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Sasol upgrade nearing completion

BDay 2/7/93

EDWARD WEST

THE R820m renovation at Sasol One was nearing completion and would increase the group's production of non-fuel chemicals for domestic and international markets, Sasol One GM Elmore Marshall said.

Sasol One's old synfuel production facilities were being closed by shutting three synthol reactors. One had been decommissioned last August and the other two would be mothballed this month, Marshall said.

The renovation continued Sasol's thrust into the beneficiation of more valuable downstream chemical products. (Sbo)

Marshall said wax production would be doubled once the renovation was complete. Phenols, paraffins and cresol production would also increase substantially. Industrial gas production would continue as before, but gas output production for domestic use would be increased. (SS)

Extensions and modifications to the existing ammonia facilities would treble output, enabling further ammonia import reductions. The doubled wax production would allow the group to market a wider and more valuable range of waxes.

Portions of the original Sasol One naptha cracker plant would continue to be used to crack hydrocarbon molecules into ethylene gas for polyethylene production.

The R820m renovation was R80m below the original budget, he said.

Khutala-Kendal partnership a model for others to follow

Star 6/7/93

By Derek Tommey

SA produces the cheapest thermally generated electricity in the world.

How this is achieved was demonstrated to a number of foreign visitors at the opening of one of the country's show coal mines, Randcoal's Khutala, near Witbank, on Friday.

Khutala, which represents an investment of R700 million, was developed specifically to supply the adjacent Kendal power station. (65)

Khutala is a major underground producer, delivering 650 000 tons a month along a 3,5km conveyor to Kendal.

When all of Kendal's six generating sets are operational, coal deliveries should reach 13 million tons a year.

And when it begins supplying coal to Eskom's Majuba power station at the turn of the century, annual production should reach 20 million tons.

Kendal is a giant in the power generating world and, during a recent peak demand period, generated one-sixth of SA's total requirements.

Barlow Rand MD Derek Cooper said Khutala was an excellent example of modern mining development.

Eskom's proven ability to produce electricity at competitive rates, in world terms, allows SA industry to make long-term plans based on the availability of reliable and inexpensive energy

The great success achieved by the Khutala-Kendal partnership should have given visitors something to think about.

Most of those at the function buy coal from SA. But among their numbers it is believed were some looking for ways to boost their own coal mining and power generating abilities.

Mossgas cracker project is no longer viable, partners say

BIDay 8/7/93

EDWARD WEST

TWO of the three partners who originally mooted the R6bn development of a gas cracker at Mossgas now believe the project to be unworkable due to a global glut, industry sources said at the weekend. (55)

The three original proponents of the project to produce ethylene and propylene from a gas cracker utilising gas from the Mossgas project were AECI, Engen and Sentrachem.

An AECI spokesman said the group now believed the project was not viable due to the cost, uncertainty regarding additional gas reserves at Mossgas and depressed chemical prices worldwide. (458)

Industry sources said at the weekend that another factor which cast doubt over the project was the new joint venture between AECI and Sasol. The groups recently announced they were to merge their plastics interests into a R2,5bn joint venture company which would consume about 40 000 tons of Sasol's annual ethylene production of 400 000 tons.

AECI said because it believed the gas cracker to be unworkable, it had subsequently sought new ethylene sources which were readily available from Sasol.

Engen MD Rob Angel said the group took a longer term view than other partners on the gas cracker project. Demand for downstream chemical derivatives did not justify the cost of the project until at least the late '90's when the project's viability could be reassessed, he said.

Sentrachem directors refused to comment. However, reports in April said the group still saw merit in the project provided gas reserves proved adequate.

Industry sources said the proposed Mossgas gas cracker could be more cost efficient than the naptha crackers used traditionally by other world producers.

Recent reports suggested that Sentrachem believed that although forecast world capacity of 82,5-million tons could outstrip demand by 25-million tons by 1996, the closure of less efficient naptha crackers would reduce this imbalance.

Sasol spokesmen said Sentrachem had made representations to the group about the possibility of investing in the project. However, not only did Sasol have surplus ethylene capacity, but it did not believe the timing right to make the project viable.

Star 10/7/93

Fuel price increase 'unavoidable' – Bartlett

(55) (183)

DURBAN — A petrol and diesel price increase will be "unavoidable" soon unless the value of the rand improves, Mineral and Energy Affairs Minister George Bartlett warned yesterday.

He did not say how severe the increase might be, but indications are that petrol will rise by at least 5 cents a litre, while the Automobile Association (AA) has warned of a 25 cents a litre increase during 1993.

Bartlett said the Equalisation Fund had been drained by R1,3 million since July last year in a bid to stave off pump price increases. The fund is intended to stablise the effects of fluctuating dollar/rand rates and international fuel prices.

The AA has expressed "disappointment" with the announcement, and called for the oil industry to be regulated so that market forces dictate the price of fuel.— Own Correspondent.

AA not happy with price-hike

THE Automobile Association on Friday expressed disappointment with the government's suggestion that another fuel price hike was likely in the near future. Cit Press 11/9/93

"We are concerned that motoring has been pushed beyond the reach of the majority of people in a country where public transport is hopelessly inadequate," they said. (55)

Motor industry dismayed by warning of higher fuel price

BDay 12/7/93

Own Correspondent

PORT ELIZABETH — Energy Affairs Minister George Bartlett's warning that a fuel price rise could be unavoidable has been greeted with dismay by the country's leading motor manufacturers.

Volkswagen's marketing planning manager Neil Bruton said: "This is the worst time for something like this in the SA economy. It will affect the cost of motoring and will affect the demand for cars."

A Delta spokesman said: "Delta would be disappointed with any increase in the price of fuel at a time when we have just begun to see the first signs of a 'bottoming out' of the economy and some indication of a revival in the new vehicle market.

"An increase in the price of diesel fuel would be particularly disconcerting as it would impact negatively on commercial vehicle sales which are already substantially reduced."

In his statement on Friday, Bartlett said the equalisation fund, which is used to stabilise the fuel price, was being drained at a rate it could not sustain for much longer.

(55)

He said the fund's monthly R90m income was being dwarfed by outflows of R80m to finance fuel under-recoveries, R70m for tariff protection and R10m for the synthetic fuel levy.

"With a projected balance in the equalisation fund of R375m at the end of June — excluding R100m contingency reserves — the fund will not be able to sustain this withdrawal rate for much longer," he said.

Decreases in the international prices of refined petroleum products since October were offset by a steady worsening of the rand/dollar exchange rate.

EDWARD WEST reports that an National Energy Council spokesman said the unit underrecovery on fuel (the cost of fuel funded by the equalisation fund) was 6,5c/l on Friday, slightly lower than 7,2c/l on June 30 due to Mobil Oil and Shell Oil lowering their international refinery prices in Singapore.

The spokesman said if BP and Caltex lowered their prices in Bahrain, the under recovery could fall below 5c/l.

Econometrix economist Tony Twine said the bright spot on the horizon for fuel prices was Iraq's likely re-admittance to the global oil market.

Oil prices last week breached \$17 a barrel from \$18,50-\$19 dollars a barrel two weeks ago. Oil industry pundits forecast the fall to continue to up to \$13 a barrel, said Twine.

SA power still cheap

JOHANNESBURG. — South Africa remains one of the world's cheapest suppliers of electricity, in spite of a recent hike in energy tariffs, according to the National Utility Service International Electricity Price Survey. Sweden and Canada were the next cheapest electricity suppliers in the survey covering 15 countries in Europe, Scandinavia, and the United States and Australia. — Sapa.

(55) ARG 14/7/93

BDay 14/7/93

Fuel price plea

65

ADRIAN HADLAND

A FUEL price increase should be delayed as long as possible, Consumer Council executive director Jan Cronjé said yesterday.

Millions of people, many jobless, would find it even more difficult to make ends meet with the ripple effect of a fuel price increase.

"Considering that relatively low cost fuel is now freely available on the open market, and that the local fuel price contains a tax component of almost 50%, consumers will not readily accept another price hike."

Star 15/7/93

No decision on petrol price

No decision on an increase in the petrol price has been taken yet, but Energy Affairs Minister George Bartlett will apply his mind to the matter when he returns next week from a holiday in the US, his department said yesterday. The price is expected to rise by at least 5c a litre. At present the price is 164c a litre for premium and 168c for hi-octane. — Own Correspondent.

65 123

Fears over massive Eskom losses allayed

B/Day 15/7/93

MELANIE SERGEANT

FEARS that Eskom could have lost millions through faulty electricity meters have been allayed by Eskom executive director of technology Alex Ham.

The faulty E-Kard BEC 2 meters, supplied by Conlog to Eskom and to various municipalities, are said to number about 120 000.

Conlog MD Rod Manester would not disclose the number of faulty meters in the field, or how much it would cost to fix them. Nor would he discuss how much money Eskom may have lost due to faulty readings.

Conlog has sold more than 300 000 meters, but not all are BEC 2 models.

With two other companies, Conlog was recently awarded a three-year national contract worth R25m in its first year to supply at least 75 000 pre-payment meters this year. Manester says Eskom has not yet started drawing off this quota. Conlog was chosen by Eskom to help develop the Standard Transfer Specification and the Common Vending System which are to become industry standards for pre-payment electricity meters.

Conlog has spent about R7,3m on research and development for meters, and another R4,7m was allocated this year. The company has an ISO 9001 quality management system listing.

Manester says Conlog has supplied sample meters to several other countries, but they have not been installed in any quantities, "so there is no problem with repairing any in other countries".

Conlog's pre-payment meter business accounts for the largest proportion of its revenue, along with instrumentation for industrial process control, and products which it makes for the automotive industry.

Ham says the BEC 2 meters have "a problem in the logic circuitry in the computer which controls the meter.

(55)

The problems are evident only under a particular set of conditions.

"For example, if users paid for a substantial amount of credit, and a certain amount had been used, then the meter could become vulnerable."

Fortunately, he says, the problem "happens to be a small window in a wide range of possiblities".

Testing was done by Eskom "over a fair period, which involved the SABS and external specialists. Although they did not simulate all possible combinations, it was found that over that narrow window of possibility, the meter was found to fail in favour of the consumer."

He said Eskom did not lose a significant amount because of the "unique conditions necessary for the fault to occur."

