legal action in the Witwatersrand Supreme Court during October last year.

"Shell will be defending itself in court against these charges," the spokesman added.

No date has been set for hearing.

Residents, Mobil near agreement

Star 2/7/90

55

By Jacqueline Myburgh

Parktown residents and Mobil may be moving towards a settlement regarding the controversial Mobil service station which has been planned for the corner of Seymour and Jan Smuts avenues in Parktown West, Johannesburg.

Flo Bird, chairman of the Parktown Ratepayers' Association, said Mobil had replied to the association's threat of boycotts with a number of options.

"Both Mobil and the association hope to prove that there are better ways of handling this problem than simply fighting it out in front of the Townships Board," she said.

Mrs Bird was not at liberty to discuss the options suggested by Mobil, but the association had indicated earlier that it was prepared to accept the recommendation of the Environmental Evaluation Unit of the University of Cape Town.

The association has agreed to postpone boycott action until July 9, to enable negotiation of a settlement.

"Informal discussions this week have shown Mobil is prepared to respond promptly, which is most important to the residents who had had this threat hanging over them for several months now," Mrs Bird said.

Eskom develops an education programme

Sow 3/7/90

By Shehnaaz Bulbulia

The education crisis facing South Africa has prompted Eskom to embark on a non-formal educational programme designed to maximise the potential of its employees' children.

Speaking yesterday at a press conference on Eskom's commitment to the development of these children, Eskom's general manager of human re sources, Dr George Lindeque, said big business had to participate in improving the impoverished education base of the disadvantaged majority in South Africa.

Enrichment

Eskom's project, known as Tekprep (technological, educational, career preparedness), was a programme aimed at the ongoing enrichment of students.

It is a non-racial programme which includes community and parent participation.

"By introducing students to life skills and a technological culture, they develop a solid base from which to progress in a technological direction," said Dr Lindeque.

He said the Tekprep strategy for employees' children represented an important step in the only economically viable way to redistribute wealth — through the redistribution of skills.

The developer of Tekprep, Lente-Louise Louw, said the programme was flexible, participative and dynamic, and provided students with a range of exposures in non-formal education.

"Education is much more than what is learned in the classroom.

"It involves a total introduction to the world at large," she said.

Students participated in enrichment activities such as communication skills courses, she said.

The activities were organised and run by volunteers from business and the wider community.

A volunteer does not need formal educational qualifications because Tekprep provides them with the basic training to enable them to facilitate the process, she said.

Experience

"Their role is to increase the exposure of the children to the world of work, to a technological culture and to opportunities to learn skills and basic experience," said Ms Louw.

The programme targets students from Std 6 upwards and is being scheduled for afternoons, evenings, weekends and during school holidays, she said.

B\Day 6/7/90

SA BREWERIES will spend R300 000 over the next three years sponsoring a series of READ teacher programmes to equip teachers with techniques and tools to improve language competence and literacy at primary schools. SAB group public affairs manager Dunbar Bucknall presented Nomakhaya Monakali with training material at the end of the first leader course this week. READ hopes 60 000 pupils will benefit from the programme in its first year. Picture: ROBERT BOTHA

African Bank planning to open more rural branches

PETER DELMAR

THE African Bank plans to expand its number of branches in small rural towns from 12 to 33 within the next five years — mostly in the western Transvaal.

This information is contained in the latest issue of the SA Institute of Race Relations publication, Update, published yesterday.

According to Update, the bank does not have enough branches in metropolitan centres, the development of which depends on the Reserve Bank allowing the African Bank to expand credit by at least 3%, three times the 1% rate banks are allowed at present.

In a feature on the informal sector, Update says that of a 1988 labour pool of 13,5-million, about three million were employed outside the sector.

According to the African Council of Hawkers and Informal Business, there are an estimated 900 000 hawkers countrywide and as many as 20 000 spaza shops in the PWV, with a turnover of R3bn.

Between 1988 and 1989 the number of Small Business Development Corporation (SBDC) loans increased by 16% to 10 131, half of them being made to blacks. Most were mini-loans of up to R5 000.

According to the SBDC, the major constraint on its development of business sites in black areas is the non-availability of land and difficulty of gaining access from local authorities.

It plans to inject R60m into a five-year programme of job creation, of which R20m will be used for the erection of buildings and for infrastructure in underdeveloped areas.

Fabcos intends setting up in-house financial insitutions in which members will have equity and which will fund the various business enterprises.

Fabcos has two potential finance sources — an R84m trust held by Wesbank for the SABTA Foundation and a building society club account for stokvels, with over R50m.

BDay 6/7/90

'R7bn needed to end power backlog'

TANIA LEVY

ABOUT R7,5bn was needed to overcome the electricity backlog and R600m would have to be spent every year, according to the SA Institute of Race Relations publication, Update, published yesterday. (55)

Most of the amount needed would have to be funded through loans from various agencies, Eskom is quoted as saying.

It says 20-million of SA's total 33-million population does not have electricity — representing three to four million households. Nevertheless, the number of electrified houses in black urban areas increased 2% from 688 656 in 1988 to 698 988 in 1989.

Eskom's main problem is how make its supply accessible to the millions without electricity. Eskom says it would be too costly to extend powerlines to rural areas. Update says Eskom is investigating the possibility of using solar distributors to provide basic energy in rural regions.

BDay 6/7/90

Victory for Parktown as Mobil withdraws bid

Star 7/7/90

JACQUELINE MYBURGH

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MOBIL has withdrawn its application for the rezoning of a site on the corner of Jan Smuts and Seymour avenues, where they had planned to build a service station.

This announcment by the oil giant will be regarded as a victory by members of the Parktown Residents' Association who have struggled to prevent their suburb going commercial.

Rae Graham, city councillor for the Parktown ward, was "ecstatic" when she heard the news.

"Big developers must learn that they can't impose what they want on top of existing structures," she said.

Mobil announced yesterday it would withdraw its rezoning application with immediate effect.

This action would be followed by an independent evaluation of the traffic impact of the proposed service station, and the presentation of a development plan involving alternative land usage of the properties abutting Jan Smuts Avenue.

Parktown's development plan makes no provision for a service station — or any commercial institution — on Jan Smuts Avenue, says Mrs Graham.

"The council's metropolitan planners draw up plans for roads and know where traffic should be generated. Why don't people wanting to build service stations go to them, and ask where they should build them?"

AEC opens up 'armoury'

(55)

By DON ROBERTSON

THE Atomic Energy Corporation (AEC) has come out of hiding. It is to make its knowhow, technology, services and products available to industry.

The decision means immediate savings of about R150m in foreign currency through import replacement. In about 10 years, the R1bn corporation hopes to be self-sufficient financially, no longer reliant on State funding.

S/Times 8/7/90

SA's isolation forced the AEC to develop technology, particularly for nuclear fuel.

Minister of Administration and Privatisation Wim de Villiers says: "These technologies have all proved their worth in the extremely stringent nuclear environment."

The move is in line with government policy of making organisations like the AEC as self-reliant as possible.

The AEC has perfected technology for the special fabrication of materials, welding, separation of dust from the air, turbines, production of isotopes for medical and industrial use, lasers, metallurgy and the identification and characterisation of mineral deposits.

It has also upgraded the plating of aluminium, a technique used by only a few countries. It could be a boost for the electronics industry.

Foreign-currency savings will come mainly from the AEC's ability to enrich uranium and produce fuel rods for Koeberg power station. A third of the two reactor cores has to be reloaded each year and in the past fuel rods came from France.

The AEC will supply rods to Koeberg for one reload a year, the rest coming from France.

It has also developed a process for production of hydrofluoric acid used in uranium enrichment. The possibility of producing high-value fluoride chemicals is being investigated.

Respite for PE as strike action eases

CAPE TIMES 11/7/90

PORT ELIZABETH. — One of Port Elizabeth's worst periods of industrial strife eased yesterday when striking workers at four of Port Elizabeth's hospitals and the city's biggest private employer opted to return to work.

Talks were also due to take place to try to end the strike by 3 000 municipal workers.

At Delta Motor Corporation, about 3 000 employees voted to return to work on Monday after company management had placed newspaper advertisements threatening disciplinary action, including possible dismissal, if they did not return.

Dirt and laundry had piled up and skeleton staff worked under pressure to provide services at the Livingstone, Dora Nginza, provincial and Empilweni hospitals where non-medical staff and nurses were on strike.

Strikers at the Sharley Cribb Nursing College other regional medical facilities also returned to their workplaces on Monday after talks between regional hospital authorities and the National Education, Health and Allied Workers' Union (Nehawu).

About 1 600 employees were involved in the strike, which brought a stern warning from the National Health and Population Development Minister, Dr Rina Venter, on Monday.

She said striking could not improve the workers' position in the negotiation process.

The strike was sparked when 39 staff nurses were perceived by Nehawu to have been unfairly dismissed from the Livingstone hospital.

However, a spokesman for the Cape administrator said the nurses had not been dismissed but were fulfilling a contract which expired on June 30.

A union spokesman said that, subject to further talks with provincial hospital authorities, Nehawu has accepted an offer of 16 temporary positions for the dismissed nurses. But the CPA spokesman said negotiations would not continue since the situation had returned to normal.

The Delta employees, who downed tools last Wednesday, struck in support of demands by the National Union of Metalworkers of SA (Numsa) that Delta join SA's six other major vehicle manufacturers in the national bargaining forum.

The body determines wage and working conditions in the motor industry, but Delta recognises only the Regional Industrial Council.

A company spokesman said production was back to normal yesterday. — Sapa

Witbank council may cut power to thousands

(55) Star 12/7/90

By Therese Anders,
Highveld Bureau

Two of the eastern Transvaal's biggest black townships have frozen rent arrears in an attempt to avert an electricity switch-off to tens of thousands of residents within the next three weeks.

Apart from the arrears freeze, Witbank's KwaGuqa Council has also brought in a flat rate for rent and services.

KwaGuqa town clerk Adam Engelbrecht said yesterday: "We implore residents to pay, or else our supplier will cut our power at the end of the month."

The Witbank Town Council has already cut the power supply to the Schoongezicht coloured township, where a rent boycott has been in effect since March.

The KwaGuqa electricity account each month is between R500 000 and R600 000.

The council's offer to the residents was: to freeze all arrears; to charge pensioners a flat rate of R30 a month for all services; and to charge other householders a flat rate of R100.

Mr Engelbrecht said the flat rate would mean a saving of about R25 a month for ordinary householders and R60 to pensioners.

Mossgas jobs on schedule

SS

D 10q 29/7/90

THE Concor/Ovcon R40m joint venture at the new Mossgas refinery at Mossel Bay is on schedule, with about 65% of work now complete.

The venture, which employs a labour force of 680, including 80 artisans, is made up of three main sections, all won on tender — the refinery civil works, the cooling towers and the reaction water treatment plant.

Project manager Dieter Pickhardt said the contracts were started within a month of each other in June and July last year.

All Concor/Ovcon's work is due to be "substantially completed" by September. The plant is due to be commissioned by the end of 1991.

Sharpeville gets reprieve

(55)

Star 27/7/90

Vereeniging Bureau

Vereeniging Town Council decided last night not to cut power to Sharpeville township as planned, at least not until the middle of August.

This followed the receipt of a R500 000 bank guarantee from Lekoa administrator Jaap Joubert, which will cover Sharpeville's bill and buy electricity for the township until August 17.

Sharpeville falls within Lekoa, whose now-defunct town council allowed more than R146 million to accrue as debt.

UCT boffin for major energy forum

By JOHN YELD Argus 25/7/90
Environment Reporter

A UNIVERSITY of Cape Town scientist is among those invited to present papers at a major conference on energy in Harare in November.

Eskom, Africa's biggest electricity producer, will also be represented.

The conference, *Energy Perspectives for the 90s*, is the World Energy Council's regional energy forum for East and Southern African countries.

Dr Anton Eberhard of UCT's Energy Research Institute will speak on the use of photovoltaics (the conversion of sunlight into electricity) for remote area power supply in Southern Africa.

The first keynote address is on major energy issues in the developing world, and the second is energy project financing for the developing world.

One session will be devoted to regional energy co-operation, when a hydro-electric development proposal for the mighty Congo River in Zaire is likely to be discussed.

Engineers report that the river could supply a huge 140 000 megawatts — more than sufficient for the whole of the subcontinent. South Africa's present electricty consumption is 35 000 megawatts.

Oil slick pollutes Natal beaches

25/7/90

By Jacqueline Myburgh

55 (92)

The beaches at Mtunzini and Zinkwazi on Natal's north coast have been marred by a 23 km oil slick.

The oil was washed up on Saturday after the blasting of one of the oil tanks on the Petingo ore carrier on Friday. Further slicks may pollute Ballito Bay and Umhlanga Rocks if the wind turns in a southerly direction.

The Petingo is partly submerged about 8 km south of Richards Bay.

Lex Fearnhead, chief coastal conservator at the Natal Parks Board, said, "unfortunate weather conditions" on Friday and Saturday led to heavy seas, which washed the oil ashore.

The Kuswag vessels, which had been on standby to disperse the oil after the blasting, "could not handle it", he said.

Hotel and resort owners along the coast say holidaymakers have not had their holidays ruined by the pollution.

Local authorities and the Natal Parks Board should finish cleaning the beaches by the end of the week.

Mr Fearnhead said it was impossible to forecast whether the oil would reach the beaches as far south as Umhlanga.

The pollution at Mtunzini is not as heavy as that which hit the coast south of Richards Bay two weeks ago, he said.

Mr Fearnhead said the final blasting of the Petingo would take place when weather conditions permitted.

W/Mail 27/7 - 29/7/90

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Rising rand prevents petrol price hike

Indonesian Energy and Mines Minister Ginandjar Kartasasmita (left) confers with Saudi Oil Minister Hisham Mohiddin Nazar (centre) and Iraqi Oil Minister Issam Abdul Raheem al Chalbi (right) in Geneva yesterday at the start of the Opec ministerial conference. The run-up to the talks was marked by the massing is Iraqi troops on the border with Kuwait, but they were withdrawn yesterday

Picture: AFP

Weekly Mail Reporter

DESPITE rising international crude oil prices the firming of South Africa's exchange rate against the dollar had provided a short-term cushion against any domestic petrol price rise, a spokesman for the National Energy Council (NEC) said yesterday.

The exchange rate and the In Bond Landed Cost (IBLC) of oil are the major determinants of the fuel price.

The Organisation of Petroleum Exporting Countries (Opec) started a ministerial meeting in Geneva yesterday to discuss setting new production quota limits and raising oil prices.

Iraq's recent massing of troops on the border with Kuwait, a chronic overproducer, is seen by oil analysts as only the latest, most hostile attempt by Iraqi President Saddam Hussein to press the point that Opec must enforce quota limits. In response, the oil market has sent prices up sharply, largely on faith that Iraq's growing role in Opec marks a change away from the cartel's lax enforcement of quotas.

On Wednesday, September West Texas Intermediate, the benchmark US grade of crude oil, dropped slightly to $20,38 a barrel in New York trading. That was still well above this year's low of $15,06 a barrel in June

The domestic fuel price is based on the monthly average of the exchange rate in relation to the IBLC, if all other factors are unchanged. If the price moves out of certain confidential boundaries, the NEC proposes a price adjustment.

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Oil shock: Could it all happen again?

IN 1973, OPEC wrought havoc with Western economies when it quadrupled oil prices. Last week, as a result of the Gulf dispute, the oil cartel agreed on a cut in output to force another large increase in the price of crude. Could the 1973 oil shock happen all over again? Maurice Weaver *and* Anne Segall *report from London.*

DISTANCE blurs the horrors of other people's wars. The suffering of millions in the desert conflict between dictatorial Iraq and revolutionary Iran seemed terrible but remote to most people in the West. Now comes the sharp realisation of how the economic impact of such traumatic events can reverberate around the world.

Lurking at the back of economists' minds are fears of another "oil shock" reminiscent of those which quadrupled prices in 1973, then doubled them again in 1979. Are there signs, they wonder, that the power within OPEC is swinging from the moderate nations who have controlled it for the past decade to the countries like Iraq and Iran who would need to milk the developed world to rebuild their war-ravaged economies?

It is a classic example of how in a close-meshed world one nation's desperate need can trigger a crisis across continents — particularly if that nation is as oil-rich, as powerful and unstable as Iraq. Your local garage may not look like the front line, but those who recall the oil crises of the Seventies, which also sprang from Middle Eastern tensions, will remember just how close to home Arab politics and emotions can suddenly seem.

Economists predict high interest rates could be prolonged as governments around the world attempt to counteract the inflationary consequences of dearer oil.

Stockmarket analysts in London are uneasy. Peter Spencer of Shearson Lehman Hutton said: "What we have to face is the risk of a classic deflation on the output side combined with upward pressure on prices." That is banker-speak for a warning that we are going to have to tighten our purse strings, not just at the pumps but in the shops, too.

The Middle Eastern origins are brutally straightforward. Iraq's President Saddam Hussein ran up a $70bn foreign debt during the bloody eight-year war with Iran. His armed forces need rebuilding and the country's defence budget this year is some $15bn. In 1988 debt servicing is believed to have soaked up $5 to 7bn from the Iraqi exchequer. He is under immense pressure from creditors and needs more money fast.

The vast bulk of Iraq's revenue comes from oil exports which makes it highly sensitive to the international price. Iraq is the second largest OPEC producer after Saudi Arabia and, faced with an international slump in oil markets, Hussein has been desperate to push the price up from the previous $18 a barrel. At a meeting of the OPEC oil ministers in Geneva last week he pressed for $25 a barrel; they agreed a compromise figure of $21. To Iraq, every dollar on a barrel is worth $1 billion a year.

The Geneva talks took place with a facade of civilised diplomacy. But behind the polite mask of Iraq's oil minister, Issam al-Chalabi, was the face of a hustler. Cash poor but arms-rich, Hussein has been using his mighty military machine, well-honed after the war with Iraq, to intimidate his two neighbours, Kuwait and the United Arab Emirates, into reducing their oil production, which he blames for a glut which has had storage tanks brimming worldwide.

By the rules of supply and demand, over-supply led inevitably to the price fall. OPEC figures show those two small, but very wealthy, Gulf states are the worst quota-busters; Kuwait exceeding its daily Opec quota by 380 000 barrels — about one-fifth "over the top" — and the UAE by almost double, a massive 980 000 barrels a day.

There has been a lot of sabre-rattling; if his fellow Arabs refuse to co-operate in reducing their output, Hussein threatened in Baghdad, then "cutting necks" would be preferable to tolerating a continued cut in income.

It is the kind of language which sends chills down Western spines because Hussein is capable of fulfilling such threats and because it indicates the ruthless nature of the man who now seems to be a dominant influence in the region. The fact that the Saudis, a traditional moderating influence among OPEC's hawks, have gone along with the Iraqi price campaign is seen as a significant development in a grouping which is not always so cohesive.

It is impossible to ignore the fact that North Sea production is on the decline, that the US is dependent for half its needs on foreign supplies and that, just when the economic revival of Eastern Europe is set to boost demand for oil, the Soviet Union's ability to supply it seems to be dwindling.

With the growth of new oilfields, OPEC's contribution to world production had fallen in percentage terms. But George Magnus of Warburg Securities warns: "The pendulum has swung back to the OPEC producers and, while they may not be in a position yet to control the market, we suspect that by the end of the decade they will be calling the shots again."

The West is vulnerable, not least because as the shock of the 1970s has worn off and oil prices have fallen in real terms, consumers have become more complacent and the incentive to use oil sparingly and develop alternative energy sources has faded. In real terms, after allowing for inflation, oil costs less than it has for more than a decade.

Not surprisingly, we also consume more of it, despite the fact that other sources of energy now contribute a much bigger proportion of total needs. Sheikh Zaki Yamani, the former Saudi oil minister, whose strictures about over-consumption of oil proved so prophetic in the 1970s, is making the same warning noises again.

Could a newly-aggressive OPEC, then, press its advantage when cold weather comes and existing oil stocks have dwindled, demanding higher prices from the West? If that occurred we might as well tear up our economic blueprints and start again.

Petrol prices 'must go up'

55 ZILLA EFRAT

NO DECISION had been made on a petrol price increase yet, but the situation was being monitored, the National Energy Council (NEC) said yesterday. B/Day 3/8/90

NEC energy administration group executive Lourens van den Berg warned that a hike in the local fuel price was necessary.

World oil prices have been volatile since Iraq invaded Kuwait. Last week, they topped $31 a barrel, an eight-year high, as fears of a Gulf war escalated.

However, Wednesday's decision by Opec to raise oil output to offset shortages created by the Gulf crisis knocked crude oil prices down to under $26 a barrel.

But Van den Berg said even at this level, world oil prices were higher than local pricing levels. Present world oil prices were affecting SA's landed costs.

While fuel prices fluctuated, it was difficult to assess SA's position with certainty. A price rise was necessary, but it was not known when this would take place.

Gold price off peak but oil and dollar soar

3/8/90 (55)

Finance Staff

The gold price failed to maintain its high levels achieved in the immediate aftermath of Iraq's invasion of Kuwait, declining by more than $10 from the peak of $387 touched in London in early morning trading.

Dealers said profit-taking in late trading was primarily responsible for the fall, which pushed gold down to a close of $379,25 in London — a gain of just $4 from Wednesday. The metal opened at $378,20 today.

The trend was also evident in Hong Kong this morning where the metal opened at $374,90, just 90 US cents up on yesterday's close. Since then, however, it has recovered slightly to $378.

Frankel Kruger Vinderine analyst Keith Bright said today profit-taking on gold was evident when the metal rose above the $380 level. He added that the US dollar seemed to be the main beneficiary of investor nervousness.

Sapa-Reuter reports the dollar's rally, which started in Europe yesterday, continued in the Far East this morning.

Highest levels

Oil prices soared by up to 15 percent to the highest levels in four years amid concern about the security of supplies from the Middle East in general.

The dollar left two-and-a-half year lows against the mark behind and jumped as high as Dm1,6212 from Wednesday's close in London of Dm1,5945.

The dollar also jumped to 151,58 yen from a previous 147,35, then dropped back to end in London at 150,05 yen. In Tokyo this morning the dollar closed at 149,35 yen, up 0,45 yen from yesterday's close.

"Active selling hit the yen across the board this morning after a round of safe-haven dollar buying," a London dealer said.

Japan is particularly sensitive to oil prices since it produces no crude of its own and imports about 60 to 70 percent of its needs from the Middle East.

Dealers said the market had temporarily cast aside negative sentiment on the dollar as players focused attention on the latest news from the Middle East.

On the local currency market the rand was stronger on the back of the higher gold price and was trading at just below R2,60 to the dollar, while the financial rand, South Africa's investment currency, continued to strengthen and closed 3c stronger at R3,83c.

Stock markets fell across Europe as investors worried that higher oil prices would be inflationary and lead to higher interest rates or stall rate cuts. The Financial Times Stock Exchange index of 100 leading shares closed 34,5 points down at 2 304,5.

In New York the Dow Jones index fell 35 points to 2 864,6, while share prices on the Tokyo Stock Exchange, as measured by the Nikkei index, closed 2,41 percent lower today.

On the JSE yesterday gold shares rose sharply with the all gold index closing 94 points higher at 1652. The overall index rose rose 56 points to 3216.

The bullish mood spilled over into the industrial shares with the index rising 17 points to 3062.

Dealers, however, expect a substantial fall in prices today in line with the decline in the gold price.

Rush for gold shares on JSE — Page 12.

War drives up gold price - but petrol hikes may follow

W1 Mail 3/8 - 5/8/90

(55)

By REG RUMNEY

OIL prices, the dollar and gold all rose yesterday in the wake of the Middle East conflict.

The rising oil price could — in theory — mean a 75c per litre rise in South African petrol prices later this year.

Gold was quoted in London at $378,75 an ounce at the close. This was $4,45 up on the previous close, though well down on the high of $386,75 it reached in Zurich at noon.

The surge in the crude oil price is double-edged for South Africa.

There is historically a link, though not an inevitable one, between the price of the two commodities, the one a store of energy, the other a store of value.

The gold price has tended to follow the oil price up, and yesterday was no exception.

South Africa is not an oil producer. If the oil price goes too high, there is the danger we might pay out for oil imports more than we receive from our gold exports.

It is relatively easy to determine how much extra South Africa receives from a rise in the gold price. The rule of thumb is that for every $10 rise in the gold price, over a year, South Africa receives an extra $200-million or R520-million in foreign exchange.

Econometrix economist Tony Twine said yesterday that the gold price has to rise by $3,30 to offset a $1 increase in the spot oil price.

Nedcor chief economist Ted Osborn said that much the same sentiment was driving the market with both gold and the dollar. The rise in gold could be a flash in the pan, he pointed out.

The amount of the rise and its duration depends on the longer term consequences of the Iraq-Kuwait conflict and to what extent the ability of Opec to raise the oil price is enhanced.

The Japanese yen has fallen against the dollar because it is a major oil importer and the market has seen the impact on the Japanese economy. However, the move into the dollar as a "safe haven" may be temporary.

For South Africa, a surge in the oil price does not mean an immediate rise in the petrol price. The South African petrol industry operates a buffer fund called the "slate" to iron out short-term movements. Actual prices paid for oil are confidential, with the petrol price being worked out according to a landed cost based on the cost of petrol from several refineries in the world.

However, a theoretical calculation is that for every $1 rise in the price of a barrel of crude oil the petrol price in the US would rise 2,5c a gallon. This works out to 24,5c a litre in South African money. So the $3 rise that Opec has set itself means - purely in theory - a 75c a litre rise in the price of petrol.

ed no electricity, only ...

Invasion could mean big profit for Soviet

CMC 7.4.4 6/8/90

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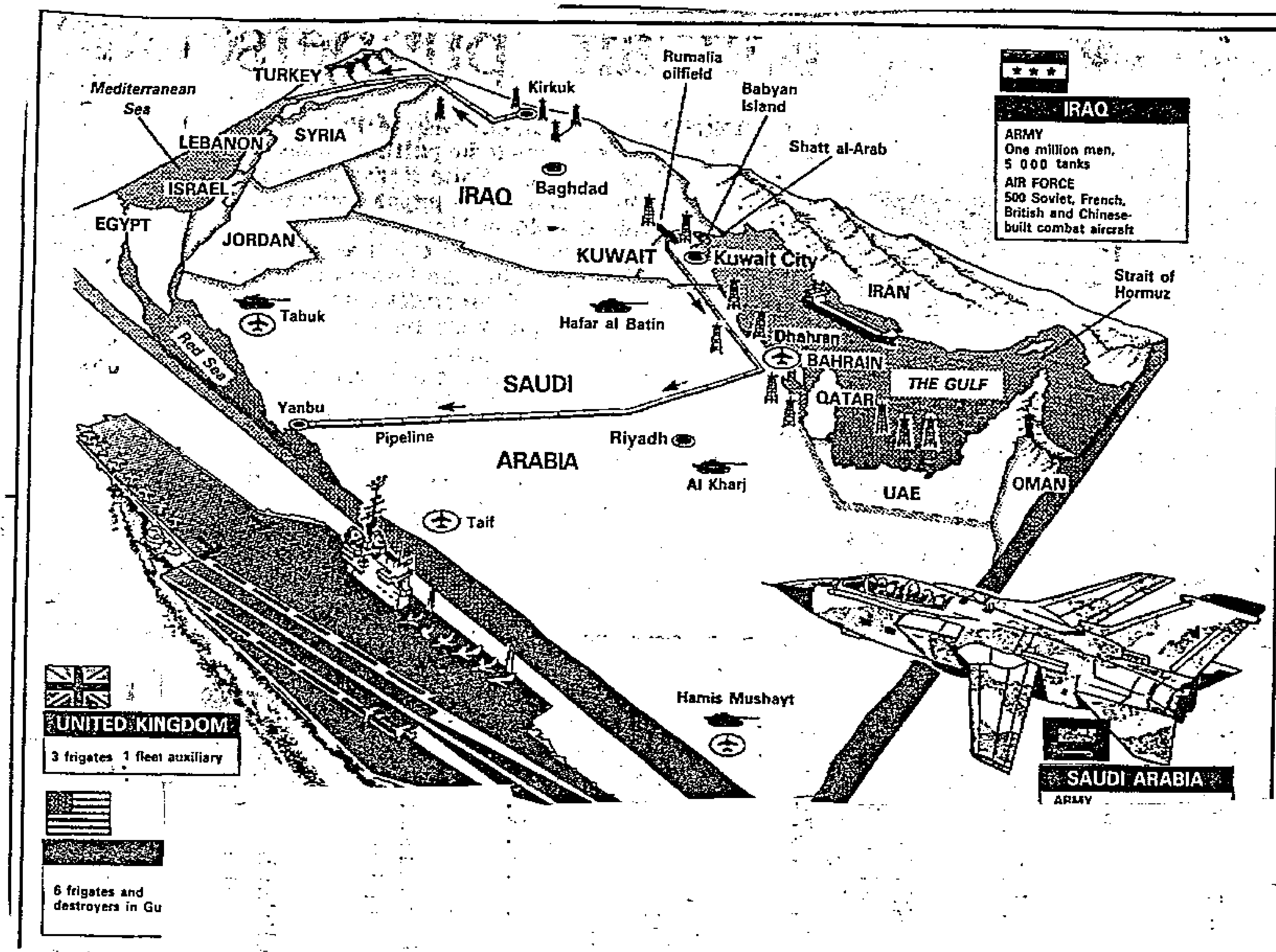
MOSCOW. — The Soviet Union, which has denounced its long-standing ally Iraq for invading Kuwait, stands to profit by $750 million (about R1,9bn) this year from the invasion, a Soviet newspaper said yesterday.

The independent business weekly Kommersant said experts estimated that Moscow's net oil export earnings would rise by that amount if prices stayed at current levels for the rest of 1990.

The Soviet Union, the world's largest oil producer, is desperately short of foreign currency and relies heavily on its crude exports. These totalled 127 million tons last year, earning $22,5bn (about R58,5bn).

Iraq's aggression against Kuwait has sent world oil prices soaring as high as $24 a barrel from $16. — Sapa-Reuter.

*Programmes supplied



CM-7.N.II 6/8/90

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Iraq's aggression against Kuwait has sent world oil prices soaring as high as $24 a barrel from $16. — Sapa-Reuter.

Oil prices up due to Gulf crisis fears

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B\Day 6/8/90

WORLD markets were jittery on Friday on speculation that Iraq's Saddam Hussein would invade Saudi Arabia and oil prices again touched four-year highs because of fears that the Gulf crisis would widen.

Analysts were hesitant — given the volatile state of the Middle East — to commit themselves to market forecasts despite Iraq's announcement late on Friday that it would withdraw from Kuwait.

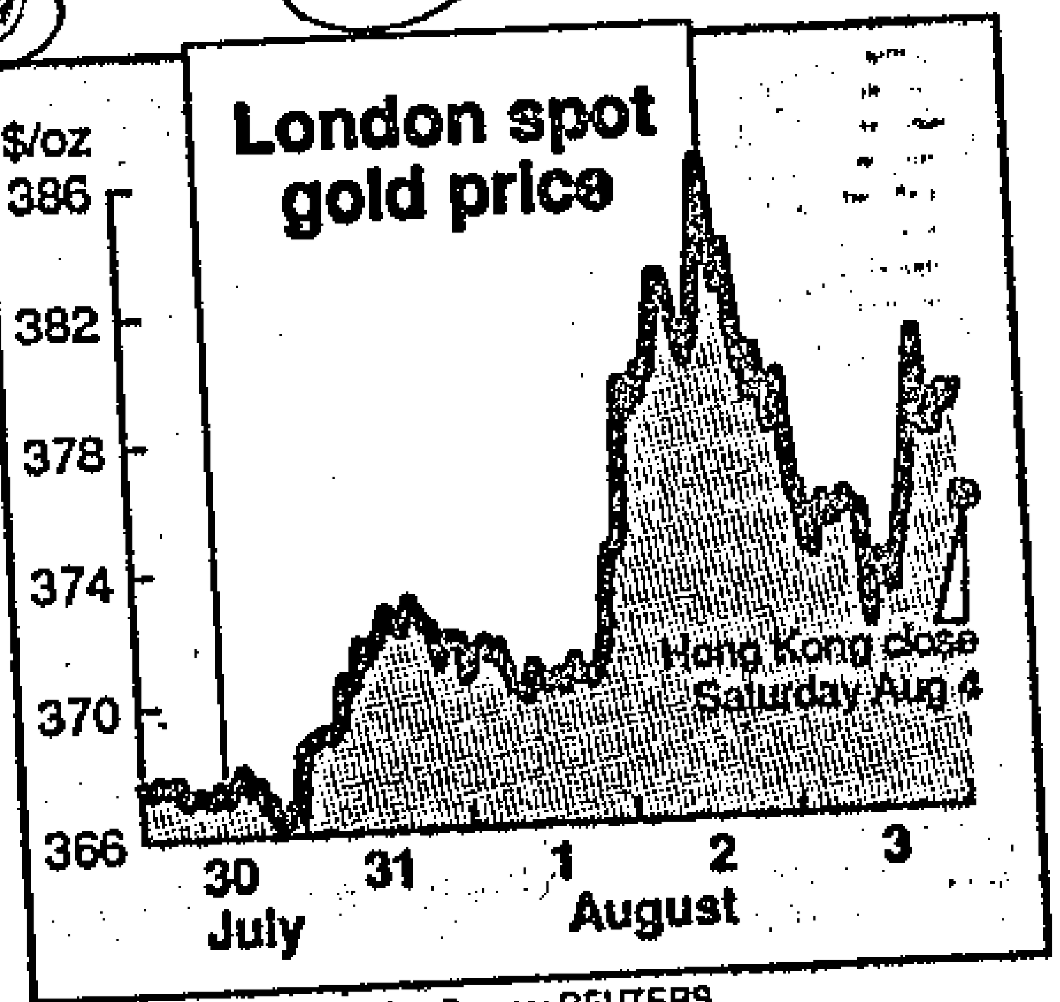
National Energy Council spokesman Lourens van den Berg said an increase in SA's petrol price would be unavoidable if the price of crude oil continued to rise.

Sapa reported that Van den Berg said a petrol price increase would depend on how permanent the rise in the price of crude oil was and how this affected the international market prices of the by-products.

The price of North Sea Brent Blend remained firm at $23,50 a barrel on Friday, though London futures for the oil, the world benchmark, rose as high as $24.

Gold retreated on Friday from the high of $387/oz it reached on news of the Iraqi invasion and the SA stock market adopted a wait-and-see attitude.

Gold in Hong Kong on Saturday ended at $375,00/$376,00 against Friday's close of $375,50/$376,00, while in New York the metal lost ground before ending a bit firmer at $377,60/$378,10. In Zurich, gold surged to close $1,00 below its previous finish at $379,00/50. In London gold ended the day



Graphic: FIONA KRISCH Source: REUTERS

unchanged from Thursday's close at $379,00/50.

News of Iraq's troop withdrawal sparked mild dollar selling which resulted in a lower closing price. The dollar ended at DM1,5845/55, compared with Thursday's DM1,5910/20, AP-DJ reported.

The rand firmed in quiet late trade on Friday, due to the fall in the dollar against most major currencies following news that US unemployment had risen to 5,5%. It closed at R2,5945/60 to the dollar against Thursday's R2,6060/75 close.

The financial rand weakened to R3,87/90 per dollar after Thursday's rise to R3,82/85. — Sapa-Reuter.

See Page 7

Building stops as 9 000 go on strike

Star 7/8/90

By Brendan Templeton

Construction on the Mossgas on-shore plant has been crippled by a wildcat mass walkout involving about 9 000 contracted construction workers.

Mossgas Public Affairs Manager Harry Hill confirmed the walkout and said management at Mossel Bay was meeting the workers to find out what their demands were.

Union officials were also meeting the workers, the National Union of Metalworkers (Numsa) and the Construction and Allied Workers Union (Cawu) said.

All construction at the plant came to a halt following the sudden tools-down on Thursday. Workers were due to hold a "contractors' weekend" starting on Friday which made it difficult to quantify the effect of the strike at this early stage, Mr Hill said.

The strike appeared to have been sparked by engineering workers whose union, Numsa, was involved in a dispute with the Steel and Engineering Industry Federation of South Africa, he said.

The strike is the biggest to hit the multibillion rands oil-from-gas project — about 4 500 construction workers went on strike in March over union recognition and higher wages.

SA coal set to glow in face of oil price

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JOHN CAVILL

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 $26 (after hitting $26,80), the price of heavy fuel oil jumped another $20 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 6 200 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 50% 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 52-million tons a year.

The price of SA 6 200 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).

6 Day 7/8/90

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 1982, 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.

Union angry over foreign workers

Star 8/8/90

By Brendan Templeton

Mossgas was importing cheap labour from East European and Asian countries while thousands of equally skilled workers were available in South Africa, the National Union of Metalworkers (Numsa) said yesterday.

The union's claims followed a return to work by about 9 000 strikers at the multimillion-rand construction yesterday after they downed tools over the recruitment of foreign labour and accomodation problems.

Negotiations between Numsa and Mossgas on the issues are due to start soon.

Mossgas and Gencor public affairs manager Mr Harry Hill refused to comment on the union's claims, saying he did not wish to negotiate through the media.

Between 1 000 and 2 000 foreign workers from Taiwan, Yugoslavia, Poland, Turkey and the Phillipines were being brought into South Africa to do jobs which many unemployed South Africans could do, although it would cost more to employ them, Numsa spokesman Dr Bernie Fanaroff said.

"It is our experience that these workers require retraining when they reach South Africa," he said.

Cheaper

Workers who received training at the Mossgas-backed South African Fabrication and Construction Training Trust Fund (FCTTF) had to wait in line while foreign workers were employed at cheaper rates, he said.

One of the supposed justifications for the cost of Mossgas was that it would create thousands of jobs locally.

The FCTTF collapsed recently after Mossgas cut off funding.

Executive Director of the FCTTF Rene Schmetz said there was a lack of support from some major companies who seemed to prefer to import foreign labour — a costly short-term solution.

The importation of Portuguese artisans by Mossgas contractor Dorbyl sparked off a strike by local workers at its Durban plant in June.

Dr Fanaroff said Gencor — a 30 percent shareholder in Mossgas — and the Departments of Manpower and Internal Affairs needed to explain why workers who did not have better skills than South Africans were being allowed into the country.

Energy Affairs Minister Dawie de Villiers admitted earlier this year the initial decision to go ahead with the Mossgas project was not necessarily a good one.

"But to stop now would be highly detrimental to the State," he said.

SYNFUELS FM 10/8/90

Looking better (SS)

Suddenly, SA's two synthetic fuel companies, Mossgas and Sasol, seem a lot more viable. With oil prices at US$28 a barrel and rising, they are in a position to see real returns on investment.

Neither company is prepared to get too euphoric, however. Sasol MD Paul Kruger says a high oil price is always bullish for Sasol but adds: "It's far too early to draw conclusions. We don't know how long this price can be sustained."

Bernard Smith, chairman of Engen, which controls Mossgas, expresses similar views: "I don't want to make a statement because this could be a flash in the pan. If this price was maintained, it would make an enormous difference to Mossgas, though of course it's very damaging for the country as a whole."

$25 break-even point

Smith has said (*Energy survey* April 13) that, at $25, Mossgas would break even in real terms. At the price ruling a year ago, $14 to $18 a barrel, the project would have just been able to service its debts.

However, if the project had been funded at economic interest rates, it's estimated that it wouldn't break even until oil prices reached $30 a barrel. Critics such as former Sasol GM Jan Hoogendoorn claim that prices would need to be at least $40 a barrel before it would show any real viability.

Good news for the consumer is that protection of the synfuel industry falls away when oil prices reach $23 a barrel. As recently as February there was a subsidy on synfuel of 7,8c/*l*. After the price reaches $28,70, 25% of the additional income from a higher price will be paid to redeem the accumulated protection.

The effective marginal tax rate on synthetic fuels becomes 62,5% when the oil price exceeds $28,70, until previous protection has been repaid. After paying such a considerable sum for these projects, the taxpayer will be glad to get something back.

However, he'll have to wait until the end of the month to find out if the price of petrol at

FM 10/8/90 (SS)

the pumps is going to increase. A spokesman for the National Energy Council, which sets fuel prices in consultation with government, says the petrol price will be reviewed when trends in oil prices can be ascertained and that won't be until the end of the month.

On the face of it, though, it seems unlikely that another fuel price increase can be forestalled. The oil price has risen from around $16 a barrel in May to its current heady heights. It might be pessimistic, but petrol company sources are going as far as to say that the current oil price increase could translate into a 15c/*l* increase in the domestic petrol price. ■

Katlehong's power may be cut off

Star 13/8/90

Abel Mabelane
East Rand Bureau

The power supply to Katlehong on the East Rand may be cut off at midnight on August 31, unless a peaceful solution to the three month boycott was found, said town clerk Fanie Maré.

The Transvaal Executive Committee chairman Olaus Van Zyl has said that the government would stop lending money to black councils which could not collect rent from residents.

Mr Maré said the power cut would not be carried out by the council but by Escom because it could not provide power to Katlehong gratis.

He said the cut would affect Natalspruit Hospital, whose power supply is connected to that of Katlehong.

Schools in the township would also be affected.

He said the rent boycott had left the council completely broke and the council was now unable to carry out general maintenance work on the water, electricity and sewerage systems.

Gulf crisis ups SA's bunker prices by 50%

THE situation in the Middle East has been at the centre of the stage this week, Afromar reports.

Oil prices moved up sharply during the week, consequently affecting bunker prices with SA prices increasing by about 50%. (55)

However some stability seemed ~~to be~~ coming in at the end of the week with the oil price easing off, although bunkers were still at the higher levels.

The freight market tended to sit back and see what developments there were, although in fact there did not seem to be the pressure on freight rates that some people expected. The Baltic freight index continued to rise slowly and it took some time to evaluate the revamped index. B|Day 13/8/90

There was some increase in demand out of the Atlantic, especially for cargoes out to the Far East and it looked as though rates would firm further.

The Far East, however, continued to be rather lacklustre. One interesting development was that many spot cargoes were being negotiated with bunker escalation, or de-escalation, clauses. Vessels trading into the Persian Gulf or Red Sea areas were being asked for extra insurance premiums by underwriters.

Another Gulf development is that several of the ports that export fertilisers have been closed.

The SA market is obviously watching Gulf developments with interest, as many of the vessels that load out of SA ballast down here after discharging in that area.

Timecharter rates have not really moved much with vessels of about 28 000dw still seeing rates of about $6/6 500 per day for trips to the Continent. Vessels of 35 000dw are probably worth about $9 000 per day for trips to the Far East. But it seems that owners and operators will be looking for an increase in voyage rates out of SA if bunker prices stay high.

Coal activity was rather quiet during the week with little business being reported fixed. There was some interest in grain movements this week with a 22 000 ton cargo of maize being quoted from Durban or East London to the east coast of Mexico for first-half September shipment. An interest was also shown for a larger cargo up to the Black Sea.

Synfuel projects 'still not viable'

11 Day 13/8/90 (55)

ZILLA EFRAT

EVEN a significant rise in the petrol price would not make investment in new local synthetic fuel projects commercially viable, oil industry spokesmen said at the weekend.

The Middle East tension, which last week sent Sasol's share price to new peaks on the JSE, had already been felt in the landed cost of SA's fuel.

Before the Gulf turmoil, new local synfuels development had come to a halt. Last year, government did not approve projects proposed by AECI and Gencor and it has still not decided on the sugar industry's proposed ethanol plant.

Value

In addition, the viability of the R7,8bn Mossgas project, in which energy giant Engen has a stake, had been widely questioned in recent times.

An industry expert said even at a significantly higher crude price, the capital cost of synfuel production on a commercial basis would still be much greater than the market value of the product.

A higher oil price would result in a rise in all the associated costs of building a synfuels plant, he said.

A Sasol spokesman said the current cost of replacing a plant of the size of Sasol 2 or 3 would be about R15bn.

This represents a marked jump from past estimates. Sasol 2, which came on stream in 1980, cost R2,5bn and Sasol 3, which first produced oil in 1982, cost R3,3bn.

Sasol MD Paul Kruger confirmed that at current prices, Sasol could not consider new investments in oil-from-coal plants.

Engen chairman Bernard Smith added that government would be very reluctant to sponsor new synfuel projects even if oil prices rose.

A higher fuel price would also not prompt the chemical industry to switch from oil-based to coal-based technology.

Sentrachem CE Johan van der Walt said oil price rises would not affect the investigation by Sentrachem and AECI into the R6bn naphtha cracker plant to produce feedstocks for the chemical industry.

Because the petrochemical industry was based on fuel technology, the plant would remain competitive in world terms.

Van der Walt said a similar plant based on coal technology was currently not competitive and the crude oil price would have to be substantially higher before it became so.

While the Gulf conflict and the recent Opec fuel price rise could lead to another local petrol price rise, the situation has affected the existing synfuels industry positively.

Sasol's share price closed at a peak of 1 560c on Friday after showing a steady rise during the week.

With oil prices above \$23 a barrel, the tariff protection for the synfuels industry does not currently apply to Sasol.

Below \$23 a barrel, Sasol enjoys variable tariff protection. Between \$23 and \$28,70 a barrel it enjoys the full benefit of the increased oil prices.

Impact

If the price rises above \$28,70 a barrel, Sasol pays government 25% of the difference between the ruling oil price and the \$28,70 until the effect of the accumulated tariff protection has been neutralised. Thereafter Sasol enjoys the full benefit of higher oil prices.

While the rise in oil prices also increased the viability of Mossgas, the Gulf crisis made little impact on Engen's share price last week.

Smith said this was because Engen had not yet made the decision to take up its rights in Mossgas. He added that the oil price rise would increase the value of Engen's petrol stocks.

Steam coal trade up 107% since 1980

GILLIAN HAYNE

TRADE in steam coal rose 107% to 151-million tons during the past decade, said a report in the August edition of Sabrita Bulletin.

The increase brought steam coal's share of coal trade to 48%, the SA Britain Trade Association publication said. BDay 14/8/90

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 1989 accounted for 28% of the total trade in energy coals.

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. (55)

Privatisation of the UK power utility industry would provide a major opportunity for SA in the 1990s, Sabrita 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. B Day 15/8/90

Gold's recent surge above $410 would, if sustained, see SA's reserves boosted considerably, they said.

Standard Bank economist Nico Czypionka 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. (55)

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.

Yelland still has some way to go

Diagonal Street
16/8/90 LYNNE PEACH (55)

Electrical group Yelland disclosed a sharp fall in earnings for the year to February after the increase in operating profit forecast for the second half of the year failed to materialise.

Although the group has taken decisive action to improve future performance, earnings are only marginally above the 1986 level and, in view of the ailing economy, recovery could take some time.

In the annual report, chairman Jack Yelland attributes the disappointing results in the second half to higher-than-expected costs of rationalising group activities and the timelag needed for the benefits to filter through.

Yelland, through its subsidiary companies, manufactures and markets electrical equipment, wholesales and retails drawing office and survey equipment, and conducts specialised electrical systems studies.

In financial 1990, the electrical engineering division increased its contribution to group turnover from 83 to 85 percent.

The sales contribution from the drawing office and surveying equipment division eased back from 17 to 15 percent.

On the taxed-profit level, the drawing office and survey equipment arm suffered a marginal loss of R1 000, compared with a positive contribution of R184 000 in financial 1989.

The directors are the major shareholders. They beneficially own 11 percent of the group and non-beneficially own 58 percent.

In the year to February, group turnover climbed 23 percent from R37,5 million to R46,1 million.

Due to cost pressures, operating profit dropped 26 percent from R4,5 million to R3,3 million.

After financial charges rose fivefold from R0,2 million to R1,1 million, pre-tax profit fell 49 percent from R4,2 million to R2,2 million.

After maintenance of the effective tax rate at 51 percent, attributable profit decreased from R2,1 million to R1,1 million.

Based on a higher weighted number of shares in issue, earnings per share fell 51 percent from 16,2c to 7,9c.

The dividend for the year was 2c a share, compared with a payout of 6,3c the previous year.

The balance sheet discloses a significant increase in borrowings from R3,3 million to R6,3 million.

The return on shareholders' funds fell from 22 percent to 10 percent.

Tangible net asset value is 80,7c a share, six percent higher than the 76c of a year ago.

Yelland, priced at 45c, is trading on a P/E ratio of 5,7 and provides a dividend yield of 4,4 percent.

The thinly traded share is at a 44 percent discount to net asset value. Real profit growth will have to start coming through before significant price increases can be expected.

COMMENT: Yelland's price has steadily fallen from the end-1987 level of 110c to 45c at the beginning of this year. Since then the price has tended to drift sideways.

A break above 50c will be necessary for the charts to confirm the start of a favourable long-term trend.

Mid-East war threats boost SA's synfuels

WIMail 17/8 - 19/8/90

THE threat of war in the Gulf and rising world oil prices have provided an unexpected boost to South Africa's highly developed synthetic fuels industry.

But industry analysts said it was too soon to draw long-term conclusions about the expansion of capacity for man-made fuels.

"Let's first let the dust settle and then we can see what it all means," said Bernard Smith, chairman of South African energy corporation, Engen Ltd, part of the mining house Gencor Ltd.

Iraq's invasion of Kuwait on August 2 did, however, underline how vulnerable Middle East oil supplies were, he said.

Benchmark oil prices have risen from around 18 dollars a barrel just before Iraq invaded Kuwait to 25 dollars and some foreign oil analysts say it could go much higher.

"Uncertainty has been created about the fate of 25 per cent of the world's proven reserves," said Peter Gignoux, a director at London trading house Lehman Brothers. (55)

The uncertainty, ~~exacerbated~~ in South Africa by a partial anti-apartheid oil boycott and the lack of independent oil resources, boosted shares in t Sasol Ltd oil-from-coal facility from 13.60 rand (5.26 dollars) before the crisis to 14.80 rand (5.72 dollars) on Thursday.

Sasol, with a 1989 turnover of 4.1 billion rand (1.6 billion dollars), is believed to supply up to half South Africa's fuel needs and, according to industry analysts, generates foreign exchange savings of about 3.3 billion rand a year.

Smith, whose Engen group is managing the development of an eight billion rand (3.1 billion dollars) oil-from-gas facility at Mossel Bay on the south coast, said the government needed to re-examine its synfuels policy in light of Gulf developments.

"I think all countries in the world would like to have an independent oil supply or a synfuel capacity as an insurance against this sort of thing," he said.

He said the rising oil price would not influence Engen policy on the Mossgas development, the country's second major synfuels project, which isdue to begin converting fuel from the offshore gas fields at Mossel Bay around April, 1992.

"It is clear that the Mossgas development was not seen to be commercially viable when the decision was made to go ahead with it. It was a matter of national security...a strategic decision that took it forward," he said.

Smith said the oil price would probably have to rise further, however, to attain the plant's viability threshhold.

"We have worked on a per barrel price of about 25 dollars as the point at which Mossgas would become commercially viable... its probably rather higher than that now," he said.

The government encouraged synfuel development particularly in the face of anti-apartheid sanctions that have forced it to buy oil in confidential deals often at a stiff premium.

But government funding for private projects to extract petroleum from oil shale and methanol from coal was withdrawn in November as the sanctions showed signs of easing under the stewardship of President F.W. de Klerk.

A Sasol spokeswoman said the firm's state-subsidy, designed to cushion it against low petroleum prices, fell away this month for the first time since it was set up in 1950 after the oil price topped 23 dollars a barrel when Iraq went into Kuwait.

But Sasol managing director Paul Kruger said: "Sasol will not consider constructing any new synfuel production facilities, even at the current oil prices."

New oil strike off Cape coast

Cape Times 18/8/90

Staff Reporter

SOEKOR yesterday announced a major oil find, "the best yet in South African waters", 95km south of Still Bay, near Mossel Bay.

In a statement, the company said the discovery had been made at the borehole E-BT1 and was yielding 7 700 barrels a day. Tests recorded 3,4 million cubic feet of gas a day through a 3cm choke. However, Soekor was cautious about the reserves that could be exploited.

"Although the oil column of approximately 27m is the best yet discovered in South African waters, there is reason to believe that the reservoir itself is not very large," said the oil exploration company.

"It is expected that these rates will be exceeded when the borehole is allowed to flow at its maximum rate early next week.

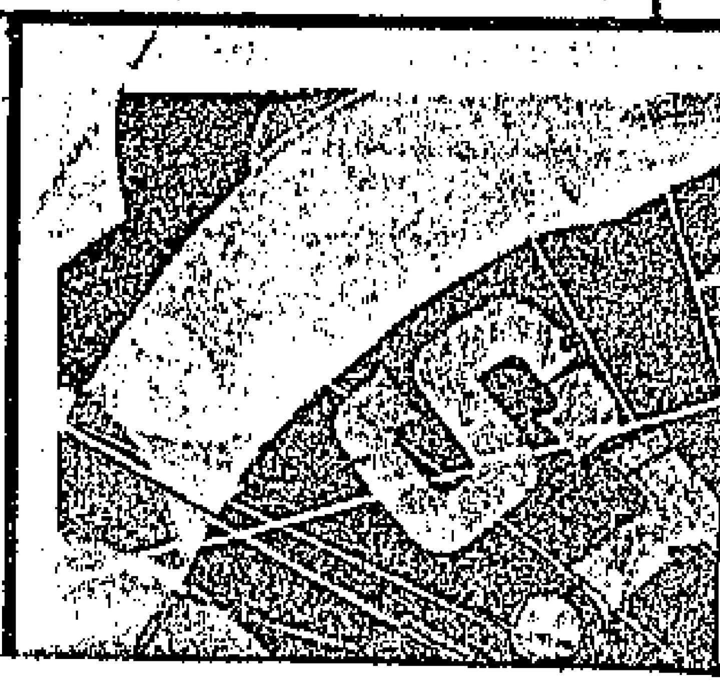
"Studies are in progress to determine if the three fields could be economically exploited in combination." The statement said that early indications were that the "fields are not large by world standards, but Soekor is hopeful that with the latest production technology, economic exploitation would not be impossible".

Professor Richard Dutkiewicz, director of the Energy Research Institute at the University of Cape Town, said last night that the well was a "reasonable find".

FINANCE

Construction company Ovcon has sold its Transvaal and Botswana operations to the Basil Read group, and may seek a listing on the JSE.

— *PAGE 19*



Star 18/8/90 (55)

No water or electricity in parts of Soweto — residents

JOVIAL RANTAO

The Soweto City Council has, for the past month or so, switched off water and electricity supplies at certain times in some parts of the township, according to residents.

People living in Naledi, Tladi and Moletsane — which form the western core of Soweto — told Saturday Star they first thought maintenance work was being done.

They said they became suspicious when the cuts continued unabated, without any explanation from the Soweto City Council. They added that they felt the cuts were related to the rent boycott.

Housewives told how they had to wake up in the mornings to fill drums and buckets with water for the day's use.

Ignored

Residents said they felt sold out by the council, which had "ignored" negotiations going on between the Soweto Peoples Delegation and the Transvaal Provincial Administration in connection with the rent boycott.

Mrs Johanna Mokoena, of Naledi said: "Since about a month ago, my neighbours and I have had to wake up at about 7 am to fill buckets with water which we will use during the day. We do this because our water supply is cut and no explanation has been forthcoming from the council."

She was supported by her neighbour, Mrs Elsie Tshabalala; "How can we live in a healthy environment without adequate water supply?"

Mr Joshua Ramantsi said if the council wanted to cut water and electricity supplies in Soweto, it should do so in general and not leave out certain parts of the township.

In its response the Soweto City Council denied that the electricity in the western part of Soweto had been cut.

Dr Johan van der Westhuizen, of the council's public relations department, said: "Electricity problems arise sometimes because of overload, especially during the times mentioned by the residents. Residents are advised to switch off appliances such as geysers, heaters and stoves which are not in use during the evening.

"As far as water cuts are concerned, the water branch has explained that a big development is being done in the Naledi area and that may be the cause. We want to point out that as far as water reticulation is concerned, there is no truth in rumours about deliberate cuts."

He said the council believed strongly that negotiations now taking place would solve problems on the paying of service charges.

Star 20/8/90

The Star
Finance

(55)

Gulf crisis may give unexpected boost to SA's synthetic fuel industry

By Brendan Boyle

The threat of war in the Gulf and rising world oil prices may provide an unexpected boost to South Africa's highly developed synthetic fuels industry. But industry analysts says it is too soon to draw long-term conclusions about the expansion of capacity for man-made fuels.

"Let's first let the dust settle and then we can see what it all means," said Bernard Smith, chairman of Engen, part of the mining house Gencor.

Iraq's invasion of Kuwait on August 2 did, however, underline how vulnerable Middle East oil supplies were, he said.

Benchmark oil prices have risen from around $18 a barrel just before Iraq invaded Kuwait to around $25 and some foreign oil analysts say it could go much higher.

Uncertainty

"Uncertainty has been created about the fate of 25 percent of the world's proven reserves," said Peter Gignoux, a director at London trading house Lehman Brothers.

The uncertainty, exacerbated in South Africa by a partial anti-apartheid oil boycott and the lack of independent oil resources, boosted shares in the Sasol oil-from-coal facility from R13,60 before the crisis to R14,80.

Bernard Smith, chairman of Engen.

Sasol, with a 1989 turnover of R4,1 billion, is believed to supply up to half South Africa's fuel needs and, according to industry analysts, generates foreign exchange savings of about R3,3 billion a year.

Mr Smith, whose Engen group is managing the development of an R8 billion oil-from-gas facility at Mossel Bay on the south coast, said the government needed to re-examine its synfuels policy in light of Gulf developments.

"I think all countries in the world would like to have an independent oil supply or a synfuel capacity as an insurance against this sort of thing," he said.

He said the rising oil price would not influence Engen policy on the Mossgas development, the country's second major synfuels project, which is due to begin converting fuel from the offshore gas fields at Mossel Bay around April 1992.

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The oil price would probably have to rise further, however, to attain the plant's viability threshhold.

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The government encouraged synfuel development particularly in the face of anti-apartheid sanctions that have forced it to buy oil in confidential deals often at a stiff premium.

But government funding for private projects to extract petroleum from oil shale and methanol from coal was withdrawn in November as the sanctions showed signs of easing under President FW de Klerk.

State subsidy

A Sasol spokeswoman said the firm's state subsidy, designed to cushion it against low petroleum prices, fell away this month for the first time since it was set up in 1950 after the oil price topped $23 a barrel when Iraq went into Kuwait.

But Sasol managing director Paul Kruger said: "Sasol will not consider constructing any new synfuel production facilities, even at the current oil prices.

"Naturally, should the situation change drasticly over a sustained period, Sasol might reconsider." — Reuter.

Oil prices at highest in five years

Star 23/8/90

55

Oil prices breached $30 a barrel yesterday for the first time since 1985, the dollar continued to weaken and New York and Tokyo share markets tumbled further as fears of war in the Middle East grew.

The gold price closed $3 lower in London at $410,25 but returned to Tuesday's level today in Hong Kong, where it opened at $413,20.

Cargoes of North Sea Brent oil for prompt delivery were quoted yesterday at $30,25 a barrel after Saudi Arabia cancelled exports of refined products so as to supply US troops in the Gulf.

This is more than double the price of about $19 prevailing before the crisis erupted.

In New York the foreign exchange markets remained nervous about events in the Gulf. The British pound continued to climb against the dollar, rising to $1,9235 from Tuesday's $1,9113.

An analyst said the dollar had some support from fears that war would break out, but lost ground on continuing concerns about the slowing US economy. It closed lower against most major currencies.

On Wall Street the Dow Jones industrial average fell 43,81 points to 2 560,15, extending its loss since July 17 to 439,60 points, or 14,65 percent.

In Tokyo today the key Nikkei index lost 949,96 Points, or 3,77 percent, in early trading, ending the morning session at 24 206,95. — Financial Times and Sapa-Reuter-AP.

Govt warned of electricity cut-off threat during violence

Star 23/8/90 (55) (3R) (2E)

By Therese Anders, Highveld Bureau

As violence continues through the Reef, a new flashpoint looms: the August 31 rent boycott deadline when millions of township residents face the possibility of having their electricity cut off.

The Government announced in July that bridging finance for the payment of bulk supply services would be "curtailed" at the end of this month to local authorities where payments were late.

But yesterday the Black Sash's Transvaal region chairman, Judith Hawarden, warned that the deadline for the 50 boycotting townships in the Transvaal was coming at an extremely volatile time.

"The Black Sash is deeply concerned about the killings in the townships and any action which could exacerbate the situation.

"We urge Government authorities to take advice on this matter from the Soweto People's Delegation (SPD) and civic associations," she said.

Transvaal Provincial Administration spokesman, Piet Wilken said a delegation would meet the Soweto People's Delegation and the three local authorities of greater Soweto in an attempt to reach agreement.

Agreement

In return for a commitment to start paying rent again, the SPD has demanded that the TPA write off the R516 million arrears, transfer houses to the people of Soweto, upgrade services, introduce an affordable service charge, and create a single tax base for Johannesburg and Soweto.

It is widely believed that if an agreement is reached between the TPA and the SPD, other boycotting communities will accept similar settlements.

According to the TPA, of the R428 million budgeted for bridging finance for 1990/91, only R99 million is left.

The total amount owed in rent and services arrears by the 50 local authorities in the affected areas is R800 million.

Asked if the TPA would be responsible for instructing local authorities to switch off township electricity, Mr Wilken said this was not the TPA's task.

"This responsibility will lie with the local authorities."

● Schoongezicht coloured township at Witbank, which was plunged into darkness during a three-month rent and services boycott, has had its electricity switched on again. A council spokesman said it had agreed to restore power to residents who had paid arrears or promised to pay them off.

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Major electricity deal signed

By Clyde Johnson, Lowveld Bureau

Eskom and the KaNgwane government yesterday signed an agreement aimed at providing all the homeland's electricity requirements by the year 2000.

The agreement, the first of its kind entered into by Eskom, was signed at Eskom's head offices at Megawatt Park, Sandton, by KaNgwane Chief Minister Enos Mabuza and Eskom chief executive Ian McRae.

Both parties are optimistic that the newly formed company, Kescor, will succeed.

The company, a non-profit organisation, has vowed to plough back all surpluses, expand the network and keep tariffs as low as possible.

Mr Mabuza said his desire for a better standard of living for all of KaNgwane's inhabitants had led him to approach Eskom for the upgrading and expansion of the homeland's present electrical network.

Approximately 5 000 consumers are at present using Eskom electricity in KaNgwane.

"Our goal is to make 52 000 points available by the end of the century so that every householder in KaNgwane will have the opportunity of switching on a light," said Kescor general manager George van der Merwe.

In terms of the agreement, Kescor has undertaken to absorb a number of KaNgwane employees.

Mr Mabuza said the project would not only enhance the quality of life for KaNgwane's inhabitants but would greatly stimulate the informal business sector in the region.

F/M 24/8/90 (55)

WORLD OIL

Not quite over a barrel

■ The broad and firm response to Iraq's Hussein should help stabilise oil prices soon

The oil price has risen by two-thirds since Iraqi President Saddam Hussein seized Kuwait. What only weeks ago seemed to be prospects of a glutted oil market stretching away to the mid-Nineties has been replaced by fears of a replay of the upheavals of the Seventies, with concomitant implications for economic stability.

Let it be said that the most obvious feature of the post-Kuwait oil situation is a low level of predictability — the political situation in the Gulf which is the determining factor is itself so uncertain. It is also too easy — in the menacing context of a militant and expansionist Iraq driven by a dictator of recognisable character — to create a morbidly pessimistic outlook both for oil markets and the world economy on the one hand, and for the military prospects on the other.

In March Opec held a 37,6% share of world oil production, compared with 53,4% in 1973, the last year before the first oil price shock. In 1985 Opec's share had fallen to 28,7% as the inevitable consequence of the cartel's increasing lack of self-restraint in oil pricing. The consequence was the collapse of the price in 1985 from around US$30/barrel to a low of $8 **(see graphs)**.

Since 1985 the oil price has wobbled over a wide range while Opec, its cohesion damaged by the collapse and by the protracted war between Iraq and Iran, struggled to maintain discipline over members (some of whom found themselves in a parlous financial position which they sought to redress through cheating on quotas). It isn't that long since Opec was supposed to have been restricting its output to 16m barrels a day (BPD). Before the latest events, Opec's output was no less than 50% more.

The industrial world learnt some hard lessons from the difficult times which followed 1973, one of which was the prudential value of stockpiling oil (a policy SA itself instituted to great profit years earlier). That policy, plus the glutted condition of oil markets (which itself appears to have triggered the Iraqi invasion) has created a powerful buffer against the immediate effects of the loss through stringent sanctions by the world community of the combined Iraqi-Kuwaiti output of 5m BPD (of which more than 4m BPD were probably exports.

According to the London *Financial Times*, those countries which make up the membership of the International Energy Agency (IEA) had around 1bn barrels in government stockpiles at the beginning of August, which represented 45-50 days of imports.

But government plus private-sector stocks amounted to 3,3 bn barrels, or 150 days of net imports. Not only that, but a further 700m barrels are on the high seas in tankers while the Opec producers themselves hold large stocks. By way of comparison, in 1979, the IAE member governments had a mere 175m barrels stockpiled.

The next questions that need to be addressed are the capacity — and the will — of the remainder of Opec producers to increase output. According to the IEA, Opec members outside the Middle East, notably Venezuela and Nigeria, have about 2m BPD of unused capacity.

Furthermore, an examination of the production histories of Opec's Middle East producers suggests that much more oil could be produced if the will were there. In the years 1977-1981, Saudi Arabia never produced less than an annual average of 8,3m BPD (the maximum being 9,9m BPD in 1980). These figures contrast with 5,9m BPD in April 1990.

Though there may have been significant depletion of the fields since the early Eighties, it seems difficult to refute the conclusion that the Saudis could, by turning the tap, make up quite easily 3m BPD (or three-quarters) of the shortfall. Given time to instal additional infrastructure (which is quick and easy in that fortunate country) there is vast potential to add to production.

Other Middle East Opec members must also have considerable potential. Iran presents something of a riddle, though. Its latest production figures stand at about 2,9m BPD against a peak of 6m BPD in the last days of the Shah. But how badly the oilfield infrastructure has been run down since is difficult to evaluate. It would not be a surprise, though, if Iran could manage a substantial increase on its own.

This barrage of statistics adds up to a pretty definite conclusion — that the world could manage fairly comfortably and indefinitely without the lost output.

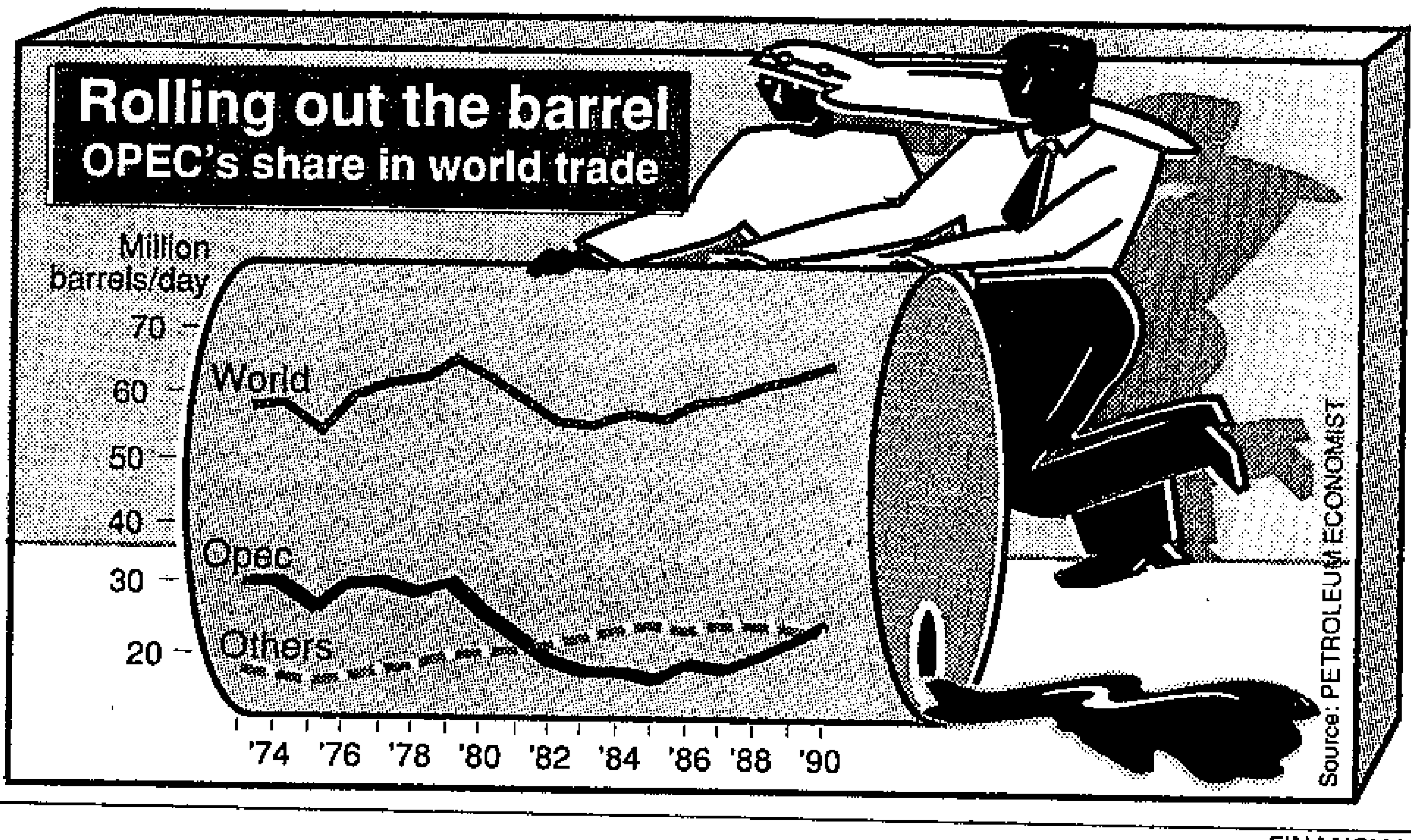
It is not difficult to conceive of a potential 6m barrels of oil a day theoretically available — far more than enough to overcome the shortfall (3m BPD from Saudi Arabia, another 1m BPD conservatively from within the Middle East, and 2m BPD from the remainder of Opec).

But the statistics beg the question whether Opec collectively will decide that it is in its interests not to sustain market prices at the sharply higher levels to which they have been marked up in the face of the crisis.

The most recent reports indicate that the perpetual division of perceived self-interest and policy between the Saudis and other members has not gone away. Saudi Arabia has a small population, a large current output which can be increased at the turn of a tap, and vast reserves said by some to be a potential 450bn barrels, or *more than 200 years' supply* at recent output rates. Not to mention ridiculously low production and capital development costs.

This set of circumstances dictates reasonableness and moderation at all times as regards price, the Saudi priority being not to damage markets. The excesses of the period 1973-1985 did great damage to oil markets in the industrial world (and provided a powerful stimulus to develop oilfields in places such as the North Sea and Mexico). The Saudis' long memories of these events must have strengthened their resolution to act on their own as swing producers whenever they judge it to be in their long-term interest.

This they have done more than once when some of Opec's less disciplined members became too unruly. To this line of reasoning must be added the current need for Saudi Arabia to give the West something sub-



F/M 24/8/90 (55)

stantial in exchange for military protection.

The Saudis are now pressing for a meeting of Opec, which others are resisting. If the correlation of forces is no different from the recent past, Opec will not be able to agree on a policy to meet the situation, and the Saudis will act unilaterally to increase output and bring down the price. But it is also possible that the temptation to snatch a windfall gain from oil prices near to $30 will anyway tempt revenue-hungry members to increase output surreptitiously. (Could Iran be one of these?)

For the longer term, there are two potential areas of weakness in world oil supply — which unhappily affect the Soviet Union (11,8m BPD) and the US (8,9m BPD), the world's two biggest producers. Output from America's run-down fields is dropping at about 4% a year, while a crisis in the Soviet coalfields next winter could divert oil from exports to the local market.

The steady decline in American oil output is well within the limits that can and surely will be made up by increased production in the medium term from other oil areas. The Soviet situation is more difficult to predict and could have a sudden impact in, say, six months' time if the Gulf situation has not been unravelled. But this for the moment is pure speculation.

It is also the case that current oil prices, if they endure for any length of time, must have the normal impact on demand. There could be some switching back to coal by dual-firing power stations, and other renewed efforts at conservation. Western governments will be able to coax conservation along, using the techniques they learned in the last period of high oil prices.

Leaving aside, therefore, the hypothetical effects of trouble in the Soviet Union (which could be considerable), this analysis suggests that current prices are the consequence of panicky marking up in the face of a political and military crisis — the limits of which were not easy to define initially. Those limits can now be far more readily perceived, thanks to the resolution of US President George Bush and of other Western leaders, and — let it be said — to the good sense and restraint of the Soviets, wich are indispensable to the military containment of the crisis.

If America can hold the line in the sand along the Saudi-Iraq-Kuwait border which they have now drawn (with backing from an unprecedented worldwide coalition), both the supply and price of oil should show a stabilising tendency in the not-too-distant future, even if oil does not fall back all the way to its pre-Kuwait levels.

(Of course, were the Iraqis to inflict real damage to the infrastructure of the giant Saudi oilfields, or — still worse — to capture them, then all bets would be off. *The Economist.* Intelligence Unit has suggested oil could then rise to $40.)

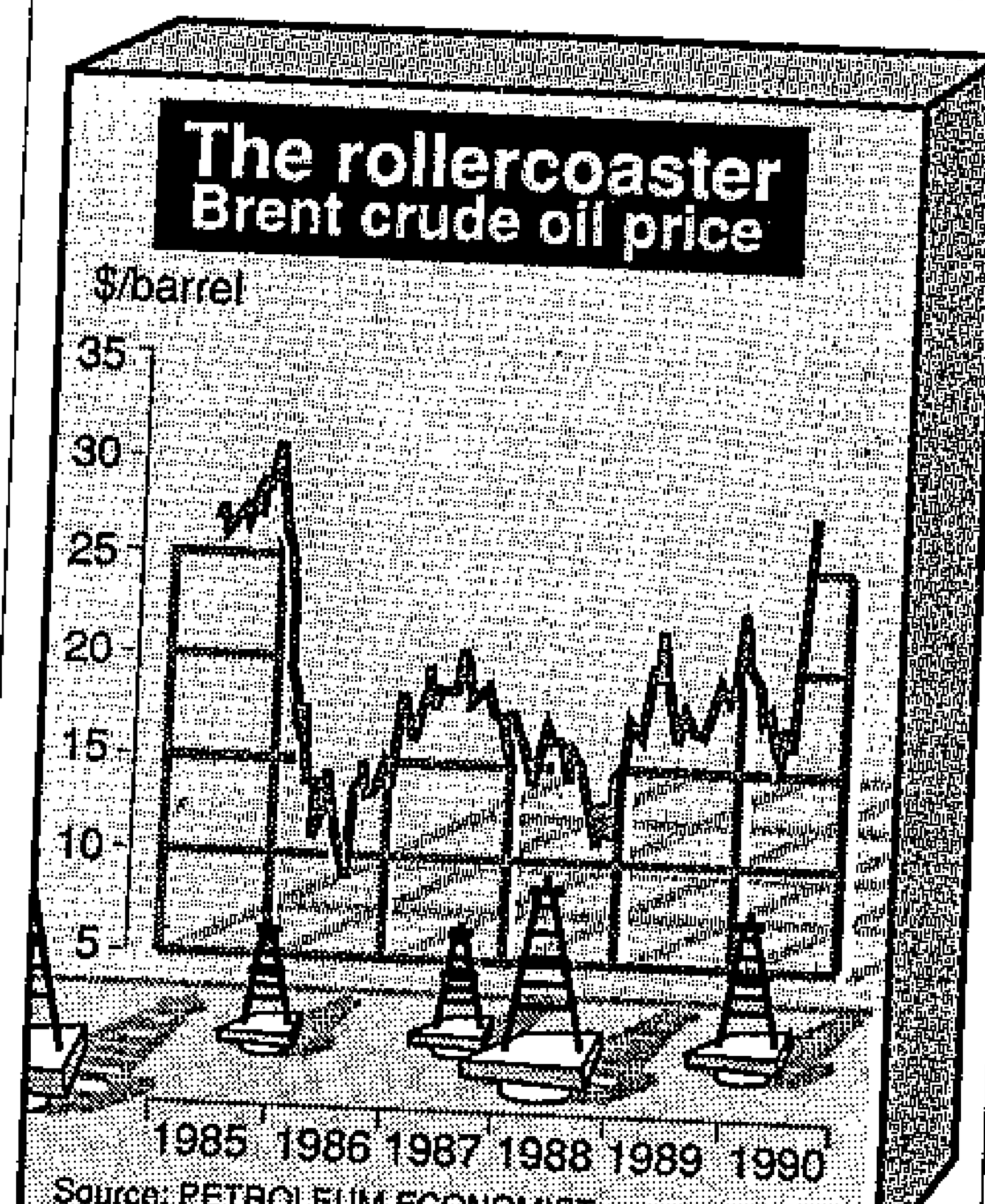
Achieving the maintenance of the status quo in oil production will not only require a continued strong American military presence in the Gulf for as long as necessary, but

F/M 24/8/90 (55)

also political resolution in the face of ugly and desperate tactics such as hostage-taking as the sanctions noose tightens around Iraq.

Fortunately, to judge from Iraqi propaganda, that country has already been thrown on the defensive by the sharp American response. The Iraqis know that the Middle East is the ideal place for America to fight the kind of war at which it excels and for which it is uniquely equipped — the combined application of air and naval power. America evidently also feels its vital interests sufficiently threatened to bring to bear its enormous military potential to the extent necessary.

Voices have already been raised in the West which suggest that a protracted siege



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will cause the erosion of American political will, while Saddam Hussein will be able to work effectively on pan-Arab and Islamic sentiment to wreck the Arab side of the coalition.

If the only issue at stake were the supply of 4m BPD of oil, this argument might be more beguiling. But it is clear from Bush's public statements that he knows very well that the crucial issue is resistance to military aggression. He has openly rejected Hussein's claim to be an Islamic leader, pointing out that he has killed hundreds of thousands of fellow Moslems in his quest for hegemony.

In this stand Bush has backing from moderate but powerful Arab states such as Egypt, and even Security Council support from the Soviet Union and communist China alike.

It can hardly have escaped the political awareness of the Soviet leadership that a megalomaniac ruler of a reunited Arab world well on his way to acquiring nuclear weapons would be a major threat to the territorial integrity of their country too.

Within the Arab world, even Saddam Hussein's rival dictator, Hafez Assad of Syria, has sent troops. This is the true measure of the alarm Iraq's aggressive behaviour (with much hardware to back it up) has caused even in radical Arab quarters.

To acquiesce eventually through collapse of political will in Iraq's conquest of Kuwait will simply invite more invasions until the dictator has seized control of the entire region.

The catastrophic implications of such a process are the best guarantee (under a shrewd and strong-willed American president) that the coalition will not unravel. ■

FORTUNE EDITOR FOR *FM* CONFERENCE

Loeb

Charting financial and investment courses has become progressively problematic in the final few years of the century. How do the economic, political and strategic strategies of the US and other economic powers affect prospects for SA?

This and other issues will be addressed at the *FM*'s annual Investment Conference to be addressed by leading local and foreign speakers.

US policies are arguably the most influential factor — especially with the potentially dangerous drama in the Gulf and as eastern Europe emerges from the grim decades of communism. Few people are better placed to put this into a global business perspective than Marshall Loeb, managing editor of *Fortune*, a leading US business magazine.

A journalist and commentator for more than 40 years, Loeb was appointed top editor of *Fortune* in May 1986 after a 30-year editorial career with Time Inc, *Fortune's* publishing group. In addition to his magazine career, he is a daily commentator on business and finance on the influential CBS radio network, broadcasting coast to coast in the US.

Loeb's address to the *FM*'s conference, "America and international political and economic trends," will not only examine the effects of Washington's responses to international flashpoints but, more important, the US stance towards SA as we shake off our international ostracism.

□ The conference will be held at the Carlton Hotel, Johannesburg, on November 1-2. The fee is R1 100 per delegate, reducing to R980 for each additional delegate from the same company.

It is advisable to book early through conference manager Brigitte Petty on (011) 497-2135.

SA fuel price rise inevitable — NEC

W/M ail 24/8 - 26/8/90

By REG RUMNEY

IF world oil prices stay above $28 a barrel an increase in the price of fuel is inevitable, according to the National Energy Council.

World oil prices surged above $30 a barrel yesterday.

The latest increase in world oil prices could eventually add 5c to 7c to the cost of a litre of petrol. A 6c rise in the petrol price would increase the inflation rate, as measured by the Consumer Price Index, by 0,5 percentage points.

The NEC has pointed out in the past that fuel demand is relatively inelastic.

It is difficult to predict when the NEC will raise prices. However, the NEC will say the recent "overpaying" by motorists for their fuel was reversed dramatically this month.

Increases in world oil prices are not reflected immediately in petrol and diesel prices because the South African fuel industry operates a buffer fund called the "slate".

The slate can go into the red (when motorists underpay) as well as being in surplus from time to time.

Eventually, the local fuel price must mirror the price of oil on world markets.

Even Sasol, though it produces fuel domestically from coal, is paid according to world fuel prices.

South African fuel prices are determined according to a complex formula that takes into account a world price of refined petrol and diesel in dollars.

The exchange rate of the rand against the dollar also affects the calculation of the price of petrol.

If the rand appreciates against the dollar, any rise in oil prices may be cancelled out. The rand has stayed firm, but oil prices have shot up.

Santam economist Roy Justus yesterday predicted that the oil price rise could be cancelled out for South Africa to some extent by a rise in the gold price.

Gold closed in London at $412,75 an ounce yesterday.

"If the crisis in the Middle East deteriorates," he said, "it would benefit the gold price and that would offset the crunch to some extent, but the benefits of a higher gold price would take a fairly long time to work through into general economy.

"What will emerge from the Middle East crisis (assuming there is no outright war) is that the average price of oil will finally stabilise at a considerably higher level in the future. Whereas a short while back oil was around $15-$16 a barrel and $19-$20 immediately before Iraq's invasion of Kuwait, I cannot see it settling down at much below $24-$25 a barrel in the future," said Justus.

This would upset profit prospects and economic growth throughout the world, and bring renewed inflationary pressures world-wide. South Africa would not be able to escape an increase in the local petrol price.

While it is believed that most governments have contingency plans to contend with disrupted oil supplies and a rising oil price, Justus did not expect the South African government to fall back automatically on its strategic oil reserves to feed the market's demands.

"I wouldn't be surprised to find that the money tied up in South Africa's strategic oil reserves could eventually make a contribution to social spending.

"Many millions of rands are involved in the hoard of oil, and it would come in very useful to meet future needs

"Taking a long-term view, with sanctions lifted and free trade again possible (including the importing of oil), this massive hoard of oil would not be as necessary and could well be reduced thus releasing some of its hidden wealth."

Sapa-Reuter reports that world oil prices topped $31 a barrel yesterday, their highest since December 1982, and analysts believe they will rapidly spiral higher if fighting breaks out in the Gulf.

Oil prices have now climbed more than $10 since Iraq invaded Kuwait on August 2, and market analysts say that if the war of words in the Gulf turns into fighting, there is only one direction they can go — up.

Vast wealth locked up in oil reserves

55 Star 25/8/90

CLAIRE GEBHARDT

An innovative plan to release money tied up in South Africa's strategic oil reserves for socio-economic spending was proposed by Santam Insurance GM Roy Justus this week.

Mr Justus said that though most governments had contingency plans to contend with disrupted oil supplies and a rising oil price, he did not expect South Africa to automatically fall back on its strategic oil reserves to feed the market's demands.

Speaking aginst a background of crude oil prices at their highest levels in five years at $30 a barrel, he said that the many millions of rands involved in the stockpile could be very useful in meeting the future needs of the country.

"Taking a long-term view, with sanctions lifted and free trade again possible, this massive stockpile might not be necessary and it could well be reduced to release some of its hidden wealth."

Inflation

He said that assuming there is no outright war in the Middle East, oil would settle down at about $24/$25 a barrel in the future and this would upset profit prospects and economic growth throughout the world.

"This will bring renewed inflationary pressures world-wide and South Africa will not be able to escape an increase in the local petrol price.

Mr Justus predicted a good deal of further belt-tightening right across the board in the months ahead as the economic slowdown continues deep into 1991.

"If the crisis in the Middle East deteriorates further it will benefit the gold price and this will offset the crunch to some extent, but the benefits to the economy will take a fairly long time to filter through."

Gulf crisis renews debate on viability of Mossgas fuel

Star 27/8/90 (55)

By Graham Spence

The crisis in the Middle East has again highlighted the controversial issue of Mossgas and just how viable this multi-billion-rand synthetic fuel project really is.

This is despite Soekor's oil find 95 km off Stilbaai this month which promises to provide the country's first viable supply of crude oil.

The Stilbaai strike will be a floating platform where crude will be pumped directly into tankers and has nothing to do with the hugely expensive fuel from the deep-sea gas project at Mossel Bay.

In fact, scientists say a major crude discovery off the South African coastline could be the death knell for Mossgas, as crude reserves are easier to exploit.

As far as Mossgas is concerned, a major test is the sabre-rattling between oil giants Iraq and Saudi Arabia, which constitutes one of the biggest crises in the Middle East since the Suez closure.

Yet despite that, last week a barrel of crude was quoted at $31 dollars (R80) by North Sea Brent Crude, the main international price-marker — still far cheaper than a barrel of Mossgas is predicted will ever be.

Last year chemical engineer Mike Smith, a visiting associate of the University of the Witwatersrand, calculated that a barrel of Mossgas synfuel would cost $60 (R156) a barrel, a view endorsed by several chemical engineers.

Mossgas last week refused to divulge their price projection of a barrel when they go on line in 1992.

And in what is seen as an even bigger indictment on the credibility of the project, a secret internal report by Anglo American economists recently stated there was no way the giant multinational would consider putting a cent into the project unless the price of oil rose to $40 (R104) a barrel, which is highly unlikely under any circumstances.

Despite not divulging prices, Mossgas says that when it goes into production it will need to sell at about $19 (R49) a barrel.

KaNgwane plugs into Eskom

Sowetan 27/8/90

(55)

ESKOM and the KaNgwane government have signed an agreement aimed at providing all the national state's electricity requirements by the year 2000.

The agreement, the first of its kind entered into by Eskom, was signed at Eskom's head offices in Megawatt Park, Sandton, by KaNgwane's Chief Minister Enos Mabuza and Eskom's chief executive Ian Mcrae.

Both parties are optimistic that the newly-formed company, Kescor, will succeed.

The company, a non-profit organisation, has vowed to plough back all surplusses, expand the network and keep tariffs as low as possible.

It wil not operate along present subsidy lines which are to be phased out over a period of two years.

Entering the venture as equal partners the KaNgwane government undertakes to pool all current electricity assets and its supply rights into Kescor.

Eskom on the other hand agrees to provide management expertise and share capital.

Development capital however, said Kescor's general manager George van der Merwe, would come from the Development Bank of South Africa and other suitable economic loan institutions.

"No development capital whatsoever will come from Eskom," van der Merwe stressed.

Mabuza said his desire for a better standard of living for all KaNgwane's inhabitants had led him to approach Eskom for the upgrading and expansion of the homeland's present electrical network.

Six directors - three from KaNgwane and three from Eskom will serve on the board.

Although KaNgwane's directors will be appointed by the KaNgwane government they will in no way be linked to the government.

About 5 000 consumers are presently using Eskom electricity in KaNgwane.

"Our goal is to make 52 000 points available by the end of the century so that every householder in KaNgwane will have the opportunity of switching on a light and plugging in a stove," van der Merwe said.

Up to now Eskom has sold electricity to KaNgwane in bulk from where it was distributed from certain points.

In terms of the agreement Keskor has undertaken to absorb a number of KaNgwane employees for construction and maintenance purposes.

Mabuza said the project would not only enhance the quality of life for KaNgwane's inhabitants but it would greatly stimulate the informal business sector in the region.

"The demand for electrically powered appliances and machines will also have a positive impact on the rest of the economy," he said.

Star 28/8/90

55

Service cut-offs in doubt

By Therese Anders

Eskom and the Rand Water Board have announced they will not immediately be suspending electricity and water supplies.

The announcement comes four days before the nationwide rent boycott crisis is due to come to a head.

However, The Star has been told that some black local authorities have been warned that supplies will be stopped on Friday for non-payment of accounts.

- Witbank Town Council has given notification to KwaGuqa of an electricity cut on August 31 for non-payment.

- Ermelo's Conservative Party town council says Wesselton township's water supply would be suspended by September 15.

- Benoni's town clerk said that despite payment problems with Daveyton and Wattville, "we won't be cutting them off. That's not Benoni's style".

CP cuts township services

Star 29/8/90

By Therese Anders, Highveld Bureau

The big switch-off of services to black townships has begun, with Carolina's Conservative Party council cutting water, water-borne sewage and electricity to Silobela yesterday.

The situation in Silobela, where residents claim there has never been a rent boycott, was described by residents last night as extremely tense.

Carolina mayor Dr Sarel Bloem said the decision to switch off had been a question of economics, not polities.

Last night the ANC condemned the action, saying it was a violation of an agreement between the Transvaal Provincial Administration, the ANC and civic associations.

● Sebokeng and Boipatong have been granted yet another reprieve before their electricity supply is cut off.

CP action brings violence warning

Chaos as lights and water cut

Star 30/8/90 (55)

By Therese Anders, Stan Hlophe and Sapa

There was chaos in the eastern Transvaal township of Silobela yesterday after the cutting of water, sewerage and electricity services on Tuesday by Carolina's Conservative Party council.

And, as more black towns were threatened with services being cut off within days, there were signs that the issue of arrears payments is rapidly blowing up into a major political confrontation between the black political organisations on the one side and white local authorities and the Government on the other.

Consumer boycotts are already being threatened as retaliatory steps if the authorities should continue with threatened services cuts.

In Silobela, perishable food in shops began to rot yesterday, as did the contents of most home refrigerators. Most of the 10 000 residents had to collect supplies of water from a small polluted stream.

Locals avoided the council tanker providing water during the day — at 2c a litre — because they alleged it was the same one used to collect night-soil buckets.

On Tuesday, Carolina mayor Dr Sarel Bloem said the services had been suspended because Silobela owed the Carolina municipality R25 000 for July and their August account was almost due.

A Transvaal Provincial Administration spokesman in Nelspruit confirmed that many Silobela residents were paying their accounts, but said that, according to the TPA's formula, Silobela had been designated a boycotting township.

The TPA's head office in Pretoria said yesterday in a statement that the Carolina Town Council had acted without its permission.

'Serious mistake'

"The TPA, however, has no jurisdiction over an autonomous local authority."

Not a drop . . . Silobela housewife Pauline Mgobane kept trying her tap [...] council might have changed its mind and re-connected the township's [...]

Jani bomb was 'a bid

Star 30/8/90 (344)

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'Serious mistake'

"The TPA, however, has no jurisdiction over an autonomous local authority."

Last night the ANC issued a strongly worded warning to Carolina's CP-led council.

ANC eastern Transvaal region secretary Joe Nkuna said: "We condemn the action of the CP town council. They are making a serious mistake because we are considering serious action to protect our people if the situation doesn't change immediately."

- Hardly 48 hours after the Carolina council cut services to Silobela, Belfast's CP-controlled town council has given the residents of Siyathuthuka an ultimatum to pay up or be cut off on September 4.

Town clerk Mr P Strydom said the council was not in the financial position to pay Siyathuthuka's account to Eskom.