Ham said Conlog had accepted full liability for fixing the systems, and this project had already started.

"When one is developing technology like this, one can expect these sort of problems."

Eskom workers accept 10% pay increase

BDay

ERICA JANKOWITZ

WORKERS at Eskom have accepted a 10% wage increase offer effective from July 1 together with a R6m fund which unions said had been established to redress salary discrepancies based on previously discriminatory employment practices.

In a letter to the unions involved, Eskom said the fund would "address legitimate differences between salaried staff and monthly paid employees" contained in past remuneration practices.

These discrepancies would be identified by July 31 and the negotiating forum would agree on the "process and principles" to compensate workers.

(55)

A management proposal that "poor performers" should not receive the across-the-board settlement was withdrawn.

A NUM source said Eskom's final offer had been 8,5%, but this was increased to 10% on condition that the unions accepted the "full settlement offer". 15/7/93

The unions — ranging from Cosatu affiliates the NUM and National Union of Metal Workers of SA, to the Mineworkers' Union — agreed and the settlement was signed late last week.

The agreement contained additional increases, ranging from 3,5% to 1%, for workers at the lower end of salary scales to decrease differentials within grades.

Outstanding issues, such as proposed changes to work organisation and the conversion of the pension fund to a provident fund, have been referred to task groups for further discussion.

Eskom 'still cheapest power supplier'

B/Day

EDWARD WEST

A NATIONAL Utility Services electricity price survey showed SA had the largest percentage increase among the 15 countries surveyed this year, but was still the cheapest power supplier at an average 12,40c a kilowatt hour (kWh). 16/7/93

Services director Rob Gray said previous predictions that high average annual increases — like the 10,5% rise in this year's survey — would bring SA in line with some western countries were materialising even though SA had the lowest electricity charges. (9,58)

In the 1992 survey the difference between SA and the next cheapest country, Canada, was 2,77c. In the latest survey Sweden — only 0,33c more expensive than SA — occupied second place. The difference between SA and Canada was 2,66c. (55)

Johannesburg overtook Durban as the most expensive supplier of electricity at 13,36c/kWh on April 1 1993, a 13,32% increase over 11,79c/kWh sold in Johannesburg on April 1 1992.

Cape Town price increases of 11,47% also exceeded inflation.

Pretoria managed to contain its increase at 9,45% because a higher increase was rejected by the administrator. Eskom's price rose 8,07%.

Sasol ponders oil import duties

S Times (Buss) 18/7/93

By KEVIN DAVIE

SASOL has begun discussions with the Board of Trade and Tariffs (BTT) which could lead to import duties on crude oil.

The petrochemical company, accused by critics of receiving government subsidies through the equalisation fund, confirms that it has had deliberations with the BTT "which are ongoing".

BTT chairman Nick Swart says the discussions were informal and included all Sasol's operations.

If Sasol makes a formal application, the BTT will investigate and make a ruling.

(55)

Dr Swart confirms that at stake is a possible import duty on crude oil. He is unaware if other countries apply such duties.

An international trade expert says oil imports, as a raw material, are usually duty free. Three countries apply duties to crude, Austria (about 3% of import value), Costa Riça (1%) and Morocco (2,5%).

Oil, as a strategic product, is seldom negotiated in the General Agreement on Tariffs and Trade, says the expert.

Sasol has been protected by a formula, funded by the equalisation fund, which gives it a floor price equivalent of $23 a barrel for the 100 000 barrels of synthetic crude it produces at its Secunda plants daily.

Above $28 a barrel, a portion of additional income is paid back to fund by Sasol.

With Middle Eastern crude prices now at $14 a barrel, the equalisation fund, with a monthly income of R90-million, is paying R70-million in terms of the $23 a barrel formula.

Sasol spokesmen say this protection formula is no different to other import duties on SA's tariff book. They say protection is justified because the cost structure for synthetic fuels produced from indigenous materials is higher than conventional fuels.

It is believed that Sasol's intention — should it decide to go ahead with the application and should it be granted by the BTT — is for there to be no price change as far as the motorist is concerned.

A move to bring Sasol's protection in line with other SA industries would constitute some normalisation for the oil industry.

Although many observers argue that the tight regulation of the SA oil business is for Sasol's benefit, the fuel-from-coal producer is taking a more active line on deregulation than the rest of the industry.

Sasol managing director Paul Kruger supports phased deregulation. He suggests that regulation on minimum prices be phased out.

Sasol Oil's Willie Rossouw says in a letter to dealers: "In our view it will be in the industry's interest to plan a phased approach to deregulation instead of resisting it and attempting to preserve a system which has no long-term future.

"Deregulation of the petroleum industry in some countries has had many undesirable effects and we believe that a pro-active phased approach can eliminate most of the negative results."

Mr Rossouw says: 'We proposed to Minister George Bartlett that a plan to phase in deregulation be drawn up by a group representing all stakeholders.

"We have also indicated that the 'plan' should take cognizance of protection of jobs, avoidance of massive price swings at the pump and the strengthening of the position of service station operators vis-a-vis the oil companies."

In another move to normalise the industry, Central Energy Fund chairman Danie Vorster says SA oil companies can now import most of their requirements.

Oil imports have until recently mostly be done through the Government's Strategic Fuel Fund (SFF).

Mr Vorster says the change is in anticipation of the lfting of UN sanctions on crude oil and shipping.

"The proportion to be supplied by SFF will depend on the situation at the time and has not been finally decided."

Declining rand soaks up oil price benefits

BlDay 22/7/93

EDWARD WEST

THE effect of lower international oil prices on local fuel prices was being offset by the declining rand/dollar exchange rate, a National Energy Council (NEC) spokesman said yesterday.

International oil prices have fallen since March. Yesterday the forward Brent crude spot price was quoted at \$16,60 a barrel for September and \$16,76 for October compared with \$18,82 a barrel on March 1 for April and \$18,88 for May. (SS)

The NEC attributed declining oil prices to Iraq's possible readmittance to the oil market, Opec countries producing above quota and Kuwait's production facilities coming back on stream after being destroyed during the Gulf war.

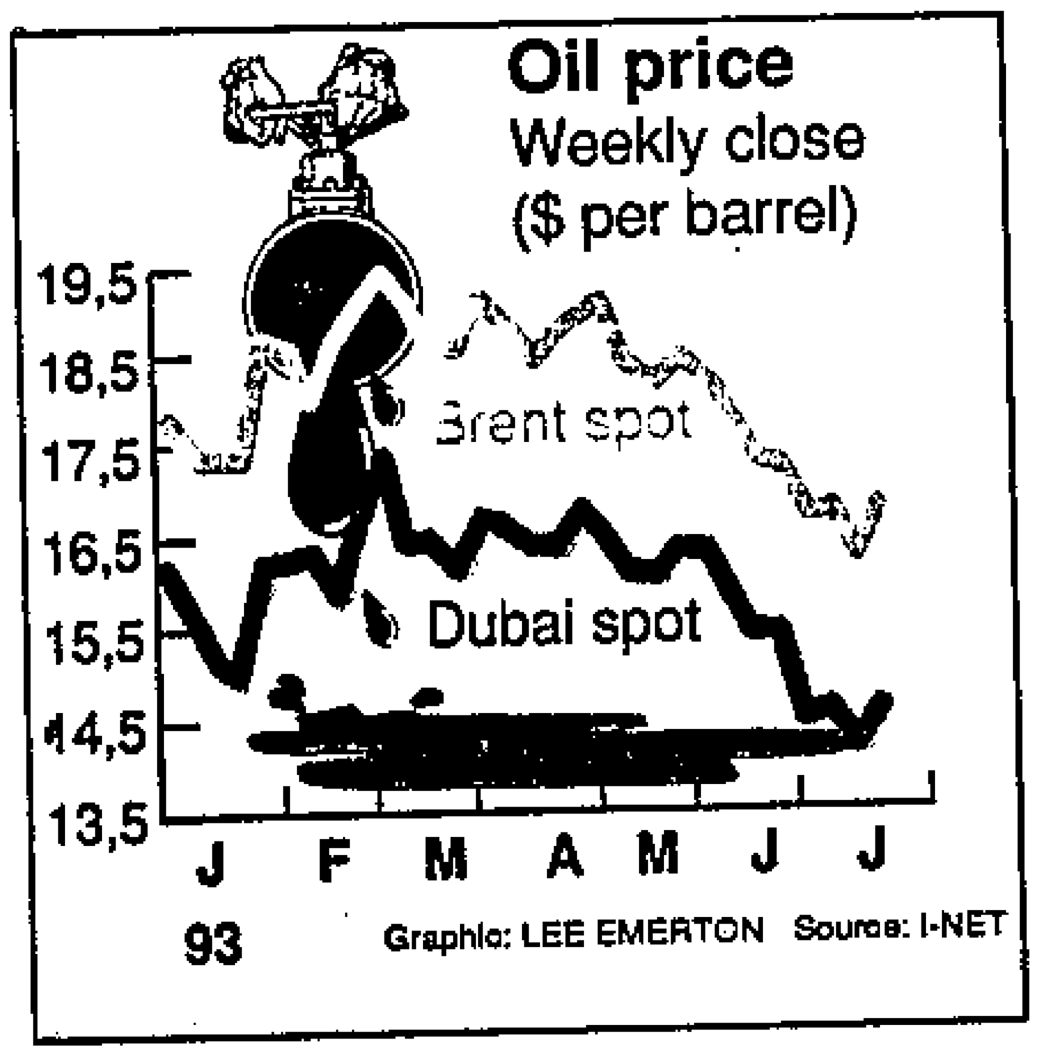
SA crude oil import prices were based on the prices of refined product postings at Bahrain and Singapore refineries.

The NEC said there were leads and lags between these postings and international oil price movements.

Furthermore, the declining value of the rand against the dollar was working against benefits accruing from lower international oil prices, the NEC said.

Sanlam economics spokesman Eric Coetzee said estimates in trade statistics showed SA bought less crude oil — at lower prices — in the first six months of 1993 compared with the same period in 1992.

Sanlam estimates showed SA imported 44,16-million litres of oil in the first six months of 1993 at an average price of



\$18,67 a barrel compared with 49,16-million litres bought in the first six months of 1992 at \$18,97 a barrel.

Mineral and Energy Affairs Minister George Bartlett recently warned of a fuel price increase due to the depletion of the fuel equalisation fund.

The NEC said yesterday lower international fuel prices, which eventually would reduce the local fuel underrecovery and strengthen the equalisation fund, had not yet offset currency depreciation.

SA motorists were estimated to have paid between 5,5c/*l* and 6,5c/*l* too little during June for petrol compared with 3,8c/*l* in April, 8,5c/*l* in March and between 6c/*l* and 10c/*l* over the previous six months. The last time petrol was sold above cost in SA was in March 1992.

Petrol price rise can be avoided, says Transnet

BDay 23/7/93

EDWARD WEST

TRANSNET yesterday disputed a National Energy Council statement that falling oil prices were still not enough to offset rising rand/dollar exchange rates and that a fuel price rise was imminent.

Transnet economist Mike Schussler said the rand value of international oil prices, based on spot Brent and Dubai crude oil prices, had dropped 10,3% from the last local fuel price increase.

This decline took into account the rand/-dollar exchange rate.

Schussler said the effect of lower oil prices — which had already resulted in lower fuel prices in many countries — on local fuel prices instead was being offset by higher tariff protection payments to the synfuels industry.

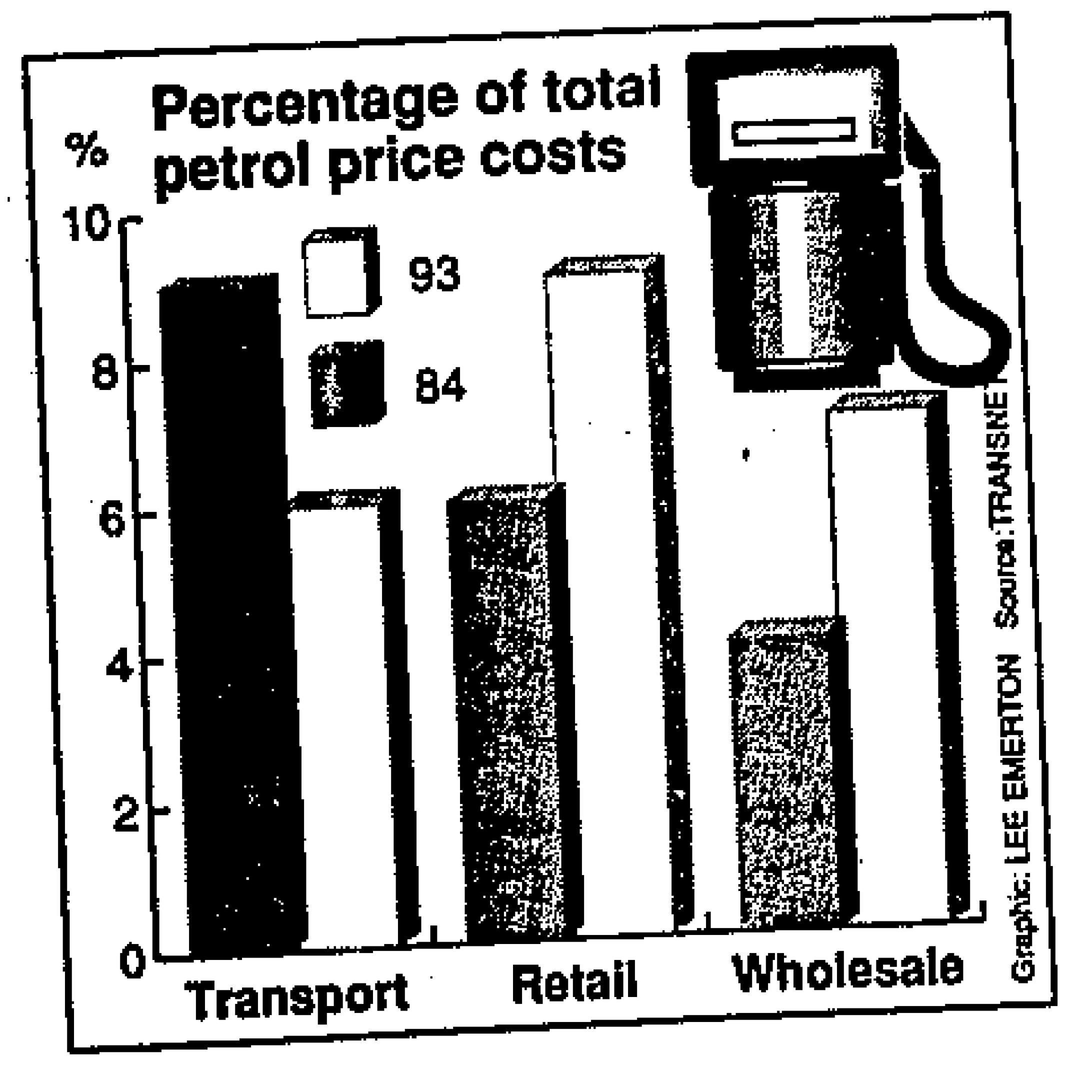
He questioned why the public had to pay for the profitability of Sasol when it recently was rated by the Fortune 500 publication as one of the most profitable companies in the world.

(55) (82)

The equalisation fund could continue paying underrecoveries, were it not for the tariff payments, thus eliminating the need for a further fuel price increase, he said.

Tariff protection was paid to Sasol based on a floor crude oil price of \$23 a barrel. If oil prices exceeded \$28 a barrel Sasol had to begin repaying protection it received to government.

A National Energy Council spokesman said the equalisation fund's monthly R90m income was being eaten up by R80m to fund underrecoveries, R70m for tariff protection for Sasol and R10m for the levy paid to oil refiners.



Tariff protection paid to Sasol was not high compared with industrial protection afforded to other industries such as the motor, textile and electronics industries. The difference was that Sasol's protection was being paid by the motorist while other industrial protection was being paid by taxpayers.

He pointed out that Sasol also attained its profitability as a chemical producer.

The in-bonded-landed-cost of fuel, which was based on refined fuel price postings from Singapore and Bahrain refineries, had not fallen to the same extent as the drop in international oil prices, the spokesman said.

The assumption that SA's fuel prices automatically moved with international oil prices was not correct, he said.

SA turns tables on US over nuclear policy

53 AEC 24/7/93

PETER FABRICIUS
Weekend Argus Bureau

WASHINGTON. — In an ironic reversal of roles, South Africa is refusing to sell nuclear material and technology to the United States until it gets assurances that the material will not be used to make nuclear weapons.

Atomic Energy Corporation (AEC) chief Dr Waldo Stumpf disclosed this yesterday after holding discussions with the US government and other interested parties about nuclear co-operation and possible sales.

He said South Africa had not yet concluded a nuclear co-operation agreement with the United States to replace the old one, which fell away in the 1970s under the Carter administration.

Dr Stumpf said the SA AEC was engaged in discussions with the US government to revive the agreement.

He said the AEC was not ready to sell the US the highly-enriched uranium (HEU) from its weapons programme.

It was not obliged to do so under the terms of the Non-Proliferation Treaty it had signed.

The HEU was being used in the Safari Research Reactor to produce valuable medical and industrial isotopes for commercial sale.

Dr Stumpf said the HEU itself had little commercial value because the world was flooded with it.

South Africa would get about R15 million for it, but the isotopes being made from it in the research reactor could be sold for R400 million to R500 million.

South Africa would be prepared to consider down-grading the HEU to reassure the world, but only if this could be done without reducing the commercial viability of the process.

Dr Stumpf said US companies were also "rather anxious" to acquire unique nuclear technology which South Africa had developed.

This was a one-step, effluent-free process of diluting (HEU) to lower enrichment levels.

South Africa also was withholding this. It was not clear if this was being done to develop a bargaining chip for a nuclear co-operation treaty with the US or because it had possible application to weapons production.

He said this in an interview and in a briefing at the South African Embassy to the nuclear community to answer questions about the Republic's dismantling of its nuclear weapons programme.

He expressed annoyance that doubts had been expressed in the US Congress whether South Africa had got rid of all nuclear weapons and said he had repeatedly asked critics to produce evidence — which they had not.

Dr Stumpf — who met US Assistant Secretary of State for Africa Mr Geroge Moose on Thursday — was asked whether the US government was not satisfied that SA had completely dismantled its nuclear weapons capability.

"From what I could gather, they are satisfied."

But, he added that was not the basis of his discussions with the US government, which were "constructive".

He said South Africa was ready to allow the US to conduct its own inspection of its nuclear facilities, but only if this was done in co-operation with the International Atomic Energy Association.

Dr Stumpf said he was also going to visit Canada to seek nuclear co-operation and business.

Users foot the bill for R1,2bn oil 'windfall'

S/Times (Buss) 25/7/93

By KEVIN DAVIE

FUEL users are paying R1,2-billion a year for the 143% wholesale margin increase the Government granted the oil industry in 14 months during 1991-92.

The extent of the increase was secret in terms of the Petroleum Products Act, but has now been disclosed because of the Government's more relaxed policy on fuel information.

Mineral and Energy Affairs says every cent in the petrol price translates into about R150-million in annual revenue.

This means that the wholesale margin increase from 5,5c a litre in April 1991 (R825-million a year) to 13,5c in June 1992 (R2,025-billion) brings in an additional R1,2-billion revenue in 12 months for the oil industry.

Furore

The Government's disclosure of the extent of the wholesale margin increase comes amid a furore over plans to lift fuel prices even more.

The Automobile Association's Robin Scholtz says: "The extent of the financial windfall as a result of the wholesale margin increase does not support the proposed fuel price increase.

"Deregulation would ensure the lowest possible pump prices, rescuing the poor economy."

But an oil industry source disputes claims that it makes windfall profits. He says independent analysis of results shows an average taxed return of 6% between 1988 and 1992 — "well below the JSE average".

The Government says fuel fetched R23-billion at the wholesale level in 1992. A further R2,25-billion was added by retailers.

The oil industry, says a Gatt study, is SA's largest manufacturing industry with sales (including petrochemicals) of R34-billion in 1991 (11% of gross domestic product).

The 143% increase in wholesale margin was granted amid continuing recession in SA and many parts of the world. Industry margins worldwide have been hit by low demand.