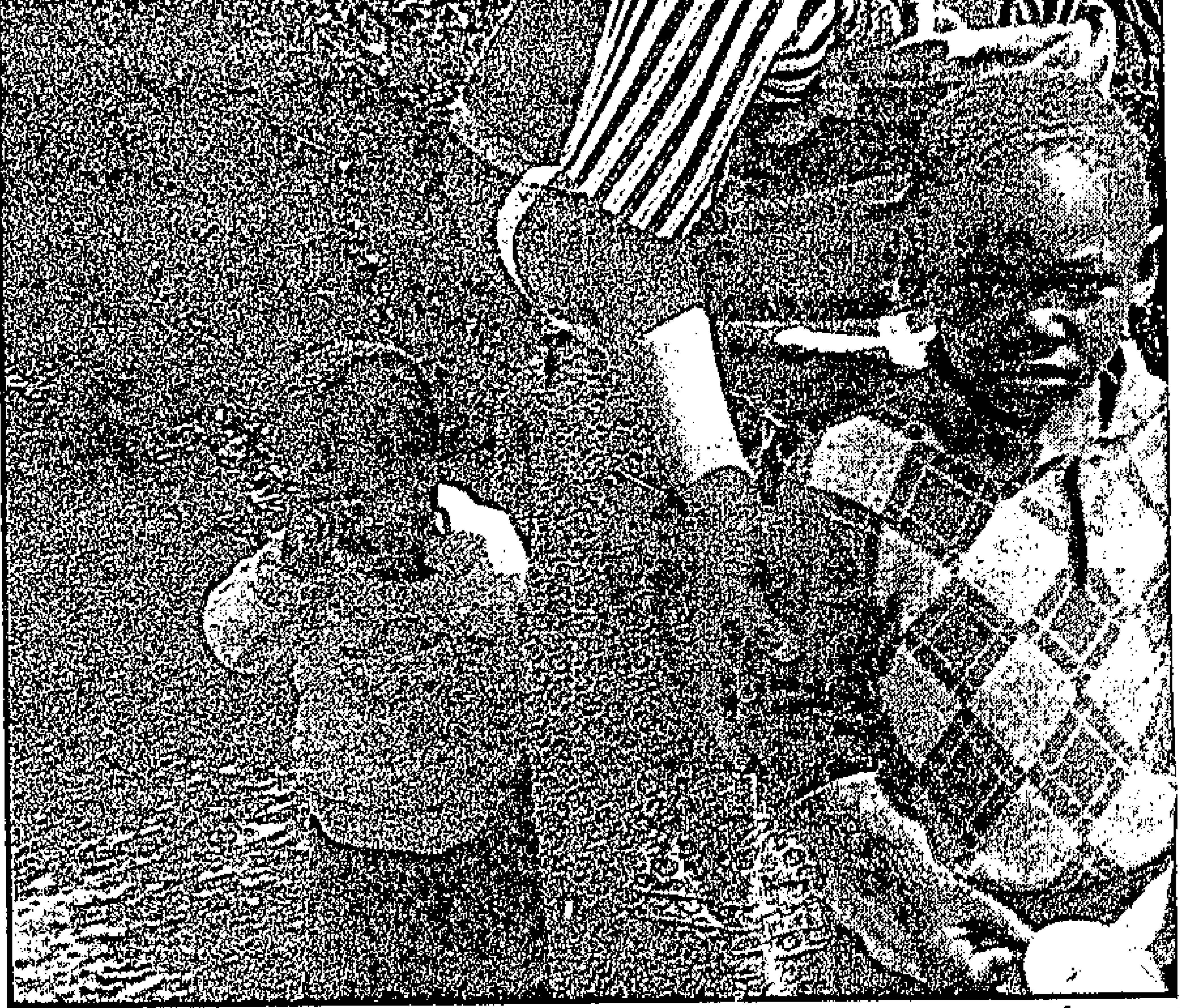
- Good progress was made at talks between the TPA and the Soweto People's Delegation on ending the rent and service-charges boycott in Soweto, the TPA said.

Discussions, in which the councils of Soweto, Diepmeadow and Dobsonville are also taking part, will resume today.

According to the TPA's Piet Wilken, the TPA has run out of funds and unless some revenue is forthcoming by the end of August, they would have to cut the services.

Civic Association spokesmen warned the TPA that, if it carried out its threats, it would have to bear the blame for the full-scale violence which would erupt.

This warning was echoed by United Municipalities of South Africa president Tom Boya, who appealed to President de Klerk to intervene.



Not a drop . . . Silobela housewife Pauline Mgobane kept trying her tap council might have changed its mind and re-connected the township's

Jani bomb was 'a bid to ruin TerreBlanche'

Star 30/8/90 (344)

By Cathy Stagg and Craig Kotze

One of two rightwingers allegedly responsible for the bomb blast last year outside former Sunday Times columnist Jani Allan's Sandton home has been charged in the Rand Supreme Court.

Fanie Goosen (29) of Vereeniging appeared briefly yesterday in connection with the blast and the murder and robbery of a taxi driver, Potoko Franzar Makgalemele, who was first stabbed then shot.

Mr Goosen will remain in custody until his case resumes on September 11. The second man, Cornelius Johannes Lottering (34), is being sought by police in the far Northern Transvaal.

Described as one of South Africa's most wanted men and an alleged member of the self-styled extremist right-wing "Order of Death", Mr Lottering escaped from police custody in Johannesburg along with Mr Goosen and other prisoners in March. Mr Goosen was re-arrested on the farm Swartwater near the Botswana border.

Police are following up information that Mr Lottering is hiding out on farms in the Pietersburg and the Ellisras areas.

According to the charge sheet the two men committed murder, two counts of robbery, two counts of malicious damage to property, attempted intimidation and the unlawful possession of a firearm.

The two men are said to have "illegally caused an explosion" on July 14 last year against the wall of a block of flats named "The Birches" in Sandton.

Ms Allan, who has subsequently moved to London, was a resident.

The explosion was said to have been an attempt to threaten or force her to generate news reports which would contribute to ruining the expected nomination of AWB leader Eugene TerreBlanche as a candidate for the September 1989 general elections.

Star 30/8/90

Arrests a 'cheek' – ANC

Staff Reporter (329) (140A) (11A)

The ANC yesterday described as "a damn cheek" the arrest and charging of three senior Cosatu officials, after they complained to the police that an alleged police spy had been caught red-handed.

ANC publicity chief Pallo Jordan was responding to the arrest of Cosatu general secretary Jay Naidoo, assistant general secretary Sydney Mufamadi and distribution official Baba Schalk during a police raid on the Cosatu head office in Johannesburg on Tuesday.

The three officials, who were charged with kidnapping and robbery, briefly appeared in court yesterday and the case was postponed. Bail of R1 500 each was extended.

Star 30/8/90

NEWS

'No' to E Rand loans

By Abel Mabelane, East Rand Bureau

Electricity masterplan schemes contracted by the now defunct East Rand Administration Board, were still owing R131,9 million in April this year and the amounts are escalating because local authorities are unable to pay.

This was said at the East Rand Regional Services Council (ERRSC) meeting last week when the council decided not to guarantee loans granted by the Development Bank of Southern Africa to local authorities.

The ERRSC said it was well known that the developing local authorities were, under normal circumstances, experiencing deficits in their budgets because income did not cover expenditure.

"During the last four months the financial position of these local authorities has deteriorated drastically."

Two at Sasol contaminated

MARIETTE DU PLESSIS

TWO employees at the Sasol One plant in Sasolburg are showing positive signs of radiation on their hands after their exposure two weeks ago to a radioactive source accidentally left on site.

Sasol media manager Jan Krynauw confirmed yesterday that 22 of the 24 employees thought to have been exposed to deadly gamma rays from a radioactive cobalt 60-isotope were showing "no signs of radioactive exposure whatsoever".

A similar incident at Kendall power station in March 1989 had a sequel in the Middelburg court earlier this year, when an employee, Jacob Mahlangu, sued International Combustion Africa (Ical) for more than R350 000 in damages.

Mahlangu, whose leg had to be amputated after being exposed to a radioactive isotope, came into contact with the Iridium 192 isotope after Ical, which used the isotope to radiographically test pipe welds, accidentally left it on the site.

Raysonics, the outside contractor involved in the radiation accident at Sasol One, also inadvertently left the radioactive source, used for testing welds at the plant, on site.

Raysonics spokesman Coetzee Labuschagne, who was discussing the issue with company directors yesterday, could not be reached for comment.

(SS)

A spokesman for the National Health Department's Radiation Control Centre was unable to comment on allegations of negligence because a preliminary investigation into the matter was in progress.

To Page 2

Sasol

B/Day 30/8/90

(SS)

From Page 1

He said that pending the outcome of the investigation, the incident was considered a criminal contravention of the Nuclear Energy Act, and the parties concerned could be liable for either a fine of R7 000 and/or seven years imprisonment. Additional steps such as preventative measures and actions against individuals could also follow.

In terms of the Act, 1 439 radioactive sources were registered with the department for non-medical and 112 for medical purposes.

The Nuclear Energy Act of 1980 regulated the use, possession, transport and acquisition of radioactive substances such as isotopes.

The department deemed the Act sufficient to prevent accidents provided the users of these substances abided by its terms.

Medical experts said depending on the degree of exposure, delayed effects of radiation where blood and marrow tissue were affected were cancer and leukemia.

Power costs are cheapest but rising, survey shows

55

B/Day 30/8/90

ACHMED KARIEM

SA ELECTRICITY costs are the cheapest among 14 industrialised nations but are rising fastest, says a survey by the National Utility Services (NUS).

The research indicates that SA's electricity costs only 9,13c per KWH; while the most expensive is Germany's at 26,8c.

However, the year-on-year increase in the costs of local power for 1989/90 is among the highest at 16% and is contributing significantly to inflation.

NUS, an international organisation which has been providing a utility costs analysis service for the last five decades, says Eskom's policy of maintaining power cost increases below the inflation rate may have to be altered. This view is based on recent Eskom statements.

NUS SA marketing director Peter Cornelius says Eskom increased its 1989/90 price by 14% which is below the official inflation rate for the 12 months to end-February.

"However, Eskom in effect acts as a wholesaler of power and the respective municipal authorities then add their increases to the price. All the centres are dependent to varying degrees on Eskom with Durban being totally dependent as it does not generate power of its own."

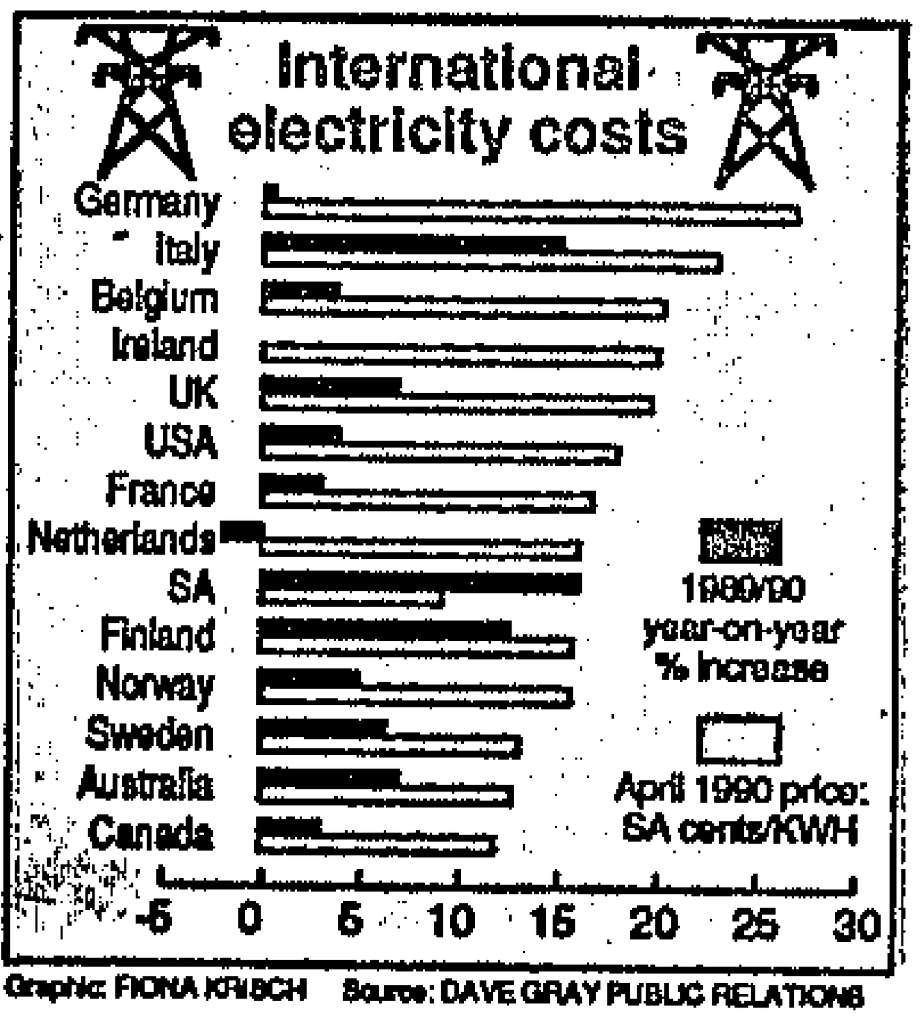
Eskom pricing policy manager Dave Krumm said yesterday its electricity price — taking 1985 as a base year — had decreased in real terms by 5,6% over the past five years.

Cornelius says a relationship exists between the low electricity price increases of various countries and their inflation rates.

"The conclusion may be drawn therefore that inflation feeds upon itself in the sense that Eskom does not escape its effects, but is also a contributor toward the inflation equation," he said.

Cornelius adds that although Johannesburg generates 50% of its own power, its cost rises for the period surveyed and from tariff measurement perspectives do not compare favourably with those of the Durban Corporation.

Johannesburg's rates are the second highest at 9,95c per KWH.



Graphic: FIONA KRISCH Source: DAVE GRAY PUBLIC RELATIONS

October 25.

Careful worker reduced isotope risk

Star 31/8/90 55 183

By Melody McDougall, Vereeniging Bureau

The actions of a Sasol 1 employee, who picked up a foreign-looking object at the factory's plant in Sasolburg, probably prevented more of his colleagues being exposed to a potentially dangerous Cobalt 60 isotope.

Not knowing what the small shiny object was, but later noticing the words "radio active" on it, the man kept it in a tool cabinet about 30 m away from where the majority of employees were working.

He was last night identified as Robert Burrow (31), of Amatole Street, Sasolburg.

Mr Burrow, a boilermaker at Sasol 1, declined a request for an interview last night. However, according to a friend the incident happened nearly two weeks ago when Mr Burrow apparently noticed a "small and very shiny thing the length of a ballpoint pen" lying on the floor of a working area.

When the object was identified several hours later it was removed by the external contracting company, which had accidentally left it on site after conducting tests at the plant.

Although Mr Burrow has apparently not yet shown any signs of radioactive exposure, he is said to be tested weekly at a Pretoria hospital.

- So far two Sasol 1 employees are said to have started showing signs of exposure. Twenty others who may have been exposed to the isotope have not yet shown any abnormalities.

Star 31/8/90 (55)

Oil, bullion chaos 'an unkind cut'

By Peter Fabricius, Political Correspondent

DURBAN — The oil price rise and gold price fall had come as an "unkind cut" just as the Government was getting its economic policy right, Finance Minister Barend du Plessis said here.

Speaking at the Natal National Party congress, he said the Government had a comprehensive economic strategy in place for the first time in years.

But, as so often happened, some outside event had intervened in the form of the increase in oil prices and the drop in the gold price.

'Stop-go'

These had caused a "momentary hesitation" in the economy, which was now "a bit tight" and in a downswing.

Ever since 1985, when SA suddenly lost its international banking facility, extraneous factors had intervened to produce a "stop-go" economy rather than smooth transitions.

He said SA had one of the most "skew" economies in the world with its great gap between haves and have-nots.

But this could not be overcome with "quick fix" solutions such as nationalisation.

The economy had certain structural features which would have to be addressed, no matter what economic system was implemented.

One of these was the need to stimulate growth without also stimulating imports.

Neither a purist capitalist nor a purist socialist approach would succeed in SA.

But a market-orientated economy was the only way to create jobs and growth.

Blacks would have to be persuaded that apartheid and capitalism were not synonymous, as many thought.

Mr du Plessis said nationalisation and redistribution of land could not promote growth and create wealth or jobs.

There were different ways of implementing this policy, but none would work.

If the land and businesses were simply confiscated, foreign investors would be scared off. If compensation was paid through higher taxation, savings and therefore growth would suffer.

If money was borrowed to pay compensation, interest rates would rocket and stifle the economy and no new jobs would be created.

He added the Government would soon be implementing a new policy to promote industrial growth to the year 2000.

More reports — Page 7.

September 4 1990

NI

Sharpeville's power to be cut off today

Star 4/9/90 (55)

Staff Reporters

The power supply to Sharpeville township in the Vaal Triangle will be cut off from today, and in Katlehong on the East Rand, refuse collection has been suspended because the town council cannot pay its bills.

In other East Rand townships, plans are afoot to limit refuse removal to once every two weeks to try to cut costs.

Vereeniging management committee chairman M L Milani yesterday announced the power cut to Sharpeville, which becomes the second Transvaal town — after Silobela township near Carolina in the eastern Transvaal — to have its power cut.

The power cut in Sharpeville, where residents have boycotted rent since 1984, will affect at least 6 000 homes.

Dr Milani said the Vereeniging council was owed about R900 000 for electricity supply, and attempts to recover the money had been unsuccessful.

Reconnected

"We have held discussions with the ANC, Cosatu, the SACP, the Lekoa council, the TPA and the local civic association on the matter but we have made no headway."

Dr Milani said it cost the council R460 000 a month to supply power to Sharpeville. The council could no longer afford to foot the bill.

He said that even if residents started paying their electricity bills now, it would take about three weeks to have power reconnected.

In Evaton, the Vaal Civic Association's local chairman Thembiso Radebe told residents at a meeting that the rent boycott would continue in the Vaal regardless of what happened in other black townships.

He said the slogan "Asinamali" (we have no money) was still relevant — six years after it was adopted.

Hilda Stewart, marketing director of a refuse collection company, Multi-Waste, said the company had been informed by the Katlehong Town Council that there was no money to pay it and it was therefore cancelling the contract, which still had seven years to run.

Mrs Stewart said her company removed up to 200 tons of refuse a day from Katlehong and she feared that the uncollected rubbish could become a major health hazard.

A source from Katlehong said the collection of refuse had merely been suspended.

Vosloorus acting town clerk Andries Vrey said the Vosloorus Town Council decided yesterday to limit refuse removal to once every two weeks to try to cut costs.

● The Soweto Town Council will hold another round of talks with the Transvaal Provincial Administration on September 24 regarding the end of the rent boycott. Arrears amounting to R516 million have been written off.

More fuel price rises could invite disaster

Star 4/9/90 (55)

Finance Staff

While yesterday's announcement of a 10c-a-litre increase in the petrol price won't have an immediate effect on inflation and growth prospects, further increases — which are possible if the crisis in the Gulf is not resolved soon — will have disatrous consequences for the economy, say economists

The National Energy Corporation (NEC) warned yesterday that should war break out in the Middle East, it might be necessary to consider fuel conservation, in addition to further price increases.

Middle East

Since the start of the crisis in the Middle East at the beginning of last month, crude oil prices have risen by 86 percent on average.

During the same time, according to the NEC, the landed cost of SA's crude oil has risen by 46 percent, which was partially cushioned by the slight recovery in the rand exchange rate against the dollar.

Local fuel prices are currently "under-recovered" to the tune of 33c a litre.

If oil prices don't drop soon, another and far more harmful increase in the price of petrol is looming.

Economists describe the latest development as being mildly irritating, but not a major stumbling block in the slow economic recovery.

Nick Barnard, chief economist at Bankorp, said yesterday the increase would be the lowest one in three years.

"A rise like this, given the nature and wide use of fuel, has some upward effect on inflation.

"While we were predicting an inflation rate of 12,5 percent by the end of the year, we are now looking at 13 percent," he said.

This means that for 1991, the average inflation rate will be about 11,9 percent.

"With a higher inflation rate, there is bound to be a negative effect on consumer spending and damage to business profits, which are already in a declining trend.

The consequent reduction in fixed investments means the economic growth rate will be slightly reduced.

"While we could have achieved an economic growth rate of 1,8 to 1,9 percent in 1991, we would now expect a 1,3 to 1,4 percent growth rate," Mr Barnard said.

However, there was a good chance that international oil markets would stabilise and allow the South African economy to achieve a below 10 percent inflation rate by 1992, he said.

Rudolph Gouws, economist for Rand Merchant Bank, said:

"The increase will make inflation a little higher than it would otherwise have been. But it will not reverse the downward trend of inflation."

The South African Chamber of Business said that while the reasons underlying the decision were understood, it was unfortunate that a fuel-price increase was taking place at a time when SA was committed to reducing inflation.

It was also appreciated that the Government had not passed the full extent of the required increase onto the user — which would have been in excess of 30 c a litre.

Nevertheless, it was apparent that the Government's ability to continue in this way was limited.

Unless there was a satisfactory outcome to the Gulf crisis, further fuel price increases would be inevitable.

The Afrikaanse Handelsinstituut expressed relief that a dramatic increase had been avoided for the time being.

"However, if crude oil stays at the level of $25 a barrel, a further increase is unavoidable.

"An increase above this level could even give rise to a physi cal shortage of crude oil, unless savings measures can be instituted," said AHI spokesman Dr Carl Heymann.

Transnet public relations manager Victor de Vries said the increase would be assessed before a fare hike was considered.

Fare adjustment

Meanwhile, Greyhound Citiliner bus service had accounted for a petrol price increase in its fare hikes scheduled for the beginning of November.

Putco bus services would make a decision on fare adjustment today, a spokesman said.

Should Transnet review its prices, this would obviously have an effect on food prices, Pick 'n Pay food director Sean Summers said.

Petrol costs were not a major component of cost, however, he said.

The Automobile Association has appealed to all road users to conserve fuel wherever possible by curtailing unnecessary trips and having their engines properly tuned.

55

Fuel price increase – we were warned

South African motorists were 17 years ago paying 10,2c a litre for 93 octane petrol ... this week they will be paying an unprecedented price for the precious fuel.

And it will not only be the motorist who will be reeling from the latest hike — which takes the price on the highveld to R1,28, in some country areas to more than R1,30 a litre, and in remote districts of Namibia to nearly R1,60.

Every household in the southern Africa region will be affected in some way — with the rate of inflation in SA likely to climb because the latest rise will, as in the past, become particularly apparent at supermarket tills as everyone digs deeper into their pockets for everyday commodities.

Farmers who run their cars, trucks and tractors on diesel fuel will also feel the pinch because the National Energy Council (NEC) is unable to prevent them from being affected as well, while it could also mean higher bus, train and air fares (world airlines have already announced a five percent rise on international flights, in particular, as a result of the Middle East crisis).

The price increases — which also affect countries such as Botswana, Namibia, Swaziland and Lesotho because of their dependence on fuel supplies from South Africa — have however not been totally unexpected.

Presaging yesterday's announcement was one by the NEC in July that a close eye was being kept on the matter as Iraqi/Kuwait problems boiled over and oil producing countries jumped up the price of a barrel of the precious liquid.

The Council's monthly situa-

South Africans should not have been surprised by yesterday's announcement of an increase in the price of fuel. The National Energy Council warned in July that such a move was likely, reports NORMAN CHANDLER of The Star's Pretoria Bureau.

tion statement — issued to the media and other interested parties as a matter of course for the last year — put it this way when discussing increases in the price of a barrel of oil and the Gulf situation in general:

"Should a price increase be found to be unavoidable, a price adjustment will have to be made as soon as possible to restrict such an increase to the minimum since under-recoveries over a period of time must also be taken into account in a price adjustment."

No surprise

In simple English, that meant we shouldn't have been surprised at yesterday's announcement — and more particularly because South Africa obtains most of its oil from the Middle East.

A key element has been that the country's Equalisation Fund — which had been used to stabilise the fuel price — was last year found to be unable to meet the high cost of oil. For instance, between April and July last year, R200-million was spent on trying to do so while an amount of R400-million has been utilised since July this year to "keep prices stabilised," said Lourens van den Berg, the Council's Group Executive yesterday.

At a press briefing, he made it clear the amount of money in the fund was "classified".

The price of petrol has been ebbing and flowing ever since the great oil crisis of the mid-1970s, when SA motorists were paying a mere 10,2c a litre and the cars they drove were guzzling the precious fuel.

The oil crisis brought about the era of the so-called compact cars, which used far less petrol than their bigger, almost exclusively-American predecessors.

But despite this improved technology, the oil sheikhs were not impressed.

The Organisation of Petroleum Exporting Countries (Opec) increased its prices time and again, until in 1984, South Africans were paying 60,2c a litre, and two years later, in January/February 1986, the petrol price had broken the R1 barrier to reach R1,02.

Things seem to improve and a month later, in March 1986, there was a drop to 92c, and the next month to 83c. The following year the price sunk a further cent.

That constituted the last decrease at the pumps.

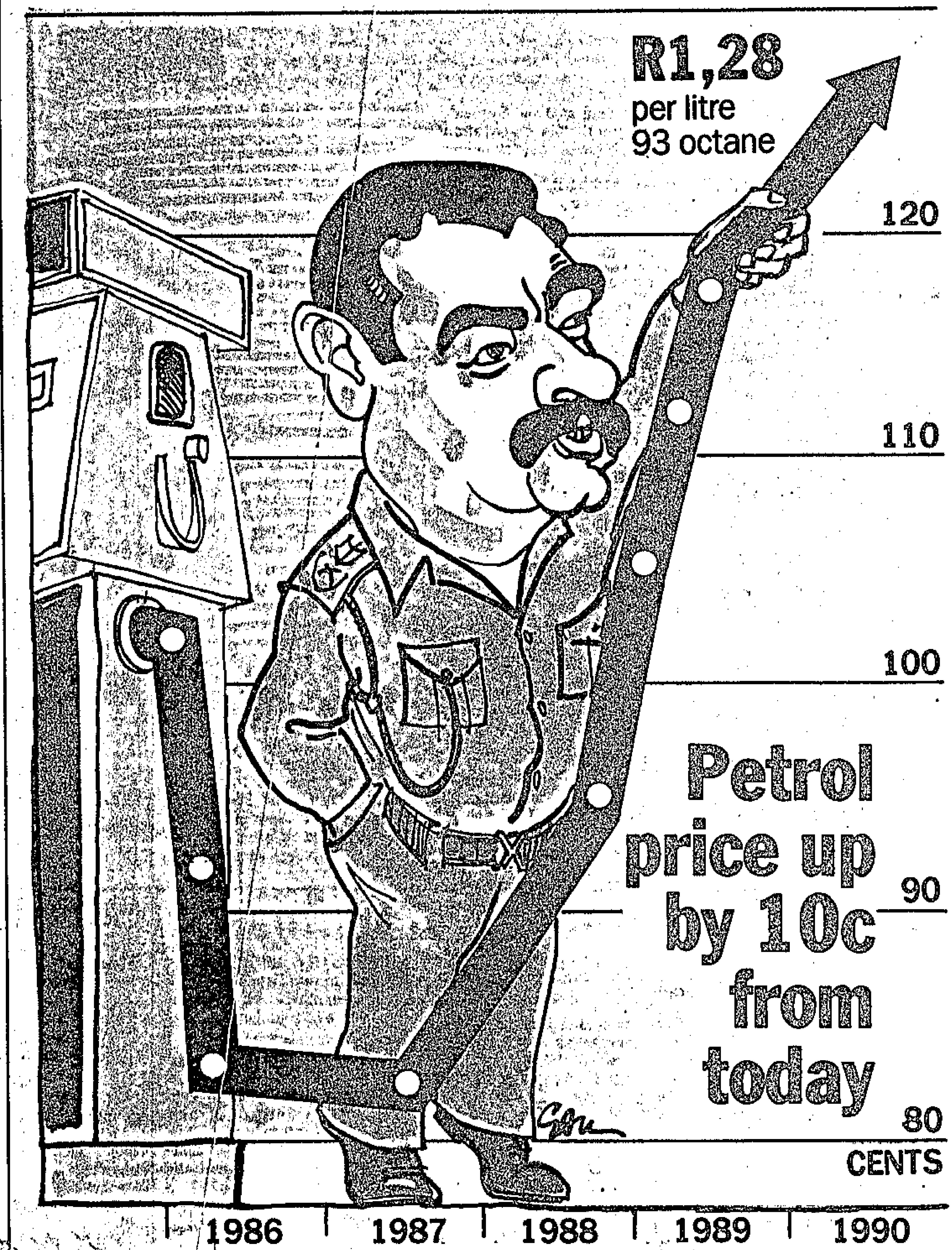
Fuel went up 13c in September 1988 and last year saw three increases — to R1,05c in January 1989, R1,12c in April and, finally, R1,18c in July.

From today, the price will be R1,28c a litre on the Highveld. Of that amount, 42,2 percent (54,1c) is what is known as "the landed cost" while the next biggest slice of the pie goes on tax — 24,9 percent or 31,9c.

Other costs which make up the new price are 7,1 percent on transport, 7,9 percent to the re tail trade, 4,3 percent to wholesalers and the remainder to the National Road Safety Council, the Equalisation Fund, customs and excise and delivery costs.

Gloom as fuel price shoots up

Star 4/9/90 (55)



By Norman Chandler, Pretoria Bureau

The price of petrol, diesel and illuminating paraffin rocketed throughout southern Africa at midnight last night — and the Gulf crisis could mean further increases.

On the Reef, petrol jumped by 10c a litre, bringing the price of 93 octane at the pumps to R1,28 — the highest ever — and 87 octane to R1,25.

The coastal price of 97 octane petrol is now 11c more expensive (R1,23) and 93 octane will retail at R1,19.

The change has also meant that tariff protection for Sasol is no longer in operation.

The National Energy Council (NEC) warned yesterday that the public could be faced with petrol and traffic-speed restrictions if the crude oil price continues to rise as a result of the Gulf crisis.

NEC group executive Lourens van den Berg said a serious appeal was being made to consumers so that crude oil imports could be kept to a minimum.

Diesel

Namibian petrol prices went up 10c a litre. In Mozambique, a 65 percent rise was announced.

In South Africa, diesel oil is now 10c a litre more expensive for the agriculture, forestry and fishing industries, and paraffin's wholesale price is now 15c a litre more expensive than before.

Mr van den Berg said that since July this year, the Government's Equalisation Fund had been used to pump R400 million into keeping the fuel price stabilised, but this had depleted reserves.

A by-product was that the industry could now begin to repay the protection it received, on a proportional basis to profits, because crude oil had now moved from $23 (about R59,30) to more than $28,70 (about R74) a barrel.

The Consumer Council has urgently requested trade not to increase prices "out of hand" and the Housewives League has appealed to retailers to absorb the increase and not simply pass them on to the consumer.

● Fuel price rise — Pages 6, 12.

Airfares up 'within weeks'

Domestic air fares are expected to rise between 6 and 9 percent within weeks, and international fares by 8 percent.

SAA said a jet fuel price rise made this inevitable. — Staff Reporter.

Barend feels Right's wrath

Star 4/9/90 (544)

Police and rightwingers were last night involved in several scuffles

Reporter's brother

Star 4/9/90 (543)

Petrol price jumps by 10c

Sowetan 4/9/90

55

SA Press Association

THE petrol price increased by an average 10 cents a litre from midnight last night, the National Energy Council said.

The petrol increases are as follows:

* 97 octane: 11 cents a litre, a 8,9 percent increase at the coast;
* 93 octane: 10 c/l, a 9,1 percent increase at the coast and an 8,5 percent increase in the PWV area; and
* 87 octane: 10 c/l, an 8,7 percent increase in the PWV area.

The National Energy Council also announced the wholesale prices of diesel would increase by 7 cents a litre, a 7,3 percent increase at the coast and an 8,5 percent increase in the PWV area.

The diesel price for agriculture, forestry and fishing would also increase by seven cents a litre, a 9,2 percent increase at the coast and an 8,5 percent increase in the PWV area.

The wholesale prices for illuminating paraffin would increase by 15 cents a litre, an 18 percent increase at the coast and a 16 percent increase in the

● To Page 2

Mystery over killings on the East Rand

By DON SEOKANE

THE mystery behind the East Rand violence that claimed at least 23 lives deepened yesterday when survivors told of two vans, black gunmen and a white driver of one of the vans and the attackers wearing blue uniforms. Sowetan 4/9/90

Mr Nyameko Mtsha yesterday said he had been shot at by a group travelling in a van driven by a white man.

Mtsha of Tokoza said he was on his way home when armed black men travelling in a blue *Ford* van driven by a white man shot at him, severely injuring him in the chest and on the thighs.

Another person lying injured at the Natalspruit Hos-

● To Page 2

P.T.O.

Price of petrol jumps by 10c

Sowetan 4/9/90

55

●From Page 1

PWV area.

The Council said it continously monitored the fuel price and did everthing possible to "avert a general price increase".

However, "the sharp increase in crude oil prices by 86 percent with consequential increases in the landed cost made fuel price increases unavoidable and must be implemented as soon as possible in order to limit it to the absolute minimum".

Fuel prices in South Africa were based on the landed cost of imported petroleum products, the Council said.

The pump price of diesel would, however, be increased by 10 cents a litre, which would bring the total retail increase on diesel to 9,6 percent at the coast and nine percent in the PWV area, the Council said.

"The fuel price increases are exclusively aimed to partially offset the effect of the increased international prices of crude oil on the landed cost of petroleum products and no increase is included for an increase in the profit margin of the oil companies."

The Council said a further price increase would have to be considered if the Equalisation Fund could no longer finance under-recovery.

While the announced petrol price increase was inevitable it was nevertheless an additional burden on the motorist, faced with ever-increasing costs, the Automobile Association of SA said.

AA assistant general manager Mr Robin Scholtz, warned of further fuel price increases.

Further increases possible

Petrol price to go up 10c from today

55

Business Day 4/9/90

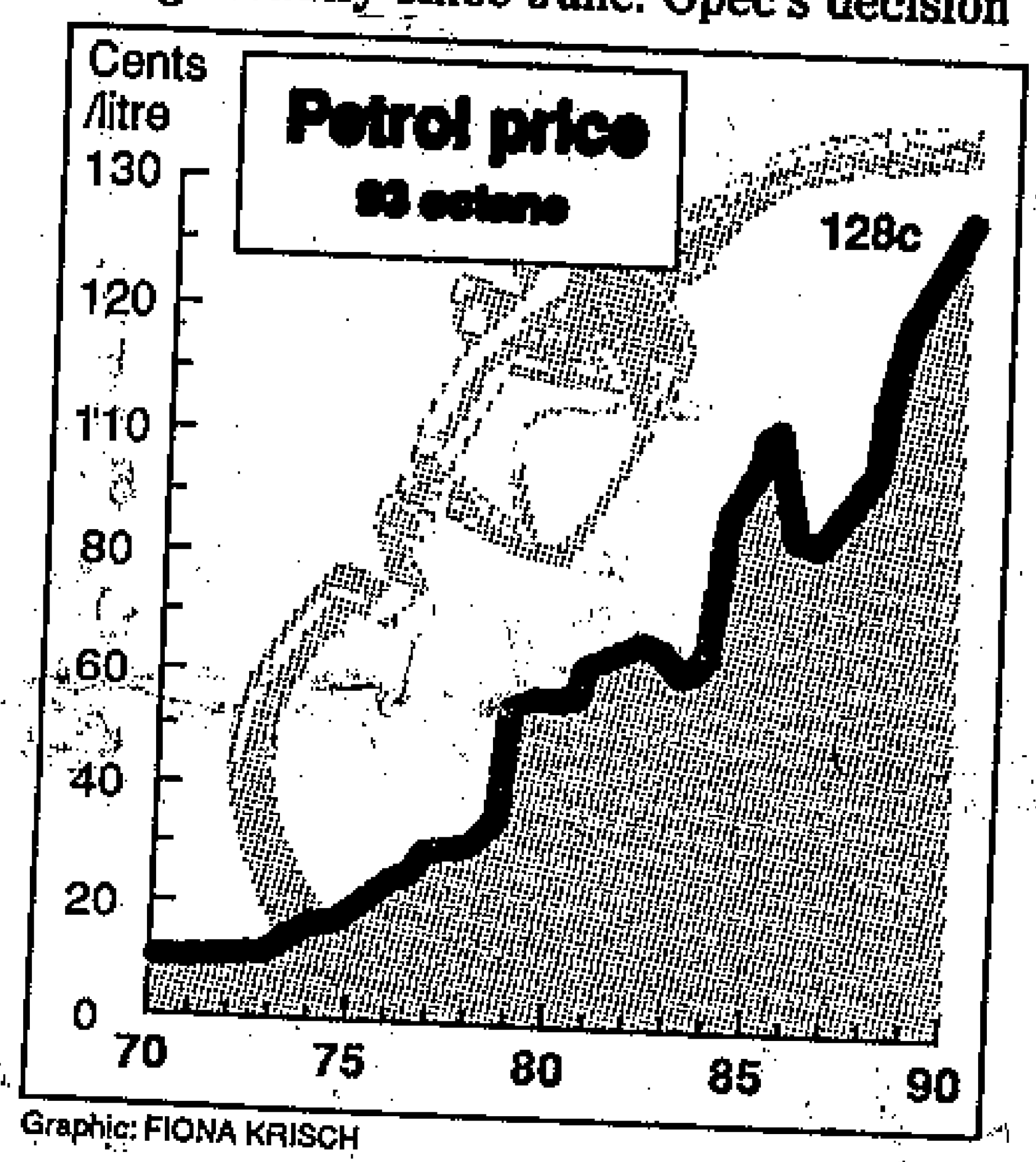
ZILLA EFRAT

THE price of petrol has been increased by about 9% from today, as a result of higher landed fuel costs due to the Gulf crisis, the National Energy Council announced yesterday.

The price of 93 octane has been increased by 10c/l or 9,1% at the coast and 8,5% in the PWV area. The price of 97 octane has risen 8,9%, or 11c/l in coastal areas, and 87 octane has risen 8,7%, or 10c/l in the PWV area.

In addition, the wholesale price of diesel has increased 7c/l and that of illuminating paraffin by 15c/l

The landed cost of SA's fuel has been rising steadily since June. Opec's decision



Graphic: FIONA KRISCH

to raise the official selling price by $3 to $21 a barrel in July was followed by other crude oil producers.

The Gulf crisis sent crude oil prices up to $28 a barrel — an increase of 86% in four weeks. At times in August crude oil price prices topped $33 a barrel.

The NEC said yesterday SA's landed cost of fuel had increased by 35c/l or 46%, since July. But this was partially cushioned by a slight improvement in the exchange rate in August.

Namibia, Ghana and Mozambique also announced petrol price rises yesterday, while Nigeria said it would boost oil output by 250 000 barrels a day.

In spite of the price rises, SA motorists are still under paying for petrol. This is because the increases have been based on a crude oil price of about $22 a barrel, which would apply under normal circumstances.

The Equalisation Fund will have to fund temporarily this under-recovery of 23c/l

A further price increase would have to be considered if the Equalisation Fund was exhausted by more increases in the landed cost, NEC group executive Lourens van der Bergh said.

Should a Middle-East war erupt and crude oil prices show further sharp increases, it would also become necessary to consider fuel conservation measures, such as reduced speeding limits, he said.

The NEC appealed to consumers to conserve fuel in an effort to restrict imports

☐ To Page 2

Petrol price

BDay 4/9/90

55

☐ From Page 1

and contain the cost of financing the under-recovery by the Equalisation Fund.

"Through conservation and the more effective use of petroleum products, the influence of the higher crude oil prices on our current account and the inflation rate can be softened," Van den Berg said.

While the diesel price rose 7c/l the Motor Industries' Federation indicated that the retail profit margin on diesel, which is not subject to control, would be increased by 3c/l to bring it almost to the same level as the retail margin on petrol.

As a result, the pump price of diesel would rise 10c/l which would bring the total retail increase on diesel to 9,6% at the coast and 9% in the PWV area.

In addition, the increased rail and road tariffs which became effective on January 1 have not been implemented and have been financed by the Equalisation Fund.

Cabinet has decided these increased transport costs should be included in today's price increase and certain magisterial districts would have further rises between 1c/l and 3c/l

But fuel prices at the coast and in the PWV area would not be affected by the increased transport costs, the NEC said.

The SA Chamber of Business (Sacob) said the fuel price increase came at a time when the country was committed to reducing inflation.

The Afrikaanse Handelsinstituut called on the authorities to consider lowering the tax on petrol if further petrol price increases became necessary.

The National Association of Automobile Manufacturers of SA (Naamsa) said the petrol price increase, in addition to high interest rates, would have an adverse impact on a current downturn in the motor industry. It would negatively affect new vehicle sales, Naamsa warned.

● Comment: Page 10

Deregulation plans slammed

STAR 5/9/90 (55)

By John Sherrocks

DURBAN — Up to 40 000 jobs will be lost and the price of petrol is certain to rocket if the Government bulldozes ahead with plans to deregulate the fuel industry.

Forecasting havoc within the industry should the proposals get the green light, motor industry executives are contesting the logic of scrapping a "perfectly good" system.

Durban-based garage owner Roy Close says: "South Africa has the second lowest fuel retail price and the third lowest government taxed fuel in the world.

"The system in this country is working well. Some fine tuning is needed, but why radically change something when it is working so well?"

Based on the outcome of a recent meeting, Mr Close says he is concerned that a degree of deregulation will be introduced into the industry shortly.

"Clearly the only parties that will score from deregulation will be the Government (with a new de-politicised and unopposed taxing system), the oil companies (with greater control of the retail fuel industry) and the supermarket chains, who will increase their traffic and profit through their stores by way of discounting on the forecourt."

The abolition of the retail price control will force service stations to switch to self-service, resulting in the mass firing of up to 40 000 service station attendants countrywide.

Fuel price rise will hit bus and air fares

(55)

ZILLA EFRAT

TRANSPORT prices generally are set to rise on the back of escalating world crude oil prices and yesterday's petrol pump price increase in the wake of the Gulf Crisis.

Putco MD Jack Visser said yesterday the 7c a litre rise in the wholesale price of diesel would definitely result in an increase in Putco fares in October.

A price hike of 5c a trip was being considered for the Reef and Pretoria areas, but nothing had been finalised.

However, a price increase for the Johannesburg municipal bus service seemed unlikely at this stage.

Sabta representatives could not be contacted for comment yesterday, but it is believed the taxi industry will also be hard hit. The 10c/l increase is spread among a smaller passenger load per trip.

Safmarine executive deputy chairman Mike Finlay said higher world oil prices would result in increased shipping costs worldwide, affecting international trade.

Shipping lines, which negotiate petrol prices directly with oil companies, had been and would be announcing surcharges to compensate for higher fuel prices, he said.

Increased local and international air fares are being considered.

SAA senior manager, public relations, Leon Els said jet fuel prices, which are not related to the pump price, had been affected by the Middle East crisis.

B Day 5/9/90

Recommended

The effects of higher prices on the domestic fuel bill of the airline were being examined.

Els said there could be an increase in local air fares, but no decision had been made.

After a meeting last week in Geneva, where higher oil prices were discussed, the International Air Transport Association (Iata) recommended that a levy of between 5% and 8% be introduced by airlines.

The proposed levy was being evaluated by airlines and it was likely that SAA would follow the trend of airlines serving the same routes, said Els.

● See Page 8

Petrol rise sets off Sasol share trading

ZILLA EFRAT

SASOL attracted huge trade on the JSE yesterday after news of the petrol price increase.

Topping the most active list of shares in both volume and value terms, it rose 40c to R15 after touching a high of R15,15. A total of 725 650 shares worth R10,8m changed hands in 64 deals.

However, Sasol's base price is not connected to the local pump price, but is directly related to international product prices east of the Suez.

The good news is that with the Gulf crisis sending crude oil prices up to \$28 a barrel — at times above \$33 — in August, Sasol no longer receives any tariff protection.

While fuel prices increased about 9% from yesterday, SA motorists are still under-paying for petrol. This is because yesterday's hike is based on a crude oil price of about \$22 a barrel.

As the Equalisation Fund currently does not have to finance the protection tariff, it can now be utilised to cushion the under-recovery.

Below \$23 a barrel, Sasol enjoys variable tariff protection.

Eskom sues Benoni council

Star 6/9/90

Staff Reporter

A R3,4 million lawsuit has been launched against the Benoni Town Council by Eskom for outstanding electricity accounts owed by the Daveyton and Wattville town councils.

Benoni town clerk Deneys Conradie said many residents had been paying their accounts, but it appeared that this money had not been used by Daveyton or Wattville for the payment of their arrears accounts.

The Benoni Town Council would be negotiating with all parties concerned before resorting to an electricity cut-off to the two townships, he said.

Urgent meetings with the two local authorities have been arranged to discuss the situation.

'Coal exports may offset cost of oil'

ZILLA EFRAT (55)

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. B Day 6/9/90

Iscor public relations manager Piet du Plesiss 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.

Star 6/9/90 (55)

Export coal prices could benefit from Gulf crisis

If the price escalation of international oil and gas continues unabated, the price of coal will increase to new heights, says an international survey on the effects of the Iraqi crisis.

Although it does not address the South African scenario specifically, the implication is that SA export coal prices will benefit, possibly helping to offset to some extent the impact of higher oil prices.

The survey, carried out by energy tariff analysis specialists, National Utility Services (NUS), which has a South African affiliate, predicts that internationally electricity prices will increase, perhaps drastically, as a result of increased oil costs.

NUS's South African MD, George Rahr, says whether the knock-on effect on electricity will be similar in South Africa remains to be seen.

"South African power generation is coal- rather than oil-dependent.

"The critical factor will therefore be Eskom's pricing policy or, more specifically, whether local coal mines will increase local prices in tandem with the improved prices they realise on international markets."

The survey says no section of energy costs would remain immune from spiralling prices.

There are already reports of independent producers of both gas and oil shutting gas wells until prices increase.

"If this type of action takes place on a large scale, and combined with the onslaught of cold weather, the price of gas could be pushed to new heights," says the survey.

Those utilities whose generation capacity is dependent upon oil, or gas to some degree, will pass on to the end-users the additional cost.

"If one accepts the premise that one does not buy oil, gas or coal, but rather gigajoules then, if the price escalation of oil and gas goes on unabated, it is reasonable to expect the price of coal to increase in line with other fossil fuels," the survey says — Sapa.

PETROL PRICE FM 7/9/90

DON'T PANIC (55)

Government, through the National Energy Council (NEC), has reacted cautiously to the upheavals in the Gulf. The increases in liquid fuel prices now announced (see box) are calculated on an international oil price of \$22/barrel, even though Tuesday's price for Brent crude was \$28,70 and recently even reached \$33 for brief periods. Before the trouble started, Opec's oil price was \$18.

The price of petrol at the pump is calculated from the notional price of refined products at four refineries located around the Indian Ocean, from which the "in-bond landed cost (IBLC)" (as a price in SAc/*l*) is determined.

To this notional price (notional because crude oil, not petrol, is normally imported) is added taxes, transportation costs and margins for the refiner, wholesaler and retailer, to give the final pump price.

Temporary fluctuations in the IBLC are absorbed by the Equalisation Fund, which keeps a "slate" or ledger of the deviations. Diesel is priced on a comparable, but not identical basis, as its retail profit margin is not controlled, as petrol's is.

Sasol also operates within this pricing mechanism, but with a system of protection involving a floor price, which falls away when the oil price goes over \$23.

This price is defined as the price of a basket of crudes, approximating to the price of Dubai crude, plus \$1,50.

The NEC indicates the IBLC has increased by 35c/*l* (or 46%) since July, slightly offset by a slight improvement in the exchange rate. But the Equalisation Fund will continue for now to absorb an under-recovery of no less than 23c/*l* occasioned by the gap between the \$22 basis for the latest fuel price and the actual oil price.

According to NEC group executive Lourens van den Berg, it will be necessary to consider fuel conservation measures such as lower speed limits, as well as further price increases, if the situation in the Gulf deteriorates drastically.

A 9% increase in the petrol price will have inflationary implications, but there is no need for panic.

Van den Berg says the NEC considers the increases in fuel prices (between 8,5% and 9,1%) will raise the inflation rate by about 0,5% over the next six months. This increment could be even less if the production sectors agree to absorb a proportion of the costs. SA Chamber of Business (Sacob) senior economist Bill Lacey says this estimate "broadly accords with Sacob's interpretation."

In the first place, substantial additional supplies should soon bring the international price down again, especially as stocks were at a record high before the crisis broke. The *FM* (August 24) earlier concluded that fears of a world shortage arising from the interruption to supplies from Iraq and Kuwait — say 4m BPD — could easily be made up by other members of Opec if the will were there.

The cartel has now formally approved a resolution that members may produce in excess of their quotas. Saudi output is already up by around 2m BPD, with at least another 275 000 coming by month-end. Nigeria will pump an extra 250 000 BPD. But this major shift in fundamentals has not yet had its full effect on the oil price.

There are signs that Iraq is drawing back from further military adventures. Saddam Hussein has made a halfhearted offer to withdraw from most of Kuwait — manifestly a sign of weakening nerves on his part in the face of the sternly enforced naval blockade. His regime could collapse entirely, with the unravelling of the entire crisis over oil supply. On the other hand, Hussein's apparent flexibility may not be sincere — he has broken previous similar promises — and at some stage he could reckon that only further aggression will prop up his position at home.

If the conflict drags on — which is also possible — SA could draw on its substantial strategic oil stockpile to buffer the price paid for supplies from abroad, at least for some

ECONOMY & FINANCE (55)

FM 7/9/90

time. Though we are not allowed to know the size of the stockpile, it has been widely speculated that it might be as much as two years' consumption. It could be argued that it would be prudent to draw from it in current circumstances, as this is the sort of contingency for which it was created. Indeed, this may have been decided on already. ■

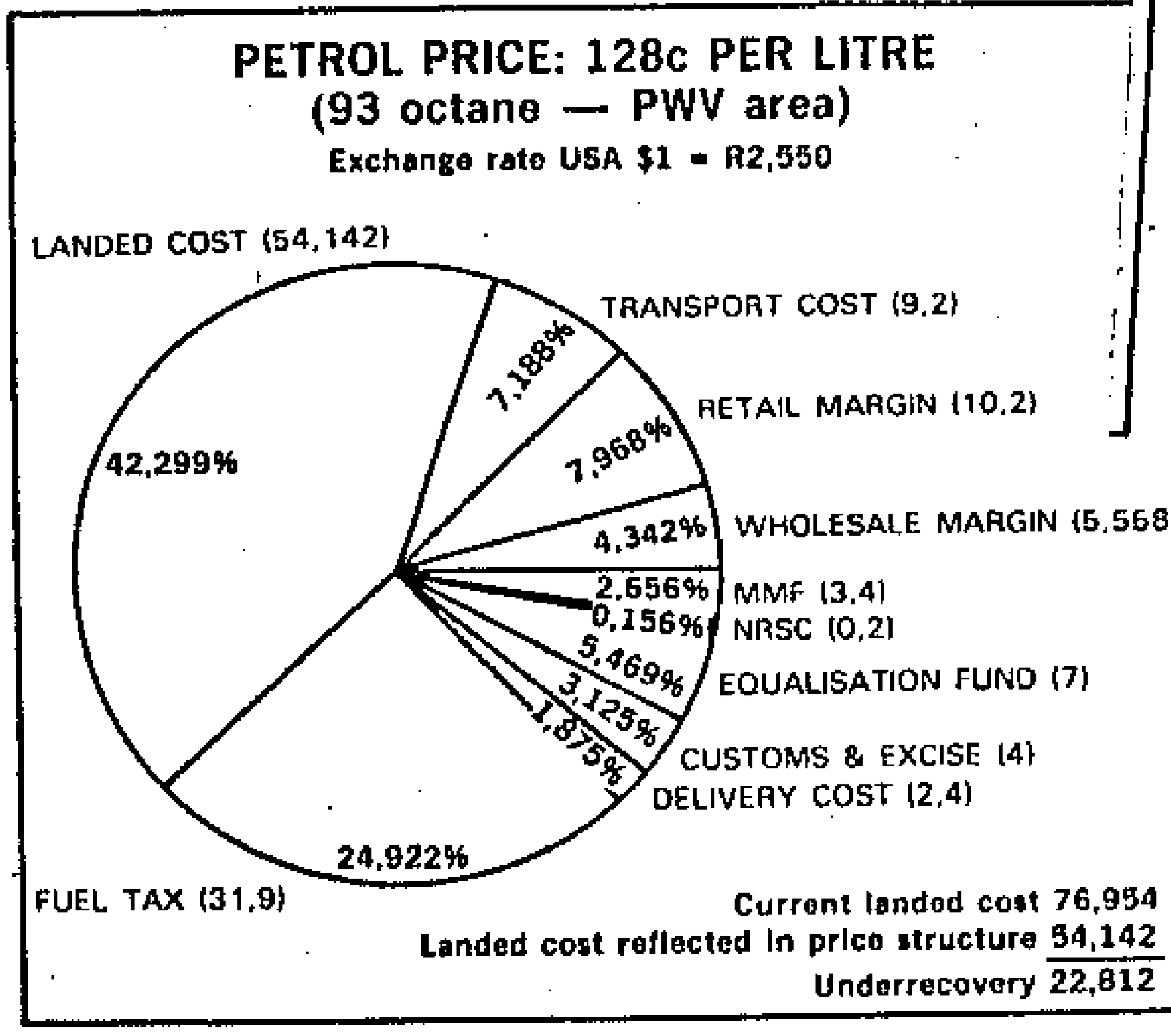
Another petrol-price shock feared

55

Fuel rationing also likely to slash demand

S/Times 9/9/90

THERE is every likelihood that the price of petrol will have to be lifted again — and fuel conservation measures may be on the way.



By DON ROBERTSON

The 10c a litre increase for 93 octane petrol on the Reef and 11c for 97 octane at the coast falls well short of the amount required to cover the higher cost of crude oil, boosted sharply by Iraq's invasion of Kuwait. The price of crude for October delivery on the New York Commodities Exchange rose to $31,20 a barrel this week. North Sea Brent was quoted at $30,50.

The Reef increase meets a crude oil price of only $22 a barrel under normal circumstances of supply and demand. There is an under-recovery of 22,8c/*l* on 93 octane and 22,9c/*l* on 97.

The National Energy Council (NEC), custodian of the fuel price, says the landed cost equivalent contained in the SA petrol price rises sharply as crude becomes more expensive.

At $15 a barrel at today's exchange rate, the equivalent landed cost price is 38,4c/*l*. This rises as the barrel price increases to 65c/*l* at $25 and 71,68c/*l* at $28.

Cheapest

The NEC says that if a war breaks out in the Middle East and oil prices rise, the equalisation fund could be exhausted and it might be necessary to lift prices again.

SA motorists are fortunate that they still have some of the cheapest petrol in the world. The price in France, for instance, is R2,54/*l*, R3,44 in Italy, R2,79 in the Netherlands, R2,37 in the UK and R2,28 in Germany. US motorists have a better deal — they pay 98,3c/*l*.

Taxes and levies on SA petrol are also among the lowest in the world. They make up only 36,35% of the retail petrol price. In France they account for 65,2% and for 74,4% in Italy, 61,8% in the Netherlands, 60,1% in the UK, 58,8% in Germany and 17,7% in the US.

The Department of Finance favours a tax on petrol because it is paid by everybody.

There is, however, unlikely to be an increase in the petrol tax for the "foreseeable future", says Dan Colesky, Commissioner for Customs and Excise.

Assisting the NEC in keeping down the price is the fact that the 10c/*l* protection paid out of the equalisation fund to Sasol, is no longer applicable. It falls away once the price of crude rises above $23 a barrel.

At a price above $28,70, Sasol is required to pay 25% of the difference between the ruling oil price and $28,70 until the money received from the equalisation fund has been repaid.

The SA Chamber of Business (Sacob) says that although this week's price rise was necessary, the chamber is happy that the full amount has not been imposed. It believes that the price could have been lifted by 30c/*l*.

It says, however, that the Government's ability to finance the underrecovery is limited and unless there is a solution in the Middle East another price rise is inevitable.

The SA Co-ordinating Consumer Council has urged business not to increase prices immediately. It believes that only in the longer term will prices be affected.

The NEC urges people to use fuel sparingly to help the equalisation fund, the balance of payments and reduce inflation.

It is expected that the fuel-price rise will not affect the inflation rate by more than 0,5% in the next six months. If manufacturers and distributors find it possible to absorb more of the price increases the indirect impact on the inflation rate could be lower.

Petrol hike will hit hard

C/Press 9/9/90 (55)

By DAN DHLAMINI

THIS week's whopping petrol price hike is inflationary and will force the man in the street to dig deeper into his pockets.

More than 80 percent of the country's commodities are transported by road and the 10c price increase could force inflation up by at least 0,5 percent from its present 13,3 percent, according to South African Consumer Council communications division assistant director Daan Kruger.

Blacks families, many already living below the breadline, will be hardest hit by the price hike.

Research by the South African Institute of Race Relations shows 68 percent of black families live on less than R600 a month.

Transport organisations contacted by *City Press* slammed the government for not discussing the increases with them.

South African Black Taxi Association (Sabta) president James Ngcoya said: "We at Sabta have in the past been engaged in talks with the government and we expected the government to negotiate the price with us."

Ngcoya said Sabta was second only to the government in terms of petrol consumption, but his association's numerous requests for rebates or subsidies similar to those of farmers' had fallen on deaf ears.

He could not say when taxi fares would increase and added that individual associations would determine the increase according to circumstances in their areas.

Ngcoya appealed to Sabta members to be reasonable when they increase fares, taking into consideration the income of commuters.

South African Long Distance Taxi Association public relations officer Robert Chiloane said the price hike "hit our industry below the belt".

"Petrol stations and oil companies did not inform us about the pending price increase. We are concerned because we were not given a chance to inform our commuters to brace themselves for fare increases."

Chiloane said on September 19 a decision would be taken on fare increases at a meeting of chairmen from all regions.

City Tramways group regional operations manager Johan du Preez said his company intended increasing fares by between 5c and 20c depending on the distance.

He said City Tramways had bought the United Bus Company group which services the eastern, western and northern Transvaal, and the group would try to absorb increases in poorer areas.

Putco managing director Dr Jack Visser said his company's fare increases would be 5c across-the-board from October 1.

Kruger said the South African Consumer Council had requested trade not to increase prices of goods out of hand because of increased transport costs.

He also advised commuters and motorists to cut out "joy rides" and plan their trips.

SA 'makes huge payouts to beat oil ban'

Star 11/9/90

By Mike Siluma
The Star Bureau

LONDON — South Africa spent $54 billion (about R140 billion) on oil shipments in the 10 years up to January this year in the face of the international oil embargo against it.

The claim is made by the Amsterdam-based organisation, Shipping Research Bureau, in its latest report, released today in London, Amsterdam, Brussels and Oslo.

The organisation recorded deliveries by tankers sailing from the Middle East in the 1989-90 period — despite the embargo.

The report said that since mid-1989 South Africa's imports of refined petroleum products had risen significantly following "fires at the Sasol oil-from-coal plants, which considerably reduced the indigenous production of synthetic fuel".

It added that the port of Amsterdam in Holland had emerged as "a major channel for petroleum product deliveries to South Africa".

The report said oil and shipping companies "are prepared to go to great lengths to conceal oil deliveries to South Africa" and since 1987 virtually all calls of vessels delivering oil had been kept secret.

On the cost of breaking the embargo, the report said that between January 1979 and January 1990 alone, Pretoria had spent $25 billion (about R65 billion) to overcome "direct and indirect effects" of the embargo.

Star 11/9/90 (55)

Sasol has eyes on Sasol 3

By Derek Tommey

Sasol, which owns Sasol 1 and Sasol 2 and half of Sasol 3, has reported an 18,6 percent rise to R746,3 million in attributable profit in the year to June, and a 16,4 percent rise in the final dividend to 32c a share.

It says it has started discussions with the Government for the acquisition of the 50 percent of Sasol 3 it does not own.

This, together with Sasol's R2,6 billion capital expenditure programme, could lead to a rights issue.

Chairman JA Stegmann said last night that the new protection framework based on $23 a barrel of oil might make Sasol 3 economically viable.

However, he could not say what the acquisition would cost as this still had to be negotiated.

In the year to June, Sasol 3 earned R453,4 million before interest. No tax was payable, resulting in a profit of R275 million — 52,2 higher than a year ago.

Sasol 3 cost R3,2 billion to build in 1982 and still has Government loans amounting to R2,3 billion.

If Sasol took over Sasol 3 it would have to take over the loans.

Mr Stegmann said Sasol had no interest in building a new oil-from-coal plant owing to high capital costs.

He could not say whether there would be a rights issue if Sasol acquired Sasol 3, but that a rights issue should not be a problem.

Sasol lifted turnover 22,9 percent to R5 billion in the year to June. Group profit before tax rose 18,3 percent to R1,3 billion.

A change in the method of accounting for deferred tax, together with the high level of capital projects commissioned in the year, cut tax payments by 48 percent from R490,7 million to R254,9 million.

This abnormally large result of a change in accounting policy led to a decision to transfer R320 million to the equalisation reserves, said MD Paul Kruger.

It left an attributable profit of R764,3 million, equal to 132,4c (111,7c) a share, out of which dividends of 59,5c (52,5c) were paid.

Mr Kruger said the reasons for the better profits included higher international prices for fuel, larger refining margins, the weaker rand, improved tariff protection, some value improvements in certain areas, and a higher dividend from Sasol 3.

The improvements were offset to some extent by the need to to renew certain piping at Sasol 2 and Sasol 3, though part of the expense was capitalised.

Mr Kruger said operating problems at Sasol 1 had been solved and higher profits were expected. At Sasol 2 turnover rose 24,5 percent.

Excellent results were obtained from Sigma Colliery and Secunda showed a substantial profit improvement.

The oil division had a higher throughput and more favourable margins. A higher turnover in the chemical division was offset by lower prices.

Both the fertiliser and explosives division improved their profits, but the return from these divisions was still too low.

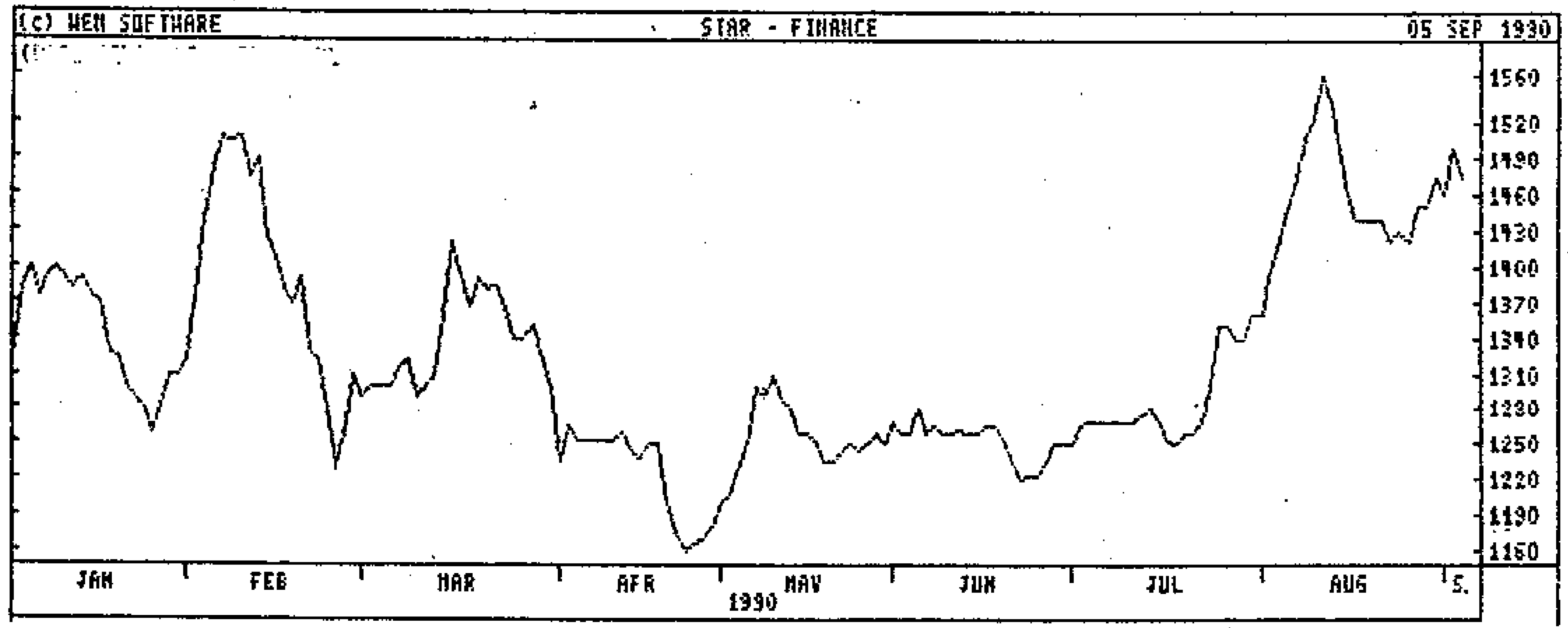
Sasol 2's 150 000-tons-a-year propylene plant was commissioned last November and should make a substantial contribution to profit.

Mr Stegmann said international crude oil prices were highly volatile and no reliance should be placed on the current oil price. But it would benefit Sasol's synfuel and crude oil refining operation if it remained above $23 for most of the remainder of the financial year.

About a third of Sasol's earnings come from synthetic fuel, though this would be increased to a half if Sasol 3 were included.

Of the rest, half comes from coal and oil and the balance from other operations.

The bulk of the R2,6 billion capital expenditure programme will go to the Syferfontein strip mine, which will be in full production by the start of 1992.



Sasol share price movement

Parys cuts power, water to township

Star 11/9/90. 55

By Melody McDougall, Vereeniging Bureau

The Parys Town Council yesterday cut electricity services and 90 percent of the water supply to residents of Tumahole.

About 40 000 people are affected.

Parys town clerk Joop Ferreira yesterday said the disconnection of services was the result of township residents not having paid their bills for the past three months.

He said Tumahole owed the council about R235 000.

Stressing that the decision to cut services was not a political one, Mr Ferreira said it was strictly a business matter.

Mr Ferreira said the water supply had been reduced to 10 percent of normal flow. This would ensure sufficient water for drinking and cooking purposes.

According to Mr Ferreira, a meeting would be held on Thursday between the town council, the Tumahole Town Committee, the police and the Tumahole Civic Association to discuss the issue.

Education and Culture [illegible]
yesterday that government had approved three new education models which opened the way to multiracial schooling in SA.
Picture: ROBYN RYAN

Lead-free petrol costs may be 'unjustifiable'

BDay 11/9/90 (55)

LESLEY LAMBERT

CAPE TOWN — Sasol is considering removing lead from its petrol, following similar trends overseas, but is unlikely to make a hasty decision as initial estimates show that the cost of environment-friendly fuel might not be justified in SA.

This was disclosed yesterday by Sasol MD John Marriott, who was presenting evidence to the President's Council for its investigation into an environmental management system.

Resistance

He said rough estimates indicated that lead-free fuel could cost motorists an extra 5c to 10c/l and would not suit many conventional car engines.

The US, Europe and Japan began phasing lead out of their fuel after strong resistance by environmental lobbies to the poisonous and environment-endangering qualities of lead and other noxious constituents emitted by petrol-driven engines.

These emissions contain poisonous carbon monoxide and other compounds which contribute to acid rain and form an unhealthy "photochemical" smog. The best way to remove the substances is to install a catalyst which destroys them in the exhaust system. But, because lead negates the effect of the catalyst, it has to be removed.

Lead is deliberately added to petrol to boost the fuel's octane levels, making it more efficient and thus economic.

According to Marriott, the lead content of SA's petrol had been gradually reduced from 0,836g/l to 0,4g/l, although at this level it was kept as close as possible to the current maximum permissible level.

He said lead-free petrol was technically feasible and, given time, could be introduced in SA. But the production of high-octane lead-free fuel would require a costly modification of Sasol's refineries.

Based on international prices of high-octane lead-free fuel, the additional costs could add between 5c and 10c to a litre of SA fuel, Marriott said.

Considered

Sasol was concerned that the number of cars on urban roads in SA and the number of conventional motor car engines which would not be suitable for lead-free petrol, would not justify the additional costs, he said.

"While lead-free fuel and catalytic convertors are justified in a city like Los Angeles, which has more motor vehicles than all of Africa, Sasol is not convinced that that the same is true of SA," Marriott told the President's Council.

"Sasol supports the moves for a cleaner environment but believes that all the issues surrounding lead in petrol need to be carefully considered before a decision is taken."

Switch-off catches residents unawares

(55) Star 12/9/90

By Musa Mapisa

The disconnection of water and electricity in Tumahole township near Parys on Monday has changed the lifestyle of the 40 000 residents.

Parys Town Clerk Joop Ferreira said the disconnection had come about because residents had not paid their bills for three months.

Buckets

The township now owed the council about R235 000.

Mr Ferreira said the decision to cut services was strictly a business matter, not a political one.

Women who had forgotten to store water before leaving for work yesterday were seen in the afternoon moving in streets with buckets on their heads.

After touring the township, The Star team stopped at a supermarket to buy cold drinks. They were warm.

The stench of rotting meat hung heavily in the air.

One customer was buying candles, while a small boy struggled out of the shop with a five-litre container of paraffin.

Some residents, like the Modise family, were using gas for cooking and lighting.

Music could be heard form their home. It came from a battery-operated hi-fi set.

Star 12/9/90 (55)

NS

E Rand power cuts loom

By Therese Anders and Abel Mabelane

The electricity supply will be cut off in Tokoza and Katlehong tomorrow, according to notices issued to residents yesterday.

Pamphlets warning of the power cuts in the township were dropped by helicopter.

The notice said: "As a result of your five-month rent and service charge boycott, it has become inevitable that the provision of essential services by the council can no longer be rendered. The funds of Katlehong are now exhausted."

Tokoza administrator Gert Muller said power would be cut at 7 am tomorrow. He said Tokoza owed the Alberton City Council R1,5 million in electricity bills.

Mr Muller said the Alberton City Council had agreed that power would be restored if residents could pay the average daily usage of power.

He said various community organisations such as the ANC, the civic association, the taxi association and the local chamber of commerce had been invited to a meeting with the council today in an attempt to avert the power cut.

- According to ANC regional secretary Joe Nkuna, many eastern Transvaal township residents are loath to begin paying their service accounts because of councillors' previous records of corruption.

Mr Nkuna has urged the Transvaal Provincial Administration to step in quickly and appoint administrators in all townships throughout the eastern Transvaal.

He was commenting on why many township residents were still not paying, although the rent and services boycott was called off on August 31.

All service payments are to be made before September 17, yet The Star has been told that in KwaGuqa (Witbank), Mhluzi (Middelburg) and Wesselton (Ermelo) there has been little or no response.

In KwaGuqa, the TPA appointed three councillors as administrators several months ago.

It has subsequently been discovered that these were illegal in terms of the Black Local Authorities Act.

- The Mamelodi People's Delegation and the local city council are due to meet tomorrow to discuss the rent issue in the township.

Suggestions from both parties will be submitted to the TPA for consideration.

- The Kimberley City Council has announced that water and electricity services to the nearby Galeshewe township will be cut from September 18, prompting township mayor Taolo Bosvark to appeal to residents to start paying their rentals and service charges arrears.

Mr Bosvark said residents had been boycotting rent and services charges since March this year, and they now owed about R6 million to Kimberley Town Council.

He said it was not his council's intention to cut services, but since the suppliers were intent on doing this there was nothing the council could do.

If residents started paying by September 18, they might be able to convince the town council not to proceed with a switch-off, the mayor said.

Oil embargo 'has cost SA $25bn'

ZILLA EFRAT

SA HAS had to spend at least $25bn to overcome the effects of the oil embargo over an 11-year period, says the latest report by Shipping Research Bureau (SRB).

That figure is over and above its estimated crude oil bill of $29bn between January 1979 and January 1990, Amsterdam-based SRB says in its Fuel for Apartheid.

The financial burden placed on the SA economy by the oil embargo alone was estimated at, on average, $2,3bn a year, says SRB.

The costs include searching for crude oil and gas sources on- and offshore, premiums paid to middle men on imported oil, costs of developing and building the Sasol plants, subsidies on their outputs, subsequent underutilisation of crude oil refineries, the Mossgas project and opportunity costs for the strategic oil stockpile.

The report states that SA has to import at least 75% of its needs in liquid fuel. (55)

The remaining 20% to 25% is covered by synfuel production from Sasol. Fuel from Mossgas, expected in 1992, will reduce SA's oil requirements for imported oil by 10% at the most.

It says oil and shipping companies are prepared to go to great lengths to conceal oil deliveries to SA.

13 Bday 12/9/90

Half a million on East Rand face blackout

By Claire Robertson, Pretoria Bureau

More than 500 000 East Rand residents could be without electricity from today as the first blackout hits Reef towns.

Tokoza and Katlehong — the latter the scene of some of the worst recent township violence — were informed by way of leaflets dropped from helicopters this week that electricity would be cut this morning.

The move follows austerity measures introduced by the Government at the end of August. Local authorities hit by rent and service-charges boycotts were informed that bridging-finance coffers had run dry and assistance with service payments would be curtailed.

Germiston town clerk Tonie Heynecke yesterday received offers of help from local industries who had heard of the Katlehong blackout. Some wanted to help pay for electricity.

Tokoza officials have said they would continue with attempts to resolve the rent boycott through negotiations.

A meeting between organisations and the township administration on Monday ended in a deadlock, said the Transvaal Provincial Administration. The TPA could not comment further on the blackouts as "each local authority is autonomous".

Katlehong and Tokoza are two of the most cash-strapped East Rand townships.

23 municipalities owe money to Eskom

Star 13/9/90 55 85

Highveld Bureau

Twenty-three Transvaal municipalities are now in arrears with Eskom since the Government stopped bridging finance two weeks ago to townships boycotting rent and service payments.

Eskom refuses to divulge how much it is now owed, but it is believed to run to several million rand.

Communication manager Johan du Plessis said Eskom was confident of being repaid the outstanding millions, which were accruing interest from the day of default.

"We feel (the situation) is under control at present, but there is cause for concern where some white local authorities are cutting off supplies to townships."

He said each defaulting local authority would be given 60 days to meet its payment, after which legal action would be taken.

However, he stressed that Eskom's policy was to negotiate with townships.

Catalyst to provide liquid fuel

Bldag 14/9/90

THE CSIR's division of energy technology (Enertek) has invented a catalyst for the conversion of ethylene to liquid fuels and chemical feedstocks and has developed a process for simultaneous production of petrol and diesel fuels. SS)

Once proven on a commercial scale, this process could offer extra flexibility to synthetic fuel plant operations in that any excess ethylene produced could be directly converted to liquid fuel.

Until now, this has been a multi-step operation and simultaneous production of petrol and diesel has not been possible.

The nature of the new catalyst means both types of liquid fuel would require little additional refining to meet the specifications.

As a third product, the process will deliver butene for further conversion to liquid fuels or for use as a chemical feedstock.

Research and development

Home power for all is the Eskom ideal

B Day 14/9/90

(55)

ESKOM is looking at ways of providing electricity for as little as R200 per consumer or R5 000 for a small community.

Engineering investigations deputy manager Dr Cliff Lewis says they are researching systems to provide the most equitable tariff to everyone.

This not only included what sort of electrical needs are sought by communities, but easy ways for them to pay and use it with minimal impact on the environment and maximum positive impact on people's lives and the economy.

Impact

Eskom estimates the positive economic impact of providing electricity to all is 70 times the outlay, if not higher.

Although nuclear fuel cannot be written off, usage as a power source in southern Africa will be small, as its cost is too high.

Instead Eskom — which plans 100 years ahead — is looking at the other energy sources to provide light and warmth, such as wind, water and fossil fuel.

Eskom is also hoping an easier political climate in SA will see it harnessing the energy of the Congo River some time early in the next century.

This river has the power to provide 100 000MW or two and a half times Africa's present needs.

Eskom has a generation capacity of 30 000MW and the rest of Africa has a capacity of 10 000MW.

Some ideas on the Escom drawing board include the use of fencing wire to conduct 1 000 volt electricity, or single phase reticulation.

Although it carries a smaller load than the conventional triple wire, or three phase system, it can be used to provide initial needs to a consumer or community and can be upgraded later.

Solar energy is an underused resource in SA, but already photo-voltaic panels (those black panels one sometimes sees near telephone installations) are being used.

Lewis says if Eskom builds a typical line it costs from R15 000 to R30 000 a kilometre. A larger line costs in the region of R100 000 a kilometre.

However, with photo-voltaic systems, a panel that costs around R1 000 to around R5 000 produces electricity that can be stored in a battery (costing about R300). An invertor (costing R150) changes it into alternative current suitable for domestic use and the most basic system (of a single panel, battery and invertor) is sufficient to provide enough electricity for around 12 people.

Costly

Lewis says paraffin is costly and deforestation is not only environmentally unsound but rural women spend large parts of their day gathering wood.

There are costs, too, in environmental impact.

Eskom is also looking at ways of wiring homes more cheaply which, however, will necessitate a relaxation of wiring standards. But the benefits of supplying electricity to all can outweigh certain safety considerations.

SASOL

FM 14/9/90 (55)

PUTTING ON SOME PACE

EXPANSION PLANS HAVE BEEN GIVEN A FILLIP BY THE GULF CRISIS

Before crude oil prices collapsed in late 1985, Sasol appeared almost to be embarrassed by the profit being generated from its synfuel plants. Those revenues proved volatile: in the past few years they have generally been considered ex-growth. And though earnings and dividends have continued to advance, momentum has come primarily from the diversified activities — particularly crude oil refining, coal and chemicals.

In recent weeks, a rather dour scenario for Sasol has changed radically. The Gulf crisis has triggered sharply higher prices of crude oil and holds promise of higher revenues from many of the group's other activities. Nobody is yet assuming that present oil prices — around US$30/barrel — are here to stay. But an average price high enough to significantly benefit group revenues for the 1991 year looks a distinct possibility.

Aside from that, the group this week revealed details of a capital programme that will absorb R2,6bn over the next three years. The investments should enable better control over costs and further broadening of the product range. As chairman Joe Stegmann puts it: "Sasol is entering a new and exciting phase of diversification. Most of these projects are aimed at adding value to existing chemical streams. They are aimed at import replacement but frequently with a strong focus on export markets as well."

The board has also been sufficiently encouraged by recent events — including the revised tariff protection formula announced with the 1990 interim results — to enter into negotiations with government to acquire the 50% stake in Sasol 3 still held by the Central Energy Fund.

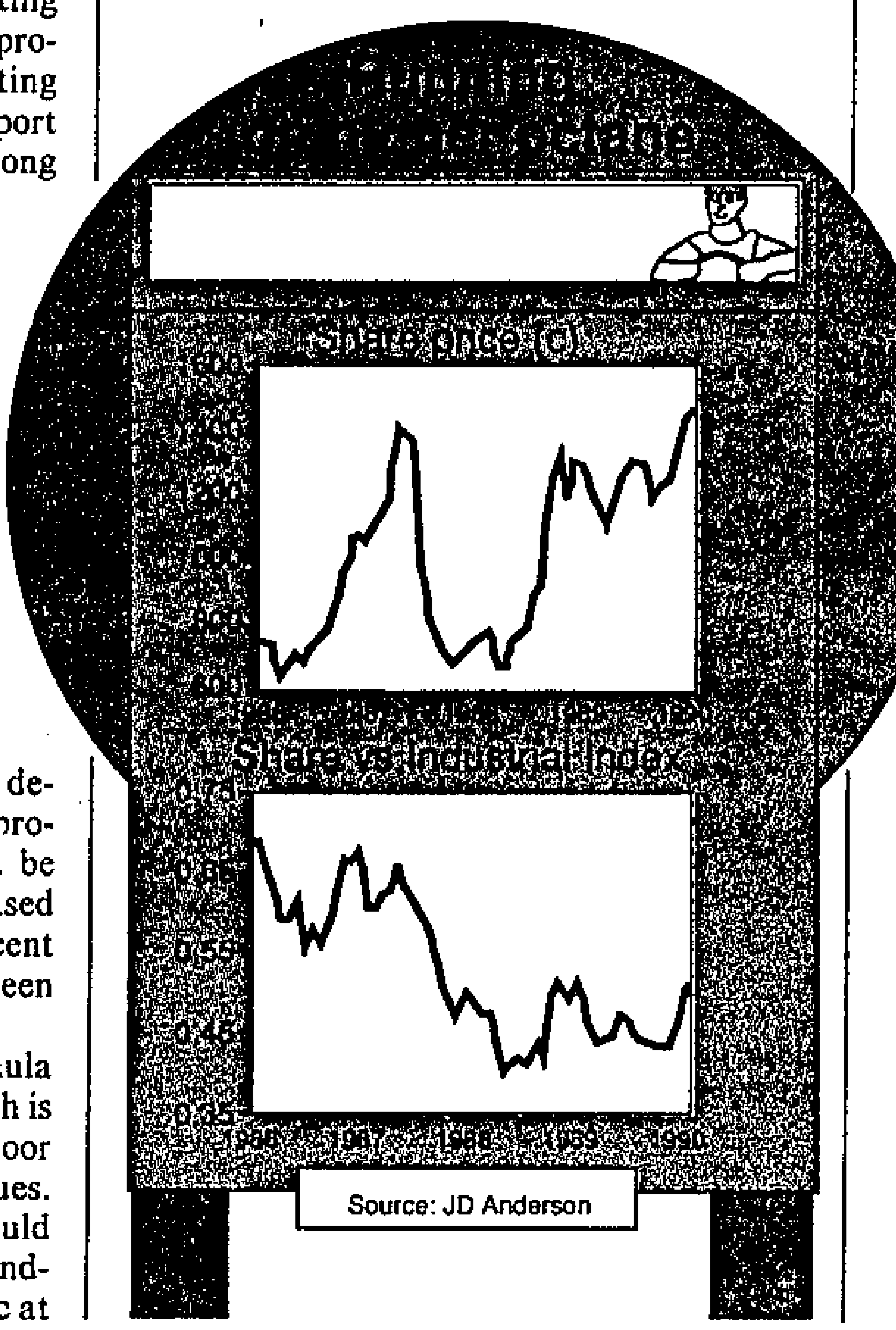
Sasol 3 is primarily a synfuels producer and its earnings, rather than asset value, will largely determine the takeover price. For several years, its weak profitability, with dubious prospects for improvement, has apparently delayed the takeover. Sasol's 1979 listing prospectus indicated the acquisition should be made by 1993. Had a deal been struck based on the earnings produced by Sasol 3 in recent years, it is unlikely the price would have been acceptable to government.

Stegmann says the protection formula which took effect on July 1 1989 and which is based on a $23/barrel oil equivalent floor price, enables more stable synfuel revenues. This, with events in the Middle East, could justify a takeover soon. In the year to end-June 1989, Sasol 3's profit remained static at R374,7m. In the 1990 year, Sasol 3's profit before interest paid totalled R453,4m, up 21% on the previous year. The improvement, Stegmann says, was largely due to higher prices received for synthetic fuels as well as substantially higher interest earned.

With the present shareholding structure, profit recovery at Sasol 3 had only a limited effect on the group's results. Sasol 3 is not equity-accounted; only dividend receipts are brought to account and these increased from R25m to R75m, covered 1,8 times.

This was among several hefty boosts to Sasol's cash position in the 1990 year. Most important, the tax charge dropped from R490m to R255m, with the effective rate falling from 44% to 19%, owing to a change in the accounting policy for deferred tax. MD Paul Kruger says that capital spending will remain at a relatively high level; deferred tax will now be provided for on the partial rather than the comprehensive basis. Virtually no provision for deferred tax was needed for the 1990 year.

As a result, the 12,5% advance in operating income, achieved on a 22,9% rise in turnover, was translated into a 69% increase in after-tax income. The figure rose from R629m to R1,07bn, but attributable earnings were only 18,6% higher after R320m was transferred to the equalisation fund, a reserve from which dividends could be paid in future. This stands at R432,1m. The dividend was lifted by 13,3%.



Source: JD Anderson

Sasol has historically adopted highly conservative accounting policies. It still retains the lifo method of stock valuation, for example, and has built considerable flexibility into its accounts to ensure dividend growth despite potentially volatile revenues. Diversification and the current spending programme is part of that flexibility. Chemical sales now account for some 18% of group turnover, but the profit margin is generally higher than on the other interests.

Kruger says three main activities now each contribute about a third of the group's operating profit. These are: synfuels; coal and oil (including crude oil refining); and other businesses, including chemicals. Had Sasol 3 been consolidated, synfuels would have provided 50% with the rest coming equally from the other two categories.

Seen that way, synfuels may, as Stegmann says, remain the mainstream of the business. But the group has gained exposure to a wide range of markets and revenues are now sensitive to far more influences than just crude oil prices — especially during times of price weakness. Even so, turnover should benefit considerably if the average crude oil price moves to around $26-$27/barrel.

Because of the floor price mechanism, an average market price higher than last year's but below $23 would not affect synfuel revenues. Should the price rise above $23 then the protective tariff falls away; but as long as it remains below $28,70, then Sasol's synfuel revenues would benefit directly from the firmer market price. An account will be kept of the cumulative differences between ruling crude oil prices and the floor price. Once the market price exceeds $28,70, then 25% of the additional income will be used to redeem the accumulated protection. In effect, the marginal tax rate on synthetic fuels will become 62,5% until accumulated protection has been redeemed.

These market prices will, incidentally, be based on the average crude prices posted at four large international refineries east of Suez — the same refineries on which Sasol's petroleum product prices are based. Though it may well be premature to predict crude prices will remain near $30 for the year, it does not seem unreasonable to think they may remain significantly above $20 for some time. Notwithstanding the oil glut, market sentiment has been jolted.

A price of $24, for example, would be a third better than the actual $18 market price of Sasol's last financial year. A boost of that size to revenues would mean a sizeable shove

MD Kruger ... *capital spending to remain high*

to profitability of the synfuel business compared with the 1988 level. Other major activities should benefit too.

Sasol's income from crude oil refining is derived from its 63,6% interest in Natref. Local refiners' margins are linked to international product and oil prices. International refining margins have, on the back of a world shortage of refining capacity, increased from about US45c/barrel in January 1988 to above $3,50c earlier this year. This, and more stable operation with better yields, enabled a higher contribution from Natref in 1990. Kruger says the margin has improved further in recent weeks.

Prices of petrochemicals are generally linked to the crude oil market and have shown a similar trend. After international chemical prices rose in 1988 and the first half of last year, Sasol's 1990 income was adversely affected when the commodities boom fizzled out and chemical prices slackened, with destocking in some markets. Recently, Kruger says, some of these prices have again picked up sharply. Supplies of certain petrochemicals have been squeezed by developments in the Gulf.

Among these are ethylene and polypropylene derived from naphtha cracking. Sasol has commissioned a R540m propylene and polypropylene complex, largely for exports, in the face of an over-supplied market and crumbling prices. Kruger says the polypropylene export price is now around $815/t cif, about $100/t above the low set earlier this year.

How long firmer prices will last can only be speculated on. Any sustained improvement must benefit the group's cash flow. That will be useful, in view of the spending plans and a possible funding exercise for the Sasol 3 takeover.

The current projects are seen as a hump in the capex programme. They include two particularly large items: the 7Mt/year Syferfontein strip mine, to cost some R1,29bn; and the R750m rejuvenation of Sasol 1, which is being transformed into a chemicals complex. Plans for Sasol 1 include closure of the original Synthol and ammonia plants, construction of a large new ammonia plant and expansion of production capacity for candle and specialised waxes.

Chairman Stegmann ... *into a "new, exciting" phase*

There will also be a n-butanol plant, an anode coke plant and expansion of the ethylene recovery plant at Secunda. Rather than being a direct profit contributor, the Syferfontein mine should help towards better margins. The group will no longer need to buy in coal and transport costs will be saved.

Other projects are being considered, including investments in Natref. This could be done either by extending capacity, or by increasing the yield of high-margin products. Kruger estimates that after the present three-year spending programme is completed, expenditure will remain around R1bn/year for some time.

The funding implications will depend on terms agreed for the Sasol 3 takeover. After-tax profit of Sasol 3 was R275m last year, with no tax charged following the change in accounting policy. Assuming what may prove conservative growth of 20%, an earnings multiple of, say, 12 would indicate a total value of about R4bn.

Complicating the negotiations will be the soft loans still held by Sasol 3, estimated at some R2,2bn, which Sasol would have to consolidate. Sasol 3's net interest bill amounted to some R178m last year. However, it is difficult to see a price much less than R2bn being agreed for the outstanding 50%.

Even with the capital programme, that outlay is unlikely to need an immediate rights issue, if at all. Including cash of R176m, Sasol's balance sheet is virtually ungeared and there are shareholders' funds of R3,9bn. When the group acquired Sasol 2 in 1984, it ran gearing up to about 100% and repaid about R2,2bn debt within a few years. Prospects are less favourable now; oil prices were then much higher and the rand was sliding — the 1990 operating profit of R1,22bn was still below the 1986 level of R1,32bn.

Yet the impact on earnings and cash resources of a moderately better oil price and capital projects coming on stream could be considerable, while the floor price formula reduces the risk. Should the takeover go ahead soon, funding requirements may restrain earnings growth for a while, but the group has the flexibility to maintain dividend growth.

Andrew McNulty

LEADING US FINANCIER FOR *FM* CONFERENCE

F/M 14/9/90

Ironically, the sanctions which have limited SA's access to the world's capital markets since the mid-Eighties have sheltered us from some of the post-Kuwait buffeting. But we are not immune and SA's international economic performance will be directly related to the extent to which foreign financial markets are disturbed by events.

Likely financial market trends and their effect on SA in an increasingly volatile environment will be addressed at the *FM*'s Annual Investment Conference by David Hale, chief economist of Kemper Financial Services, the US financial services group.

Hale has been widely published in the international financial press. In addition to his advisory responsibilities at Kemper, he is a member of the Financial Instruments Steering Committee of the Chicago Mercantile Exchange and a member of the important US-Japan Consultative Group on International Monetary Affairs.

□ The conference will be held at the Carlton Hotel, Johannesburg, on November 1-2. The fee is R1 100 per delegate, reducing to R980 for each additional delegate from the same company.

Registration bookings have already begun and it is advisable to book early through conference manager, Brigitte Petty on (011) 497-2135.

Star 14/9/90

Electricity restored in 2 townships

55

By Claire Robertson and Abel Mabelane

Hastily convened meetings between residents and local authorities led to the partial — and temporary — restoration of electricity in two blacked-out East Rand townships yesterday.

At one of the meetings the Tokoza Civic Association was given until 5 pm today to find more than R2 million — or the blackout begun in the township yesterday would continue.

Electricity to Tokoza and violence-wracked Katlehong had been cut yesterday in an effort to force residents to resume rent and service payments.

Guarantee

In an unprecedented agreement reached between Tokoza local authorities and residents yesterday, it was settled that power would be restored between 8 pm last night and 5 pm today — when Alberton City Council, the bulk supplier of electricity to Tokoza, wants either a guarantee or a cash cheque for R2,2 million, the amount owed to it.

Eskom has offered to pay for today's power to Tokoza, East Rand regional director of the Transvaal Provincial Administration Piet du Toit said today.

At the Tokoza meeting between a delegation of the Civic Association, members of the Tokoza council and representatives of the TPA yesterday, it was also agreed that residents would be asked to resume rent payments at R60 a month.

Power was cut in Katlehong and only partially restored today, according to witnesses and local church officials.

In some parts of the township the towering high mast lights were also affected by the cuts.

The partial restoration of power in Katlehong followed a meeting between the local African National Congress branch and the Germiston Chamber of Commerce yesterday, after which the Chamber approached Eskom to have street lighting in the township restored.

Katlehong ANC spokeswoman Bertha Gzowa said the ANC had left the matter in the hands of the Chamber and was hoping that full electricity would be restored by today.

The President of the Witwatersrand Council of Churches, the Rev I.E Thloloe today condemned the black-out in the violent township as showing a "total disregard for the safety and welfare of the people of Katlehong".