The disclosure that every cent in the petrol price makes up R150-million also allows quantification of the claimed benefit the industry derives from the in-bond landed cost (IBLC), the controversial pricing system the Government uses to determine basic fuel prices.

As noted in a World Bank paper, critics say the IBLC, which uses Singapore as the main source for SA prices, increases the actual landed cost by about 10%, providing windfall profits for Sasol and oil refineries.

The IBLC, including under-recoveries, averaged 60c/l in the first six months of 1993. The 10% increase — 6c/l — will boost industry revenue by R900-million this year, according to this analysis.

Before April 1991, the industry operated on a formula designed to provide an average 15% pre-tax return on assets used in refining and marketing fuel.

But in the face of huge expenditure to de-mothball and expand refinery capacity, it was agreed that only marketing would be subject to the average formula.

SA refining margins remain linked to Singapore's. Although economic conditions in SA have been depressed, Singapore, centrally situated in the world's fastest-growing economic region, has recorded the highest global margins for many years, says a London analyst.

True

A BP South Africa spokesman says the wholesale margin on controlled products was unaltered between 1959 and 1984.

"Deregulation of the refining industry (in June 1991) encouraged market-related investment in this sector — as indicated by the R2-billion invested in phase one refining expansion."

BP says margins are in a catch-up phase required to ensure adequate investment in marketing assets.

"The R1,2-billion is before tax and relates to 1993 over 1990 income and should therefore be seen in the context of the 1990, 1991 and 1992 pre-tax returns of -1,6%, 3,4% and about 10% respectively.

"This yields an average return before tax of approximately 1c/l to 2c/l, which reflects the high-volume low-margin nature of this business.

"The 1991 margin increases in April and October resulted in an increase in 1991 income over 1990 of about R300-million for the entire SA oil industry. This additional income is included in the 1991 return on marketing assets of 3,4% before tax and interest on an asset base of about R5-billion, well below the 15% marker rate.

"Oil industry costs of R1,7-billion in the same year were 10,4% above 1990, well below the prevailing inflation rate."

BP says the return on marketing assets before tax and interest for 1992 should be about 10%, below the average JSE return on assets before tax and interest for 1992 of 14%.

BP denies the claim that the IBLC mechanism hikes the true landed cost by about 10%: "Such a hike would result in SA prices, before tax, being significantly above those of the international community when in fact they are fully competitive."

The AA says "the present calculation of the IBLC remains a matter of concern and requires urgent attention, despite the Minister's statement that it would not be changed".

● **Business Times estimated in July last year that the 143% margin increase would cost motorists an additional R1,4-billion over 12 months.**

Mineral and Energy Affairs declined to disclose the figure, but said the amount was "well below" the number quoted by Business Times.

SA to keep uranium stockpile

From SIMON BARBER

WASHINGTON. — South Africa intended to keep its stockpile of highly enriched uranium (HEU) to produce industrial and medical isotopes using the Safari research reactor, Atomic Energy Corporation chief executive Dr Waldo Stumpf said here at the weekend.

He delivered his message to a meeting of US officials and nuclear experts as the US administration prepared to unveil a beefed-up non-proliferation policy.

He said the AEC believed it could use its HEU to generate revenues of up to R500 million over the next decade from iridium and molybdenum isotopes and related commercial products.

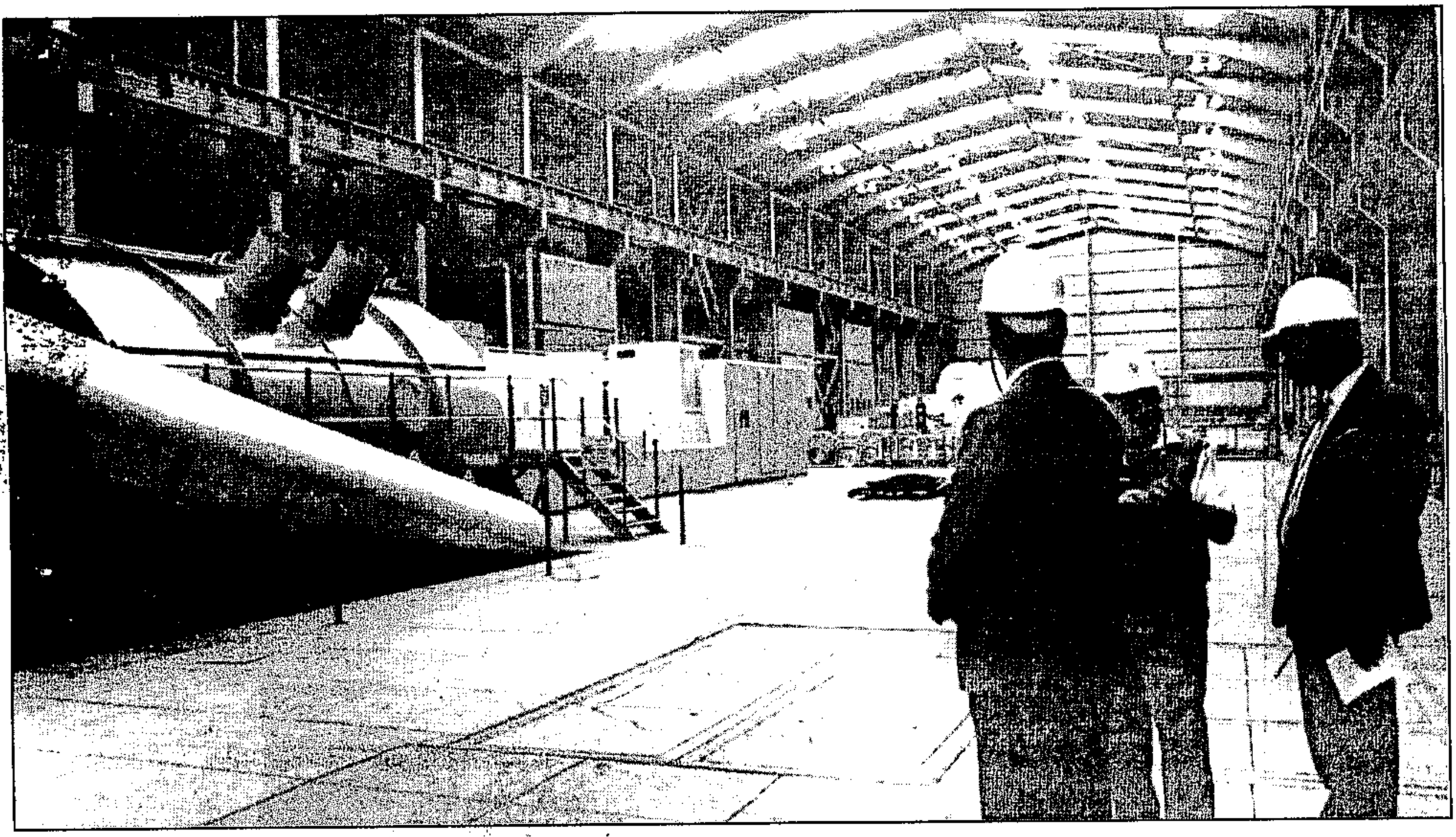
It would not receive more than R15m if it sold its stockpile to the US.

(SS) CT 26/7/93

South Africa had recently patented an efficient process for downgrading HEU for use in power reactors.

Several US companies had expressed interest in the technology from South Africa, Dr Stumpf said.

In any event, South Africa was completely within its rights to keep its HEU. "It's our fuel. We're allowed to have it," Dr Stumpf emphasised, adding that it was all under International Atomic Energy Agency safeguards. He declined to state publicly how much of the material South Africa possessed.



Supplying electricity to the people ... the Lothoba power station turbine hall.

Electricity in harmony

Sowetan 29/7/93

■ MOVES RECOGNISED Eskom receives Black Management forum award:

By Mzimkulu Malunga

55

WHILE OTHER companies are chasing after numbers to meet their affirmative action programmes, Eskom highlights its staff social harmonisation programmes as the key to transforming its corporate culture.

How a company moved from a very conservative background and pushed its way through to receive attention from organisations such as the Black Management Forum, remains a mystery to many people.

In 1991 Eskom won a BMF award for its black advancement programmes and received a mention for its ongoing affirmative action approach last year.

Ranked among the top five companies with its social harmonisation programmes, officials of the company highlight three factors that form part of their advancement strategy. In addition to programmes aimed at managing diversity, Eskom has adopted an anti-racism policy and gender equity technique.

A nonracial corporate culture in an institution that was once held up as an "apartheid structure" will not be easy. It will require a lot of commitment and pain.

The management of the company is convinced the interest of various populations groups who comprise the "Eskom family" can be used as the cardinal point for the birth of a nonracial culture in the company.

It all started in 1986 when it was then fashionable for companies to call themselves "equal opportunity companies". Eskom also jumped on to the bandwagon.

But it soon became clear to those at the top that being an EOC did not make an enterprise dynamic enough to respond to external changes. Hence, the company began fishing for talent that would propel Eskom into the future.

It was not until the last five years that Eskom's advancement programmes started rolling. The engine picked up speed in the last two years when even the corporate image changed.

Eskom is beginning to reap the fruits of this strategy as more civic organisations in townships on the Reef demand that the company take over the electricity supply from discredited local authorities.

"People were unhappy with the service being provided by their local authorities which were seen as illegitimate," says the chief executive and the man believed to behind the transformation of Eskom, Mr Ian McRae. Last year the company hit the headlines when it started to consult with major trade unions on the whole question of participative management.

These efforts culminated in union, civic and consumer representatives being appointed to Eskom's electricity council.

Eskom has taken direct control of electricity in Soweto, Alexandra and Vosloorus.

Eskom has also initiated an electricity voucher system in the East Rand township of Ivory park.

Here the residents use a card system through which they purchase electricity from the local circuit. Once the amount of power in the card has been used up, a consumer has to buy more.

(55) CT 29/7/93

New diesel fuel 'too clean'

Own Correspondent

EAST LONDON. — Mossgas diesel fuel is so sulphur-clean it is causing the seals of certain older tractor and bakkie engines to shrink, resulting in leaks. In some cases the company has compensated farmers for engine damage.

To try to solve the problem the company will mix 30% crude oil with the refined Mossgas fuel.

Mossgas spokesman Mr Harry Hill said that because the synthetic fuel burnt more "cleanly" it burnt out seals and clamps and caused leaks.

Mossgas public relations officer Ms Denise Gee said this was because it was a sulphur-free product and did not allow the seals to swell as much as other products.

"Tests have shown that seals that work well with normal diesel contract when Mossgas fuel is used," Mr Hill said.

FUEL PRICES

fm 30/7/93

Boon but not a bonanza

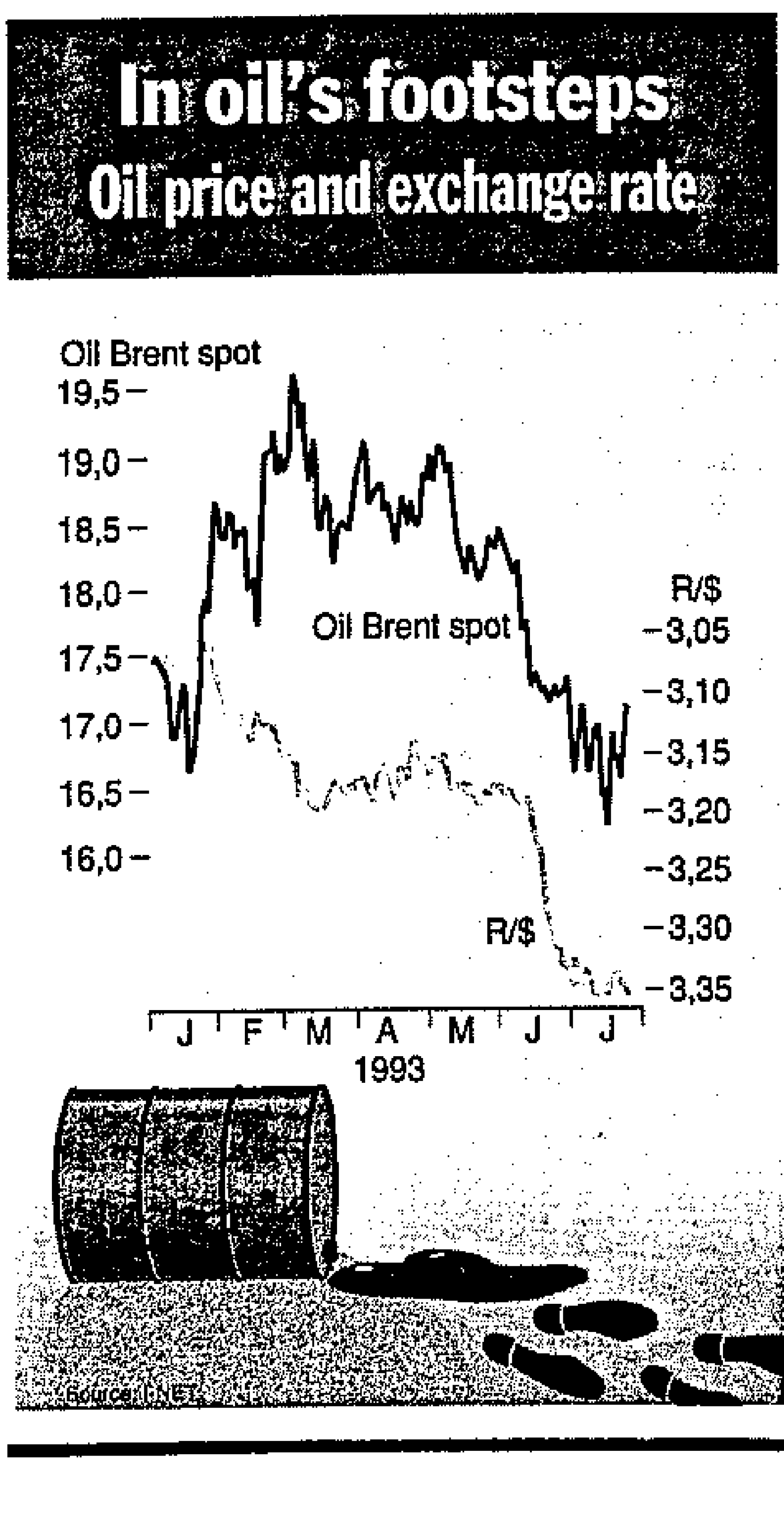
The benefits to SA of falling international oil prices have been diluted by a weaker rand (see graph). But at least a large prospective rise in the pump prices of petrol and diesel has been converted into a modest one.

SA spends about R5,5bn a year on imported crude oil — about 10% of the import bill and around 60% of the required 400 000 barrels per day of refined liquid fuel. The rest is met by the synthetic contribution of Sasol's Secunda plant (31%) and Mossgas (around 9%). (55)

There has long been a glut of crude oil on international markets — an enduring response to Opec's past pricing excesses. This is despite declines in the output of two of the biggest producers — the US and Russia — and UN sanctions against Iraqi oil after the invasion of Kuwait.

The recent dip in prices was triggered by expectations that Iraq might once again be allowed into world markets — on a limited, compassionate basis to enable it to finance imports of food and medical supplies. This caused a sharp disagreement between leading Opec members Saudi Arabia and Iran over the painful question of which should make the major sacrifice to accommodate Iraqi oil in the cartel's shaky quota structure.

Early in the week, a slight shift in expectations about Iraq's re-entry to the market caused a spurt in prices. Brent light crude for September delivery rose about US$1 a barrel to $17. But the threat of an Iraqi re-entry and fears that some Opec members — like Kuwait, which is disregarding its 1,7m/bpd limit in its push to a target of 2m barrels — will increase output are almost certain to cap any meaningful rise in price.



But an industry source argues the price of the benchmark Brent crude is unlikely to fall below $15. He says that in the past, when the price fell to this level, Opec's leading members have stopped jostling for relative output and cut production to defend the price.

As crude oil is invoiced internationally in dollars, the other important influence on the gold price is the value of the rand. UAL economist Dennis Dykes forecasts an exchange rate at $/R3,39 by the end of the year and $/R3,56 in 12 months' time. This assumes:

□ The gold price at that point will stand at $406/oz; and

□ Net capital outflow could be about R5,2bn in 1993 (of which R3,7bn had already taken place in the first quarter) and R3bn in 1994 — as IMF and World Bank money offset gross outflows.

The effect of the rand can be seen in petrol prices in the first half of the year.

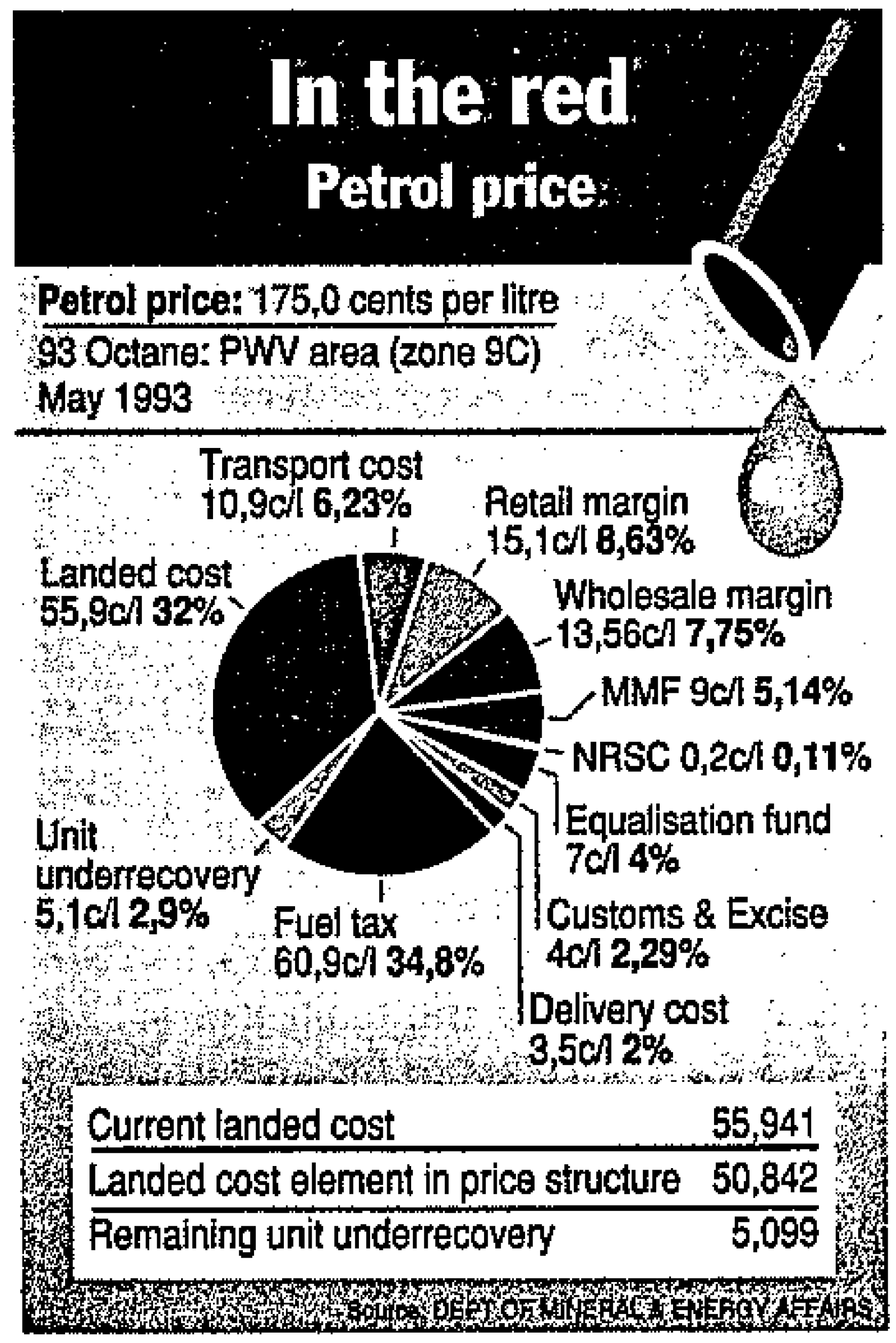
Mineral & Energy Affairs Department CE Lourens van den Berg says that due to the weaker rand, the landed cost of the reference grade 93 octane petrol rose from 50,481c/l for December 1992 to 56,616c/l for June 1993.