One Tokoza resident contacted by Sapa yesterday greeted the restoration of power last night with the words: "Now we can see who is killing us."

● More reports — Page 13.

50 000 retrenched — union

Star 14/9/90

By Shareen Singh

An average of 8 000 miners were retrenched every month and 50 000 had already lost their jobs since the beginning of the year, the National Union of Mineworkers (NUM) said yesterday.

Another 78 000 faced retrenchment with the threatened closure of 18 marginal mines.

Anglo American's Freegold mine near Welkom planned to retrench 7 800 miners soon, the union alleged. An Anglo American spokesman said discussions were still in progress with the union and no decision on retrenchments had been made.

The union claimed that at Genmin mines alone 25 000 had lost their jobs this year. A company spokesman said only 12 500 jobs had been lost.

Paulus Nhlonipo (31) told The Star he had worked at Grootfontein mine for 10 years and received his retrenchment papers last week. He had been paid one week's salary for every year of service, which amounted to R1 540,08. Several miners who spoke to The Star said they had been employed for more than nine years.

The retrenchments have prompted a joining of forces by mine unions.

The NUM and white unions — the Council for Mining Unions and the Mine Surface Officials' Association — have held several meetings and reached agreement on retrenchments. This was the first major alliance since the unions got together earlier this year to discuss racial issues, the National Union of Mineworkers said.

About 10 000 miners plan to join an NUM-organised march to the Chamber of Mines head office in Johannesburg tomorrow.

Sasol starts to dismiss strikers

Star 14/9/90

Sasol had begun dismissing about 2 000 striking workers at the Sigma colliery after a wage negotiations deadlock with the SA Chemical Workers' Union, a company statement said yesterday.

Tracing the 14-day dispute, Sasol charged that the union had initially demanded an "outrageous" increase of 300 percent.

After negotiations, the union dropped its demand to 258 percent.

Sasol also said its wage offer of 20 to 23 percent was on a par with that between the union and management at its Secunda mines.

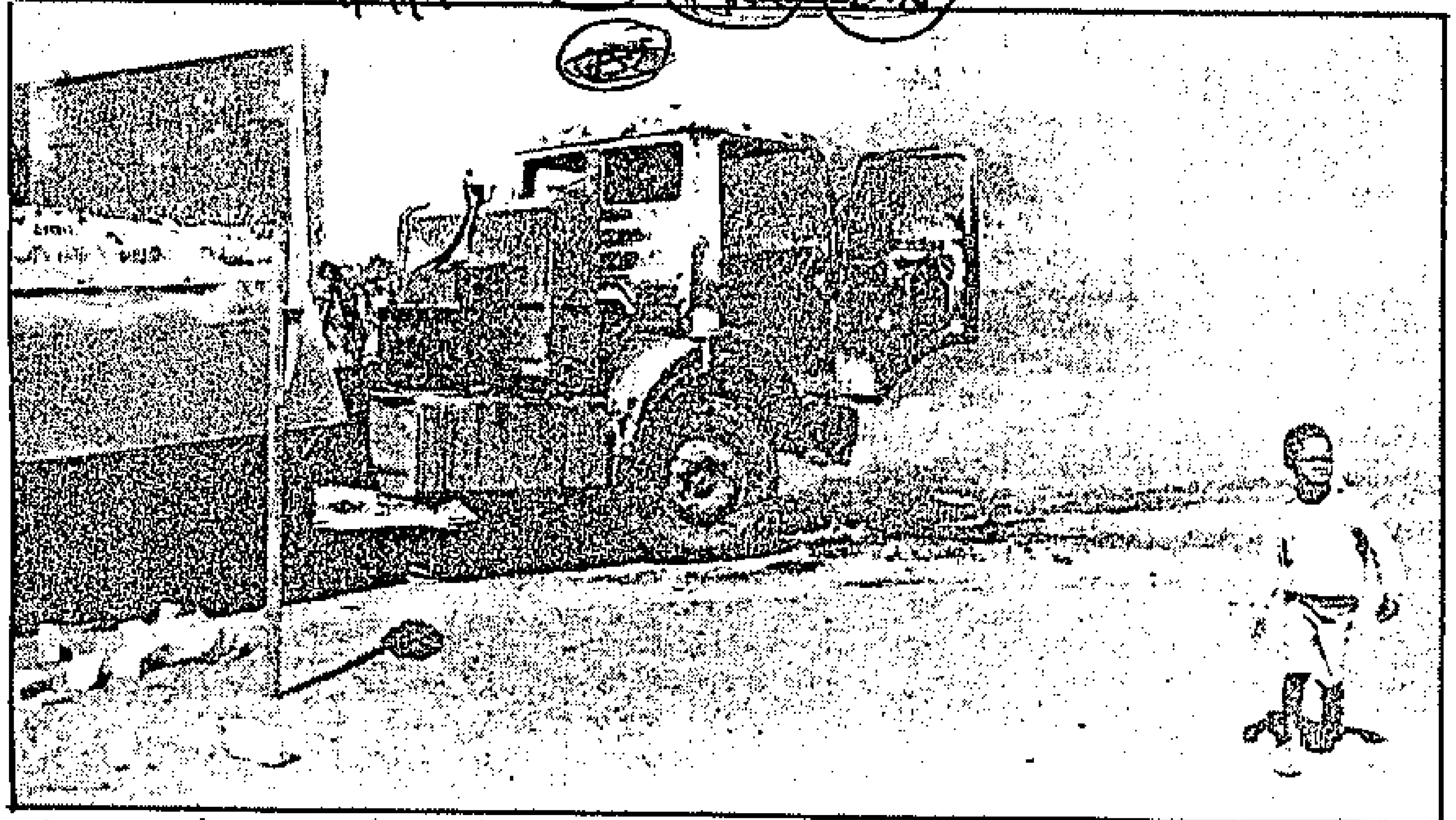
Despite this, the union had refused to end the strike.

The union has not yet commented on the dismissals. — Sapa.

Now blackouts add to their woes

Star 14/9/90 (55)

PATRICK LAURENCE and ABEL MABELANE visited Katlehong and Tokoza yesterday in the aftermath of another burst of fighting and as electricity to the townships was being cut off. An official acknowledged that the townships were becoming ungovernable.



A young boy runs from the burnt-out wreck of a truck during recent mayhem at Vosloorus on the East Rand. ● Picture: Herbert Mabuza.

The voice crackled over the walkie-talkie: "We are under attack. They are attacking with petrol bombs and stones."

The commander of a police Casspir had radioed in to report that they were low on diesel. Their mission was to cut electricity off from the more than 22 000 houses in Katlehong.

It was deeply resented by Katlehong's residents, some of whom felt angry enough to bombard the Casspir with Molotov cocktails and rocks at the risk of being shot.

The commander wanted to know whether there was diesel at the Katlehong Town Council headquarters.

Town clerk Fanie Mare responded calmly to the commander's question. He picked up one of three telephones and spoke to a town council official. Diesel was clearly in low supply.

Mr Mare spoke into the walkie-talkie, advising the commander to try his luck in neighbouring Vosloorus. But, he hastened to assure the police officer, he would make a plan if Vosloorus could not help.

The decision to cut off electricity had been taken in an attempt to persuade Katlehong residents to pay their bills for electricity and refuse removal.

The town council bought electricity from Eskom. It was unable to pay because of the refusal by householders to meet their bills. The town council owed Eskom R4 million. Its debt for refuse removal stood at R500 000.

Trouble

Mr Mare calmly recited the facts of the situation. The cigarette in his hand was the only visible concession to the strain of trying to administer a township without funds and in the midst of sustained and repeated violence in its streets.

Katlehong, with an official population of about half a million and situated on the outskirts of Germiston, was seemingly quiet for the moment. It is, however, one of the main trouble spots in the violence sweeping townships around Johannnesburg.

The signs of violence which were devasting Katlehong were everywhere: boulders lay across its streets, reminders of the barricades that had made the township impassable only the day before; soldiers manned roadblocks at entrances to the township; burnt-out cars added a surreal dimension to the urban landscape; and Katlehong residents, wary of strangers, kept to themselves.

Mr Mare admitted frankly that it was a bad time to cut electricity. "It will definitely cause an increase in the crime rate," he said. Streetlights, once thought to be the answer to township violence, were not excluded from the cut-off.

But, Mr Mare argued, if the town council waited longer, the situation would become worse — they would have to cut off electricity totally instead of keeping it flowing to indispensable services, such as those provided at the Natalspruit Hospital.

The office of the Tokoza administrator was dim. Electricity had already been cut off, even to his office.

Squeezed

The administrator, Gert Muller, told a similar tale. Tokoza bought its electricity from the Alberton Town Council. Tokoza's bill now stood at R1,5 million. Alberton, which was being squeezed by Eskom, was demanding payment. Tokoza could not afford to allow the debt to grow.

Last-minute negotiations between the Transvaal Provincial Administration, Mr Muller and the Tokoza Civic Association (TCA) had failed to end the deadlock. The TCA had offered a flat payment of R30 a month from each household in return for a decision to write of the accumulated debt and to reconnect electricity supplies.

Local-government chief director J J van der Walt rejected the proposal outright. He mentioned a compromise figure of R70 a month in return for raising a bridging loan to cover the R1,5 billion debt and reconnecting the electricity.

No agreement was reached, however, and the electricity supply was cut. It made little difference to the squatters of Phola Park, on the edge of Tokoza, who don't have electricity.

Their minds were on more fundamental matters: their lives and, after that, their possessions. A long stream of people moved steadily out of Phola Park to friends in Tokoza.

They had been raided the night before by "Inkatha". People had been killed and shacks burnt down. They alleged that "Inkatha" — a reference to Zulu migrant workers in hostels in Tokoza — were assisted by police.

They had no faith in the police, yelling "Inkatha! Inkatha!" at a Casspir as it approached. "Only God saves us here," a man said. "Inkatha is using rifles and we only have sticks."

In Katlehong and Tokoza, sewerage pipes were blocked and sewage spilt into the streets sporadically.

"The townships are becoming ungovernable," an official remarked after he had been assured of anonymity.

Tokoza gets power cut reprieve

Star 15/9/90

AN emergency payment by Alberton industrialists has averted the disconnection of the power supply to the township of Tokoza.

Electricity was to have been cut off at 5 pm yesterday because of arrears owed to the supplier, the Alberton Town Council.

In talks between the Tokoza Civic Association and the Alberton council, chaired by senior Transvaal Provincial Administration official Jan van der Walt, it was agreed that the deadline for disconnection be extended until September 24.

The Alberton Industries Association has arranged for its members and others to pay R100 000 to the council to cover the cost of electricity until September 24.

The civic association has reportedly agreed to advise its members in the township to start paying for municipal services and electricity immediately.

The interim payment is to be R70 per month for houses wired for electrical supply, and R10 in the case of other houses.

Further negotiations will also take place with a view to identifying affordable charges and dealing with the community's grievances. The intention is to introduce new tariffs at the end of November.

● Electricity to the East Rand township of Vosloorus was apparently switched off from 6 pm to 8 pm last night.

Vosloorus residents telephoned Saturday Star last night, concerned that attacks would occur in the township during the power cut.

Natalspruit and Spruitview were without electricity from Thursday.

New Eskom power line costed

MARIETTE DU PLESSIS

ESTIMATED costs for the construction of Eskom's new 400kV power line from Kendal power station near Witbank to Midas substation near Carltonville could run to between R130 000 and R150 000 a kilometre, says Eskom project manager Piet Steenkamp.

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However, this amount excluded possible compensation due to property owners who might be affected by the line, which would run south of metropolitan Johannesburg through Daleside and Walkerville.

Eskom had budgeted R2m for compensation, but the final amount would depend on the land value of the properties concerned, said Steenkamp.

In a statement released yesterday Eskom said the power line was necessary to reinforce the electricity network and integrate the additional generation from Kendal into it. Eskom had identified the power line route after extensive investigation and consultation with more than 30 local authorities, agricultural, commercial and environmental bodies.

Several options were considered, but proved too sensitive for environmental or other reasons, said SteenKamp.

Eskom had written to property owners in the areas affected to ascertain their views before any decision on the final course of the line was taken.

Planning, consultation and negotiation on the Kendal-Midas line started in January 1990. Construction was scheduled to begin in January 1993.

BD 18/7/90

October petrol hike likely

ZILLA EFRAT

ANOTHER petrol price hike could be expected from mid-October onwards if world oil prices remained at current levels, Mineral and Energy Affairs Minister Dawie de Villiers warned yesterday.

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At a Press conference in Pretoria, he appealed to motorists to save fuel voluntarily, as crude prices have soared 150% in only seven weeks.

World oil prices have jumped from under $16 a barrel at the beginning of July — before Opec raised its official price to $21 a barrel and the Gulf Crisis began — to top $40 a barrel this week, the highest price in a decade. B\Day\ 28\9\90

SA's petrol price rise earlier this month was based on world oil prices of $22 a barrel. At a price of $40 a barrel, PWV motorists are underpaying 40,5c/*l* for 93 Octane.

De Villiers said international experts doubted that the price would return to $21 a barrel even if the Middle East situation was diffused quickly.

International estimates of the price in coming months varied from a low of $25 to a high of $35 a barrel.

And the World Bank indicated that prices could reach $65 a barrel if a Gulf war erupted.

De Villiers said there were signs that a shortage of commercial oil stocks was beginning.

While oil importing countries had considerably increased their strategic stock levels since 1979, oil companies had reduced commercial stocks because of cost considerations.

If international demand did not fall to remain in step with supply, actual shortages could occur and this would influence SA's supply position, he said.

SA's synfuels industry offered a measure of self-sufficiency, but if there were worldwide crude oil shortages, SA would definitely have problems supplying current petrol demand without introducing mandatory measures to conserve fuel.

Government's appeal for voluntary measures to save fuel was widely supported by various organisations, including the SA Chamber of Business and the Automobile Association.

De Villiers warned, however, that if substantial fuel savings were not achieved, government would have no choice but to consider mandatory measures such as

☐ To Page 2

Petrol

B\Day\ 28\9\90

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☐ From Page 1

lower speed limits.

He said surplus capacity existed on SA's rail networks, which were driven by electricity generated by domestic coal, thus placing no extra burden on the balance of payment situation.

He invited different sectors to compete with one another to determine which was the most successful in saving fuel, and thus money.

Motorists must be made aware of the importance of tuning vehicles properly, using fuel with the correct octane rating, planning trips in advance, avoiding peak traffic, cutting down on unnecessary trips and using public transport.

Local authorities should be made aware of the importance of synchronising traffic lights, eliminating unnecessary stop streets and introducing bus lanes.

The Minister appealed to drivers to adhere to speed limits and asked authorities to apply speed limits strictly.

☐ Sapa reports that National Energy Council CE D C Neethling said in the NEC annual report that possible deregulation of the petroleum industry in collaboration with the oil companies, retail distributors and all other "interested parties" was under investigation.

It was expected that this investigation, as well as a similar one into government's involvement in the control of coal exports, would be completed during 1991

Oil prices surge to 8-year highs

ZILLA EFRAT

RISING tension in the Gulf and fears about supply cuts sent world oil prices to their highest levels in nearly eight years yesterday, increasing the likelihood of another local petrol price hike.

Sapa-Reuter reports that the November futures for North Sea Brent, the world crude oil benchmark, rose $1,48 a barrel to $32,20. In New York, light crude oil October futures rose to $33,10.

Crude oil prices are now double their levels of just six weeks ago.

SS

As prices rise, SA motorists increasingly "underpay" for their petrol. The petrol price rise announced earlier this month was based on a world crude oil price of $22 a barrel.

B Day 18/9/90

The National Energy Council (NEC) has warned that additional rises in landed oil costs could necessitate a further price hike — if they exhaust the Equalisation Fund and make fuel conservation measures necessary.

However, some of the effects of increased world oil prices on the Equalisation Fund could be cushioned once Sasol starts repaying the protection tariff it enjoyed from this fund when oil prices were below $23 a barrel.

An NEC spokesman said yesterday calculations would be made at the end of September to assess what Sasol would have to pay.

Above $28,70 a barrel, Sasol pays 25% of the difference between the ruling oil price and $28,70 until the effect of the accumulated protection has been neutralised. Between $23 and $28,70 a barrel, Sasol enjoys the benefit of increased oil prices.

Brent Williams.

Shares fall as oil surges again

Star 19/9/90 (55)

Gold prices failed to hold above $390 yesterday in spite of another surge in world oil prices, which hit nine-year highs as the first significant effects of lost Kuwaiti and Iraqi oil hit the markets.

The Johannesburg Stock Exchange and other world share markets reacted to the higher oil prices with sharp falls.

Spot prices for "prompt" North Sea oil — oil for use in the next few days — reached $36,50 whileNovember futures for the world benchmark crude, Brent Blend, rose 90 US cents to close at $33,90 a barrel.

Gold fell $2,40 in New York to a close of $388,10 after closing in London at $388,25. It opened in Hong Kong today at $387,70 after closing yesterday at $392,20.

In London the FTSE-100 index set a new closing low for the year, losing 30 points to close at 2 064.

Frankfurt's DAX index fell 2,2 percent to a 1990 low as foreign investors accelerated the market's downward swing by offloading.

In Paris shares tumbled through chart support levels.

Shares in Zurich closed lower across the board in moderately active trading but the market showed some resilience compared with other European bourses.

Tokyo stocks closed lower, but rebounded from an earlier slide of more than 1 000 points in the key 225-share Nikkei index. The index ended 480,78 points, or two percent, down at 23 884,82.

Commenting on the fall in Johannesburg, where the industrial index fell 68 points to a nine-month low, an analyst said the slowdown in economic activity had made trading conditions discouraging. With other economies also facing recession, exporting companies particularly were facing difficulties.

According to recent forecasts in the Economist magazine, net profits of South African companies in basic industries (metals, textiles, lumber, chemicals and construction) should increase by only seven percent in 1990 over 1989.

The seriousness of the situation became clear yesterday when Sappi reported a 44 percent slump in earnings to 181c a share for the six months to end-August. Sappi's share price fell 7,8 percent to a 12-month low of R26,75.

Analysts warned that with the expected 20 percent drop in earnings for industrial companies, this sector could weaken further. They pointed out that at current levels most industrial stock was still overpriced.

At Monday's R70, AMIC was trading on a P/E of eight times which is still high considering the state of the economy.

— Finance Staff and Sapa-AP.

Some of SA's oil reserves will be sold if embargo is lifted, says Barend

B Day 21/9/90

55 2

PARIS — Some of SA's oil reserves would be sold internationally if the oil embargo were lifted, Finance Minister Barend du Plessis said in an interview with the French daily Le Figaro yesterday.

He said SA had built large crude oil reserves worth several billion rands before sanctions were implemented, Reuter reports.

National Energy Council (NEC) manager (energy administration) Pieter Jacobs said in response to the report that it was hoped the oil embargo would be lifted as early as next year.

NEIL YORKE SMITH reports Jacobs said SA was working with international parties towards ending the embargo.

A spokesman for a leading oil company said by selling oil reserves SA would effectively be raising foreign capital at no expense to foreigners.

"The concept represents a very innovative approach to breaking the logjam on sanctions. Because the price at which the reserves were acquired is lower than current oil prices, the sale of reserves would give a substantial boost to our capital account."

SA had been stockpiling oil reserves since 1960, Jacobs said.

"If some of these reserves were used to offset imports, the balance of payments will benefit substantially — especially considering recent oil price increases."

But Jacobs stressed SA would not deplete strategic oil reserves unless faced with a serious shortage.

Du Plessis said in his interview with Le Figaro that "when the oil boycott against us is lifted, we will begin to reduce these reserves down to a more normal level for a country like ours. That could immediately bring in foreign currency, so necessary for our economy."

He said the argument for sanctions was no longer valid because of recent moves to dismantle apartheid.

"What we have done as of now is irreversible and the sooner sanctions are lifted the quicker economic growth will increase," he said.

Sanctions and SA's need to service foreign debts to European banks and the IMF, had restrained growth and resulted in higher unemployment, Du Plessis said.

SA's external debt stood at about R18bn, Du Plessis said. This represented 76% of export income compared with the 178% experienced in 1985, he added.

SA's annual economic growth would be limited to 2,6% as long as the country was denied access to international funding, he said. The population was growing at about the same rate.

"Disinvestment has not had any impact as regards technology — it's always possible to acquire that." But the departure of foreign firms had led to a shortage of skilled personnel, both in high technology and management, he said.

● See Page

WMail 21/9-27/9/90

Soaring oil price may sabotage Reserve Bank plan

Weekly Mail Reporter

THE oil price rise has come at an unfortunate time for the authorities in their crusade against inflation, according to the latest *Standard Bank Review*.

That South Africa won't be insulated from higher oil prices was brought home by the recent 10c a litre petrol price increase, notes the *Review*. This will raise inflation 0,5 percentage points immediately. In coming months it will mean a further 0,5 percentage points rise because of higher transport and input costs.

The higher oil price will also cut our potential trade surplus.

Although the cost of oil imports will rise, this will be tempered by the increase in domestic coal production and prices which should follow on a sustained increase in oil prices.

"Moreover, gold export earnings will rise as a result of a somewhat higher (albeit disappointing) gold price, in response to oil-induced global inflationary expectations."

Potential further growth of non-gold or coal exports, which have strengthened the domestic economy in recent years, will be hurt by weaker global activity.

The oil price rise has created a policy dilemma for the monetary authorities.

"Consistently tight monetary policy and the more favourable performance of the rand had recently begun to show visible signs of success and further declines in the inflation rate were in the offing."

While any cut in interest rates will decrease inflation by lowering mortgage rates, the real possibility of a second and bigger increase in petrol prices will thwart reducing inflation to a single digit figure.

Hence the authorities are now caught between their desire to be (and be seen to be) consistent in their fight against inflation on the one hand, and a clamouring for a reduction of the monetary squeeze on an economy that is already slowing rapidly.

"If too much emphasis is focused on combating inflation, the authorities run the risk of inducing a severe economic recession which will later necessitate expansionary monetary policy that will sweep aside recent gains on the inflation front.

"Likewise, policy that is too accommodatory of pressure to underpin economic growth runs the risk of a renewed upward price spiral triggered by higher petrol and chemical feedstock prices and increased transport costs."

South Africa's economic performance in the years ahead will depend as much on developments in the Gulf as on domestic monetary and fiscal policy, the says.

It also reckons recent developments in the Middle East have raised fears that the recent, third major disruption of oil supplies in two decades may be similar in its impact on the world economy to the two previous ones.

The Gulf crisis has not yet been resolved, it adds, and the level at which oil prices will eventually settle is still unknown. In the meantime, world financial markets continue to include a risk premium in the oil price and it is now likely pre-crisis expectations of a $20 a barrel oil price by the end of the year will be short of the mark.

"As a result, concern has focused on the possibility that the world economy, after eight years of uninterrupted expansion, may now face the possibility of contraction, rising inflation and, in some instances, outright recession.

"The lesson of the previous two oil crises was that those countries already in a weak economic condition feel the impact of high oil prices much more acutely than those countries experiencing robust, healthy economic growth."

So the effects should be divergent, and the combined relative strength of the Japanese and West European economies should compensate for downturns elsewhere.

Councils try to head off power cuts

24/9/90

Mamelodi City Council, which has until today to pay the R3,5 million it owes Pretoria City Council, has urged local residents to pay their rent and service charges promptly to avoid power cuts.

In Daveyton, the town council said yesterday it would accept a service charge of R70 per household per month in an effort to recover more than R3 million owed to Benoni Town Council for electricity.

A statement issued by the Daveyton council said agreement had been reached with about 10 000 residents who attended a meeting yesterday.

Notices

Pretoria City Council has issued notices to both Mamelodi and Atteridgeville councils giving them until today to pay their electricity accounts or face a blackout.

Mamelodi and Atteridgeville owe Pretoria about R3,5 million and R1,7 million respectively.

Mamelodi council revealed that rent and service charge arrears by local residents amounted to R22 million. It warned residents that they could find themselves without vital services in the months ahead unless they paid at least their current monthly accounts.

The local council and the Mamelodi People's Delegation (MPD) reached an agreement two weeks ago to freeze rent and service charges arrears on condition that the defaulters paid their current accounts.

"The council is optimistic that the residents will realise the gravity of the matter and make an earnest attempt to settle their accounts."

Daveyton council said about 10 000 residents met yesterday to discuss threats by Benoni Town Council to cut the black area's power unless the debt was settled.

The flat rate of R70 per month for services was an interim rate, the statement said. Daveyton mayor Tom Boya pleaded with residents at the meeting to pay more than the agreed amount if possible to help prevent a switch-off.

Residents of Daveyton's lower-income area of Etwatwa are excluded from the R70 charge. They will only have to pay R50 per month for services.

The agreement represents a compromise on the part of the Daveyton council. It entered the meeting with the demand that some residents, like those living in the township's new extensions, pay R130 per month for services. — Pretoria Bureau-Sapa.

Life goes on . . . Annah Soko uses three pressure cookers to cope with her chores after electricity was cut in Tembisa.
Picture by Alf Kumalo.

Battling without power

By Thabo Leshilo

"It's surprising how we take things for granted, but miss them immediately we stop having them. Then their importance dawns on you like never before."

were warm.

A few kilometres away, in Xubeni section, The Star team met a mother of three, Linah Ndubani, returning from Oakmore station where she had gone to collect water in a

Official trips abroad to be queried

By Louise Burgers,
Municipal Reporter

Questions will be asked at the Johannesburg City Council's monthly meeting tomorrow about its planned spending of

accompanied by two secretaries — at a total cost of R110 000. Every Johannesburg mayor has the opportunity to travel abroad when in office and can choose between Europe, the Far East and Israel

involved with housing problems to attend the conference to find out how other countries coped with their problems.

Management committee chairman Ian Davidson, city

Mr Davidson said criticism of the trips was unjustified — officials travelled business class to save money, and the budget for overseas trips by council officials had been cut to R500 000.

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Battling without power

By Thabo Leshilo

"It's surprising how we take things for granted, but miss them immediately we stop having them. Then their importance dawns on you like never before."

This was Anna Soko's reaction to the "big switch-off", after parts of Tembisa on the East Rand were plunged into darkness when the town council cut off electricity.

The council also cut off the water supply elsewhere in the township.

Mrs Soko (37), mother of five and spaza shop owner, said the power cut had disrupted her family's life.

When The Star visited her home she was cooking potatoes on a paraffin stove before going to sell food at local schools.

"I now have to wake up at 3 am — two hours earlier — to be able to cook the food that I sell, before boiling water for the children's bath and breakfast," she said.

Mrs Soko said electricity in her section had been cut off without notice on Friday.

She was losing income because perishable food got spoilt and customers were not buying her cooldrinks because they were warm.

A few kilometres away, in Xubeni section, The Star team met a mother of three, Linah Ndubani, returning from Oakmore station where she had gone to collect water in a 20 litre container. She was unable to get the water because the queue was too long.

Ms Ndubani (31) had her youngest child on her back and was carrying a parcel of clothing she intended to wash at a house near the station.

"It's tough in Tembisa," she remarked.

She said the water supply had been cut off last Monday.

"I don't know why they trouble us like this."

Asked how she had coped since Monday, she replied that her only option was to wake up and go and collect water at the station about 1 km away.

"I go to the station in the morning and at 2 pm. Sometimes, like today, I return with nothing because of the long queues."

When approached, town clerk Anton Relihan refused to comment and referred The Star to the township mayor. The mayor could not be reached at the time of going to press.

Lights go out in two townships

Sta 26/9/90

Pretoria Bureau

Electricity supplies to Mamelodi and Atteridgeville, adjoining Pretoria, were cut off at 4 am this morning.

No notice of the decision was given to 500 000 people living in the area.

The bulk supplier, the Pretoria City Council, decided last night that as the townships owed it about R6,5 million for electricity, and had had three months in which to pay the arrears, there was no alternative but to cut off supplies.

The large Kalafong Hospital in Atteridgeville was not expected to be affected by today's switch-off, but clinics in both areas are likely to be without electricity.

Pretoria's management committee chairman James Leach said of the proposed power cut: "This is merely a suspension. We are not following to the letter the contract between ourselves and Mamelodi and Atteridgeville, which called for a cut-off of supplies in the event of default."

He said representatives of the two townships would be attending talks today in a bid to resolve the situation. The council would maintain an "open door" policy.

Petrol price rise likely next month

GERALD REILLY

PRETORIA — With crude oil prices holding above the $40 a barrel level, South Africans should expect a fuel price hike in mid-October, motor industry sources said yesterday.

Informed speculation in the industry is that the oil company under-recovery of more than 23c a litre will have to be eliminated by a substantial price rise.

The price was raised by 10c a litre on September 4 to a record level of R1,28 on the Rand.

B/Day 26/9/90

Reacting to newspaper reports of a petrol hike this month, a National Energy Council (NEC) spokesman said last night there would be no second rise in the price of petrol in September, ZILLA EFRAT reports.

He said the accumulative effects of the higher world oil prices on the Equalisation Fund would only be known at the end of the month.

This data would be presented to government, which would have to take various other factors into account.

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At a Press conference tomorrow, Mineral and Energy Affairs Minister Dawie de Villiers is to make a strongly worded appeal to industry and the public for voluntary fuel saving measures.

Ward where their blood ... polic

Another petrol price increase is likely soon

Sowetan 26/9/90

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THE price of petrol is set to rise for the second time in a month as a result of a dramatic increase in the oil price - and fuel saving measures such as those imposed during the oil crisis of the 1970s could come into effect.

There is a distinct possibility that motorists could be paying up to R1,53 a litre by the end of this week and also be asked to take part in "voluntary" fuel conservation measures.

Industry sources believe that a 20c to 25c a litre increase on the present R1,28 a litre should be expected and that if the Middle East situation worsens further, motorists could be facing a charge of R2 or more a litre by the end of the year.

There has been no confirmation yet from Government sources or the National Energy Commission that a big price hike is on the cards but Minister of Mineral and Energy Affairs Dr Dawie de Villiers is to brief the media tomorrow about the situation.

Saving measures

He is expected to disclose wide-ranging "voluntary" fuel saving measures, which could include speed restrictions, the closing of petrol stations at certain times and a ban on the carrying of petrol in containers by private motorists.

The last occasion on which the pump price of petrol and of diesel went up was on September 3, when it jumped by 10c a litre to bring the current price on the Highveld to R1,28 a litre for 93 octane.

The Equalisation Fund - which is used by the Government to keep petroleum products at realistic price levels - is, it is understood, now unable to cope adequately with the latest high price for a barrel of oil, standing at 40 US dollars.

No petrol price rise for two weeks

Star 26/9/90 (55)

Pretoria Bureau

Motorists can rely on paying the present petrol price for at least the next fortnight — and probably for another month — before soaring crude oil prices may affect the pump price.

Spokesman for the National Energy Council Hennie de Villiers today discounted speculation of a second price increase this month.

He was reacting to reports that industry sources believe a 20c to 25c a litre increase on the present R1,28 a litre should be expected this week.

"There will definitely not be another rise in the price this month. Maybe before the end of the year, though," Mr de Villiers said today.

Tomorrow Minister of Mineral and Energy Affairs Dr Dawie de Villiers and Lourens van den Berg of the National Energy Council are to detail the dire state of the country's fuel situation after weeks of record prices for crude oil.

Dr de Villiers is expected to disclose wide-ranging "voluntary" fuel-saving methods which could include speed restrictions, the closing of petrol stations at certain times and a ban on the carrying of petrol in containers by private motorists.

The most recent increase in the pump price of petrol and diesel was on September 3, when it jumped by 10c a litre.

The Equalisation Fund has in effect subsidised the pump price by an estimated average 30c a litre this month, Mr de Villiers said.

The under-recovery was only 23c a litre when the fuel price was last increased by 10c a litre on September 3.

The National Energy Council has warned that the fund would temporarily finance under-recoveries on all petroleum products but that in the event of further rises in the landed cost, price increases would have to be considered.

The National Energy Council's fears were realised this week when the oil price rocketed to $40 a barrel — the highest in 11 years and $3 higher than at the close of business on Friday. It settled yesterday to R37.55.

● Saving fuel — Page 17.

Printing more money 'not the answer'

KEVIN DAVIE

WASHINGTON — The Reserve Bank would not print more money to accommodate increasing fuel prices, Governor Chris Stals said yesterday.

"We are going to have to accept a lower standard of living. SA will have to export more to be able to import the same amount of oil. This makes the country poorer." 55

Stals said in an interview that increasing oil prices would also mean a more cautious approach to relaxing interest rates would have to be maintained.

"It's an illusion to think problems can be solved by creating new money."

But the Governor said there were reasons why the impact of rising oil prices would hurt SA less than some other countries. The gold price had increased and was likely to increase further and the country was in a fairly good position regarding the balance of payments. Capital outflows were also decreasing.

Increased petrol prices would force SA to accumulate lower foreign reserves and would have adverse effects in the fight against inflation.

Stals said increasing oil prices had generated a wave of pessimism at the annual meetings of governors of the IMF and World Bank. B10cm 27/9/90

Growth was expected to be lower than last year, prospects for trade were not that good, inflation was slowly creeping up and monetary policy would remain tight with high interest rates.

"Now on top of all this you get higher oil prices. It is unfortunately coming at a time when Third World countries with debt problems had made some progress."

He said governors were very concerned about the oil crisis.

● See Pages 3 and 4

SOWETAN BUSINESS
Building the Nation

How the higher fuel price affects you . . .

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Sowetan 27/9/90

By MARK ADDLESON

BECAUSE of its importance as a source of petrol, diesel and paraffin, and also as a raw material used to make many synthetic materials, such as plastic and nylon, the availability and cost of oil affects us all.

Over the past few weeks as a result of Saddam Hussein's military actions in the Middle East, the supply of crude oil has been reduced and its price has risen.

As a consequence of the higher oil price the cost of petrol has increased and this will affect the prices of many things that we use in our daily lives.

The purpose of this article is to answer the following questions. Why does a higher oil price have an effect on the average citizen? How does the rising oil price come to affect us all? And what sort of effect will it have, especially for people in the black community.

What causes the price of oil and petrol to rise?

Like many raw materials, or commodities, including gold, rubber, and copper, the price of oil is set in international markets, where the buyers from all countries are in contact with one another.

When there is a change in the demand or supply conditions for crude oil the price of oil adjusts to create a balance between demand and supply.

The price increase could be caused by buyers wanting to purchase more oil, or by producers holding back some of the supply.

Factors

The extent to which a country is affected by the rising price of oil depends on a number of factors. Countries differ in terms of their dependency on oil because some, like Japan, have almost no domestic sources of fuel.

South Africa on the other hand has extensive coal reserves from which most of our electricity is produced.

In addition, the price of crude oil is set in US dollars and each country has to buy dollars with its own currency in order to pay for the oil.

If a country's domestic currency is strong and perhaps is appreciating against the dollar, such as the German currency the Deutschmark, then the cost of oil to that country will be less than for country like South Africa.

How does the rising oil price affect us?

One way of thinking about the impact of the higher oil price is to imagine putting all the things you buy month into one very large box. The box would show your entire spending for the month and it would include clothing, food, drinks and things for the house, as well as the amount of money spent on doctors, rent, transport, magazines and telephone calls.

* Direct effects: Oil is a basic ingredient used in the production of many of these things. In the case of transport an increase in the oil price affects the cost of items in the box directly, because petrol and diesel is derived from oil. The petrol goes straight into the car, taxi, bus and train and increases the cost of taking a journey.

Oil is also used in the production of most plastics and, even though it may be a small part of the production cost, the cost of most things that we buy will be directly affected by a rise in the oil price.

Effects

Even if we buy exactly the same quantity of goods each month, the items in our box will cost us more because of the higher oil price, and our cost of living will have increased.

* Indirect effects: In addition to its direct effects on the prices of the things we buy, the increase in the oil price has secondary, or indirect, effects.

These are also called ripple effects because over a long period of time they cause the cost of our box of goods to increase.

All products have to be transported, so when transport costs rise, manufacturers will pass on the higher costs of transport to the retailer and to the consumer.

Wages

Similar considerations apply to wages. As the prices of all items in the box are affected, and an individual's cost of living rises, so there will be demands for wage increases to offset the rising cost of living. But the wage increases result in higher production costs and, once again, manufacturers will be under pressure to increase the price of the newspapers.

These arguments show how an initial increase in the price of an "strategic resources" like oil can be contribute to inflation. If the inflation is not checked through appropriate economic policies then prices and costs can go on rising over a long period of time.

The effects on the man in the street.

The initial effect of the higher oil price, and the country as a whole will be poorer, but the impact is different for different people. While the "average" South African spends four percent of his income on petrol, and a ten percent increase in the price of petrol will immediately raise his cost of living by four cents for every ten rand that he spends, not everyone is in the position.

The adverse effects of oil price increases will be greater for the people who spend more of their income on fuel that is derived from oil.

Travel

This includes people who have to travel long distances and oil. This includes people who have to travel long distances and who are dependent on paraffin for heating. A situation like the present one also reveals just how bad the costs of apartheid are.

Because of the Group Areas Act, Blacks have been forced to live far from their places or work and so they especially are confronted by high transport cost which they cannot avoid.

The most badly affected are the poor and of course the majority of black fall into the low income group. Because of their low incomes they are forced to spend a bigger share of income on transport and on fuel such as paraffin.

These items are necessities and it is usually impossible to cut costs and to reduce spending.

As is always the case, it is the poor who are most affected when the prices of necessities rise. Bear in mind that, because of the higher oil and petrol prices, virtually all costs will go up in time, but the increases should not be nearly as large as the increases in the petrol and paraffin prices.

In South Africa the problems caused by the rising price of crude oil have been made more severe by the fact that poverty and unemployment have been increasing.

Growth

We are not producing the economic growth and the jobs to meet the growth of the population.

The problem of slow growth will be compounded by the fact that the economies of our trading partners are also adversely affected by the higher oil price and it will be more difficult for them to buy our exports.

The sad fact is that is that all these problems are unnecessary.

Sasol banks on its policy to act responsibly

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Star 28/9/90

Along with a number of South African companies, Sasol has made it a part of its policy to act responsibly towards the environment.

A major achievement in this regard, says media manager Jan Krynauw, was the development and installation at Secunda of process units for the removal of hydrogen sulphide from waste gases to produce elemental sulphur.

"The efficiency of the electro-static precipitators to reduce fly-ash emissions from the steam plant stacks has also been significantly increased by pre-treating the ash. Ongoing atmospheric monitoring assures that personnel are constantly aware of the plants' environmental status.

"Anti-water pollution measures entail a zero-effluent system which involves the reprocessing and re-using of all water in a closed-loop system so no effluent is released into the surrounding area," says Mr Krynauw.

To date Sasol has spent R506 million to recover sulphur and R19 million on ongoing research and development.

At the new Syferfontein Colliery a comprehensive environmental impact assessment was conducted and a programme initiated to rehabilitate the natural environment by replacing the topsoil and the subsoils in the original sequence. Each strip will be revegetated immediately after being backfilled.

The potential impact of the mining operation on both surface and underground water resources will be carefully monitored.

All the streams entering the proposed mining area will be diverted by means of a complex of dams and canals. This water will be returned unsullied to the natural water courses below the mine.

Water on the site itself, which may become polluted, will be pumped to settling ponds. From there, depending on its quality, it will either be routed to evaporation dams or used on the rehabilitated fill.

All water pumped out of the pit will be regarded as polluted and treated in this way, as will water running off any workings including workshop areas.

Another important aspect of pollution control at the mine is that no coal washing is performed at the mine.

Minister acts to save fuel

Sowetan Correspondent

MINISTER of Mineral and Energy Affairs Dr Dawie de Villiers yesterday announced a series of voluntary measures to conserve fuel. Sowetan 28/9/90

However, he warned that mandatory measures - such as lower speed limits - would be introduced if motorists did not co-operate.

De Villiers said the under-recovery on 93 octane petrol with crude oil prices currently at $40 a barrel amounted to 40,5 cents a litre. (55)

He said this was a reality that the Government could not ignore and a petrol price increase might be unavoidable next month.

"The current petrol price levels cannot be maintained if crude oil prices remained at current levels," he said.

De Villiers said it was imperative to take steps now to conserve fuel.

These measures were

● To Page 2

Motorists warned of curbs

55

● From Page 1

not only in the interests of saving motorists money but also to save the country foreign exchange.

Sowetan 28/9/90

He said a lower speed limit was the one measure that contributed most to the conservation of fuel and 36 percent of motorists exceeded the speed limit of 120kph on national roads.

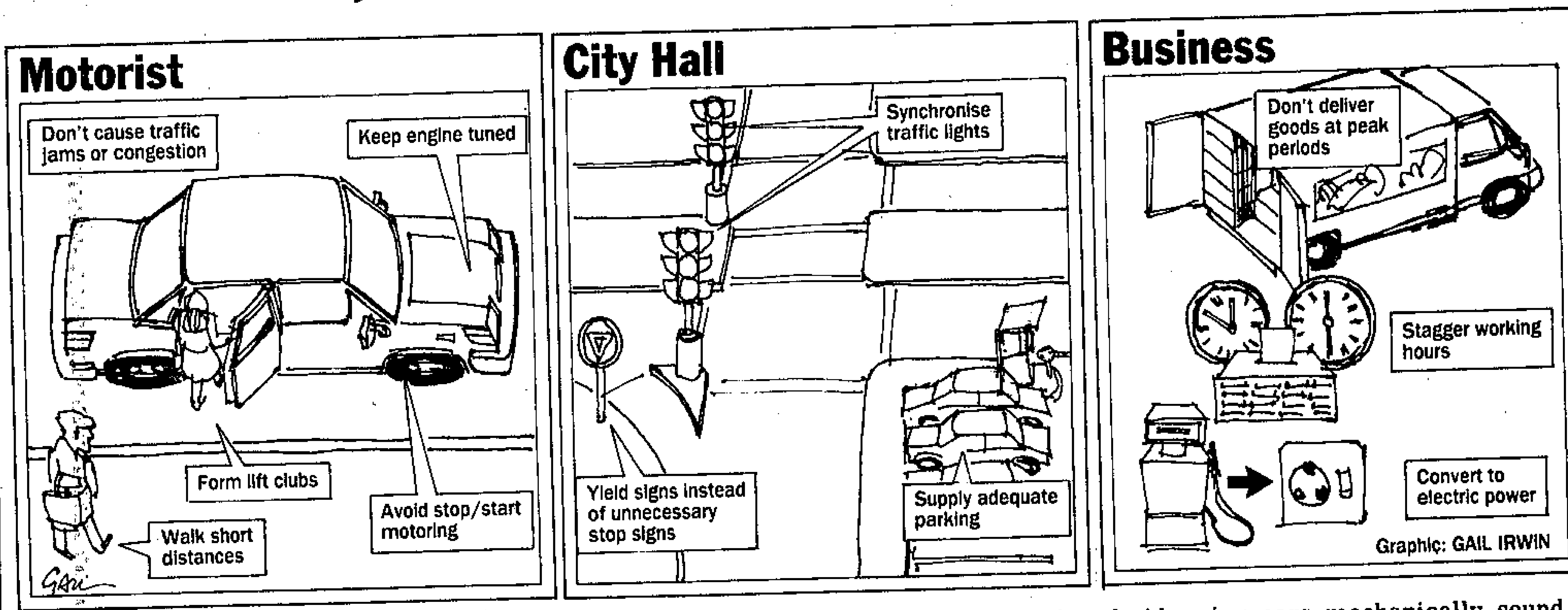
The Minister appealed to motorists to stick to the speed limit and said he would be writing to the various authorities to request them to enforce these limits.

Other voluntary measures he mentioned were that motorists must be made aware of the importance of the proper tuning of vehicles, the use of fuel with the correct octane rating, the advance planning of trips, the possible formation of lift clubs, avoidance of peak hours traffic, cutting down on unnecessary trips and the use of public transport.

Local authorities should be made aware of the importance of synchronisation of traffic lights.

NEV

Help save fuel or face curbs, warns Minister



Graphic: GAIL IRWIN

By Norman Chandler, Pretoria Bureau

Motorists as well as industries were yesterday urged to voluntarily reduce their consumption of petroleum products.

And it was made clear by Minister of Mineral and Energy Affairs and Public Enterprises Dawie de Villiers that if they did not do so, mandatory curbs were on the cards.

He said the petrol price would remain the same for now, but did not rule out an increase in the near future if co-operation from the public was not forthcoming.

Dr de Villiers said at a media conference at the National Energy Council in Pretoria that the effect of his call for voluntary measures and for local authorities to stringently apply speed limits would be strictly monitored.

The first monitoring report would cover the period to October 15.

He described the fuel situation as very serious for South Africa.

It was placing the country's balance of payments situation under pressure.

"The Government has decided that steps should be taken on one hand to protect the balance of payments and, on the other hand, to keep inland price levels of petroleum products within reasonable levels, as it is an aspect which cannot be ignored because of the effect that price increases would have on inflation."

Dr de Villiers said there were many different ways that the transport, agriculture, mining and other industries could make considerable savings on fuel.

He said measures which could save fuel included keeping cars mechanically sound, using fuel of the correct octane level, advance planning of trips, the setting up of lift clubs and avoidance of peak traffic.

Dr de Villiers also asked for a voluntary lowering of speed limits.

He said the Government did not want at this stage to introduce mandatory lower limits.

Public transport should also be supported and unnecessary trips avoided.

He called on local authorities to synchronise traffic lights, to demarcate bus lanes and eliminate unnecessary stop streets.

Soweto payments 'pick up'

Star 29/9/90 (55)

SOME Soweto residents have begun making payments for electricity and municipal services, but it is still too early for the Soweto Council to give any indication of how many.

Piet Geers, town clerk of South Africa's largest township, said payments have "picked up" in various areas over the past two weeks.

"A number of people have paid, but we will not be able to properly assess the situation for some time.

"We will be in a position to supply more specific details about two weeks or so after the formal agreement between the three local authorities of Greater Soweto (Dobsonville, Diepmeadow and Soweto), the Transvaal Provincial Administration (TPA) and the Soweto People's Delegation (SPD)," said Mr Geers.

The signing of the formal agreement on Monday came after the August 30 agreement, in principle, to end the township's four-year rent and services boycott.

Uniform tariff

The agreement was reached after a 15-hour meeting between the TPA, SPD and Greater Soweto Councils, when it was decided that township residents will pay a uniform tariff for services and electricity for September.

From October 1, Monday, there will be an interim charge for services, plus charges for electricity on a metered consumption rate.

Soweto residents — who have boycotted rent and service payments for four years — are being charged a uniform tariff of R55 for September (for services and electricity), but from Monday they will be paying an interim service charge of R22,50 per household, plus electricity on a metered consumption rate of 12 c per unit.

The R22,50 is a flat rate charge for water, sewerage, refuse removal and "general administration". Sandton, Alberton and Johannesburg residents, by comparison, pay metered rates for their use of water.

New rates start on Monday

SUE OLSWANG and JOVIAL RANTAO

Mr Geers said from Monday Soweto residents will receive accounts with two entries: one for electricity, which will "reflect the true meter reading but where an excess of R50 will not be shown", and one for services, with the R22,50 amount covering the provision of water, sewerage, refuse removal and "general administration".

He said residents will pay less than R50 for electricity if their consumption is below that amount.

"There will be a three-month 'phasing in' of electricity to assist residents in determining how they can curb their use of electricity," he said.

The situation would then be reassessed.

Soweto's residents will be paying more than Alberton residents and almost as much as Johannesburg and Sandton residents when they start paying for electricity on a metered consumption rate.

Higher rate

Soweto's metered consumption rate of 12 c per unit for electricity is higher than the rate charged by the Alberton municipality and very close to the rates charged by the Johannesburg and Sandton municipalities.

Below are the rates supplied to Saturday Star by the Johannesburg, Sandton and Alberton municipalities:

Johannesburg: Water is charged at a rate of 111,5 c per kilolitre for domestic use and 189,0 c for business use.

A service charge of 46,16 c per day is made for electricity, plus 12,3 c per unit for domestic use and 20,80 c per unit for business use.

Sandton: Water is charged at a rate of 77,75 c per kilolitre for domestic use and 117,75 c for business use.

Electricity is charged at a rate of 12,04 c per unit for both domestic and business use.

Alberton: Water is charged at a rate of 78,95 c per kilolitre for the first 30 kilolitres (domestic and business use).

The next 30 kilolitres are charged at a rate of 90,52 c per kilolitre and the rest at 96,33 c per kilolitre (domestic and business use).

A service fee of R15 is levied for electricity, with an additional charge of 9,7 c per unit for domestic use and 16,53 c per unit for business use.

Mossgas viability 'beyond question'

(55)

BDay 1/10/90 BRENT MELVILLE

SALDHANA — High world oil prices had placed the viability of the R7,8bn Mossgas project beyond question, Mossgas MD Bernard Smith said at the weekend.

"In fact, a world oil price of about $13,50 a barrel would be enough to justify all proposed expenditure on the project, including servicing of all commercial loans," Smith said at a function to mark the completion of the R300m Mossgas FA jacket — its single biggest component.

Oil prices touched $40 a barrel last week amid fears of war in the Gulf.

Mossgas executives had said previously that interest payments on loans could be made at $12 a barrel and debt serviced at $15, and that break-even for shareholders could be reached at $19 a barrel.

The completion of the jacket marks the culmination of almost two years of work by Genrec Offshore, a joint venture between Robert Stevenson and Genrec. The group completed the 14 600 ton jacket two weeks ahead of schedule.

Genrec CE Ian Colepeper said the group had received inquiries for five further jackets to be built at the same yard.

Colepeper said the jacket would probably be taken to its location 85km south of Mossel Bay on October 7.

Mineral and Energy Affairs Minister Dawie De Villiers said the structure which on its side is 126m long, 80m wide and 69m high, had been constructed using 78% local material and 81% local labour.

Hook-up on the project is scheduled to begin in November/December. Gas is expected to flow onshore by June 1991.

Star. 1/10/90 (55)

Economist doubts SA will get windfall

Finance Staff

The 10-year high in the oil price is unlikely to generate the sort of gold price windfall the South African economy enjoyed in the early 1970s and 1980s, Metropolitan Life economist Dr Chris Visser says.

He cautions that there are now far more and better alternatives for international investors to safeguard their interests than gold.

Real interest rates remain high and worldwide inflation is not as serious as it was with previous oil price shocks. The fundamentals do not indicate, therefore, that there will be a material and sustained improvement in the gold price.

He suggests any short-term benefits will be offset by a much higher oil import bill. This will probably be made worse by a slowing in demand for basic raw materials, such as coal and iron ore, provided by this country as the world economy generally slides into recession.

The consequence is that it is inevitable that pressure will be exerted on South Africa's balance of payments, and on its foreign exchange reserves.

"The strategic steps taken years ago to develop alternative fuel sources, such as the Sasols, and to stockpile large quantities of crude, can now be seen to provide a valuable cushion for South Africa to better weather the immediate effects of the much higher energy costs than many other oil importers.

"Likewise, the decision to continue with the very expensive Mosgas project does seem to make better sense now, and could prove to be a wise one in retrospect.

"It is unlikely that another large petrol price increase can be avoided, although it seems that we may now be able to delay such further price shocks now, at a time when the country can least afford them.

"The economy is already in a more severe contraction phase than initially anticipated.

"The August inflation rate confirms the view that keeping interest rates high at this stage is no longer contributing to the fight against raising costs. Some relaxation would therefore seem to be appropriate.

"Fighting inflation by maintaining high interest rates, stimulating the economy by fiscal overspending, and at the same time introducing a fuel price increase cannot be regarded as a coordinated policy mix in the fight against inflation, and at the same time address the need for real domestic growth."

Energy

Business Day
SURVEY

If SA is to create employment and develop its national wealth, it must move away from being the world's leading mining country and a major exporter of raw materials. Instead it must use energy efficiently to produce goods which will be bought by the world. Simply digging more out of the ground will not make the country richer. **MELANIE SERGEANT** *reports.*

Assets statistics
Total assets R37 000 million (1989)

Power stations

NO	Type	Capacity MW	% of Eskom output
18	Coal-fired power stations	29 881	90
3	Gas turbine and diesel station	390	1
2	Hydro-eletric stations	540	1
1	Nuclear station	1930	7
2	Pumped storage station	1400	1
3	New stations not yet in commercial operation		

34 141 MW of installed capacity

210 000Km of high-voltage power lines

Eskom burns 65-million tons of coal a year and supports 16 collieries

Proactive schemes to create future national prosperity

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BDay 2/10/90

ESKOM is involved in proactive schemes to help SA create the national wealth essential for future prosperity and peace.

If the country is to create employment for its population and develop its national wealth it must move out of the mindset of being the world's leading mining country and a major exporter of raw materials.

It must use energy as efficiently as possible to produce goods which will be bought by the world.

Eskom GM, engineering, Alex Ham says: "We must be leaders in the use of energy in all its forms, whether renewable or not.

"We must move into the higher technologies and into specific niche markets where we can be leaders.

"Those who believe all we need to do to get richer is dig more out of the ground for export are wrong, because the value of raw materials is steadily decreasing."

Impact

In the area of communications, for example, what one ton of copper made in cabling is now possible from 30kg of fibre optics.

"Iron ore is another example. We assumed more would be made of steel, but composite plastics and other materials are making an impact," he says.

One of Eskom's roles is to be sufficiently far-sighted to see when utilisation of renewable energy (such as photovoltaics or solar energy) can be more efficiently applied to meet needs than the conventional way of reticulating electricity, which is generated from burning fossil fuels or from nuclear power.

The traditional electricity network is perceived as being ideal for industrial use, but looking at SA's dispersed population and its high proportion of sunny days, the country should become a leader in sun and photovoltaic energy technology for individual consumers.

But this isn't the case. Japan is far ahead in this technology, but Ham says this shouldn't deter SA from working to develop this technology.

"Reticulated power is often seen as the most cost-effective way of getting energy to people, but in the long term, it would be better to have households self-sufficient in their energy requirements.

"Take heating water while some rooms in the home need to be cooled. Heat pump technology can be used to satisfy both demands," he says.

These demands can be provided by photovoltaics, and later possibly even fuel cells.

"There may then still be initial capital cost involved in getting homes self sufficient, but this must be balanced against zero operating costs."

Some countries are already combusting waste for power generation and grinding it for use as a soil conditioner.

"There's opportunity for science to turn waste products into something environmentally beneficial."

"As soon as we get these initial capital costs to about R600 a kiloWatt peak, power rating it will become viable.

Affordability

"The issue then is to fund the initial system investment for individual users."

When it comes to providing energy for individuals emphasis is on affordability.

"Options in quality of supply must be available to suit different requirements.

"Our traditional mindset is driven by striving for First World efficiency systems, whereas if appropriate technology is applied to match application and affordability, a lower level technology offers economic advantages in some circumstances," he says.

Solutions to city pollution and parking problems

B Day 2/10/90

THE concept of having a town or city with no vehicles using internal combustion engines seems too futuristic to be taken seriously.

But Eskom GM, engineering, Alex Ham says attitudes to transport will change.

"Just as the black minibus taxi would have seemed laughable a decade ago, it has become a major factor in the transport equation in our cities."

Ham says energy conscious people are looking for alternatives.

One is the use of electric vehicles.

Applications for battery driven vehicles with enhanced storage capacity are growing.

"Within the next five years, one US state won't allow any vehicles with internal combustion engines to come into the city centre.

"It has made a grant for the development and production of electrically driven vehicles which will be used in their place.

"Drivers park their cars on the city border and use a battery-driven vehicle to move into the centre.

"This vehicle is then left for re-use at his point of disembarkation.

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"If there's a policy which makes such battery-driven vehicles readily available to commuters, it does away with the need for buses, solves pollution and parking problems and there's a high utilisation of the vehicles," he says.

The concept of an underground "Metro" is not the answer, he says, because it will be used only in peak periods and is beyond SA's level of affordability.

"The battery-driven vehicles should be small, two or three-seat utility vehicles intended for short-journey, high-load use," he says.

BDay 2/10/90 (6) (55)

Synthetic fuel has an important role to play

SASOL MD Paul du P Kruger says the synthetic fuel industry is not only desirable, but has an important role to play.

"Like any business decision, the timing of a plan to embark on a new synthetic fuel project is critical.

"For instance, Sasol 2 came into production when the oil price was, in 1990 rands, around R120 a barrel.

"It's quite evident the Sasol projects at Secunda were based on sound economic criteria."

When the oil price dropped to about $8 a barrel (R24 in today's terms) in the first half of 1986, the Sasol 2 loans were fully repaid and only a minimal portion of loans on the Sasol 3 project, that lagged behind the Sasol 2 project by three years, was repaid.

When the Mossgas project was mooted, he says, the bulk of Sasol 3's loan was still outstanding.

Relatively low oil prices prevailed, so Sasol wasn't in a position to participate in Mossgas.

"Although at the time we did not agree with the timing of the Mossgas project, this project has reached the stage where it will be wise to complete it.

"With today's expectations of oil supply and pricing, it could be profitable at an early stage."

He says Sasol contributes more than R3,2bn a year (1,4%) directly to SA's GDP.

The saving and earnings of forex by Sasol also amounts to around R3,3bn a year.

Not all of this comes from synthetic fuel. In fact, about 50% of Sasol's operating profit is derived from synfuel, and the rest from coal, crude oil refining, marketing of fuel, petrochemicals, other chemicals, fertilisers and mining explosives.

"Apart from many divisions already operating, there are about 20 greenfields projects under consideration, which would need total investment of more than R3bn and which, at ruling prices, would turn over about R1,8bn a year.

"The contribution from these projects to the national economy will come from import replacement and exports, which will save and earn about R1,5bn in forex a year.

"The recently commissioned R500m polypropylene project, which was not included in the R3bn investment figure, will earn and save R250m in forex over the next year."

Projects underway are an annode coke plant, an N-butanol plant and a new ethylene plant.

Other projects relate to revamping Sasol 1 and a new strip colliery, which will produce 7m tons a year.

To electrify every home in SA 'will cost R14bn'

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BDay 2/10/90

LESLEY LAMBERT

CAPE TOWN — It would cost R14bn, or R700m a year over two decades, to electrify all homes in SA, research sponsored by Eskom and the National Energy Council has found.

A report, based on research by senior UCT electrical engineering lecturer Charles Dingley, criticises the existing structure of the electricity supply industry and proposes a major national programme to electrify all SA homes.

Dingley, whose report has attracted the interest of ANC deputy president Nelson Mandela and Mineral and Energy Affairs and Public Enterprises Minister Dawie de Villiers, estimates that four million homes, representing two thirds of the population, are without electricity — a level which is low even by the standards of developing countries.

A programme aimed at complete electrification within 20 years, including provision for population growth, would have to supply 350 000 new households a year at a cost of R700m, says the report.

The cost represents 18% of Eskom's annual capital expenditure and 1% of the national budget. The report notes that urban electrification projects would pay for themselves over a period of time.

Rural projects, however, would be more expensive because of low consumer densities.

According to the report, the project would have significant economic implications, providing suppliers and contractors with an annual estimated R1,4bn and creating about 50 000 new jobs in these sectors.

Sub-optimal

Dingley, a former Eskom employee, is critical of the "unsatisfactory and deficient" structure of the electricity supply industry and urges government to address the matter.

"It not only represents a major obstacle to the electrification of under-developed areas, but also results in sub-optimal use of national financial and human resources."

He says the delay in electrification of the country's underdeveloped areas has nothing to do with the actual generation of electricity — Eskom's excess capacity is several times that of Koeberg and could supply every unelectrified home overnight.

Rather, the problems are institutional and financial.

In many areas, the supply authorities needed to operate and maintain the provision of electricity do not exist and the necessary funding is not available.

Eskom's approach to distribution in its recently launched electrification initiative is to set up a small local distribution authority in each area to be electrified.

But, says Dingley, this fragments the supply industry and leads to complex and intractable problems.

The report proposes rationalisation of the industry into a bulk supplier — Eskom — with no more than 20 area distribution boards covering the entire country.

Essentially, it proposes central co-ordination of a broader version of Eskom's initiative by a government-established, but semi-autonomous, National Electrification Board.

A million electrified points to improve the quality of life

B\Day 2/10/90 (55)

THERE are 23-million people in SA with no access to electricity.

Eskom has a long-term vision of getting electricity to all, as this will improve overall quality of life.

It has set its sights on getting one-million points of supply electrified in the next five years, and this should get electricity to about 6-million.

Eskom distribution and marketing GM Randolph Forbes says there are several challenges for the future.

Challenge

"We're not only studying Eskom's role, but also that of industry as a whole.

"Eskom faces the challenge of being a bulk supplier, while getting electricity to the general public."

Eskom supplies an energy intensive market which includes ferro alloys, mines and heavy industry, as well as to municipalities and other local authorities who in turn supply the domestic market.

Other distributors include independent and self-governing states.

The challenge comes in supplying the diverse population groups in SA spread over large geographical areas.

"Our Electricity for All project won't happen overnight and we're looking at alternative energy sources where these are economically feasible and affordable to end-users.

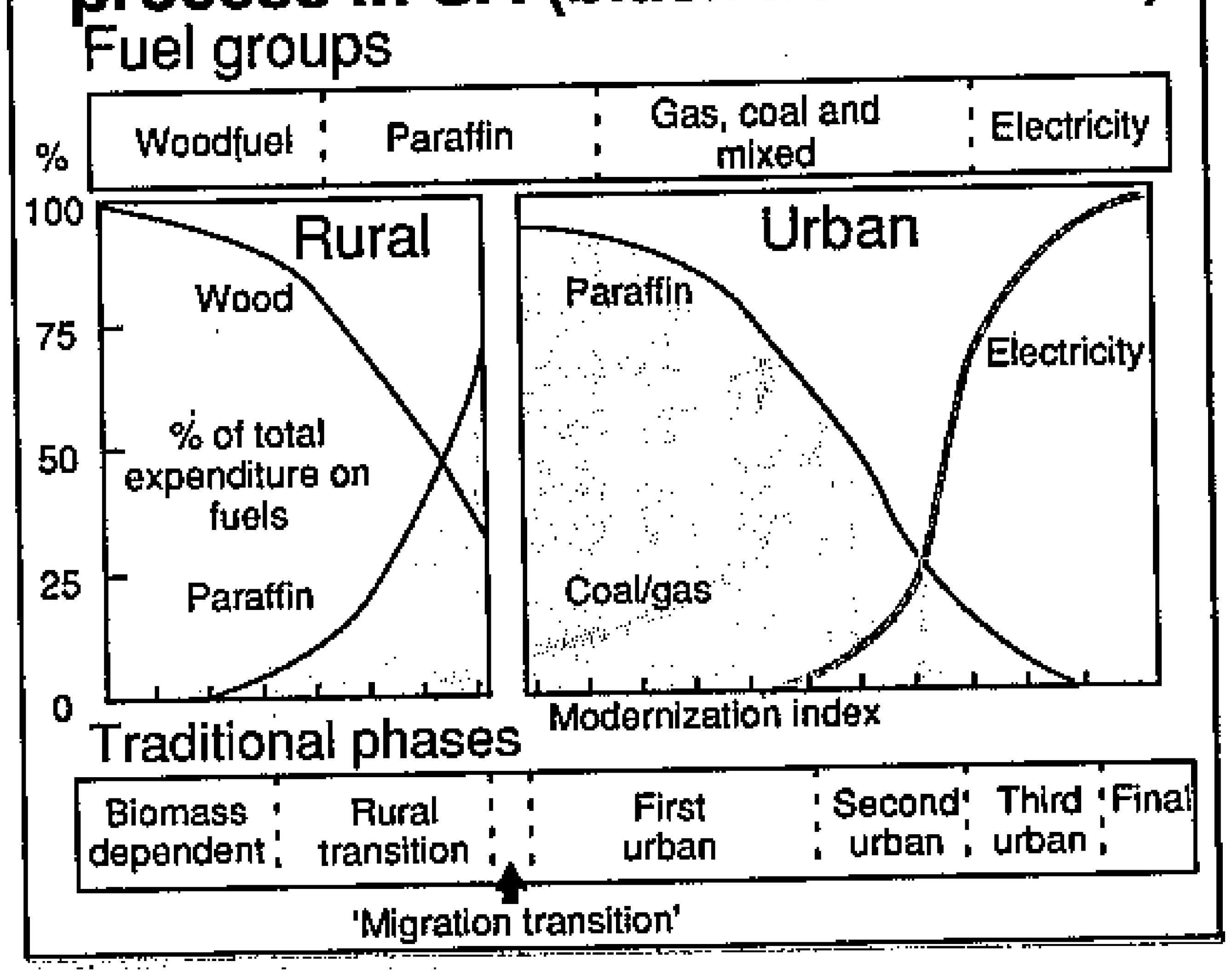
"These include solar, wind and other forms of electricity generation," he says.

"We market the effects of electricity — the ability to cook, create warmth and operate power tools for small industries.

"But there are also environmental benefits because, depending on circumstances, it can decrease smog, air pollution, deforestation and other problems."

Forbes says worldwide experience has shown that in countries such as Taiwan, the US, Korea and Thailand, if electricity is made available, wealth starts being generated through start-up industries.

The domestic energy transition process in SA (black households)



With rapid urbanisation in SA, the challenge of getting the domestic market satisfied is growing daily.

"In rural areas, the challenge is to improve the quality of life and help to retain people in these areas rather than see them flock to cities for comfort and an improved way of life.

"We have a project in Kangwane which is a typical example of how we are trying to meet this challenge.

Sparse

"The area has many sparse settlements ranging from rural to urban. Eskom has entered into a joint venture with the Kangwane government to electrify the area."

Market research studies have shown the money spent on coal, paraffin, candles, gas and other fuels is higher than getting electricity to these people.

"This shows that electrification schemes can be viable, but there's a problem of affordability.

"There's usually a mix of rich and poor people, and satisfying the total requirement can be a problem," he says.

Heavy reliance on Opec oil

BiDay 21/01/90

THE world is becoming dependent on Opec for its oil.

Sasol MD Paul du P Kruger says: "Expected production from non-Opec countries will maintain current levels until the end of the century.

"Any growth in consumption will have to be supplied by Opec, thus increasing dependence of the oil-consuming world on Opec and, more specifically, Middle Eastern oil.

By the middle of the decade, more than 50% of the world's oil will come from Opec countries.

"It's expected environmental and fuel quality requirements, together with increased consumption, will place demands on refineries and this should increase fuel prices at a greater rate than the increase in oil prices, which will benefit SA's indigenous industry.

"We don't foresee a Sasol 4, but because we believe there's always a smarter way to do a job, we have commercialised a vast improvement on the Sasol synthol process.

Future

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"Unfortunately, present projects won't benefit from this new process, but future projects will be more efficient and will need less capital.

"A grassroots project based on the new Sasol synthol fixed fluid bed process, and supplied with gas at the price of associated gas in the Middle East, will be economically viable at $23 a barrel."

He says Sasol's synfuel industry is not only — albeit at modest return — an important and sound contributor to GDP, forex earnings savings and shareholder value, but also a treasure chest of opportunities to add value that would not have been possible with a struggling synfuel division.

"Because Sasol's investments were based on sound economic principles at appropriate times, the bridging finance provided for constructing Sasol 2 has been repaid at full commercial interest rates.

"Despite Sasol 3's timing being less fortunate, it has paid government R1,5bn in interest and dividends.

"In the light of this, Sasol's synfuel division is indispensable to a modern and prosperous new SA."

Siemens is reaching out with the Sunsave range

BDay 2/10/90

(55)

SOLAR energy has become one of the most cost-effective solutions for electricity.

Millions of people in SA live in rural and urban areas unlikely to be connected to the electricity grid in the near future.

Siemens product manager Sarel Botha says since the company launched its Sunsave range of solar products last year, progress has been made in sectors ranging from municipalities to provincial administrations, basic and manufacturing industries, farming and households.

The Sunsave products range from solar modules to standard and specialised systems, such as those for rural communications.

Siemens joint MD Geoff Hainebach says: "Apart from traditional telecommunications applications, we are moving towards low energy consumables such as household, industrial and commercial applications."

Results from market investigations look promising.

"Market awareness of the solar photovoltaic concept is low, but we will embark on an educational programme."

Alternative

He says solar power is the most practical alternative energy source available where electricity is not accessible.

Spiralling demands and soaring costs have made solar electricity an important source of energy.

"While the concept of solar energy is fairly simple, the initial capital outlay is relatively large.

"The basic equipment is a solar collection panel, a charging regulator, a battery and a load specially designed for solar power."

Hainebach says initial costs will be justified over a short period in areas where, for example, diesel fuel is difficult to obtain and transport.

There are also virtually no maintenance or operational costs.

Technological developments of solar cells in recent years are sure to cut end-user costs.

There are also virtually no limits to the effective use of solar systems — especially in the southern African climate.

He says photovoltaics will be a major factor in improving the quality of life of many communities by providing power for basic lighting, water pumping, educational requirements such as computers or televisions and refrigeration.

Energy

BDay 2/10/90

Technology has to be adapted

(55)

NEW technologies are being used to extend the national electricity grid to make it affordable while adhering to safety standards.

National Energy Council (NEC) manager of energy for development Dr Izak Kotze says: "We try to advocate the use of renewable energy sources. Solar power is important.

"SA is one of the best potential users because of the high incidence of sunshine."

Kotze says SA's market for photovoltaics is one of the fastest growing and sixth most active in the world, yet it is small by international standards.

"We are trying to promote solar energy by checking that equipment sold adheres to certain standards and thus limits the risk for buyers.

Designed

"There are appliances on the market designed for solar users. They have low energy requirements and can work off a small solar system."

There are some large installations, such as a 75Kw installation near Umtata which is under construction.

If the SABC goes ahead with its satellite transmission of television programmes, it will become feasible for the entire southern African population to be accessed by televisions through solar powered TVs.

"Our latest information shows significant reductions in the price of solar water heaters, so this should help to attract users."

The NEC is also studying the possibilities of wind energy.

"In some coastal regions, there is sufficient wind to make it viable."

Backed up

In many applications, it is possible to use wind with solar photovoltaics backed up with a diesel generator set in a hybrid system.

These are seen as cost effective for larger applications such as farming in areas where there is no access to the national electricity grid and where there's high capital cost of getting electricity to the farm.

NEC is involved in a programme with Natal University to produce a wind-energy map for SA, and this will be available in a year or two.

Hydro-electricity is another area being studied by the NEC.

"On a macro level, there is fairly large hydro-electrical generation potential in southern Africa.

"Many small streams make it also possible to employ it on a micro scale.

"Hydro-electricity is used extensively for peak demand, where energy is stored during low demand periods and used when demand increases.

"There are a few hydro installations in SA, but we're not using all the capacity available.

"Ideally, we must adapt available technology to suit our environment and look at future needs on the longer term," he says.

Oil price hikes trigger a surge of interest in Sasol

BDay 3/10/90

SS

ZILLA EFRAT

ESCALATING world crude oil prices have intensified international interest in Sasol's synthetic fuel technology.

Sasol GM Jan Fourie said the synfuel and chemical giant had received 16 inquiries about its technology from all over the world in the past few weeks.

It was possible that some of these inquiries could lead to the sale of technology, co-operation agreements to further Sasol's international interests and even a stake in new synfuel plants in other countries, Fourie said.

With the world's gas reserves overtaking oil reserves, Sasol had done much research into converting gas into fuel and chemicals. It had also formed a specific division to sell the technology.

Provisional studies showed that at an oil price of $23 a barrel, a good return could be obtained from a world-scale plant costing about $2bn and using remote gas at low prices to produce fuel.

If the plant was extended to produce chemicals, increasing its cost to about $2,8bn, it could show a good return at a world oil price of between $18 and $19 a barrel, said Fourie.

However, oil-from-coal plants producing only fuels would not be viable at $23 a barrel if they were built now.

Unlike any other company in the world, Sasol is able to sell the technology, supervise the design and project execution, train the operating and maintenance personnel and commission the plant.

Sasol's technology produces fuel which already conforms to reformulated gasoline standards to be fully implemented in Europe and the US in the mid-1990s.

Tariff increases could be kept down — FW

MIKE ROBERTSON

ELECTRICITY and rail freight tariff increases could be kept well below the inflation rate in the next few years, President FW de Klerk announced last night.

De Klerk said in a speech prepared for delivery at the annual banquet of the Natal Chamber of Industries in Durban that government was determined to reduce inflation to levels comparable with those of its main trading partners.

SA had a special window of opportunity as Eskom's capital investment programme in power stations was being completed, thus limiting new capital requirements. Eskom also had excess generating capacity which would amount to about 30% by 1996.

As a consumer friendly utility and without resorting to artificial suppression of tariff adjustments, Eskom could offer electricity price increases substantially below the inflation rate for a number of years.

Eskom, he added, could also contribute to economic growth by offering special rates for additional consumption brought about by multi-shift operation of existing plant capacity.

An announcement in this regard would be made in the near future.

55

SA also had excess rail freight capacity. With limited capital investment and appropriate depreciation rates forseen, railway freight tariff increases could also be reduced to a level substantially below the rate of inflation.

BDay 5/10/90

Transnet, he said, could also offer reduced contract rates for long haul trains.

He said he was convinced SA could achieve growth rates higher than the 1% being envisaged by some economists for next year.

Power cuts loom for thousands

Sto 8/10/90 55

By Therese Anders, Highveld Bureau

As the rent and services boycott continues in 27 Transvaal townships, many thousands of people face power cut-offs this week.

Cash-strapped town councils now owe Eskom R70 million, an increase of R47 million since the Government cut bridging finance on September 1.

The Transvaal Provincial Administration (TPA) reports that after recent agreements, service payments in Soweto and in the Eastern Transvaal have improved.

However, the situation has deteriorated on the East Rand, and more towns have joined the boycott in the Western Transvaal.

Last week Civic Associations of the Southern Transvaal president Moses Mayekiso announced the boycott would continue until a number of demands had been met, including the scrapping of discriminatory laws and the system of local government.

The organisation later said the boycott in Soweto was off.

Carolina's Conservative Party-led council, which cut electricity, water and sewerage services to Silobela township several weeks ago, has warned it will cut services again today.

Flat rate

Vosloorus residents, who are already having their power cut for up to six hours a day, have until Thursday to pay up.

Unless accounts are paid, the Pretoria City Council will cut power to a number of townships, including Mamelodi and Atteridgeville, on Friday.

In many Eastern Tranvaal townships, residents are paying a flat rate for rent and services that is well below the amount needed to cover the ratepayer's true electricity and water consumption charges.

This still leaves black local authorities with big bulk-supply accounts that they cannot pay.

The TPA, therefore, is allowing councils to apply for funds earmarked by regional services councils for township capital projects.

Eskom communication manager Johan du Plessis said the electricity giant viewed the boycott in a serious light.

"But we are not anxious about it because we are negotiating ... rather than switching towns off."

He said the fact that people were starting to pay meant they felt they could "pull this thing through".

He stressed Eskom would not consider writing off any of the R70 million debt.

Eskom plan could have spin-offs for mining

(55)

PETER GALLI

THE annual surge in working costs on SA mines could be contained if the proposed new economic plan, whereby Eskom tariffs would be kept between 4% and 8% below the inflation rate, materialised, a Chamber of Mines senior economist said on Tuesday.

The cost of putting a metric ton of material through the mill on SA gold mines has nearly quadrupled in the past 10 years, from R30,18 a ton milled in 1979 to R116,67 a ton milled in 1989.

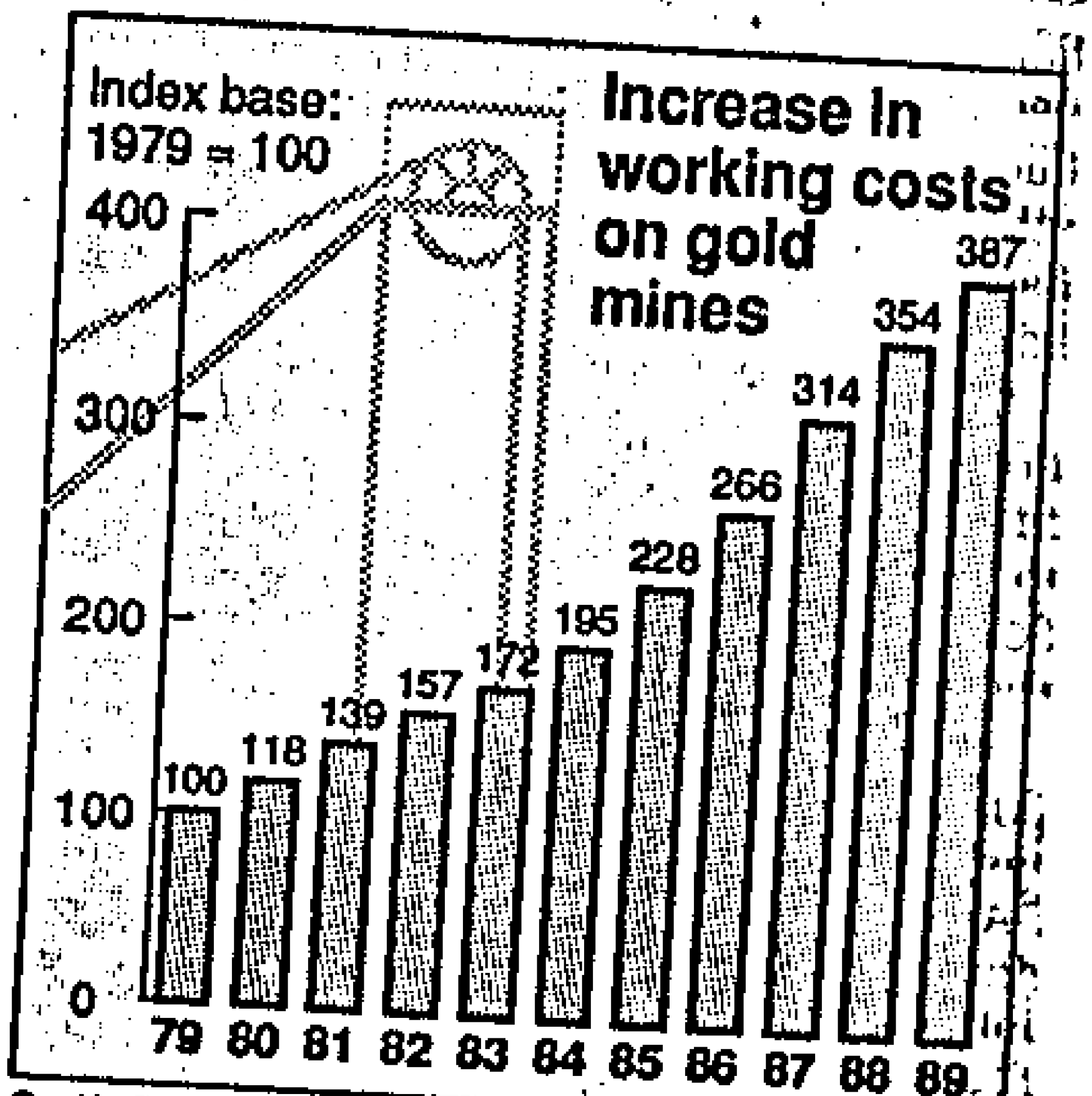
About 24,9% or R2 309m of Eskom's total revenue of R9 271m in 1989 came from the general mining industry, with the industry using 34 661 gigawatt hours of Eskom's total sales of 134 347 gigawatt hours in 1989 (one gigawatt hour equals 1-million kilowatt hours). Any containment in these costs would represent a sizable saving to the mining industry, the economist said.

Electricity costs for gold mines which were chamber members amounted to between 11% and 12% of total working costs on these mines. Therefore, any reduction in working costs would have a favourable impact on the industry, he said.

For other sectors, the electricity used would depend on the type of operation. For instance, copper and nickel mines that use refineries would consume a lot more electricity than other operations, with coal mines using considerably less.

He said as electricity was a major component of working costs, any attempt to reduce them could only be beneficial.

An Anglo American spokesman said on Tuesday: "We are attempting to manage our costs in such a way that they increase at a rate below the inflation rate. The President's proposal on Eskom is to be welcomed as it will assist us in achieving this objective."



Graphic: FIONA KRISCH

28c petrol price increase?

By Norman Chandler

(55) Star 11/10/90

The Government may decide next week to increase the petrol price.

The deteriorating Middle East crisis has forced crude oil prices to their highest levels and the Equalisation Fund, which offsets oil purchases, is running out of money.

Hennie de Villiers, media spokesman for the National Energy Council (NEC), said yesterday: "The situation looks bad. A further rise before the end of the month appears unavoidable."

In New York yesterday, the oil price breached $41 a barrel. South Africa's petrol price is calculated on a barrel costing $22.

Predictions varied on the extent of the increase, which would include diesel, but the least motorists could expect was 10c a litre more at the pumps. Some sources believed it could be 28c.

An increase would be felt in neighbouring countries.

Minister of Finance Barend du Plessis said this week the stragetic oil stockpile would not be used to subsidise motorists.

Increasing the price by 6c a litre would add 0,5 percent to the inflation figure, now standing at 12 percent.

SA at regional energy talks

MINERAL and Energy Affairs Deputy Minister Piet Welgemoed yesterday attended a meeting of energy ministers from the four Southern African Common Customs Union countries — SA, Lesotho, Botswana and Swaziland.

(55)

The meeting at the remote Protea Pigg's Peak hotel in northwestern Swaziland took place under conditions of "unprecedented secrecy", sources said.

No information was released by officials, who said the agenda was "strictly confidential". However, escalating fuel prices as a result of the Gulf crisis were expected to be discussed. B Day 12/10/90

A National Energy Council spokesman said in Pretoria on Wednesday the meeting was a routine one which had been scheduled before the current fuel crisis.

Meanwhile, the Swaziland Commercial Road Transport Association has asked Works and Communications Minister Wilson Mkhonta to announce as quickly as possible an increase in public transport fares. This follows the announcement on Tuesday this week by the Swaziland government of a 24c a litre increase in the price of petrol at the pumps. — Sapa.

Fuel fund could run dry 'in weeks'

B/Day 12/10/90 (55)

ANDREW GILL

SA's National Equalisation Fund (NEF) could dry up in less than a month at present rates of under-recovery, leading to a possible 35c rise in the petrol price in the next few weeks.

Calculations based on reported figures and an assumption that SA imports 100-million barrels of oil a year show that the fund has no more than four weeks before it runs out of money at the latest available under-recovery rate of about 25c/l.

The last figure for the size of the fund was given for December 1989, when it stood at R259m. Sources say since then there have been only two minor over-recoveries (in June and July) and large under-recoveries for the rest of the year.

They say the recent high under-recovery has cut substantially into the fund and as a result the scenario might be even worse.

The National Energy Council's latest under-recovery rate is 25c/l which translates into a R40/barrel shortfall.

At that rate, the equalisation fund could provide for the purchase of 6,5-million barrels of oil.

If SA imports 100-million barrels of oil a year — not unlikely, say analysts — the 6,5-million barrel capacity translates into 24 days of consumption.

The fund may have been buoyed by Sasol's recent contributions to it since the oil price went above $28,70 — the level at which it begins repaying its subsidy.

Sasol repays 25% of the difference between the higher price and $28,70.

Dubai crude has remained above $28,70 a barrel since September 19 and the average price has been $32,53. Above that, $1 to $1,50 is added to reach the landed cost.

Economists expect a 30c/l to 35c/l increase in petrol within the next few weeks, which means consumers would be paying R1,58 to R1,63 for a litre of 93 octane petrol on the Witwatersrand.

PETROL CRISIS: *Can motorists be expected to 'voluntarily' save petrol?*

W/Mail 12/10 - 18/10/90

(SS)

Motorists, prepare to apply your brakes

By REG RUMNEY

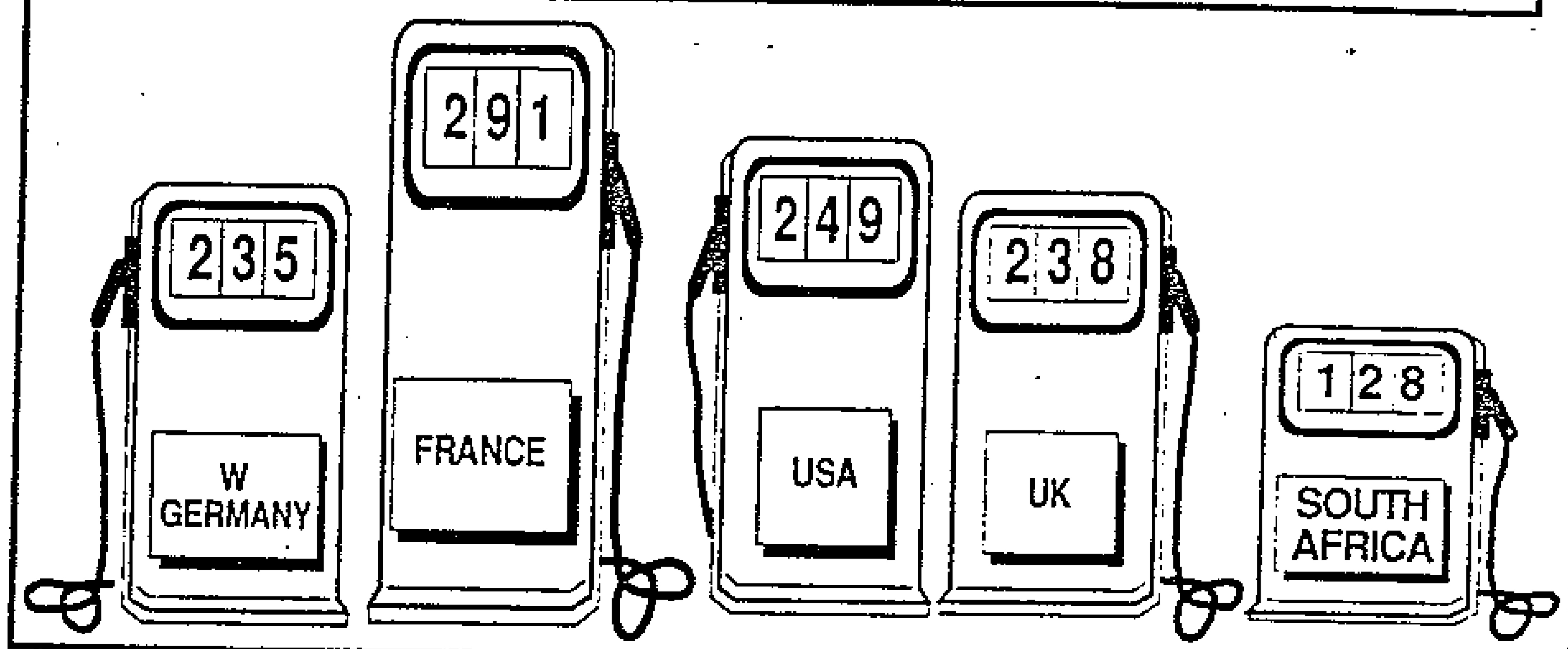
IF the world oil price speeds up, South African motorists had better get ready to slow down.

Economic experts agree that apart from massive rises in the price to discourage consumption, the only quick and easy way to save fuel on a nationwide basis is to lower the national speed limit.

Old Mutual economist Rian le Roux comments that fuel is "price inelastic" but "income elastic". This means that people are relatively immune to price increases, but not to a slump in the economy when it comes to buying fuel.

Research done by the National Energy Council backs up Le Roux's statement.

INTERNATIONAL PUMP PRICES SEP 1990:
Prices in SA cents/litre



Fuel prices may be rising but South Africa still pays comparatively little

He surmises that fuel prices will increase by large amounts and together with the recession this should cause a slowing in the use of fuel — but not necessarily a decline.

Fuel use has climbed steadily over recent years, particularly petrol, which has outstripped diesel fuel. One reason for the steadily increasing demand is that, compared to other countries, South African fuel is cheap.

Fuel consumption needs to be kept in check because it uses precious foreign exchange.

The rule of thumb produced by Le Roux is that for every $1 increase in the world oil price, the gold price must rise by $5. Le Roux arrives at this figure by looking at "unclassified" imports (mainly oil), which are about one fifth of the value of gold exports.

Tony Twine of Econometrix, using guesstimates of actual fuel imports (which are secret and therefore impossible to know), arrives at a figure of a $3,77 rise for every $1 rise in the oil price. But, he says, this doesn't take into account the premium South Africa pays for oil (also unknown).

In the face of a surge in world oil prices, the government has asked motorists to save fuel voluntarily or face statutory measures. Just about the only statutory method of controlling petrol use — other than draconian steps like fuel rationing — must be lowering the speed limit.

At a press conference recently Mineral and Energy Affairs Minister Dawie de Villiers made the appeal, and announced publication of a booklet on fuel saving.

At the same conference, transport expert Professor Wynand Pretorius of Rand Afrikaans University urged that the lowering of speed limits be considered to save fuel.

It was pointed out that South Africa's maximum national speed limit is out of line with other countries in the developed world. The United States, for example, which like South Africa has big areas for motorists to traverse, has a speed limit of 55m/h, which translates to 88km/h.

The booklet on fuel saving suggests most modern cars are lightest on fuel around 50km/h to 60km/h. Further increasing speed from 60km/h to 80km/h uses an extra 12 percent of fuel, from 80km/h to 100km/h 30 percent, and from 100km/h to 120km/h another 17 percent.

Pretorius said cutting the maximum speed limit to 100km/h would result in fuel savings of 5,3 percent.

In the eyes of the authorities, therefore, the arguments for lowering the speed limit would seem compelling.

There were also calls at the conference for increased traffic enforcement to prevent speeding.

Sceptics question how motorists will save fuel voluntarily if they need traffic enforcement to obey the law.

One transport expert commented after the conference: "If the authorities lowered the national speed limit to 100km/h, motorists might drive at 130km/h rather than 180km/h as they do now.

"I think the press conference was just public relations to soften the blow when fuel prices rise substantially within the next few months."

Any increase in the fuel price adds to inflation, since all goods have a transport element. The last price increase added about 0,5 percentage points to inflation.

Engen results well ahead of forecast

55 Star 12/10/90

By Derek Tommey

Engen, SA's first fully integrated energy company, has comfortably beaten its earnings and dividend forecast for the year to August.

It had earnings of 194c a share, against the 182c forecast and is paying a final dividend of 62c for a total of 97c.

This is 7c more than the 90c forecast and 14c more than shareholders of Trek (through which Engen was listed) received a year ago.

Engen was formed in April when Gencor moved its energy division into Trek. This brought together Trek, the former Mobil Oil Southern Africa operations, the Gencor investment in Mossgas and Gencor's exploration rights in the Bredasdorp basin.

Turnover was lower than forecast, falling to R5,08 billion from an expected R5,28 billion. But income before interest and tax rose 15 percent from R280 million to R323 million.

A jump in tax payments from R54 million to 81 million trimmed earnings to R213 million (R200 million).

Chief executive Ron Angel says R78 million was provided for tax equalisation because the company will be paying tax at a higher rate in future.

He says group companies performed well. Refinery throughput was higher than expected owing to operating problems at Sasol earlier this year.

Refining margins remain bullish owing to the continued tightening of worldwide refining capacity, particularly upgrading capacity. This is encouraging for continuing strong refining margins, he says.

The events in the Gulf came too late to have much effect on Engen's results. But since August there has been a temporary increase in refining margins worldwide, which should help the group.

The sharp rise in product and crude prices pushed up the replacement cost of Engen's inventories and at August 31 this exceeded the book value by R170 million.

Should inventory prices remain at their current levels until next August this will translate into a sizeable taxable and accounting profit for the group, he says. But any fall in prices would undo this notional gain.

Mr Angel does not seem to believe that oil prices will remain at present levels indefinitely.

He suggests that should there be any notional inventory profits, the group would consider creating an equalisation fund to buffer results against future reversals.

Mr Angel says prospects for continued growth are sound. It is proposed to de-bottleneck and upgrade the Durban refinery.

Capital commitments at August 31 were R226 million (1989, R11,3 million).

The development of significant crude oil production capacity is an important long-term goal for Engen, and exploration will continue to receive attention, he says.

During the year Soekor announced three hydrocarbon discoveries in which Engen participated. They are still being evaluated.