At the beginning of April, the retail price was increased from 159c/l to 175c/l. Of the 16c/l, 6,3c/l was reserved for a reduction in the under-recovery on the slate. Despite this, the under-recovery on the slate (used to regularise and adjust retail prices) rose slightly, from 5,739c/l for December to 6,074c/l for June 1993.

On July 23, the unit under-recovery was still 3,158c/l, despite the increase. This implies the need for a further increase in the pump price unless the rand improves against the dollar or oil falls substantially. The current shortfall on the slate is based on an exchange rate of $/R3,3515 and current posted prices of refined products — as computed under the in-bond landed cost mechanism.

Government has at last recognised the need to debate oil policy afresh. It is convening a forum to discuss government involvement in the oil industry, to which all interested parties are invited to send representatives.

Another issue being addressed with government is Sasol's proposal to change the mechanism — which it seems will soon be extended to Mossgas — for tariff protection. The protection required by Sasol's synfuel is provided through a partial rebate of the equalisation fund levy. But, as protection for local synfuels production is a matter of general economic policy, it will not form part of the agenda of the new forum.



Sasol has already proposed that the complex system be replaced by a conventional tariff on imported crude oil because the present method of protection is easily confused with a subsidy. This could lead to countervailing duties being imposed on Sasol's exports to important overseas markets. However, the proposed changes would neither affect Sasol's profits nor the price of petrol.

Appearances are only part of the problem — the uneconomic nature of synfuel production was demonstrated afresh when Engen recently declined to take up its option to acquire more equity in Mossgas.

It's time to scrap the entire protectionist and over-regulated structure, with its administered profit margins at wholesale and retail levels, and its complex pricing formula.

Debate over the issue has been paralysed by government's need to protect the sources of SA's crude oil imports. If Opec heeds an expected call from the ANC to rescind all sanctions, the perceived need for secrecy will fall away.

The system could then be tested against sound free market principles. Even though the present government has moved intellectually away from protectionism, there will soon be a new generation of politicians to be shown its folly. ■

Mossgas diesel leaks

55

Shadley Nash in Port Elizabeth

WM 30/7–5/8/93

MOSSGAS diesel caused fuel leaks in some bakkie and tractor engines, the company hs acknowledged. The company has paid compensation to some affected farmers and the diesel is now being blended with 30 percent crude oil diesel to prevent the problem, it said.

It also confirmed that the fule provides less power than other diesel under some conditions.

The controversial Mossgas project put its firt diesel on the market at the beginning of the year. The diesel was marketed in the southern Cape under existing brand names.

But farmers and other owners of diesel-powered engines soon begn experiencing leaks in the fuel pumps of soe makes of tractors and bakkies.

One farmer, John Robertson of the farm Rooiheuwel in the Mossel bay area, said all his diesel equipment began leaking overnight.

A tractor dealer in Oudtshoorn and a diesel engineering firm in George have also confirmed that fuel leaks were picked up on certain makes of tractors and bakkies after Mossgas diesel hit the streets in February.

Mossgas spokesman Harry Hill said its diesel burned more cleanly than other fuel, and this caused seals to contract and leak. "Tests have shown that seals swollen by conventional diesel wear to a snug fit, but contract with Mossgas diesel and then leak," Hill said. — Pen

Lid lifted on soaring sales of petrol in SA

S/Times (Buss) 1/8/93

By KEVIN DAVIE

PETROL sale figures — released by the Government for the first time since sanctions took effect in the 1970s — show rocketing growth.

"Gasoline (petrol) has been on an apparently unstoppable uptrend for over a decade," says London-based Petroleum Intelligence Weekly (PIW).

"This has been driven by urbanisation, the growing economic clout of the black community and the consequent extension of the car population."

PIW says the numbers justify the $1,2-billion expansions and upgrades planned by SA refiners through the mid-1990s.

"At times during the 1980s annual gasoline demand growth topped 10%. But provisional indications for 1993 suggest the expansion rate may be slowing to 3%.

Drought

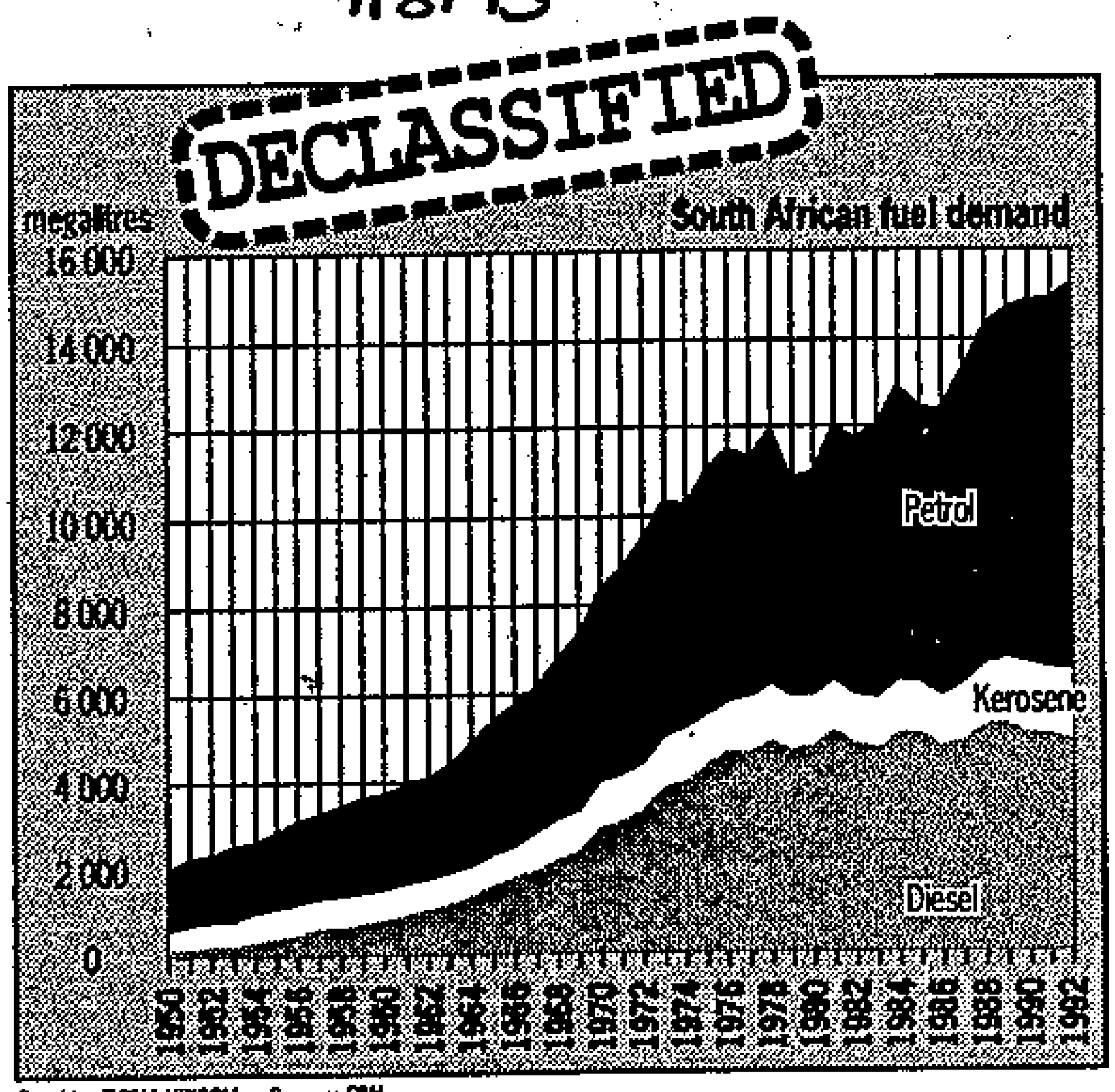
"Meanwhile, diesel demand is suddenly growing by some 6%, as agricultural use recovers following this year's end to the most severe drought in 100 years."

Petrol use has risen by 4,52% a year since 1980, real gross doemstic product by only 1,02%. However, petrol sales have slowed from 8 029 megalitres in 1989 when the recession began to 8 761 megalitres in 1992 (a megalitre is a million litres).

"Petrol sales have been consumption driven," says Econometrix's Tony Twine, an expert on energy economics.

He says the black minibus boom explains the rapid growth in petrol sales in the 1980s.

Although new-vehicle sales fell from 404 758 in 1980



Graphic: RONA KRISCH Source: PIW

to 283 915 last year, Mr Twine says the size of the "park" has been growing by 3,5% a year.

In 1991 the vehicle park was slightly more than 5-million.

Mr Twine says the park is getting older, suggesting "it burns fuel more inefficiently. Vehicles are also being used harder."

Diesel sales, reflecting industrial and agricultural demand, have grown by less than real GDP (1,02%) at 0,02% a year since 1980.

"Diesel has been production driven," says Mr Twine. The imbalance between petrol and diesel demand has led to an excess of diesel. The reason is that refiners have to produce a certain amount of diesel from every barrel of crude.

Sasol 2 and 3 help to reduce the imbalance because these plants produce proportionately less diesel. SA exports large quantities of diesel to redress the imbalance.

Mr Twine says studies show that petrol is relatively price insensitive. A 10% increase in price will lead to a drop in volume of only 2% to 3%.

Petrol sales growth (4,5% a year since 1980) has outperformed real private consumption expenditure, which has risen by 2,1% a year.

Mr Twine expects the growth of the past 12 years to continue once the economy moves out of low or negative growth.

Kerosene

Total fuel consumption (including kerosene and jet fuel) last year was 15 000 megalitres.

PIW says: "Jet kerosene is making spectacular progress, 10,2% growth last year and a provisional 14% so far this year."

Government's figures show that fuel use in 1950 was only 1 628 megalitres. This increased to 3 143, 7 771 and 9 830 megalitres in 1960, 1970 and 1980 respectively.

Absa urged to bare all in row about charges

S/Times (Buss)

1/8/93

(58)

ABSA has been challenged to allow its books to be inspected to determine whether it charges too much interest.

By TERRY BETTY

Interest Computation Experts (ICE) managing director Polla Whelpton alleges Absa owes customers about R1-billion in overcharged interest. Absa says the amount is closer to R5-million.