Engen is encouraged to continue exploration in the Bredasdorp Basin, he says.

25. Which of the following languages would one choose to write an operating system in?
(A) BASIC
(B) COBOL
(C) DBase
(D) Modula II
(E) Pascal

(20)

Sentrachem looking at joint oil venture

Star 12/10/90 (55)

By Jabulani Sikhakhane

Sentrachem is investigating possibilities of a joint venture with Engen or Mossgas in a R5 billion naphta cracker plant and a feasibility study on the project should be completed by the end of this year, Sentrachem managing director Johan van der Walt said in Sasolburg yesterday.

Engen and Sentrachem are ultimately part of the Sankorp stable, which is the industrial arm of Sanlam. Engen has a 30 percent participation stake in Mossgas.

SUBSIDIARY

A joint venture with Engen (through the oil refinery subsidiary Genref) or Mossgas should bring the cost of a naphta cracker down by about 30 percent because of the existing infrastructure.

In today's money terms, a cracker plant would cost around R2,5 billion but through a joint venture this should come down to about R1,8 billion, Mr van der Walt said.

Adding the R2,5 billion costs of other downstream units, this should mean total costs of about R4,3 billion - against projected costs of R5 billion without a joint venture.

A naphta (one of the fractions from oil) cracker will produce the seven types of building blocks (from which about 80 percent of all organic chemicals are derived) for the chemical industry.

Discussions have also been held with AECI, which has shown interest on the project and Mr van der Walt says AECI's involvement should be more complementary than competitive as it will balance the demand for chemical feedstocks very well.

Mr van der Walt also announced yesterday that Sentrachem was involved in negotiations to buy out Hoechst from their joint venture in Mega plastics. The price is believed to be around R22 million, but a final decision will be taken at a board meeting on October 25.

PLANTS

Among other announcements, were that Sentrachem is considering a number of "exciting possibilities" to convert some of the closed down isoprene plants in Newcastle.

One possibility is for special metallurgical processes, which have a potential of yielding between R90 million and R100 million in export revenues.

Stepping on the economic brakes

55

Vehicle sales plummet

By DON ROBERTSON

THE 54-day plant closure at the Mercedes-Benz factory in East London was reflected in September car sales, which fell sharply by 12,6% over the previous month.

But the National Association of Automobile Manufacturers of SA (Naamsa) says that the impact of the shut-down was not as dramatic as originally expected.

Work resumed at the plant on Tuesday.

Car sales in September fell by 2 588 units to 17 872, compared with an above average August sales figure of 20 460.

Decline

Sales for the first nine months of the year were also lower at 160 600, compared with 169 805.

Sales in the other three sectors also declined in September. Light commercial sales dipped to 9 604 against 10 131, leaving the total for the year at 86 021 compared with 87 852.

Medium commercial sales fell to 416, compared with 464, while heavy truck sales fell by 17,6% to 646 from 784. Medium truck sales for the year were, however, better at 3 728 units against 3 333 in the first nine months of last year, while heavy truck sales totalled 5 875, compared with 7 300. S/Times 14/10/90

DESPITE the severe oil price shock to the economy, Reserve Bank deputy governor Jan Lombard still hopes for a current account surplus of between R5,5-billion to R6-billion this year.

Last week's Reserve Bank Bulletin showed the current account balance down to an annualised R3,2-billion in the second quarter from R5,6-billion in the first quarter.

But, says Dr Lombard: "The higher oil price has added about $30 to the gold price, so there is some compensation. In the second quarter, gold receipts were an annualised R18,5-billion — down from R20-billion in the fourth quarter of 1989. Failing further setbacks, the improvement in the gold price since June and some promising non-gold exports could get us somewhere near our R6-billion target for the full year." S/Times 14/10/90

The cost to SA of the rise in world prices from an all-time low of $10 a barrel to the present range of $40 is a State secret, so it is not easy to establish how much compensation a slightly higher gold price provides. A rule of thumb is that $10 on the gold price adds $200-million a year, so, if sustained, gold's gain from $360 to $390 could be worth $600-million a year.

The need to preserve a healthy surplus, together with higher inflation from increased fuel prices, could well extend recessionary clamps on the economy.

By DIRK TIEMANN

Head of the Reserve Bank's economic department Jaap Meijer says progress has been made in the fight against inflation but no convincing drop has yet taken place.

Nedbank chief economist Edward Osborn notes that there is cause for concern about the current account surplus, because in spite of brakes on the economy the value of imports in rand terms has increased by R700-million a month from the R3,6-billion a month in the second quarter to R4,3-billion in both July and August.

He says that if this continues there will be a big squeeze on the BOP, which could reduce the annual surplus to R4,5-billion.

Offset

Mr Osborn calculated that a sustained oil price of $36 a barrel for the next three months would add R700-million to SA's oil bill.

Although the higher gold price has partially offset the rise in the oil price, the Reserve Bank Bulletin says a price of well in excess of $400 a fine ounce would be required to offset an oil price of $30 a barrel.

Mr Meijer says: "A R6-billion surplus would have been great but that was an optimistic figure even before the oil shock. Still, we believe the surplus will be above R4-billion."

Mr Osborn forecasts rates of inflation of 14,7% for December after a 22% increase in the petrol price to R1,56 a litre.

The Reserve Bank Bulletin says the reduced inflation rate has been encouraging, but "can clearly not be regarded as adequate". The stronger rand in the first two quarters of 1990 and lower import surcharges caused the rate of inflation on imported goods to fall from 19,3% in June 1989 to 4,7% in July 1990.

The annualised rate of price increase for domestic goods remained steady at 12,6% in the first quarter and 12,2% in the second quarter.

The relatively high internal inflation rate is attributed "to price increases in a wide range of sectors and sub-sectors of the domestic economy, involving mining products, beverages, tobacco, textiles, wood products, rubber products, chemicals, coal and petroleum products, machinery and equipment, basic metals and metal products and non-metal mineral products".

It must be remembered that these price increases have not taken the higher fuel bill into account, which is sure to change the picture somewhat.

Mr Meijer says that far too little is known about the factors which are fuelling inflation, but he says the recent wage settlements, which have "been on the high side", are a contributing factor.

"We can no longer blame inflation on the exchange rate and on imports, because the overseas inflation rates have not been high and the exchange rate has been stable.

"The exchange rate held up well in the second quarter and this is viewed in a positive light."

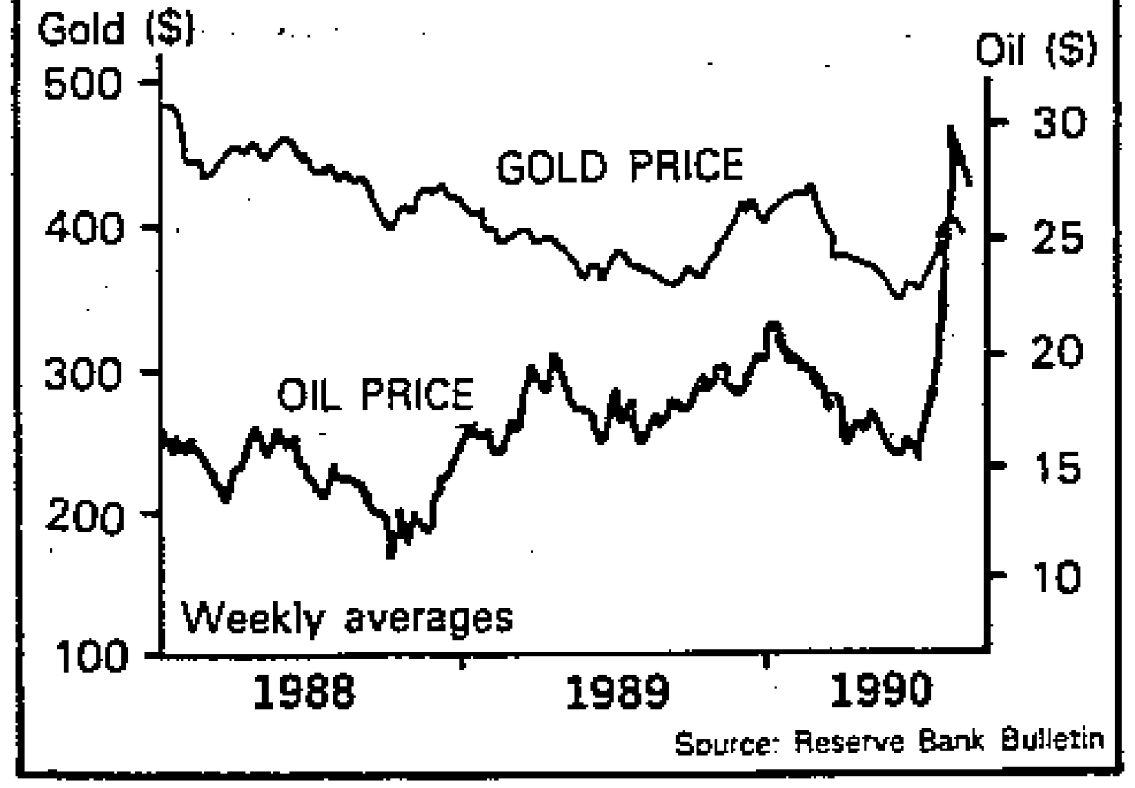
Smooth

The central bank has also managed to roll over a substantial amount of foreign debt. It had no option but to do this as $2,5-billion fell due in the second quarter. The repayment of as much as two thirds of this amount was done very smoothly. Net reserves at the Reserve Bank rose by as much as R2,1-billion during July-August, says the Bulletin.

Mr Osborn says this is not simply justified by the surplus on the current account of R300-million for the same period. He says this seems to suggest a shift in reserves from commercial banks to the Reserve Bank, which bought dollars on substantial scale to keep the rand stable.

Mr Meijer says the Reserve Bank has not been very active in managing the rand.

GOLD AND OIL PRICES



Source: Reserve Bank Bulletin

Back to school

PROFESSIONALS are being given the chance to go back to school — to learn how to run a business. Wits Business School's Centre for Developing Business is offering a series of one-day courses to train professionals to run practices more cost-efficiently.

"Many doctors, engineers and architects run a practice and often they lack the expertise to cope with today's high inflation, interest rates and taxes," says the centre's Dr Ian Katz.

The first course will be held on October 27.

OPENING VITAL DEBATE

MANPOWER MIRROR

By Adrian Hersch

TWO books about employer-worker relations have recently been published locally — one about the application of worker participation in South Africa, the other a management handbook.

Worker Participation is edited by Mark Anstey, director of the industrial relations unit at the University of Port Elizabeth. It comprises contributions by leading local and international practitioners in industrial relations and academics.

The book consists of two parts. The first covers conceptual, theoretical and practical issues, and some international trends are outlined. The second covers a number of practical initiatives in SA regarding worker participation.

OUTLINE

The chapter on the employee shareholding scheme at Anglo American relates to the wide issues regarding financial participation by workers raised in section one of the book. Another chapter described Volkswagen SA's efforts. These are influenced by the West German system described in part one. Toyota SA's policies can similarly be traced to Japanese and US approaches.

There is also a chapter on the Zenzeleni co-operative which can be read in relation with the chapter referring to co-operatives in general.

Worker participation in a pension scheme, and health and safety measures in SA are also outlined.

Anglo American's manager of the group employee shareholder scheme, Clive Fletcher, describes the project's workings, its objectives, and he responds to its critics.

Despite union opposition, by the end of 1989 about 145 000 employees, or 73% of those eligible, had become shareholders at Anglo.

Volkswagen AG's (VWAG) head of international personnel operations, Brian Robinson, describes worker participation in Germany, and also how it specifically works at VWAG.

VWSA human resources director Brian Smith says that between 1980-1986 relations were characterised by strike action. Although industrial action still occurs, there was an improvement from then on, which he attributes to greater worker participation and involvement of the union.

Mediator Don Power, who has also had extensive experience in initiating employee involvement programmes in the US, warns management and unions that implementation will not result in swift improvement in productivity or in attitudes towards one another.

He stresses that before starting the programme the union should be involved. "It is important that the union understands that its existence is protected."

S/Times 14/10/90

SYSTEMS

The trials and tribulations of implementing various worker participation systems over a number of years, finally with success, is outlined by Toyota SA group industrial relations consultant Steve Dewar.

One of the major purposes of the book is to open debate about worker participation in SA. It makes a valuable contribution in this regard and should stimulate debate among practitioners, academics and students.

The book comprises readings presented at a conference. It could perhaps have been shortened and some of the terms made easier to understand.

Practitioners could potentially miss out on some of the valuable information which the book offers because they do not have sufficient time.

Practitioners will find Levy Piron Associates' Management Handbook useful. It is concise but comprehensive and easy to understand.

USEFUL

The pamphlet advertising the book says it has been designed to prevent labour pains, but the book does not recommend a caesarian. Instead the pocket-sized book provides useful information on Cosatu, Nactu and other federations.

The do's and dont's when managing a strike are presented, and other information includes notes on the industrial court, the Independent Mediation Service of SA (IMSSA) and industrial relations periodicals.

Worker Participation: SA Options and Experience is published by Juta & Co and sells at R49,95. The Management Handbook: A Guide to Labour Relations 1990-91 is published by Electronic Publishing Corporation and retails at R45,99. Both are available at leading booksellers.

have confidence in current management," said Mr Beck.

What's Nicholas de Klerk doing that interests Pieter-Dirk Uys? See Man with Designs: Page 3

Picture: SUE KRAMER

Dazzling Engen looks at export market

ST Times 14/10/90

By IAN SMITH

GENCOR's 84%-held energy group Engen, which produced scintillating maiden results this week, has ambitious plans to break into export markets.

Managing director Rob Angel is confident the group's R1,2-billion upgrading programme, which will significantly increase efficiency and refining capacity, will prove that its forecast-beating results to August 31 were no flash-in-the-pan.

There's a bright outlook all around the horizon for SA's first fully integrated energy group, he says.

The soaring crude oil price is not a major factor in his confidence. Mr Angel says the Gulf crisis has "temporarily" increased worldwide refinery margins and the price hike means that the replacement cost of Engen's inventories was about R170-million above book value at the end of the financial year.

"While this would appear to provide substantial benefits to shareholders, it has, in fact, a marked negative impact on cash flow and taxation payments."

If inventory prices remain at current levels until August next year, there will be a once-off "sizeable" taxable and accounting profit for the group. "However, any fall in prices will undo this notional gain."

The formation of Engen last February brought together the operations of Trek Beleggings, the former Mobil Oil Southern Africa operations bought from the US-parent for R650-million, and Gencor's 30% stake in Mossgas and 20% option in Soekor exploration in the Bredasdorp Basin.

Although the group's turnover was slightly below forecast at just over R5-billion, income before interest and tax was 15,4% ahead at R323-million.

Delighted

55

Attributable income, after provision for higher tax, was R213-million, compared with the forecast R200-million. A final dividend of 62c a share — 7c ahead of forecast — brought Engen's total payout to 97c, a 17% increase on the 83c paid by Trek last year.

Mr Angel says he is delighted with this performance, but there are more dazzling prospects down the road. "We are optimistic that we can improve."

Much of the confidence comes from the R500-R600-million to be spent in each of the next two years upgrading the "debottlenecking" plant. A rights issue to help finance the project could look to raise about R1-billion.

The 50% increase in refining capacity due in December 1992 will come on stream at a time when refineries around the world will be stretched. But Engen hopes to have "quite significant" exports by the end of next year.

Greater efficiency will also produce more petrol and diesel from every barrel of crude — and Engen is looking at other chemical derivatives.

At the same time, the soaring crude oil price has improved the prospects for the Mossgas oil-from-gas project and Soekor's promising oil and gas strikes in the Bredasdorp basin.

He says there is considerable uncertainty about prices in the oil industry but when the price comes off the top it is unlikely to fall to previous low levels. It could settle around the $20 or $21 a barrel level.

Engen benefited last year from higher refinery throughput — but this was limited to a 4% increase.

□ Coincidentally, the 14 600-ton jacket for Mossgas' offshore operations left Saldanha Bay on a special barge on Friday. The jacket, completed by Genrec Offshore ahead of time and below budget, will be sunk over the production hole 85km south of Mossel Bay today or tomorrow.

ESKOM

forced to curb pri

ST Times 14/10/90 55 prices

sts Pieter-Dirk Uys? See Man with
Picture: SUE KRAMER

A R650m saving for consumers

BUSINESS TIMES REPORTER

ESKOM has been forced by the Government to hold its price increases well below the inflation rate.

This is the inference being placed on President De Klerk's announcement in Durban last week that the electricity utility will keep its prices down to help in the fight against inflation.

In March, Eskom chairman John Maree was still investigating ways and means to privatise. In June, Eskom chief executive Ian Macrae said it would be difficult to keep tariff increases below the inflation rate.

The new pricing package and the shelving of privatisation is such a departure from Eskom's past projections that Eskom watchers reckon it has been foisted on a reluctant power utility by Administration Minister Wim de Villiers and colleagues.

PACKAGE

- Sources in industry say the new economic package requires Eskom to hold its prices up to eight percentage points below inflation. It can thus contemplate increases of only 6% or, at most, 8%.
- Informed sources in industry say that after this year's increase of 6%-8%, next year's increase will be six percentage points under the inflation rate and in 1993 four percentage points.
- Industrialists who switch from one to two shifts or use unused capacity to increase exports are expected to be offered constant nominal electricity prices until 1993.

By pushing up its prices by at least the inflation rate (14%-15%) Eskom was aiming to get its debt:equity ratio down from 2,8:1 to 1:1 by 1994 and its interest cover up from 1,2:1 to 2:1 by 1992 — all preparatory to privatisation.

Eskom chairman John Maree will explain on Thursday how tariffs are to be held down.

Eskom has already mothballed power stations and laid off over 6 000 employees. Its Megawatt Park office block, with its famous "hanging gardens of Babylon", is showing signs of an economy drive.

TARIFF

President De Klerk said the strategy was enabled by over-capacity, which permitted lower rates of depreciation.

Eskom sales last year came to R9,3-billion, mostly to mining, commerce and industry. If the increase is held to 8%, instead of the inflation rate of 14%, the new tariff will save electricity consumers more than R650-million.

That excludes the additional concession to industry using Eskom's surplus capacity. Still, the concession is small beer in an economy with a gross domestic product at current prices of R232-billion.

Concern has been expressed that if Eskom's tariffs are artificially suppressed, SA will fall foul of the regulations of the General Agreement on Trade and Tariffs (GATT). But there is no question that prices will be artificially suppressed.

All Eskom is doing is halting its construction programme temporarily and adjusting its depreciation policies.

Power stations last 40 years, not 25, the period over which they are written off under present accounting policy. Eskom's income will still more than cover its outgo for the period.

On similar grounds, the Government hopes to squeeze lower rail tariffs out of Transnet as part of its new economic package.

Hopes are waning that consumers will enjoy protection from higher oil prices. President De Klerk did say last week that SA is better placed to face higher oil prices than most countries because the bulk of its energy consumption is in the form of coal and electricity.

President De Klerk did mention SA's "large stockpile of oil" in his speech, which advocated "using SA's strategic advantages to the fullest extent". These statements prompted speculation that the stockpile, too, would be used to hold down fuel prices.

But the suggestion was denied by Finance Minister Barend du Plessis before he flew off to Taiwan this week.

Top Government spokesmen say off the record that the oil stockpile may well be used as a buffer to protect the balance of payments.

THREATS

Given that high oil prices are the result of war threats in the Gulf and that the conflict is unlikely to last more than a few months, SA has the option to import less crude while drawing down oil stocks.

But the Reserve Bank says there can be no question of price protection for petrol consumers. If world prices go through the roof, motorists and other petroleum users must feel it — to be forced to save fuel.

looks at market

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CARTE BLANCHE

BROKERS are croaking on Diagonal Street. Daily turnovers this week were down to R40-million a day. This is not half the R100-million needed daily for all firms to break even.

Already there have been significant retrenchments. More are on the way and some smaller brokers are said to be looking anxiously for bigger brothers.

It is not hard to find reasons for the lack of interest in equities. A shooting war threatens to break out in the Gulf. That could push oil prices into uncharted territory and trigger another round of world stagflation — and further stock exchange setbacks. In all the fear and confusion, gold has been disappointingly unresponsive.

Meantime, Eskom stock offers a real return to institutions, so why hurry back into shares even if second-liners look dirt cheap?

THE CAV IS COMI

Before computers, stockbroking was not capital intensive. That's changed. Most firms have expensive systems of their own. The JSE has a R40-million mainframe, the expense of which is carried by all. Skilled people are expensive, indispensable and irreplaceable. So when times are tough you don't just say farewell.

Most stockbrokers are partnerships. The tendency has been to split the loot at the end of each year and not retain capital. That may have to change.

JSE President Tony Norton is the first to admit that computer and building costs have caused costs to soar.

"But we would not change any of the decisions we have made. In the crash of October 1987, our systems could not cope and we had to close the market. Now we can handle huge volumes as well as waves.

"We have disaster back-up. The JSE is financially sound and there's more than R40-million in the guarantee fund to protect the public."

Before we shed tears for club members, relief is at hand. The cavalry is coming.

Gencor has share in North Sea project

(oil) (55)

610 cn 15/10/90

GENCOR is to take part in a project costing more than £1bn to exploit the Alba field, a major oil reserve in the North Sea.

The chairman of Gencor's energy subsidiary, Engen, Bernard Smith, says Gencor has an 8% stake in the venture, which involves several large oil companies from around the world with US group Chevron as the managing partner.

Gencor is considering whether to go into the venture on its own or to bring in Engen.

In addition, Gencor also has an 8% interest, along with the same partners, in the Kilda field, a significant gas/condensate field in the North Sea.

The project to exploit the Alba field, which is east of Aberdeen off the coast of Scotland, is subject to Annexe B approval from the UK Energy Department. This is expected by the end of the year.

The first phase of the project, expected to produce oil by 1994, will cost about £600m, and the second phase, which will come into production around 1998, is expected to cost slightly less.

Smith says a technical feasibility study has been completed and the venture looks viable. A full announcement will be made once the Energy Department approval has been obtained.

ZILLA EFRAT

A decision on whether to exploit the Kilda field will be made in about two years time when the exploration of this field has been completed, he says.

JOHN CAVILL reports from London that the Alba field is in block 16/26 of the North Sea. The reservoir, which is 1 800m beneath the sea bed, contains about one-billion barrels of oil, of which more than 250-million is estimated to be recoverable.

Production start-up will be in 1993/94 and peak output will be about 80 000 barrels a day.

A spokesman for Chevron said: "Alba is going ahead and we are finalising financing requirements with the partners. The main decision which remains to be made is the rate of off-take. Development costs have not been finalised."

Apart from Chevron (33,17%), other partners in Alba include Oryx UK Energy (15,5%), Sante Fe Exploration (11,75%), Fina Petroleum (10%) and Unilon Oil Explorations and Baytrust (8%).

Kilda, said to be a mega-sized gas field, lies under Alba and will be developed later. The Kilda field extends over three North Sea blocks.

Eskom considers buying uranium abroad

ZILLA EFRAT

ESKOM would be forced to buy enriched uranium abroad if the Atomic Energy Corporation's (AEC) electricity subsidies were terminated.

The New York-based McGraw-Hill newsletter Nucleonics Week has reported that this move would require SA adherence to the nuclear Non-Proliferation Treaty, or comprehensive safeguards.

The newsletter reported that Eskom told government it could not afford enrichment for its Koeberg PWR units at the Valindaba plant near Hartebeesport Dam, if subsidies were eliminated.

An Eskom official was quoted saying the company told President F W de Klerk in early September that elimination of electricity subsidies would force it to buy enrichment abroad.

SA managed to circumvent a US enriched uranium delivery embargo by supplying Koeberg with indigenous fuel.

However the electricity cost component of enriching the fuel is higher than all the other cost components combined, Nucleonics Week reported.

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BD 15/10/90

Oil crisis puts investor spotlight on Sasol

(55) Star 15/10/90

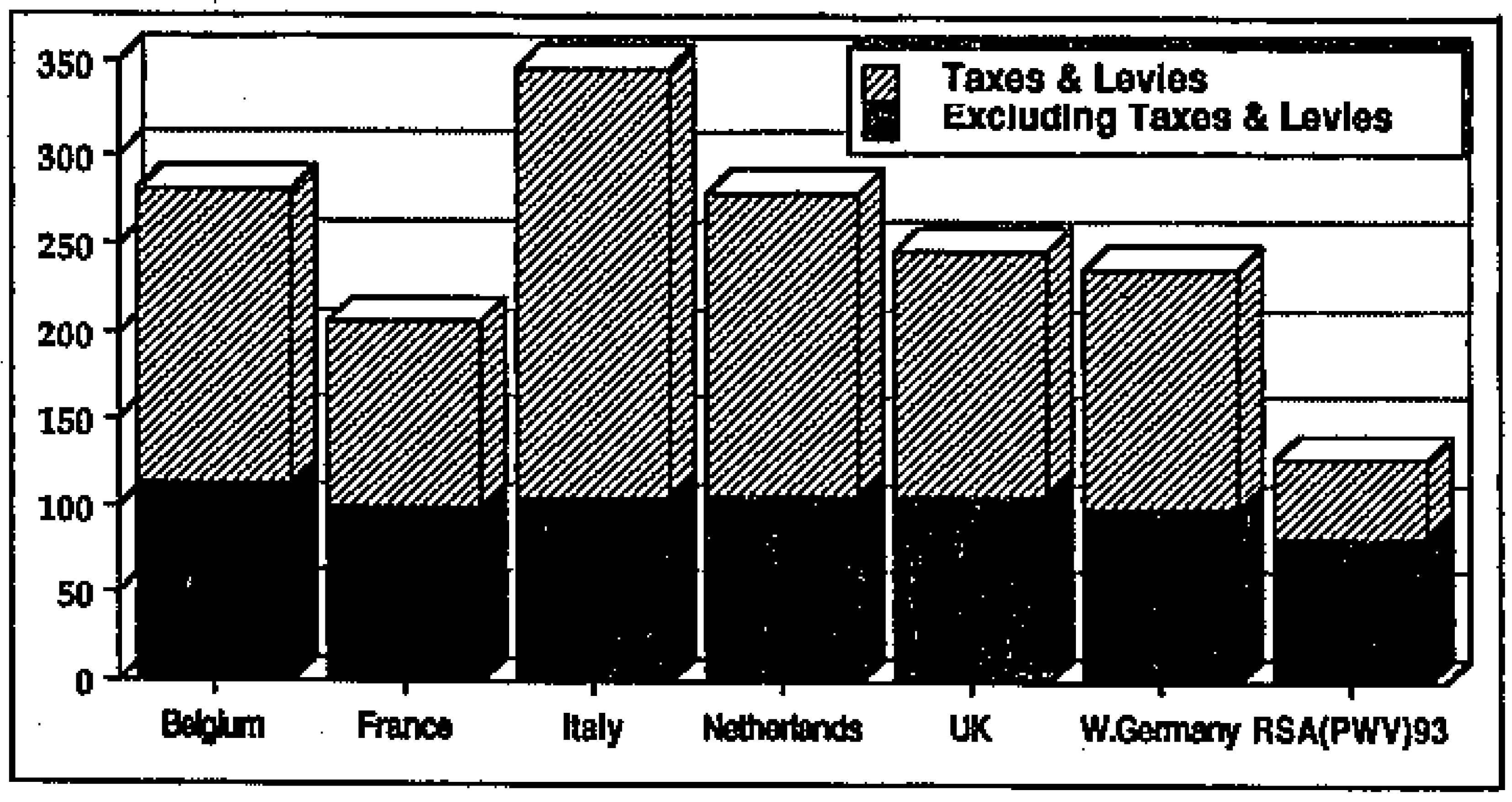
By Derek Tommey

British investors have found oil in South Africa. In the past few weeks they have been turning their attention to Sasol, the giant oil-from-coal operation, in a bid to profit from the current oil crisis.

With international crude oil trading at around $40 a barrel, after having jumped from around $16 a barrel, the prospect of even higher prices if war breaks out makes this sudden overseas interest in Sasol understandable.

It was sparked too, by a documentary on Sasol screened recently on British television and by British stockbrokers recommending an investment in the compamy.

The documentary showed British viewers that Sasol is not just a producer of synthetic petrol but is a major oil refiner as well and an important supplier of chemicals.



The South African petrol price is one of the lowest in the world, as this Sasol chart shows. Only in the United States is petrol cheaper. But the US figure has had to be excluded from the graph as Sasol has not been able to determine a national petrol price there. However, the fact that petrol in South Africa costs about half that in the other countries included in the chart is not a valid reason for putting up the price. Average incomes in South Africa are only about a quarter of those in the countries mentioned and this should be a major consideration in the Government's attitude in determining the petrol price.

New process

It also highlighted the fact that Sasol has developed a new economic process to convert natural gas or coal gas into liquid fuel.

The process, called the synthol fixed fluid bed (SFFB), has been successfully demonstrated on a commercial scale by Sasol. It could have a major impact on the world's production of synthetic fuels in the years to come.

Sasol officials say that an SFFB plant producing oil alone could show a good return at an oil price of $23 a barrel, and if it produced chemicals as well it would give a good return on the investment even at an oil price of $18 a barrel.

Sasol says that the process has already attracted worldwide attention. Any firm using it would have to pay Sasol a licence fee and also for technical assistance, which in time could sharply increase Sasol's foreign earnings.,

One of the British stockbroking firms to rcommend Sasol is James Capel. It clearly believes Sasol has a glowing future.

Its views on Sasol are worthy of note. Sasol, it adds, will still remain vital to the South African economy even when sanctions are lifted.

Sasol is not just a synthetic fuel producer, but is also a chemical and petrochenical gaint, producing substances from paraffin to ammonia and wax, and operating five of the largest and most efficient coal mines in the country.

About half of its earnings come from synfuel and the other half from chemicals and mining operations, says the broker firm.

Sasol is a South African oil-hedge stock. Although its exact break-even price is not given, the price Sasol receives for its oil is based on a subsidised tariff basis up to $23 a barrel.

Sasol produes 43 million tons of low grade coal a year for its own use. Reserves are estimated at around 70 years at the present rate of extraction. South Africa itself has the fifth largest coal reserves in the world.

"Whether the Gulf crisis lasts for a long time or not, whether sanctions are maintained or not, and while there is a need (for South Africa) to conserve foreign exchange, Sasol is there to stay," says James Capel.

"As for fears of nationalisation, the government already takes over 30 percent of profits through its direct stake. There is really no advantage in increasing that share of the takings as it would endanger future expansion fundings.

Poland

James Capel says that Sasol's new technology has immense possibilities, adding that one country that stands out as an obvious target for its application is Poland.

Poland has large reserves of coal, but what it does not have, and what the whole Eastern bloc is now having to buy with hard currency, is oil.

The potential for Poland (with the Sasol process) to become the supplier of oil to the whole Eastern bloc is immense, says James Capel.

Sasol's potential to further develop both existing and new downstream projects is enormous.

James Capel concludes that: "The problems of the Gulf illustrate the need to be independent of one source of fuel. We recommend buying on any weakness for long-term exposure to a top quality South African company".

Power cuts continue despite ultimatum

Star 17/10/90

(55)

By Mckeed Kotlolo
Pretoria Bureau

The Atteridgeville City Council ignored yesterday's ultimatum by the local civic body to immediately restore electricity to hundreds of houses of rent and service charges defaulters whose supplies were cut off on Monday.

The Atteridgeville-Saulsville Residents Organisation (Asro) had written to the council demanding that it halt disconnecting electricity to households and businesses and restore power to affected houses.

Asro's acting secretary-general, Simon Tshidi, said the council had until 3 pm yesterday to respond to the demand, failing which Asro would file an urgent application in the Supreme Court today.

Town clerk Daan Mouton confirmed receipt of the letter and said the council had instructed its lawyers to respond.

Asked if the council would heed the demand, Mr Mouton said: "We informed them that the action is continuing".

When The Star visited the township yesterday afternoon, the power to more houses was being disconnected.

October 17 1990

E Transvaal tense as services are cut

Star 17/10/90 (55)

By Therese Anders
Highveld Bureau

An explosive situation was developing in several Eastern Transvaal industrial townships last night after the cutting of essential services, including electricity, water and sewerage, by Conservative Party-controlled councils.

In Ermelo's Wesselton township, where water was cut at noon, a large crowd of angry residents was reported to be marching to the township council offices last night.

The local civic association has labelled the CP council's actions inhumane and barbaric.

The affected townships are in arrears to the white local authority supplying bulk services for amounts of up to R1 million.

And the ANC has urged the Government to use its legal powers to "call these disruptive CP elements to order before the situation gets out of hand".

The ANC's Eastern Transvaal region secretary Joe Nkuna said he believed the CP councils were cutting services to retaliate for the scrapping of the Separate Amenities Act.

"This is a political, not economic, decision. The CP is desperately trying to prove to its followers that it is still able to control things."

Yesterday Bethal's CP town council severed all services to Emzinoni's 30 000 residents, and Ermelo suspended the water and sewerage service to Wesselton's 45 000 inhabitants.

Influence

Electricity has also been cut in Middelburg's Mhluzi township (population 70 000) and Carolina's tiny Silobela black residential area.

The chairman of the regional Joint Co-ordinating Committee, Paul Broodryk, has charged that the ANC and the civic associations did not keep their side of the agreement.

"They agreed to get their people paying, but they didn't.

"It is doubtful that they have influence with their people."

● Negotiations between authorities and civic associations are in danger of being derailed.

The talks were under threat yesterday when it emerged that a letter sent to black councils instructed them to use funds collected from residents to pay council salaries before paying electricity debts.

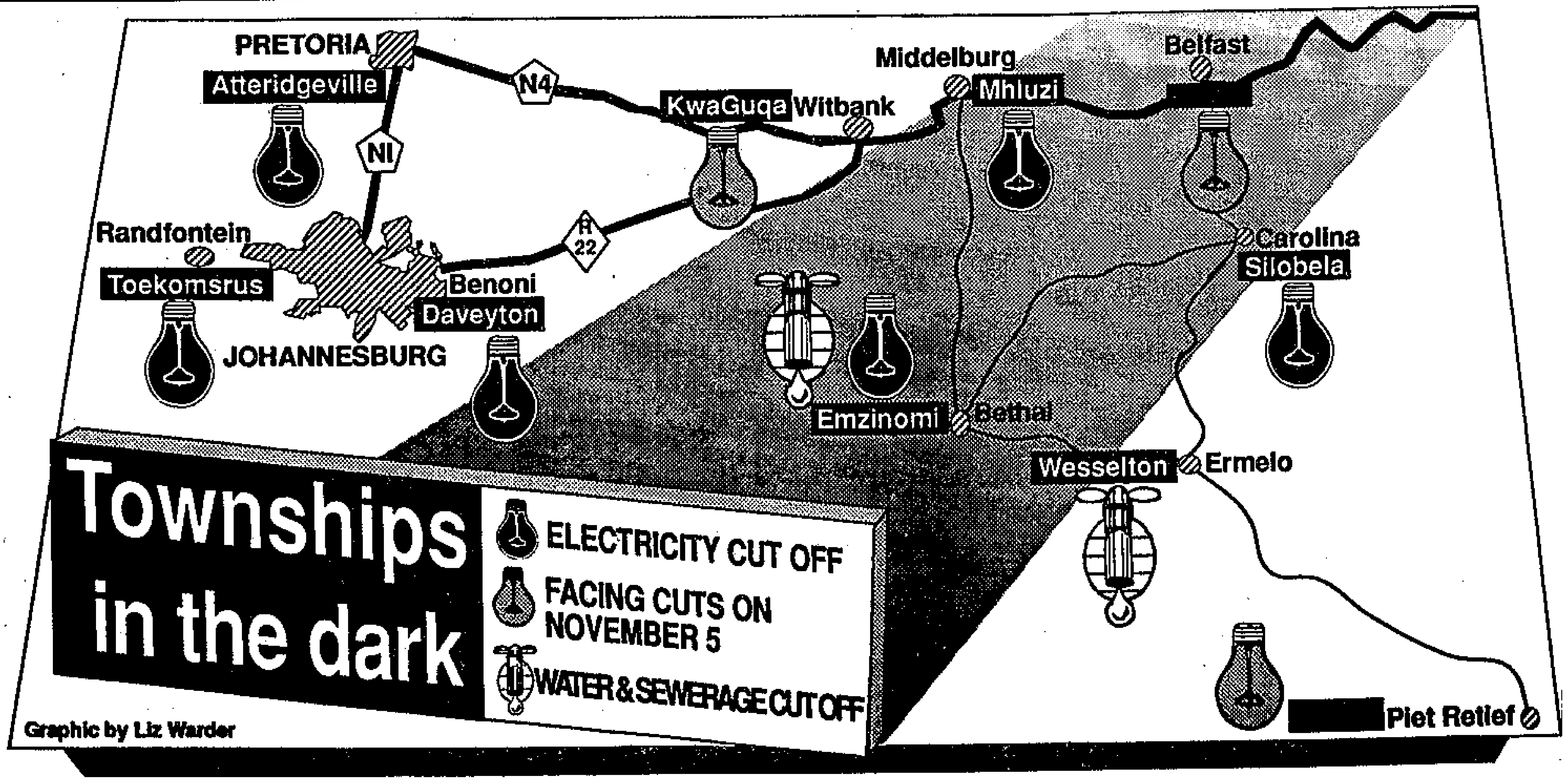
However, after a meeting, Transvaal MEC for local government Olaus van Zyl gave the assurance that councillors' salaries were paid with bridging finance, not residents'.

● A pamphlet blitz has been mounted in Atteridgeville by the SADF urging calm as "Operation Switchoff" began.

The pamphlets said: "The SADF has been requested to maintain law and order and prevent violence and intimidation in Atteridgeville."

Star 55 18/10/90

NEWS



Graphic by Liz Warder

Civic bodies warn of fresh boycotts over services cuts

By Louise Burgers
Municipal Reporter

Civic associations have demanded that the Government intervene and halt cuts in essential services at Transvaal townships or face a total breakdown of local negotiations and a resumption of rent boycotts.

United Democratic Front national civic co-ordinator Pat Lephunya and representatives from the Civic Associations of Southern Transvaal said swift action was needed by the Government to prevent an increase in conflict and protest action.

Eroded

The attitude of Conservative Party-controlled towns was a declaration of war against black people, Mr Lephunya said.

About 100 000 people are without water in two eastern Transvaal townships and thousands more are in the dark in five towns.

Mr Lephunya said: "The attitude of the authorities has resulted in the climate for negotiation being seriously eroded.

"The switching-off of the electricity supply to numerous townships has led to a situation where negotiations at local level have become untenable."

He said negotiations were close to collapse and he did not rule out the resumption of the rent boycott. He stressed that the civic associations were committed to negotiation.

On Tuesday, Bethal's Conservative Party town council severed all services to Emzinoni's 30 000 residents, and Ermelo suspended water and sewerage services to Wesselton's 45 000 inhabitants.

Electricity has been cut to the 70 000 residents of Middelburg's Mhluzi township, and Carolina's tiny Silobela residential area is also without power.

Electricity to Daveyton on the East Rand was cut by the Benoni Town Council at midnight on Tuesday.

The Atteridgeville Town Council cut power earlier this week and Randfontein cut off electricity in Toekomsrus yesterday.

In total, the affected townships owe more than R12 million for services to the various white local authorities and Eskom.

Offensive

In a statement, the ANC said: "It is clear the decision to cut services is a political one. It is contradictory that at the very time a solution is being achieved regarding the boycotts, and people are beginning to pay rent as per agreements, services are being cut in an offensive against our people."

The ANC said the switch-off was part of the resistance by pro-apartheid groups in an effort to retain apartheid.

It demanded that water and electricity supplies be restored immediately.

Residents report chaos as council cuts water, power

By Stan Hlophe

Taps, taps everywhere, but not a drop to drink. That's how things are in Emzinoni, near Bethal.

Emzinoni, with a population of 30 000, is one of the Eastern Transvaal townships in which water and electricity supplies were cut off by the CP town councils on Tuesday night.

When The Star visited the area yesterday, children were pushing wheelbarrows and go-carts full of water containers.

Businesses were at a standstill. Schoolchildren were sent home earlier than usual as the situation was described as chaotic by one principal.

A resident said: "Our houses are buzzing with flies, and an unbearable smell is everywhere. The toilets are not working and there is no running water."

The Emzinoni Town Council held a meeting with its CP counterpart last night.

Set alight . . . the new town council offices at Toekomsrus, Randfontein, go up in flames last night.

Picture by Herbert Mabuza.

Violence, arson follow supply cuts

Water tankers save townships

Star 18/10/90 55

Staff Reporters

Provincial authorities will send water tankers to townships where Conservative Party councils have cut off water supplies in a move that has sparked fears of diseases spreading.

At least two townships — Wesselton in Ermelo and Emzinoni at Bethal — are without water and sewerage.

The move to provide water from tankers came as many townships remained tense today following overnight violence.

Sections of Toekomsrus, Randfontein, were ablaze last night. The township's library and post office were petrol bombed and vandalised, as were a creche and several homes and municipal offices.

Youths and police were engaged in running battles in the streets where burning barricades had been erected. There were sporadic incidents of stone-throwing and tear-gassing.

Members of the South African Defence Force conducted house-to-house searches in some streets. A TV camera crew had to abandon a car and flee when youths stoned it.

Late last night a Randfontein Town Council spokesman said the situation had calmed down, with occasional outbursts of violence.

A West Rand police spokesman said this morning the situation remained tense but no new incidents had been reported.

Earlier in the evening a crowd of about 3 000 people was dispersed by police who fired teargas and rubber bullets.

Regional police spokesman Colonel Frans Malherbe said the people threw stones and petrol bombs at policemen who ordered them to disperse. Two police vehicles were damaged.

The council spokesman said electricity supplies to 24 houses had been suspended on Monday morning. These were houses where residents had last paid their accounts three months or more ago.

Stoning

No official casualty figures were available at the time of going to press.

A Toekomsrus crisis committee member, who did not want to be identified, claimed several people had been shot with rubber bullets and live ammunition. A police spokesman said no live ammunition had been used. The crowd had thrown stones and petrol bombs and the police had used only teargas and rubber bullets.

In Ermelo's Wesselton township, which has been without water or sewerage since Tuesday, police used teargas to disperse a large crowd of angry residents attempting to march into the town.

Bitter township residents charged that the CP councils gave them no warning of the coming cuts, nor made any emergency provisions for families to get water elsewhere.

A weeping Wesselton mother of a small baby told The Star today: "These CP people are very cruel. My baby's nappies are all filthy and smelling, I've got no clean dishes left ... how can they expect us to live like this?"

She said mothers were forced to walk several kilometres to nearby farms to get water because township residents were scared to go into the white town.

Many residents told The Star they felt betrayed because, in the past month, after a year-long boycott, they had begun paying a R45 flat rate to the Wesselton council.

A spokesman for the Wesselton council said its income had not been enough to meet its September water account.

Civic association representatives from Middelburg, Carolina and Bethal met at the ANC's eastern Transvaal office in Nelspruit yesterday to discuss the problems in detail and decide on action.

New boycott warning — Page 2.

Electricity rate rise

55

ELECTRICITY rates go up by eight percent from next year, Eskom announced yesterday.

The chairman of the electricity council, Dr Johan Maree, said the rise was the lowest in six years and was in step with the State President's programme to stimulate the economy.

Maree said the price increase for 1991 was expected to be as much as four percent below inflation - in line with Eskom's policy of keeping increases lower than the rate of inflation.

Sowetan 19/10/90

"We are also sensitive to what is happening in South Africa and the need for a strong economy to build the new South Africa," Maree said.

He said the electricity council believed that a low price would benefit all users and encourage the economy to recover more rapidly.

Asked how the rent and electricity boycotts had effected Eskom, Maree said that all the company's debtors had paid their accounts up to the end of August.

Production of diesel heads for over-supply

Star 19/10/90 (55)

By Des Parker

A surplus of diesel production — pointing the way to lower prices for the fuel in an unregulated market — is on the cards if demand for petrol continues to increase faster than that for diesel.

The National Energy Council (NEC), the organisation responsible for coordinating the use of energy in South Africa, says in its 1989-90 annual report that the ratio of demand for diesel to petrol shifted from 48:52 in 1979 to 40:60 last year.

If this trend continues in the future, it could result in an imbalance between the supply and demand ratios and an oversupply of diesel.

In a liquid fuel market operating without the present price regulations, a growing excess of supply over demand should lead to diesel becoming increasingly cost-competitive with petrol.

SAA fares going up due to fuel price rise

Star 19/10/90 (55)

By John Miller

South African Airways will increase domestic fares from November 1 by between 9 and 11 percent.

At the same time, the 50 percent reduction on early morning and late night flights will be cut to 40 percent.

In addition, all local and international advertising and capital projects — such as extensions and upgrading of various SAA buildings — will be suspended.

A further rise in international fares is expected at the end of this year.

SAA media manager Leon Els said the latest increases of 9 percent on short distances, 10 percent on middle distances and 11 percent on longer distances were unavoidable because of the dramatic increase in jet fuel prices.

He said the current fuel price was 128 percent higher than in August.

Eskom 8 pc rise lowest in six years

ST 19/10/90 (55)

Eskom announced yesterday an eight percent across-the-board increase in the price of electricity from January 1 — the lowest in six years — and a price incentive package to encourage export industries.

Eskom chairman John Maree said the low price increase was aimed at combating inflation and promoting exports in a two-pronged initiative in support of President de Klerk's programme to stimulate the economy.

Domestic consumers supplied directly by Eskom will pay about 1c more per kilowatt a month.

City and town councils that buy electricity from Eskom will probably pass on the increase to the consumer next year.

The increase is four percent below the predicted inflation rate for 1991.

Residents chased from taps – claim

Police 'slashed and punctured water buckets'

Star 19/10/90 55

By Therese Anders
Highveld Bureau

Ermelo

Young white policemen slashed the plastic containers of desperate Wesselton township people who walked up to 4 km to find water, witnesses allege.

They also claim police yesterday overturned hundreds of buckets of water as weary residents trudged home, Casspirs rode over tin containers and police used dogs to chase thirsty mothers and children away from taps in the nearby Indian township.

All those making the allegations have given permission for The Star to use their names.

Law and Order Ministry spokesman Captain Craig Kotze said today: "We regard such alleged acts as abhorrent and if any policeman is found guilty of such an act, strict disciplinary action will be taken."

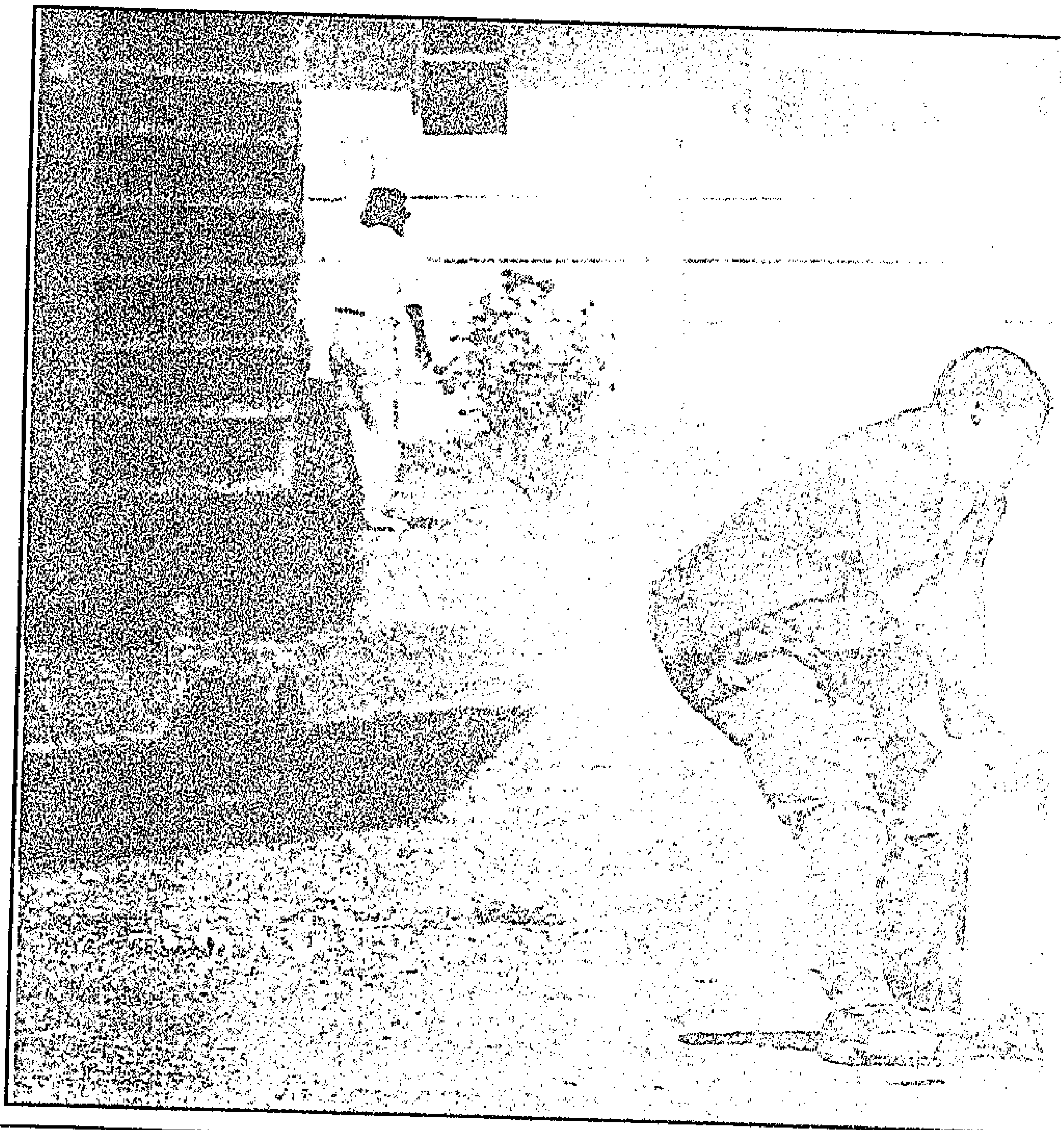
Captain Kotze urged witnesses to come forward. He promised anonymity would be respected.

Chaotic

Wesselton's 50 000 residents have been without water or water-borne sewerage since Tuesday when Ermelo's Conservative Party suspended supplies.

The situation in Wesselton was described as chaotic yesterday as thousands of angry township folk flocked into the white part of town, to the Indian township and even nearby farms in search of water.

Boetie Tilly, a garage owner in the Indian township of Cassim Park said: "On Wednesday about 100 black people were lined up fill-



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Govt hints at petrol price inc

Star 19/10/90

By Peter Fabricius
Political Correspondent

The Government has hinted that another increase in the petrol price is imminent. The move is expected this weekend

creases must not lead to sustained increases in general prices.

With SA's relatively low dependence on oil, an increase in fuel would not necessarily have the effect on the inflation rate th

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Boetie Tilly, a garage owner in the Indian township of Cassim Park said: "On Wednesday about 100 black people were lined up filling containers at my garage.

"All of a sudden a police Casspir and a van arrived and parked right outside my building.

"Two young white cops got out of the van. In front of my eyes they took out knives and began puncturing the plastic containers so that they were unusable.

"And they were laughing. To them it was a great joke.

"These people, and the council, will have to answer to God for what they are doing."

Johannesburg businessman Ahmed Cassim says he was in Cassim Park yesterday morning at 10 am when he saw police with dogs chasing black women and children with buckets away from private residences.

The Star saw a policeman approach Zakhi Nkambula as he was filling a large drum at the Indian primary school. Mr Nkambula claimed he had permission to use the tap but the policeman threatened to arrest him for stealing water. The officer then gave Mr Nkambula a long lecture about paying his water account.

A police spokesman said Ermelo police had been experiencing difficulty since the water stoppage, with people entering private premises and stealing water.

A number of fire hydrants had been broken and water pipes had been dug open and punctured.

He said police had organised a water tanker to be parked in Cassim Park, but "because youths intimidated the people who went to fetch water, police were forced to withdraw the tanker".

Govt hints at petrol price increase

Star 19/10/90 (55)

By Peter Fabricius
Political Correspondent

The Government has hinted that another increase in the petrol price is imminent. The move is expected this weekend.

There has been speculation recently that the expected increase could be more than 20c/litre.

Minister of Administration and Economic Co-ordination Wim de Villiers said at a briefing today South Africa could not escape adjustments to domestic fuel.

"It will be unwise to suppress essential relative price adjustments artificially.

"In this regard, my colleague, the Minister of Mineral and Energy Affairs and of Public Enterprises, will make an announcement tomorrow."

Dr de Villiers said fuel price increases must not lead to sustained increases in general prices.

With SA's relatively low dependence on oil, an increase in fuel would not necessarily have the effect on the inflation rate that was often forecast.

It would not therefore necessarily frustrate the Government's goal of bringing down the inflation course in relative terms.

Stimulating

Dr de Villiers gave more details of the Government's plan to restructure the economy by bringing down inflation and stimulating exports.

Referring to Eskom's announcement yesterday of an eight percent tariff increase for 1991, plus special concessions for those using multiple shifts and unused capital for export, he disclosed that the export concession was that tariffs would remain constant at 1990 prices for three years.

Over the next three years these special tariffs would be gradually amended to bring them in line with the current general tariffs.

Dr de Villiers said that the Government was determined to continue its strict monetary and fiscal policy.

If the private sector followed the Government's example in keeping prices and wages down, there was no reason why the inflation index should not start dropping again.

The Government intended to bring down inflation to the level of its main trading partners during the next three to four years.

PETROL DEREGULATION FM 19/10/90 55

JOCKEYING OVER THE PUMP PRICE

With the petrol price heading towards R1,50/l — and beyond — the urgency of deregulating its sale and allowing discounts has never been more pressing.

Government is thinking of doing just that despite opposition from petrol station owners and some oil companies.

The price is set by government and all petrol stations are obliged to stick to it. Early this week it was R1,28/l in the PWV and R1,23/l at the coast. The law prohibits companies from charging more or less.

Four years ago Pick 'n Pay tried to discount petrol but it was stopped in court.

Fortunately, that ridiculous situation, in which companies can be prosecuted for saving motorists money, may not persist much longer.

Since the Pick 'n Pay episode, deregulation has entered government's vocabulary. After April 1, government will no longer set the bread price. This will leave petrol as the only significant commodity under price control.

The National Energy Council has sent questionnaires to oil companies and interested parties for their views on deregulation. The Competition Board will finish its investigation in the next few weeks and will recommend to government whether or not petrol price control is in the public interest.

Pick 'n Pay chairman Raymond Ackerman says he believed deregulation was coming until the Gulf crisis erupted. This might be causing government to have second thoughts. "The arguments about the strategic nature of petrol were beginning to disappear, but they have started surfacing again."

Garage owners argue that deregulation of the petrol price and relaxation of laws that restrict self-service petrol stations would lead to 40 000 lost jobs. They also say a deregulated price will concentrate ownership in the hands of supermarket chains and other discounters. The Motor Industries Federation, which represents car dealers and petrol station owners, declines to comment because the matter is before the minister of mineral and energy affairs.

Ackerman doesn't believe the short-term job losses outweigh the potential savings for consumers. "It could have been argued that supermarkets lead to the closure of small shops and, therefore, job losses, but such arguments can't be used to stand in the way of progress."

Oil companies are divided. One internationally controlled company opposes deregulation by claiming "the inevitable loss of jobs, failures of small service station businesses (many of these black-owned), concentration of ownership and complexities of synfuel arrangements outweigh any advantages."

Engen MD Rob Angel, however, is unconvinced by this doomsday scenario. "The SA oil industry is already very efficient so there aren't many further efficiency gains that might come from deregulation. I'm relaxed about deregulation, if it comes. Our company, at least, is strong enough to withstand it."

He adds: "I do believe, however, that with the heavy supply of petroleum products from the synfuel industry — and given the need for a viable synfuel industry — it will make deregulation difficult to implement."

Angel says claims of massive job losses are exaggerated. "It will take time to introduce self-service and there will always be a demand for full-service."

Angel adds, though, that deregulation won't necessarily be perceived as good news. "It will lead to more frequent price adjustments, up and down, and therefore greater confusion for the motorist."

BP and Sasol would not comment.

The Automobile Association isn't commenting on deregulation but it supported Ackerman during his dispute and it favours the introduction of self-service stations.

The Consumer Council wants the fixed price changed to a maximum price to allow retailers to charge less. "There shouldn't be an absolutely free price because it would be able to escalate in areas where there was no competition," the council's Jan Cronje claims. "Any deregulation should be implemented in an orderly fashion to prevent economic disruption."

It may be wishful thinking to expect deregulation without disruption but, then again, we already have lots of disruption — the kind caused by a doubling of oil prices.

Stephen Cranston

CORDLESS TELEPHONES

TYING UP THE MARKET

The Post Office has for years been trying to stamp out the use of what it terms illegal cordless telephones but demand for the devices continues to grow. More than 400 000 of them are in use in SA, according to one distributor.

Several attempts by cordless phone distributors to have their products approved by the Post Office for use on the telephone network, and therefore made legal, have been turned down for what the Post Office describes as technical reasons. In fact, legislation regarding these products has been tightened.

In April the Radio Act was amended to outlaw the possession of unapproved cordless phones and to introduce stiff penalties for those who didn't observe the regulations. Users face fines of up to R2 000 while companies that buy, sell, hire, exchange or even repair them are liable to be fined up to R10 000.

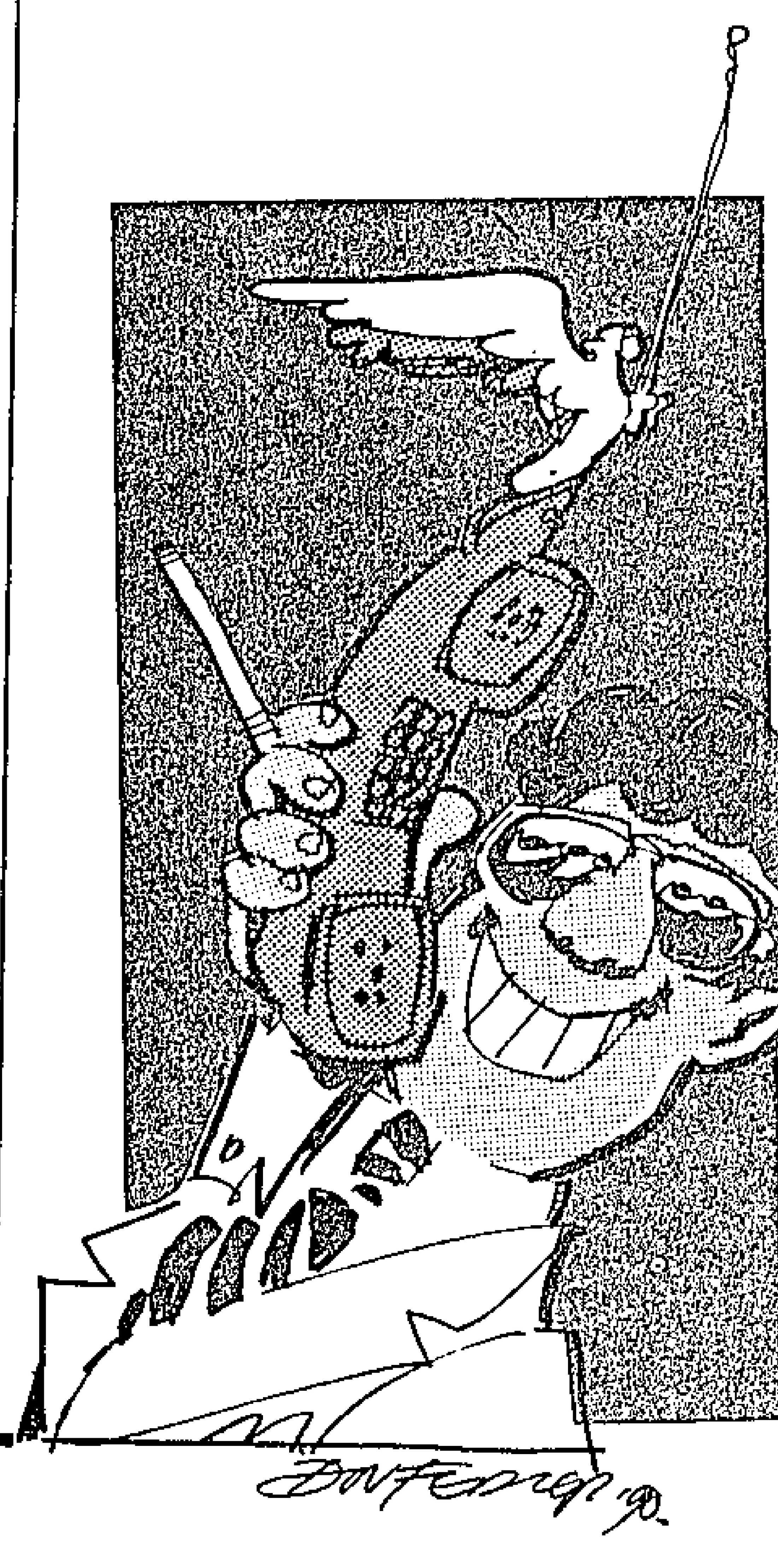
Now the Post Office has, for the first time, approved the sale of a cordless phone. Last month it gave the all clear for Telephone Manufacturers — the sole supplier of standard telephones to the Post Office — to sell its high frequency Uniden UD 970 cordless phone.

The Taiwan-made Uniden, which operates on the 914/915 MHz and 959/960 MHz radio frequencies, will be launched by the company next week.

With a retail price of about R3 000, the units are considerably more expensive than the illegal phones still being sold in most major cities. These devices, which usually operate at a lower frequency of 46/49 MHz, cost as little as R300.

Telephone Manufacturers' marketing consultant Garth Brook says the high frequency of the Uniden ensures greater clarity of transmission and better security than illegal low frequency units.

"The international trend is to higher frequency phones because this provides a great-



Uneasy calm in Toekomsrus after residents meet police

Star 20/10/90 55

BRIAN SOKUTU and SAPA

AN uneasy calm descended on Toekomsrus township near Randfontein yesterday as Casspir patrols were withdrawn.

This followed an urgent meeting of the police and representatives of the Toekomsrus Crisis Committee.

Police liaison officer Captain Henriette Bester, however, said some of the Casspirs would remain to protect the community. She said they would be withdrawn as soon as the situation had improved.

Law and Order Minister Adriaan Vlok imposed a dusk-to-dawn curfew within hours of the death of a 18-year-old senior secondary school pupil Meme Kano, who was shot by police on Thursday night.

According to a police spokesman the shooting occurred after a police vehicle had broken down in the township and was petrol-bombed.

Several people, including The Star driver Sam Mathe were injured when the police opened fire with rubber bullets and teargas.

Duty police officer Captain Eugene Opperman confirmed the incident.

The situation seemed quiet yesterday morning with youths playing football, watched by police in Casspirs.

Two policemen guarded the partially burnt home of Labour Party official Basil Padayache.

The family left to stay with relatives after their home was attacked on Thursday.

An 11-year-old girl, Tessa Stadhouer, was also injured and damage was caused when a teargas canister ripped through a front window of the home of Margaret Stadhouer.

The violence erupted following the cutting off of electricity by the Randfontein Town Council earlier this week.

Fuel price may stay up

Star 20/10/90 (55)

GLOOMY VIEW: Helen Arnsmeyer of Bedfordview, seen here with pump attendant Sammy Ncube, was one of thousands of motorists who queued at filling stations countrywide to fill up her tank before the midnight 32c a litre fuel increase. © Photograph: Karen Fletcher.

STAFF REPORTERS

THE petrol price — which shot up a staggering 32c yesterday — may not come down even if the oil price eventually drops after the Gulf crisis.

The Government may decide to maintain the price at its high level and to keep the difference as a fuel levy.

This emerged yesterday from remarks made by Finance Minister Barend du Plessis at the Transvaal National Party congress in Pretoria.

Jeppe MP Hennie Bekker suggested at the congress that if the Gulf crisis ended, the Government should be careful about lowering the petrol price. He said it had been found in the past that when the petrol price was lowered, other prices which had risen because of it did not come down.

Mr Bekker proposed that the Government should keep the price at its current level and increase the fuel levy, which could then be used for the benefit of consumers in other ways.

See Pages 10 and 12

Mr du Plessis said there was "merit" in Mr Bekker's suggestion. However, the Government had made no decision. "We will cross that bridge when we come to it."

This new blow to the cost of living comes hot on the heels of the slump in the gold price, which threatens tens of thousands of jobs.

The South African Chamber of Business warned last night that inflation would immediately be pushed up by more than 1 percent and would rise again as the effects of transport costs were felt.

Among the worst hit will be the country's poorest people — the millions of black commuters using the 14 000 minibus taxis nationwide.

The Southern African Bus Operators' Association said in a statement yesterday that the annual 700 million commuter trips by their 14 000 minibuses were transporting commuters who earned an average monthly income of less than R500.

Depending on the distance travelled, tariff increases could amount to 20c in the cities, increasing weekly costs by as much as R5. This would place tremendous pressure on commuters and employers.

The managing director of OK Bazaars, Gordon Hood, deplored the announcement as "obviously inflationary".

He said OK Bazaars would attempt to minimise the effects on its customers.

... but in the UK it's FALLING fast

ALAN ROBINSON

LONDON — The massive 32c-a-litre rise in the price of petrol in South Africa ironically comes at a time when a fierce price war between petrol companies in Britain is driving the price down to almost pre-Kuwaiti invasion levels.

The price here has fallen to R2,20 (44 pence) a litre from a peak of R2,78 a litre (55,6 pence) last month. Before Iraq invaded, some garages were selling petrol at R2 a litre (40 pence).

Falling

The big oil companies say the cuts have been made possible by the falling price of crude oil on the Rotterdam spot market. But consumer organisations here say that is only part of the story.

They claim that a major factor in the war at the petrol pumps is a concerted campaign by motorists to hit back at what they see as naked exploitation.

According to surveys, petrol sales have fallen by 15 percent since prices reached their peak. The Automobile Association confirmed consumer resistance: "People are using their cars less. They are shunning petrol stations where the price is too high."

Labour Party consumer affairs spokesman Nigel Griffiths put it more forcefully: "There is a burning public anger about the wholly unjustified increase in petrol prices.

"That has translated itself into a virtual boycott of filling stations by one in seven motorists."

The bigger oil companies are believed to have lost millions at the pumps, not only because of the boycott by drivers, but also because motorists have been turning increasingly to the smaller independent suppliers who have consistently undercut the giants.

Insiders have been predicting even further cuts next week.

SAA Boeing in forced landing

DAWN BARKHUIZEN

STAFF at Jan Smuts Airport were put on full alert last night after an ignition fire forced the pilot of a South African

Doctors fear baby deaths cover up

SUE OLSWANG

DOCTORS are becoming increasingly concerned that there is "some sort of cover-up" regarding the recent spate of infant deaths believed to have been caused by a contaminated medical product.

Mr Peter Soiler, the attorney representing the parents of babies who died

"want this thing exposed".

Mr Soiler told a meeting of grief-stricken parents this week that he could not understand why the manufacturers of the product implicated in the

- Whether any more new-born babies may be at risk.

More deaths are being reported while the hospitals, the Department of National Health and the manufacturer of the suspect product steadfastly refuse to adequately clarify questions surrounding the incident. Saturday Star

Petrol price 55

FROM PAGE 1.

cated to a dedicated road fund "to address the serious problems that exists in that area", a spokesman said.

"Furthermore, the AA is of the opinion that serious consideration should be given to releasing a portion of the strategic crude oil stocks presently held in order to contain the fuel prices at an acceptable level until such time as the crude oil prices return to previous levels."

The Democratic Party would also support a partial "drawing down" of the reputed fuel stockpile to help ease the high crude oil prices in the short term.

Motorists have reacted angrily to the latest fuel price hike, with many claiming that a number of petrol station owners have cashed in on the increase by closing their pumps until the new price came into effect.

Approached for comment, the manager of one garage said his power had been cut as a new fuel tank was being installed. The same excuse was given by the manager of another garage.

A spokesman for the National Energy Council said the NEC had also received a number of complaints that garage owners yesterday refused to sell petrol at the old price.

He advised members of the public to provide the NEC with the names and suppliers of such garages.

'Use oil stocks to peg pump prices'

S Times 21/10/90

Political Correspondent

THE Democratic and Conservative parties have demanded that the government use the country's reserve oil stocks to keep petrol pump prices down.

The call came after yesterday's shock 32c and 33c rise in the fuel price.

Finance Minister Barend du Plessis has ruled out using oil reserves — their extent is secret — to keep domestic fuel prices down.

On October 7, Mr Du Plessis said neither oil nor any of the country's other reserves would be used for short-term benefit.

President F W de Klerk, however, said on October 4 when he addressed the Natal Chamber of Industries: "With respect to oil price increases, we are in a particularly fortunate position.

"We produce a portion of our petrol from coal and we have a large stockpile of oil."

On Friday, the Minister of Administration and Economic Co-ordination, Dr Wim de Villiers, was asked at a press conference what would happen to the oil stockpile.

Dr De Villiers said: "I don't want to talk about that. It's sensitive." SS

This week a spokesman for the President's Office said Mr De Klerk backed Mr Du Plessis's statement that reserves would not be used domestically as a price-brake mechanism.

But there appears to be some thinking in upper government echelons that the oil stockpile could be used to soften energy costs or improve the balance of payments once sanctions are lifted.

A Cabinet source denied this week that there had been a Cabinet dispute over the issue.

Glowing praise for Eskom's light hike

S Times 21/10/90 55

By DON ROBERTSON

BULK users of electricity involved in exports believe that Eskom's modest price increase for next year and the special incentives being offered will increase their international competitiveness "tremendously".

It will be particularly beneficial next year, when Eskom's present power rebate scheme is phased out in March.

Hans Smith, managing director of Samancor, says that electricity represents 30% to 40% of total production costs, so any savings will be welcome. He adds, however, that the company is not looking for any Government subsidy.

Unfair

John Gommersall, managing director of Middelburg Steel & Alloys, says the 8% price rise for next year is well below expectations and has come as "pleasant relief".

He says electricity constitutes about 25% of ferrochrome production costs, although it is less important in the production of stainless steel.

"How the plan is implemented is important. It must be done on a sector basis rather than on a project basis, which could allow unfair competition."

Eskom plans to use its spare capacity and reduced financial needs to keep next year's electricity price rise at the lowest level for six years.

By selling unused capacity and cutting back its capex it has been able to hold next year's price increase to only 8%.

The increase, which is well below the 14% rise of last year and 10% in the previous two years, will help fight inflation and will also enable Eskom to offer incentives to exporters. The decision stymies any hopes there were for the privatisation of Eskom.

Eskom reckons it has saved industry more than R600-million by holding its prices.

Eskom's Electricty Council chairman John Maree says that the council, in consultation with the Cabinet, decided to keep the increase to single digit figures.

"It was just a case of deciding which figure it would be. We had to ensure that Eskom remained financially sound."

But chief executive Ian McRae says that the decision to keep increases at only 8% will oblige the corporation to increase productivity.

It will be necessary to optimise generating capacity and spare capacity will be used to offer incentives to industry, says Dr McRae.

No new capacity will be needed until the end of the century, and capital requirements will accordingly remain low.

Dr Maree says a 10% decrease in electricity prices has the effect of reducing inflation by 1% and that the 8% rise for next year will reduce inflation by 0,4%.

It is the intention, in future, to keep price rises below inflation.

Boycott

Dr McRae intimated that Eskom could be in a position to offer these incentives for about five years.

"Even if we are able to reduce the lead time for the establishment of a power station from the present 10 years to about six years, we will have to commit new funds from the first half of 1995 to meet requirements in the year 2000, when all spare capacity will be totally committed."

The consumer boycott has affected Eskom only since the end of August. Prior to that, local councils were responsible for meeting tariffs with bridging finance from central government and provincial authorities.

The use of a prepayment card in household meters has been well received, says Dr McRae, although in some areas it is seen as a plan by Eskom to overcome non-payment of monthly accounts.

"They now have total control over how much they spend on electricity and we don't understand why some homeowners are complaining," he says.

Lights on in Pretoria and Daveyton

THE Pretoria Supreme Court on Friday ordered that no further electricity cuts be made to Atteridgeville homes. C/Pres 21/10/90

55

This interim ruling follows an urgent application on behalf of the Atteridgeville/Saulsville Residents' Organisation.

Meanwhile, Daveyton residents must pay their electricity bills by October 31 or have their supply cut.

The Daveyton Interim Committee brought an urgent action in the Rand Supreme Court against the Daveyton Town Council, the Transvaal Provincial Administration and Benoni Town Council after electricity was cut off this week.

Meanwhile, power was restored after Escom agreed to supply electricity for two weeks.

55

Power cuts 'recipe for disaster'

By SOPHIE TEMA

A new rent crisis was looming in Transvaal townships, civic associations warned this week.

The associations said the official strategy of power and water cuts was a recipe for disaster that would affect the progress of a number of official and township negotiations in progress on rent boycotts.

But the Transvaal Provincial Administration (TPA) pointed out this week that electricity and water in townships were being cut by the bulk suppliers of these services – Eskom and the Rand Water Board – and not by the TPA.

Meanwhile, civic associations – the UDF National Civics office and the Civic Association of Southern Transvaal (CAST) – said the water and power cuts to Silobela, Mhluzi, Wesselton and eMzinoni, would lead to intensified residents' action.

Water and electricity were cut to these areas between October 15 and 16.

A statement by the UDF National Civics Office said: "We are deeply disturbed by the developments in various townships in the Transvaal.

"The switching off of the electricity supply to numerous townships, together with the uncompromising attitude of the TPA, local authorities and other parastatal institutions, have led to a situation where negotiations at local level have become untenable."

Cast said:"The switching-off of lights while negotiations are in progress can only lead to anger among the people."

Matters came to a head on Friday at the Pretoria Supreme Court when the Pretoria City Council was ordered to temporarily restore electricity to Atteridgeville residents

The court ruled that:

■ Power cuts to the 1 500 houses be stopped until October 24 this year.

■ During this period residents were required to pay their accounts for September only.

Failure to comply with the temporary relief would lead to electricity cuts after 1pm on October 24.

This means that more than 8 000 residents must pay their service charges for September only, plus a R15,50 reconnection fee.

Final judgement on the application would be delivered on October 26. In the meantime residents were requested to pay their accounts for September.

Several organisati including the East Rand's Daveytorwn Council were this week negotiating h the white town councils to restore thpply of power to townships that have p affected by the power cuts.

In Germiston electy supply and the switch-offs were disced at length at a meeting held between Daveyton Town Council, the TPA, Daveyton Residents' Association ande Daveyton Ministers' Fraternal.

Following discussi with Eskom, an agreement was reachbetween the council and the supplier teconnect electricity to Daveyton. Thaccord would be valid until October 31

It was agreed Daveyn residents would start paying a flat raof R70.

Poor will be worst hit by rise in fuel price

55

Citizen 2/10/90

THE petrol price increase will adversely affect the country's poorest people – the millions of black commuters who use South Africa's 14 000 buses.

The Southern African Bus Operators Association (Saboa) said the annual 700-million commuter trips made by their 14 000 buses transported commuters who earned an average monthly income of less than R500.

Many commuters were unemployed job-seekers using the buses to visit urban centres.

The increase meant the industry would have to absorb an additional estimated cost of about R97-million annually – which would have to lead to fare increases, Saboa managing director Prof J Walters said.

Depending on the distance travelled, tariff increases could amount to 20c in the cities, increasing weekly costs by as much as R5, he said.

Taxi fare hikes were inevitable but a decision still had to be taken to discuss suggested prices.

Regional chairman of the Johannesburg-Soweto Taxi Association Pat Mbatha said a meeting would be held on Thursday where taxi owners would discuss the matter.

Potchefstroom United Taxi Association (Puta) president Sam Seekane said his association would meet on October 24 to adjust fares.

"We have no option but to raise the fares because vehicles, spares, tyres and wear and tear have gone up."

He said consideration would be give to consumers who did not earn much money.

The association also wanted to improve its service, he said.

OK Bazaars managing director Gordon Hood deplored the announcement of yet another fuel price increase as "obviously inflationary".

"Any increase in the price of fuel has an impact on the distribution costs at a manufacturer-supplier level, and inevitably their price to the retailer is increased."

Political comment and newsbills by K Sibiya, headlines and sub-editing by K Naidoo, both of 2 Herb Street, New Doornfontein, Johannesburg.

BUSINESS DAY, Monday, October 22 1990

(55)

Electricity price hikes to be kept low

ZILLA EFRAT

THE sub-inflationary 8% rise in electricity prices announced for 1991 would not result in huge compensatory price increases further down the road, Eskom said.

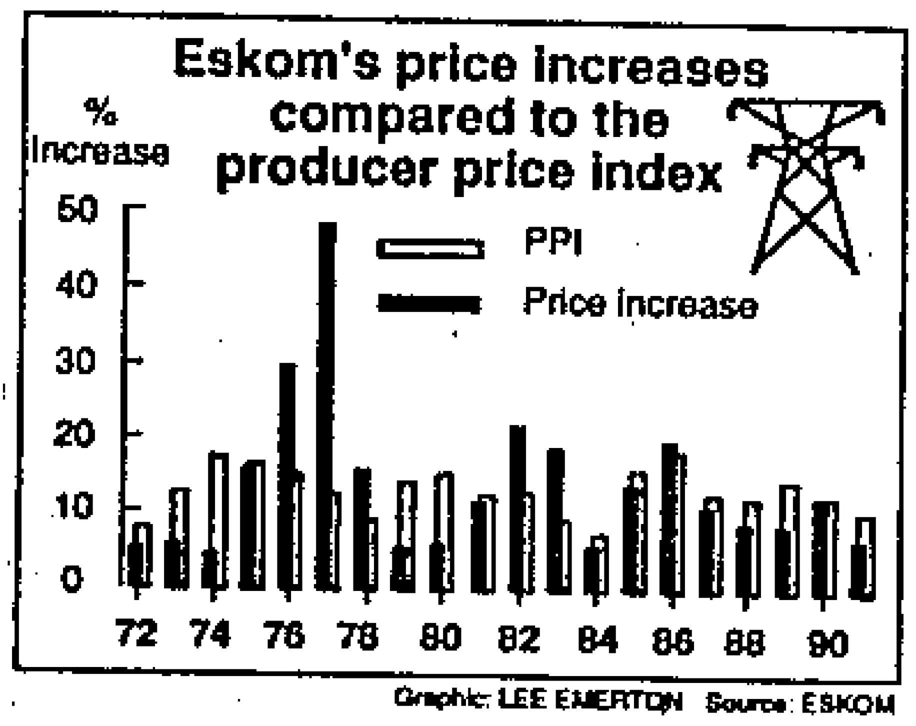
Eskom last week announced its lowest electricity price rise in six years and an incentive package to encourage export industries.

Electricity Council chairman John Maree said Eskom had agreed to go along with Administration and Economic Co-ordination Minister Wim de Villiers's latest economic stimulus plan by keeping the price increase below the inflation rate.

Last week at a Press conference, when asked if Eskom had been "forced" to go along with this plan, Maree said while various views had been aired in discussions between Eskom and government, the final decision had been reached without any differences.

Despite the assurances that huge price increases would not be imposed in future, some economists were concerned that history might repeat itself. In the past two decades, low annual price increases from Eskom had been followed by substantial hikes later to counter their effects.

When announcing 1991's price rise last week, Maree indicated that this cycle would not be repeated.



Eskom's price increases compared to the producer price index

Graphic: LEE EMERTON Source: ESKOM

He said Eskom had excess capacity. This was the result of an accelerated power station construction programme which began in the late '70s in expectation of continued high growth in electricity consumption which had not materialised.

Eskom was coming to the end of its capital expansion programme and would not need additional capacity until the turn of the century. Eskom had contingency plans if there was a marked change in the economy and demand.

As a result, its expenditure on new capacity would decrease rapidly, reducing the need for financing.

Eskom would also be able to meet the extra capacity when it was needed in the next century. It would continue to increase the effectiveness of its performance.

Sasol payments will boost fund

55

BDay 22/10/90

ZILLA EFRAT

SASOL's repayment of its tariff protection income would strengthen the Equalisation Fund, the National Energy Council (NEC) said when announcing the petrol price increase on Friday.

The fund — which serves to even out the impact of fluctuating oil prices — has been shrinking quickly on account of higher than expected import prices.

At current oil prices, Sasol was paying back 4c/l to the fund on the fuel it produces from coal, a Sasol spokesman said at the weekend. This was because it no longer enjoyed the protection it had received when the world crude oil price was below $23 a barrel.

When world prices go above $28,70 a barrel, Sasol pays back 25% of the income above that amount until the accumulated protection it previously enjoyed has been recovered.

At midnight on Friday, the pump price for 97 and 93 octane petrol went up by 32c/l, while that for 87 octane rose 33c/l. Diesel prices increased by 27c/l. The retail margin on all these products rose 2c/l to cover the increased cost of financing the higher purchase price of crude.

The price rise was based on an international price of $37,50 a barrel. The previous hike on September 4 was based on $22 a barrel because funds were available in the Equalisation Fund to finance the under-recoveries, the NEC said.

While world crude oil prices topped $40 a barrel in September, they levelled off slightly to between $37 and $40 a barrel in October.

The NEC said the increase was unavoidable as the under-recoveries on September 4 were already more than 20c/l.

It said the total under-recoveries for diesel and petrol werenow being passed on to the consumer.

This was done so that any remaining funds in the Equalisation Fund could be used in the future to maintain price levels until at least the end of 1990.

However, the NEC said that if crude oil prices decreased in future, the benefit would be passed on to the consumer.

☐ Sapa reports that on Friday the Transkei government announced an increase in the petrol price of 33c/l and diesel price of 27c/l, and the Namibian government increased the price of 93 octane petrol by 32c/l.

In addition, the Swazi government warned consumers to expect yet another major petrol price increase.

Comment: Page 10

Petrol price hike is 'a major blow'

BRENT MELVILLE 55

THE weekend's 26% hike in the price of petrol has elicited a storm of protest from the SA motor vehicle manufacturing industry.

National Association of Automobile Manufacturers of SA (Naamsa) said the extent of the latest fuel price rise represented a major blow, not only for the SA motor industry, but for the SA economy.

While it fully understood the reasons for the further upward adjustment to the price of fuel, Naamsa said the price rise would reduce disposable incomes, worsen business conditions in an economy already in recession and push up the rate of inflation "fairly dramatically".

"Besides the negative implications of the fuel price adjustment for the domestic economy, the knock-off effect of higher automotive fuel prices throughout the economy comes at a time when the authorities have placed a high premium on the fight against inflation through the application of stringent monetary policy."

Bday 22/10/90

Consumption

Naamsa added there was now likely to be a change in industry buying patterns, although the effect would probably be toned down due to the fuel efficiency of modern engines.

"As a result of automotive technological improvements in recent years, the average fuel consumption of a new car today is less than seven litres per 100km, compared to an average of about 10 litres per 100km in 1980."

But in the absence of any short-term relief from the prevailing high interest rates, the downturn in the SA motor industry might be expected to gain further momentum in the months ahead, said Naamsa.

A Samcor spokesman said the price increase would definitely put a damper on sales of Mazda and Ford.

● See Page 7

Eskom plans for discounts of up to 40%

ZILLA EFRAT (55)

ESKOM's incentive package to encourage export industries could typically result in a discount of up to 40% for additional electricity used and could be opened to some smaller manufacturers, Eskom pricing policy manager Dave Krumm said at the weekend. BDay 22/10/90

He said Eskom was not looking to subsidise already viable projects but aimed to get marginal projects off the ground. In addition, Eskom would be careful not to give one producer an unfair competitive advantage over his local rival.

Krumm said the discount could typically be up to 40% of the additional electricity consumed or could involve a fixed price over a number of years. Deals could range from one to five years.

The extent of the discount would be based on the project's viability, its needs and the duration of the contract.

Krumm said Eskom's price discounts would be extended to customers until Eskom ran out of excess generating capacity at the turn of the century. The discount had to result in additional sales that would otherwise not have occurred.

Krumm said Eskom had had a scheme in operation since 1988 for projects which resulted in the maximum use of electricity at peak times rising by 10 megawatts (MW) or more. This scheme had resulted in the sale of an extra capacity of 160MW to date.

The new project opened the way for some smaller and medium-size companies which required a load of one MW or more.

SA Foreign Trade Organisation (Safto) GM Anne Moore believed there was also scope for other primary industries to follow a similar course.

BRENT MELVILLE reports that Iscor spokesman Piet du Plessis said the group already had a wide variety of incentives, though the amount of exports depended on the domestic market. "Obviously any generous new incentives through Transnet or Eskom would benefit Iscor as one of the largest users of both services, but to what extent is difficult to gauge at present."

However, because Iscor was running at full production, there was no additional capacity to be utilised.

Petrol price rise throttles budgets

GILLIAN HAYNE (55)

THE second petrol price increase, announced on Friday, has hit already strained vehicle fleet budgets, with companies hurriedly implementing strict cost-saving measures, company spokesmen say.

An Eskom spokesman said the September 4 increase of 10c a litre had increased costs by R4,3m which had prompted the need for an in-house awareness campaign to conserve fuel.

"Greater planning of trips has ensured fewer vehicles being used; posters and stickers are being produced to enhance our awareness campaign and better driver training is going to be implemented," he said.

First National Bank's First Auto Fleet chief manager Rusty Gibb said the average vehicle's monthly fuel bill had risen to about 70% of its variable operating costs.

He said one way of minimising the effect was for companies to install a system whereby they could monitor the individual performance of each vehicle, to ensure it was properly tuned and that there was no driver abuse, among other factors, that could result in fuel wastage.

B Day

Economy 22/10/90

"Careful journey planning is essential and drivers should try to use routes where there is good traffic flow. In this regard, more firms should look at introducing flexitime for their staff to ease traffic congestion.

Fuel economy should be a major consideration in purchasing a new vehicle, he said.

Simba-Quix divisional transport manager Scotty Robertson said although his budget was not under pressure yet, steps had been taken to minimise the effect of future increases.

All delivery trucks were installed with a system called Datafos which monitored the driving patterns of the driver, and each month a letter was sent to drivers suggesting methods of improvement. Also greater driver training and route planning had been undertaken.

Times Media Ltd (TML) transport manager Gert Coetzee said his budget was not under pressure.

A combination of having budgeted for the fuel increases and of having filled the company's petrol storage pump before the hikes had kept the pressure off for the time being, he said.

Many ignore stayaway call

By McKeed Kotlolo
Pretoria Bureau

Star 22/10/90 (55)

Hundreds of residents in Atteridgeville, Pretoria, heeded today's stayaway call by the local civic body, but many others ignored it and travelled by train, bus and private cars to work.

Today's stayaway is in protest against the local council's refusal to resign and the recent electricity cuts in the township.

Taxis were not operating and commuters were forced to use trains, buses and private cars to reach their places of employment, township sources said.

They said scores of police were patrolling the streets.

The sources said that no incidents had been reported.

The local town clerk, Daan Mouton, said few council employees had reported for work today.

Mr Mouton appealed to residents to pay their September rent, as ordered by the Supreme Court on Friday.

Electricity supplies to households which were recently disconnected could then be re-connected, he said.

Township sources also said that primary school pupils were sent back to their homes by older pupils from secondary schools.

Motorists will pay out an extra R600-m a month

55

Star 22/10/90

By Derek Tommey

The 35 percent increase in the petrol price in the past six weeks will is expected to cost motorists an extra R600 million a month.

This figure is based on current overseas estimates, generally accepted by the South African petroleum industry, that this country consumes about 330 000 barrels of oil a day.

However, there is a feeling in the local oil industry that providing war does not break out in the Middle East, the petrol price is not likely to be held at the present level for long.

With the overseas price already falling, expectations in the industry are that the petrol price could be reduced in the new year, and this could be part of a package aimed at restimulating the economy.

It is estimated that at the latest crude oil price of around $30 a barrel, the new petrol price includes an over-recovery of about 10c a litre.

Oil industry sources say this is necessary as the petrol equalistion fund was seriously depleted by heavy under-rcoveries in recent weeks. But they expect that once the fund has been rebuilt and there is no difficulty in obtain crude oil at present prices from abroad, the oil price is likely to be reduced.

Oil stocks

Suggestions that some of the country's huge oil stocks should be used to ease the oil suggestion were rejected at the weekend by Mr Harry Schwarz, Democratic Party spokesman on economic and financial affairs.

He said the problem was that war could break out tomorrow, and the reserves then would be vital for the running of the country.

But when the United States officially lifts sanctions on South Africa — which could happen some time in the New Year — he would favour the use of the oil reserves to help stimulate the economy. However, this would require continued peace in the Middle East.

Mr Mike Brown, economist with the stockbroking firm Frankel Kruger Vinderine said the current oil price will lead to some belt-tightening by most South Africans.

The Reserve Bank is not expected to ease the money supply to match the increase in the petrol price. This could result in considerable demand being squeezed out of the economy and to continuing high interest rates.

But he expected that the New Year would see a drop in petrol prices as overseas prices declined and the equalisation fund was rebuit. This would probably be accompanied by lower interest rates which could set the economy on a new growth track.

Petrol increase gets criticism

Sowetan 22/10/90 (55)

Sowetan Reporter

A record increase in petrol prices came into effect on Friday night.

In the PWV area, 93 octane petrol went up by 32 cents to R1,60 a litre, and 87 octane petrol by 33 cents to R1,58 a litre.

At the coast, 97 octane petrol went up by 32 cents to R1,55 a litre, and 93 octane by 32 to R1,51 a litre.

The price of diesel rose by 27 cents a litre. At the coast it will now cost R1,41 a litre and in the PWV area R1,48.

Domestic lighting paraffin went up by 25 cents and paraffin for industrial use by 24 cents.

The increase brought criticism from the Conservative Party and the Democratic Party who suggested that the country's stockpiles of crude oil should be used to relieve the burden. The quantity of the stockpiles is a State secret.

Dilemma

Mr Fanyana Shiburi, the Media Manager of the South African Black Taxi Association (Sabta), said the increase placed taxi owners in a dilemma.

"They are caught between the devil and the deep blue sea. The fare increase has a negative and sometimes violent reaction from passengers. If they do not increase fares, they will lose money and risk going under.

"Sabta members would, however, have to seriously consider fare increases."

Star 23/10/90

RSC says no to financial help for Wesselton

Staff Reporter

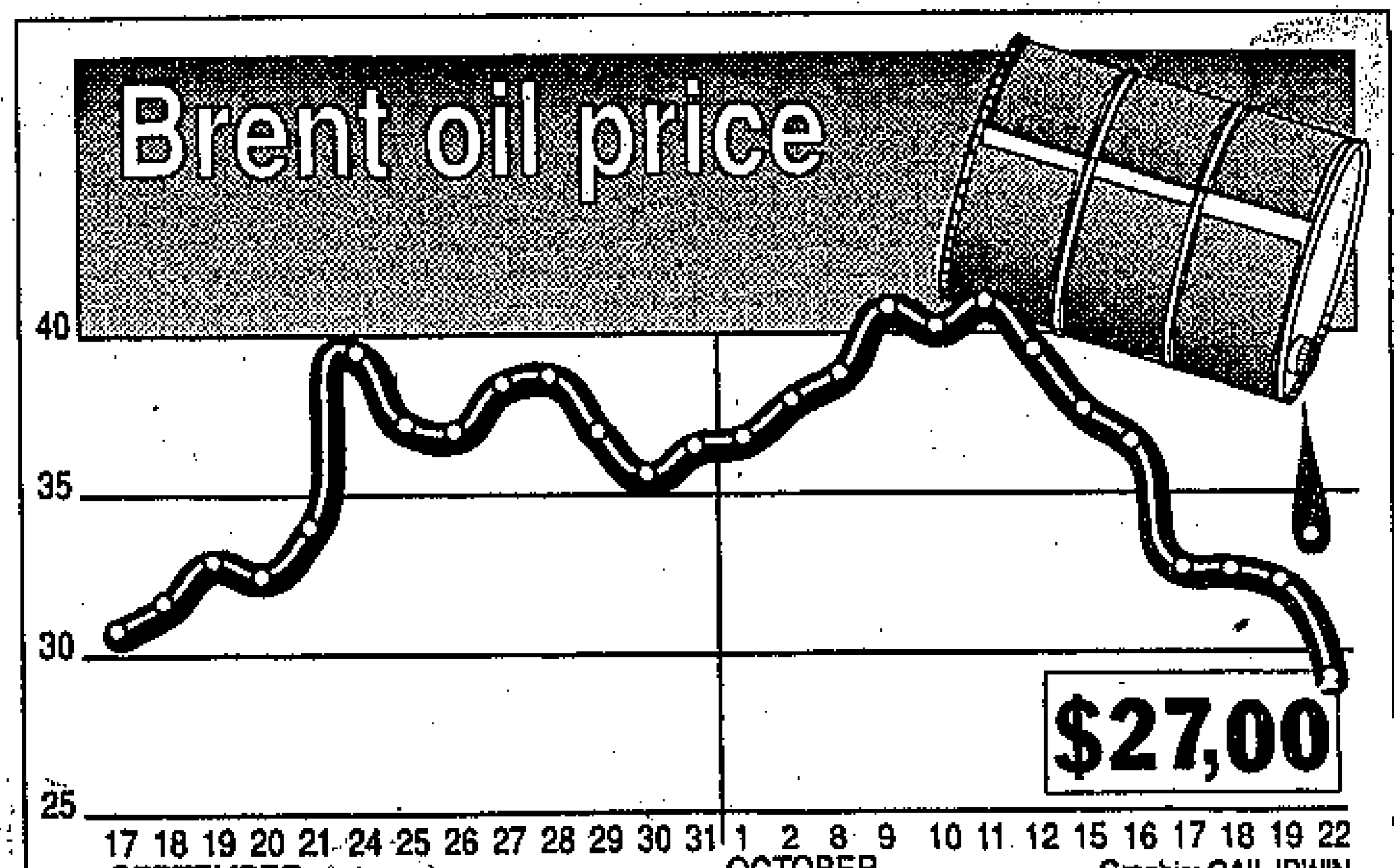
The Conservative Party-controlled Oosvaal Regional Services Council has refused cash aid for Ermelo's waterless Wesselton township, even though the Transvaal Provincial Administration (TPA) had given it permission for this.

Wesselton today entered its eighth day without water or waterborne sewerage after Ermelo's CP council suspended services for non-payment of services and rent.

Fears have been expressed by local leaders about the deteriorating sanitary conditions and the possible outbreak of disease.

Oosvaal RSC chairman Gert Gouws said the Wesselton Town Council had applied for general financial assistance on October 11 and had been turned down last Wednesday, the day after water was cut.

The African National Congress was due to meet the TPA today in an attempt to have Wesselton's water reconnected.



Graphic: GAIL IRWIN

Oil futures prices sank to their lowest since the end of August yesterday amid rising market sentiment that a peaceful settlement in the Gulf was possible.

London's International Petroleum Exchange's December futures contract for North Sea Brent crude traded at a low of $27 a barrel in late business, down $4,01 from Friday's close.

The last time prices for the IPE's front month traded below $27 was on August 31.

In New York oil for November delivery fell $5,41 — the biggest one-day drop in the history of the the New York Mercantile Exchange — to close at $28,38 a barrel. — Reuter.

Star 23/10/90 55

World oil prices tumble

No hope yet of cheaper petrol

Star 23/10/1990 (55)

By Norman Chandler and Peter Fabricius

There is no prospect of an early cut in the petrol price for South Africans, despite a dramatic drop in world oil prices yesterday.

But if the fall is sustained they could eventually benefit from either cheaper petrol or through a drop in income tax.

Finance Minister Barend du Plessis today declined to comment on the latest dramatic drop in crude oil prices and on how it would affect the petrol pump price in South Africa.

There were suggestions last week, however, that the Government might decide to keep petrol at its present level despite falling oil prices, keeping back the difference as a fuel levy which would help to reduce personal income tax.

The Middle East situation will in any case have to stabilise to a far greater extent before any change may be reflected at the petrol pump.

Louwrens van den Berg, the National Energy Council's group executive responsible for energy, today ruled out immediate change in the South African price for petrol — now standing at R1,60 a litre — even though the closing price for crude oil last night was $28,38 a barrel, the lowest for several weeks.

He said that when South Africa's latest fuel price increase was decided on by the Cabinet, on recommendations from the National Energy Council, it was based on crude oil being at $37,50 a barrel, which "is the price based on the landed cost of the imported refined product".

Benefit

The country's earlier petroleum products prices were based on a barrel of oil costing $22.

Mr van den Berg said: "As soon as the new crude price is reflected on our imports, then the situation may change. Once the price has shown a continued drop, there will be a benefit — provided our under-recovery situation has improved and other decisions taken.

"When there is stability (in the Middle East), we can assess it more accurately."

Last night, oil plunged $5,41 on the New York Mercantile Exchange — the biggest one-day drop yet reflected for crude oil. In London, North Sea Brent Blend oil fell $5,65 to close at $26,75 yesterday.

The drops followed remarks by Saudi Arabia's Defence Minister on Sunday that Arab nations were willing to grant Iraq "all its rights". The market interpreted the remarks as a signal that Saudi Arabia was prepared to agree to territorial concessions on Kuwait.

A United Nations official reported yesterday that the Gulf crisis would mean billions of dollars in higher oil revenues to Opec nations, Britain and the Soviet Union, but Eastern Europe and the Third World would suffer.

The Independent News Service reports from London that oil prices plunged as traders came to the conclusion that war in the Gulf was no longer imminent.

The latest falls were good news for net oil consuming countries faced with escalating import bills.

In New York, light crude for November, on the last day of its contract, fell to $29. Crude prices have lost almost $14 a barrel since peaking at more than $40 10 days ago.

Fergus McLeod, an analyst with County NatWest, said the market also believed the US military had come to the conclusion that it would not be in a position to wage a war until January.

But the oil currently being traded was for November and December delivery, and therefore the "war premium" had disappeared from the price, he said.

Tighter

Fundamentals would justify prices "from $25 up to $35 over the winter as things get tighter", he observed.

"There's no spare capacity — an accident at a refinery or a snap of cold weather could see it tip into shortage very easily," he said.

An immediate settlement and the swift return to production of all lost Iraqi and Kuwaiti oil could push the oil price back — "down to the low teens" — he added.

But that was unlikely since the Iraqis would almost certainly insist that any deal included maintaining a high oil price.

● Graphic — Page 22.

Water row: new statements

By Norman Chandler and Musa Mapisa

More residents of Wesselton, Ermelo, who have been without water, electricity and sewerage for eight days, have described police slashing water containers and chasing people from taps.

At a rally in Wesselton yesterday residents spoke to The Star and said police had spilled water, broken buckets and driven over containers when they had gone to collect water at the Indian township of Cassim Park.

On Friday The Star first carried claims by residents that police had slashed and overturned buckets and used dogs to chase thirsty mothers and children from taps.

Lawyers for Human Rights national director Brian Currin yesterday said that a witness to the slashings, Boetie Tilly, had been asked "to commit perjury" after he had earlier given a statement to the police.

In his statement, Mr Tilly said he had seen policemen slash buckets filled with water after he had given people permission to take water from taps at his Cassim Park petrol station.

Police yesterday denied trying to force Mr Tilly to change his statement.

In Wesselton yesterday, resident Khabo Ngcobo said she had seen police pour a "substance" into a stream near the township on Wednesday. Other residents also said they had seen this.

Sibongile Manana said as she walked home on Wednesday after fetching water at Cassim Park, police stopped her, crushed her container and hit her with a sjambok.

Other residents, many of whom did not want to be named, made similar allegations.

Police said yesterday the claims were viewed in a very serious light.

Police spokesman Brigadier Vic Haynes added: "It is definitely not police policy to act outside the law, and where such behaviour by any member can be proved, the police will act against the individual."

He said many people had been asked to provide information and that statements had been or would be taken. He appealed for any witnesses to contact the police.

● 'Don't pay' — Page 2.

Damaged . . . a Wesselton resident holds a bucket of maize she says was kicked and damaged by police last week. Picture: Alf Kumalo.

Star 13/10/90 55

OCTOBER

Renamo pledges to halt attacks on Eskom's Cahora Bassa plant

TIM COHEN

ESKOM CE Ian McRae said yesterday the electricity corporation had made contact with Renamo leader Afonso Dhlakama who had promised not to sabotage electricity pylons near the Cahora Bassa hydro-electric plant.

Speaking at an Africa Institute Conference in Pretoria yesterday, McRae also said he had held talks with Southern African Development Co-ordination Conference (SADCC) officials in Windhoek recently.

The meeting constitutes a breakthrough in relations with the SADCC, which was established to lessen the Frontline States' economic dependence on SA.

The SADCC announced at its annual conference in Gaborone recently that it intended to investigate the possibility of a regional electricity grid and transport network.

McRae said he was struck by the openness and trust which was developing between the countries in the region. "We are developing a common vision."

He said Eskom was confident it would be able to restore electricity production at Cahora Bassa within the next few years. The problem, he said, was that 1 400 towers — one third of the towers in the region — had been sabotaged.

McRae said his confidence sprang from signs that political stability would return to Mozambique, one of which was rebel leader Dhlakama's statement that he was no longer interested in sabotaging the Bassa scheme.

Dhlakama even told Eskom he was prepared to cooperate in the reconstruction of the project.

But McRae said he was not sure he could convince investors to commit themselves to the project because the political process would always come first.

He said there were dramatic changes in the IMF which for the first time was approving projects which included SA.

The fund was also becoming more proactive — identifying possible projects, but McRae urged southern African countries to seek opportunities for project finance.

Fuel hike 'major setback' in battle against inflation

GILLIAN HAYNE

THE recent increases in the price of fuel could add two percentage points to the inflation rate, with their full effect on the economy pushing it even higher, Sanlam chief economist Johan Louw said in the company's latest economic survey.

Louw said the increases constituted a major setback in the fight against inflation, although he believed the underlying downward trend would be resumed in the medium term.

"At this stage we forecast an annual increase in the consumer price index of about 14,5% by the end of 1990 — more or less the same as the average rate estimated for the whole year," he said.

Commenting on the current recession, Louw said although he believed the "cooling phase" would last more than 30 months — much longer than the previous two recessions — it would not have the same intensity.

B/Day 24/10/90

Retarding

In addition to the rise in international oil prices, the unrest, with its negative impact on production as well as on business and consumer confidence, had also helped to slow the economic growth rate.

Referring to the balance of payments, Louw said the Middle East crisis was having a negative effect on SA's export trade as it was retarding the economic growth of some of SA's leading trading partners.

On the import bill he said the current account of the balance of payments was under pressure and the previously expected surplus of R5bn was unlikely to be achieved.

The improvement in the capital account could not stop the falling ratio of reserves to imports.

SA's foreign reserves currently cover less than two months' imports, while an acceptable norm, by international standards, was three months or more.

"This means that we do not have the reserves to accommodate a significant recovery in the economy," Louw added.

The sharp decline in the gold price and the fuel price hikes would make a drop in the Bank rate and an accompanying reduction in the banks' overdraft rate unlikely in the near future, he said.

Institutions go hunting for bargains

Star 24/10/90 (55)

By Jabulani Sikhakhane

The sharp drop in the oil price this week from its high of $40 a barrel has seen institutional investors bargain hunting in the market.

Since last Friday, industrial blue chips have attracted good demand, while mining financials and De Beers have also benefited from the improved sentiment. Shares like Barlows have recovered from a low of R30,75 to R32,50.

After falling to a low of R60 last week, De Beers rebounded yesterday to a close of R63,75.

But with few investors willing to sell scrip on which they are carrying losses, fund managers are being forced to push up the price.

A case in point is Anglo American Investment Corporation (AMIC), which analysts reckon to be correctly priced (relative to expected earnings) in the R69 to R70 range. But demand has pushed up the price R75.

Paul Beachy Head, Southern Life's general manager, equity investments, notes that trading volumes are still too thin to support the large buying orders coming through to the market.

However, Ronnie Masson, Sanlam's senior general manager, investments, warns that there are still too many factors militating against a general upward movement in the market for the next few months.

55

Du Plessis rejects fuel price change

Own Correspondent

DURBAN — The Government could not "play ping-pong" with the petrol price, Minister of Finance Barend du Plessis said in Durban last night.

Interviewed after addressing the annual congress of the Afrikaanse Handelsinstituut, he was asked if the price ocould again be adjusted in view of the drop of more than $10 (R25) a barrel in oil prices since Friday.

Mr du Plessis replied that such decisions could not be taken on the basis of short-term movements of oil. While oil might have fallen $10 a barrel, this conceivably could be followed by a $20 (R50) rise.

It was for the National Energy Council to assess the price of fuel. He understood that an "under-recovery" position had prevailed for some time.

In his speech, Mr du Plessis dismissed the concept that all tax revenue flowing from fuel should be used for the sole benefit of motorists. Neither could such an argument be applied to other taxes — for example, that VAT on medicines should be used only for hospitals.

The Minister said misconceptions existed about user charges.

Investigation

He wanted a proper investigation of the issue and hoped to call a conference of interested parties by the end of January.

He also said there were some encouraging indicators in the economy, such as the drop in money supply growth to 11,3 percent a year. However, there also were too many uncertainties to allow for a relaxation of monetary discipline.

It was not yet possible to let up on tough monetary and fiscal policies. While inflation was heading in the right direction and money supply was nearing the proper levels for the start of an upswing, the level of bank credit remained too high.

The foreign reserves were low, with only enough to cover six weeks of imports. With the world economies going into a decline, South Africa had to be very careful with its balance of payments.

Mr du Plessis said the long-term fiscal policies were being put in place, but the "economic ship" took a long time to turn. While changes in the political areana were speedy, it would take time to do the same economically.

He warned that salary and wage demands in excess of improvements in productivity would have serious consequences for the economy.

Star 24/10/90 (55)

Two convicted of R22-m Eskom fraud

Staff Reporter

Two men who obtained cheques after falsely claiming to represent construction companies which had sub-contracted on work done for Eskom, were yesterday convicted of fraud involving R22 million.

Pretoria construction businessman Donald Hempel (47) was sentenced in the Johannesburg Regional Court to four years in jail suspended for five years.

Johannesburg land surveyor Angelo Capo was found guilty on four counts of fraud and two alternative counts of theft. His case was postponed for three weeks to allow Mr Capo's defence time to prepare for pleas in mitigation.

Eskom employees at Megawatt Park have testifed that on September 29 1987 they gave a cheque for R17 million to a man believed to represent Şieva Construction and, on the same day, three cheques for R5 million to another man allegedly representing Powerlines Construction.

Later both companies sent legitimate employees to collect the cheques. Eskom immediately cancelled the cheques, but R25 000 had already been drawn on the accouts opened by the men.

Murder, gang rapes at Soweto school

Star 24/10/90

Staff Reporter 50 [redacted]

A man was murdered and two women gang-raped at a school in Meadowlands, Soweto, on Monday night, police said yesterday.

The incident follows reports of rape, drug peddling and extortion at another Soweto school, Altem High School, in the past few weeks.

Police said that in Monday night's incident six men had abducted a woman and taken her to Kelokitso High School in Meadowlands.

At the school the gang found a couple.

They chased the man away before raping his girlfriend and the other woman in a classroom, police said.

They said a woman was apparently helped to escape by one of the gang members.

The man was later found dead in the school premises.

He has been identified as Mr Samuel Tlhapane (24) of Zone 10 Meadowlands.

The group was later confronted by two men and one suspect was apprehended.

He is to appear in court on rape charges.

A gang calling itself "Rebeka" is thought to be conducting a reign of terror at Altem High.

Star
24/10/90
55

R154-m to keep services going

By Louise Burgers
Municipal Reporter

An emergency grant of R154 million has been made by the Central Witwatersrand Regional Services Council (CWRSC) to ensure that essential services continue operating in Greater Soweto and Alexandra.

Responding to an "SOS" from the Transvaal Provincial Administration, the CWRSC last night resolved to take emergency action to prevent further hardship in the Soweto, Diepmeadow, Dobsonville and Alexandra communities.

CWRSC chairman John Griffiths said the financial position of the four councils was critical and TPA funds for bridging finance were seriously depleted.

Agreed

The flat rate paid by residents in Soweto, for example, was not enough to pay the electricity bill of R50 million owed to Eskom.

"At the request of the Minister of Finance, the CWRSC has agreed not only to reschedule capital projects for the improvement of infrastructure in black local authorities, but also to provide additional financial assistance to meet essential operational costs," Mr Griffiths said.

The action is temporary and the situation will be reviewed in April next year.

A thorough investigation established that between September this year and March next year, the four councils would need R172,7 million to enable essential operations to continue.

Levy on petrol may lower tax

(55) Sowetan 24/10/90

Ms Queen Hlapane keeps vigil over the body of her brother, Samuel, who was killed by a group of men who also raped Samuel's lover. In the background are students from Kelokitso High School, where the body was discovered.

Pic: GEORGE MASHININI

MOTORISTS will eventually benefit from a sustained drop in the oil price if Finance Minister Barend du Plessis does not decide to increase fuel levies, the National Energy Council said yesterday.

Du Plessis yesterday declined to comment on the latest dramatic drop in crude oil prices and on how it would effect the petrol pump price in South Africa.

There were suggestions last week that the Government might decide to keep petrol at its present level and keep back the difference as a fuel levy which would help reduce personal income tax.

This suggestion came from National Party MP for Jeppe, Mr Hennie Bekker, at last week's Transvaal party congress.

Du Plessis said the idea had "merit" but the Government had not decided on such a move.

The Middle East situation will have to stabilise before any change may be reflected.

Mr Louwrens van den Berg, the NEC's group executive, ruled out immediate change in the country's petrol price - at present R1,60 a litre - even though the closing price for crude oil on Monday was $28,38 a barrel, the lowest in several weeks.

He said that when South Africa's latest fuel price increase was decided upon by the Cabinet, it was based on crude oil being at $37,50 a barrel which "is the price based on the landed cost of the imported refined product".

The country's earlier petroleum products prices were based on a barrel of oil costing $22.

Van den Berg added: "As soon as the new crude price is reflected on our imports, then the situation may change.

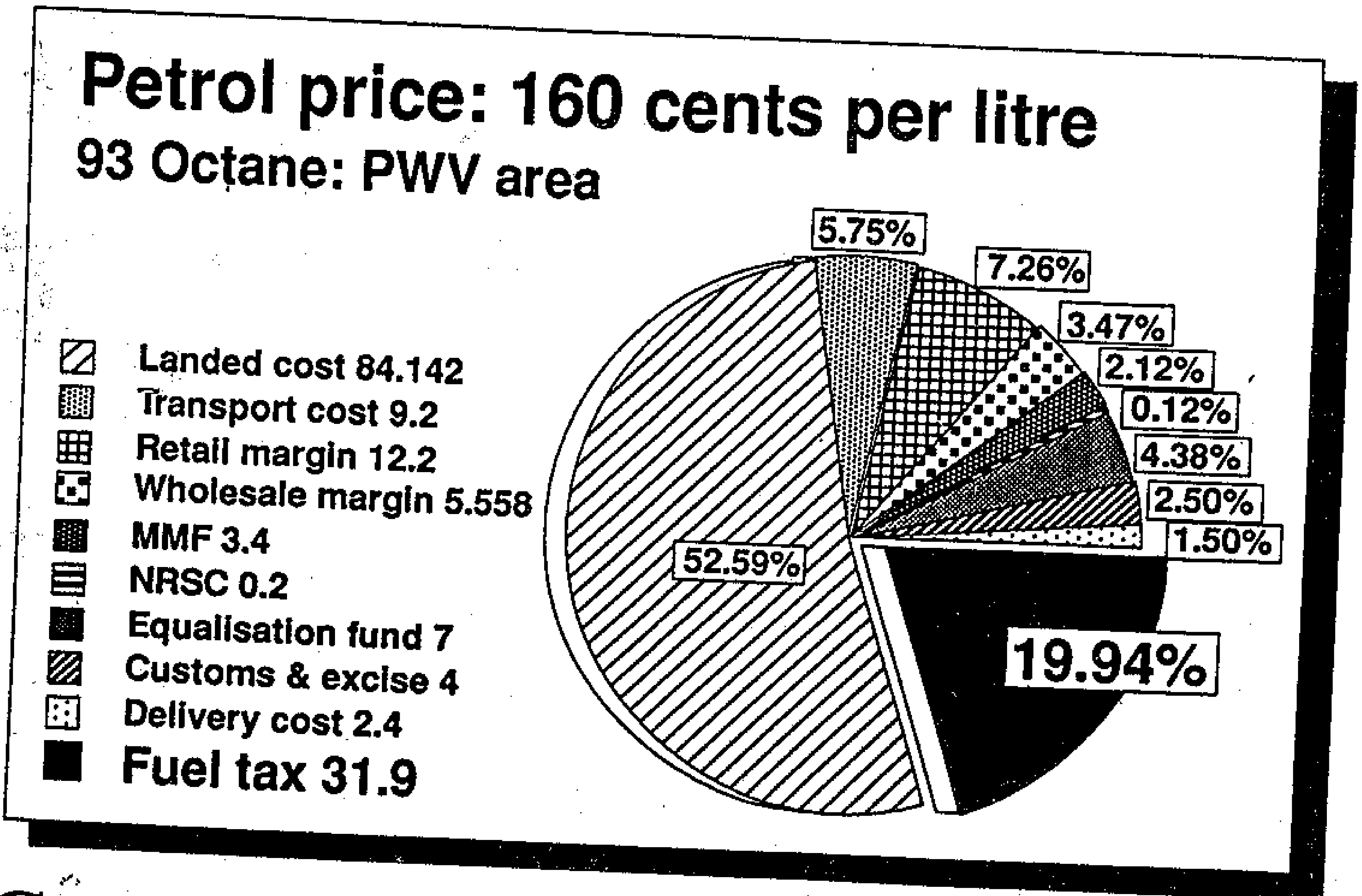
"Once the price has shown a continued drop, there will be a benefit - provided our under-recovery situation has improved and other decisions have been taken."

Last night, oil plunged $5,41 on the New York Mercantile Exchange - the biggest one-day drop yet reflected for crude oil. In London, North Sea Brent Blend oil fell $5,65 to close at $26,75 yesterday.

The drops followed remarks by Saudi Arabia's Defence Minister on Sunday that Arab nations were willing to grant Iraq "all its rights".

The market interpreted the remarks as a signal that Saudi Arabia was prepared to agree to territorial concessions by Kuwait.

A United Nations official said the Gulf crisis will mean billions of dollars in higher oil revenues to Opec nations, Britain and the Soviet Union, but Eastern Europe and the Third World will suffer. - *Sowetan Correspondent.*



Govt's petrol price plan rejected

55 Star 25/10/90

By Jacqueline Myburgh

Two consumer organisations have provisionally rejected apparent plans by the Government to maintain petrol at the current R1,60 level even if the price of crude oil drops back to levels of before the Gulf crisis.

It has been suggested that the balance would be used as a levy to relieve the income tax burden and the National Energy Council confirmed on Tuesday that there would be no reduction of the fuel price to reflect this week's big drop in crude prices.

The scheme could send the price of petrol through the roof if seen against the introduction of VAT in October next year, assistant director of the Consumer Council Daan Kruger said.

"One shudders at the thought of what petrol will cost with this planned levy and the added tax," he said.

Spread

With the introduction of VAT in October Mr Kruger did not expect the Government to restructure the income tax system six months in advance as is suggested by the levy scheme.

"In principle we have no objection to some or other form of taxation of fuel, because it spreads the tax base to include people who don't pay any tax, but the plan would have to be clarified first to prove that it would benefit the man in the street."

The SA National Consumer Union has condemned the proposed fuel levy, saying it would "start up the whole inflation circle again".

Aletta Geldenhuys, deputy chairman of the union, said a large enough percentage of the petrol price was already set aside for tax.

"And businesses which are currently busy building last week's petrol price increase into their products or services will probably not adjust the prices accordingly if the petrol price were to drop.

"The Government would have to give us some kind of assurance that the money would indeed be used to bring down income tax. Nowadays, any tax raised is not earmarked for anything."

(55) Star 25/10/90

Services cut-off blamed for outbreak of gastric diseases

By Musa Mapisa and Therese Anders

As water was reconnected to Wesselton township's 50 000 residents yesterday after being cut for nine days, an Ermelo doctor has reported an outbreak of diarrhoea among residents.

The doctor, who cannot be named for professional reasons, said: "The outbreak is almost certainly the result of the poor sanitary conditions while the township was without water and sewerage."

Six out of every 10 patients he had seen in the past week had either diarrhoea or gastro-enteritis.

Wesselton's water was reconnected yesterday morning after Genmin's Ermelo Mines handed a cheque for R130 000 to the Ermelo council.

Ermelo Mines made the payment after negotiations with the township's administrator, the local civic association, church leaders, the ANC and Inkatha.

When The Star visited Wesselton yesterday, water supplies had still not been reconnected to large parts of the township.

Many women were continuing to walk long distances to collect water.

Thirsty mothers and children were seen drinking from a murky dam where the water had a strange smell.

One of the mothers, Gloria Bhayi (18), was feeding her newborn baby with a milk powder mixed with unboiled dam water. She said her month-old baby was sick with stomach problems, but she had no money to go to the doctor.

SOWETAN BUSINESS

Oil - what it means to the economy

55

Sowetan 25/10/90

By GRAHAM BELL

THE invasion of Kuwait by Iraq is a big set-back for the South African economy.

In the space of just a few weeks, the oil price has doubled.

South Africa imports about 65 percent of its oil needs and so we shall just have to pay up. If the price continues to stay above $30 per barrel, the extra cost of imports will amount to well over R3 000 million over a year.

This is precious foreign exchange (oil is paid for in US dollars) which we cannot afford.

South Africa is still obliged to repay a part of its foreign debt next year and now there may be almost no spare cash to do it with.

Squeeze

The only way to find the extra cash is to squeeze down other imports.

To achieve this, the Reserve Bank will probably have to hold interest rates up for quite a few months.

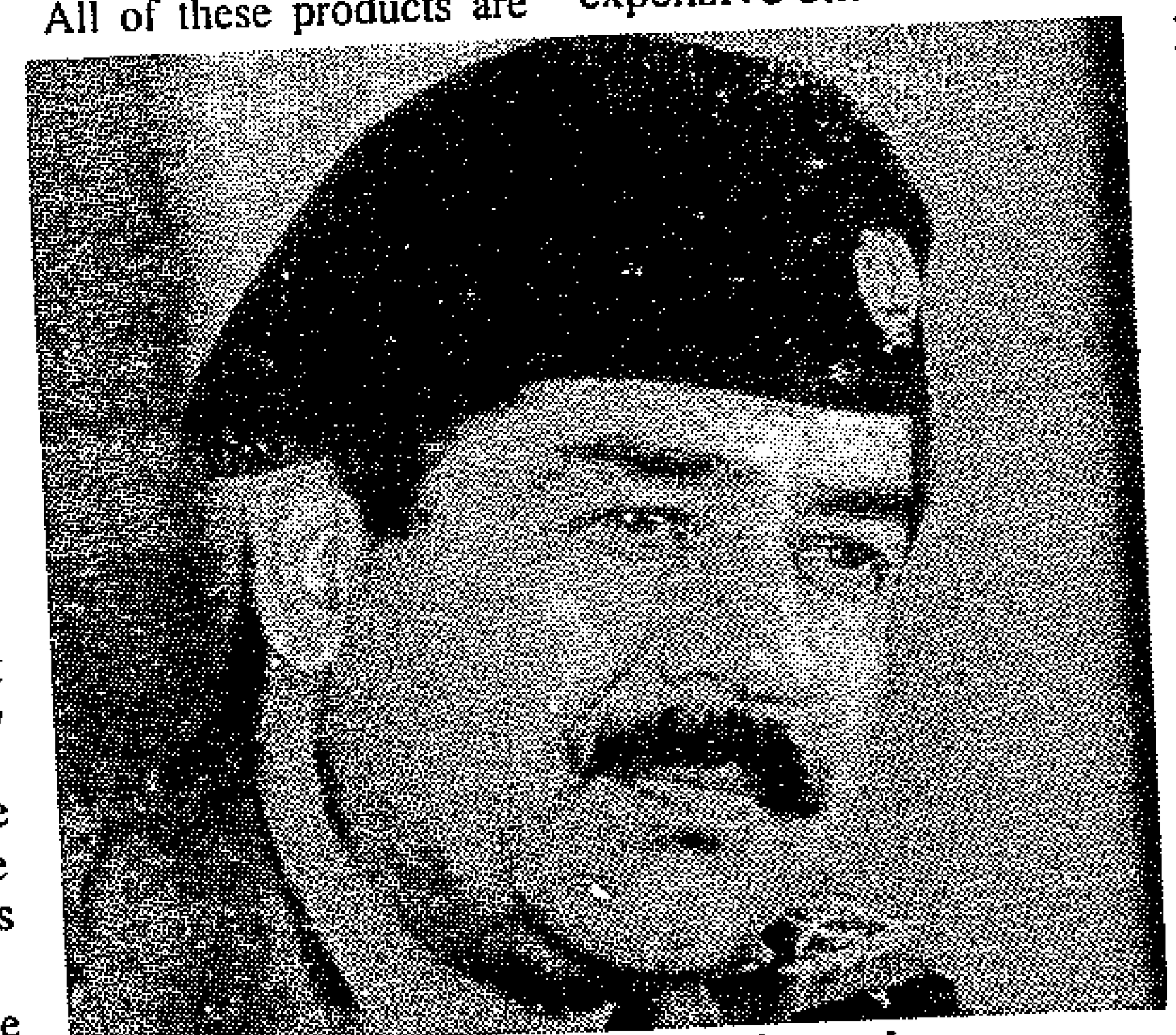
This is a pity because we were approaching the point when interest rates could start falling.

The higher oil price will also push up the inflation rate. Inflation has been falling this year but now, at least temporarily, it is going to go back - probably to 15 percent.

Oil is not only used to make petrol. It is the basic ingredient for many other products including plastics and chemicals. All of these products are also going to rise in price.

This is the third oil crisis in the past 17 years.

The first one was in 1973 and the second in 1979. On both occasions, the gold price rose at the same time and this gave us the extra dollars needed to pay for more expensive oil.



Iraqi President Saddam Hussein

In the present crisis gold has failed to rise. This has been difficult to explain. Gold just seems to have gone out of fashion with international investors.

Possibly, the Iraqis have been selling gold that they captured in Kuwait and this has depressed the price.

South Africa is by no means the only country to suffer at the hands of Saddam Hussein. Spare a thought for the poor East European economies.

For years they were paying an artificially low price for oil from Russia. Now the Soviets are saying that they must be paid at the market price.

So countries like Czechoslavakia suffer a double blow and they have very low supplies of foreign exchange.

Of course, the oil-producing economies benefit a lot. Saudi Arabia earns the same for its oil in a month as South Africa earns from its gold in a whole year.

There is no way of telling when this crisis will be over. Unfortunately, it seems as if there will be a war. In the meantime, we shall just have to take it on the chin.

BUSINESS MAIL

W/Mail 26/10-1/11/90.

SA industries sloppy in use of 'cheap' electricity

55

By REG RUMNEY

BY comparison with other countries, South African industry and mining is sloppy in its use of energy.

In the light of this, the question must be asked whether South Africa can keep its energy artificially cheap to give it an edge in exporting.

At a Press conference last Friday Minister for Administration and Economic Co-Ordination Wim de Villiers reiterated the plan first set out by State President De Klerk to boost exports.

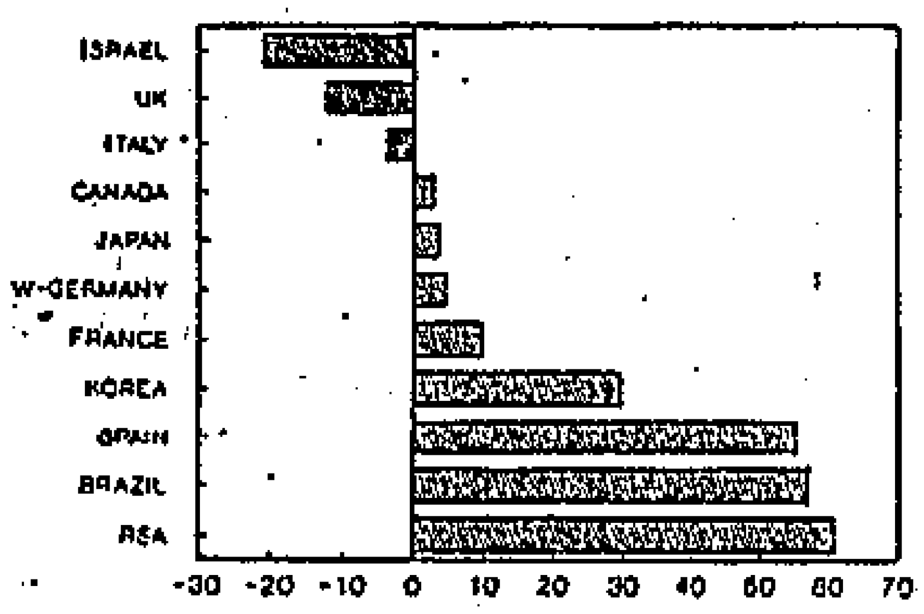
This involved cheap energy from Eskom and transport costs (through Transnet) to help South African exporters keep their costs down.

About 75 percent of the electricity produced by Eskom is used by mining, industry and commerce.

According to National Utility Services (NUS), an international electricity survey company, South African energy prices were among the lowest of 14 industrialised countries recently surveyed. The survey was done before the most recent price increase.

Industrialists and the mines may be able to avail themselves of cheaper energy and transport. But their actual use of energy leaves much to be desired.

CHANGES IN ENERGY CONSUMPTION PER UNIT OF REAL OUTPUT: 1965 TO 1988 RELATIVE TO THAT OF THE USA



Source: World Development Report

Economist Johan Louw points out in the latest *Sanlam Economic Review* South African industry and mining uses more energy to make products than most countries in the First World and some in the Third. South Africa uses 80 percent more energy to produce a unit of output than the United States.

Hence there is scarcely room for complacency on the energy front. Cheaper energy prices won't encourage industrialists to be more energy efficient.

Mining used 3,5 times more electricity and industry almost 3 times as much in 1989 as in 1966 to produce a unit of real output. "It seems he economy has become more energy intensive in the past 25 years. This is related to an increase in the capital intensity of these sectors (owing to, among other things, mechanisation and developments in the exploitation of ore reserves) and the establishment of energy-intensive industries."

Do industrialists need to be energy efficient, if coal is so cheap and abundant in South Africa?

Louw estimated South Africa is dependent on oil for only 20 percent of its total energy requirements, and relies on coal for about 85 percent of its electricity requirements.

Despite this, the oil price shock may have a spin-off for coal exports.

This is because of the likely effect on the price of coal of a prolonged high oil price.

Louw argues there is a relatively close relationship between the prices of coal and of oil.

The price of oil has risen much faster than that of coal over the past 20 years. However, if oil prices go up coal prices must follow. Does this mean there is a hidden cost in "cheap" coal-fired energy? While South African coal reserves are abundant they are not inexhaustable.

To look at it another way, NUS South African MD George Rahr points out energy users could be said to buy units of energy like gigajoules rather than coal, gas, or oil. If so, the continuing price rise of oil and gas must be followed by coal, which is also a fossil fuel.

However, there is no direct relationship between world coal prices and the price Eskom pays for its coal.

Much of the coal used by Eskom comes from "tied" mines, and more importantly most of it is of such low quality it could not be exported or used in any other way.

But a hidden cost is the pollution caused by the coal-fired power stations. This and the depletion of natural resources should be weighed against keeping electricity cheap.

Again, on the other side of the scale is the need to keep electricity affordable for domestic use. Many households do not yet have electricity, and there are signs township residents have difficulty paying for electricity even at present prices.

Bloemfontein.

When the shopkeeper

Power station opens

(55)

Sowetan 26/10/90

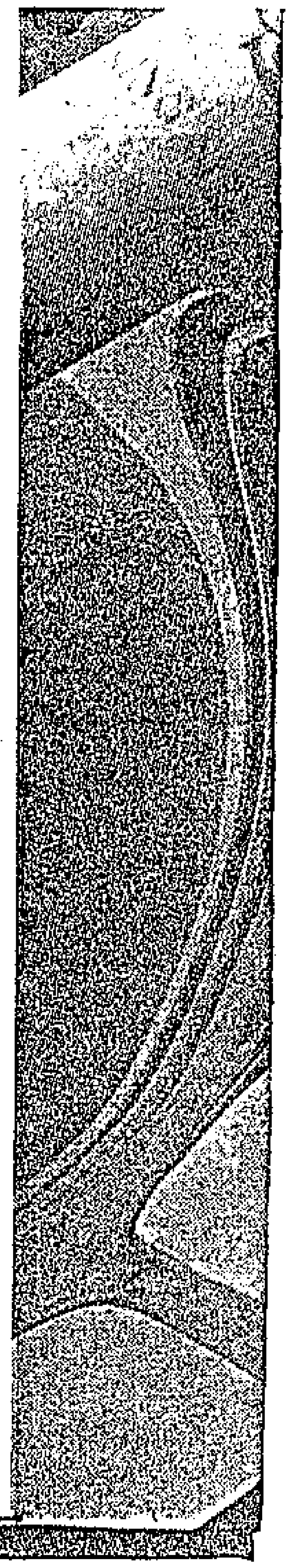
THE R4-billion Tutuka Power Station, Standerton, was officially opened by the Minister of Mineral and Energy Affairs, Dr Dawie de Villiers, yesterday.

Tutuka is served by the New Denmark Colliery, which is one of the largest underground colliers in the world dedicated to only one single power station.

The colliery, owned by Amcoal, is designed to provide Tutuka with coal for the next 40 years.

Many of the overseas bankers who financed the project were at the opening.

De Villiers said Tutuka symbolised challenges lying ahead in developing appropriate energy strategies for a future South Africa, and Southern Africa as a whole. - *Sapa*

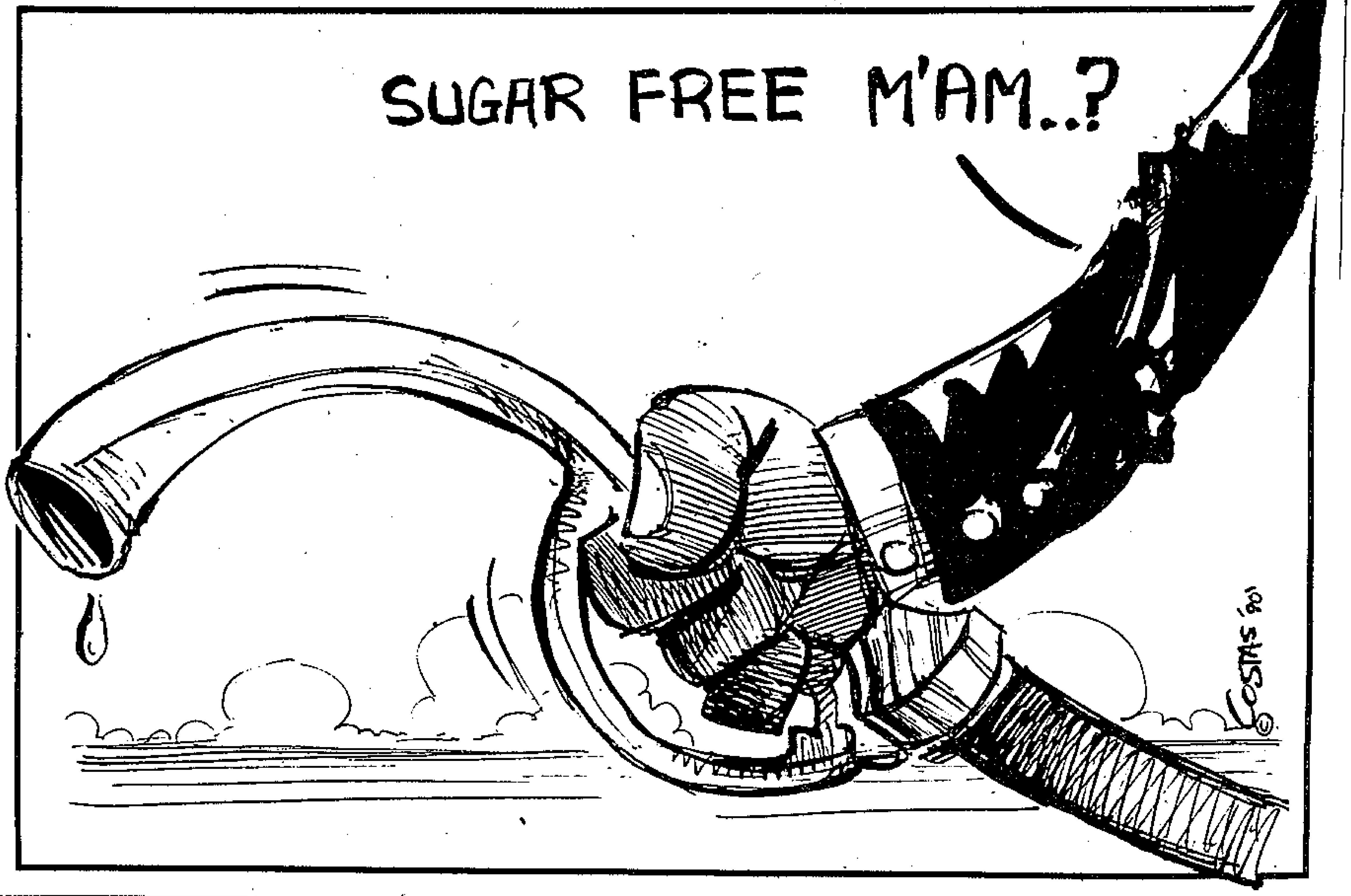


Beyond petrol...

(55)

W Mail 26/10 - 1/11/90

The search for a clean, alternative fuel will cost too much – they say



MOTORISTS with a technological bent are probably looking anew at the scenic rolling green hills of Natal. Could the surplus sugar from all that cane not be put to use as ethanol, to keep down the cost of running a car?

Similar thoughts in the mid-1970s led to synthetic fuel programmes, which met with mixed success.

For the moment, South Africa is sticking to petrol and diesel, and low oil prices and technological hurdles have held in check the adoption of alternative fuels overseas.

Rising prices for conventional fuel are bound to give added impetus to the drive to find alternative fuels which are less harmful to the environment.

The craze for alternative fuels which began with the two earlier oil-price shocks, has never really died. For as oil became cheaper the cost to the environment of petrol and diesel became clearer.

Hence, when Opec first started up, the alternatives were hazy and full of hype. More than a decade of trying to put various ideas into practice has given us a better idea of how workable the alternatives are.

First on the list come alcohol fuels — ethanol and its more poisonous relation, methanol. Though they produce carbon dioxide when they burn, and so contribute to the greenhouse effect, they emit significantly less nitrogen oxide.

Alcohol as a means of driving motor vehicle engines has been used extensively in Brazil, which has a large sugar crop.

The technology for producing it from sugar or other starch-based material is well-established.

National Energy Council (NEC) researcher CP Snyman reckons it isn't practicable to use it widely as fuel without subsidisation. The Brazilian experience seems to bear this out. A surge in the world sugar price last year prompted many cane growers to switch from producing alcohol to making sugar for export. This led to a shortage of ethanol and long queues at alcohol pumps.

In South Africa, the government in August effectively gave the thumbs down to a R70-million ethanol-from-sugar plant to be set up in Natal by the sugar industry. The ethanol produced would have been used to boost the octane rating of conventional fuel. A 10 percent ethanol blend was proposed. Such a blend has been in use in the US for some time, according to Snyman. In Brazil a 22 percent blend is used.

The aim was to reduce the industry's exposure to export markets. But it would have needed subsidisation, and the government decided all synthetic fuel projects had to stand on their own feet.

For the same reason, a project proposed by AECI to produce petrol from coal was also shelved. The AECI project would have offered the alternative step of producing methanol instead of petrol.

Methanol seems more promising because it can be produced from both natural gas and coal. Coal South Africa has in abundance and the Mossel Bay fuel-from-gas project is already well on the way to tapping large offshore reserves. Instead of ending up with petrol, Mossgas could produce methanol.

Like ethanol, it is less polluting when burnt. But unlike ethanol the actual production of methanol from coal has its own polluting side-effects which might cancel out the pollution savings. Switching to alcohol fuels is not that simple since engines have to be converted to run on alcohol fuels. About 25 percent of Brazil's total car fleet runs on neat ethanol.

The problem is that the widespread acceptance of both ethanol and methanol cars depends on the availability of methanol filling stations, and vice versa.

Overseas development of electronic fuel injection technology has made possible "flexible fuel vehicles", the engines of which can use any combination of methanol and petrol, making refuelling simple.

The California Energy Commission has ordered about 5 000 FFVs for delivery starting this year. The commission hopes such vehicles will comprise up to 30 percent of the car fleet in pollution-burdened California by the year 2000. The US Federal Government has also ordered 5 000 such vehicles.

Instead of converting natural gas to methanol, why not use it as is?

Natural gas and the by-product of the refining process, liquid petroleum gas, both have a high octane rating without using poisonous lead and they burn well, making them ideal low-polluting fuels. Snyman notes that the motor industry overseas has begun to build custom-designed gas engines with high efficiencies.

Propane, the main constituent of LPG, fuels around 140 000 of Canada's small vehicle fleet. Italy, New Zealand, the US and Canada all have vehicles fuelled by methane, the main constituent of natural gas.

In South Africa, availability of crude oil and the problems of extracting natural gas for conversion to petrol from offshore wells have sidelined such fuels.

Hydrogen is a most promising future fuel. It can be made from fossil fuels like coal, and from plain water, by electrolysis — using electricity to split water into hydrogen and oxygen.

Again it is virtually pollution free but the energy used in making it through electrolysis, for instance, must come from somewhere — in South Africa, from electricity produced by air-polluting coal-fired power stations.

Something that has to be solved before hydrogen can be practicable is that the tanks needed to store liquid hydrogen on vehicles are far bulkier and heavier than those for petrol.

Storage of energy and hidden pollution are facets to be considered before getting excited about electric vehicles. They have a history as long as the internal combustion engine. Unfortunately, the basic technology of the lead-acid battery which has been used to power electric vehicles is around 100 years old too.

Great strides have been taken in developing better batteries — but not far enough.

The range of electronic vehicles is limited and the cost of producing them is still relatively high.

The development of the Zebra ceramic battery by the Anglo American Corporation near Pretoria holds out some hope. According to the NEC, it will soon triple the distance that can be travelled using lead-acid batteries.

Overseas pollution has spurred the manufacture of electric vehicles. Another choking Californian city, Los Angeles, with local electricity companies, has ordered 10 000 electric vehicles from GM for delivery by 1995.

Other developments are the development by Peugeot of the 205 Electrique, which boasts a range of 190km using Nickel Cadmium batteries.

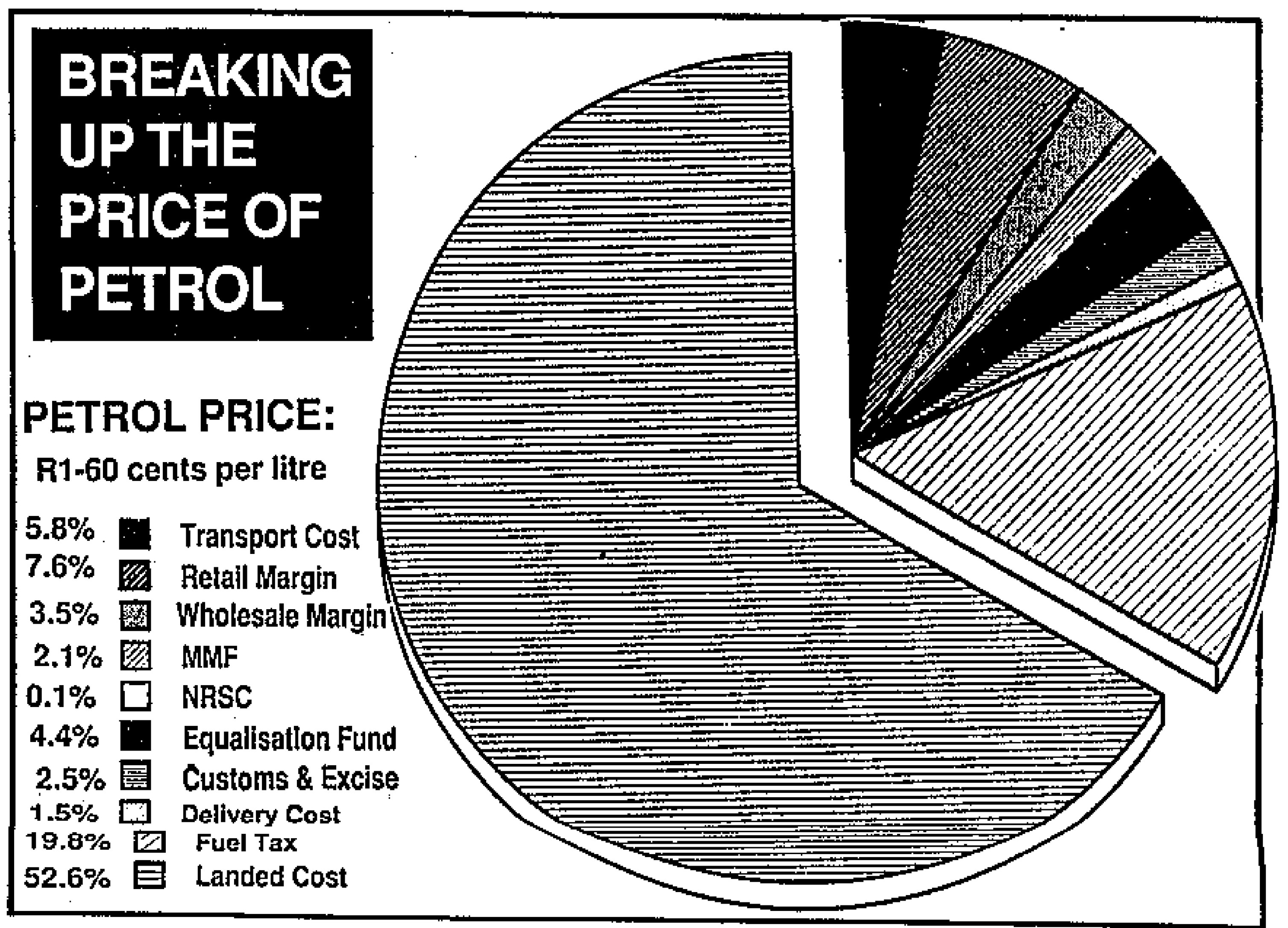
Volkswagen has announced the development of hybrid vehicles, using a diesel and an electric motor, expected to be available 1995, using the Zebra battery.

Hybrid vehicles have the best of both worlds, though the batteries take up valuable space.

In Europe, Audi has already adapted an Audi 500 Avant model as a hybrid vehicle.

With electric vehicles as with other alternative fuel technology, South Africa appears to be in the hands of the world automobile industry.

Forget the Gulf — petrol prices will stay high for some time



Rising prices ... Why 97 octane petrol now costs R1,60 in the PWV

THE world crude oil price's wild roller coaster ride since the beginning of August has left South Africans battered by two petrol price increases, cumulatively amounting to around 36 percent.

If the crude oil price slides, why won't the petrol price automatically and immediately follow? This was the question in the minds of many South Africans this week as the world oil price did indeed subside under the threat of peace in the Gulf.

Forget, for the moment, about the world oil price.

The price of fuel in South Africa is determined by an international price of refined petroleum products, not the price of oil. It's a fine distinction but an important one. The thinking behind doing it that way, says National Energy Council energy administrative group executive Lourens van den Berg, is it makes domestic fuel prices market related. Local oil refineries compete with international refineries who sell their products on world markets and have the advantages of bigger volumes bringing down costs.

Our petrol price is based on the landed cost of petrol in South Africa — if it were imported from one of three refineries in Singapore and one in Bahrain. Prices of products from these refineries are used to determine a world petrol and diesel price. Prices fluctuate daily but are averaged over a month.

This is not to say the petrol price is unrelated to movements in world oil prices. If the oil price goes down, so should the international petrol price. The last price increase of around 32c a litre was based on a price of $37,50 a barrel for Brent Crude, the benchmark oil price. The oil price will have to drop below that level and stay there for some time before the petrol price drops. Van den Berg says the international price movements take some time to filter into the system. When the oil price rises or falls, the domestic oil industry operates a balancing account called the slate to smooth over short-term price movements. The slate either goes into surplus or deficit depending on whether motorists are overpaying or underpaying on each litre of petrol. This time, the slate was kept neutral by using the Equalisation Fund, an account which is paid for out of the fuel price, to make up any shortfalls.

So what is the likelihood of oil continuing its slide? The oil price has shown a volatility that would have been pooh-poohed before the Gulf crisis set in.

The day before Iraq invaded Kuwait on August 2, oil hovered at $21 a barrel. On October 10 it surged to a record $41,15. Around $40 a barrel was the world oil price level when the NEC announced its last price increase. Since then it has bobbed up and down but not gone back to $21 a barrel.

The large percentage rise in crude oil and fuel has in other countries led the public to point fingers at what in the United States is called "Big Oil". The suspicion is the oil companies have rigged the price. Shortly after Iraqi and Kuwaiti oil was cut out of the system by the international embargo, most of the shortfall was made up by Opec. Hence the high prices that have been reached are the result of speculation, not any major disparity between supply and demand. That could change if the Gulf war becomes real.

It is true that the oil price had been rising steadily even before concern about the Gulf sent it rocketing. Certain types of crude oil, according to the NEC, were trading at below $15 a barrel at mid-year.

It has been surmised that in the US it is debatable whether the nation can muster enthusiasm for alternative energy ventures, many of which proved impractical and expensive, particularly after oil prices began their steep fall in 1985. But energy efficiency, which has also been in decline, will once more be on the priority list for companies and countries. One way or another, soaring prices are bound to decrease consumption of petroleum products, as they have in previous oil crises, with a resultant fall in the oil price.

It is impossible to predict what level world oil prices will settle at — and when. Their volatility until the Gulf emergency blows over means there is no certainty the oil price, once having dropped, will stay low. There is no question yet of South Africa disposing of its oil reserves, particularly in the light of the oil embargo. The quantity of those reserves is believed to represent six months to two years' worth of fuel consumption.

REG RUMNEY

big capital investment in new plants to produce the fuel and the engines which run them. Stumbling blocks are resistance to change, vested interests and the high risk of introducing something unfamiliar and untried on a large-scale.

Moreover, motor manufacturers are likely to invest money in present petrol and diesel technology to further improve fuel consumption and pollution levels.

Earlier this year, Volkswagen research and development head Professor Ulrich Seiffert said the internal combustion engine would live on, drastically changed, into the next century. Praising methanol as having great promise, he forecast that in Europe petrol would remain the major fuel for many years, possibly until 2040.

He predicted that by the year 2000 the direct injection petrol engine will be available, offering the fuel efficiency of the diesel engine with the smoothness and cleaner-burning qualities of petrol engines.

Solar power could 'provide millions with electricity'

55

MELANIE SERGEANT

IF GRID electric power could be provided to some users at marginal or even subsidised rates, then similar support facilities should be available for solar power users, says Solar Energy Society of Southern Africa chairman Deon Stassen.

The lack of such support could restrict the significant role solar power and other alternative energy sources could play in providing power to millions of South Africans. B I D 26/10/90

Stassen says solar energy is sometimes viewed as being in competition with grid power. In fact, it could complement grid power and reach people who cannot be supplied with electricity.

National Energy Council energy development manager Izak Kotze agrees that solar power should not be seen in isolation. He says there are diverse energy needs in southern Africa, so a mix of technologies and supply options is essential.

"There are some 23-million people in SA with no power, and the economy cannot possibly supply electricity for all in the short to medium term.

Government was looking into formulating an "electricity for all" policy, studying all the available options, and some issues should be decided in the next few months.

Stassen says: "Solar energy is abundant in SA, so we should fully exploit it. Besides this, we recognise that energy supports economic development."

He says the solar electricity market is worth between R10m-R12m a year, having seen tremendous growth in the photovoltaic solar panel market since 1978. In that year, some 4 kilowatts peak solar power was installed, and today between 300 kilowatt and 500 kilowatt is sold each year.

Solar power has been particularly successful in the telecommunications field.

"This is working well in SA, with high reliability of systems and quality products being used. About 40%-50% of applications are in this field."

The balance of the market is split between remote power supply where photovoltaics provide electric power for farmers for domestic purposes, as well as for clinics and domestic small lighting kits.

Growth areas will be in remote area power supply.

Although most users finance systems themselves, organisations like the SA Housing Trust could finance systems as part of 20-year home bonds.

Stassen says one of the major hurdles is in the area of education. The solar industry must start explaining to users how the systems can work — their advantages and shortcomings.

Despite the availability of resources and technology, there are many barriers to using solar power. One is the relatively high initial capital outlay. Electricity supply authorities provide finance for conventional electricity lines. An individual farmer using this can pay for the line over 23 years.

The Solar Energy Society is well placed to fulfil a watchdog and co-ordinating role because is is apolitical and is an advisory body with good representation from industry.

Higher oil price is prolonging recession

STAR 26/10/90 (55)

By Des Parker

Higher oil prices will keep the economy in recession longer than previously expected — probably until the second half of next year.

John Winship, senior general manager of the Board of Executors (BoE) maintains that until South Africa gains access to foreign loan capital, the Government will be forced to build up gold and foreign reserves to pay for oil requirements.

This will necessitate restricting imports, obliging the authorities to keep any recovery in the economy in check by maintaining the tight hold on interest rates.

Nevertheless, Mr Winship told delegates to a BoE seminar in Durban yesterday, by the middle of next year the Bank rate and the prime overdraft rate should be two percentage points lower than at present as the Government attempted to stimulate growth.

While the Reserve Bank, with the support of the Cabinet, was evidently committed to curbing inflation by keeping rates as far as possible above inflation, the real test of the policy would come in the next 12 months.

Stow 26/10/90 (55)

Eskom to sue 13 councils for arrears

By Therese Anders
Highveld Bureau

Eskom is in the process of summonsing 13 defaulting black town councils for multimillion-rand arrears.

In all, 27 local authorities now owe the electricity giant R70 million.

This amount is growing daily, says Eskom distribution and marketing deputy general manager Allen Morgan.

Some townships are three months behind in their power payments.

Mr Morgan said Eskom could be forced to cut off supply to some of these townships "if all else fails".

Pleaded

He would not name any township in immediate danger of having its service suspended.

He stressed that Eskom's policy was to negotiate with township authorities before legal action was taken.

Adam Engelbrecht, town clerk of KwaGuqa, near Witbank, has pleaded with the township's residents to pay their accounts before Tuesday.

If R833 000 has not been paid to the Witbank Town Council by Tuesday, the township faces a blackout.

At Wesselton, where water was restored on Wednesday after a nine-day suspension, the township's acting town clerk, Hannalie du Bruyn, said residents had until November 15 to pay the next water account.

Sow 26/10/90

Vosloorus relents after pleas from residents

By Montshiwa Moroke

Electricity was restored to Vosloorus on the East Rand yesterday after twice-daily cuts in the past three weeks.

The switch-on came amid complaints that exam preparations had been disrupted and small and informal businesses were suffering.

Electricity had been cut from 5 am to 8 am and again between 5 pm and 10 pm because of arrears in service charges.

The mayor of Vosloorus, Morrison Sinokela, said the town council switched on after a residents' delegation had told it of the great hardship caused to pupils preparing for examinations and of an increase in crime.

Sapa reports from Queenstown the municipality cut off water to a Transkei town at noon yesterday, leaving 50 000 people with only a week's supply in its reservoirs.

Arrears

It was the second time this month that Ezibeleni's water was cut because of account arrears.

Ezibeleni residents were previously without water for three days because water and sewerage account arrears totalled R718 554.

The water supply was restored on humanitarian grounds because the township's reservoirs were empty.

Ezibeleni was given 14 days to settle the account, which was subsequently reduced to R500 000.

In a statement yesterday, Queenstown mayor Johnny Johnson said Ezibeleni bought water in bulk from his council.

He said payment difficulties sometimes arose. Attempts to solve the problem included correspondence with Transkei local authorities and the military government, but no solution had been forthcoming.

THE OIL CRUNCH (SS) FM 26/10/90

SOME WINNERS, MOSTLY LOSERS

Transnet, Sasol and Mossgas — once attacked for being hopelessly inefficient and outrageously expensive — are coming up winners with the oil price surge. But just about every other business is suffering and industries are pinning their hopes on a continuation of the recent dip in oil prices.

Mossgas, which was seen as the last of the white elephant government synfuel projects, appears poised at last to help pay for itself. But Engen chairman Bernard Smith says it still isn't a viable proposition for the private sector to invest in such projects and government has already said it won't consider further projects. Sasol MD Paul Kruger has ruled out a fourth oil-from-coal plant, even though its revenues from fuel and chemical products are up.

Smith says synfuel is commercially viable only at very high oil prices. Besides, anything can happen to the oil price before Mossgas reaches full production in April 1992.

But Smith is convinced that the base price of oil has risen. "I believe that the price of oil won't fall below $21, as the Opec countries need to finance their national debts. And $21 a barrel would provide a positive real yield to shareholders in Mossgas."

Meanwhile, the Railways, which are heavy users of electricity and coal, are thriving. Ronnie du Plessis, a Railways spokeswoman, says that though price hikes will add R69m a year to Railways' fuel bill, they will exert a very small influence on tariffs because 65% of all rail traffic is hauled by electric locomotives, 5% by steam and 30% by diesel-powered locomotives.

This is in sharp contrast to the devastating effect of oil's spiral on road transport.

Eduardo Garcia, CE of road transport giant Unitrans, says that every time the fuel price rises, road transport becomes less competitive versus rail. "A number of road transport operators are already struggling to stay alive. They won't be able to compete. They'll be wiped out."

He fears that government will use the current high fuel price to divert traffic that normally goes by road to rail. It has already been announced that rail will hold its rates to the end of the year. Another fear is that when the world crude price comes down, government will divert some of the reduction to its coffers through increased taxes and will not allow the full reduction to percolate through the economy.

"Finance Minister Barend du Plessis said SA's fuel taxes are the second lowest in the world (see graph); I cannot see him passing up this opportunity of balancing his books by bringing SA's fuel taxes into line with the rest of the world," Garcia says.

"Several Cabinet ministers have already said that, as an instrument of policy, Railways' spare capacity will be used to keep prices down. It is not possible to fill spare capacity on the railways without creating spare capacity in road transport. A consequence of keeping Eskom tariffs down is that Railways will not have to increase its tariffs to pay for an increased electricity bill."

It isn't just transport companies that have suffered. A whole range of industries that are dependent on petroleum-based feedstocks, such as plastics and chemicals, have had to pass on sharp increases to customers.

Plastics Federation executive director Bill Naude says the price of imported polymers, used in plastic packaging, increased by 15% just a week after Iraq's invasion of Kuwait and are now selling at a premium of 28% on the pre-invasion price. However, the price of locally produced polymers — 75% of the total of 600 000 t consumed — has increased at a slower rate, though increases of at least 10% have been passed on and further increases can be expected.

Sentrachem's Johan van der Walt says most feedstocks still haven't reached their peak 1988 prices, though solvents such as benzene are an exception. They tripled in price almost overnight.

Nightmares abound for companies that can't pass on costs immediately. "Those players who are unable to pass on the full cost increase will find their operating margins shrinking and profitability depressing," says Sasol Chemicals' Andre Bedeker.

Sasol, however, will see its margins squeezed less than oil-dependent competitors because it produces chemical products from coal — and coal hasn't increased in price.

The beleaguered textile industry has been hard hit too. The price of cotton was recently increased by 30%. And now the cost of oil-based products such as nylon, polyester and dyes, which account for nearly 40% of raw material costs, have increased between 20% and 30%. These products aren't produced by the Sasol process.

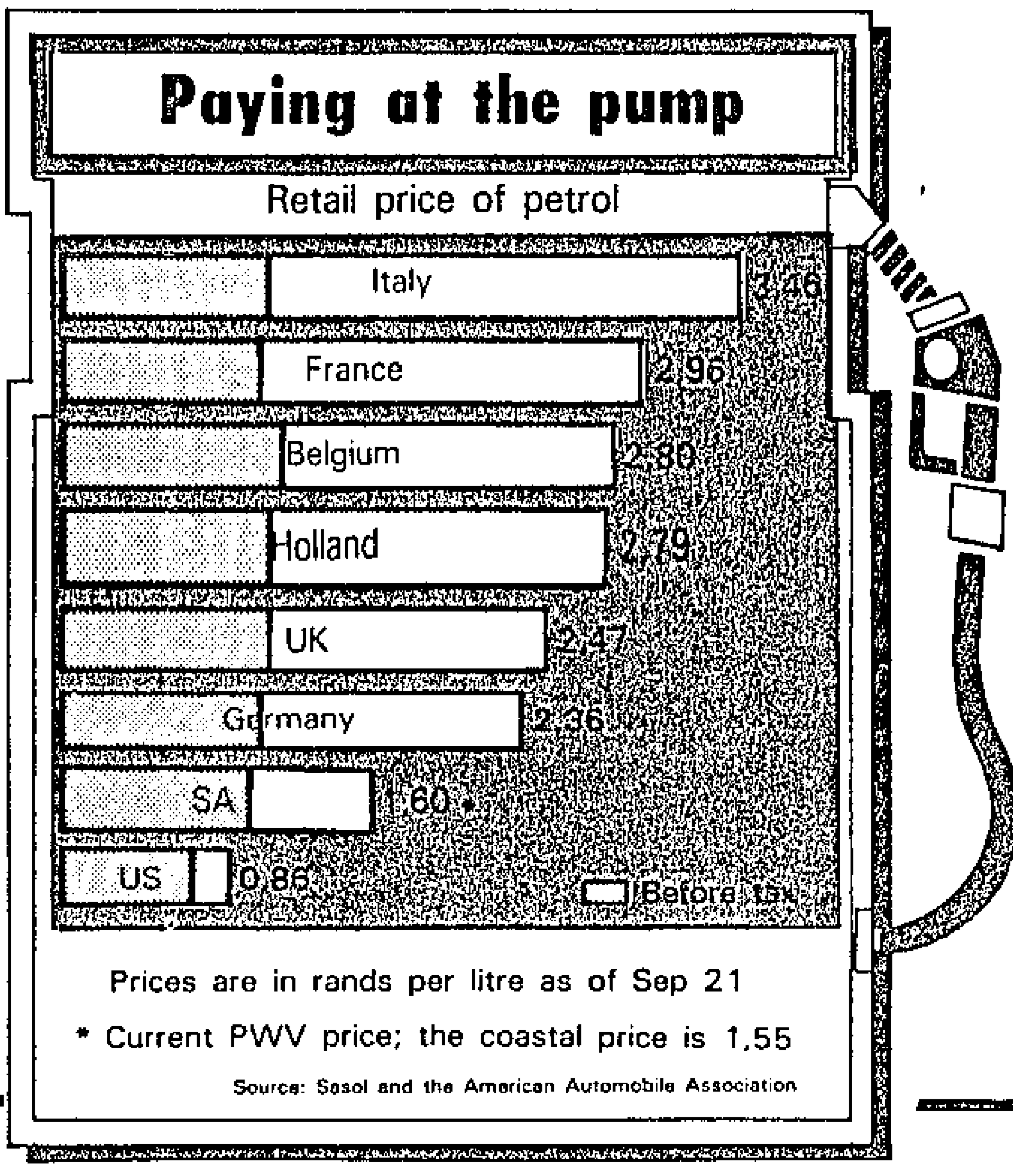
Frame Group chairman Mervyn King says overseas chemical suppliers aren't prepared to fix prices, which now often change daily. "We don't keep long-term stocks of these materials, so we've had no option but to raise our prices immediately."

Peter Boxall, MD of SA Nylon Spinners, the main domestic producer of polyester and nylon fibre, confirms that prices of their feedstocks are being changed on a ship-by-ship basis. "But we've decided to keep our prices constant until the second quarter of 1991 and take the price increases on the chin. Our customers in the textile industry set their prices on a quarterly basis so we've decided to fall into line with this."

Inevitably, the fuel increases will hit the demand for new cars. Says Nico Vermeulen, executive director of the National Association of Automobile Manufacturers of SA: "We have shown conclusively that a rise in the fuel price during a recession affects the motor industry much worse than a rise when times are normal."

But he does not see a repetition of the rush to buy small, more fuel-efficient cars that followed the 1973 oil crisis. "All manufacturers now make fuel-efficient cars," he maintains.

Stephen Cranston and David Pincus



ESKOM (SS)

THINKING SHORT TERM

FM 26/10/90

Short term, the decision to raise electricity rates by only 8% next year — 6,3 points below the September inflation rate — is great news for business and consumers.

Long term, the consequences are ominous. Government is back to its old trick of imposing prices, and Eskom's customers can't be sure they won't be hit with a whopping increase in following years to make up. Since

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(SS)

1972, on-again, off-again government efforts to keep electricity prices low have led to Eskom's price hikes outstripping the producer price index.

Economists say that Economic Co-ordination Minister Wim de Villiers has returned to a "dirigiste" policy at the very time when the trend worldwide — and in SA — has been in the opposite, free-market direction.

And, with Eskom's privatisation now on the backburner, the feeling is that the measures taken by Eskom chairman John Maree to steer the giant government monopoly in the direction of commercialisation have now come to a halt.

"This retrogressive step goes against the stated policy of decentralising decision-making in the price-forming process," says one Reserve Bank official who does not want to be named. "Eskom originally was a target for privatisation and still is a target for commercialisation. State interference in this liberalising process is a step backwards."

And, he adds, it sets a terrible example for any future SA government that may be tempted to follow this example by interfering with prices on an even grander scale.

"It also goes against attempts by Eskom to straighten out its weak balance sheet, where net interest-bearing debt of R25,3bn is covered by total assets of about R37,6bn. Eskom has also been trying to decrease total borrowings and increase its own capital, which is only possible if its cash-flow is strengthened by higher tariffs."

Moreover, Eskom's low R510m profit on operating costs for the first half of the year, against R5,23bn in revenue, will be slimmed down further with a price hike of only 8%.

Standard Bank economist Nico Czypionka criticises the philosophy of determining prices by decree. "I am against the principle that the minister tells Eskom how to peg tariffs. Indirect subsidisation of exports and breaking the inflation spiral are worthwhile goals, but they should not be achieved by using a captive organisation like Eskom."

However, SA Chamber of Business deputy CE Ron Haywood says Eskom's lower price hike could have short-term benefits for industrial expansion and exports — "on condition that it is not followed by a longer-term return to excessive tariff increases, as happened in 1977, when tariffs shot up by almost 50%."

In support of Eskom's pricing policy, Nedbank economist Ted Osborne agrees that it makes sense to peg tariff hikes at lower levels as there is a huge over-capacity in electricity generation, estimated by the corporation as sufficient for the next decade. ■

See-saw oil price raises question of how SA can survive a crisis

Star 27/10/90 (55)

CHRIS MOERDYK

ALTHOUGH world oil prices showed a downward trend this week, the situation in the Middle East is still volatile enough to send oil prices rocketing again at any moment.

Two weeks ago the price of North Sea Brent oil reached a high of $40,90 a barrel dropping back to $27,50 earlier this week. Following increased tension in the Middle East the price rose later in the week to $32,30.

Should prices exceed $37,50 a barrel, upon which local petrol pricing is based, motorists will undoubtedly have to reach further into their pockets.

Unlike consumers in most other countries, South Africans have no idea how their country would fare in the face of an international oil crisis.

South Africa's oil reserves, its sources of supply, how much it is paying per barrel for imported oil, what contribution Sasol is making and what difference Mossgas may make in the future, are all State secrets.

All information regarding the country's energy sources is classified under special legislation and the reason for the secrecy is, we are told, survival.

Earlier this week, Finance Minister Barend du Plessis said the country was still the victim of an international oil boycott, and, despite the relaxation of international pressure on South Africa, the boycott was not only being enforced but a few months ago attempts were being made at the United Nations to tighten the oil noose even more.

Since the implementation of the oil boycott on South Africa many overseas organisations have attempted to establish South Africa's energy position but most admit that the strict legislation surrounding publication of information has made the exercise "more than futile".

According to an Amsterdam shipping research group South Africa would import 102 million barrels of crude oil this year — roughly 3,5 days worth of total world oil production — increasing the country's oil bill by R3,8 billion.

However, energy experts in South Africa say that the Amsterdam estimates should be taken "with more than just a pinch of salt".

They point out that the same organisation has previously claimed that in the past 10 years South Africa had spent a whopping R135 billion on oil stockpiles to beat the boycott. This, they say, would mean that South Africa had not only spent the highly unlikely amount of about 25 percent of its annual national budget on oil every year for 10 years, but that it has nearly a 40-year reserve.

While the part Mossgas would play in increasing South Africa's independence of oil imports is also classified, the recent surge in oil prices has appeared to give the Mossgas project added impetus.

Critics of the project claim that while the private sector partners in Mossgass might well benefit financially once world oil prices passed the $20-a-barrel mark, South African motorists would only feel the benefit of Mossgas once world prices had passed $45 or $50 a barrel.

It seems clear that Government intends replenishing South Africa's fuel price equalisation fund. The fund was instituted in January 1979 with a 1c per litre fuel levy, increased to 6,63c and 16,35c in the same year. It was used to finance Sasol 3, which was completely paid for by April 1985.

With the world oil price remaining stable between 1980 and 1985 the fund was used to equalise the price of refined oil products in South Africa.

A portion of the fund was also used to pay a protection tariff for the local indigenous fuels industry. This fell away when the price of oil went above $23.

The United States Energy Department believes that by late October the world shortage of oil caused by loss of exports from Iraq and Kuwait will be eliminated.

The 4,3 million barrels a day loss of output that followed the Iraqi invasion of Kuwait on August 2 was expected to drop to below half a million barrels a day shortfall by the end of the year.

This amounted to less than one percent of non-comunist world consumption. Saudi Arabia has made up more than half the increased production, followed by Nigeria, Libya, Iran and Venezuela.

The 13 Opec countries currently produce 22 million barrels of crude oil a day and are capable of increasing this to 27 million.

The six world leaders in oil production are the USSR with 12 million barrels a day (21 percent of world total); the US, 9,7 million (15 percent of world total); Saudi Arabia, 5,2 million (9 percent); Mexico, 2,8 million (5 percent); China, 2,7 million (5 percent) and Iraq, 2,6 million (4 percent).

55 Star 27/10/90

PERSONAL FINANCE

Petrol rise gives building costs a further push

FRANK JEANS

THE latest 25 percent shock rise in petrol will push the price of building a middle market home of R100 000 by a further R3 500 in the next few months.

And a leading estate agent believes the increase will have a direct effect on residential property prices generally.

The crunch will be felt mainly in the transport of building materials to house sites but there will be a ripple of cost rises in components with a petro-chemical base, such as carpeting and curtaining.

Charles Martin, economist of the Building Industries Federation (Bifsa), says: "Building costs at present are about R1 000 a sq m, so the latest petrol price rise will translate to a 25 percent jump in building costs to push the sq m figure to between R1 035 to R1 050.

"The effect on higher price homes, with their extra finish, will, of course, be greater."

Scott McRae, managing director of real estate group Camdon's Nationwide, believes the petrol rise will have a negative effect on prices of homes in outlying areas.

"Backers of new developments in these areas will have to take into account the additional transport cost."

He sees building costs rising from the present rate of 1,5 percent a month to about 2 percent.

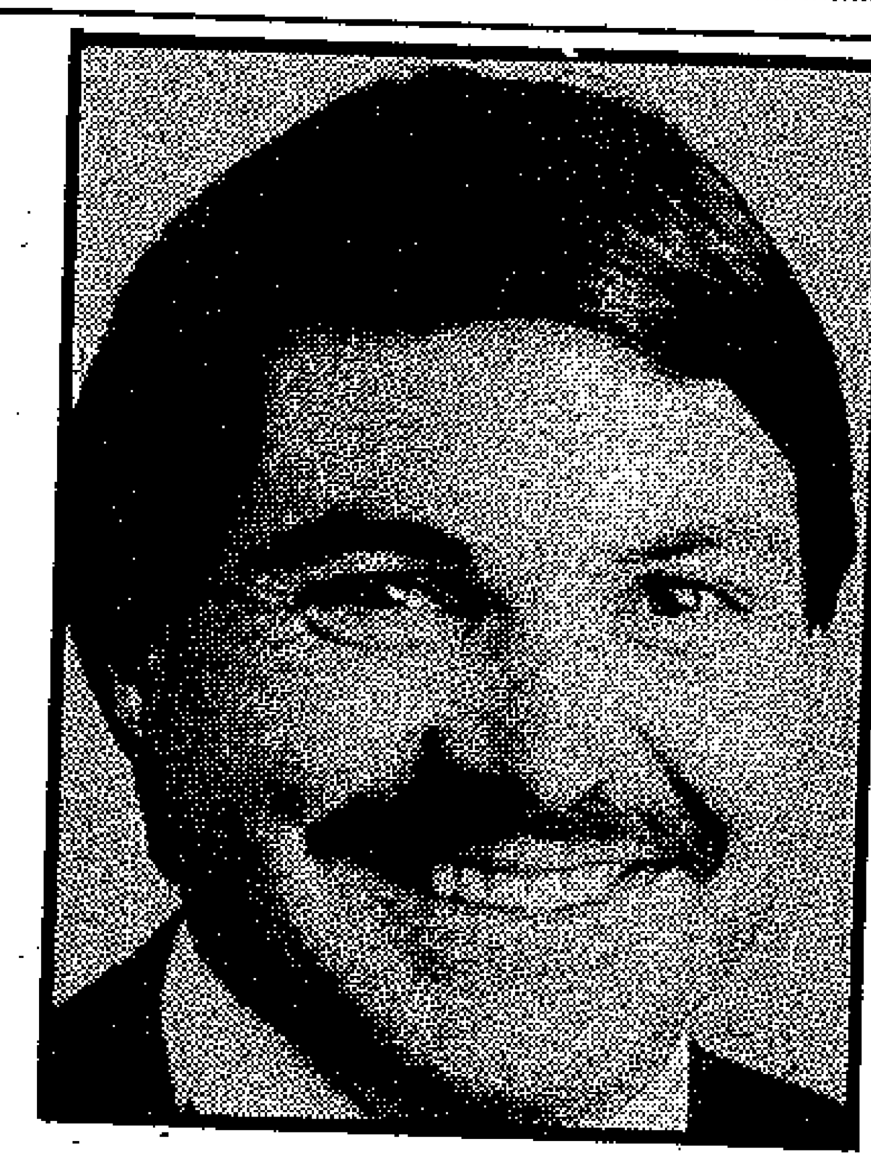
"Even a 0,5 percent a month boost in overall building costs would mean the cost of a home going up by 6 percent a year," he says.

"I have no doubt that a home costing R100 000 to build today will cost R6 000 more a year from now."

Calling on the building industry to cushion the effect of the rise by absorbing part of the cost, Mr McRae says builders have to remain competitive and that distances over which raw materials are delivered vary from site to site, thus enabling keener pricing.

Mr Martin, however, points out that builders today are working to extremely thin margins and are not in a position to absorb costs.

"The market today is beleagured by high interest rates along with the effect of a decline in real personal disposable income — the combination of which is hitting volumes in the home building market," he says.



Economist Charles Martin: 'Direct effect on property prices.

found in products made by the factory's admixed pharmacy have not yet been

Petrol increase 'almost didn't happen'

Star 27/10/90 (55)

CHRIS MOERDYK

IF THE Government had delayed its decision to increase the petrol price last weekend by just 48 hours, South Africa's biggest-yet fuel-price increase would not have been implemented.

According to the National Energy Council the dramatic drop in world oil prices soon after the petrol price was increased last Friday night would almost certainly have caused the Government to think twice about raising the price.

And earlier this week a spokesman for the Energy Council said that if the downward trend in world oil prices continued, the petrol price in South Africa would definitely drop.

This was confirmed on Thursday when Mineral and Energy Affairs Minister Dr Dawie De Villiers gave the assurance that a drop in the crude oil price would be passed on to motorists.

Earlier this week the price per barrel of North Sea Brent oil had dropped to $27,60 from a high of $40,90 two weeks ago. Two days ago, increased tension in the Middle East had forced the price of Brent back up to $32,30 a barrel. South Africa's petrol price hike last week was based on an average world crude oil price of $37,50.

A spokesman for the National Energy Council said, however, that should the world oil price stabilise at the key level of $22 a barrel, the petrol price would not fall back to the previous Reef figure of R1,28 a litre, as this amount represented an under-recovery of approximately 22c a litre.

"It is also highly unlikely that the Government will consider holding the present price to create a fund, as has been suggested, to finance Mossgas for example, because of the impact this will have on inflation."

He added that apart from the international oil embargo still being firmly in force, the problem that faced South Africa's energy authorities at present was that they were having to "second-guess Saddam Hussein". It was virtually impossible to make any long-term predictions in what was an "extremely volatile" world oil market.

See Speak Out on Page 2, and Page 6.

Crucial test for sport

Star 27/10/90

BARRY GLASSPOOL

DISCUSSIONS at next weekend's sports summit in Harare will be crucial to any designated time schedule for South Africa's re-entry into widespread international competition.

Next Saturday and Sunday's big indaba, called by the African National Sports Committee, will be hearing progress reports of unification talks by various heads of SA sport and other observers. The input will be another important part of the progress towards single non-racial, controlling bodies for the various sports.

The get-together is particularly important, coinciding with the announcements this week of proposed rugby tours to and from South Africa, says a spokesman for the National Sports Congress.

The NSC has its finger firmly on ANC policy and attitudes regarding the stage that South African sport, generally, has reached, and is reaching, in terms of possible re-entry to world competition.

The Australian Rugby Union have invited South Africa to tour in 1992 and the New Zealand Rugby Union council president Eddie Tonks has said that, subject to world approval of South Africa's situation, the All Blacks were ready to resume official ties by touring South Africa.

But the vice-president of the NSC and president of the South African Rugby Union, Ebrahim Patel, whose organisations have been having unification talks with Dr Danie Craven's SARB, recognised by the International

TO PAGE 2.

You pay the increase we pay – Minister

CP Correspondent

55

C/Press 28/10/90

THE fuel price increase passed on to consumers was exactly the same increase the government had to pay for oil.

So said the Minister of Mineral and Energy Affairs and Public Enterprises, Dr Dawie de Villiers, this week, following the biggest ever increase in fuel prices.

The price at which the government bought oil had fluctuated continually during the past few months. The average price which the government had been paying for fuel was US $38, although the price rose to more than US $40 at times, said De Villiers.

"We paid relatively good prices. The amount passed on to the consumer is the real cost which we had to incur to obtain fuel. It takes some time before the price paid filters through the system. Should we be able to buy oil at lower prices at a later stage, the consumer will receive the benefit."

Price movements were not yet stable and fluctuated continually. Due to the uncertain situation in the Middle East, nobody could predict in which direction the oil price would move, the minister said.

The position was very fluid and the government was compelled to increase the fuel price because the Equalisation Fund had been nearly depleted. There was no money available to subsidise the price.

Asked why the oil stockpile could not be used to support the price, De Villiers said South Africa was still experiencing an oil boycott and there were several groups, including a United Nations committee, which were actively campaigning for a stricter application of sanctions.

"This especially affects us as far as the shipping of oil is concerned. No ship owner will admit his tankers are being used to ship oil to South Africa. It is being strictly monitored internationally and ship owners are under pressure not to ship oil to South Africa. Therefore, the situation is still very problematic for South Africa."

South Africa had a large oil stockpile, but it could be questioned if this valuable capital asset, built up by motorists, should be used to subsidise a running expenditure like the petrol price.

"In reality, we would only be able to subsidise the price in a limited manner – at most perhaps by 5c to 7c a litre," De Villiers said.

"The question must be put if the motorist should not, in his own interest, apply this capital asset to develop alternative sources like Mossgas, or for any other capital project which would be beneficial in the long term."

The contention of, for example, supermarkets that they could sell petrol at a cheaper price was valid, but this would be detrimental to the provision of fuel to rural areas and to many smaller filling stations.

"One must consider very carefully if such a situation would be in the best interests of the country."

Star 29/10/90

'Comrades' switch on power

55

The mood in the Pretoria township of Atteridgeville was one of joyful revolution at the weekend as defiant youths mounted step ladders, reconnecting electricity cut off by the town council.

Virtually every house was switched on by the "comrades" who carried out their work under the noses of passing police patrols.

The hundreds of residents whose electricity was cut off following the township's rent boycott chanted slogans and sang freedom songs as the youths climbed the poles and switched on the lights.

A police van drove past along Komane Street on Saturday afternoon as youths reconnected the electricity of a row of houses about 50 m from the council offices, but no action was taken.

Members of the community provided vehicles, step ladders and tools towards the switch-on campaign that had attracted scores of activist youths.

The campaign is in defiance of last week's electricity cuts following the township's rent boycott. — Sapa.

Star 29/10/90

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Shell SA apologises for course

Own Correspondent

DURBAN — Shell SA, which sponsored the controversial and allegedly politically biased and anti-religious leadership course for high school children of all races, has apologised to parents and distanced itself from the contents of the course.

Shell chairman John Kilroe said in a statement to the company's employees that the matter had been investigated by trustee and organiser Terry McCulloch.

White parents of some of the 50 children who attended the Science and Maths Resource Centre Trust Leadership Camp at Richards Bay in August complained about the dissemination of ANC propaganda by the lecturers, alleging that it had caused racial bitterness among the participants.

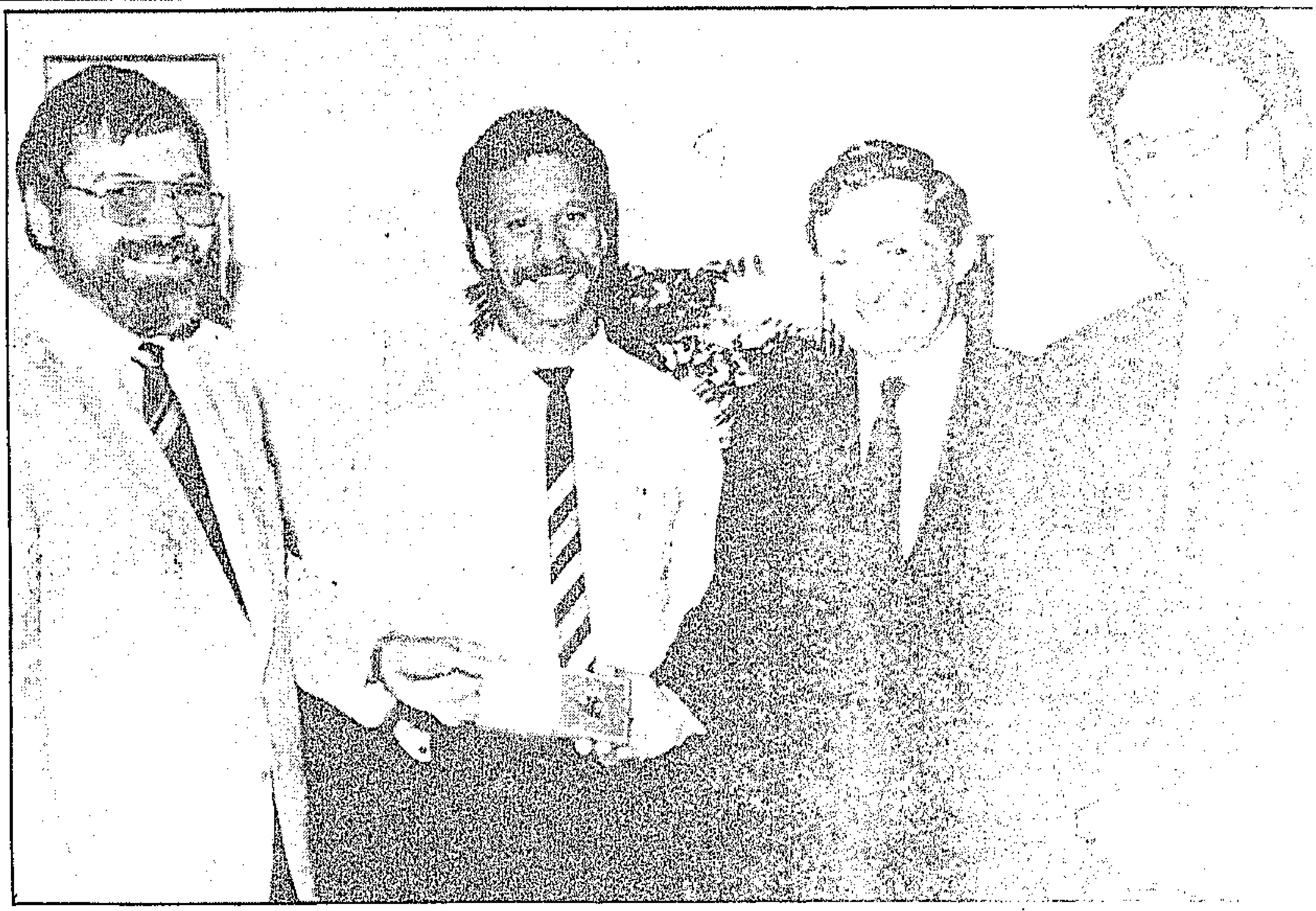
Mr Kilroe said although Shell had provided the funds, the content and selection of course leaders had been handled by a youth sub-committee which reported to an action committee with input from the children.

"It was a minority who found the ice-breaking game offensive and some of the material politically biased."

He said that incomplete and misleading information about the camp had been given to parents and schools. However, Mr Kilroe conceded that much of the material was inappropriate, that there were shortcomings in the meals and accommodation and that an official from the centre had not attended the course to ensure it was being properly run.

"Shell has been assured that funding by the centre of any programmes or courses which promote a political party point of view will not be tolerated."

Mr Kilroe's statement has been praised by KwaZulu Chief Minister Mangosuthu Buthelezi.But he said he would like to hear a "categoric denial that... Shell favours the ANC as a black organisation."



Pay-dirt ... Barry Lewis of Sandton (second from right) receives a solid gold Krugerrand from Dave Thorpe (left) honorary director of the SPCA national council, as the first winner in the Kruger Millions Treasure Hunt being run b[y] the Saturday Star in aid of the SPCA. With them are Leo Levine, proprietor of Kruger Rand Trading (second from left) an[d] Peter Haywood, project co-ordinator of the competition. Picture: Stephen Davimes

Strike it rich: help find the Kruger millions

Staff Reporter

With petrol costing R1,60 a litre, there is not one of us who could not do with a R1 million windfall...

A novel competition currently being run in the Saturday Star offers everyone the chance to become a millionaire simply by guessing where the Kruger millions are hidden.

One of South Africa's most famous legends is the subject of the competition which requires that entrants mark on a map the spot where they believe President Kruger left the government reserves of bullion after fleeing Pretoria in 1900.

Not only do the entrants stand to make a fortune by participating in the competition, but the SPCA will also receive funds from every entry.

They will use the money to do what they do best — prevent cruelty to animals.

Every entrant donating R6 to enter the SPCA competition will automatically receive membership of the Jock of the Bushveld Foundation — an environmental club responsible for supporting the SPCA.

So watch out for an entry form, map and details in the Saturday Star this weekend, [and] make a cross where you th[ink] Kruger left his millions. [You] may win a million (or so[me] smaller prizes of gold that [ap]parently spilt off the back of President Kruger's train) [and] will be helping the SPCA.

If you would like to enter [be]fore Saturday, telephone [the] Star Promotions at (011) [...] 2304.