Absa commercial bank executive director Nallie Bosman accuses independent consultants of aggressively marketing their services and taking up to 20% of repayments to bank customers.

Volkskas has been inundated with unfounded claims, he says.

ICE and Wespro, which act as interest calculation detectives, dare Absa to allow their representatives to investigate any 100 accounts in any branch of TrustBank and Volkskas.

ICE and Wespro say a member of the Department of Trade and Industry (directorate: Usury Act) should accompany them. Findings must be published.

They say Absa should not take legal action against customers until the investigations are complete.

They say: "If Absa is right that the overcharging amounts to only R5-million, then we should pick up only a tiny discrepancy in the 200 accounts."

"However, we know this is wrong because we have investigated only 3% of Absa client accounts. Some have been settled."

Other customers are taking legal action against Absa for more than R20-million.

Mr Bosman says that bacause of banking confidentiality, its files are not open to outsiders.

Volkskas and TrustBank customers should tell branch managers about interest-related problems.

Absa says a 24-hour help line is available for advice on issues not resolved at branch level.

Normal

Mr Bosman says Absa will continue to take legal action associated with defaulting customers.

Mr Whelpton says all banks are guilty of overcharging. He claims Volkskas and TrustBank are the worst offenders in the Absa stable.

The claims, some totalling several hundred thousand rands each, involve businesses, doctors and farmers, "basically anybody with a large overdraft".

Mr Bosman says most claims involving Absa are against Volkskas.

"Claims arise from interest charged on overdrafts before April 1992. They are the result of differences between the branch manager's and the client's interpretation of the interest rate charged in the normal course of events."

Volkskas decided to charge customers R1 000 before investigating any claim involving a consultant.

This rule was revoked on Friday. Mr Bosman says branches will conduct a free audit on bona fide inquiries about overdraft accounts.

KPMG Aiken & Peat's services will be available at R250 a year for customers seeking an independent audit.

Mr Whelpton says the problems mostly occurred from 1980 to 1989. Since then banks have printed interest rates on customers' statements.

Mr Whelpton says that from 1980 to 1989 banks increased the interest rate on overdrafts without notice.

"Sometimes they charged 20% above prime. They also levied penalties for exceeding the overdraft limit and commitment fees for under-using the facility."

Mr Whelpton says the relation between a bank and a customer is a contract.

"It is only possible to charge interest and fees as contractually agreed. Any change to the contract has to have the consent of the other party."

Absa was granted judgment against 20 customers, but they had the judgments overturned.

Mr Whelpton says: "If Absa admits it has mistakenly overcharged clients, it should withdraw legal actions until the situation has been resolved."

POLLA WHELPTON: R1-billion claim Picture: JON HRUSA

ADVERT

ESKOM IS HERE — BUT HOW DID IT ALL BEGIN?

ESKOM
18-11/8/93
MAKING YOUR LIFE A LITTLE EASIER.
South 55

Eskom's arrival in Khayelitsha is indeed an important occasion. How did Eskom come to take over the electricity supply rights in Khayelitsha? Let us look at some of the milestones.

No Licence
In 1988 the community leaders of Khayelitsha approached Eskom with the request that Eskom undertake the electrification of the core houses. Eskom could not carry this task out as it did not hold the licence to supply electricity to the township.

Eskom did, however, become involved in a limited way as a facilitator — assisting the negotiation process between the Lingelethu West Town Council, the Cape Provincial Administration and the community leaders.

Development Bank
In 1992 attempts by the Lingelethu West Town Council to obtain the money needed to electrify the core houses resulted in the Development Bank of Southern Africa requesting an investigation into the viability of such an electrification project. Studies by the consultants showed that the electrification of the core houses would not be financially viable for the Lingelethu West Town Council. The report of the consultants proposed that consideration be given to Eskom becoming the supply authority for electricity in Khayelitsha.

Licence awarded to Eskom
With the full support of the Lingelethu West Town Council, the Cape Provincial Administration and the community leaders Eskom submitted an application to the Electricity Control Board to take over the supply rights in Khayelitsha. At its meeting on 17 March 1993 the Electricity Control Board approved that the licence to distribute electricity in Khayelitsha be awarded to Eskom.

Community involvement
In Eskom's news release announcing the decision of the Electricity Control Board, Mr Ronnie Kingwill, General Manager of Eskom's Distributor - Cape Town, said: "This take-over prepares the way for Eskom to electrify an estimated 50 000 households with the support and involvement of the community."
Following on this Eskom has held many discussions with the community leaders and will continue to do so. There has been close cooperation in regard to technical specifications, involvement of the community during construction and the marketing of electricity.

Informal dwellings at Philippi East have been fitted with token operated meters and with ready boards which replace expensive distribution boards and house wiring.

"On behalf of Eskom I extend a warm word of welcome to our newest customers in the Cape — the people of Khayelitsha. Electricity can make your life a little easier. Let us work together to get electricity to each home in Khayelitsha in as short a time as possible"

Ronnie Kingwill
GENERAL MANAGER — CAPE TOWN DISTRIBUTOR

ELECTRICITY — THE POWER TO CHANGE YOUR LIFE

IN 1992 Eskom's electrification initiatives have brought electricity into the homes and small businesses of almost a million people for the first time.

To bring electricity to an area a lot of expensive equipment must be bought and installed. Eskom, which is run as a business, must look at the viability of this investment. Some of the most important reasons for Eskom deciding to come to Khayelitsha are:
- A big demand from the community for electricity;
- To improve the quality of life of the people;
- To stimulate job creation during the construction phase through a labour-based contract system;
- To generate economic growth regionally and nationally;
- Capacity building

Partnership
This project involves a financial risk in that the customer has to pay and Eskom has to invest. All consultations between Eskom and community leaders are based on this basic business principle and other social and political considerations. The bottom line is that Eskom, as a business, sets up a network and provides a service that needs to be jealously protected with pride by both the involved parties — the supplier and the customer. This is the reason for Eskom consulting with the leaders of the community at all levels.

Appeal to community
Eskom wants to appeal to the people of Khayelitsha: "We live in a highly volatile political situation, which neither Eskom nor your community created. Central to this is the provision of a quality electricity supply. Eskom protects it as a business investment. The community has to protect it as a link to an improved quality of life. You, as a community, must please help us protect our employees and property. This will speed up the work of bringing electricity to those who cannot yet enjoy its many benefits and ensure a reliable electricity supply for those who already have it in their homes."

FIRST SWITCH-ON IN AUGUST

THE first connections will be made during August 1993 in the core houses. Ten local contractors will be at work in six areas. These contractors were identified by Eskom from within the Khayelitsha community and then provided with the necessary training. They will carry out all the steps in the electrification process from digging trenches and installing cables and meters to making the connection. If everything goes according to plan this part of the project should be completed by March 1994.

Informal houses
The first informal dwelling will be connected to the electricity network in January 1994. During the remainder of 1994 Eskom plans to connect 20 000 dwellings. Eskom has commenced discussions about this process with the community leaders.

Designs
All designs will be based on the following principles:
- Labour intensive;
- Labour-based;
- Small business involvement;
- High quality of supply.

ELECTRICITY MAKES YOUR LIFE EASIER

WITH electricity, you don't have to waste time searching for wood, chopping trees or carrying heavy, expensive fuels home. Because electricity comes to you. And it's there at the flick of a switch.

Electrical appliances make housework a lot less like hard work. And they get the job done so much faster — giving you more time to do other things.

Further, many electrical appliances actually save you money. Take a fridge for instance. It allows you to buy food in bulk at the best prices and keep it fresh. You can keep leftovers from going to waste. And since you don't have to go shopping so often, it saves you time and trouble as well as transportation costs.

But that's not all. Appliances like sewing machines and power tools also allow you to save more money by doing things yourself. And they give you the chance to make money in your spare time and even start a small business of your own at home.

Future of Mossgas in the balance

BlDay 3/8/93

ADRIAN HADLAND

PRETORIA — The viability of Mossgas, which has cost more than R11bn so far, has been questioned by Auditor-General Henri Kluever. (55)

In a special report published yesterday Kluever said his findings could "bring into question whether the Mossgas project should continue".

Government had asked the auditor-general to conduct an independent investigation into the project after costs spiralled from an initial estimate of R5,5bn in 1987 to R9bn by 1990.

The report, which will be debated by the Parliamentary joint committee on public accounts this week, said it was unlikely that there would by any real return on the initial capital outlay of R11bn.

If this amount was disregarded, key variables were helpful and plans to exploit the smaller EM field were abandoned, it was possible the project could produce a cash surplus of R1,4bn by end-2004.

This would depend on a number of unpredictable factors, including the oil price, the performance of the rand, the level of actual reserves, continued regulation of the oil industry and the extent of tariff protection afforded the project.

The report noted, however, that the estimates of gas reserves had been significantly downgraded from 25 years, as claimed by Mossgas last November, to 16 years.

This was partly due to the unexpectedly efficient means of recovery enjoyed by the project in its first year of operation.

But in a memorandum appended to the report it stated that a new preliminary appraisal of the reserves by Mossgas had found the level to be closer to 14 and a half years. The loss of the EM field would further reduce the project's life expectancy to 10 and a half years.

The report said in a "best estimate" scenario it was unlikely Mossgas would be able to fully service and repay the Central Energy Fund's (CEF) R2bn foreign commercial commitments on the project but it appeared CEF would have adequate resources to meet the commitments.

The report noted the project had many positive spin-offs for the SA economy. These included forex savings of about R9,6bn, the creation and maintenance of 11 500 jobs, income creation of R6,4bn and a boost to GDP in excess of R14bn.

Kluever strongly advised thorough reevaluations of Mossgas before government incurring any further capital expenditure — apart from the R500m already budgeted for gas well completions and operating costs — or if cash flows exceeded current calculations; or the production profile was lower than projected; or if Mossgas did not receive import parity revenue; or if key variables were adversely affected.

"It is considered that Mossgas should continue but with independent monitoring by government of the trends and adjusted forecasts," it concluded.

Mossgas viability called in question

55

CT 3/8/93

Own Correspondent

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Closure looms for financially stricken Mossgas undertaking

Star 3/8/93

By Derek Tommey

Mossgas, the oil-from-gas project at Mossel Bay, is a financial disaster. (55) (183)

It might have to be closed if its financial situation deteriorates and the Government is unwilling to support it.