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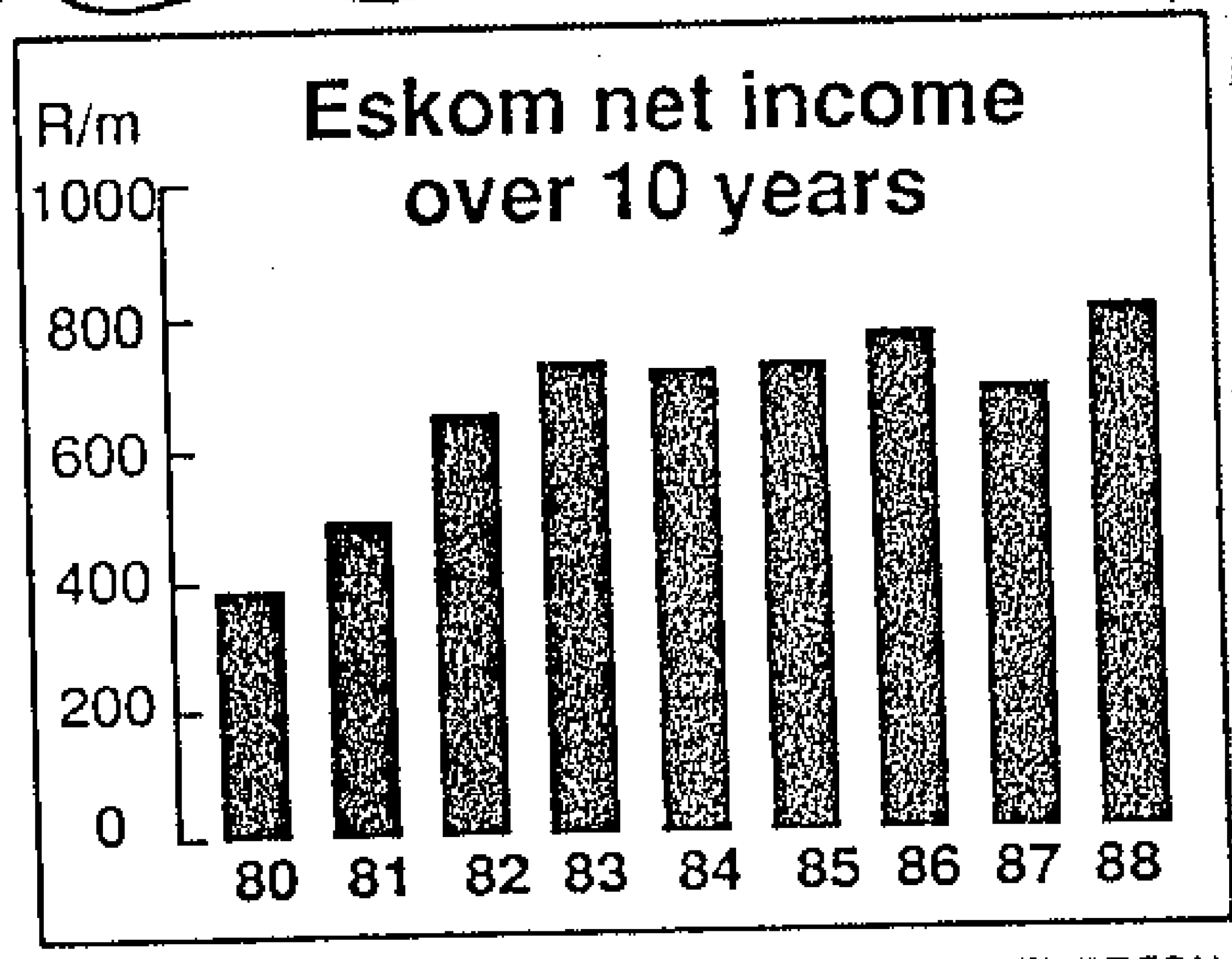
(55)

Cost controls help Eskom to beat inflation



Graphic: LEE EMERTON

B/Day 30/10/90

A RE-STRUCTURING of Eskom in 1985 brought the organisation under the control of a body corporate managed by the Electricity Council and Management Board.

Since then, leaps in productivity and cost control have kept electricity price increases below inflation yet enabled Eskom to achieve a 1989 surplus of R728m, 10,8% down on the surplus of R816m in 1988.

Against a PPI inflation rate of 15,2% and increases in resource and input costs in some cases higher than inflation, Eskom's total operating costs rose by just 12% (10% in 1987 and 1988).

The organisation estimates its productivity improvement in 1989 at 2,7%.

In September 1989, Eskom won the National Productivity Institute Award for reducing inventory while maintaining 95% service levels.

According to its annual report, through better inventory control and management by trained staff, the "disproportionate growth in inventories" before 1985 was arrested and lower inventory now supports more assets in service.

Change

In pursuit of its goal of making cheap, reliable electricity available to everyone, Eskom, in a "significant change in marketing strategy" is prepared to form joint ventures with local authorities and communities to accelerate the electrification process.

Modified methods of reticulation and wiring of homes have been developed in conjunction with suppliers — something Eskom previously left to local authorities.

Eskom has a sound human resources programme aimed at developing a good skills base.

The organisation made considerable progress in 1989 in improving the quality of its electricity supply.

The number of major transformer failures reduced from 13 in 1988 to three in 1989.

Although a government-appointed organisation, it is independent and gains no government funding. It is funded entirely from debt (Eskom stock) and retained earnings.

A commitment to quality, productivity and customer service indicates that, although it does not have direct competition, it does operate in a challenging marketplace.

Eskom describes itself as "a market-driven organisation in close touch with the needs of customers to find ways of using electricity more effectively".

Part of its vision statement is to "be excellent in business performance and internationally recognised as a top utility".

Rough time for Lion Match

55

Gen
30/10/90

Lion Match has had a rough time during the six months to September with a slight increase in attributable earnings of one percent compared with the same period last year.

The group said earnings for the half-year were R7,6 million compared to 1989's R7,5 million.

Earnings per share were unchanged at 16,7 cents while the dividend also remained unchanged at 6,5 cents a share.

Turnover was up by 20 percent at R163,8 million (R136,1 million) while trading profit was up by 11 percent at R20,2 million (R18,2 million).

The directors said there was a reduced gross profit margin in the lights and appliances divisions as a result of difficult trading conditions and a delayed match price increase.—Sapa.

Keys still has the magic touch with Gencor

Star 30/10/90

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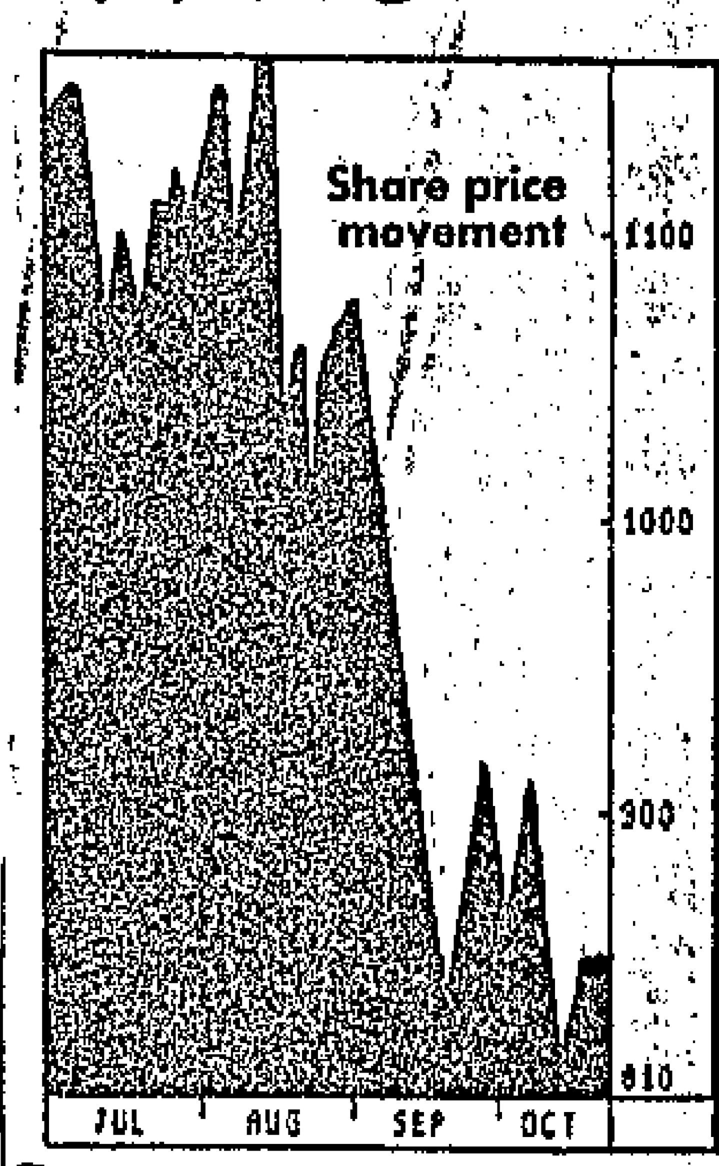


By Derek Tommey

Profit figures issued today by mining house Gencor show why this company is a major favourite with institutional investors.

Although Gencor was hit by the downturn in international commodity prices and the softer domestic economy, the figures show that chairman Derek Keys still retains his magic touch for producing handsome profit increases.

Gencor reports a R396 million increase (38 percent) in attributable earnings in the year ended August — from R1 050 million to R1 447 million.

Earnings a share, in spite of the 20 percent increase in the number of shares issued following last year's huge rights issue, also showed real growth — by 17 percent from 105,5c to 123c.

The final dividend of 26c a share brought the total dividend payment for the year to 40c — an increase of 18 percent on last year's 34c.

Mr Keys is optimistic about the prospects both for South Africa and for Gencor.

Potential

He says that on February 22 "South Africa entered an era of great potential for good if only we know how to realise it. This is as true for Gencor as it is for the country itself."

He warns that the risk and uncertainty levels will be higher in the short-term, but he is confident that South Africa should be able to handle this.

And while Gencor's operating income is likely to fall in the year-ending August, 1991, he expects Gencor comfortably to maintain its dividend at its increased level.

Engen, the group's energy company created by merging Trek with Mobil, proved a most valuable asset, by making a major contribution to Gencor's increased earnings.

Engen contributed R203 million to Gencor's attributable income — a swing around of R232 million from last year's loss of R29 million. With a market capitalisation of R3 billion it is now Gencor's largest investment.

Minerals

Mr Keys says Engen's profits should rise further this year.

"Genbel and investments" was another major area of earnings growth, with this division contributing R414 million or 29 percent of earnings. This was more than double the R191 million contributed last year. It partly reflects investment income from the proceeds of the rights issue.

Coal producer Trans-Natal also made a valuable contribution to the profit increase with an attributable income of R73 million (R36 million). Income from the minerals dividend jumped from R77 million to R119 million, but lower earnings are expected from this sector this year.

Contribution

The gold mining division, Gengold, managed to increase its contribution from R154 million to R157 million in spite of the lower gold price. The platinum producer, Implats, maintained its contribution at R91 million. However, the contribution from the managanese producer, Samancor, dropped from R321 million to R251 million.

The contribution of paper and pulp producer, Sappi, dropped from R276 million to R240 million, while that from Gencor's industrial arm, Malbak, declined from R145 million to R116 million.

Exploration expenditure was well maintained at R97 million (R95 million) but a sign of the times, corporate expenditure fell from R57 million to R39 million.

In the short to medium term, Gencor can expect new earnings from its two new mines, Weltevreden and Oryx, and also from the expansion of production at gold mine Winkelhaak.

Exploration

Mr Keys says that Gencor is planning to increase its international exploration work. This could be linked with Engen's plans to look further afield for oil.

At August 31, Gencor had no net debt and gross assets of more than R16 billion, equal to a net asset value of 1 375c a share, compared with 1 211c last year.

With this financial muscle the group is "in shape to tackle the best of the opportunities that are likely to present themselves in the new South Africa," says Mr Keys.

Star 31/10/90

Now KwaGuqa power cut

By Therese Anders 95
Highveld Bureau

WITBANK — KwaGuqa, the eastern Transvaal's biggest township, was plunged into darkness last night after the Witbank Town Council cut the electricity supply.

The township owes the Witbank local authority more than R500 000 for the bulk of its supply of water and electricity.

However, Witbank town secretary Pieter Rorich said the water supply would not be suspended.

KwaGuqa also owes Eskom R290 000 for electricity supplied for more than two months to houses in new extensions.

● The electricity supply to the East Rand townships of Wattville and Daveyton will be cut off at midnight tonight, the Benoni Town Council announced at its monthly meeting last night.

Representatives of Daveyton, Wattville and the Transvaal Provincial Administration are scheduled to meet today to discuss the electricity supply.

ENERGY — 1990

NOV. — DEC.

Closure of Eskom plants slammed

(55)

By DON SEOKANE

NATIONAL Union of Mineworkers has rejected the "unjustifiable loss of jobs" resulting from the moth-balling of three power stations by Eskom.

Eskom announced that it was moth-balling Ermelo, Komati and Grootvlei power stations because of over-capacity of electrical generation and financial constraints.

The three power stations have a combined staff of 2 600. Sowetan 12/11/90

A spokesman said 600 of the workers would be retained to maintain the plants during moth-balling stage and the remaining 2 000 would be retrenched.

NUM spokesman Mr Jerry Majatladi said the moth-balling of the three power stations were regretted in that it had become an ongoing process at Eskom.

He said they were joining a number of power stations that have been closed or moth-balled over the past years.

"We saw this as closure of power stations that were generating electricity efficiently and open up fewer modern power stations that employ less workers to generate the same capacity of electricity.

"Moth-balling of power stations is viewed as an open attack on workers, particularly, underprivileged black workers," said Majatladi.

NUM challenged Eskom to a public debate with trade unions on "its systematic destruction of jobs.

Star 21/11/90 (55)

Eskom plans to cut back on borrowings

By Derek Tommey

Eskom is sharply reducing its borrowings next year.

It plans to raise R2,8 billion, which is R1,1 billion less than this year.

The biggest decline will be in capital market loans, which are expected to drop from R2,31 billion to R1,6 billion.

The drop in Eskom borrowings should lead to a decline in capital market rates.

Other points made at an Eskom investment seminar last night were:

- Foreigners have been large buyers of Eskom loan stock in the past 18 months.

Attracted by the prospects of greater political stability in SA and the high returns available when bought with financial rand, foreign holdings of Eskom stock has more than doubled since 1988.

Foreigners now hold Eskom stock with a nominal value of R8,8 billion and a market value of about R7 billion — equal to 44 percent of the total.

At the end of 1988 the figure was 21 percent.

Francois Botha, assistant general manager, finance, said Eskom tended to regard these foreign investors as weak holders who might sell at any time.

However, Eskom had prepared for this eventuality.

- The decision to hold electricty price increases to eight percent next year was not an irrational decision and could be justified commercially.

However, it meant that planned price increases in the future would have to be made earlier than intended.

- From today Eskom will make a market in the medium-term Eskom 167 12 percent May 1 1996 loan stock.

Engen holds premium rating over Sasol

Star 27/11/90 (55)

Diagonal Street

Jabulani Sikhakhane

Gencor's energy arm, Engen currently enjoys a premium rating over synthetic fuels producer Sasol. Analysts attribute this rating to Engen's good growth prospects from the group's expansion programme.

One dealer notes that institutional investors have also been looking for the tightly held Engen stock. Gencor owns 84 percent, Genbel nine percent with other minority shareholders holding the remaining seven percent.

Engen rose 25c to R29,50 yesterday, placing the share on an earnings multiple of 15,2 and a dividend yield of 3,3. Sasol is on a P/E of 10,6 and dividend yield of 4,2.

This premium rating is based on Engen's current discussion with parent, Gencor regarding possible participation in the Alba and Kilda oil ventures in the North Sea.

The giant Alba Oil Field with in-place reserves of over one billion barrels is currently being developed and will be followed by the development of the major Kilda gas-condensate field which lies some 2 000 metres below Alba.

Options

Engen may also participate in oil exploration off the coasts of Namibia and when a political settlement is reached in this country, may get involved in Angola. It also has the option to increase its participation in Mossgas when it comes on stream.

The group also plans to spend R1,2 billion in the next five years doubling capacity and upgrading the Genref oil refinery in Durban. Since 70 percent of group profits come from oil refining, Engen should benefit from this increased capacity.

Chief executive and managing director, Rob Angel says the reason for increasing capacity is due to the fact that Sasol plants in the near future will be operating at full capacity and local crude production is coming under pressure as a result of market growth.

Also Genref will be taking over the refining of Trek volumes currently handled by the Sapref refinery.

Engen chairman Bernard Smith writes in the 1990 annual report that Engen will seek to become a fully integrated petrochemical company with divisions comprising exploration and production, marketing and refining and chemicals.

One analyst notes that Engen's premium rating is justified as the group has low risk profile because of the dominance of oil refining as a source of earnings.

Refining margins are built into the price of fuel products and these are favourable as they can be more profitable (depending on management) than synfuel protection levies.

However energy analyst, Mike Haworth reckons that Engen is overpriced at current levels. He says Sasol, because of its diversity, should have a higher rating than Engen.

He notes that Sasol should see tremendous benefits flowing from Sasol 3. Sasol is in the process of buying out the State's interest in Sasol 3 for an estimated R450 million.

The group should also benefit from the expansion programme at the Syferfontein coal mine which is due for completion in 1992.

Added to this is Sasol's strong cashflow, from which it should be able to fund most of its capex. In financial 1990 group's retained cash totalled R769 million (R790 million in financial 1989).

But Mr Haworth adds that Engen has a good management team and is repositioning itself well for the late 1990's. Benefits should start flowing from this repositioning around 1994.

Star 13/11/90 (55)

Eskom chief hails fading of 'political constraints'

By Robin Drew
Star Africa Service

HARARE — Political constraints on economic co-operation in southern Africa were falling like leaves from a tree in autumn, Eskom chief executive Dr Ian McRae said at a World Energy Council conference in Harare yesterday.

The regional forum for east and southern African countries was opened by President Robert Mugabe in another indication of the improved political climate.

The Zimbabwe leader did not specifically mention South Africa's presence, but he spent considerable time at the Eskom display with Dr McRae and talked to South African business exhibitors.

The Eskom chief executive spoke enthusiastically of a potential power grid serving up to 20 countries with a population of up to 150 million.

He said that while political constraints were going, there were still problems of finance, the shortage of skills, a woefully weak education system and what he termed "institutional problems" where there was a reluctance to delegate authority.

In his opening address, President Mugabe said energy was a subject which had been given urgent attention by the members of the Southern African Development Co-ordination Conference, which currently excludes South Africa.

ST 2/11/90 (55)

Mossgas budget to be probed

Political Correspondent

The Auditor-General is investigating cost overruns in the massive Mossgas project that have bumped up the estimated final cost by about R1 billion since mid-1989.

Mineral and Energy Affairs Minister Dr Dawie de Villiers said yesterday that during the course of the normal audit of State enterprises, he had asked the Auditor-General to "look into certain matters".

Dr de Villiers agreed there had been cost overruns and did not dispute the figure of R1 billion, although he said it was impossible to provide a firm estimate now.

"This is a very large project, stretching over many years, which will only be completed in 1992. In projects like this, the first estimates of costs are never the same as the last ones," he said.

Some of the cost overruns were due to exchange control changes since the project began and others due to import surcharges, which alone had added between R180 million and R190 million to the bill.

The Minister said that if present oil prices persisted, Mossgas would become a highly profitable enterprise. Over the next 20 years, circumstances in the Middle East might yet keep the oil price high.

He confirmed that the break-even oil price for the project was about \$20 to \$22 a barrel.

During February this year, Dr de Villiers estimated the final cost of the project at about R8 billion, while present outside estimates put it at about R8,8 billion.

STAR 1/11/90

Govt pressured to use oil reserves

(55)

By Michael Chester

The Government has come under intense pressure from the SA Chamber of Business (Sacob) to drop the veil of secrecy about the size of its vast crude oil stockpiles and to release hidden reserves to hold down spiralling petrol prices.

Sacob triggered the pressure at its annual convention in Johannesburg yesterday when insiders hinted that the country was able to escape the worst impact of the Gulf crisis, if it so decided, by drawing on huge secret reservoirs of oil accumulated over more than a decade as a protection against United Nations embargoes.

Publication of details about the size or whereabouts of oil stockpiles has long been forbidden by the Government as part of its strategy to dodge international sanctions on imports of vital supplies.

However, the Government was challenged yesterday by Sacob president Leslie Boyd to spell out the full facts on national oil reserves and how they could be tapped, if necessary, to escape the dramatic worldwide increase in oil prices caused by the Iraqi invasion of Kuwait.

Mr Boyd said that the business community would better understand the Government's action with recent big increases in petrol prices if the Government was more forthcoming with the actual facts of South Africa's oil situation.

"We believe the need for secrecy has gone," he said.

Mike Norris, of the Durban Metropolitan Chamber of Commerce, estimated that the oil stockpiles were large enough to keep South Africa going for at least two or three years without any new import shipments.

Moreover, much of the reserve had been accumulated years ago when the rand exchange rate with the US dollar meant South Africa was paying suppliers less than R10 a barrel — compared with the current R100 a barrel.

"We need to press the Government to release at least a proportion of stocks immediately," he said. "Otherwise we will lose a tremendous opportunity to escape the worst peaks in world oil prices — tiding us over until costs come down again.

"The huge savings could not only be mobilised to the benefit of socio-economic programmes but also allow South Africa to make an earlier start into recovery from our current recession."

Delegates also pointed out that mobilisation of reserves imported when oil prices were far lower could also be used to subsidise essential transport services — particularly in and around more remote black housing projects where transport costs were a burden.

SA Reserve Bank senior deputy governor Dr Jan Lombard, who addressed the convention in an economic debate, declined official comment, except to say he was in favour of subsidising local users if at all possible.

● **High price/wage rises slated — Page 20.**

Eskom hopes for southern African power grid

From ROBIN DREW
Argus Africa News Service
in Harare

SUPPORT is growing for the concept of a Southern African Power Authority to handle huge generating projects and a transmission grid which would criss-cross the region from Zaire to Zululand, from Maputo to Malmesbury.

POWER

Eskom's Chief Executive, Dr Ian McRae, speaking in an interview in Harare where he is attending a meeting of the World Energy Council, said he realised the practical difficulties in getting the approval of governments for such an Authority. But he hoped they would see the benefits too, particularly in the raising of private sector finance.

Dr McRae is more optimistic now that his vision of a giant power grid will come to fruition. Political constraints are falling away, he says.

A vital component is the Cahora Bassa hydro-electric project in Mozambique for which finance is currently being raised to re-construct the 1 400 transmission towers sabotaged in the last 10 years of guerilla war.

"All of us are much more confident, now that peace initiatives are under way, and the security problem is definitely diminishing, " said Dr McRae who heads the Permanent Joint Committee of Portugal, Mozambique and South Africa which is in charge of the restoration of Cahora Bassa. He confirmed that the Renamo leader, Afonso Dhlakama, had given some undertaking not to interfere with the reconstruction of the power line to South Africa.

Meanwhile final touches are being put to an agreement under which Zimbabwe will import power from Cahora Bassa, possibly within the next two to three years. This would be for only a limited period but , said Dr McRae, "we are looking at the possibility of installing additional generating capacity at Cahora Bassa to enable Zimbabwe to continue to import power for many years."

This study is about to commence and will include looking at other projects on the Zambezi.

Another exciting possibility is to link the Zimbabwe power system directly to South Africa to enable excess power to be fed into the South African system. Dr McRae said preliminary studies were already under way.

Dr Ian McRae

Malawi was also interested in taking power from Cahora Bassa and a link there could be extended north to Tanzania if it were to become involved.

The Eskom chief also spoke about developments on the other side of the sub-continent where Namibia, with which South Africa is already linked, is looking at a project on the Cunene River, primarily for irrigation but which would also provide surplus power seasonally.

This would create the possibility of a link with a 520 mw project being developed in Angola at Cubanda, 200 km south of Luanda.

Angola did not ave the demand for this power at present but it could provide the link with Zaire's Inca project.

In Botswana studies were being made of a 1 000 to 2 000 MW coal-fired project which was already looking quite viable and which could become a focal point in the Southern African grid.

Dr McRae said each country could feed in and draw off the system as its needs demanded.

A Regional Power Authority would not cut across the rights of a country's own power company such as Eskom in South Africa or Zesa in Zimbabwe to run its own grid but the Southern African Authority would handle the major transmission grid and power generating projects.

"I believe we will see the development of this grid," said Dr McRae.

Star 5/11/90

More Tvl townships threatened with power cuts this week

55

By Therese Anders
Highveld Bureau

Several hundred thousand residents in eight townships in the Transvaal and one in the Free State were without electricity and, in some cases, without water at the weekend.

And, as the rent and services-boycott crisis worsens, many more Transvaal townships face blackouts this week as their electricity and water accounts fall due.

Reprieve

Eskom, which has yet to suspend supply to 27 black local authorities, is threatening to suspend power to Kagiso on the West Rand today if an agreement is not reached.

KwaGuqa, which was without electricity for most of last week, has been given a reprieve by the Witbank Town Council. KwaGuqa owes the white local authority more than R500 000 and Eskom over R200 000.

Kroonstad's Maokeng township, where there has been severe water rationing, today goes into its seventh day without electricity.

A power blackout was averted in Brakpan's Tsakane township after Eskom, the local civic association and the Transvaal Provincial Administration agreed last week that residents with electricity would make a flat payment of R85 and those without would pay R30.

● The bulk supply of electricity to Jouberton by the Klerksdorp Town Council will be suspended today, but bulk water supplies will be delivered on a limited scale.

This follows the continuing rent and service boycott initiated and encouraged by organisations in Jouberton, said a Klerksdorp council spokesman.

He said that because of the boycott, the Jouberton Town Council was unable to meet its monthly obligations.

The large arrear amounts led to warnings by the Klerksdorp council that today would be the date for the electricity cut-off and a limit on the supply of water, he said.

"Last week we had three meetings with the Jouberton Civic Association. We agreed that yesterday's would be the final one, but the association failed to produce a reasonable solution."

Star 6/11/90 (55)

2 000 face layoff at Eskom

By Therese Anders
Highveld Bureau

About 2 000 power station and colliery workers face retrenchment after Eskom's weekend announcement that it will mothball three of its ageing eastern Transvaal stations.

The three power stations affected are Camden near Ermelo, Komati near Bethal and Grootvlei in the Balfour district.

Eskom is mothballing the old stations because of heavy overcapacity of electricity generation and financial constraints.

The three stations have a combined staff complement of about 2 600. Of these, 600 will be retained to maintain the plants during the mothballing stage and the remaining 2 000 jobs will fall away.

But Eskom says it hopes to deploy a substantial number of those staffers elsewhere.

Two of the stations' feeder collieries, Genmin's Usutu and Anglo American's Springfield, are likely to close, say the mining houses.

About 500 jobs will become redundant at Usutu. Anglo American was unable to say how many of Springfield's 1 000 workers would be retrenched.

Genmin's Koornfontein mine near Komati will continue as a supplier for both the external and internal markets.

Disaster

The winding down of Grootvlei station and Springfield mine will be a disaster for the small Balfour township of Siyatemba (population 30 000), says Balfour town clerk Tienie Joubert.

"There are about 3 000 breadwinners in Siyatemba and about 600 of those will lose their jobs with the closure of the power station and mine.

"The total monthly wages at Grootvlei and Springfield are about R1,4 million and a good portion of that is spent in Balfour.

"It will mean some businesses in town will have to close," Mr Joubert said.

An Eskom spokesman said no decision had yet been taken on the future of the villages attached to the power stations.

WS Star 6/11/90 (55) (48)

Reaction to ANC's nuclear thumbs-down

Eskom has reacted cautiously to a statement at the weekend that the ANC was opposed to the use of nuclear energy.

"Future trends in the use of nuclear energy or any other energy source would obviously be subject to constraints applicable at the time decisions are made," an Eskom spokesman said yesterday.

"Eskom's approach to the supply of electricity is based on using the best available means.

This not only included the best available technology but also analysis of future trends of resources. — Staff Reporter.

O Star

1/11/90 (557)

Electricity application dismissed

By Cathy Stagg

Four Daveyton residents, who made an urgent application in the Rand Supreme Court against the Daveyton Town Council and the Benoni City Council to have uninterrupted electricity supplies until December 31 this year, had their application dismissed with costs yesterday.

Mr Justice K van Dijkhorst ruled that the R70 a month Daveyton residents had been paying to the town council was "an extremely arbitrary amount" which was far too small.

The judge referred to a public meeting held in the Daveyton football stadium on Sunday September 23.

At the meeting, the Daveyton Town Council proposed rates higher than the R70 a month residents had been paying as a flat rate for electricity and other services and the R150 flat rate business owners had been paying. This was rejected by the meeting.

Tom Boya, former Daveyton mayor, said in papers that he and eight other councillors, who formed a quorum, accepted the lower flat rates on behalf of the town council during the meeting. This agreement formalised a situation which had existed since April 1.

Mr Justice van Dijkhorst noted that the R70 a month was only 29 percent of what was needed to keep the township running.

He said he found it "strange" that a man who had been mayor for 10 years could say the crowd in a football stadium and councillors who happened to be present had concluded an agreement.

Mr Boya resigned as mayor during the meeting.

The judge also ruled that Benoni City Council, which was owed R3,9 million by Daveyton, could not be forced to supply electricity to the township.

Star 14/11/90 (55)

Eskom considering pay-as-you-use system

By Shirley Woodgate

Eskom, facing a outstanding debt of R70 million in unpaid accounts from 30 black townships, is planning to introduce a system of prepaid budget electricity controllers (BECs) installed inside homes.

The BECs — which work on coupons or tokens fed into the unit when power is needed — are also equipped with an alarm which indicates when electricity credit is running low.

Simply explained, after BECs have been installed, electricity will be supplied only once householders have paid up-front.

Eskom reticulation market development manager John Bradbury said a pilot project had been running for two years in KwaNobuhle near Uitenhage, where 3 000 BECs had been fitted.

Inquiries for 30 000 units had been received, with 23 bids involved in the latest tender.

Stressing that BECs were not a device to be used only in black townships, he said 70 had been installed over the past year in the upmarket Lanzerac development near Lonehill, north of Johannesburg.

Highlighting Eskom's latest drive to supply cost-effective electricity, communications manager Johan du Plessis said: "About 22 million of the 38 million in SA are without electricity.

"Our achievable targets are: 1 million homes to be electrified by 1995, another 1,5 million by 2000 and a final 5 million by 2025.

"Eskom is currently involved in 120 electrification projects throughout South Africa which will provide electricity for 600 000 dwellings," Mr du Plessis said.

The BECs were part of the cost-effective technology which was expected to cut by half the costs of bringing electricity to the end user, he added.

Star 9/11/90 55

Six councils summonsed by Eskom

By Stan Hlophe

Eskom has summonsed at least six Transvaal local authorities and is in the process of issuing 15 more summonses, while the Transvaal Provincial Administration is engaged in talks with several other councils in a bid to solve the rent crisis.

This follows non-payment of service and electricity charges.

Eskom spokesman Johan du Plessis said legal action was to be taken to recover about R70 million for its bulk supply.

He would not reveal the councils being summonsed. He said, however, that there were 30 in all and legal action was being considered regarding nine.

Negotiations between the TPA, the Atteridgeville People's Party and Concerned Citizens of Atteridgeville will be resumed on Tuesday.

Deadlock

In Vosloorus, a meeting ended in deadlock after the TPA and Vosloorus Civic Association were unable to agree on the introduction of a flat rate.

Talks are scheduled for today between the TPA and KwaZanele, near Breyten; KwaGuqa, near Witbank; Mhluzi, near Middelburg; Wesselton; Silobela; Phola, near Ogies; Emzinoni, near Bethal; Siyathemba, near Balfour; Duduza, near Nigel; Wattville, near Benoni; and KwaThema, near Springs.

Negotiations are also being held with civic associations at Alexandra, Evaton, Kanana, Munsieville and Jouberton.

Electricity has been switched off in 10 Transvaal areas: Situbeni, near Bronkhorstspruit; Engwenya, Waterval Boven; Silobela, Carolina; KwaGuqa; Boitumelong, near Bloemhof; Tswelelang, Wolmaransstad; Kgakala, Leeudoringstad; Jouberton; and Maokeng.

Star 24/11/90

(55)

Hope rises for Cahora Bassa power

By Derek Tommey

Eskom is pulling out all the stops to raise $100 million to get the Mozambican hydro-electric power station, Cahora Bassa, back into full operation.

Francois Botha, Eskom's assistant general manager, international finance, said in an interview the intention was to show Southern Africa that there could be co-operation producing tangible results.

The power station itself is in excellent condition.

But instead of producing its planned 2 000Mw, it is producing only 50 Mw.

The problem is getting the electricity its produces to South Africa and other markets.

This is because one of the main casualties of the Mozambican civil war has been the pylons carrying the power lines.

Of the 10 000 pylons between Cahora Bassa and the South African border, 1 500 have been pulled down.

The estimated cost of re-erecting these pylons was about $100 million, said Mr Botha.

The Italian government and World Bank had indicated a willingness to help, he said.

South African commercial enterprises had also shown interest and Eskom was trying to arrange finance from suppliers of some of the materials needed to re-open the power station.

The big question-mark hanging over the project is whether there is any guarantee that the re-erected pylons will not be pulled down again.

To this Mr Botha replied: "We think security in the area is improving."

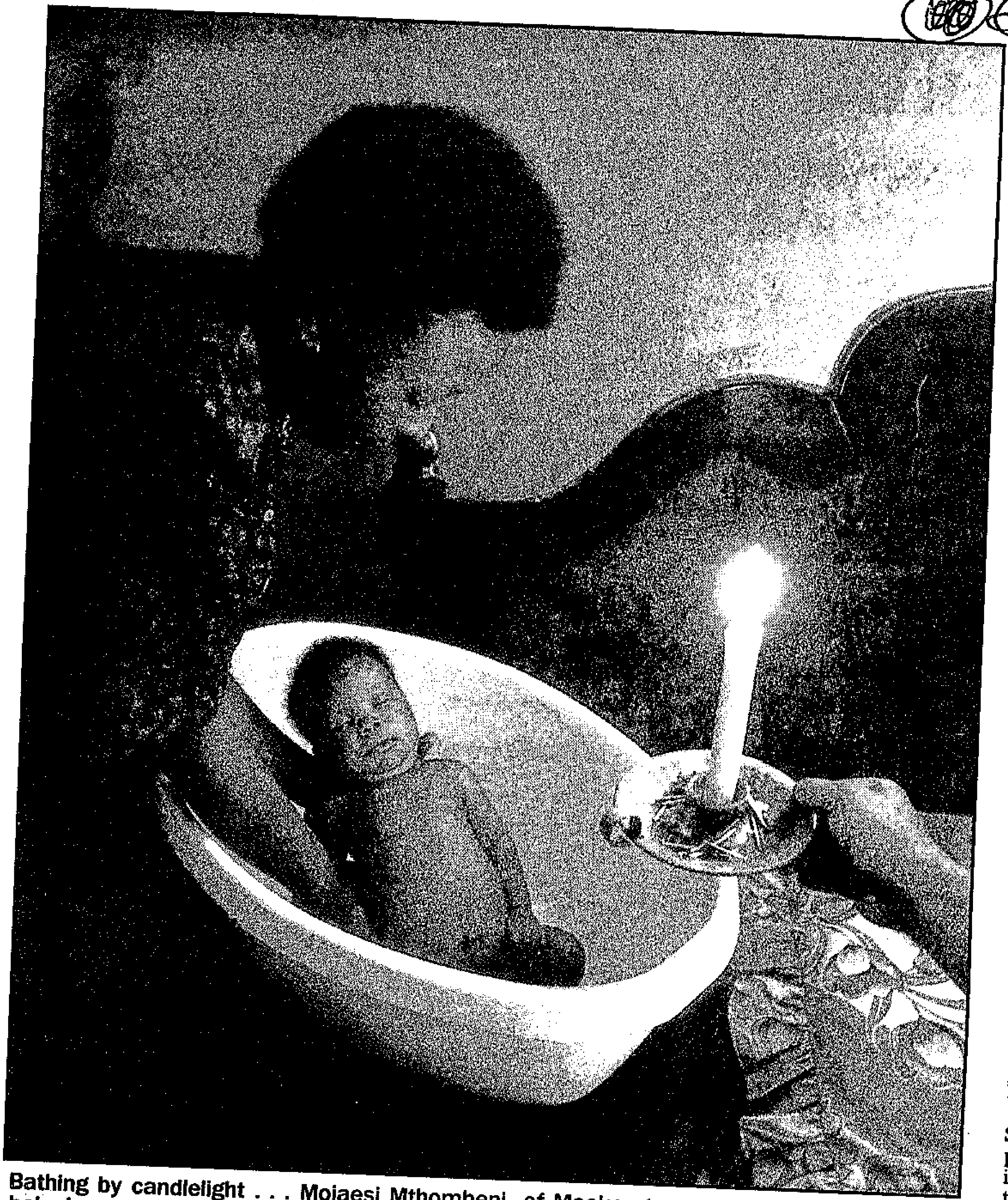
Returning Cahora Bassa to full operation would benefit several countries.

SA would receive a large supply of low-cost electricity, which would enable it to rationalise production.

Mozambique would benefit by receiving low-cost electricity and badly needed foreign currency.

It could use this money to finance imports and meet some of the interest on foreign debt.

This would open the way for new loans and investment.



Bathing by candlelight . . . Mojaesi Mthombeni, of Maokeng near Kroonstad, bathes her baby in semi-darkness in a minute amount of water after power and water were cut off in the township.
Picture: Herbert Mabuza.

Boycott in townships at critical stage

By Therese Anders
and Esmaré van der Merwe

The increasing township rent and services boycott is becoming critical.

The possibility of major health hazards is suggested as raw sewage pours into Witwatersrand rivers from black towns because services have been stopped.

Hundreds of thousands of township dwellers are living without electricity, and some without water, because of non-payment of accounts.

The crisis began on September 1 when the Government stopped bridging finance to townships continuing with the rent and services boycotts.

Electricity giant Eskom is facing a massive debt with up to R70 million in arrears run up by 30 defaulting townships.

And many white town councils are facing cash flow problems of their own as nearby townships default on their bulk services accounts.

Last month, big business and even a church group bailed out townships affected by either water or electricity blackouts.

In many townships, residents in large numbers have begun paying, albeit a flat rate well below the average account.

The Civic Associations of Southern Transvaal has appealed to the Government to impose a moratorium on cutting water and electricity during negotiations on provision of and non-payment for services.

● Disease alert — Page 7

Eskom seeks R100-m to revive Cahora Bassa

ARGUS 22/11/90

The Argus Correspondent

JOHANNESBURG. — Eskom is trying to raise R100 million from overseas and South Africa to get the Mozambican hydro-electric power station at Cahora Bassa back into full operation.

The power station is producing only 50 of its planned 2 000Mw but is said to be in excellent condition.

Mr Francois Botha, Eskom's assistant general manager (international finance) said today that Eskom was acting on the authority of the joint committee representing South Africa, Mozambique and Portugal to try to raise money.

WORLD BANK

"Indications are that money will be available from Italy, possibly Germany, the World Bank and South African banks."

Several countries would benefit if the power station increased output.

Zimbabwe was interested in taking a portion of the power, said Mr Botha.

South Africa would get a large supply of low-cost electricity, which would enable it to rationalise production.

Mozambique would get low-cost electricity and badly needed foreign currency which it could use to finance imports and meet some of the interest on foreign debt. This would open the way for new loans and investment.

The major obstacle in getting the electricity to South Africa and other markets was replacing pylons carrying the powerlines, which would cost about R100 million, said Mr Botha.

About 1 500 of the 10 000 pylons between Cahora Bassa and the South African border were pulled down in the Mozambican war.

Lesotho's got 'water for Africa'

One of the most ambitious engineering projects in the world — the construction of the R5,5-billion Katse Dam in the highlands of Lesotho — is set to transform the poverty stricken "Mountain Kingdom" into a vital and viable country, and provide South Africa's burgeoning population, and its industry, with a massive supply of life-giving water well into the next century. TIM PATTEN, Assistant Editor of The Argus, who went on a tour of inspection by road and helicopter arranged by the Development Bank of Southern Africa, reports.

FROM the vantage of a Lesotho Air Force helicopter hovering above precipitous mountains and deeply incised valleys in a remote corner of Lesotho, building a vast dam to supply water to South Africa appears to be a technical impossibility.

Down on the ground, however, 2 000 engineers and construction workers believe otherwise. And they are setting out to prove that the dream of the late Mr Ninham Shand, a Cape Town consulting engineer who had a vision in the 1950s, will come true.

It was the brainchild of Mr Shand, who was then a member of the Water Plan Commission, which gave rise to the Oxbow Scheme — a plan to divert water from the Malibamats'o River in Lesotho westwards to the Caledon River and from there to the Free State goldfields.

South Africa cast longing eyes at Lesotho because of its high rainfall in the highlands — 1 000 mm of rain a year, and melting snow, provides 150 cubic metres of water a second to the Senqu/Orange River.

Even in the early 50's the governments of the then Basutholand Protectorate and South Africa began pondering the problem of diverting the headwaters of the Orange River in Lesotho, under gravity, to the upper reaches of the Vaal River.

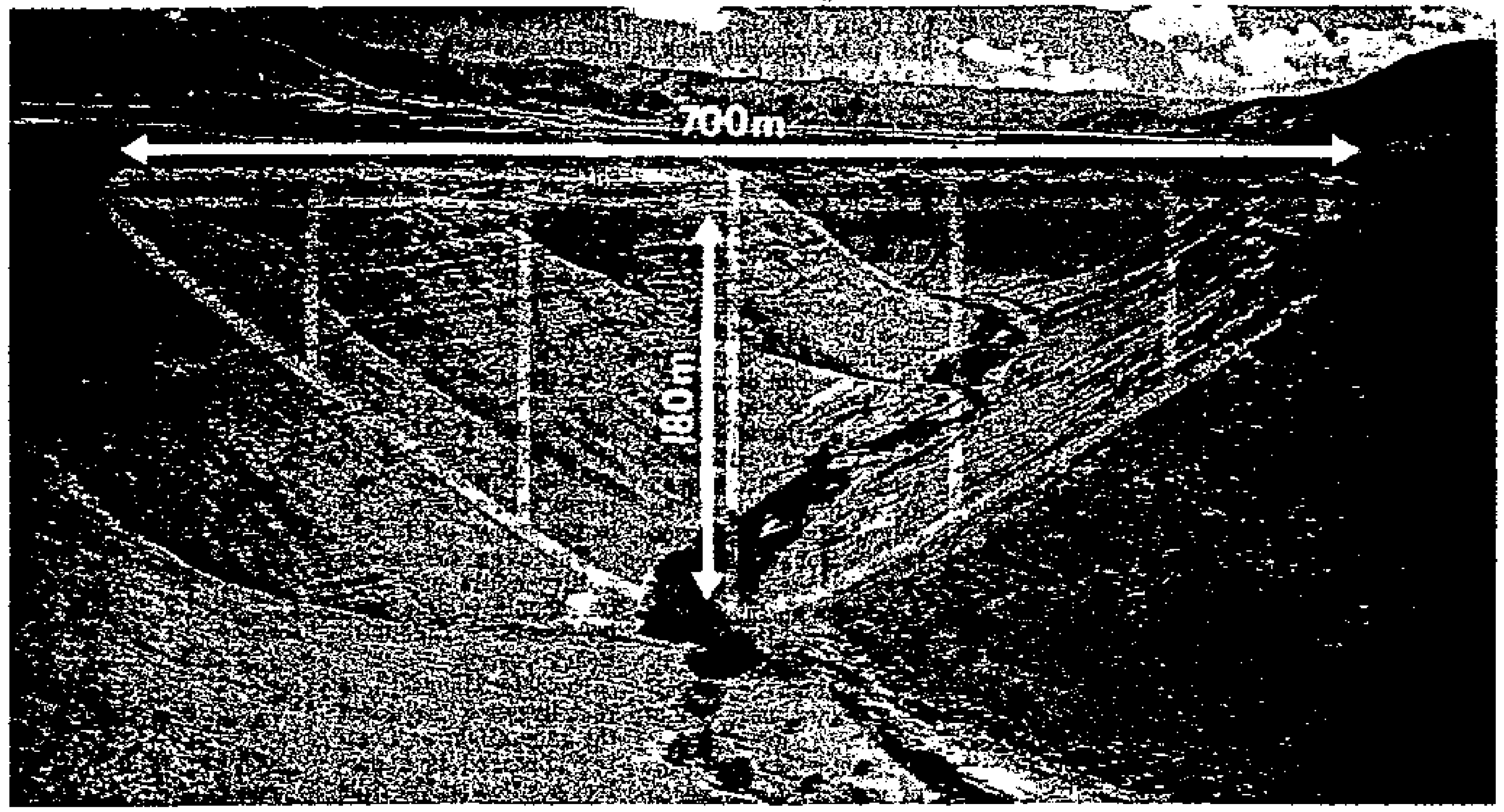
This scheme, which seemed prohibitively expensive even in those days, would have delivered only five cubic metres of water a second to the highveld.

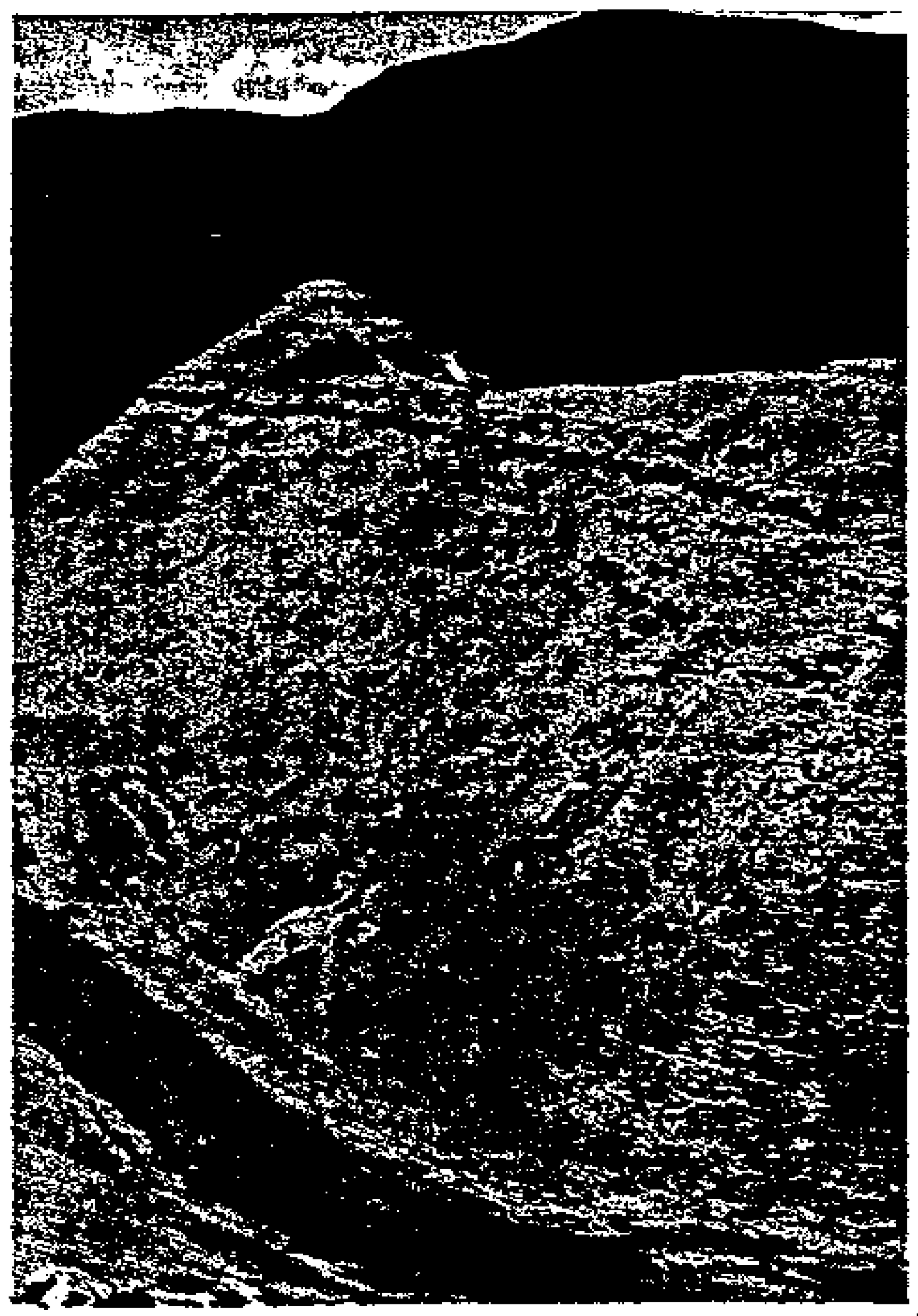
Plans dropped

But the plans, even after a thorough investigation in cooperation with the World Bank, were undermined by the strong political undercurrent and dogma of the Verwoerd era and they came to nothing.

It was only in 1978 that the two countries agreed to launch a joint preliminary study into rejuvenated plans. New consultants were appointed by both countries and the plan began to take shape.

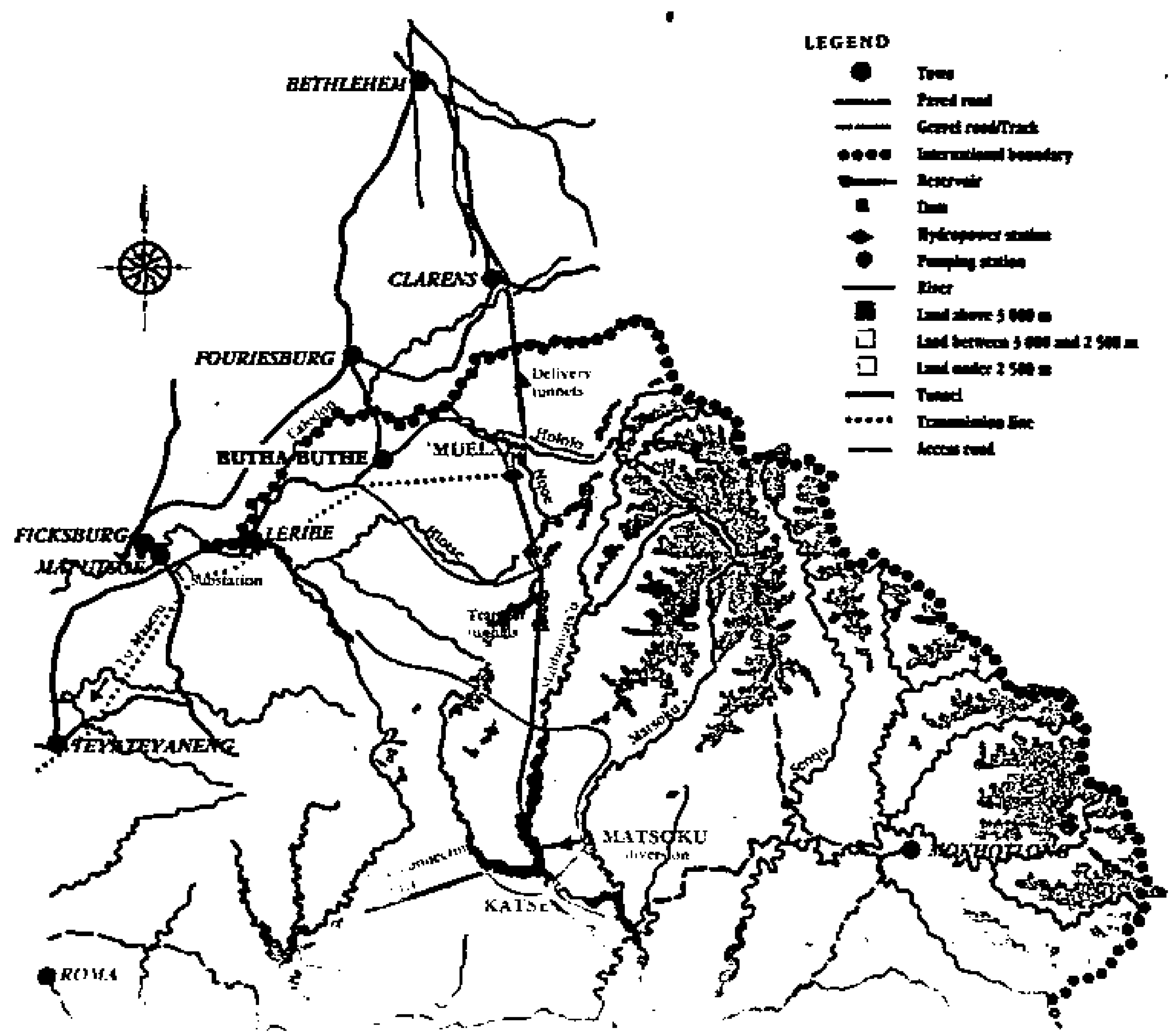
By then it was no longer called the Oxbow Scheme and a name more acceptable to





The site marked for the Katse Dam in the highlands of Lesotho, above, shows the dimensions of the dam wall.
Left: The holes dug in the sides of the mountain where geologists have explored the rock structures for the dam wall.
Right: The map shows the situation of the Katse Dam and the complicated system of getting water to South Africa.
Below: The bridge while being built over the Malibamats'o River.

Pictures by Tim Patten, Hugo van Niekerk and the Department of Water Affairs



houses will be converted into holiday accommodation and new luxury hotels are expected to be built to meet the requirements of tourists.

By flooding the fertile valleys many local farmers will lose their land. Some studies show that as many as 94 000 people will be affected, although Mr Tony Wadsworth, the Technical Director of the Lesotho Highland Develop-

... it was to be called the Lesotho Highlands Water Project.

Now, nearly 40 years later, inspired proposals, ingenious engineering feats and a greatly improved political climate will make it possible to satisfy the Transvaal highveld's water needs well into the next century with an injection of 70 cubic metres of water a second — a substantial improvement on the original five cubic metres.

Although construction of the Katse Dam starts in January, and the first water to South Africa will start to flow in 1996, it will not not be complete for the best part of 30 years.

Tourist attraction

When finished the dam will be a major tourist attraction for South Africans. Although difficult to get to at present, new tarred roads will open up this spectacular area to watersport enthusiasts and skiers as well as those who revel in the beauty of the mountains.

As one consultant said: "If I was hotel owner in the Drakensberg right now, I'd be really worried."

The dam wall, which will eventually be 180 metres high, will be built in stages. The first level will cause sufficient flooding to reach the tunnels which will take the water to South Africa.

Eventually, and only after Lesotho has raised sufficient money from the water royalties, will the second and third phases of the dam wall be built.

The Katse Dam will be situated on the Malibamats'o River, below its confluence with the Bokong River, and will have a total storage capacity of 1,95 cubic kilometres.

A 45 km long transfer tunnel, 4,35 m in daimeter, will connect the Katse Dam to the 'Meula Hydro-power station, where a tailpond dam which will act as the headpond for the delivery tunnel, will be built. The hydropower complex will be capable of generating 70 megawatts.

The delivery tunnel, this one 37 km long and 4,5 m in diameter, will take water from the 'Meula Dam into the Ash River, a tributary of the Vaal River, near Bethlehem.

At present all that can be seen at the dam wall site is a series of holes drilled into the side of mountains where geologists have been testing the rock structures.

A modern village overlooking the dam site, which will house the engineers a construction workers, is now almost complete. Some of these ... that more than ... people will be displaced.

South Africa has agreed, in terms of the treaty, to pay compensation and rehousing costs for all who have to be resettled as a result of the flooding.

Only four small villages, consisting of 17 houses, will need to be resettled during the initial stages.

Some of the tribal farmers are certainly still unaware of the prime holiday resort land they will own on the banks of the vast expanse of water.

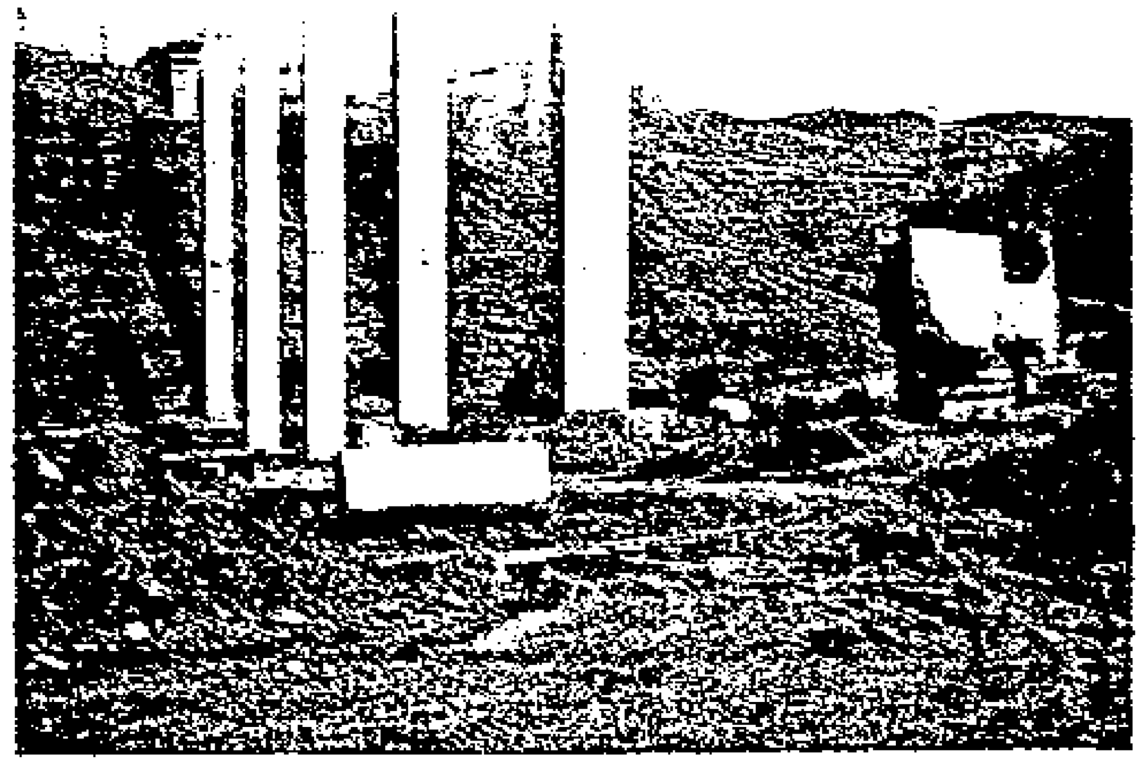
Even as constuction is about to commence tribal farmers can be seen ploughing their fields on the banks of the river — on land which will all be submerged once the water level starts rising.

Subsistence farming operations continue under the lanky legs of the impressive R17-million bridge over the Malibamats'o River, several kilometres and mountains away from where the dam wall will be built.

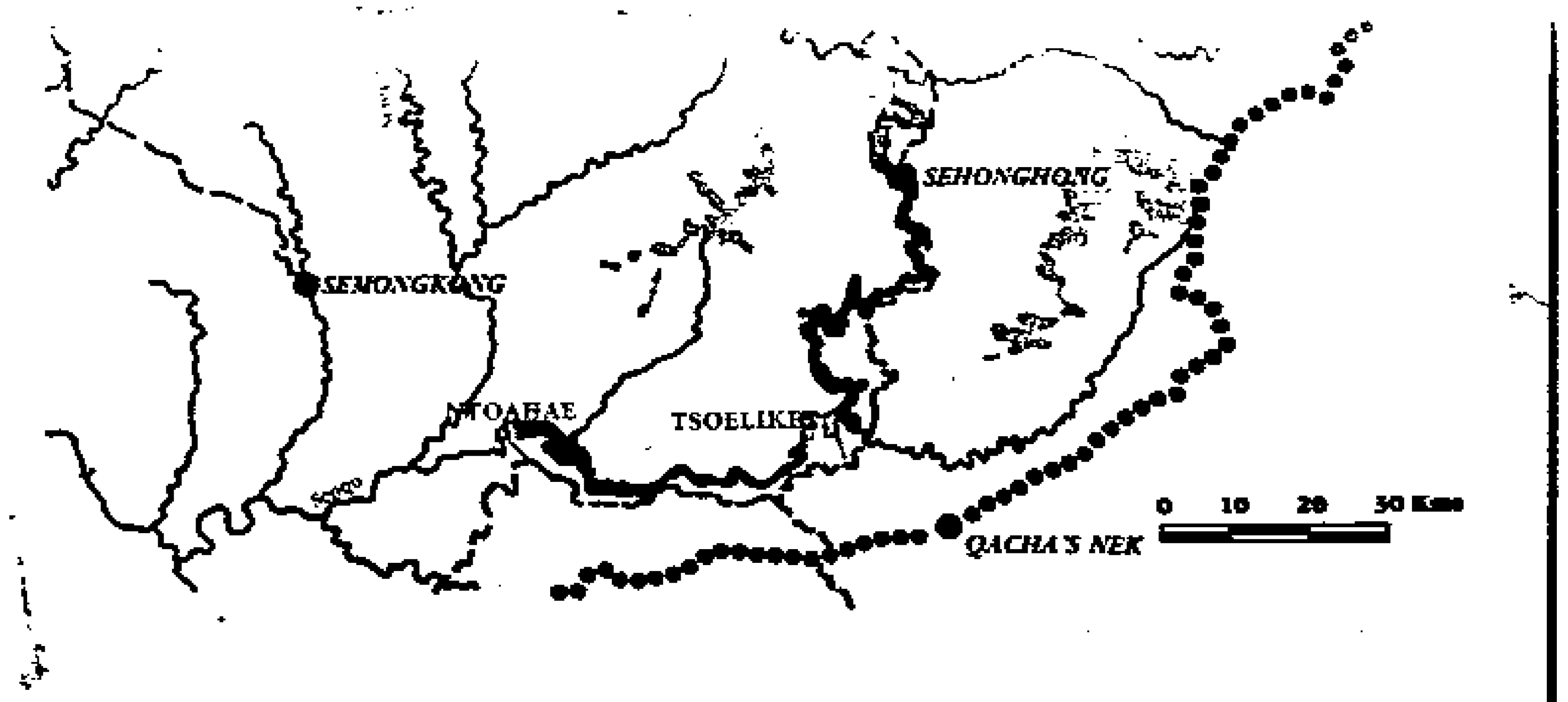
If the engineers have their measurements correct — something which they don't joke about — then water will rise to within eight metres of the road level.

The planners have spared no cost in commissioning studies into the social and environmental impact of the water project. Initial studies highlighted potential problems, and further studies have attempted to iron them out.

One study described the threat to endangered bird species — particularly vultures — being electrocuted on power transmission lines. In order to avoid this special design modifications were made to the pylons and power lines.



A tribal farmer ploughs his land on the banks of the river which will eventually be flooded. Below: The water level in the dam will rise to within eight metres of the road level of the completed bridge.



Petrol price down

ARGUS 9/11/90

55

Miss World

LONDON. — Gina Marie Tolleson, a 1,8m, brown-haired American beauty, won the Miss World contest, beating 80 contestants for the title.

A panel of judges last night chose Miss Tolleson, 21, of Spartenburg, South Carolina, as the 40th Miss World

Miss Ireland, 20-year-old air stewardess Siobhan McClafferty, came second and third place went to 19-year-old Miss Venezuela, dance teacher Sharon Raquel Luenso Gonzales. — Sapa-Reuter.

python eats baby

A six-metre python killed an Indo-
ı this week and on finding her indi-
er five month-old baby.
Sumatra said the woman was found
jungle by her husband, crushed to
ıite-marks running from ankle to
by was missing.
ıf their mystic, the villagers hunted
ake. Tracking one down two days af-
disappeared, they cut it open and
y of the child.
had apparently been deterred from
ither by the large straw basket she
to her back. — Sapa-Reuter.

ı swallows kittens

orrespondent

The Fitzsimons Snake Park has an
nhabitant — a black mamba which
e kittens.
vner, Mr John Akers, said today he
a house yesterday after a mamba
ı kittens

Staff Reporter

FUEL prices will be cut by 15c a litre on petrol and 9c a litre on diesel from Monday because of lower crude oil prices.

This was announced today by the Minister of Mineral and Energy Affairs and Public Enterprises, Dr Dawie de Villiers.

Wholesale diesel for agriculture, forestry and fishing would come down by 8,3 cents a litre.

Paraffin will be 3c a litre cheaper.

Over-recovery

Lower crude oil prices had resulted in an over-recovery on petrol and diesel, Dr De Villiers said. The government had decided to pass the saving on to consumers.

The new price levels reflect an average crude oil price of about 32 dollars a barrel.

Fuel prices recently went up to their highest levels ever when a record 32c a litre increase took the price for 97 octane to R1,55 and 93 octane to R1,51.

From Monday, at the coast, a litre of 97 octane will cost R1,40 and 93 octane R1,36.

■ From Page One

Wim replies on Eskom

main section). S Times 4/11/90

260 / 55

The FM says General Mining was "not much of a success" under Dr De Villiers and compares him unfavourably with present Gencor chairman Derek Keys.

Mr Keys says: "I worked closely with Wim (on the Eskom inquiry) before coming to Gencor. I rate him highly and took advice from him before taking the Gencor job. In the 11 years that he ran General Mining, earnings grew at 28% a year compound. There's only one word for it — tremendous."

Hope of reserve sales rises

55

By DON ROBERTSON

AN APPEAL for the release of strategic oil stocks and scrapping of secrecy surrounding supplies was made at this week's SA Chamber of Business (Sacob) congress in Johannesburg.

The possibility that stocks might be released was given credence by senior Deputy Governor of the Reserve Bank Jan Lombard.

Profesor Lombard said in his address about SA's economic future that it would be unwise to expect any large increase in export volumes or average prices in foreign currencies in 1991.

"On the other hand, due mainly to the hike in the oil price, the foreign-currency cost of imports may rise very considerably.

Option

"Again, given our very extensive domestic reserves of oil, there is always the option to import less in volume in 1991 in the hope that the crisis will be over by 1992."

This would happen when consumption was increasing.

He said SA might have to face smaller surpluses on the current account of the balance of payments next year and "we might have to use some of our foreign borrowing facilities or we might have to review our oil import strategy".

Michael Norris, deputy president of the Durban Metropolitan Chamber of Commerce, called on the Government to release these stocks immediately. The profits could be spent on socio-economic needs, such as transport subsidies or low-cost housing, and to ease pressure on the balance of payments.

Mr Norris said SA had stocks sufficient for two or three years which were bought at a price of between \$11 and \$18 a barrel when the exchange rate was \$1,30 to the rand.

Stronger

"They stand in now at about \$25 a barrel compared with the current price of R100 a barrel," he said.

Sacob president Lesley Boyd said secrecy about oil supplies and prices was no longer necessary.

Mineral and Energy Affairs Minister Dawie de Villers said that in spite of political developments in SA, his department had not changed its views about oil secrecy.

Dr De Villiers said that in recent weeks there were calls for stronger oil sanctions against SA.

Only when the oil embargo was lifted would he consider lifting some of the Petrol Products Act restraints.

55 Star 15/11/90

Power for the people

ROBIN DREW interviews Eskom chief executive Dr Ian McRae, who is in Harare attending a meeting of the World Energy Council.

SUPPORT is growing for the concept of a southern African power authority to handle huge generating projects and a transmission grid which would criss-cross the region from Zaire to Zululand, from Maputo to Malmesbury.

Eskom chief executive Dr Ian McRae said he realised the practical difficulties in getting the approval of governments for such an authority, but he hoped they would see the benefits too, particularly in the raising of private sector finance.

Dr McRae is optimistic now that his vision of a giant power grid will come to fruition. Political constraints are falling away, he says.

A vital component is the Cahora Bassa hydro-electric project in Mozambique for which finance is now being raised to re-construct the 1 400 transmission towers sabotaged in the last 10 years of guerilla war.

"All of us are much more confident, now that peace initiatives are under way, and the security problem is definitely diminishing," said Dr McRae, who heads the Permanent Joint Committee of Portugal, Mozambique and South Africa, which is in charge of the restoration of Cahora Bassa. He confirmed that the Renamo leader, Afonso Dhlakama, had given some undertaking not to interfere with the reconstruction of the power line to South Africa.

Final touches are being put to an agreement under which Zimbabwe will import power from Cahora Bassa, possibly within the next two to three years. This would be for only a limited period but, said Dr McRae, "We are looking at the possibility of installing additional generating capacity at Cahora Bassa to enable Zimbabwe to continue to import power for many years."

This study is about to commence and will include looking at other projects on the Zambezi.

Another exciting possibility is to link the Zimbabwe power system directly to South Africa to enable excess power to be fed into the South African system. Dr McRae said preliminary studies were already under way.

Malawi was also interested in taking power from Cahora Bassa, and a link there could be extended north to Tanzania if it were to become involved.

The Eskom chief also spoke about developments on the other side of the sub-continent, where Namibia, with which South Africa is already linked, is looking at a project on the Cunene River, primarily for irrigation but also to provide surplus power seasonally.

This would create the possibility of a link with a 520 MW project being developed in Angola at Cubanda, 200 km south of Luanda.

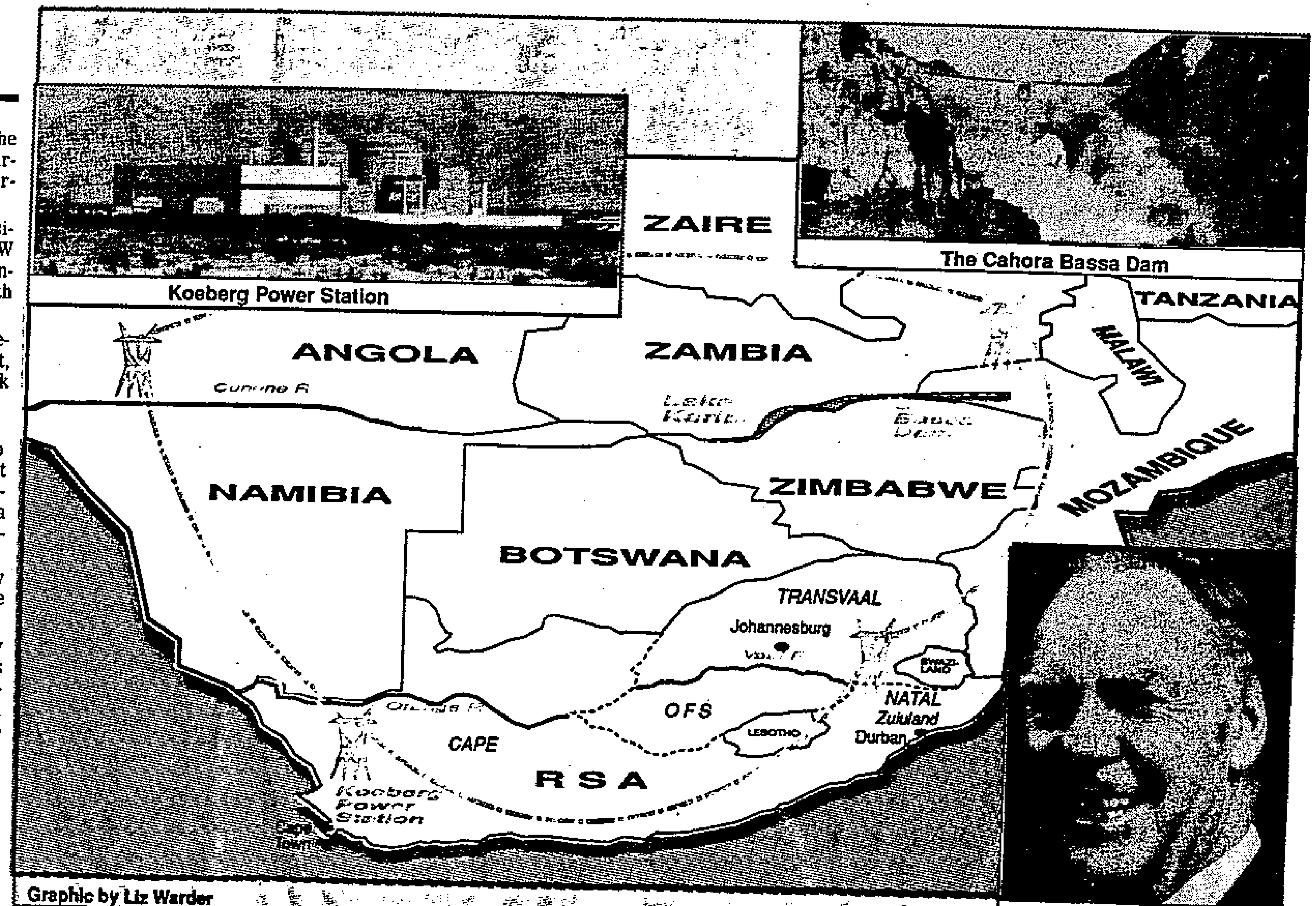
Angola did not have the demand for this power at present, but it could provide the link with Zaire's Inca project.

In Botswana, studies were being made of a 1 000 to 2 000 MW coal-fired project which was already looking viable and which could become a nodal point in the southern African grid.

Dr McRae said each country could feed in and draw off the system as its needs demanded.

A regional power authority would not cut across the rights of a country's own power company, such as Eskom in South Africa or Zesa in Zimbabwe, to run its own grid, but a southern African authority would handle the major transmission grid and power generating projects.

"I believe we will see the development of this grid," said Dr McRae. — Star Africa Service. □



Koeberg Power Station

The Cahora Bassa Dam

Dr Ian McRae

Graphic by Liz Warder

Petrol price cut widely hailed

Star 19/11/90

(55)

THE 15c a litre drop in the petrol price, due to come into force on Monday, has been widely hailed.

The SA Chamber of Business yesterday welcomed the reduction, saying it would bring much-needed relief to the man in the street.

However, it added that the frequency of fuel price changes should be dictated by a medium-term assessment of the global situation, rather than by volatile day-to-day fluctuations.

Jan Cronje, director of the SA Co-ordinating Consumer Council, welcomed the price cut, but noted that fuel prices still were very high and fuel should still be used economically.

The Automobile Association has also welcomed the announcement. The AA's assistant general manager of public affairs, Robin Scholtz, said it was gratifying to note that the Minister of Energy Affairs, Dr Dawie de Villiers, had kept his word by passing on any reduction to motorists.

Appeal

He appealed to commerce and industry to review any prices they might have introduced as a result of the recent fuel price rise and to pass on any savings to the consumer.

The Southern African Bus Operators Association (Saboa) also expressed its appreciation at the decision to cut the fuel price.

A Saboa spokesman said he was concerned that the price might again be increased because of the crisis in the Middle East.

Fuel price changes were a costly exercise because new commuter tickets had to be printed after every adjustment.

The Democratic Party urged producers and distributors to pass the benefit on to consumers.

The DP's mineral and energy spokesman, Geoff Engel, said "numerous short-term price fluctuations will be extremely disruptive to the economy".

In Windhoek, Namibia's permanent secretary for mines and energy, Dr Leake Hangala, told Sapa the threat of war in the Gulf was still preventing the Namibian government from cutting the price of petrol.

Star 8/11/90 (55)

Govt prepared to sell part of oil stockpile

By Peter Fabricius
Political Correspondent

The Government is ready to sell off part of its huge oil stockpile — using the profits to help finance capital projects to benefit motorists.

This emerged yesterday from an interview with Mineral and Energy Affairs Minister Dr Dawie de Villiers.

Dr de Villiers said South Africa's strategic crude oil stocks could be used to finance capital projects such as the Mossgas fuel-from-gas scheme.

He was commenting on a report in the international newsletter, Petroleum Intelligence Weekly (PIW), which said South Africa had quietly begun to "monetise" the oil stockpile.

It said that although reports of physical sales from the stockpile could not be confirmed, the State's strategic fuel fund had entered into arrangements which would give Pretoria some current or short-term return on future stockpile sales.

Withdrawn

Information about South Africa's oil reserves is highly classified. The Government has come under heavy pressure recently to be more open about the oil situation and also to sell off part of the stockpile to bring down the petrol price.

Dr de Villiers has resisted both demands.

But yesterday he said that although he could not comment on the PIW report, he wished to point out that the oil stockpile was not a "fixed article". This meant that oil could be withdrawn from the stockpile for short periods and then replaced.

If and when the Government decided to monetise some stocks, it would do so only to finance capital projects that benefited motorists which were consistent with the country's strategic interests.

"I have consistently said we will manage the reserves in the best interests of the motorist, whose assets they really are.

"We are not prepared to use these capital stocks to subsidise running expenses by bringing the fuel price down," he said.

The Government would consider financing part of the Mossgas project from oil stocks and would look at other capital projects benefiting the motorist, the Minister added.

P Star 8/11/90 (3LF3)

Star

'I saw police run their vehicle over the water containers'

Further claims of police harassment of people carrying or using water after the mains supply to Wesselton township, near Ermelo, was cut off last month have been made, reports NORMAN CHANDLER.

NEW evidence of alleged police action during the Wesselton water switch-off last month has been handed to The Star.

In affidavits compiled, signed and attested to by five people, it is claimed:

- Police sjambokked women carrying water in plastic containers.
- Police crushed containers by riding over them with Casspir armoured personnel vehicles.
- Police punctured other containers.
- Police threatened women and children with arrest.
- Police took other people to a police station.
- An Ermelo municipal policeman pointed a firearm at a man doing his washing.

The Commissioner of the South African Police, General Johan van der Merwe, said in a statement last week "no shred of evidence" existed to support a story published in The Star earlier that police had taken action against Wesselton people who had received permission to obtain water from premises owned by Indians at Cassim Park, near Ermelo.

He has instituted an internal inquiry, under the chairmanship of eastern Transvaal regional commander General "Robbie" Robertson.

Colbert Saunders, a bank employee, says in an affidavit that on October 17, at about noon, he was in Cassim Park carrying two five-litre water containers.

He was stopped by two uniformed SAP members driving a yellow Nissan bakkie with a canopy. They accused him of having stolen the water, but he told them that he had been given permission to take it. Mr Saunders said the police then left him and allegedly chased women across the street.

The women, he said, dropped their containers on the road — "I saw police run their vehicle over the water containers, destroying some. After a few moments they came back for me."

A policeman forcibly removed the containers from him, Mr Saunders alleged. The water was emptied on to the ground and "with an unknown instrument (he) stabbed one of my containers."

He was again asked who had given him permission to get water and he replied that Indians in Cassim Park had done so.

"The policemen told me to go to the township and to pay my water account and rent, and I told them that I had already paid", Mr Saunders said.

Police then drove to Mr Boetie Tilly's garage, followed by Mr Saunders on foot. A second bakkie arrived and the occupants ordered Mr Saunders to go back to the township, calling him "an ANC terrorist," he said.

Three days later, Mr Saunders was taken from his workplace and driven to an office in Janloy Building, in Ermelo, where there were a number of khaki-clad men. The policemen with whom Mr Saunders had arrived told the men that he was "Colbert".

"The whites, clad in khaki, greeted me with statements like 'Ja, Colbert, is jy terroris, ANC?' (yes, Colbert, are you a terrorist, ANC?)," Mr Saunders said.

He told the men that all he had earlier told a journalist about the incident was the truth.

He was asked if he could identify policemen allegedly involved in the incident and if he had taken the registration number of the bakkie. Mr Saunders said he could not identify them and had not taken the registration number.

Mr Saunders then made a statement to a Mr van Aard and was driven home in a Hippo armoured vehicle. A slashed container he had in his possession was taken by the police.

Millicent Ntombizodwa Sibongile Manana, a nurse, says in her affidavit she and a number of other Wesselton people were carrying water at 9.30 am on October 17 when two Casspirs arrived.

"On the Casspirs were white policemen in their SAP uniforms. The policemen stopped and alighted with sjamboks in their hands /.. and started sjambokking us. We ran in different directions, leaving our containers on the ground.

"I ran towards a farmhouse where I stopped and looked back. It is then that I saw the policemen driving the Casspirs over our containers, crushing them."

She was advised by the owner of the house — whom she did not identify — to hide at the back of the building.

Mthunzi Shadow Mashinini, an insurance salesman, says in his affidavit that he and his wife, Ndelephi, had been forced to go to a sewerage pump near Klipbou Houses, part of Wesselton, to wash their clothes.

"We started washing our clothes until Wesselton municipal police arrived in a bakkie. One identified himself as Mandla Nkosi, and the others, a man and a woman, are known to me by sight and I can identify them," Mr Mashinini said.

Police carrying firearms arrived and, says Mr Mashinini, "were very much aggressive. They started questioning my wife how she came to do her washing at that place. An argument ensued between Mandla Nkosi and I, and he pointed a firearm at me and threatened to shoot me."

While this was taking place, a white municipal employee arrived on the scene and told the Mashininis they should not do their washing in the sewerage water as it was poisonous — "he appeared sympathetic to our fate."

Mr Mashinini and his wife were ordered to collect their washing and to get into the police van. They were driven to Ermelo police station, where they remained for about 90 minutes. Mr Mashinini grew tired of waiting and decided to go home "as there was no complainant coming to lay a charge against us."

The couple left their washing at the police station, and despite requests for it to be returned, this has not been done. On October 29, Mr Mashinini lodged a complaint about the disappearance of the family washing.

Sesana Beauty Maphosa, of Wesselton, says in an affidavit that although she and others — including four children — had permission to take water, a policeman kicked at their containers, took out a knife "and slashed the plastic containers."

They were threatened with arrest and police ordered an Indian man identified as "a Mr Josub" to lock his premises to prevent people getting water.

Boetie Tilly, a garage owner, has given two statements to police and one to The Star, saying that he had seen policemen harassing people carrying water after the supply to Wesselton was cut off. He repeated his allegations to Minister of Law and Order Adriaan Vlok during a radio talk show.

Mr Tilly has denied that he had retracted a statement he made to police.

Yesterday he gave The Star an affidavit in which he says police were agressive to him when he first told his story to them. Mr Tilly had been interviewed earlier by a reporter from The Star.

In his affidavit, he says: "The policemen (who came to his office at 10.30 am on October 19) told me they wanted a statement about what happened on Wednesday (October 17). Indeed, I told them exactly what is contained in this affidavit.

"They took the statement. The manner in which they spoke to me was not polite."

A Major Otto then visited him at 6 pm the same day for another statement, saying the earlier one had not been "up to standard" because it allegedly did not explain the entire incident.

Mr Tilly gave Major Otto an affidavit "exactly the same" as the other he had given.

A second major, from Middelburg, arrived with other police officers at about 3 pm on October 20.

"The major told me that I should give him another statement. I told him I had already made two.

"He told me those two statements were vague and I must give another which he himself would take. I refused. I said that if they insisted on a third, I would first (want to) speak to my lawyer."

Mr Tilly added: "I wish to make it clear that I refused to make a third statement because at that time I was convinced the police were using this method to harass me and at the same time get me to make contradictory statements."

He said the number of policemen that afternoon "made me feel like a criminal and at the same time I panicked as I though it could be members of the AWB (Afrikaner Weerstandsbeweging) who had made numerous telephonic threats that they were going to kill me for the statement I made in the newspaper." □

Trading partners will be hit worse by oil crisis

Star 10/11/90 (55)

THE present oil crisis will not necessarily prevent the government from reducing the inflation rate in relative terms, says the Minister of Administration and Economic Coordination, Dr Wim de Villiers.

Addressing the Pretoria Afrikaanse Sakekamer yesterday, Dr de Villiers said that while the oil crisis came at an inconvenient time in regard to the combating of inflation, it must be borne in mind that the competitive position of South African manufacturers was determined by the internal inflation rate in relation to that of South Africa's trading partners.

"The South African inflation rate, however, should be influenced to a lesser extent by the oil crisis than in the case of many of the country's trading partners."

A significant proportion of South Africa's fuel requirements was provided by the local manufacture of oil from coal. A large proportion of the country's energy needs were supplied by coal generated electricity, Mr de Villiers said.

Commenting on the government's commitment to privatisation, Dr de Villiers said that fundamental policy was to reduce the role of the public sector in the economy and to offer the private sector the maximum opportunity for optimal performance.

"In the process, the operation of market forces and healthy competition should be allowed to bring about the necessary adjustments."

These adjustments, which would require sacrifices, should be considered prerequisites for a new period of sustained growth in the 1990s, Dr de Villiers said.— Sapa.

Russians on visit to forge trade links

Sowetan 27/11/90

THE first official Russian trade delegation to visit South Africa in many years is expected to arrive today for meetings with trade officials and businessmen.

The visit, which is being regarded as a breakthrough in contact between two former arch-enemies, will be headed by Russian Republic Minister for Foreign Economic Relations Yastrenko, informed sources said yesterday.

But they believe officials of the central Soviet government will also be in the delegation.

The Russians are scheduled to hold talks with South African trade officials and businessmen tomorrow.

They are being hosted by the Department of Trade and Industry and the visit follows that of Trade and Industry Minister Kent Durr's to Russia a few months ago.

The visit is being seen as another milestone in relations between the Soviet Union and South Africa which have been slowly thawing over the past 18 months.

A few months ago Director-General of Foreign Affairs Mr Neil van Heerden visited Moscow to discuss establishing relations and last week Foreign Minister Pik Botha predicted that relations would be established in six months. - *Sowetan Correspondent.*

4 youths in court for allegedly killing an Inkatha supporter

By MATSHUBE MFOLOE

FOUR Soweto youths appeared in the Johannesburg Regional Court yesterday in connection with the killing last month of an alleged Inkatha supporter at Naledi railway station.

The case was postponed to Thursday at the request of the defence team.

The youths, all from Naledi, were not asked to plead. Applications for bail will be heard when the case resumes.

The youths are Andrew Xaba (21), Mr Thabiso Jacob Mofokeng (19) and two minors, who cannot be named.

Eskom power for Orange Farm

ESKOM has for the first time started with providing electricity to an informal settlement in the PWV area. Sowetan 27/11/90

According to Eskom spokesman Mr Johan du Plessis about 25 structures at Orange Farm, near Evaton in the Vaal area, have been provided with electricity through an overhead distribution system which made it affordable for low income households.

(55)

Unrest area

A pre-paid metering system is used to enable households to budget for electricty consumption and cards, in units of R10 to activate delivery, is being sold locally by Eskom.

Du Plessis said Eskom had the ability to provide similar cheap distribution systems to other communities but the provision of pre-paid metering systems was at present inhibited by the limited local production of the system. - *Sapa.*

(2) Substitute the following for subclause (1) (b):

"(b) *Annual Bonus.*—Every employee who has completed three months' service and is in the employ of the same employer in December of any year, shall be paid a minimum bonus, payable by not later than 15 December, in accordance with the following table of montly salary:

3 Months to 1 year—25 per cent;

13 months to 5 years—27½ per cent;

61 months to 10 years—30 per cent;

121 months and over—35 per cent.".

5. CLAUSE 10.—ANNUAL LEAVE AND PUBLIC HOLIDAYS

(3) Substitute the following for subclause (8):

"(8) *Maternity leave.*—(a) Employees leaving work through pregnancy who have completed 12 months' service as at the date of leaving shall be entitled to reinstatement without alteration of their conditions of employment up to a period of three months. In addition, such employees shall be entitled to paid leave of absence of two days in each of the three months preceding the taking of maternity leave, for the purpose of attending a pre-natal clinic.

(b) On reaching due date of leave cycle, the employee shall be entitled, on request, to *pro rata* leave as at that date.

(c) The employers shall continue to pay the employers' portion of the contributions to the Provident Fund whilst the employees are on maternity leave.".

Signed at Pietermaritzburg this 20th day of February 1990.

R. LOTE,
Chairman.

L. REDDY,
Vice-Chairman.

L. R. PAYNE,
Secretary.

(2) Vervang klousule (1) (b) deur die volgende:

"(b) *Jaarlikse bonus.*—Alle werkgewers moet aan elke werknemer wat in Desember van enige jaar drie maande diens by dieselfde werkgewer voltooi het, 'n minimum bonus voor of op 15 Desember ooreenkomstig die volgende tabel van maandelikse saralis betaal:

3 maande tot 1 jaar—25 persent;

13 maande tot 5 jaar—27½ persent;

61 maande tot 10 jaar—30 persent;

121 maande en meer—35 persent.".

5. KLOUSULE 10.—JAARLIKSE VERLOF EN OPENBARE VAKANSIEDAE

(3) Vervang subklousule (8) deur die volgende:

"(8) *Kraamverlof.*—(a) Werknemers wat die werk verlaat weens swangerskap en wat 12 maande diens voltooi het op die datum waarop hulle diens verlaat, is geregtig op herindiensneming sonder wysiging van hul diensvoorwaardes tot en met drie maande nadat hulle diens hervat het. Daarbenewens is sodanige werknemers geregtig op twee dae afwesigheidsverlof met volle besoldiging in elk van die drie maande wat die bevalling voorafgaan, met die doel om 'n voorgeboortekliniek by te woon.

(b) By bereiking van die datum van die verlofsiklus, is die werknemers op versoek, geregtig op *pro rata*-verlof.

(c) Die werkgewers wat aanhou om hul gedeelte van die bydraes tot die Voorsorgfonds te betaal terwyl die werknemers met kraamverlof is.".

Op hede die 20ste dag van Februarie 1990 te Pietermaritzburg onderteken.

R. LOTE,
Voorsitter.

L. REDDY,
Ondervoorsitter.

L. R. PAYNE,
Sekretaris.

DEPARTMENT OF MINERAL AND ENERGY AFFAIRS

No. R. 2665 **16 November 1990**

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ELECTRICITY ACT, 1987

REGULATIONS

The Minister of Mineral and Energy Affairs and Public Enterprises has under section 28 of the Electricity Act, 1987 (Act No. 41 of 1987), made the regulations in the Schedule.

SCHEDULE

1. In these regulations "the Regulations" means the regulations published under Government Notice No. R. 506 of 25 March 1988.

2. The following regulation is hereby substituted for regulation 1 of the Regulations:

"1. In these regulations unless the context otherwise indicates—

'declared voltage' means the voltage declared by the undertaker as the supply voltage;

DEPARTEMENT VAN MINERAAL- EN ENERGIESAKE

No. R. 2665 **16 November 1990**

ELEKTRISITEITSWET, 1987

REGULASIES

Die Minister van Mineraal- en Energiesake en Openbare Ondernemings het kragtens artikel 28 van die Elektrisiteitswet, 1987 (Wet No. 41 van 1987), die regulasies in die Bylae uitgevaardig.

BYLAE

1. In hierdie regulasies beteken "die Regulasies" die regulasies afgekondig by Goewermentskennisgewing No. R. 506 van 25 Maart 1988.

2. Regulasie 1 van die Regulasies word hierby deur die volgende regulasie vervang:

"1. In hierdie Regulasies, tensy uit die samehang anders blyk, beteken—

'die Wet' die Elektrisiteitswet, 1987 (Wet No. 41 van 1987);

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'nominal system voltage' means the voltage at which a distribution system is designed to work and to which certain operating characteristics are attributed;

'point of supply' means the point at which the electrical installation on any premises is connected to the distribution system of the undertaker;

'standard voltage' means the phase voltage of 230 volts measured between a phase conductor and the neutral conductor or a line voltage of $\sqrt{3} \times 230$ V measured between phase conductors;

'supply voltage' means the voltage at the point of supply;

'the Act' means the Electricity Act, 1987 (Act No. 41 of 1987);

'voltage' means the root mean square value of electrical potential between two conductors.".

3. The following regulation is hereby substituted for regulation 9 of the Regulations:

"9. (1) The voltage at which electricity is supplied to a consumer by an undertaker shall be as follows:

(a) For nominal system voltages lower than 500 volts, the supply voltage shall be the standard voltage: Provided that in the case of an existing distribution system or of a distribution system designed prior to the date of coming into operation of this regulation, with a nominal system voltage other than the standard voltage, the supply voltage shall be the declared voltage: Provided further that from 1 January 2004 the supply voltage at all such points of supply shall be the standard voltage.

(b) For a distribution system with nominal system voltage of 500 volts and higher, the supply voltage shall be the declared voltage or, if the undertaker is a licensee, the voltage which is mentioned in the licence or, if the voltage is not mentioned in the licence, that voltage which is agreed upon between the licensee and the consumer or, if they cannot agree on a voltage and either of the two parties should call on the board to settle the dispute, that voltage which is determined by the board.

(2) (a) In the case of a distribution system with a nominal system voltage lower than 500 volts, the supply voltage shall not deviate from the standard voltage by more than 6 per cent for any period longer than 10 consecutive minutes: Provided that in the case of an existing distributition system, or a distribution system designed prior to the date of coming into operation of this regulation, with a nominal system voltage lower than the standard

'leweringspunt' die punt waar die elektriese installassie op enige perseel aan die ondernemer se verspreidingstelsel verbind is;

'leweringspanning' die spanning by die leweringspunt;

'nominale stelselspanning' die spanning waarteen 'n verspreidingstelsel bestem is om te werk en waaraan sekere bedryfseienskappe toegeskryf word;

'spanning' die wortel-gemiddelde-kwadraatwaarde van elektriese potensiaal tussen twee geleiers;

'standaardspanning' die fasespanning van 230 volt gemeet tussen 'n fasegeleier en die neutraalgeleier of 'n lynspanning van $\sqrt{3} \times 230$ V gemeet tussen fasegeleiers;

'verklaarde spanning' die spanning wat deur die ondernemer as die leweringspanning verklaar word.".

3. Regulasie 9 van die Regulasies word hierby deur die volgende regulasie vervang:

"9. (1) Die spanning waarteen elektrisiteit deur enige ondernemer aan 'n verbruiker voorsien word, moet soos volg wees:

(a) Vir nominale stelselspannings laer as 500 volt is die leweringspanning die standaardspanning: Met dien verstande dat in die geval van 'n bestaande verspreidingstelsel of van 'n verspreidingstelsel wat ontwerp is voor die datum van die inwerkingtreding van hierdie regulasie, met 'n nominale stelselspanning anders as die standaardspanning, die leweringspanning die verklaarde spanning moet wees: Met dien verstande voorts dat vanaf 1 Januarie 2004 die leweringspanning by alle sodanige leweringspunte die standaardspanning moet wees.

(b) Vir 'n verspreidingstelsel met 'n nominale stelselspanning van 500 volt en hoër is die leweringspanning die verklaarde spanning of, indien die ondernemer 'n lisensiehouer is, die spanning wat in die lisensie genoem is of, indien 'n spanning nie in die lisensie genoem is nie, daardie spanning waarop tussen die lisensiehouer en die verbruiker ooreengekom is of, indien hulle nie op 'n spanning kan ooreenkom nie en enige van die twee partye hom tot die raad wend om die geskil te besleg, die spanning wat deur die raad bepaal word.

(2) (a) In die geval van 'n verspreidingstelsel met 'n nominale stelselspanning laer as 500 volt mag die leweringspanning met nie meer as 6 persent van die standaardspanning vir enige periode langer as 10 agtereenvolgende minute afwyk nie: Met dien verstande dat in die geval van 'n bestaande verspreidingstelsel of 'n verspreiding stelsel wat ontwerp is voor die datum van die inwerkingtreding van hierdie regulasie, met 'n nominale stelselspanning laer as die standaardspanning,

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voltage, the voltage deviation shall not exceed the limits of plus 6 per cent and minus 10 per cent of the standard voltage, and in the case of an existing distribution system, or of a distribution system designed prior to the date of coming into operation of this regulation, with a nominal system voltage higher than the standard voltage, the voltage deviation shall not exceed the limits of plus 10 per cent and minus 6 per cent of the standard voltage.

(b) In the absence of any agreement to the contrary in the case of a distribution system with a nominal system voltage of 500 volts or higher, the supply voltage shall not deviate from the declared or agreed voltage by more than 5 per cent for any period longer than 10 consecutive minutes.

(3) The frequency of an alternating current supply shall be 50 Hertz and the deviation from this frequency shall not exceed plus or minus 2,5 per cent of 50 Hertz.

(4) The board may on application permit other deviations from the stipulated supply voltage and frequency.".

4. Regulation 11 of the Regulations is hereby amended by the substitution for subregulation (2) of the following subregulation:

"(2) The rates at which and the conditions of sale under which electricity is thus resold, shall not be less favourable to the purchaser than those that would have been payable and applicable had the purchaser been supplied directly with electricity by the undertaker who is supplying the seller with electricity and every seller shall, at the request of any such purchaser furnish him with such information as may be necessary to enable him to determine whether the electricity accounts received by him are correct.".

DEPARTMENT OF NATIONAL HEALTH AND POPULATION DEVELOPMENT

No. R. 2667 **16 November 1990**

THE SOUTH AFRICAN MEDICAL AND DENTAL COUNCIL

REGULATIONS RELATING TO THE REGISTRATION BY MEDICAL TECHNOLOGISTS OF ADDITIONAL QUALIFICATIONS.—AMENDMENT

The Minister of National Health and Population Development has, in terms of section 61 (1) (o) of the Medical, Dental and Supplementary Health Service Professions Act, 1974 (Act No. 56 of 1974), on the recommendation of the South African Medical and Dental Council, made the regulations set out in the Schedule hereto.

SCHEDULE

1. In this Schedule "the Regulations" shall mean the regulations published under Government Notice No. R. 2305 of 3 December 1976.

die spanningsafwyking nie die perke van plus 6 persent en minus 10 persent van die standaardspanning mag oorskry nie, en in die geval van 'n bestaande verspreidingstelsel of 'n verspreidingstelsel wat ontwerp is voor die datum van die inwerkingtreding van hierdie regulasie, met 'n nominale stelselspanning hoër as die standaardspanning, die spanningsafwyking nie die perke van plus 10 persent en minus 6 persent van die standaard spanning mag oorskry nie.

(b) By gebrek aan 'n andersluidende ooreenkoms in die geval van 'n verspreidingstelsel met 'n nominale stelselspanning van 500 volt en hoër, mag die leweringspanning met nie meer as 5 persent van die verklaarde of ooreengekome spanning afwyk vir enige periode langer as 10 agtereenvolgende minute nie.

(3) Die frekwensie van 'n wisselstroomtoevoer moet 50 Hertz wees en die afwyking vanaf hierdie frekwensie mag nie meer as plus of minus 2,5 persent van 50 Hertz wees nie.

(4) Die Raad kan op aansoek ander afwykings van die bedoelde leweringspanning en frekwensie toelaat.".

4. Regulasie 11 van die Regulasies word hierby gewysig deur subregulasie (2) deur die volgende subregulasie te vervang:

"(2) Die tariewe en verkoopvoorwaardes waarteen elektrisiteit aldus herverkoop word, mag nie minder gunstig vir die koper wees nie as dié wat betaalbaar en van toepassing sou gewees het indien die koper regstreeks van elektrisiteit voorsien was deur die ondernemer wat die verkoper van elektrisiteit voorsien, en elke verkoper moet op versoek van enige sodanige koper die inligting voorsien wat nodig is om hom in staat te stel om te bepaal of die elektrisiteitsrekeninge deur hom ontvang, korrek is.".

DEPARTEMENT VAN NASIONALE GESONDHEID EN BEVOLKINGSONTWIKKELING

No. R. 2667 **16 November 1990**

DIE SUID-AFRIKAANSE GENEESKUNDIGE EN TANDHEELKUNDIGE RAAD

REGULASIES BETREFFENDE DIE REGISTRASIE DEUR GENEESKUNIDGE TEGNOLOË VAN ADDISIONELE KWALIFIKASIES.—WYSIGING

Die Minister van Nasionale Gesondheid en Bevolkingsontwikkeling het kragtens artikel 61 (1) (o) van die Wet op Geneeshere, Tandartse en Aanvullende Gesondheidsdiensberoepe, 1974 (Wet No. 56 van 1974), op aanbeveling van die Suid-Afrikaanse Geneeskundige en Tandheelkundige Raad, die regulasies in die Bylae hiervan uiteengesit, uitgevaardig.

BYLAE

1. In hierdie Bylae beteken "die Regulasies" die regulasies afgekondig by Goewermentskennisgewing No. R. 2305 van 3 Desember 1976.

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What they don't tell us about oil

W/Mail 2/11 - 8/11/90

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(but the whole world knows)

YOU'RE not supposed to know how South Africa gets its oil, how much it pays or how much is stockpiled. Minister of Mineral and Energy Affairs Dawie de Villiers fears the information will be used by our "enemies".

But the sanctions lobbyists know it all already — and they publish an annual 100-page document on the subject. It details the ships that travel to South Africa, where they come from and how much oil they bring. It tells where and how much oil is stockpiled in underground caverns. It explains how loopholes in the legislation of some of the most sanctions-conscious countries allow oil products to come to South Africa.

De Villiers this week came under renewed pressure to reveal all. This week *The Weekly Mail* has done just that ... so at least we will know as much as our "enemies".

Full story: PAGE 3

World reels as oil puts the skids under growth

(55)

W/Mail 2/11-8/11/90.

The Gulf standoff has sent the oil price soaring again, but there are major differences between the current crisis and previous ones, reports **REG RUMNEY**

ONCE again the world has slipped on a patch of oil. In the mid-Seventies and early Eighties world economies were sent reeling by surging oil prices.

Old Mutual economist Dave Mohr points out in the latest edition of OM's *Economic Monitor* there are big differences between then and now.

Firstly, the price rise must be seen in perspective. During the first crisis the oil price rose 350 percent and during the second by 130 percent.

"In this latest crisis the price of oil (taken as $35 a barrel) has doubled. Therefore the extent of the latest price increase more or less corresponds with that at the end of the Seventies."

He goes on to say the implications could be serious. But it should be borne in mind that between the first oil crisis in 1973 and the second in 1979 the oil price did not fall. It actually rose by around 20 percent in dollar terms.

"In fact, the international oil price registered a tenfold increase from the beginning to the end of the Seventies.

"By contrast the oil price fell by 50 percent in the mid-Eighties and the current price corresponds to the price levels prevailing at the start of the Eighties."

Over the decade as a whole the dollar price of oil has shown little change.

"When inflation is taken into account the real price ($35 a barrel) is still a third lower than 10 years ago."

Secondly, industrialised nations are now less dependent on oil.

Over the past 20 years all the net oil-importing countries have reduced their dependence on this source of energy. Those countries highly dependent generally made greater adjustments. Japan, for example, today uses 45 percent less oil than at the time of the previous oil crisis for the same volume of production.

Thirdly, the industrialised nations can better absorb a higher oil price now.

In the Seventies the world was beset with uncertainty after the demise of fixed exchange rates.

At the end of the Seventies inflation was still a problem. The higher oil price aggravated inflation and led to a tightening of economic policy, particularly a steep climb in interest rates, plunging economies into the deep recession of 1980 to 1982.

Inflation doesn't pose the same threat as it did in the mid-Seventies and interest rates are already high.

On the whole, the industrialised world should be able to absorb this oil crisis more easily than the previous two, although this does not mean it will emerge completely unscathed.

Mohr notes according to the Organisation for European Co-operation and Development (OECD) every $10 rise in the oil price leads to an increase of half a percentage point in inflation in industrial countries.

Growth in the major world economies is likely to be set back.

For instance, the oil price surge looks likely to put an end to the eight years of growth the United States, the biggest economy in the world, has enjoyed.

The United States and Britain have low growth rates and relatively high inflation (the UK inflation rate is above 10 percent) compared to Germany and Japan which have healthy growth rates and low inflation.

Whatever the particular effect, in general a higher oil price is bound to slow the growth of our major trading partners, which is bad tidings for South Africa — in addition to our having to pay more for oil imports.

South Africa's trade balance will come under pressure and the monetary authorities will have curb domestic demand to suppress imports. This means high interest rates will stay, and the financial position of South African consumers will worsen next year.

Another big difference between the previous two oil shocks and this one is that the link between rising oil prices and gold seems to have been decisively broken.

Mohr calculates the gold price must rise to $450 an ounce to neutralise the impact of oil at around $30 a barrel.

Eskom foresees subcontinental grid

LESLEY LAMBERT

CAPE TOWN — SA had the technology to meet the energy needs of southern Africa and the market to support the development of energy-based economies in Africa, Eskom chairman John Maree said yesterday. B/Day 27/11/90

Addressing conference delegates, Maree said Eskom was committed to electrifying the African subcontinent and using energy to stimulate major economic development. [redacted] SS

Referring to recently announced plans to link the whole of southern Africa in one vast network, he said Eskom had been able to build bridges with African states in spite of the deep political divides. [redacted]

The public utility had already established a grid which stretched far into Africa, but it was considering something much bigger — a regional power grid that could serve the subcontinent as far north as Zaire. Such a grid would consist of three elements:

- ☐ A core generation and transmission system similar to that of Eskom;
- ☐ Separate distribution organisations which could be independent companies or joint ventures with Eskom;
- ☐ A common market power grid in which all southern African countries were linked in purchasing or selling electricity across existing borders.

Maree said Eskom could also help to develop the unexploited water resources of Malawi, Zimbabwe, Zaire and Zambia into hydro-electric schemes to provide the initial market for energy.

Claims of SA crude sales puzzle world market

BDay 20/11/90.

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Own Correspondent in London

EUROPEAN oil traders are unconvinced about recent claims that SA has begun to sell crude oil from its strategic stockpile.

"We have certainly heard hints about crude sales from SA, but no doubt, we haven't heard about any significant transactions," said Gunner Lindqvest, a crude oil trader in the London office of Fearnoil Ltd.

Traders say any significant sales of crude by SA would soon become apparent in the market, in spite of the notorious secrecy which shrouds the country's dealings wth the international oil community.

Speculation about SA oil sales started earlier this year, soon after the SA government said it was examining the merits of reducing its control, through the operations of the National Energy Council of the SA oil industry.

The speculation intensified a few weeks ago with the visit of President F W de Klerk to Washington, when he made an off-the-cuff offer, during a meeting with US legislators, to sell part of SA's crude stockpile as part of an effort to calm the oil markets after the Iraqi invasion of Kuwait.

Analysts in Europe say a decision by the SA authorities to sell part of its crude stockpile, presumably to ease the country's foreign exchange burden, would depend upon two issues.

Firstly, it would clearly depend upon the size of the stockpile, which is known to only a few top government officials and businessmen involved in the oil industry; and secondly, it would depend upon their view of market, and future trends.

Estimates of the stockpile's size range widely, roughly from 60-million to 165-million barrels. At the bottom end of this range is the Amsterdam-based Shipping Research Bureau (SRB), dedicated to monitoring the ways in which SA overcomes the international oil embargo imposed on it.

SRB puts SA's total refining capacity at 433 500 to 468 500 barrels a day (bpd), and it can be assumed that this is being fully utilised, in view of plans for an expansion of at least one facility in Durban owned by Gencor subsidiary Engen.

This amounts to an annual crude oil requirement, at full capacity, of about 158-million to 171-million barrels.

If these figures are correct, the country's strategic stockpile, as estimated by the SRB, would be sufficient only to feed the refineries for 128 to 138 days, at full capacity.

This compares with total stocks of 475-million barrels, or 97 days' of forward consumption, currently held by Organisation of Economic Co-operation and Development (OECD) member countries, as estimated by the Paris-based International Energy Agency (IEA), an OECD affiliate, at the beginning of October 1990.

Clearly it would be unwise for SA to reduce its stock level substantially from the levels estimated by the SRB.

But there are many people who believe that SA's crude oil stocks are substantially higher than 60-million barrels. Nearer the top end of the range of estimates is the New York-based Petroleum Intelligence Weekly.

The problem is that the SRB estimate is probably the only one which is backed up with research detailing the location and probable size of the numerous individual crude oil caches which dot SA's landscape from Cape Town to Durban to the industrial heartland on the highveld.

Most of the higher estimates are substantiated by anecdotal evidence, which is often based on third- or fourth-hand information.

Assuming that the stockpile is larger, possibly even as much as 165-million barrels, which would be sufficient to enable SA's refineries to run at full capacity for about a year, then there may be some merit in reduction, say traders.

They say this is where the second issue, about the market outlook, comes in.

"It wouldn't make sense to start selling crude on the international market at the current (Brent blend) price of about $34 a barrel (at Friday's close), if SA is forced to buy it back three months later at $40 a barrel after war in the Persian Gulf was well and truly broken out," said Giles Jones an oil trader in the London office of Marc Rich & Co Ltd, at the weekend.

The most likely scenario, say analysts, is that the country is selling relatively small quantities of oil on the spot market to take advantage of current prices.

Any large-scale sales would upset the delicate balance of the market at present, in which oil prices are being buoyed by an overriding concern about the possibility of war in the Persian Gulf, and not by any underlying scarcity of oil, or even demand for it.

Traders say it is worth noting that the market, at present, is oversupplied, with numerous large oil tankers moored off the European coastline in wait for higher oil prices, expected to ensue upon an outbreak of war in the Gulf, when the owners of the crude will try to time their sales better.

Although small-scale sales would represent a welcome source of foreign exchange, and respite from the mediocre gold price, it's not at all certain that it would represent a net profit for the nation.

From 1980 to 1985, when it must be assumed that a large portion of the stockpile was built up (the oil embargo was imposed in 1979), the average Brent blend spot price of oil ranged between $27,51/b (in 1985) and $36,83/b (in 1980).

Jones, of Marc Rich, says on top of this must be added the political premium that SA would have paid, and the cost of transportation and storage.

The facts about our oil that you're not allowed to know

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WMail 2/11 - 8/11/90

The whole world knows who supplies us with oil — but in South Africa the information was kept secret... until now

WE are not supposed to tell you, but Swiss-based commodity trading company Marc Rich is the main supplier of petroleum products to South Africa.

We can't say South Africa gets a large proportion of its oil from the United Arab Emirates, as well as, among others, Egypt, Saudi Arabia, Oman, Iran, and Quatar.

We cannot reveal that Norwegian shipping companies, banned from delivering oil to South Africa, have taken advantage of a loophole in Norwegian law to deliver refined petroleum products to South Africa.

We are not allowed to tell you these things because Minister of Mineral and Energy Affairs Dawie de Villiers believes it may still be used by the country's "enemies" — the sanctions lobby.

However, the sanctions lobby knows all this already. The Dutch pressure group which monitors the oil-embargo against South Africa, the Shipping Research Bureau, has published it in a 100-page report on oil supplies to South Africa, distributed world-wide.

The only people not allowed to know it are those it affects directly, South Africans. The public cannot make judgments about whether the petrol price is reasonable given the premium South Africa pays for its oil; or whether the large oil stockpile could be used to drop the price of diesel and petrol.

However, De Villiers is under renewed pressure to release the information.

SA Chamber of Business this week came out in support of ending the secrecy surrounding fuel supplies.

President Lesley Boyd, calling for an end to the secrecy, challenged the government to give details of the national oil reserves and how they could be used to escape the effects of the present high world price of oil.

De Villiers remained tightlipped, though he promised to be more frank in the future. "I have no doubt that as things ease, I will divulge more information. There's no desire on our part to keep information confidential," De Villiers said this week.

The Shipping Research Bureau, however, lists details of dozens of tankers that have called at South African ports since 1987.

It lists 28 tankers which delivered crude oil to South Africa in 1989/90 alone. Some ships appear repeatedly: the 232 699 ton Akli four times; the 268 467 ton Pacificos four times and the 155 089 ton Batis four times.

It notes the continuation this year of a trend, started in 1987, of shipping companies based in Hong Kong, Greece and the United Kingdom filling the gap created by the discontinuation of Norwegian tanker deliveries of crude. The Hong Kong-based World-Wide Shipping Group tops the list with 12 of the deliveries; four Greek-based companies were involved in 10 of the 28 deliveries.

An Austrian shipping company, Seaarland Shipping Management Gmbh, was also a notable contributor, with four deliveries in 1989/90.

Most of these ships sailed from the United Arab Emirates (12 of the 28), Egypt (7) and Oman (3). The balance came from unknown Middle Eastern/Persian Gulf countries.

However, the report points out that Norwegian shipping companies are still playing a major role because a ban on transporting crude oil does not cover vessels carrying refined oil products.

It lists six Norwegian groups involved: A/S Ocean/JPP Shipping and its partner Iver Bugge (which delivered fuel oil from the Soviet Union in 1988); Bulkhandling; V Ships Norway; Andreas Ugland/Ugland Management; Anders Jahre and Leif Hoegh and Co.

Other countries of origin for refined oil products were in the Mediterranean, Eastern Europe, South-west Europe, East Africa and especially Northwest Europe (mostly through Amsterdam). In every one of these cases, the vessels did not report their real destination (most reported "Gibraltar for orders").

About 19-million gallons of petroleum-based products were shipped from the US despite the Comprehensive Anti-Apartheid Act which bans "crude or refined petroleum products" from being sent to South Africa. This is because the US Commerce Department has said that the law applies to only 49 of the hundreds of varieties of petroleum products.

The report also details South Africa's underground oil supply locations: Kendal/Ogies (three to five converted coal mines holding 18-million barrels); Ferrobank (one converted coal mine housing 10 to 12-million barrels); Vrede (described as probably a blasted-out underground chamber holding 10 to12-million barrels); and near Saldanha Bay (four-million barrels).

Ironically, it can be deduced from the Bureau's report of the many ships that get through, that the embargo has had limited success. But given the details the Bureau has been able to unearth, there is no room for complacency among those hit by the embargo.

The Bureau believes "a further tightening of the oil embargo is feasible". Until President FW de Klerk's watershed statement on February 2, attempts at tightening such an embargo were a distinct possibility.

Recently, however, the information logjam has begun to break, with newspapers and magazines discussing possible figures.

The business magazine *Finance Week* in March this year speculated openly about the worth of South Africa's oil stockpile, putting it at around US$4-billion to $6-billion, or two-and-a-half to three years of oil consumption. (The Shipping Bureau estimates a more conservative 54,5 to 58,5-million barrels.)

The Star recently estimated our daily fuel requirements at 330 000 barrels a day.

Calls for a power grid to span subcontinent

B/Day 15/11/90

MICHAEL HARTNACK and TIM COHEN (55)

DELEGATES at the Harare meeting of the World Energy Council wound up yesterday with calls for the creation of a supra-national private company to link the electricity grids of southern African nations, developing vast new potential resources.

Eskom CE Ian McRae told the conference the grid could become a reality within the next decade.

He said there were about 130-million people in the 13 countries in the region, about 100-million of whom did not have access to electricity.

To establish viable economies, the percentage of users would have to be increased to between 60% and 70% of the population.

According to Prof Richard Dutkiewicz, director of the Energy Research Institute at the University of Cape Town, what was required was improved education and political stability.

Dutkiewicz was one of 100 delegates who also included the chairman of SA's Atomic Energy Corporation, Wynand de Villiers,

Miguel Schoss, a World Bank specialist on southern Africa, warned that a major obstacle was building the necessary institutions in view of the "over-extended state apparatus" and the chronic scarcity of administrative expertise.

He urged the private sector to shoulder the burden of financing and running an efficient power grid.

"Public ownership, as experience has shown, does not necessarily mean public accountability," said Schloss. "The present monopolies need to feel the pressures of this competition."

Fuel Christmas cheer likely

Sowetan 8/11/90

THE Government hoped to bring the fuel price down before the Christmas holidays if the oil price stayed low, Mineral and Energy Affairs Minister Dawie de Villiers said yesterday.

But he warned that the Gulf crisis could wreck these plans. War looked more likely than peace.

De Villiers said the Government did not want to "play yo-yo" with motorists by continually dropping and raising the price.

But the Government would study the October recovery figures when they became available, keep an eye on the Gulf situation and try to pass lower oil prices onto the motorist as soon as possible.

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"I hope this is before the Christmas holidays."

The present pump price, set on October 19, was based on an oil price of 37,50 US dollars a barrel. Since then the price has dipped to 27 US dollars a barrel and then risen to about 33 US dollars. - *Sowetan Correspondent.*

New Eskom rates will benefit firms

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By DON SEOKANE

ESKOM yesterday announced new tariffs for big companies which will lead to savings in off-peak periods for these firms.

Speaking at Megawatt Park, Mr Andries Calitz, pricing manager at Eskom, said the demand for electricity varied during the day with high demand at peak hours - early morning and evening - and very low demands in the middle of the night.

Calitz said the new tariffs, called "time-of-use tariffs", would enable customers to shift their demands from high to low-cost periods resulting in substantial savings.

The transition to new tariffs will start next year and will incorporate tariff A, the main charge for large customers.

He said the transition is expected to be phased in over five years.

Eskom has held meetings with more than 1 000 representatives of its large customers to discuss time-of-use tariffs and, as a result of the discussions, several amendments were included in the final proposals.

Consultations with several customers' interest groups such as the South African Chamber of Business and the South African Institute for Electrical Engineers were also held.

Sowetan 29/11/90

Mixed reaction to cheaper fuel

C/Pers 11/11/90

By SANDILE MEMELA

MIXED reaction greeted the announcement by Energy Affairs Minister Dawie de Villiers on a 15c petrol price reduction from tomorrow.

The informal sector almost dismissed the petrol decrease while retailers welcomed it as a measure that would aid the embattled consumer.

De Villers said lower crude oil prices had resulted in over-recovery on petrol and diesel and government had decided to pass the lower price on to consumers.

South Africa Black Taxi Association (Sabta) public relations manager Fanyana Shiburi said the price reduction would not result in lower fares.

"The announcement will not bring any serious changes in taxi fares as we have tried to absorb increases so as not to adversely affect commuters," he said.

Shiburi said his organisation was not going to introduce increases in the near future.

African Council for Hawkers and Informal Businesspresident Lawrence Mavundla called for a bigger price reduction. "We believe petrol prices should go down further because it is a commodity that cannot be done without. Although the reduction is a good step, the government must still go the whole hog to make life affordable to ordinary people."

He said spaza shops have been without a number of basic foods like bread recently because of the petrol price.

But Pick 'n Pay general manager Mike van der Merwe said the price reduction was very welcome.

"We hope this will have a considerable impact on the running costs of a number of companies. Hopefully, the decrease will stop manufacturers from asking for further increases from the retail industry," he said.

Van der Merwe said the price reduction could make basic commodities more affordable.

"We are relieved that government has heeded calls by the business community and consumers to lower the price as soon as it became possible," said Checkers MD Sergio Martinengo.

LET THERE BE LIGHT: and a brief flicker there was!

C Press 4/11/90 (55)

By ELIAS MALULEKE

ANNAH Mahlalela of Atteridgeville township in Pretoria went to bed on Saturday night wishing she had electricity in her matchbox house so she could iron her church costume.

Mahlalela had no electricity for five days after the town council cut off the supplies due to an eight-month rent boycott, forcing her to resort to a pressure stove for cooking and candles for lighting.

"I did not know how long I would have to endure the hardship of living without electricity, because apart from being inconvenienced, my husband and kids were forever grumbling and our relationship was becoming strained," she said.

"Voila!" When she woke up the following day, her son's hi-fi set was blowing full blast, her fridge was buzzing and her lights were on.

"I thought I was dreaming," she said with a huge smile.

She was not the only ecstatic woman in Atteridgeville last Sunday. More than 7 000 women could be heard humming joyfully while sports-loving children crammed around TV sets.

Atteridgeville came back to life as the "young lions" roared from house to house to reconnect electricity. Residents joined "Operation Switch On" and supplied tools. Beer, too, flowed like the River of Babylon.

Police allegedly ignored "Operation Switch On" – a term nicked from the now famous "Operation Iron Fist" – as youths used makeshift stepladders and crawled on streetpoles in a flurry of activity.

Although the switch-on started late on Friday, it gained momentum on Sunday when disillusioned township electricians offered their services for free.

A "comrade" told *City Press* that several electricians offered on Saturday night to put on the lights, but asked to be provided with "security".

"On Sunday at dawn they went to work assisted by the comrades. They worked for the whole day until 6pm when they called it off, saying 'we do not want to work overtime'," he said.

Police witnessed the switch-on, he said, but turned a blind eye. However, one youth who crawled on a pole was almost electrocuted, but miraculously survived.

More than 90 percent of the homes – for which the council paid a sub-contractor a fee of about R80 per house to unplug – were switched on by Tuesday. It is estimated that 10 000 houses were involved, and the council may have parted with close to R1-million to pay the contractor.

City Press visited several houses where electricity had been restored, but family members were still uncertain about the future and refused to be identified for fear of victimisation.

But they did not wait long to know what the future had in store.

On Thursday Judge Daniels ruled at the Pretoria Supreme Court that the council's action in disconnecting the power supply was sanctioned by its by-laws. He dismissed, with costs, an application brought by the Atteridgeville-/Saulsville Residents Organisation (Asro) challenging the council's decision to cut off electricity.

A similar application by Daveyton residents was also dismissed with costs by Judge Van Dijkhorst in the Rand Supreme Court the same day.

As a result of the ruling, the Atteridgeville council went back to switching off the lights – amid angry reactions from residents.

Shortly after the judgment, police escorted workers hired by the council as they disconnected electricity in the township, reports Sapa.

Pretoria police liaison officer, Lieutenant Burger van Rooyen, confirmed the police action.

Meanwhile the Atteridgeville branch of the ANC has warned that the resumed disconnection of electricy to township homes was "highly provocative", and could lead to violence.

Publicity secretary of the branch, Ronnie Mamoepa, called for an urgent meeting between the TPA and Asro, at which the ANC was prepared to act as mediator.

"We want the police to clarify what their role is in this situation.

"Our understanding is that they should be impartial in such matters, and we can therefore not understand why they are assisting in cutting off electricity."

Mamoepa denied the ANC branch in Atteridgevile had called on people to restore electricity to their homes.

"On the contrary, the ANC is prepared to mediate between Asro and the TPA."

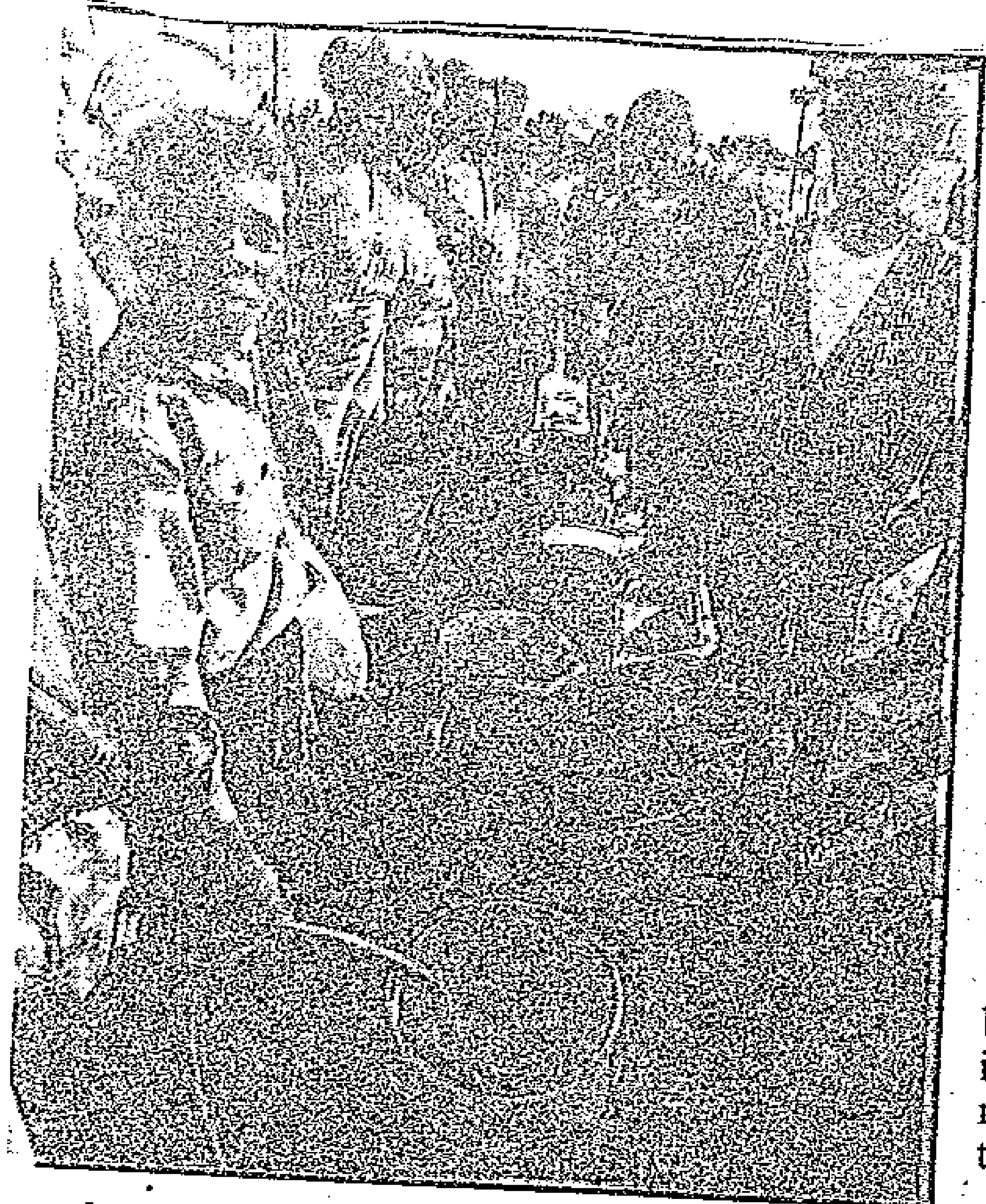
The ANC has rejected a Law and Order ministry statement that the ANC should stop a campaign to reconnect electricity.

"We deny ever calling or being involved in such a camapign.

"We never called on people to do that."

Kroonstad boycott bites

C/Press 11/11/90 (55)



aokeng residents queue to fill buckets with ater after services to the township were cut.

A CONSUMER boycott called after the withdrawal of services from Maokeng township has hit white traders in the nearby NP-controlled town of Kroonstad hard.

Shops in the white town were deserted as no blacks have patronised them following the start of an indefinite boycott on Monday.

The complete water and electricity switch-off this week forced some residents to walk more than 4km to a garage outside the township for a bucket of water.

Residents claimed they had been harassed by police for drawing water from the garage and many were turned away before they could fill their containers.

People living in a part of the township known as Constantia had to walk about 3km to the Brent Park coloured township for water.

Until recently Maokeng residents were supplied with water from noon to 6pm – but the supplies have been cut for the past two weeks.

Several other townships in the Free State have been affected by water and electricity cuts and civic organisations are negotiating with the provincial administration for the restoration of services.

Civic organisations warned that consumer boycotts are likely to hit several Conservative Party-controlled areas in the Free State where there are switch-offs if an amicable agreement cannot be reached between residents and the authorities to normalise the payment of services.

By Friday white trade in Kroonstad had come to a complete standstill and traders complained that their shops were deserted and sales had dropped.

Electricity supplies have also been cut to the township and the area has been in darkness for the past two months.

Members of civic organisations this week said they supported the action taken in Kroonstad by the black community because the white local authorities persisted in cutting services to many townships even though attempts to negotiate resolutions to the problems had been made.

They said: "The unwillingness by the provincial authorities to facilitate a climate conducive to a resolution of the problems has resulted in residents deciding on a plan of action."

SCIENCE AND TECHNOLOGY

W Mail Suppl 2/11 - 8/11/90 (55)

Soon, your car may run on hydrogen ... or alcohol

The relentless decline in the world's oil reserves and escalating pollution are prompting investigation of alternative fuels for motoring. **REG RUMNEY** reports

VEHICLES driven by electricity, alcohol or hydrogen hold out the hope of new age of civilised motoring.

Take the electric motor. It doesn't release noxious gases into the air we breathe or contribute to noise pollution. Compared to even the best petrol or diesel engine they run smoothly and quietly. An electric car would probably need no gearing, since an electric motor doesn't operate in the narrow speed range which limits its fuel-driven equivalent.

Alcohol fuels could be less polluting since they lend themselves more readily than petrol to "lead-burn" engine technology, in which the fuel is burned more efficiently and less nitrous oxide is produced.

And they can be derived from a variety of sources other than oil.

South Africa's two big synthetic fuel plants can both be converted simply to producing methanol rather than petrol. Sasol uses coal to produce fuel, and the Mossel Bay Gas project (Mossgas) uses natural gas.

One alcohol fuel, ethanol, can be readily produced from renewable fuel sources such as sugar cane or maize.

Hydrogen, which can be produced from water and electricity, is almost completely pollution-free when it burns.

The desire for some other form of propulsion is as old as the motor car itself.

Steam and electric vehicles were common in the antique age of motoring. Before the turn of the century electric cars were relatively common, with London having a fleet of 77 electric taxis built by W C Bersey. Massive steam vehicles were prevalent too.

By the turn of the century the internal combustion engine had triumphed, the relatively small size of its engine and fuel tank out-matching the massive weight of batteries electric motors needed and its performance outdistancing the relatively poor range the batteries provided.

But electric vehicles cropped up regularly through the following ages, all hobbled by the shortcomings of electricity storage, which is the limitation of the lead-acid battery. Sir Clive Sinclair's spectacularly unsuccessful three-wheeler this decade was but one of a long line of attempts.

Coal-fired steam power as a source of motion continued in various industrial applications for decades. "Steam-rollers" were common in South Africa into the Forties.

Hybrid vehicles, using some form of petrol engine and electric motor combination, have a long and ineffective history too.

In South Africa in the mid-1970s the first oil shock brought a much-hyped hybrid prototype small car, which attracted investment and then sank without trace.

Hybrid vehicles, however, are being looked at anew. They are part of an attempt to bridge the transition from traditional fossil fuels to new sources of energy.

The motive is twofold — pollution and the relentless decline in the world's oil reserves.

Eventually, it is thought, some other form of energy will have to replace petrol and diesel.

The natural resources from which alcohol fuels are produced are not infinite.

Renewable resources or "biomass" could come to the rescue, but this removes land from food production. Moreover, alcohol fuels are still polluting.

Similarly, electricity's cleanliness and widespread availability conceals at times pollution and depletion of natural resources further down the line.

South Africa provides a good example of this. Most of our electricity is produced by massive coal-fired power stations, which seriously pollute the Eastern Transvaal. The only alternative for the moment is atomic energy, an anathema to many. However, future use of hydropower from countries to the north of South Africa would make electricity cheap and non-polluting.

Pollution, particularly in places such as California, where it has become legendary, has spurred the authorities to subsidise the development of electric vehicles. In Europe, Peugeot have developed a prototype called the 205 Electrique, using nickel cadmium batteries. But it has a range of only 190km.

Audi have a prototype hybrid vehicle, an adaptation of an Audi 500 Avant. It uses an electric motor at low speeds, switching automatically to the engine above a certain speed. The idea is that it uses the non-polluting electric engine in the city, and switches to electricity on the open road.

Volkswagen has announced the development of hybrid vehicles, using a diesel and an electric motor, expected to be available in 1995, using the SA-developed compact Zebra battery.

In the end, hydrogen appears to the most attractive. The source material for hydrogen, water, is all around us, and if the sun's power can be harnessed to provide energy for splitting H_2O into its constituent parts, the solution to the world's energy problems would appear to be almost magical. Moreover, hydrogen is virtually pollution-free.

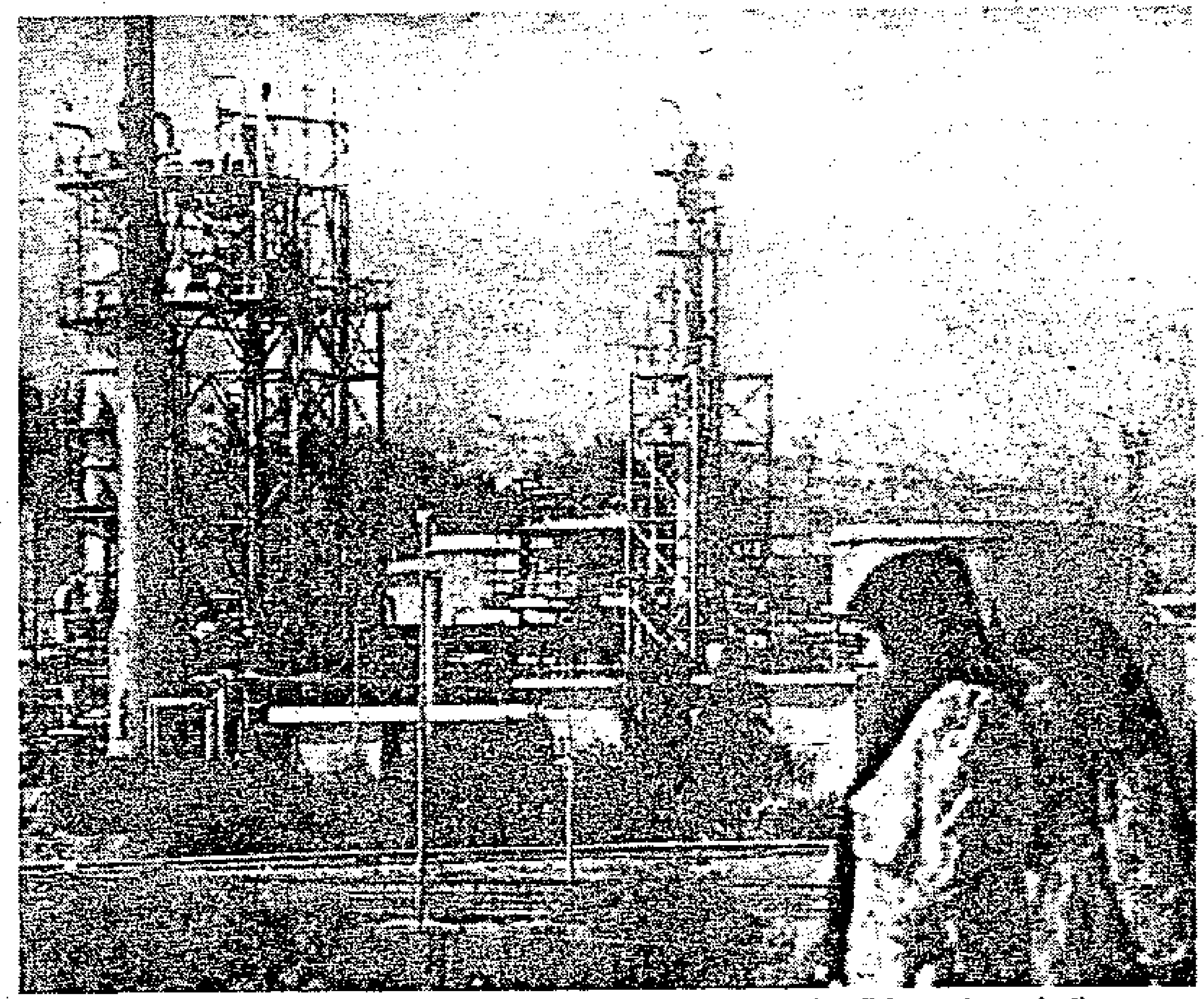
Both Mercedes Benz and BMW have done testing on hydrogen-powered vehicles, but the technology still boggles the mind.

A Mercedes Benz test fleet of 10 hydrogen-powered vehicles went about daily chores for three-and-a-half years in Berlin. The hydrogen was stored in the form of "metallic hydrides" — a process whereby the hydrogen is trapped in the crystal lattice of certain metal alloys. Storage as metal hydride has the advantage of being safe. Other means of hydrogen storage — in special ultra-high-pressure vessels, or as liquid hydrogen — are not as safe, though one shouldn't let the fate of the Hindenberg put one off.

Whatever method is chosen, weight and bulk prove problematic.

According to a National Energy Council report, a vehicle with a range of 240km needs a metal hydride tank weighing 300kg. A range of 400km could be achieved with liquid hydrogen, but the fuel tank would take up 230 litres worth of the car in size.

All the above would suffer initially from the absence of a widespread network of refuelling stations. Hydrogen and electricity must overcome certain technological problems. Methanol would be comparatively simple to introduce, but the decision to go the methanol route would have to overcome a resistance to change and vested interests. In South Africa, it would probably have to be accompanied by a persistently high oil price and a consequent switch to synthetic fuels worldwide. Electric propulsion, on the other hand, seems largely dependent on someone coming up with a vastly better battery.



Alternative fuels like methanol lessen dependence on crude oil from the volatile Middle East. Sights like this crude oil refinery in Jordan may eventually become rare. Picture: AFP

Eskom foresees subcontinental grid

LESLEY LAMBERT

CAPE TOWN — SA had the technology to meet the energy needs of southern Africa and the market to support the development of energy-based economies in Africa, Eskom chairman John Maree said yesterday. B/Day 27/11/90

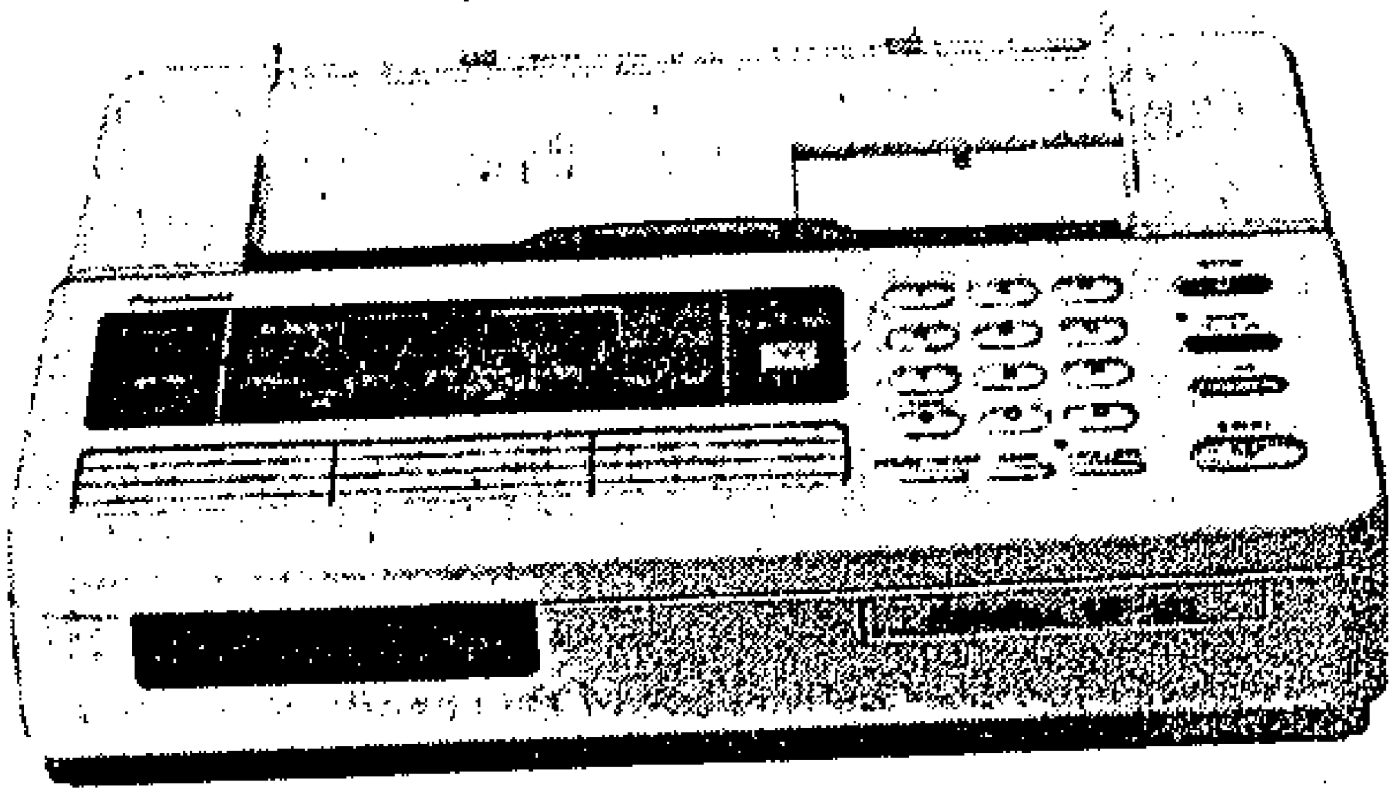
Addressing conference delegates, Maree said Eskom was committed to electrifying the African subcontinent and using energy to stimulate major ~~economic~~ development. SS

Referring to recently ~~announced~~ plans to link the whole of southern Africa in one vast network, he said Eskom had been able to build bridges with African states in spite of the deep political divides.

The public utility had ~~already~~ established a grid which stretched far into Africa, but it was considering something much bigger — a regional power grid that could serve the subcontinent as far north as Zaire. Such a grid would consist of three elements:

- A core generation and transmission system similar to that of Eskom;
- Separate distribution organisations which could be independent companies or joint ventures with Eskom;
- A common market power grid in which all southern African countries were linked in purchasing or selling electricity across existing borders.

Maree said Eskom could also help to develop the unexploited water resources of Malawi, Zimbabwe, Zaire and Zambia into hydro-electric schemes to provide the initial market for energy.



C/Press 11/11/90

Boy shot in power demo

A NINE-YEAR-OLD boy was killed and 10 people injured in Atteridgeville, Pretoria, yesterday morning in a confrontation between police and demonstrators over an electricity switch-off, according to medical superintendent of Kalafong hospital, Dr Margaret Kelly.

But, Pretoria police liaison officer Captain R Bloomberg said the boy's body was taken to Kalafong hospital at 8.20am, and police only went into Atteridgeville at 8.50am.

A man was shot in the leg and several people were injured when police used birdshot and teargas after demonstrators threw stones and petrol bombs at police, said Bloomberg.

Dr Kelly said the boy was certified dead on arrival at the hospital. She would not give the cause of death. Most of those hurt had slight injuries.

Witnesses said the shooting occurred after demonstrators defiantly restored electricity to their homes in the township. Police had apparently tried to stop them doing so.

A witness said she saw residents carrying a bleeding youth to a waiting car in the township. It appeared he had been shot in the stomach, she said.

She also saw police drive off in a burning vehicle after it was apparently petrol-bombed by demonstrators. Teargas was fired at the demonstrators as they engaged in running battles with police, the witness added.

Electricity was disconnected for the second time last week after the Pretoria Supreme Court dismissed with costs an application by the Atteridgeville/Saulsville Residents' Organisation seeking to stop Atteridgeville Town Council from disconnecting power. – Sapa

Mossgas audit called after R1bn costs jump

Cape Times 1/11/90

55

Own Correspondent

JOHANNESBURG. — Cost estimates for the Mossgas project have jumped by R1bn to R8,8bn since mid-1989, leading Mineral and Energy Affairs Minister Dawie de Villiers to call in the auditor-general for an expenditure audit.

De Villiers said in an interview there had been major cost overruns. Some were due to exchange rate shifts. Other "large increases" were due to import surcharges and design problems.

"I have asked the auditor-general for a full audit, and he is busy with a very comprehensive audit of contracts. Management has indicated they have instituted all mechanisms to contain costs," he said.

"All we can do is keep costs under control. We had several discussions with the Gencor group. They report regulary and we look at reasons for any increase in expenditure."

When former President P W Botha announced the project in 1987, the projected capital cost was R5,3bn. This has been revised upward several times. In mid-1989 Mossgas reported a capital cost estimate of R7,8bn, and now reckons the figure will be R8,79bn.

Mossgas MD and Engen chairman Bernard Smith said yesterday: "We are very concerned about the increase in costs. At present our priority is to complete the job. This will save most of the capital cost. The design phase is complete, and the procurement phase virtually complete."

He said the offshore part of the project was 86% complete, while the onshore part was 78% finished. He blamed poor weather conditions and industrial action for some of the difficulties.

Smith said the project now stood to break even at an oil price of about $20 a barrel. A price of $13,50 a barrel would generate enough cash flow to service commercial loans to the project, and shareholders would realise a positive real yield on their investment if prices exceeded $25.

He still expected Mossgas to achieve substantial production in the second quarter of 1992 as forecast.

The admission that costs have soared yet again comes as government is under pressure to open up on oil. At Tuesday evening's Sacob banquet, the organisation's president Leslie Boyd prefaced his introduction of guest speaker President F W De Klerk with "the time for secrecy is over".

The contribution Mossgas will make to SA's fuel needs and some of the funding details remain secret. De Villiers indicated this information would be released in full when the project was completed in 1992.

He added it would not be government policy to write off any of Mossgas's costs.

Other developments in the area could eventually create a centre in the region for petrochemical, liquid fuel and chemical development, he said.

CAPE TIMES 13/11/90

Zim support for shared electricity

By MICHAEL HARTNACK

HARARE. — Zimbabwean President Robert Mugabe yesterday declared his support for the formation of a common electrical grid linking South Africa and Zimbabwe.

"Yes, it makes sense," Mr Mugabe told Dr Ian Mcrae, chief executive of Eskom, who mooted the idea when taking the formerly militant advocate of sanctions round an Eskom exhibit at a conference here of the World Energy Council.

Dr Mcrae disclosed later in an interview that talks have already taken place on Zimbabwe receiving 500 megawatts of South Africa's estimated 1 350 megawatt share of power from the rehabilitated Cahora Bassa hydro-electric scheme for the first five years after it is put back "onstream".

Zimbabwe is currently 200 megawatts short of consumption needs, while Eskom has over 4 000 megawatts surplus generating capacity.

In a passionate appeal for regional cooperation to break out of traditional patterns of underdevelopment, Dr Mcrae told the opening session of the three-day conference that the first major set of constraints on confronting poverty had been political ones.

"And one of the joys I am finding now is that political constraints are dropping like leaves from an autumn tree," he said, unveiling a map of a potential power grid stretching from the Cape to Zaire.

"I believe we are really at the beginning of a future power grid for Southern Africa and the development of wealth-creating projects, if we come together and create markets for these," predicted Dr Mcrae.

As a measure of recently-relaxed tension between the two countries, there were 100 South African delegates present, including the chairman of South Africa's Atomic Energy Corporation, Dr Wynand de Villiers.

The Council for Scientific and Industrial Research (CSIR) also mounted an exhibition, which was toured by Mr Mugabe.

President F W de Klerk speaks at the induction ceremony in Pretoria yesterday where former Namibian administrator-general Louis Pienaar, centre, was sworn in as a cabinet minister and Vryburg MP Johan Scheepers was sworn in as Deputy Minister of Law and Order. Picture: ROBERT BOTHA

● See Page 6

VAT 'may push up fuel price'

B/Day 15/11/90 (55)

MARC HASENFUSS

THE petrol price could be pushed up again when the Value Added Tax (VAT) system was introduced, Econometrix analyst Tony Twine said yesterday.

Twine said GST was not levied on petrol as it was part of the consolidated fuel levy included in the pump price, and consequently the addition of VAT could increase the fuel price.

Naamsa director Nico Vermeulen said although he believed VAT's effect on the fuel price had not been determined yet, Naamsa had sent a submission to government suggesting the GST portion of the levy be removed before VAT was introduced.

Vermeulen said if government failed to revise the consolidated fuel levy by removing GST, the subsequent addition of VAT would distort the fuel price by a double taxation.

Motor Industries Federation (MIF) executive director Vic Fourie said an MIF representation to government argued for the inclusion of VAT within the pump price, once the 8,4c a litre GST in the fuel levy was removed.

Tax experts were unsure of the effect VAT would have on the petrol price. Analysts believed that VAT, likely to be introduced at an initial rate of 12%, would not be added to the fuel price on top of GST.

One expert said: "If VAT is added government will surely have to revise the consolidated fuel levy."

This goes unspecified into state coffers, and is used mainly for the building and upgrading of roads.

An oil company spokesman said it appeared that oil companies, fuel distributors and related industries had last week submitted possible scenarios on how VAT should be incorporated in the fuel price for consideration by Vatcom, the government-appointed committee investigating the introduction of VAT.

It would make the final decision, a National Energy Council spokesman said. Vatcom chairman Org Marais could not be reached for comment.

Only Putco passes on fuel price cut

55

B/Day 12/11/90

Business Day Reporters

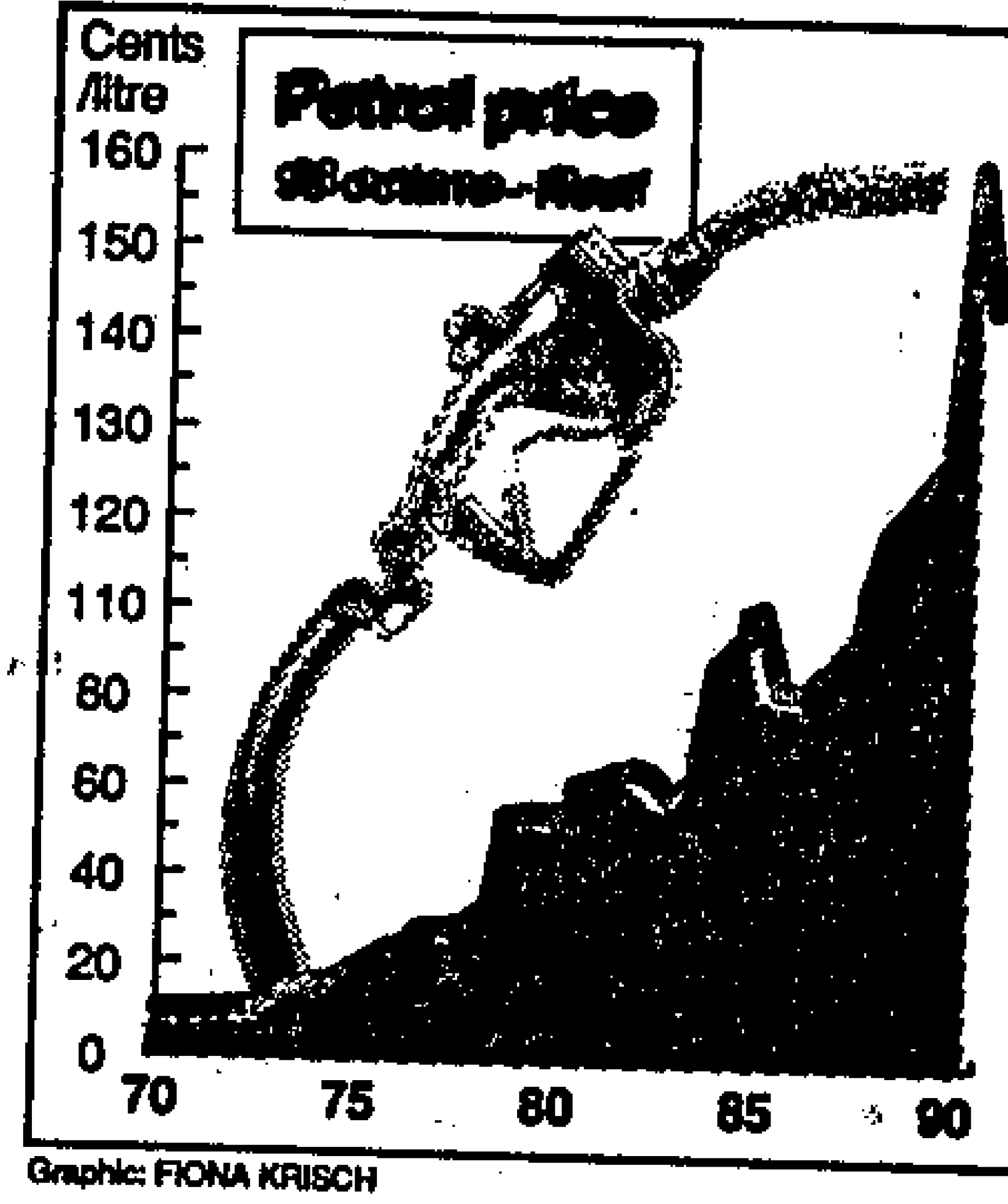
COMMUTERS using Putco buses will benefit from today's drop in the petrol price, but not so taxi or SAA passengers.

Economists and motor industry spokesmen see the drop — 15c/l in petrol and 9c/l in diesel prices — as having a psychological rather than economic effect, although they say it might knock 0,4% off the inflation rate.

Sapa reports that Tony Twine of the private economic thinktank, Econometrix, said a fall in the consumer price index would be felt only in December. He said October's 32c/l hike in the petrol price still had to affect inflation. Inflation for November should be around 15,3%, but with the latest petrol price fall the figure for December should sink to about 14,9%.

National Association of Automobile Manufacturers of SA (Naamsa) executive director Nico Vermeulen said the effect of the latest price cut would be more psychological than economic. The fall should be seen against a background of the two previous increases — 10c/l in September and another 32c/l last month.

However, the reduction should give a lift to business morale.



Graphic: FIONA KRISCH

Putco's human resources GM Isaac Tait said recently increased bus fares would definitely come down in the light of the decrease in the diesel price. The new fares would be announced in a fortnight after the required recalculations.

However, Sabta projects co-ordinator

□ To Page 2

Fuel price

B/Day 12/11/90

55

□ From Page 1

Tebello Radebe said he doubted taxi fares, which were increased last month, would revert to the previous level. Taxi fare increases were the result of high interest rates and escalating costs of vehicles and spare parts, and not only of petrol increases.

SAA also planned no air fare decrease in line with the petrol price drop, spokesman Mike Pfeiffer said yesterday.

He said there was a difference between aviation jet fuel and standard motor vehicle petrol.

"All I can say is that we are waiting to hear whether or not there will be a price drop, but at this stage nothing has been planned," he said.

Meanwhile, a government source in Pretoria said government was determined not to yield to the temptation to use SA's vast reserves of crude oil either to lower or maintain fuel prices.

Until all threats of interrupted supplies of crude from abroad were eliminated — which might be only when sanctions were totally removed — SA fuel users would have to pay market-related prices even if this meant frequent price adjustments.

Mineral and Energy Affairs and Public Enterprises Minister Dawie de Villiers warned at the weekend that the fuel price cuts could be temporary.

He said it was impossible to forecast future crude oil prices or events in the Middle East, but stressed that any future increase in crude prices would again result in fuel price rises.

● Comment: Page 4

Eskom launches new tariffs

THEO RAWANA

ESKOM has introduced a tariff system which is likely to save commerce and industry R200m a year.

The utility said yesterday the savings would be passed on to consumers and would translate into a 2% reduction in electricity bills for various sectors.

In addition, night-only users would get a 50% reduction on their electricity bills in the long term, Eskom communications manager Johan du Plessis told a news conference in Johannesburg.

He said the new tariffs would offer customers the opportunity of shifting their electricity usage from peak periods to off-peak periods, thereby ensuring a more even demand over 24 hours.

The resultant shift in demand from high to low-cost periods, and growth in night demand, would lead to improvement in operating efficiency and capital savings, which would in turn reduce the average price of electricity in real terms, he said.

"An improvement in operating efficiency resulting from a 5% reduction in the maximum-demand for electricity is estimated to save R200m per year in generation and transmission costs. This is expected to take five to 10 years to achieve," Du Plessis said.

"The demand for electricity varies considerably during the day and year, with high demand at peak hours (early morning and evening) and very low demands in the middle of the night.

"Because the cost of providing electricity varies from hour to hour, from day to day and from winter to summer, Eskom and its customers have recognised that hourly, daily and seasonal variations in electricity rates are necessary to reflect these changing costs."

Du Plessis said the new "time-of-use" tariff structure should create opportunities for new applications for electricity.

"Practical possibilities included night irrigation of crops, night-time heating of

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(55)

Sowetan 20/4/90

Eskom

B/Day 20/4/90. (55)

☐ From Page 1

green-houses, off-peak foundry work and night storage heating."

AHI executive director Martin van den Berg said the new tariff system was welcome "provided it does not mean that ordinary (day) users will pay more".

The lowered costs would enable local business to compete better on the export market, he said.

While introducing new shifts would be inconvenient for workers, they would be paid more.

"It would also mean the creation of more jobs," Van den Berg said.

Cheaper petrol as oil price falls?

CAH Times 7/11/90

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JOHANNESBURG. — The pump price of South Africa's petrol is likely to be reduced in the middle of the month, an informed source said yesterday.

This was because world oil prices had fallen below the $37,50 a barrel level on which October's price rise was based.

At that time, world oil prices were hovering between $37 and $40 a barrel and the National Energy Council gave an assurance that consumers would benefit if crude oil prices dropped.

Since then volatile world prices have been lower, despite a built-in war premium of about $15 a barrel. While the price briefly touched the $27-a-barrel level two weeks ago, it has been trading around $33 a barrel recently.

Yesterday oil prices reflected the lower trend. North Sea Brent crude for December delivery closed at $31,85, marginally up on Monday's close.

A (NEC) spokesman yesterday declined to comment on a possible fall in the petrol pump price in the near future.

But he said the NEC was currently reviewing the position of the Equalisation Fund — which serves to even out the impact of fluctuating world oil prices — as it stood at the end of October.

Sapa-Reuter reports from London that world oil prices drifted lower yesterday in a market that lacked news, traders said.

Cape could be 'oil centre'

Own Correspondent

JOHANNESBURG. — South Africa has quietly begun to "monetise" its strategic crude oil stockpile, the international newsletter Petroleum Intelligence Weekly reports.

It said reports of actual sales from the stockpile could not be confirmed, but SA's strategic fuel fund had entered into financing arrangements with oil traders and banks designed to give SA some current or near-term return on future stockpile sales.

It said that if sanctions were lifted SA could become an oil hub of global importance, with Cape Town becoming a major export-refining centre.

SA's pivotal position on trade routes from the Persian Gulf gave it a vantage point to sell to Africa, South America and southern Asia, the report said.

SA's black gold bonanza

S Times 11/11/90

☐ From Page 1

hannesburg said SA would be "mad" not to sell its stockpile if a war sent prices to, say, $70 a barrel. He estimated the stockpile of 200-million barrels would be worth $14-billion at that price, but said it would not be easy to sell at precisely the right moment.

Any price rise would be likely to come as a short-term "spike", with falling prices to follow.

"The true international supply and demand picture was established before the Middle East crisis, when the oil price was under $20. Once Saddam Hussein is disposed of, the oil price will tend back towards $20. There is no way that a very high price can be sustained."

He estimated that SA's oil imports are 100-million barrels a year and that the stockpile could be between two to three years' imports.

"If there are only 200-million barrels and the price of oil shoots up to $70 a barrel in a shooting war, we could sell the stockpile for $14-billion, then buy it back at say $25 a barrel, that is for $5-billion, after the war.

"That would yield a profit of $9-billion. By supplementing the balance of payments, such a profit would permit growth of 5% a year for the next decade.

"I doubt that the authorities would have the nerve or the vision to use the opportunity, though."

Announcing the 15c/l petrol and 9c/l diesel price cuts this week, Mineral and Energy Affairs Minister Dawie de Villiers said the stockpile "should not be employed for current expenditure, such as subsidising fuel prices".

A spokesman for Dr De Villiers' office said SA should not gamble with the stockpile.

Risks

65

"We are still under an international oil embargo and attempts are being made to tighten it. We cannot think about releasing the stockpile as long as there is a threat of physical unavailabilty.

"If we sold our stockpile and oil was simply unavailable, we would have a worst case scenario."

However, some members of the government have been arguing that the prospect of a Gulf war offers a once-only chance to cash in the stockpile, and the transformation of South Africa's economic position would justify any risks that might follow.

Oil provides less than 10% of the country's energy needs, and indigenous sources supply 30% of those needs.

JEREMY BROOKS reports from London that news of SA's interest in selling oil, first reported in London's Petroleum Intelligence Weekly on Monday, had the industry speculating feverishly on the size of the reserves.

Some put them as high as 340-million barrels, more than two years' supply. But in New York, Dr Paul Conlon, consultant to a UN group monitoring South African oil supplies, said he estimated the reserves at around 60-million barrels.

"At one stage the South Africans were claiming to have 340-million barrels. I simply don't believe that," he said.

"However even if the figure is nearer 60-million it still makes South Africa the country with the largest reserves, per capita, in the world."

SA's oil reserve bonanza

65

S Times 11/11/90

Sunday Times Reporters

THE prospect of huge windfall profits from the sale of SA's strategic oil stockpile has prompted the government to ask discreetly for advice from international oil traders and foreign banks.

Oil experts say the profits to be made if South Africa sold its oil at the right moment would run to billions of US dollars — enough to transform the country's finances — but that timing will be critical.

Well-placed sources in Pretoria this week confirmed a report in the Petroleum Intelligence Digest of London that South Africa might cash in part of the reserves if war in the Gulf sent prices soaring.

The government had "put out feelers in the right places" to determine its options, one government source said.

A bank economist in Jo-

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Mossgas looks for added value

(55)

S/Times 4/11/90

By IAN SMITH

MOSSGAS project planners, hit by a R1-billion cost escalation which will bring the total investment to R8,79-billion, are looking at the production of higher-value products to improve viability.

The design of the fuel-from-gas refinery at Mossel Bay can be modified to produce a limited range of value-added products, including LPG, alcohols and solvents, to improve earnings.

The wider product range — with a limited increase in throughput which might be possible — could reduce the equivalent imported oil price at which the project would become viable, says Mossgas managing director Bernard Smith.

Strategic

"The priority for Mossgas is to be a strategic fuel producer. But escalating costs make higher-value products look attractive," says Mr Smith.

With production confined to petrol and diesel Mossgas could service commercial loans at a world oil price of $13,50 a barrel. Mossgas could pay shareholders a positive real yield with a world price of $25 a barrel and at $35 a barrel the project, including Central Energy Fund soft loans, would achieve real returns.

A wider product and higher throughput range would mean shareholders could expect real returns at a world oil price of about $20 a barrel and the entire project would be covered at $30 a barrel.

Mr Smith says many factors contributed to the increased cost of the project, including high inflation.

Another major cause was late delivery of pressure vessels from SA and foreign manufacturers.

The catch-up programme to keep the refinery on schedule for major production by April 1992 has lifted the peak site workforce from 8 000 to about 10 500.

The design has been modified to provide a liquid natural gas storage facility to ensure that the refinery is not affected by production stoppages on the offshore platform.

Normal

Mr Smith says there is nothing sinister in the fact that Mineral and Energy Affairs Minister Dawie de Villiers has called for an expenditure audit.

"This is normal in a project of this size."

Mr Smith does not believe that oil prices will fall quickly to those which applied before the Persian Gulf crisis. Opec agreed to raise the price to $21 a barrel even before the invasion of Kuwait.

Middle East producers also face heavy investment in new production facilities to keep pace with expected demand. "The reserves are there, but they will need money," he says.

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Wim de Villiers and Eskom at odds over a R4,5bn write-off

S/Times 4/11/90. (55)

By DAVID CARTE

WIM DE VILLIERS, Minister of Administration and Economic Co-ordination, has queried a R4,5-billion write-off from Eskom's equity.

Dr De Villiers, under criticism for interfering with Eskom, says the write-off should have taken place over 10 years or more — not one.

Eskom chairman John Maree says the write-off in regard to unamortised discounted debt instruments in 1986 was "technical" and did not affect cash flow.

But Eskom's pricing is connected to its debt:equity ratio. The write-off would thus ordinarily have had the effect of raising tariffs.

In the same year Eskom provided R3,5-billion for additional depreciation, so its capital and reserves were reduced by R8-billion to R26-billion.

The write-offs had the effect of increasing the utility's debt:equity ratio from 1,74:1 to 3,18:1.

Dr De Villiers has been criticised for being an interventionist for suppressing tariff increases of the parastatals well below the inflation rate.

He rejects the charge, saying: "All we have done now is give Eskom some financial parameters in which to operate. It still sets its own prices."

Ironic

The Government has told Eskom to set its prices so that its asset:liability ratio is 3:2; its debt is twice its equity; and its revenue covers its interest costs 1,25 times.

Through much greater price increases, Eskom planned to get its debt:equity ratio to 1:1 by 1994. It aimed at interest cover of 2:1 in 1992.

Dr De Villiers says: "I find the charge of interventionism ironic. My inquiry in 1984 gave Eskom its autonomy. Eskom is a natural monopoly, so even if it were privatised, it would have to be regulated.

"Rather than permit the Cabinet or a bureaucracy to set electricity prices, we gave the job to the Electricity Council, on which big consumers are represented."

Eskom will soon have excess capacity of 30%. On Friday, it announced the closure of the Camdon, Grootvlei and Komati power stations. It has already closed seven others.

Eskom does not need to start building another power station until 1996. Had Dr De Villiers not prevailed on former State President Botha to stop construction of two power stations in 1983, tariffs today and Eskom's overcapacity would have been greater.

Dr De Villiers says: "At the time of my inquiry, Eskom planned expansion on demand growth of 7,3% a year. We scaled down the estimate to 5%. Had it gone ahead with the original estimate, it would have needed an extra R105-billion in 1983 money.

"Growth has been 4%. At a growth rate of 5%, Eskom will have enough capacity for the rest of this century."

Eskom chairman John Maree does not wish to become embroiled in a controversy over autonomy. But he confirms that Eskom set its own prices recently when it announced an increase of only 8%. He will not be drawn on the question of Dr De Villiers's intervention.

Cartoon

Dr De Villiers is cartooned on the cover of this week's Financial Mail as an octopus with tentacles into Eskom, Sats, the departments of finance and trade and industry.

The FM calls him "a danger to the free market", inconsistent, an interventionist and an economic czar rendering the jobs of Finance Minister Barend du Plessis, Mineral and Energy Affairs Minister Dawie de Villiers and Reserve Bank Governor Chris Stals obsolete.

A spokesman for the office of Dr Dawie de Villiers says President De Klerk's economic team works well together. The word from Mr Du Plessis's office is: "All these things are decided by Cabinet. No individual dominates the rest."

The Government's economic strategy has not been published in its totality yet, but Dr Wim de Villiers gave ...

Namibia sinks SA fishermen

S/Times 4/11/90.

By JULIE WALKER

SOUTH AFRICA's fishing industry off the coast of Namibia has been battered.

Since the new administration came to power in March, radical changes have been made among SA-registered fishing companies.

- Tiger Oats company Oceana Fishing sold its investment in Namibia Sea Products (Namsea) for R13,7-million to British-registered Arun Holdings — it is thought to have Norwegian connections.
- Fedfood this week sold its shareholding in Namib Visserye to Namib Fisheries Holdings of Windhoek, as part of a "rationalisation" of the Marine Products portfolio.
- WB Holding has sold its investment in Namibian Fishing Industries to Peter Clark Kuttel.

(22/11)

Fruit

Even before independence, WB Holdings (formerly Willem Barendsz) diversified into fruit orchards to pre-empt any difficulties SA companies might have in receiving fishing quotas from the new authorities.

The pilchard quota off Namibia was ... when the quota allocations fell under South African administration. It is a whole new kettle of fish now that quotas have to be negotiated with the Namibian Government.

SA companies owned most of the canneries based at Walvis Bay, but they have also been sold.

WB Holdings told shareholders that it had long been concerned about the uncertainty of an annual allocation of a pelagic quota by the Namibian authorities. It decided to realise its investments in Namibia, which fetched R8,75-million. WB Holdings has not reapplied the money to new investments.

Oceana's Walter Lewis also attributed the sale of fishing investments to the lack of clear policy. He says Oceana could not foresee a return on its investments in Namibia for at least three years. The outlook was also clouded by failing demand for canned fish and fishmeal.

Oceana's R13,7-million from the sale of Namsea have been applied to tuna and abalone investments. ...

Gencor's break-up feelers given a long yawn

S/Times 4/11/90

DEREK KEYS: Unbundling of a giant is not to be sniffed at, but the market isn't impressed

Picture: TOM EDLEY

By DAVID CARTE

THE stock market's apparent indifference to Gencor's proposal to break itself up means the scheme is unlikely to go ahead.

Gencor chairman Derek Keys says the proposal was aired at a conference this week partly to gauge investors' reactions.

He says: "There was one long yawn from the market, absolutely no reaction, so the idea is not a brilliant possibility."

The proposal was to distribute shares in Gencor's five main businesses — Genmin, Engen, Malbak, Sappi and Genbel — to shareholders in specie and thus to reduce the 25% discount between the Gencor share price and the value of its underlying holdings.

Shareholders in Gencor Controlling would also have received shares in the five underlying companies and a discount of 35% in the top company would thus also have been eliminated. Mr Keys says the five divisions are centres of excellence run by highly competent managers whose need for a head office is doubtful.

The reason for the existence of conglomerates is questioned abroad, particularly because of the discounts to asset value.

"Twenty-five percent of R11-billion is a fair old sum. Of course, even if we did unbundle Gencor, we could not get down to brass bolts. There would still be something of a discount — but even if the net gain was only 10%, we would be looking at R1-billion.

Smart

"Gencor's present structure does give financial strength. We would not look too smart if we had to forgo another Mobil because we did not have the means to go for it. We have made a gain of R2-billion on the Mobil acquisition already."

Mr Keys says a break-up is operationally practical. The mining house's mine servicing functions could all go into Genmin. The only head office functions that would be left would be treasury, foreign exchange and insurance. ...

doubts if it would be wise.

SA's No 2 mining house this week announced attributable income up 38% to R1447-million in the year to August. Earnings a share rose by 17% to 123c in spite of the recent R1-billion rights issue.

Gencor declared a final dividend of 26c, making 40c for the year, an 18% increase. Engen contributed R203-million to the bottom line, Sappi R240-million, Genbel, thanks partly to rights-issue proceeds, R414-million, Malbak R116-million and Genmin R592-million.

At the end of August the stake in Genmin was worth R7,9-billion, Genbel R3,9-billion, Engen R2,5-billion, Sappi R1,5-billion and Malbak R606-million. Net assets were 1 375c a share, but by October 25 were down to 1 242c. The share price this week was 915c. There were gross assets of R16-billion and no net debt.

Forecast

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Wits Busines[...]

SERVING THE C[...]

Professor Colin Firer

Professor Keith Yeomans

Lead-free petrol, but laws must change

55

Environmentalists and business agree: introduce lead-free petrol in South Africa. W/Mail suppl

By ROBERT LAING 16/11-22/11/90

LEAD in petrol may lubricate your car engine's valves and stop pre-ignition knocking, but it is also probably giving your children brain damage.

Lead is a neurotoxin. The US Environmental Protection Agency sets 25 micrograms per deca-litre as the maximum safe blood-lead limit. Blood-lead levels exceeding 35 ug/dl have been found in South African children.

The lead-free petrol campaign is one of the few issues big business and environmentalists see eye-to-eye on. Car manufacturers are in favour of laws regulating the air quality of exhaust emissions — tighter legislation would open the local market to components like catalytic converters and increase demand for high-quality fuel lines.

Most new locally produced models are being built to run on lead-free petrol. Gencor's subsidiary, Engen, is targeting lead-free petrol as a new venture. The Genref oil refinery in Durban is being redesigned to have lead-free refining capabilities.

Lead is added to boost the octane rating of petrol, so relatively poor feedstock can be used for leaded petrol. To produce lead-free petrol, better quality feedstock must be used, which makes lead-free petrol more expensive. How much more is difficult to estimate — probably between 10c and 20c a litre.

Cars need to be fitted with catalytic converters to cut the level of toxic nitric oxide given off by exhaust fumes. A supplier of catalytic convertors, Johnson Matthey, is building a plant to make them locally, mainly for export.

If lead-free petrol is put on the market at a higher price than leaded fuel, only ardent environmentalists will consider buying it. Legislation governs the price of petrol in South Africa so only the government can sponsor the introduction of lead-free petrol by transferring tax from lead-free petrol onto leaded petrol, said Earthlife Africa.

The government is worried that encouraging motorists to use petrol refined from expensive imported higher quality crude oil instead of local synthetic fuel will aggravate balance of payment problems. Higher petrol prices could also fuel inflation.

When the government lowered the lead level in petrol from 0,8 to 0,4 grams per litre in January 1989, it signed an undertaking not to legislate for any further mandatory lead reductions for five years. By then Genref's plant should be operational.

LET THERE BE LIGHT

By ELIAS MALULEKE

ATTERIDGEVILLE residents yesterday relaunched "operation switch-on" in the township following the collapse of the council on Friday.

Defiant youths openly carried pliers and stepladders and reconnected wires in the street poles while others kept watch for police and SADF patrols.

The curfew imposed by the police has also been ignored since Sunday and life is going on as usual in the township.

However, ill-disciplined youths have been harassing residents and stopping taxis to enforce the consumer boycott which was called by Asro and the UDF to force the authorities to reconnect lights and enter into negotiations with the civic organisation.

The consumer boycott, which is showing signs of being a success, started on Monday in conjunction with a massive work stayaway in Pretoria, Rosslyn and GaRankuwa.

The boycott is also in force in Mamelodi, Soshanguve and Mabopane.

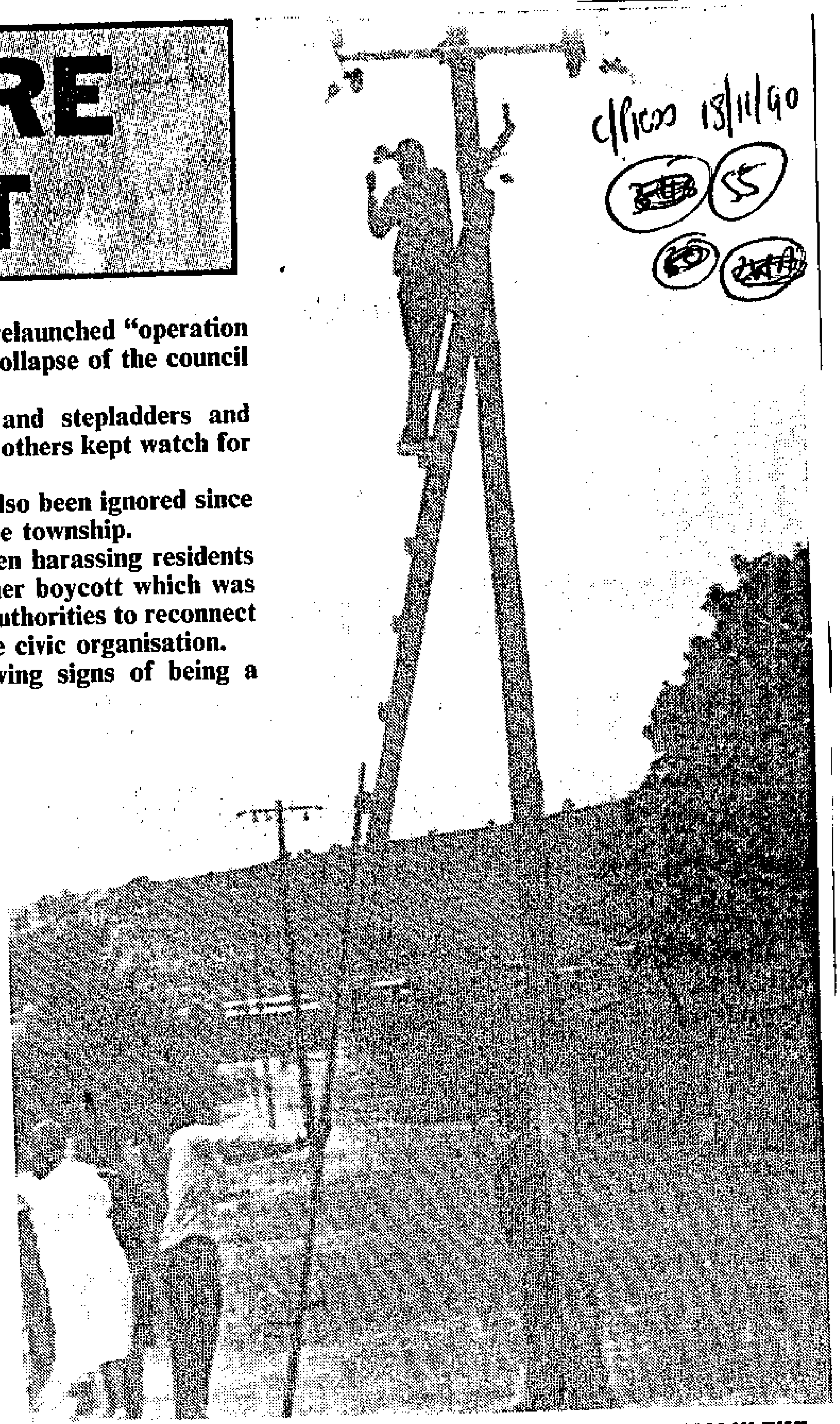
Although residents applauded the resignation of the Atteridgeville council this week, TPA local director JJ van der Walt said the councillors have been forced to resign by a concerted campaign of intimidation and terror.

He said 25 petrol bombs were thrown at the house of one councillor in one night.

Asro publicity secretary John Ramatsui hailed as a victory the resignation of councillors, who include mayor V Mathebua and his deputy J Tshungu.

Sapa reports the ANC's Atteridgeville branch invited the resigned councillors to join extra-parliamentary bodies.

Asked whether the TPA would now appoint an administrator to run Atteridgeville, the TPA's director of public relations, Piet Wilken, said: "That is what we normally do ... but wait for a full statement."



Atteridgeville youths switch on. ■ Pic: ELIAS MALULEKE

C/Press 18/11/90

Engen extends oil search into Africa

BDay 5/11/90 ZILLA EFRAT (55)

ENGEN is involved in preliminary investigations into oil exploration off the shores of Namibia, Gabon, Angola and the Congo, says MD Rob Angel.

The Gencor-held energy giant hopes to have its plans more clearly defined by early next year.

Angel says most of the major oil multinationals are already involved in Gabon, Angola and the Congo. In these areas, Engen would be looking for partnerships and could take a stake of between 15% and 20% in the participation rights of a given area.

While gas was found in the Kudu gas field off the Namibian coast in the early 1970s, not much exploration has been done off Namibia since. However, Angel believes the geology off Namibia could be similar to that found in the high potential areas further north.

He says a flurry of interest is being shown in Namibia and he expects that blocks will be offered for exploration in Namibia in the first half of 1991.

Engen — which consists of Trek Beleggings, Mobil Southern Africa and which has an investment in Mossgas — is involved in local exploration in the Bredasdorp basin through a participation agreement with Soekor.

In addition, Gencor is considering whether to bring Engen in when it takes part in a £1bn-plus project to exploit the Alba Field, a major oil reserve in the North Sea. It has an 8% stake in the venture.

Petrol price may be cut this month

(55) ZILLA EFRAT

THE pump price of SA's petrol was likely to be reduced in the middle of November, an informed source said yesterday. B|Day 7/11/90

This was because world oil prices had fallen below the $37,50 a barrel level on which October 19's price rise was based.

At that time, world oil prices were hovering around $37 and $40 a barrel and the National Energy Council gave the assurance that consumers would benefit if crude oil prices decreased in the future.

Since then world prices have been lower, despite a built-in war premium of about $15 a barrel. While the price briefly touched the $27-a-barrel level two weeks ago, it has been trading at about $33 a barrel recently.

Yesterday world oil prices drifted lower in a market that lacked news, Sapa-Reuter quoted traders as saying in London.

Trade was thin with many market players inactive.

North Sea Brent crude for December delivery closed at $31,85, marginally up on Monday's close.

An NEC spokesman yesterday declined to comment on a possible fall in the pump price of petrol.

But he said the NEC was reviewing the position of the Equalisation Fund as it stood at the end of October.

Govt reserves the right to keep quiet on the energy issue

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B|Day 1/11/90.

KEVIN DAVIE

THE new spirit of glasnost that has begun to pervade some government departments in Pretoria is not noticeable at the Department of Mineral and Energy Affairs. Minister Dawie de Villiers and senior officials remain as tight-lipped as ever on oil energy affairs.

This extends to domestic energy issues as well — Sasol's contribution to SA's overall fuel needs remains a secret, as does Mossgas's potential supply once the R8,8bn project comes on stream. Government acknowledges that we have large oil reserves, but will say very little besides.

"I have no doubt that as things ease I will divulge more information. There's no desire on our part to keep information confidential," De Villiers said in an interview.

"Should sanctions fall away, we will be frank and open." He said that earlier this year, "we had major difficulties with oil shipments.

"We still have an oil embargo against SA. The Tanzanian ambassador at the UN took over as chairman on the sanctions committee and is exerting a lot of pressure to stop oil being moved here."

De Villiers said that since the Gulf crisis began in early August, doubling the oil price from about $16 a barrel to its present $35, consideration had been given to tapping SA's oil stockpile to ease the burden on the motorist. "But I argued against it, because I believe we have to be very careful about how we use our strategic reserves."

Logistical problems mean that the actual saving to the motorist would probably be only five or six cents a litre. De Villiers would not be drawn on details, but presumably, as is widely believed, the reserves stored down old mineshafts would have to be pumped out and moved at some expense to the oil refineries.

"You don't have strategic reserves next to every refinery. You can't just switch on taps," De Villiers said.

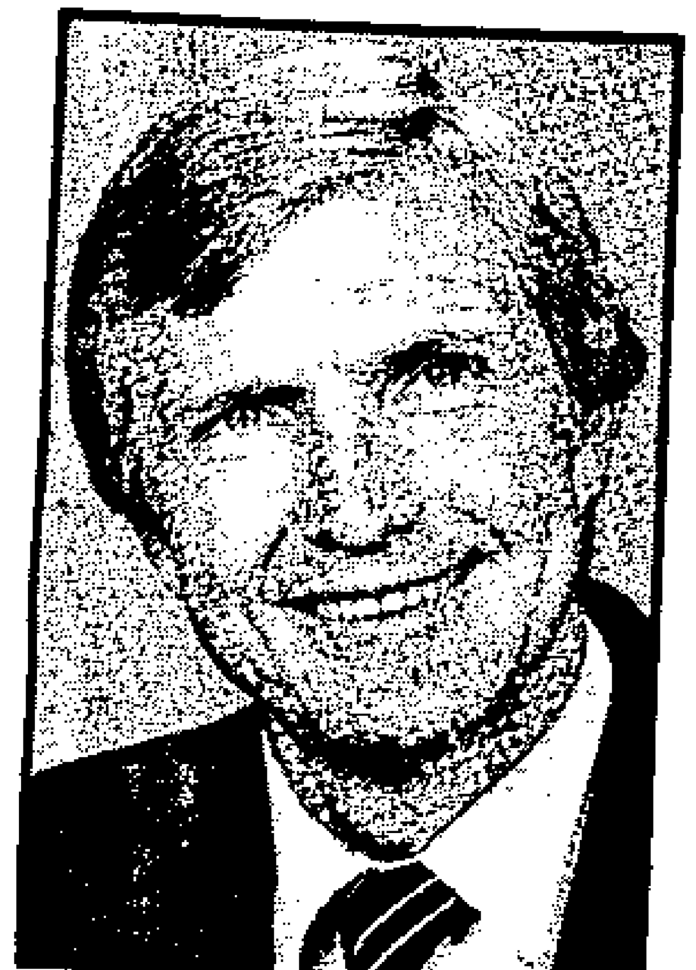
"It's not an insurmountable problem; if you really need it in a time of emergency, you'll find ways of doing it.

"Would 5c or 6c, roughly speaking at this stage, make such an important contribution when we've not completely financed Mossgas?

"We have to be careful not to waste valuable strategic assets just to have a subsidy for the motorist," he said.

De Villiers will not disclose how much oil SA has stockpiled. Estimates by overseas bodies that monitor SA oil supplies and needs vary from about six months' supply (the anti-apartheid Shipping Research Bureau in Amsterdam) to just over two years' supply at the end of 1987 (Petroleum Intelligence Weekly). De Villiers preferred not to comment on these figures.

"Sometimes they're not too bad, sometimes they're very out."



☐ DE VILLIERS

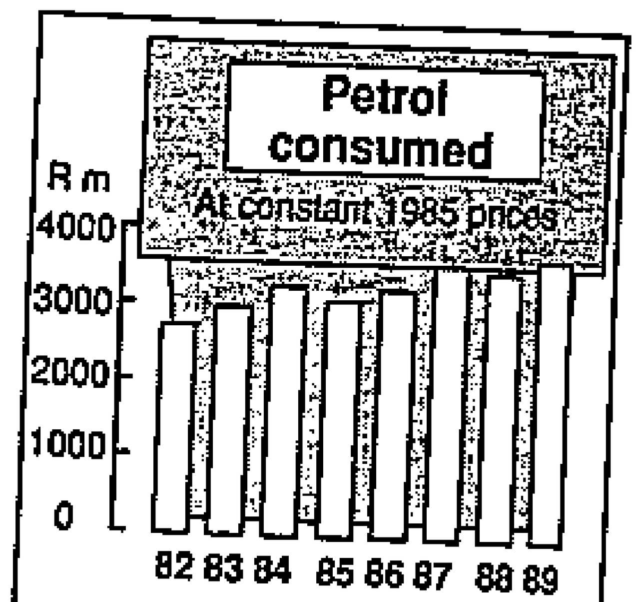
Sasol's contribution to our total requirement is another secret. The Minister says the amount is "important", although "the bulk of our supplies are still imported".

The oil-from-coal supply has been declining in relative terms in the past five years because there has been strong growth in fuel consumption. So while Sasol's plants pump out more than 100% of what they were designed to produce, 24 hours a day and seven days a week, Sasol is making a declining contribution in relative terms.

New oil-from-coal plants would be prohibitively expensive to build at today's prices and would make little strategic sense in a post-sanctions age.

The growth in demand is reflected in Reserve Bank figures. In 1982 petroleum products consumed stood at R2 004m of the total private consumption expenditure (PCE) of R44 564m.

By 1985 these respective values were R3 088m of R66 167m and in 1989 R4 882m of R130 000m. Adjusted for inflation and with a 1985 baseline, the figures show that petroleum products accounted for 4,3% of private consumption spending in 1982 and 4,9% in 1989.



Graphic: LEE EMERTON Source: RESERVE BANK

Petroleum Intelligence Weekly's report on SA's oil needs, published in September 1989 and partly based on figures supplied by the International Energy Agency (a body formed in 1973 by the 23 leading Western oil users to prevent another oil crisis), shows import dependence at 71% of total needs in 1987.

PIW estimated that SA imported 329 000 barrels per day in 1987, that Sasol produced 78 000bpd, and that domestic consumption was 267 000bpd. It assumed 63 000bpd went to the strategic reserve, which stood at 165-million barrels or 870 days' imported needs.

A measure of how much oil SA has imported since 1987 can be gleaned from Reserve Bank data. Imports of unclassified goods (mainly oil and arms) stood at R4 467,2m in 1987.

The next year these imports rose to R4 682,5m and last year to R5 340m. By September this year total unclassified imports had reached R4 563m.

De Villiers said it was not known whether private sector shareholders (the Gencor group's Engen) would take up their shares in Mossgas. This could mean government would have to find extra funds, possibly as much as R1bn, to make up the shortfall.

The full financing details of Mossgas would be made public at a later stage, he said, indicating this would be in 1992 when the project was completed.

The contribution Mossgas would make to SA's fuel needs "will also be released eventually". Mossgas's supply would not be as large as Sasol's, but would be significant.

"At the end of last year I appointed a committee under Marius de Waal and invited all leading players in the synfuel industry, including AECI, Sentrachem and Sasol, to participate. They looked at the project and considered various alternatives, including whether the project should be halted or switched from fuels to chemicals.

"The unanimous decision was that liquid fuel is still the best option, and we should go ahead," said De Villiers.

He declined to release the report. "I don't think that report at this stage would be of any great value to the public. I'm not trying to keep information away, but it is a very technical report. The advice was that the chemical route was not as economical. I've said that in Parliament.

"But we must look at the Mossgas project over its lifespan of 24 years. It might still prove to be quite a good investment."

The Cabinet would probably not give approval for this type of project now, the Minister said. "The scenario when the decision was taken was very different".

Govt quietly making deals on oil stockpile — report

55

B/Day 7/11/90

ZILLA EFRAT

SA HAS quietly begun to "monetise" its strategic crude oil stockpile, the international newsletter Petroleum Intelligence Weekly (PIW) reports.

It says that while reports of physical sales from the stockpile could not be confirmed, the state's Strategic Fuel Fund has entered into financing arrangements with oil traders and banks designed to give Pretoria some current or near-term return on future stockpile sales.

The size of the stockpile has been estimated at between 60-million and 165-million barrels, says the PIW.

In addition, an end to the oil embargo on SA could pave the way for the country to become an oil hub of global importance.

"As the pace of political reform quickens, many in Pretoria and the petroleum sector expect that restrictions which have forced them to import oil secretly and sometimes at a high premium could be lifted in 1991."

The proposed liberalisation of SA's tightly controlled petrol products market could be a precursor to an explosion of investment in all sectors of the industry in SA and neighbouring countries.

The National Energy Council (NEC) was canvassing opinions of all players in the industry on the desirability of reducing government's involvement in the oil business and of modifying or dropping controls on domestic prices and margins.

Opportunities

The newsletter states: "The lifting of trade sanctions would make it possible for the Cape of Good Hope to be developed as a major export-refining centre."

While SA refineries had always discreetly exported some products to African and other markets, the report quotes a source as saying the opportunities likely to open up in the capacity-short continent are "tremendous".

SA's pivotal position on trade routes from the Persian Gulf to the western hemisphere, and its proximity to Western producers, gave it a unique vantage point from which to market products to other African countries, South America and southern Asia.

About 25% of SA's 433 000 barrel a day refining capacity was surplus to current inland and bunker fuel demand. And Engen, the major owner of Mobil's refinery in Durban, planned to double distillation capacity to 130 000 barrels a day.

Engen expected to market part of the expanded output in Angola, Tanzania, Zimbabwe, Zambia, Zaire and as far up the east coast as Kenya.

The PIW report adds that as the situation became more relaxed, there were clear signs government, which still controlled crude oil supply, was moving to cut acquisition costs.

It said that in recent arms-for-crude barters with Iraq and another Gulf producer, SA reduced the number of high-tech artillery pieces it shipped to the Gulf after having taken delivery of the full volume of contracted oil.

Government and NEC officials could not be reached for comment.

Engen hunting for new opportunities

B/Day 9/11/90 (55)

ZILLA EFRAT

ENERGY group Engen is aggressively on the hunt for new business opportunities, says MD Rob Angel in his annual review.

Engen's long-term aim is to become a more broadly based, fully integrated petrochemical company, embracing exploration and production, marketing refining and chemicals.

Angel says this development will occur through the expansion, acquisition and creation of new business opportunities.

In the area of exploration, which is currently being conducted in the Bredasdorp Basin with some success, Engen plans to expand operations to include ownership and production of crude oil, and to pursue exploration outside SA.

Although limited capacity for exports by Genref exists at present, Engen is investing in selected areas to secure a share of these rapidly growing markets once the expanded Genref refinery is on stream.

Angel says there is an opportunity for Genref to increase production of solvents and enter into related petroleum-based chemicals manufacture.

The group's 30% investment in Mossgas will provide a major investment opportunity when the project's finance funds are converted into equity.

On Engen's prospects, Angel says refining margins are expected to remain strong and substantial inventory profits will be realised if oil prices remain high.

However, inventory profits will reverse if oil prices fall.

"Any excessive profits from inventory valuation will not be available for dividends, as the cash will be needed to cover increased working capital and tax payments," he says.

Govt unlikely to sell oil now — analysts

BDay 19/11/90

Own Correspondent (55)

LONDON — Oil analysts discount the likelihood of oil sales by the SA government at present, but say relatively small quantities of oil could have been sold on the spot market to take advantage of prices.

SA economists, commenting on the October trade figures released on Friday, also discount the sale of oil from SA's strategic stockpile as the reason for the surge in unclassified exports.

Instead, they say government might have drawn on the stockpile for domestic use as this would explain the fall in unclassified imports.

London oil analysts say any large-scale oil sales by SA would have upset the balance in the market in which oil prices are being buoyed by concern about the chance of war in the Gulf and not by any underlying scarcity of oil, or even demand for it.

And traders say any significant sales of crude by SA would soon become apparent in the market, in spite of the secrecy which partially shrouds SA's dealings with the international oil community.

An oil trader at a London firm said it would not make sense to start selling crude on the international market at the current (Brent blend) price of about $34 a barrel if SA was forced to buy it back three months later at $40 a barrel after war in the Gulf had broken out.

Although small-scale sales would be a source of foreign exchange, it was not certain it would be a net profit for SA.

Mystery cloaks fuel distribution probe

MARC HASENFUSS

55

GOVERNMENT's recently launched investigation into the possible deregulation of fuel distribution is cloaked in mystery.

The confidential questionnaire circulated to oil companies, fuel distributors and related parties by the National Energy Council (NEC) was aimed at determining industry response to possible deregulation of fuel distribution, reliable sources disclosed this week.

Only those who received questionnaires were entitled to make submissions.

The NEC confirmed the existence of the questionnaire, but refused to provide details.

Econometrix's Tony Twine said the secrecy surrounding fuel in SA was extremely disturbing.

The free market system should be given a chance in the fuel distribution market, he said.

Highveld Steel & Vanadium chairman and former Sacob president Leslie Boyd told President F W de Klerk at the recent Sacob banquet that "the time for secrecy is over".

Various oil companies said they had completed a confidential NEC questionnaire, but refused to elaborate on its contents, saying it would be improper to debate any issues regarding deregulation while the NEC was investigating the matter.

Pick 'n Pay MD Raymond Ackerman said that before the emergence of the Gulf crisis, there were no doubts about government intentions to deregulate petrol by as early as March next year.

Ackerman said he would be able to lower the petrol price by between 5c and 8c if government deregulated that market.

Mossgas cost estimates jump by R1bn — Minister calls fo

B/Day 1/11/90

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KEVIN DAVIE

COST estimates for the Mossgas project have jumped by R1bn to R8,8bn since mid-1989, leading Mineral and Energy Affairs Minister Dawie de Villiers to call in the auditor-general for an expenditure audit.

De Villiers said in an interview there had been major cost overruns. Some were due to exchange rate shifts. Other "large increases" were due to import surcharges and design problems.

"I have asked the auditor-general for a full audit, and he is busy with a very comprehensive audit of contracts. Management has indicated they have instituted all mechanisms to contain costs," he said.

"All we can do is keep costs under control. We had several discussions with the Gencor group. They report regularly and we look at reasons for any increase in expenditure."

When former President P W Botha announced the project in 1987, the projected capital cost was R5,3bn. This has been revised upward several times. In mid-1989 Mossgas reported a capital cost estimate of R7,8bn, and now reckons the figure will be R8,79bn.

Mossgas MD and Engen chairman Bernard Smith said yesterday: "We are very concerned about the increase in costs. At present our priority is to complete the job. This will save most of the capital cost. The design phase is complete, and the procurement phase virtually complete."

He said the offshore part of the project was 86% complete, while the onshore part was 78% finished. He blamed poor weather conditions and industrial action for some of the difficulties.

Smith said the project now stood to break even at an oil price of about $20 a barrel. A price of $13,50 a barrel would generate enough cash flow to service commercial loans to the project, and shareholders would realise a positive real yield on their investment if prices exceeded $25.

He still expected Mossgas to achieve substantial production in the second quarter of 1992 as forecast.

The admission that costs have soared yet again comes as government is under pressure to become more open about its oil supplies. At Tuesday evening's Sacob banquet, the organisation's president Leslie Boyd p[illegible]

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Star 6/11/90 (2618) (55)

'Vigilante force' decision slated

By Esmaré van der Merwe
Political Reporter

The ANC and the United Democratic Front yesterday strongly condemned the State's controversial decision to allow black local authorities to form "civil protection units" which would be activated during the disruption of essential services or in the event of an influx of refugees.

Slating these units, which would be formed in terms of the Civil Protection Act, as "a legalised vigilante force", both organisations predicted an escalation of tensions.

In a statement, the ANC said it was significant that such "protection" units were being created at the same time as the Government had expressed opposition to self-defence units "created by and accountable to the people".

It warned: "This measure is designed to create vigilante groups to prop up those discredited community councils that are still operating and to act against the people who are daily protesting against the callous actions of the authorities which have resulted in essential services being cut off."

Explosive

"The confrontational approach of the CP-led authorities, and the indifference expressed in the actions of such bodies as Eskom, have already resulted in tensions reaching crisis proportions.

"The introduction of a legalised vigilante force into this already explosive situation is an outrage. We hold the Government and the local authorities responsible for all further escalation of violence, death and destruction that is bound to follow this action."

UDF national spokesman Titus Mafolo said the Government had chosen to form "these legal vigilante groups" while there were serious difficulties in the process of resolving township problems.

The UDF called on its affiliates to support the self-defence unit proposal of the SACP and ANC.

It further called on its supporters to launch defiance campaigns by, among other things, switching on electricity where it had been cut off by councils.

The UDF would call a meeting of affiliates to explore the possibility of mass action, Mr Mafolo said.

Sta 6/11/90 (55)

Sewage poses health hazard in Daveyton

By Helen Grange and Abel Mushi

Streams of sewage in the East Rand's Daveyton township, where inadequate sewerage pipes have overflowed, are threatening to enter the nearby Blesbok River.

The situation has created a health hazard for Daveyton and prompted the East Rand Regional Services Council (RSC) to build another pipeline which would direct the overflow into Benoni's sewerage system.

But Benoni Town Council has refused to have the new pipe connected until it can forge an agreement whereby the operation costs can be paid for.

Shared

"Daveyton Town Council is strapped for money and obviously won't be able to contribute to the service," said Benoni town clerk Deneys Conradie.

"We can't simply charge our white ratepayers more for a sewerage system that is shared."

The RSC was prepared to maintain the pipeline until March.

Mr Conradie said Daveyton's sewerage system could not handle effluent from its growing population.

Daveyton council had received no money from rates to service chemical toilets in the squatter areas or to pay for refuse removal.

"It is an unholy mess," Mr Conradie said.

Residents in the Shangaan section of the township said they had lived with sewage filth for 13 years.

Families told The Star they had become tired of reporting the matter to the council.

"I moved to this house in 1973, and from 1977 we started having problems with blocked drains and toilets," said Mita Mothisi of Phaswane Street.

"Sewage overflows about three times a month from the toilet and we are tired of reporting it to the council.

"The only thing they do is unblock the drains and leave, but the problem never stops.

"And how can one sleep well when it smells so badly throughout the house?" she asked.

Joyce Lubisi of Phambani Street said she suspected that her children frequently became ill because of the unhygienic conditions caused by the sewage spillage.

Earthlife spokesman Henk Coetzee said the organisation was "keeping an eye" on water near several townships where pollution was heavy.

There was a need to control domestic and industrial pollution which flowed into streams and rivers, he said.

BUSINESS

Star 26/11/90 (55)

Soaring oil prices put heavy strain on African economies

HARARE — Soaring oil prices have put intolerable strains on the emerging democracies of Southern Africa and brought closer the threat of famine in Mozambique.

"The Gulf crisis is very bad luck for this region. It's jinxing reform programmes and exacerbating the existing political tensions, not to mention the possibility of famine in Mozambique," says a Harare-based diplomat.

"The tragedy is the timing. It's all happening when things were just starting to go right," he says.

Three of the region's four biggest countries — Zambia, Mozambique and Zimbabwe — have all dropped commitment to one-party rule as they try to free their economies from Marxist restraints.

The fourth is Angola, which produces more than 450 000 barrels a day of oil and is hoping the windfall from higher crude prices will help pay its debt of $6 billion.

Ironically, Cuban-backed Angola sells most of its oil to the US, which funds rebels trying to topple the government in Luanda.

The oil is too heavy to be suitable for Southern Africa's fuel needs, economists say.

Worst off is Mozambique, which after 15 years of civil war is one of the world's poorest and hungriest nations.

Fuel shortages are endangering emergency food distribution to nearly two million people facing starvation in isolated rural areas.

"The cost of moving a ton of maize has gone up from $580 to over $1 000. The maize itself only costs about $140 a ton," says Peter Simkin, the UN's top official in Mozambique.

Mozambique needs large supplies of cheap fuel to fly food to millions of people who have fled their homes to escape guerilla attacks.

Until last year, the leftwing governments of Angola and Mozambique got substantial backing from Havana and Moscow to help them in their wars against rebel forces.

But as the Cold War wound down and Moscow began to disengage from the region's wars, the Soviet Union has reduced its military and civilian help to its one-time client Mozambique.

"The soft loan supply of Soviet oil is coming to an end," says Mr Simkin. "Next year the government's oil bill will have an extra $75 million on top of the present $75 dollars."

Most fuel used in Mozambique comes from the Soviet Union, and has been topped up with Libyan supplies, diplomats say.

A Zimbabwean trade lobby promoting Mozambique's Beira port says Mozambican oil supplies are already drying up.

"If you look at oil coming through Beira for Mozambique's own consumption, you see that in the third quarter of 1989 18 000 tons went through. But for the same period in 1990, the figure is only 8 000," says Beira Corridor Group managing director David Zausmer.

Aid flights in northern Zambezia province, the worst affected by famine, are already haphazardly timetabled for whenever fuel reaches the provincial capital Quelimane.

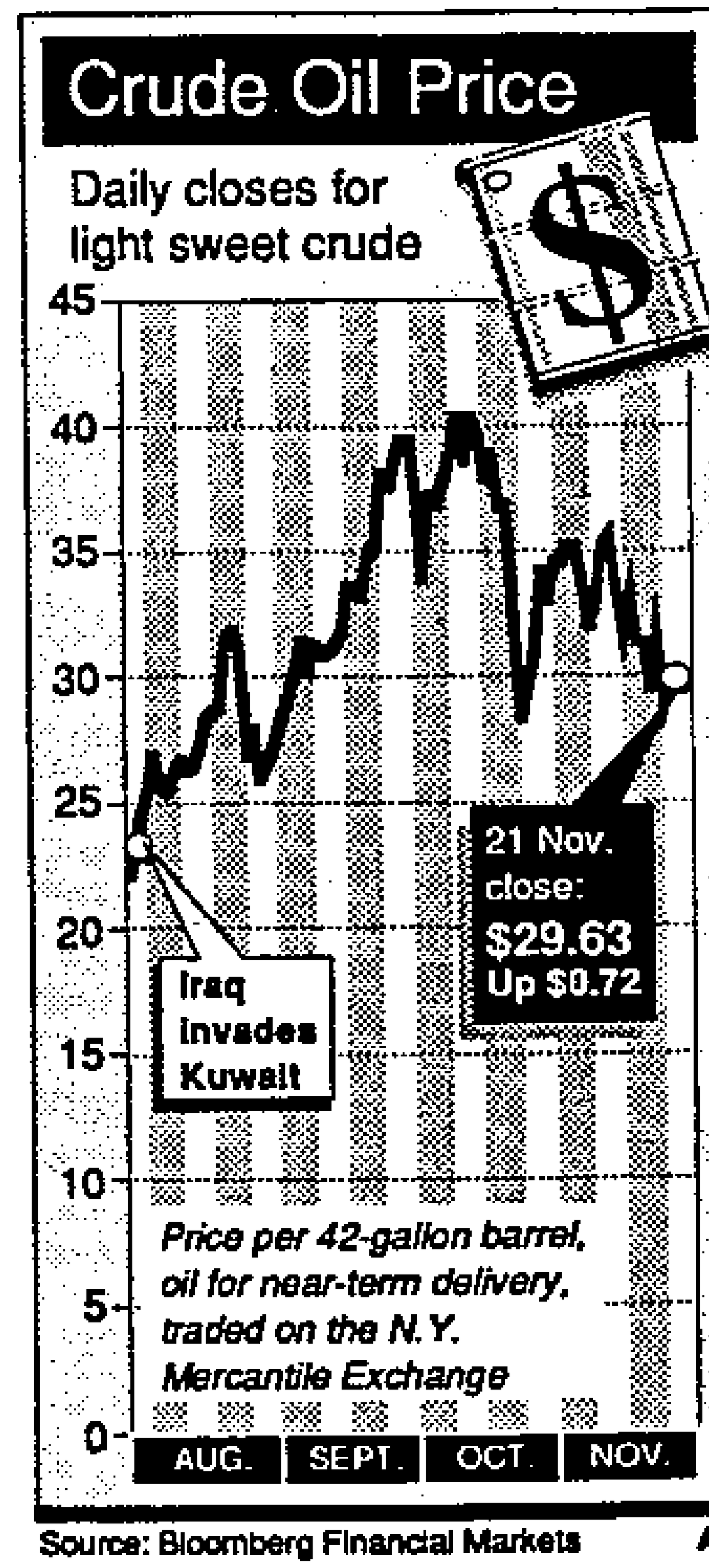
In Zambia, oil price rises of 400 percent since August are playing havoc with government spending and jeopardising an unpopular economic austerity programme, which aims to reduce the country's $7 billion debt.

The austerity programme, which devastated living standards in the once-rich copper-producing state, have fuelled Zambians' demands for a shift away from one-party rule.

The oil price rises have pushed inflation up from 70 percent at mid-year to unofficial estimates of 100 percent. Erratic supplies are causing long petrol queues in Lusaka.

"Sharp increases in oil prices have diverted resources away from other needy areas to meet the soaring import bill," he said.

Diplomats say Zambia has failed to meet most of its 1990 budget targets.



Even relatively well-off Zimbabwe, the only country in the region to export food, has suffered from fuel price rises.

President Robert Mugabe recently abandoned a long-term plan to turn his multi-party democracy into a one-party state so Zimbabwe can concentrate instead on a far-reaching trade liberalisation programme. — Sapa-Reuter.

8/11/90

Cut-offs: TPA 'not involved'

By Mckeed Kotlolo
Pretoria Bureau

The Transvaal Provincial Administration has dissociated itself from the cutting off of electricity and water supplies to black townships in the province.

A press statement from the TPA yesterday said the bulk suppliers of services — not the TPA — were responsible for the cutting off of services.

"It must be stressed that it is not the TPA who is cutting off electricity and water in black towns. This is done by the bulk suppliers of these services," the statement read.

Suppliers had already cut off either electricity or water, or both, to about nine townships. Negotiations to avert the cuts were being held in about 20 townships.

The TPA said Silobela township had been without electricity since October 16; KwaGuqa (Witbank) from Monday; and Emgwenya (Waterval Boven) had been without electricity and water since October 31 but water had later been made available for two hours daily. All three townships are in the eastern Transvaal.

In Atteridgeville, where power cuts to individual rent defaulters started on October 15, negotiations were held between MEC for local government Olaus van Zyl, the Atteridgeville-Saulsville Residents Organisation, Concerned Citizens Organisation of Atteridgeville, the Atteridgeville People's Party and the local city council on November 1 and would continue on November 13.

Negotiations were also being held in Kagiso, Alexandra and Munsieville, as well as Evaton on the West Rand.

Dysentery hits township deprived of water, power

By Therese Anders
Highveld Bureau

Raw sewage is flowing from manholes in residential areas, dysentery has broken out and all schooling has stopped in Bethal's crippled Emzinoni township.

It is now three weeks since Bethal's Conservative Party town council cut water, waterborn sewerage and electricity services to the Eastern Transvaal township of 40 000 people because of non-payment of bulk service accounts.

Yesterday local doctors warned that the health situation in the township was critical. They said if water was not restored within the next few days, there could be a major outbreak of diseases such as typhoid and cholera.

One doctor said already 40 percent of the child patients he had seen during the past day had dysentery or gastroenteritis. "And in view of the high temperatures at this time of the year, babies' lives are in danger from both gastro and dehydration," he said.

Father Gerald Francis, Anglican Rector of Secunda and Bethal, accused the Bethal council of being "morally bankrupt" for cutting off a communities water supply.

"How can a Christian community go to church on Sunday and worship God, knowing full well that the brethren less than 2 km away cannot give water to their children or wash their babies.

"There are faults on both sides, but that does not give the Bethal Town Council a moral right to cut off a basic need of human existence," Father Francis said.

During a tour of Emzinoni yesterday, The Star found thousands of township residents, including many small children, walking to the Milanpark Indian township to collect water in plastic containers.

Some mothers, who said their lives now centred around a search for water, made a 4 km round trip four times a day.

All Emzinoni schools closed soon after the water supply stopped because of the serious health hazard posed by blocked toilets.

The only pupils in evidence yesterday were 80 matriculants writing their maths paper.

Said a teacher: "These youngsters are writing under most unfavourable and unfair conditions. The sickening smell from the toilets is wafting into the room where they are writing."

The Star found a stench strong enough to make one gag hanging over most of the township. At the Cowsvillage Section sewage is flowing freely from manholes through the veld and into the Blesbokspruit.

Further down the spruit which runs past Standerton and eventually into the Vaal Dam, women were washing clothes.

The Bethal Town Council's legal representative, Ernst Penzhorn, said the Emzinoni Town Council owed Bethal more than R500 000 for bulk services. He was instructed that Bethal had informed all relevant government departments about the consequences of the water cut-off.

The council had heard nothing from these departments.

Mr Penzhorn said he hoped in the interest of all parties that the situation would be resolved as soon as possible.

Fearing violence . . . a resident leaves her home in Mandela Park . Picture: Alf Kumalo.

Star 8/11/90 55

Power back in Katlehong

Power was this week restored to the southern part of Katlehong, where residents claim they have been without power for two weeks.

A council spokesman yesterday said power had been restored to most sections.

Resident Paul Isaacs accused the council of failing to supply the residents of the southern part of the township with power despite their monthly rental payments of R42 to the council.

The council spokesman denied this. — East Rand Bureau.

Star 2/11/90 (55)

Oil price at $40 to $50 a barrel could bring risk of 'serious recession' in US

The Gulf crisis was a major topic at the Financial Mail conference in Johannesburg yesterday and delegates got a clear picture of the effects of a shooting war on world economies.

Indeed, in the event of hostilities breaking out, the oil price could rise to $40 to $50 a barrel on a sustained basis, with the result that America and the international community could face a major recession during the first half of the new year.

David Hale, chief economist of Kemper Financial Services of the US, commenting on the "serious risk of recession" in his country, said: "The upsurge in oil prices will push inflation into the 7,8 percent range, depress household real income and probably cause companies to defer capital projects."

Painting a gloomy picture, Hale said a Gulf war would result in "a more wrenching correction in consumer outlays", especially in the north-eastern states of the US which were already struggling with eroding real estate values and large increases in State and local taxation.

On the plus side he sees good arguments against a severe recession during the rest of this year on the back of good levels being maintained in US manufacturing and distribution sectors.

"The export sector is still enjoying healthy growth," said Mr Hale.

Key factor

"Consumers have been responsive to car discounts and while the residential construction sector has been in recession for nearly three years, it is unlikely to fall sharply from here.

"Another key factor against a major slump this year is that the Federal Reserve is unlikley to pursue a restrictive monetary policy.

"Although oil prices will be pushing inflation higher, the Fed will argue that the inflation rate is a lagging indicator and that falling output growth will depress non-oil commodity prices in 1991."

The US might well also see comfort in the fact that after a year of sluggish output growth, the unemployment rate is starting to rise, so that the Fed will be able to argue that wage growth should slow in 1991, even as the Consumer Price Index inflation rate rises due to the oil crisis.

"Before the oil price shocks, forecasters had been projecting that industrial countries would experience a 2,5 to 3 percent real gross national product growth this year and next.

"So far, the two strongest economies among the big five have been Germany and Japan. The economy of the latter grew at an annual rate of more than 5 percent during the first half of this year, while that of Germany grew at a 4 percent annual rate."

Fiscal deficit

Looking further ahead, Mr Hale sees the major economic policy challenge confronting the Bush Administration the need to reduce the size of the federal deficit.

"Before the oil shock there were forecasts of a fiscal deficit in 1991 of $230 billion.

"If there is a mild recession, the deficit will swell to about $270 billion.

"The Gulf military campaign is also likely to add at least $20 billion to defence expenditures in fiscal 1991 and this figure could go much higher if the US becomes engaged in a protracted war."

Star 8/11/90 (55)

NE

Govt prepared to sell part of oil stockpile

By Peter Fabricius
Political Correspondent

The Government is ready to sell off part of its huge oil stockpile — using the profits to help finance capital projects to benefit motorists.

This emerged yesterday from an interview with Mineral and Energy Affairs Minister Dr Dawie de Villiers.

Dr de Villiers said South Africa's strategic crude oil stocks could be used to finance capital projects such as the Mossgas fuel-from-gas scheme.

He was commenting on a report in the international newsletter, Petroleum Intelligence Weekly (PIW), which said South Africa had quietly begun to "monetise" the oil stockpile.

It said that although reports of physical sales from the stockpile could not be confirmed, the State's strategic fuel fund had entered into arrangements which would give Pretoria some current or short-term return on future stockpile sales.

Withdrawn

Information about South Africa's oil reserves is highly classified. The Government has come under heavy pressure recently to be more open about the oil situation and also to sell off part of the stockpile to bring down the petrol price.

Dr de Villiers has resisted both demands.

But yesterday he said that although he could not comment on the PIW report, he wished to point out that the oil stockpile was not a "fixed article". This meant that oil could be withdrawn from the stockpile for short periods and then replaced.

If and when the Government decided to monetise some stocks, it would do so only to finance capital projects that benefited motorists which were consistent with the country's strategic interests.

"I have consistently said we will manage the reserves in the best interests of the motorist, whose assets they really are.

"We are not prepared to use these capital stocks to subsidise running expenses by bringing the fuel price down," he said.

The Government would consider financing part of the Mossgas project from oil stocks and would look at other capital projects benefiting the motorist, the Minister added.

Star 12/11/90

Daveyton gets electricity ultimatum

Electricity to Daveyton residents who fail to pay outstanding fees for services will be cut off from tomorrow.

This warning was issued yesterday by Joe Moropa of the Daveyton City Council, who issued another urgent appeal to all consumers who have defaulted to resume payments immediately.

Mr Moropa said the council was not yet considering cutting off water supplies.

Negotiations between the various parties involved were continuing. But, in the interim, residents had to start paying for services rendered. — Sapa.

Support grows for lines of power

Sowetan 16/11/90

HARARE - Support is growing for the concept of a Southern African Power Authority to handle huge generating projects and a transmission grid which would criss-cross the region from Zaire to Zululand, from Maputo to Malmesbury.

Eskom's Chief Executive, Dr Ian McRae, speaking in an interview in Harare where he is attending a meeting of the World Energy Council, said he realised the practical difficulties in getting the approval of governments for such an authority. But he hoped they would see the benefits too, particularly in the raising of private sector finance.

McRae is more optimistic now that his vision of a giant power grid will come to fruition. Political constraints are falling away, he says.

SS

Vital

A vital component is the Cahora Bassa hydro-electric project in Mozambique for which finance is currently being raised to re-construct the 1 400 transmission towers sabotaged in the last 10 years of guerilla war.

"All of us are much more confident, now that peace initiatives are under way, and the security problem is definitely diminishing," said McRae who heads the Permanent Joint Committee of Portugal, Mozambique and South Africa which is in charge of the restoration of Cahora Bassa. He confirmed that the Renamo leader, Afonso Dhlakama, had given some undertaking not to interfere with the reconstruction of the power line to South Africa.

Meanwhile final touches are being put to an agreement under which Zimbabwe will import power from Cahora Bassa, possibly within the next two to three years. This would be for only a limited period but, said McRae, "we are looking at the possibility of installing additional generating capacity at Cahora Bassa to enable Zimbabwe to continue to import power for many years."

This study is about to commence and will include looking at other projects on the Zambezi.

Another exciting possibility is to link the Zimbabwe power system directly to South Africa to enable excess power to be fed into the South African system. - *Sowetan Correspondent*

Boycott of CP strongholds

By SOPHIE TEMA

CONSUMER boycotts are likely to hit several Conservative Party-controlled towns in the Free State from tomorrow.

The boycotts have been called to protest against the withdrawal of services from several townships in the province.

In Maokeng near Kroonstad, residents will embark on a consumer boycott tomorrow to highlight their dissatisfaction over water and electricity cuts.

At a meeting held in the township this week, a decision was reached that blacks will boycott all white shops in the area, including Kroonstad.

Maokeng residents say they are being supplied with water for only six hours a day – from 12 noon to 6pm – while other areas in the township are not supplied at all.

This week electricity was switched off and the entire township was plunged into darkness, which resulted in residents making a resolution not to pay service charges until their demands have been addressed.

Petsana township near Reitz has had water cut off and night-soil buckets have not been removed for five days.

Town clerk Japie Pienaar agreed at a meeting held with the Petsana Civic Association to have water supplied to the area daily between 6am and 4pm.

A meeting will be held by Petsana residents at 2pm today to decide on a plan of action.

An indefinite consumer boycott in Parys started at the end of September and targetted white and Indian businesses.

In Johannesburg, a plea has been made to the government to encourage town councils to negotiate with residents and address their grievances instead of cutting basic services.

Once the grievances of the people have been addressed, payment of services will be normalised.

This conclusion was reached at a meeting held between leaders of member churches of the South African Council of Churches recently.

Crisis deepens as electricity and water cuts cause chaos

The church leaders said: "For a considerable period of time, residents in a number of Reef townships have been expressing their grievances to councils about corruption in the administration of the councils and the poor quality of the service they provide.

"We are concerned about this inhumane action of depriving people of water and electricity, as this creates severe practical difficulties and is an obvious health risk, especially where people are living in cramped conditions.

"It is an affront by the South African Government that people be treated in such a disrespectful manner."

The leaders have warned that if government cannot encourage the councils to negotiate with residents, certain elements may exploit the unrest in the townships to help disrupt the negotiations process.

This week the Daveyton Town Council and Eskom reached an interim arrangement on the supply of electricity, which calls for a weekly review of service payments by residents.

The new arrangement has been motivated by a marked improvement in payments by Daveyton residents in recent weeks, said a council spokesman.

The spokesman said: "A number of interested parties, including civic associations, were engaged in a series of meetings aimed at finding long-term solutions to problems concerning the structure of local authorities plus residents' and councils' ability to afford payment of services."

Other areas where there are water and electricity cuts are Toekomsrus, Atteridgeville, Jouberton and Eldorado Park.

ENERGY — 199

JUNE — OCT

IN The box — FILE

Rivers make Angola a superpower

By DALE LAUTENBACH
Argus Africa News Service

LUANDA. — The nights roar with the sound of private generators installed on apartment balconies and in backyards. They chug into action as soon as the lights go off, which they do often because of sabotage to the power lines to the city by the Unita rebels.

But in the midst of electricity supplies made almost rudimentary by the war, engineers are speaking of a far-flung network of power lines not only criss-crossing Angola but feeding into a regional network across the whole of Southern Africa.

Angola is uniquely blessed with enough vigorous rivers to set a hydrio-electrician's heart pumping. These rivers give it a vast, untapped potential for hydro-electric power. It is this that the engineers are thinking of as they look beyond the backyard generators to a settlement of the war that has blocked nearly all development.

But some development is going ahead despite the war. The project at Capanda on the Kwanza River will double Angola's hydro-electric ouput when the first phase is completed in 1993 to give an output of 260 megawatts, says the project director, Jose Sonnenberg. The second-phase when completed will take the output to 520 mw.

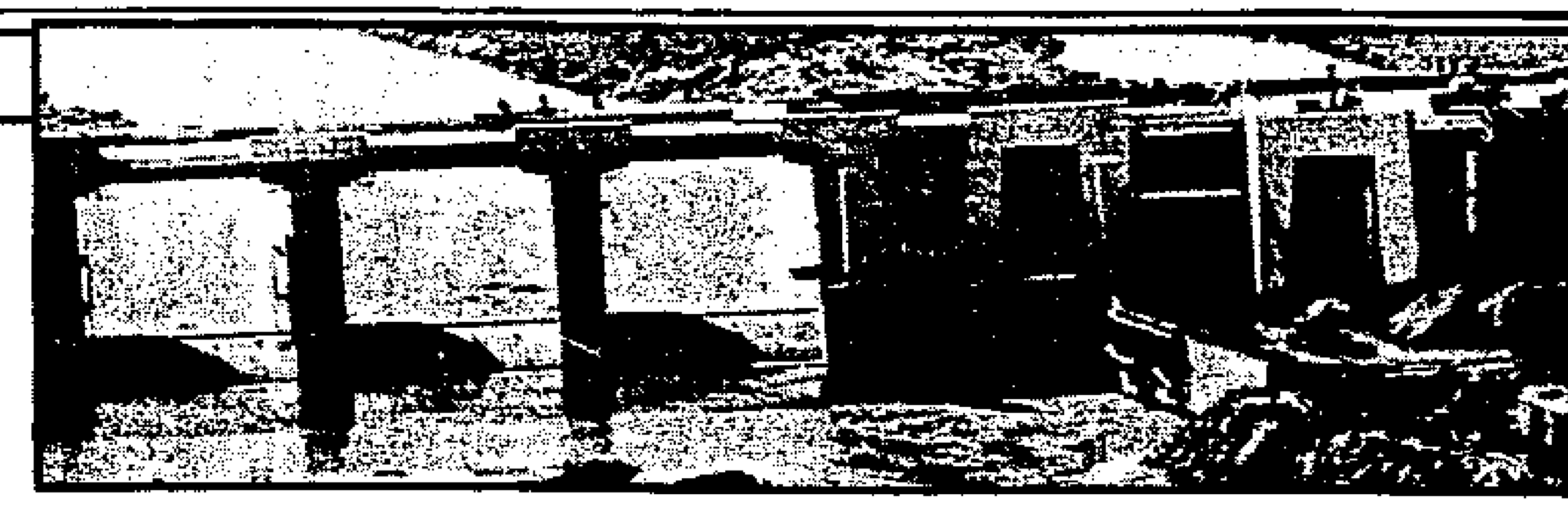
Capanda, which is being built by Brazilians with Soviet technical help, will distribute water as well as electricity. Through on-site training, it will give skills to 2 000 Angolans by 1993. An agricultural scheme provides for the project community and teaches current farming methods to the surrounding population.

The great lake formed by the dam will irrigate agricultural development and support fish breeding in a rural area where protein has always been a problem.

Eskom's chief executive, Dr Ian MacRae, is not alone in following a vision of a giant power transmission grid criss-crossing Southern Africa. Angolan authorities are thinking along the same lines.

Dr MacRae spoke in Harare recently about a grid linking the region from the Cahora Bassa dam in Mozabique to the Ruacana and Capanda schemes in the west.

Angola's deputy Minister of Energy, Carlos Amaral, envisages linking Capanda to Ruacana on the Cunene and thus, as Namibia and its southern neighbour are already linked, to South Africa as well. The Namibian electricity authority is eager to build another station at Epupa, downstream of Ruacana on the Cunene River.

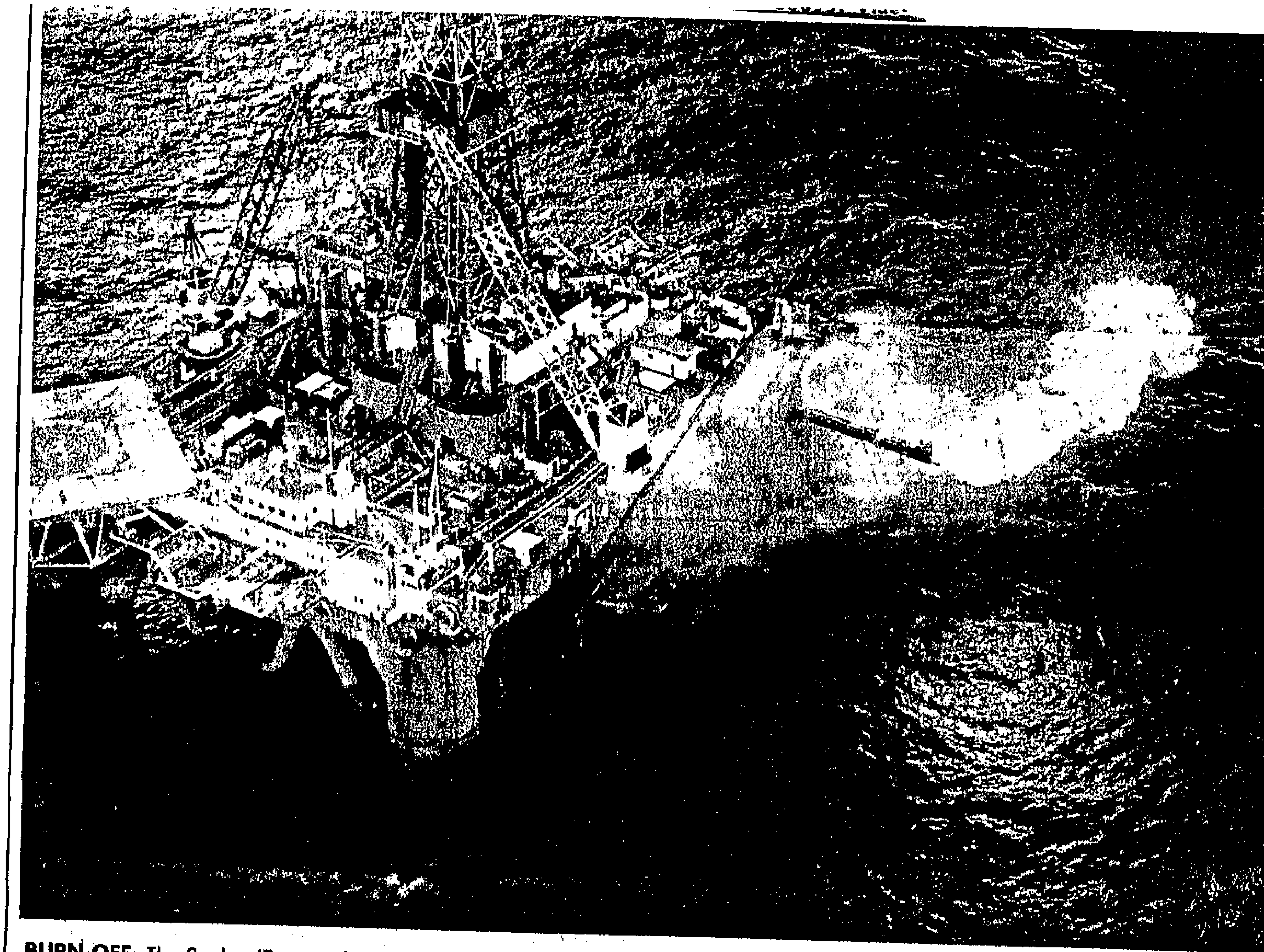


The war-damaged wall of the Calueque Dam ... new hydro-electric dams are being planned for Angola.

The Angolans seemed less enthusiastic about Epupa for which at least their agreement would be necessary as the Namibia-Angola border is the centre of the river here.

Their dreams seem to lie with their remarkable Kwanza. Sonnemberg says the 200km stretch of the middle Kwanza drops one kilometre along its course and on that stretch of plunging water eight more hydro-electric installations besides the existing 100 mw Cambamba and the Capanda could be built. At least two of those eight futuristic dams would have an output greater than the 520 mw Capanda.

A number of people are already critical of the Capanda scheme, let alone more installations although they are still very much on the drawing board. They ask what Angola is going to do with all that power. Sonnemberg replies: "Maybe we'll need a railway to be electrified and when the total system is linked, we could electrify the Benguela line."



BURN-OFF: The Soekor/Engen oil rig Omega burns off oil from the strike in the Bredasdorp Basin off Cape Agulhas. R20 million is being spent to try to establish the size of the reservoirs.

Oil strike off Cape south coast

9864 3/12/90 SC

By TOM HOOD
Business Editor

OIL has been found in commercial flow rates in the Bredasdorp Basin, 80km off the Cape south coast, and R20 million is being spent to try to establish the size of the reservoirs.

Engen, the energy subsidiary of Gencor, the mining giant, has worked with Soekor in oil exploration in the Bredasdorp Basin since 1987.

In the past year Engen took part in drilling seven wells, which accounted for most of the R16,6 million the company spent on exploration.

LIMITED SIZE

Mr Rob Angel, chief executive and managing director of Engen, said today a number of wells had produced oil at potentially commercial rates but the extent of the reservoirs had not been delineated.

Indications were that the reservoirs were of limited size, he said in an interview.

"Nevertheless, I believe there is potential for a commercial development in the Bredasdorp Basin if positive results are obtained in further exploration and delineation drilling."

Oil accumulations of limited size elsewhere in the world were increasingly being exploited by using floating production systems which were significantly cheaper than conventional fixed platform systems, he said.

Studies indicated that such systems could be used in South African offshore operations.

In the past year the most successful well produced 8 730 barrels of oil a day on testing — a rate which, although limited by the capability of the test facilities, compared favourably with flow-rates in the North Sea, said Mr Angel.

"This confirms good reservoir characteristics, but commercial development will be dependent on proving reserves of sufficient size."

Engen had budgeted R20 million for exploration drilling in the Bredasdorp Basin this year but expenditure was naturally contingent on obtaining further encouragement, he said.

Dr Dawie de Villiers, Minister of Mineral and Energy Affairs, said today he had seen reports of exploration in the Bredasdorp Basin. But more wells would have to be bored before it could be decided if it was commercially viable.

Meanwhile, Engen was looking for other exploration opportunities outside of South Africa. These included Namibia and Angola.

"I have previously expressed our intentions about getting into exploration in West Africa, and this we will do. It is a question of timing and lining up and suitable partners.

"What we want to do is to spread our business into exploration and production.

"We have a target of either finding or acquiring between 30 and 40 percent of our crude requirements for refining. If it takes us 10 years to do, it will be an achievement."

While there were embargoes on crude oil supplies to South Africa, the government was unlikely to deregulate the industry, he believed.

The executive committee of Engen had approved the first phase of about R670 million at Engen's oil refinery in Durban (Genref) and awarded the engineering procurement, management and construction contract.

3 fishermen go missing: Body found

By SHARKEY ISAACS, Staff Reporter

THE body of a man was found today on Britannia Reef north of Paternoster.

Captain John Woodend, port captain at Saldanha, said the body had not yet been identified.

A sea and coastline search is under way on the West Coast for three missing crayfish fishermen who failed to return to Paternoster after a day's fishing yesterday.

Captain Woodend said the search by fishermen and members of the NSRI was launched about 7pm yesterday after staff at a hotel reported that the fishermen in a crayfish "bakkie" were missing.

Members of the NSRI in three rescue craft — the Suiderkaap, the Kotie and Wave Raider — and scores of fishermen searched the sea and the coastline at Paternoster, Jacobs Bay, St Helena Bay and Saldanha until 2.20am today.

MOBILE NSRI SQUAD

Mr Peter Taylor, station commander of Saldanha NSRI, said the search was mounted after the family of a hotel employee, Mr Christoffel Marx, reported that he and two crewmen had not returned home after putting to sea yesterday morning.

Captain Woodend said a mobile NSRI squad was searching the shore and a semi-rigid inflatable was scouring the coast in a close inshore search.

"There is very little chance that they are still alive today if they were upended in the sea yesterday.

"We believe they would by now have succumbed to exposure after being in icy cold waters for so long."

Concern mounts over Cape pollution threat

B/Day 5/12/90

(55)

MATTHEW CURTIN

ENVIRONMENTALISTS have expressed concern that pollution is mounting in Cape Peninsula waters, and poses increasing health risks for bathers.

But the Cape Town City Council believes adequate safety controls are in place.

A government-funded Foundation for Research Development report released this week says there is "cause for concern regarding a possible health threat posed by polluted water" in False Bay, Algoa Bay and Hout Bay in particular.

The reseachers pinpoint 10 places near waste water outlets with "high levels of virulent bacteria and viruses".

The report warns people not to eat seafood and shellfish caught near the danger points in False Bay. Bathers could contract gastro-enteritis, dysentery and infections of the ear, eye, skin and respiratory system.

Water Affairs Department pollution director Wouters van der Merwe said yesterday the health risk to bathers at popular beaches was insignificant, but the surge in coastal urbanisation indicated the pollution problem would only get worse given inadequate attention.

Earthlife Africa Cape co-chairman Mike Kantey said yesterday the pollution problem was substantial along the coast, with the Mandi, Strandfontein and Monwabisi beaches being the worst affected.

Sapa reports that the Cape Town council denied False Bay was used as a sewage disposal unit. Executive committee chairman Dick Friedlander said there were two sewage plants discharging treated effluent, not raw sewage, into the bay.

● Comment: Page 8

'Sea pollution exaggerated'

GERALD REILLY (55)

PRETORIA — The Foundation for Research and Development warned yesterday against exaggerating the pollution threat in the sea around Cape Town.

A foundation spokesman said government officials involved in a False Bay pollution study had stated that the water at all recognised swimming beaches was safe. B/Day 6/12/90

Bathers and shellfish gatherers were advised to avoid areas only within 50m of sewerage and stormwater outlets.

Pollution was mainly restricted to areas immediately in front of waste water outlets. The quality of treated sewerage was often better than that of river water, he said.

Commercial concerns accumulating oysters and mussels in areas where pollution could occur purified their products in fresh water before selling them.

However, as marine pollution could be increasing because of urbanisation and squatting in the vicinity of False Bay, it was important that the public be made aware of its potential threat.

Rough ride ahead for building industry

GERALD REILLY

PRETORIA — The building industry is in for another rough year in 1991, with overall performance declining and increased unemployment, economists say.

They warn there is little likelihood of an upturn until well into 1992.

Building Industries Federation of SA (Bifsa) economist Charles Martin said the numbers employed in the industry decreased by about 10 000 to 265 000 this year.

By the end of next year this was likely to decrease to less than 250 000.

In the depressed residential building sector the slowdown was expected to continue until early 1992, mainly because of continued high mortgage rates and shrinking disposable incomes. Order books for non-residential buildings were also thin.

On public sector building, Martin said no significant increase, if any, could be expected. B/Day 6/12/90

Tendering

Labour costs during 1991 were expected to rise by about 13% and material costs by 13,5%. However, the overall costs to the customer were unlikely to rise by much more than 8%. This was because of the sharply increased competitive tendering which could be expected next year.

Martin said the expected easing of interest rates would have only a marginal effect on activity in the industry.

Building of houses for blacks was unlikely to make a significant contribution to the total volume, mainly because of the affordability problem. Township unrest would probably restrict progress in this field.

Turnover this year would be R14,5bn at current prices — a decrease of about 5% in real terms over 1989. This trend would continue.

The Stellenbosch Bureau for Economic Research said the outlook for the industry next year was grim, especially in the residential market.

Surging oil prices could be a boost for SA's coal exporters

w/mail 7/12 - 13/12/90

By ROBERT LAING (55)

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' collieries 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-million 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 world-wide annually, only about one percent is put 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 Columbia 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 it mines. 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.

World Bank may spend millions on southern African power grid

B Day 10/12/90 55

TIM COHEN

THE World Bank has agreed in principle to spend hundreds of millions of rands on a South African-Zimbabwean power link which has the potential to plug SA into electricity grids as far afield as Zaire.

Eskom communications manager Johan du Plessis said at the weekend two projects were being considered by the bank — each costing millions of rands.

Linking SA's power grid with Zimbabwe is expected to significantly improve relations between the two countries.

The first scheme proposes the construction of a 400km line from Zimbabwe to the Cahora Bassa hydro-electrical scheme in Mozambique, which is substantially underutilised. The link will carry 500 megawatts of power into Harare.

The second proposes the construction of a line from the most northern point of the SA grid at Ellisras, to Bulawayo. The construction of this line would take about two years, Du Plessis said.

Exact figures were not available as detailed studies had not yet been done, he said. The cost would depend on the terrain and whether or not priority was placed on the speed of construction.

The link would facilitate a connection with the power grids of Tanzania and Kenya and, more important, would facilitate a link with the "mind-boggling" hydro-electrical potential of Zaire's Inga province, he said.

Schemes operating in the province generated thousands of kilowatts of power but had the potential to generate hundreds of thousands of kilowatts, he said.

Zaire is particularly keen to see the establishment of the link because it would mean that it could export electricity to SA.

SA uses only about 75% of its capacity for electrical consumption, but by 2 000 it could have absorbed its excess electrical capacity. SA has never borrowed money from the World Bank because it exceeds the bank's lending criteria.

The bank only lends money to the world's poorest nations, butrecent reports cited Eskom CE Ian McRae saying the bank had become partial to lending money to projects involving SA participation.

This was because it believed SA involvement made projects more viable and the payback more secure, McRae said.

Relations between Zimbabwe and SA are expected to improve significantly if the project goes ahead.

MIKE ROBERTSON reports that Foreign Affairs director-general Neil van Heerden recently said relations with Zimbabwe were improving. SA had been given permission to purchase land on which to build a new diplomatic mission in Harare.

The suspension of Radio Truth, and Zimbabwe's release of SA spy Odile Harrington, had contributed to the thawing of relations, Van Heerden said.

But Zimbabwe still felt its standing among other countries in the region could be adversely affected if SA returned to favour, he said.

Rain and oil price bring needed relief

Star 10/12/90

By Des Parker

The rains and a renewed drop in oil prices promise some relief from what looked a bleak outlook for 1991.

While still reporting low planting figures, the Maize Board concedes that the situation has somewhat improved as a result of the rain.

Oil prices have stayed lower, encouraged by news that Opec is producing almost the same volume of oil as in July and that world stocks are at a 10-year high.

Hanging over SA's delicate balance of payments account less than 10 days ago was the prospect of having to import huge stocks of grain next year as drought delayed planting of summer food crops.

Oil prices looked likely to rise above $30 a barrel, carrying with it possible further increases in fuel prices and more strain on the trade balance.

Oil prices, which last Monday moved back above $30 a barrel, have since tumbled. On the New York Mercantile Exchange late last week, oil for January delivery was $26,40 after going as low as $25,25.

SA's petrol and diesel costs are based on a price of about $32.

Although a spokesman for the National Energy Council has said it would be premature to adjust pump prices, Volkskas senior economist Adam Jacobs says the Government would be eager to bring them down as soon as possible to help fight inflation.

It was reported last weekend that SA might have to import as much as two-thirds of its annual maize requirement of six million tons, with the cost of all agricultural imports possibly as high as R2,6 billion.

An oil price of $33 a barrel would add R3,5 billion a year to the national import bill.

However, good soaking rain over virtually the entire country in recent days has improved chances that granaries will at least hold enough after the next harvest to feed people and livestock through next winter.

Although less than one million hectares of maize has been planted in the high-output Western Transvaal — compared with 2,23 million ha for the whole of last season — there is still another three weeks for farmers to get their seeds in.

A farmer himself and consequently reluctant to make predictions about agriculture, Volkskas's Mr Jacobs says: "We are predicting a smaller harvest than last year (when maize exports earned R1,3 billion) because of the late planting and we only hope there will be no import requirement."

Droughts in the grain baskets of the US and Australia this year mean there is little to spare for importer countries.

In addition, most countries grow yellow maize for animal feed, almost to the exclusion of the white maize SA concentrates on for human consumption — hence the Government's undertaking to pay farmers a premium for deliveries of white mealies.

Mr Jacobs says several economic indicators look positive.

Apart from good prospects of cheaper fuel, the money supply growth rate is still falling, banks are extending less credit and it is on the cards that inflation could be 11 percent or less by the end of next year, he says.

"Added to that is the fact that we are in a downward phase of the business cycle, so imports are down, particularly of capital equipment.

"We also expect that the current account surplus for this year will be about the same as last year — around R4,5 billion — and foreign debt repayment should not be more than R1,5 billion," he says.

'Foolish' to cut petrol price now

B Day 11/12/90

55

GERALD REILLY

PRETORIA — Another decrease in fuel prices before the end of the year could be ruled out, a National Energy Council source said yesterday.

He was responding to speculation that because of the comparatively low crude price, another 10c/*l* to 15c/*l* decrease had become possible within the next two weeks.

The price of crude has dropped $5 to $27 a barrel since a 15c/*l* decrease in the petrol price was announced on November 12.

At current fuel and crude prices, oil companies are overrecovering and the equalisation fund is strengthening, the source said.

However, taking into account the volatile and potentially explosive situation in the Gulf, it would be unwise at this stage to look at another price reduction.

The source pointed out if a shooting war started, experts had forecast crude price would rocket to between $60 and $80 a barrel.

Against that background it would be extremely foolish to announce a further decrease in fuel prices, he said.

Orange Farm switches on

By NKOPANE MAKOBANE

ELECTRICITY should be made available to all urbanised areas where people could afford it, wanted it and were prepared to pay for it, the chief executive of Eskom said at the weekend. (55)

Dr Ian McRae was speaking at a function to launch the electrification of Orange Farm. The ceremony was attended by the local community leaders, residents and the TPA and Eskom officials.

McRae said electricity was considerably cheaper than most other traditional energy sources. It improved people's quality of life and stimulated the creation of jobs and wealth.

"In those towns which Eskom has electrified, we have seen how entrepreneurs use electricity to weld, grind, sew and bake, as well as for similar economic activities. Sowetan 11/12/90

"To supply affordable electricity to rapidly growing urban areas, Eskom, together with other parties, has refined and developed new applications of existing distribution technology," he said.

No indications petrol price will drop (55)

By Paula Fray Star 14/12/90

There are no indications that the price of petrol will be decreased, in spite of a substantial drop in the cost of crude oil over the past week.

A National Energy Council spokesman said crude oil was being sold at R57,50 to R65 a barrel.

However, it took between seven and 21 days for the drop in the crude oil price to filter through to the price of the refined product.

"At this stage there are no indications the price of petrol will drop," the spokesman said.

The oil price started dropping only last Thursday, so it was too soon to indicate any drop in the petrol price.

Oil prices fell below R65 a barrel on Wednesday, the lowest level since August 3 — the day after Iraq invaded Kuwait. The crude oil price is now at least R15 less than when petrol was reduced last month.

The petrol price had increased by 32c in October and by 10c in September. Crude oil was priced at R55 a barrel when the September increase was announced.

Since the start of the Gulf crisis, the price of crude oil has fluctuated daily.

EC aid to kingdom to focus on hydro-power project

55 CHARLOTTE MATHEWS

EUROPEAN Community (EC) co-operation with the southern African region will intensify in future as the EC believes political developments taking place will make it one of the most important regions in Africa.

EC representative A Kratz said at the signing of the Katse Dam and tunnels contracts for the Lesotho Highlands Water Project (LHWP) in Maseru at the weekend that the EC's involvement in Lesotho in 1991 would focus on the hydro-power scheme.

The successful tenderer for the Katse Dam contract, worth R793m rising to R1,2bn with escalations and contingencies, was a seven-party consortium led by Impregilo of Italy and including Bouygues of France, Concor and Group 5 of SA, Hochtief of Germany, and Kier & Stirling of the UK.

The successful tenderer for the three tunnels, a contract worth R858m rising to R1,3bn with escalations and contingencies, was the five-party consortium led by Spie Batignolles of France and including Balfour Beatty of the UK, Campenon Bernard of France, LTA of SA and Zublin of Germany.

Lesotho Highlands Development Authority (LHDA) CE Masupha Sole said the second phase of the project, the hydro-power scheme, was now certain to go ahead. B Day 17/12/90

"The benefits of the LHWP to Lesotho will be the revenue generated by the sale of water to SA, which will bring in $60m a year in net profit, the generation of electricity for Lesotho, the massive infrastructure on roads and health and education and the creation of employment."

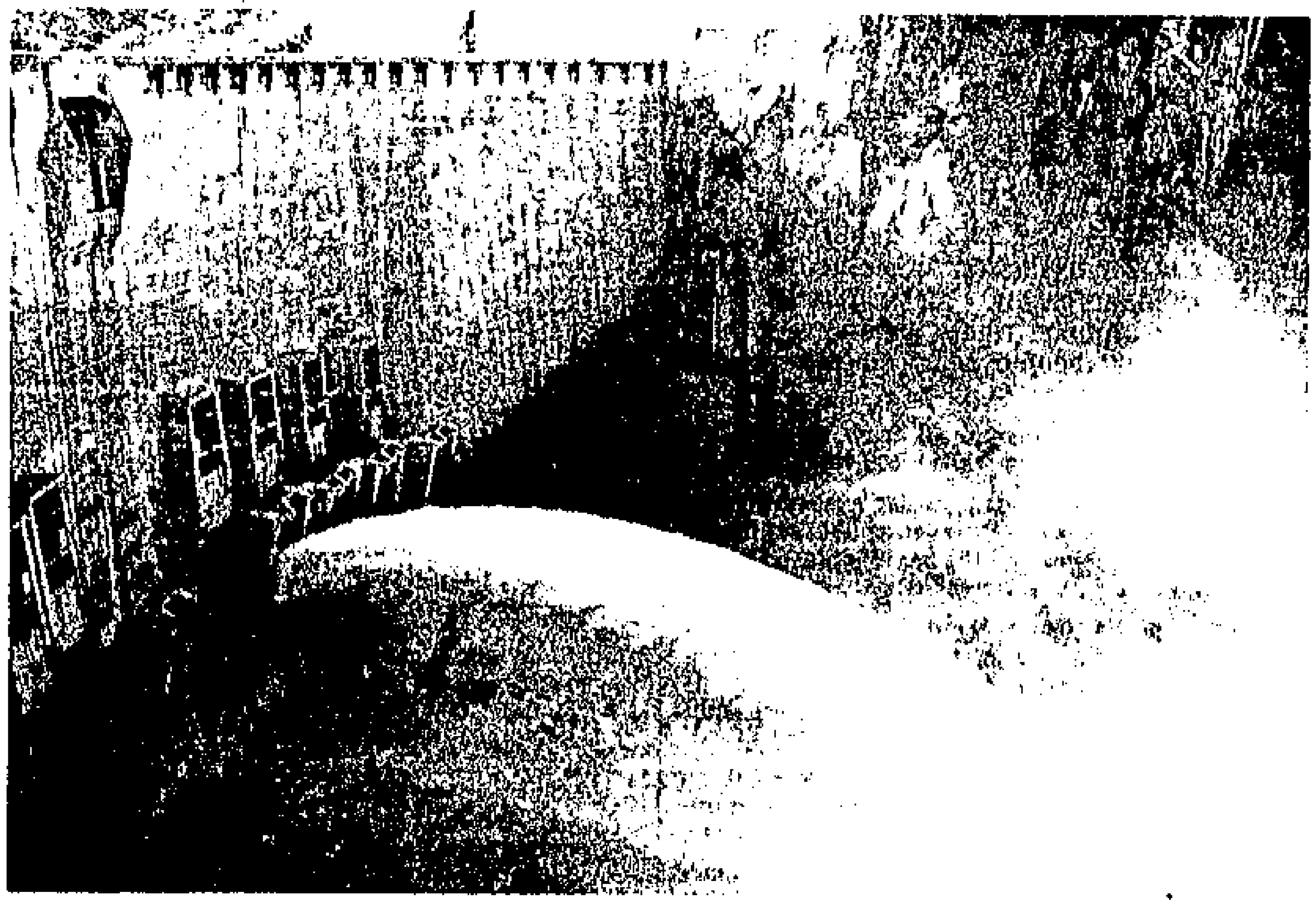
A statement said the World Bank in conjunction with Germany, France, Britain, Ireland and the US had helped to arrange the financing for the project.

ARG 43 18/12/90 (55)

New hope for Cahora Bassa

Power station still in pristine condition

While much of Africa remains in darkness the biggest source of electricity on the continent remains switched off. But after seven years of idleness there is hope that Cahora Bassa's giant turbines will soon turn once again, reports DAWN BARKHUIZEN of the Argus Africa News Service.



WATER POWERHOUSE: Water spews from the giant Cahora Bassa Dam.

MOZAMBIQUE. — In a remote corner of Mozambique is a giant monument to Africa's potential — and its frustrated hopes — the Cahora Bassa-hydro-electric scheme.

The multi-million dollar dam and power station, one of the world's biggest, stands dormant in a dark continent allowing 1 600 cubic meters of water to flow unproductively by each second. It generates nothing but million-dollar maintenance bills.

Cahora Bassa had little chance to prove its capabilities. Soon after it became operative its 900km power line to South Africa became the target for repeated attacks.

Power supplies to South Africa and Maputo were disrupted to such an extent that in 1983 Eskom suspended its contract, effectively causing a shutdown.

Since then the underground power-station and nearby sub-station in north western Mozambique have, at enormous expense to Portugal, been kept in pristine condition.

For more than seven years 1 000 people have worked at Cahora Bassa's dormitory village of Songo living for the day that the power would one day be restored and the R352 million investment be recovered.

Songo is like a small colonial island, untouched in a sea of war. Life for the engineers, secretaries, managers, school teachers and motor mechanics who fly in from Portugal for 11-month shifts bears no resemblance to that in the rest of the war-ravaged country.

Songo has clubs, schools — one for the children from Portugal — swimming pools, a bus-station and supermarkets supplied with Ceres apples, Outspan oranges and smoked snoek from the Cape. Under flaming red flamboyant trees are floodlit tennis courts.

Slap bang where nobody needs it, is the best motor vehicle maintenance workshop in the whole of Mozambique, complete with trained staff.

Uniformed waiters

There is a club, where whisky is served by white uniformed waiters.

From the guesthouse at Songo it is difficult, almost impossible, to picture the refugee camp 22km away, the armed convoy that runs the guantlet from Tete and the rattle of gunfire further downstream.

Even more at odds with the devastated African country than Songo is Cahora Bassa's subterranean power-station. It has the dimensions of a cathedral and the atmosphere of a James Bond film set.

There are endless dripping tunnels — big enough for a car to drive along — metal sliding doors and control rooms with lifeless control panels.

But instead of crazy scientists there are Portuguese engineers waving their hands and proudly explaining hydro-electricity in broken English.

They are particularly proud of the fact that it would take little more than a flick of the switch to put Cahora Bassa back in business once the 1 400 pylons destroyed by MNR rebels are repaired.

The cost of maintaining the power-station has been enormous.

The 1990/1 budget alone was $30-million (R75-m), according to Mr Vitor Coelha, director of Hidroelectrica de Cahora Bassa (HCB) which administers the scheme.

The losses, should it be abandoned, would be even greater.

Portugal would lose $1,2-billion (R3-bn) according to Eskom's chief executive Dr Ian McRae. South Africa would lose R25-million, plus R55-million lent to Portugal in the 1970s and a further R50-million promised this year. In addition South Africa before the end of the decade would have to build more power stations.

Mozambique would lose the biggest single source of employment and potential revenue.

And large portions of Zimbabwe and Mozambique would remain in the dark.

Time is running out for Cahora Bassa, says Dr McRae.

Should plans to rehabilitate the project fail to get off the ground within 18 months, future electricity tarriffs would be so high that the project would not be viable.

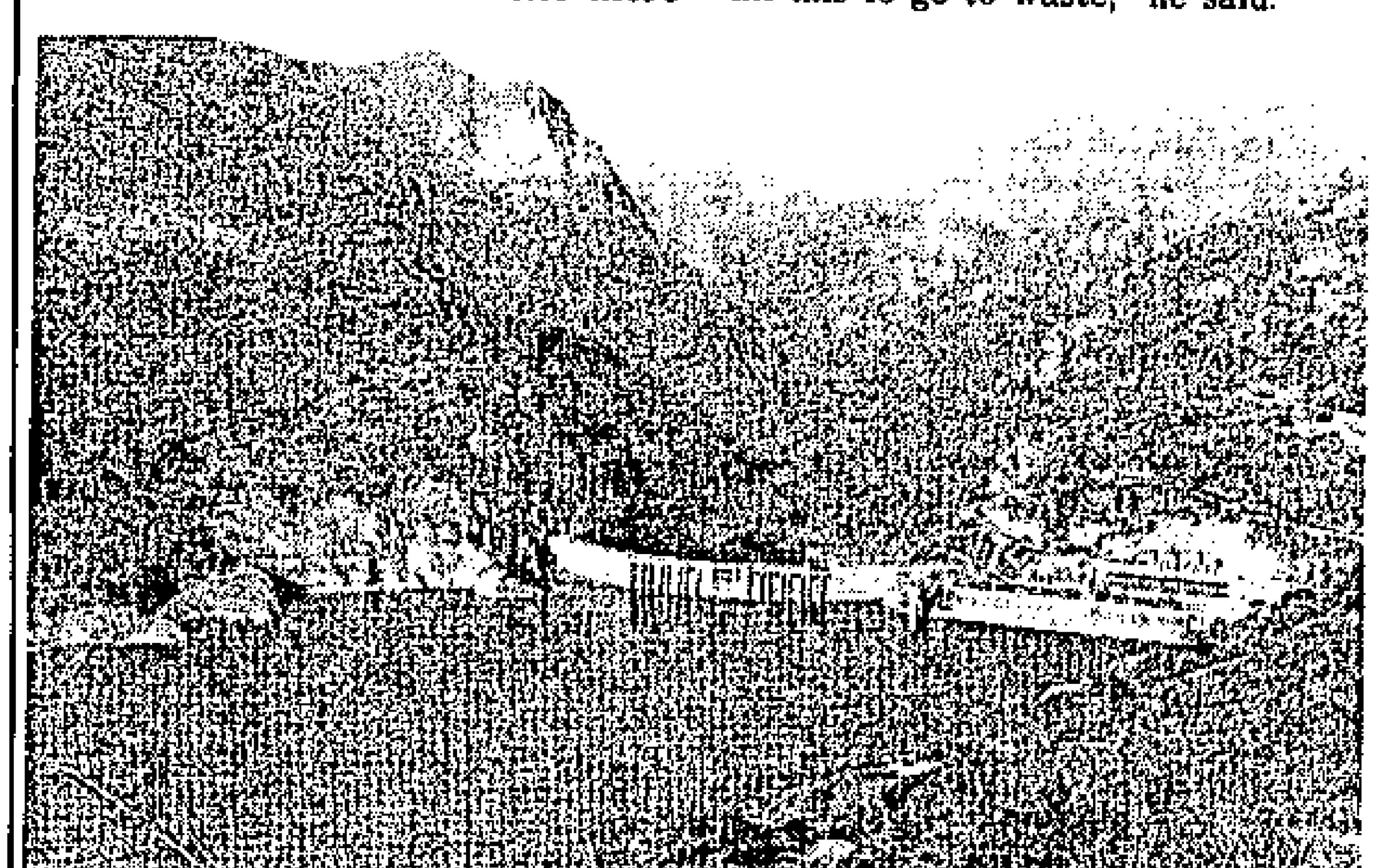
But for the first time, there is a flicker of hope that the lights will come on — in South Africa at least.

Up and running

Renamo rebel leader, Afonso Dlakhama has promised to stop attacks on the 900km line that feeds South Africa, although he will not yet stop hitting the line running from Komatipoort to Maputo.

HCB director Jose Mr Moreira Barra believes Cahora Bassa will be up and running by 1993.

"You can smell the change in the air. Here are two countries with huge potential. It would be a tragedy were all this to go to waste," he said.



BIRD'S EYE VIEW: The Cahora Bassa Dam wall seen from the air fails to do justice to the immensity of the scheme.

Outlook 'too pessimistic'

B Day 20/12/90

Own Correspondent

CAPE TOWN — There will be "no economic fireworks in 1991", says Volkskas Bank economist Adam Jacobs in the bank's Economic Spotlight for December.

But he thinks "a slightly too pessimistic view prevails at present" on the outlook for the medium term.

"The oil crisis is granted too much importance and the inherent dynamism of the economy to balance matters is being lost sight of."

(55)

Jacobs says SA "depends relatively little on crude oil, and therefore imported energy". This could give it an advantage over many other countries, which could prevent the exchange rate from coming under severe pressure.

"Some of the stockpiled oil could also be used to protect the exchange rate."

He says wealth per capita will have declined by 3% by the end of this year and is likely to decline by another 1,5% next year.

Eskom aims at aiding Evaton

SS

SOWETAN MOTORING

Sowetan 20/12/90.

By JOSHUA RABOROKO

THE giant electricity company, Eskom, has pledged to conduct a feasibility study with the aim to install electricity on business sites in part of Evaton township, popularly known as "Parktown," next year.

However, the survey will also include thousands of residents, who have made representations to the Evaton Town Council for the installation of power which they say is vital in the developing South Africa.

This was explained by Eskom's southern Transvaal development areas manager, Mr Paul O'Connor, at a meeting attended by a delegation of businessmen and the Evaton Town Clerk, Mr Myburgh, in the township this week.

He said that Eskom wanted to provide electricity to everybody. However, the cost of supplying it was too high. They would conduct a survey to find out how many residents needed it.

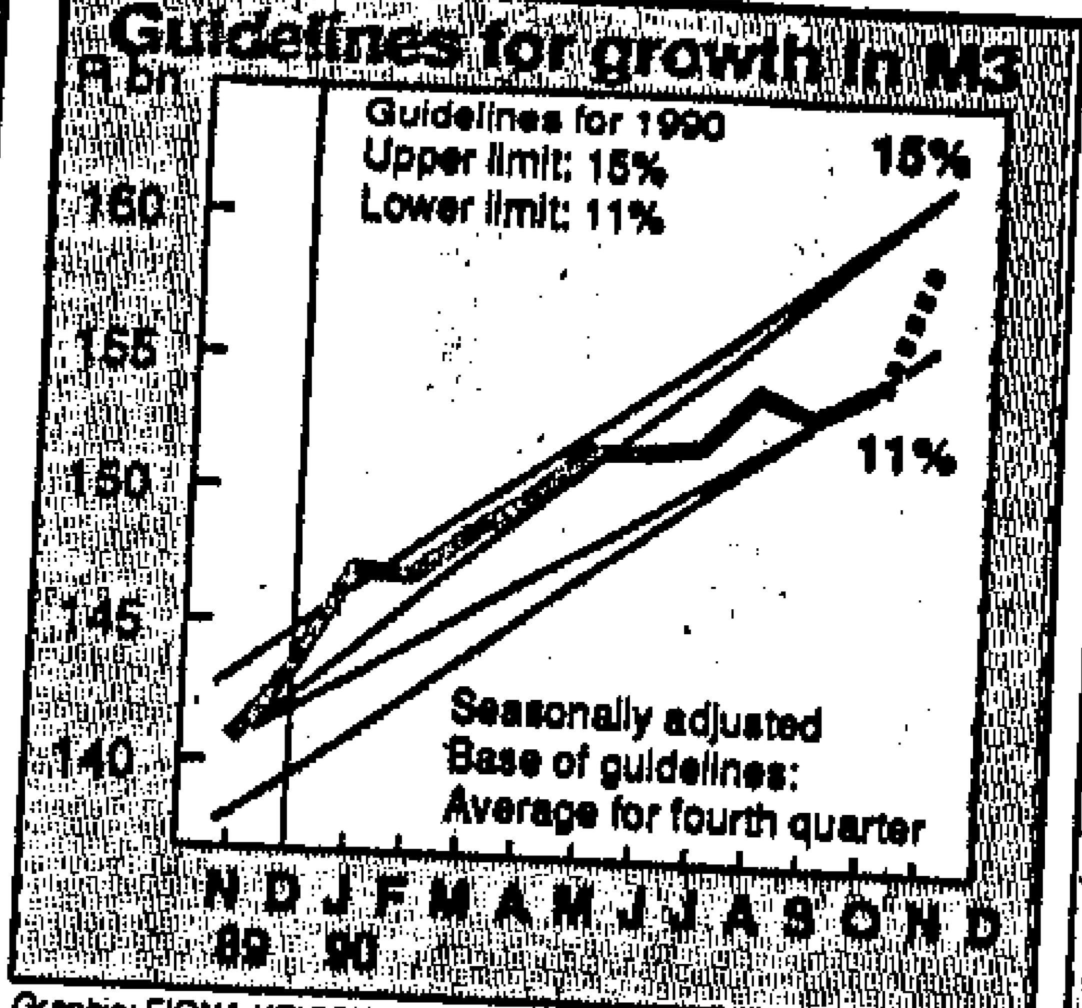
They would also consider building a sub-station which would in future service the rest of the townships, he said, adding the research would probably start in January next year.

The meeting came about as a result of complaints by businessmen that they spent thousands of rands in buying diesel to operate their refrigerators and other gadgets in the wake of a hike in the price of fuel.

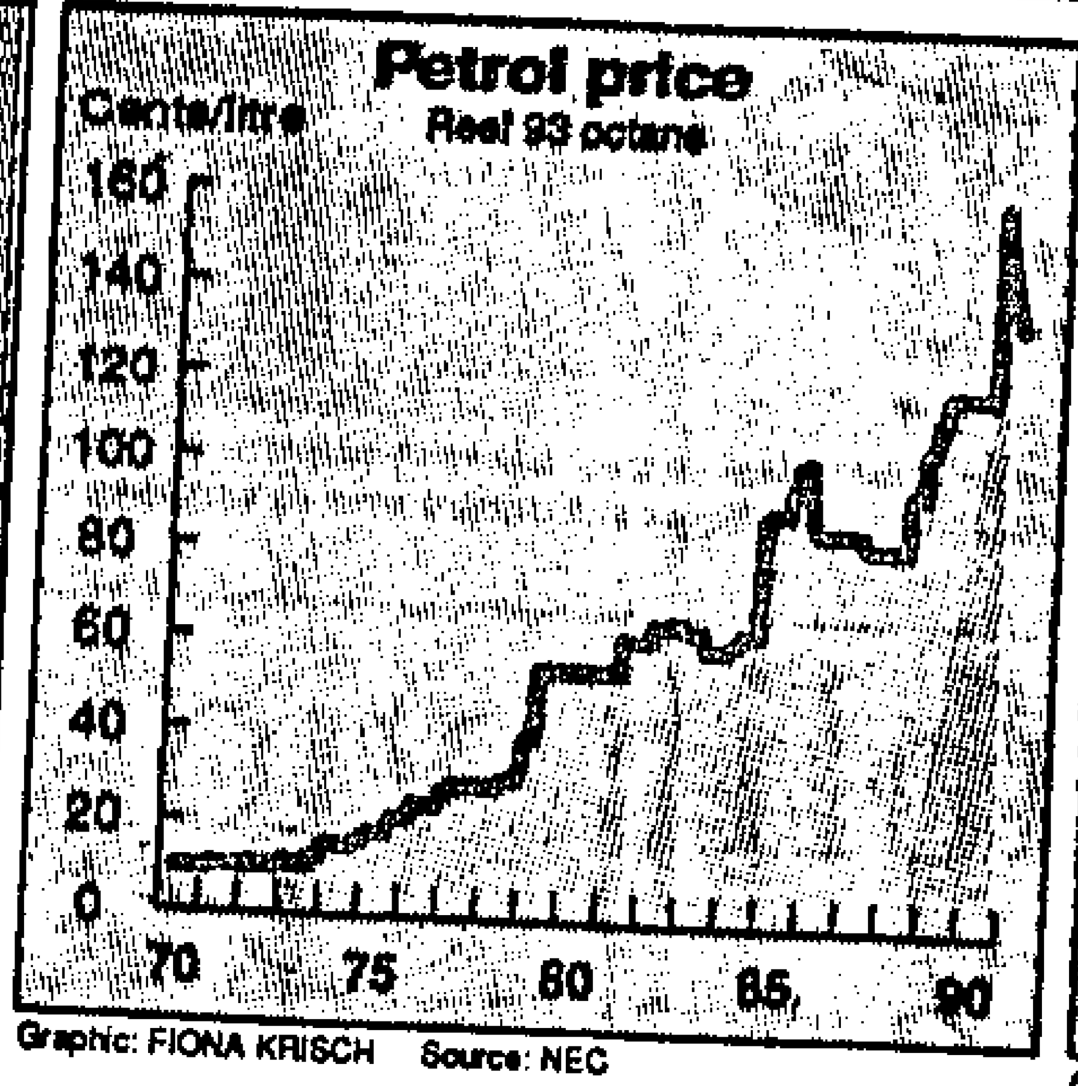
Businessmen also said that their shops have been looted, robbed and burgled because they did not have electrical devices which could help curb the high rate of crime in the township. Streets were not lit. There weres few high mast lights.

Mr Don Mashinini said that Evaton - probably one of the few areas where blacks still have freehold rights - was the oldest residential areas in South Africa which did not have electricity. "It is the dark city of the Vaal Triangle," he said.

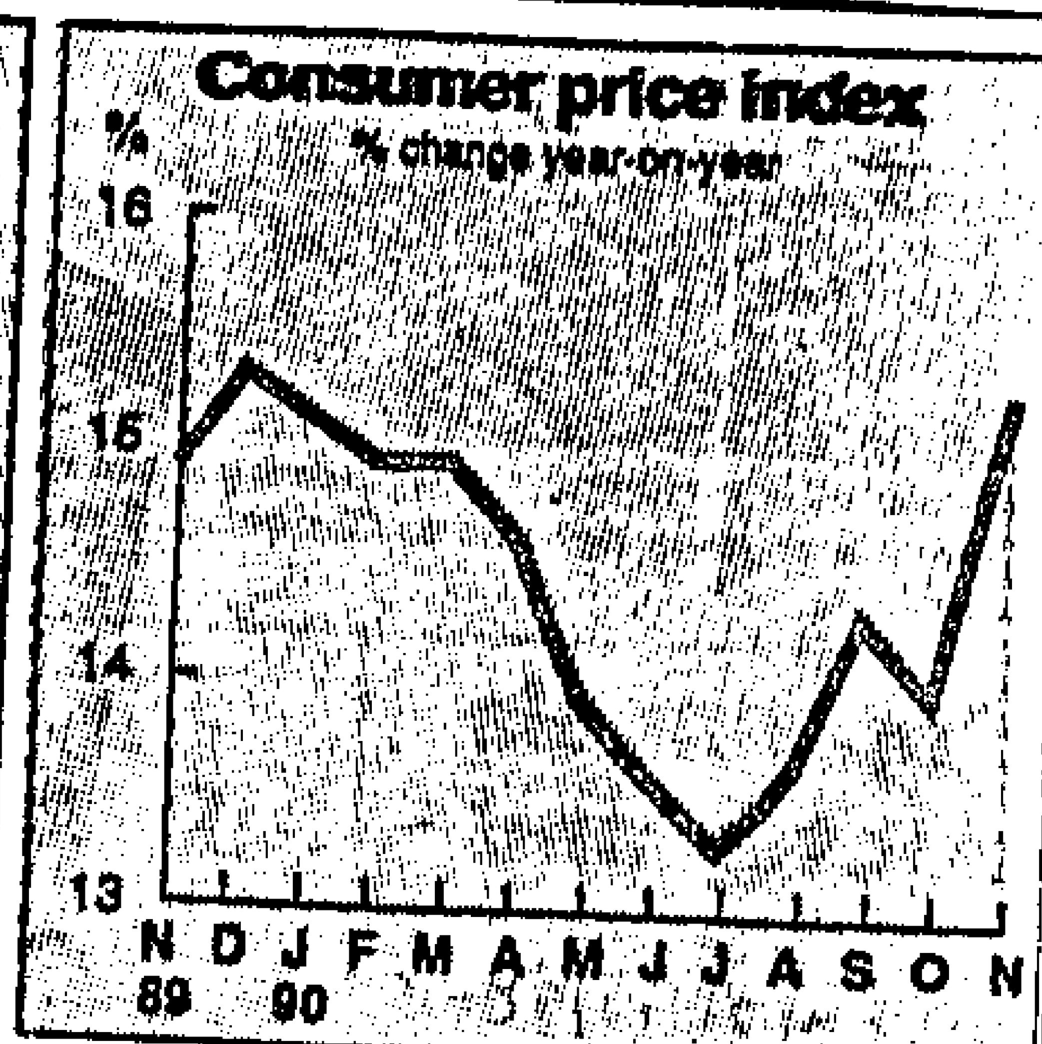
He said that surround-



Graphic: FIONA KRISCH Source: SA RESERVE BANK



Graphic: FIONA KRISCH Source: NEC



Graphic: LEE EMERTON Source: CSS

Bearish November CPI and M3 figures

Fuel price cut set to bring inflation relief

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B Day 21/12/90

ANDREW GILL, ZILLA EFRAT and MARC HASENFUSS

TODAY'S 10c cut in the petrol price should mark the end of the upward trend in the inflation rate caused by the Gulf crisis, economists said yesterday.

They said bearish inflation and money supply figures released yesterday were likely to be short-lived as downward trends were firmly entrenched.

Latest Central Statistical Service figures showed a 15,3% annual increase in November's consumer price index (CPI), its highest this year.

Economists said the rise, compared to 14% in October, was likely to be the peak in the rate with November's 15c petrol price cut and yesterday's 10c cut still to enter the statistics.

Also announced yesterday were November's preliminary money supply figures which bounced off October's 10,3% low to a 12,67% annualised increase in broadly defined money supply — M3.

The uptick may have been a result of increasing credit demand over Christmas, an analyst said. October's 10,3% increase was dramatically low, he said.

M3 growth from the fourth quarter of 1989 entered the Reserve Bank's 11% to 15% guideline range at 12,68% after two months of growth below 11%.

The CPI increased at a monthly rate of 2,1% due largely to a 1,3% rise in transport costs, comprising petrol (0,9%), vehicles (0,3%) and transport (0,1%).

The 32c rise in the the petrol price in October was included in November's figures because the monthly statistics are based only on information available up to the first week of each month.

Still worrying was the 0,6% monthly increase in food prices which pushed the annual rate of increase for food to 16,5% from October's 16%.

First National Bank group economist Cees Bruggemans said the inflation figure was expected and it should start falling with the release of December's statistics.

He predicted a 14,4% annual rate of increase in December, a decline to 13% by August and possibly a below-12% figure for end-1991.

There may be short-term fluctuations early next year because of the Gulf crisis but the rate was set to resume its downward trend, he said.

The unexpected increase in money supply should not be cause for concern, Bruggemans said, as the trend was firmly in place and pointed deep into single digits.

This morning the pump price of petrol fell 10c a litre, while that of diesel dropped

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P.T.O

CAPE TIMES 21/12/90 55

From page 1

Petrol

Economists said the rise, compared to 14% in October, was likely to be the peak in the rate, since November's 15c petrol price cut and yesterday's 10c cut are still to enter the statistics.

The CPI increased at a monthly rate of 2,1% due largely to a 1,3% rise in transport costs, comprising petrol (0,9%), vehicles (0,3%) and transport (0,1%).

But still worrying was the 0,6% monthly increase in food prices which pushed the annual rate of increase for food to 16,5% from October's 16%.

The SA Chamber of Commerce said the price reduction should boost the morale of all South Africans, particularly in this holiday period.

It would also bring some relief to businesses experiencing major cost-related pressures, transport being a major one.

Mr Colin McCarthy, executive director of the Cape Chamber of Industry, said it was a "marvellous Christmas present" which would be a "shot in the arm" for the man in the street. It would reduce input costs in industry while the "power of competition" would automatically reduce prices.

The managing director of OK Bazaars, Mr Gordon Hood, appealed to all suppliers to assist in passing on any savings to the consumer.

The Consumer Council also welcomed the move but appealed to consumers to use fuel sparingly.

The Group Executive of the National Energy Council, Dr Robert Scott, warned that the fuel price drop did not signal a more relaxed attitude towards fuel saving. — Staff Reporter and Own Correspondents

I QUIT ... Soviet Foreign Minister Eduard Shevardnadze makes his shock resignation speech to the Congress of People's Deputies in the Kremlin yesterday. Picture: REUTER

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Optimism at fuel price cut

CAPE TIMES 21/12/90

TODAY'S 10c cut in the petrol price should mark the end of the upward trend in the inflation rate caused by the Gulf crisis, economists said yesterday.

They said worrying inflation figures released yesterday were likely to be short-lived as downward trends were firmly entrenched.

It is the second drop in the petrol price in as many months and brings prices back to just seven cents more than on September 4 this year.

Diesel fuel prices will drop by 4c/l. All octanes of petrol are affected by the 10c plunge.

The Minister of Mineral and Energy Affairs, Dr Dawie de Villiers, said the price was being dropped because of the international downward trend in the price of oil.

Dr De Villiers said the fuel price reduction would enhance cost savings and have a positive effect on the inflation rate.

However, he warned that the price of petrol may increase in January 1991 because of international seasonal demand. Events in the Middle East could also force the government to review the petrol price.

The executive director of Cape Town Chamber of Commerce, Mr Alan Lighton, described the drop as a "marvellous psychological boost" at a time when the economy was in the grip of a recession.

The recession was also sharpening up the "competitive edge" in business and the petrol price drop would reinforce this which would translate into lower prices for goods and services for the man in the street.

Latest Central Statistical Service figures showed a 15,3% annual increase in November's consumer price index (CPI), its highest this year.

To page 3

● Inflation rate up again — Page 8

Lower local fuel prices track oil's downward trend on world market

ZILLA EFRAT

MINERAL and Energy Affairs Minister Dawie de Villiers said yesterday petrol and diesel prices had been lowered because of the international downward trend in the price of oil.

South Africans, hard hit by economic conditions, have been given a small Christmas present — a price drop of 10c/*l* for petrol and 4c/*l* for diesel effective today.

Today's fall in prices follows a drop of 15c/*l* for petrol and 9c/*l* in the diesel price in mid-November. It is based on an average crude oil price of about $26 a barrel.

De Villiers said fuel prices were not expected to be revised before the middle of January, but this could change depending on events in the Gulf. However, the cost of transporting petrol would rise on January 1 and this would be financed by the equalisation fund for as long as possible.

While motorists were slightly overpaying for their petrol, this could cushion them from a rise in the petrol price because of international seasonal demand in January.

De Villiers said a greater decline in the diesel price was not possible because the price of diesel had not fallen at the same rate as petrol since October. As a result, the diesel price was still being financed by the equalisation fund. De Villiers added government was confident the international attitude on sanctions would improve and in time the oil embargo against SA would be lifted. B | Day 21/12/90

"If this becomes a reality it will enable the government to consider revealing information regarding petroleum products which is still classified at present."

National Eenergy Council group executive Robert Scott said yesterday the reduction in the fuel price did not signal a more relaxed attitude towards fuel saving.

"On the contrary, we are observing developments in the Gulf with concern. War would almost certainly mean a disruption in world oil supplies."

He said a major fuel saving effort by motorists and fleet owners would alleviate the effects of an oil crisis and could postpone the introduction of mandatory fuel savings measures in such an event.

Money, money, money .... Mr Steven Thejani, a petrol attendant at Crowlis Garage, rejoices over the best Christmas present motorist can receive - a decrease in the petrol price.

Petrol price goes down

Sowetan 21/12/90 (55)

By MONK NKOMO, MOKGADI PELA and Sapa

THE price of petrol and diesel has been slashed by 10c and 4c a litre respectively with effect from last night.

The cuts were announced by Minister of Mineral and Energy Affairs Dr Dawie de Villiers in a statement released in Pretoria yesterday.

He warned, however, that the petrol price may increase from January because of the international seasonal demand.

"The deductions should not create the impression that there will be no further problems as far as the international supply situation is concerned," he said.

The last decrease in the price of petrol was on November 12 this year when high octane petrol dropped from R1,60 to R1,45 a litre.

De Villiers said yesterday's price reduction should be generally welcomed "because it enhances cost savings and will also have a positive effect on the inflation rate".

He added that after the latest reduction, the price of petrol was now only 17c a litre higher than that which applied from July 15 1989 until September 4 this year. The net increase in the price of diesel over the same period was about 20c a litre.

De Villiers said the

● To Page 2

Petrol price is slashed

(55)

●From Page 1

Government was confident the international attitude on sanctions would improve and that in time the embargo on crude oil imports against South Africa would be lifted.

"If this becomes a reality it will enable the Government to consider revealing information regarding petroleum products which is still classified at present," he said.

He also warned that if crude oil prices increased due to circumstances in the Middle East, the present fuel price structures would have to be recognised.

Sowetan 21/12/90.

Ray of hope for uranium mining industry

Star 24/12/90 (55)

Finance Staff

New hope for SA's shrinking uranium mining industry is contained in a Japanese survey on attitudes to nuclear power.

It shows that more than 90 percent of Japanese are anxious about nuclear power plants, but most believe they will be needed in the next decade, reports Reuter from Tokyo.

The survey was conducted by the Prime Minister's Office.

About 46 percent of the respondents think Japanese nuclear plants are not safe, overturning a safety verdict repeated in all nine past surveys, conducted once every three years.

About 43 percent think they are safe, and 64,5 percent believe nuclear power is needed as a reliable energy source.

The poll canvassed 5 000 adults in September, just after the Iraqi invasion of Kuwait.

Nuclear power plants supply more than a quarter of Japan's power needs. Japan imports almost all of its oil, two-thirds of it from the Middle East.

SA's uranium sales overseas have dropped sharply in recent years because of the freeze on construction of new nuclear plants in a great many countries.

The uranium mining industry expects a swing back to nuclear power.

But as it takes about 10 years before new plants can come into operation, demand for uranium is likely to remain low for a number of years.