This emerges from an investigation commissioned by the Auditor-General into the economic viability of the R11 billion gift from former President PW Botha to the Southern Cape.

The report says that in view of the inherent uncertainty affecting the operations, it should continue, but with independent monitoring by the Government.

Re-evaluations should be undertaken by Mossgas and reviewed by the Government before incurring capital expenditure, or should production be less than expected, or should key variables change adversely.

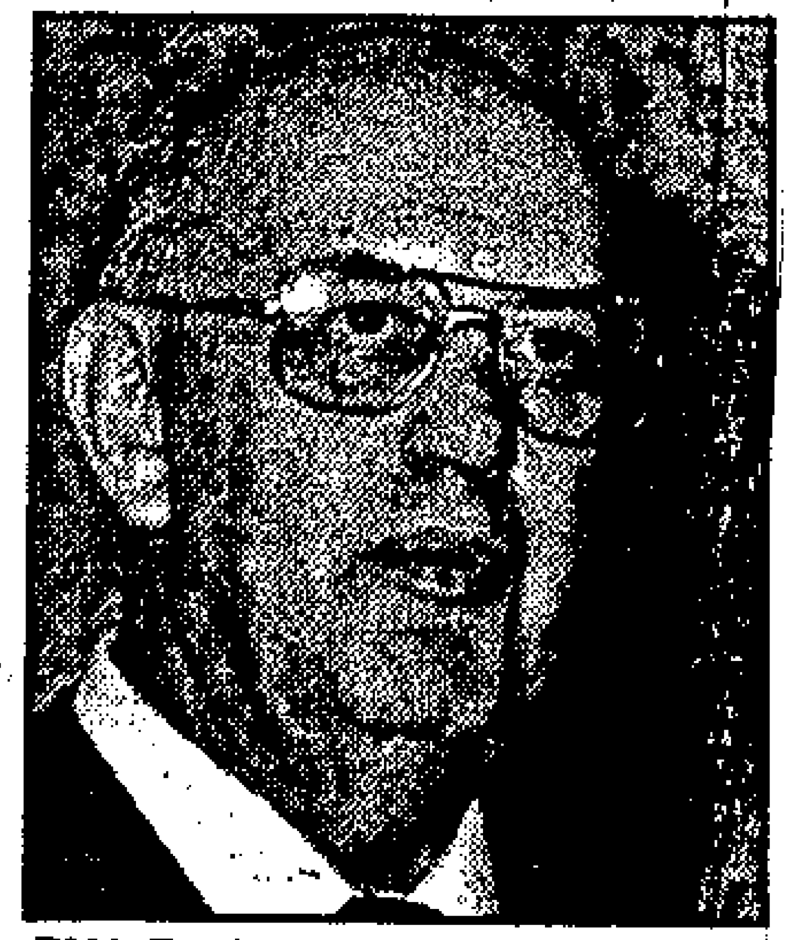
To allow for timeous decision-making, the costs of closing or mothballing Mossgas should be calculated in advance.

The report's findings show:

- It is barely able to cover its running costs and is vulnerable to any changes in its key variables;
- It will have great difficulty servicing and repaying its foreign loans; the result is that this burden will fall on the CEF (the new name for the Central Energy Fund) and will cost motorists about 7c a litre on all petrol bought during the life of Mossgas;
- The project has a life at best of only about 14½ years, against the initial forecast of 25 years;
- Based on the "best estimate scenario", Mossgas will save SA only about R9,6 billion in foreign exchange.

This evaluation of Mossgas's financial situation was conducted by management consultants Deloitte & Touche (D&T).

D&T say that using its "best estimate scenario", Mossgas is expected to be cash positive from 1994 until further capital expenditure is required in about the year 2000.



PW Botha . . . his gift to the Southern Cape

But it says the viability of Mossgas is particularly sensitive to even a 5 percent change in revenue.

This could be caused by changes in import parity-based pricing arrangements with oil companies or by changes in crude oil prices, exchange rates or production.

D&T has prepared two other scenarios. One assumes all key variables are simultaneously positive. The other assumes they are all negative.

In the upper-case scenario Mossgas is economically viable if there is total debt disregard. In this scenario, it would be able to service and repay via the CEF the R2 billion in foreign and commercial loans, but not able fully to service or repay the remaining soft loans.

In the lower-case scenario, Mossgas is not economically viable at any level of debt and would cost the Government another R2,4 billion if it were to continue to support the company.

This assumes that Mossgas does not go ahead with the proposed EM production platform and stops operating in 2004.

Eskom electrification plans outlined

BDay 4/8/93

THEO RAWANA

A FUTURE SA government would be faced with nearly 3,8-million unelectrified dwellings and Eskom planned to have nearly 1-million electrified by 1998 at a cost of R2,83bn, a housing conference was told yesterday.

(350)

Eskom research consultant Izak van Gass told the Afribuild housing conference at Nasrec, Crown Mines, that the utility did not have supply rights to all these dwellings and massive electrification would be possible only with government support.

Van Gass said the time was long overdue for housing stakeholders to join forces to meet the development needs of SA.

He said electricity should be an important part of an integrated approach to service provision in any urbanisation policy because access to electricity could be a key factor to economic and technological development.

(56)

Electricity was the cleanest form of energy in terms of pollution and had an important role in educational upliftment.

A post-electrification study in two of the poorest areas in SA had shown that people spent between 32% and 41% less on energy after electrification than they had on an alternative energy source.

Eskom to set normal tariff in Soweto

The Argus Correspondent

55 ARG 5/8/93

JOHANNESBURG. — Eskom is set to charge Greater Soweto residents normal electricity tariffs from October 1, with electricity wardens playing a crucial role in a pilot scheme to reduce the R200 000 in unpaid bills.

Eskom sales and customer services manager for Johannesburg Ken Green said yesterday: "We intend to introduce metered tariffs from October 1."

There would be no bulk cut-off, and individual consumers who did not pay would be warned before their supply was cut off.

You want power? All you need are some cables and the 'wireman'

55

WM 6-12/8/93

Desmond Pitoyi

THEY call it "Operation Khanyisa" (Operation Light-up). About 5 000 Kagiso families without electricity have "empowered themselves" by illegally hooking themselves into the national electricity grid.

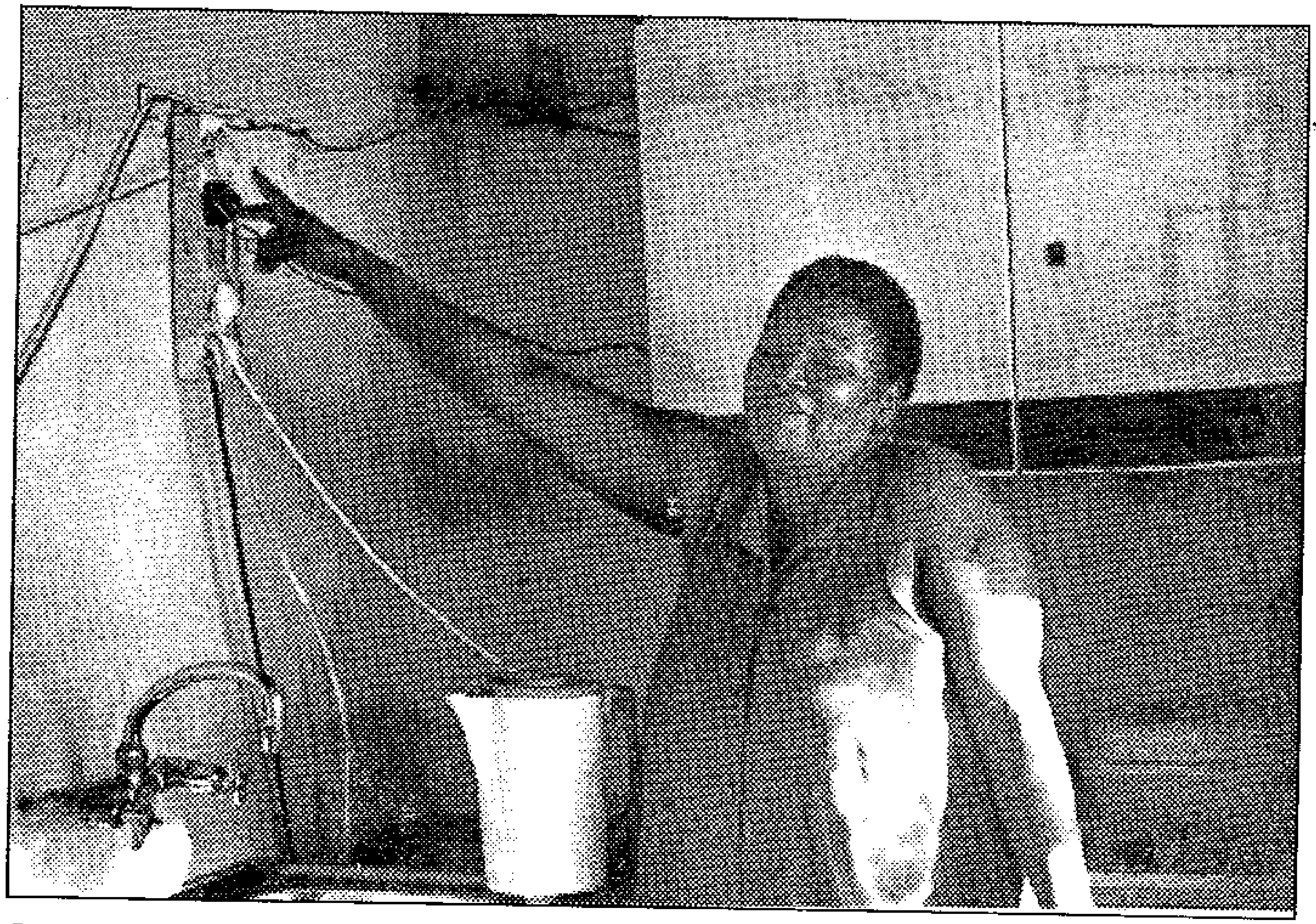
A visit to Kagiso this week revealed a mind-boggling spectacle. Some houses are connected directly to the distribution box on their street, and wires meander along the ground uninsulated. Residents must take each step with extreme care so as not to tread on the tangle of bare cables that runs along the ground.

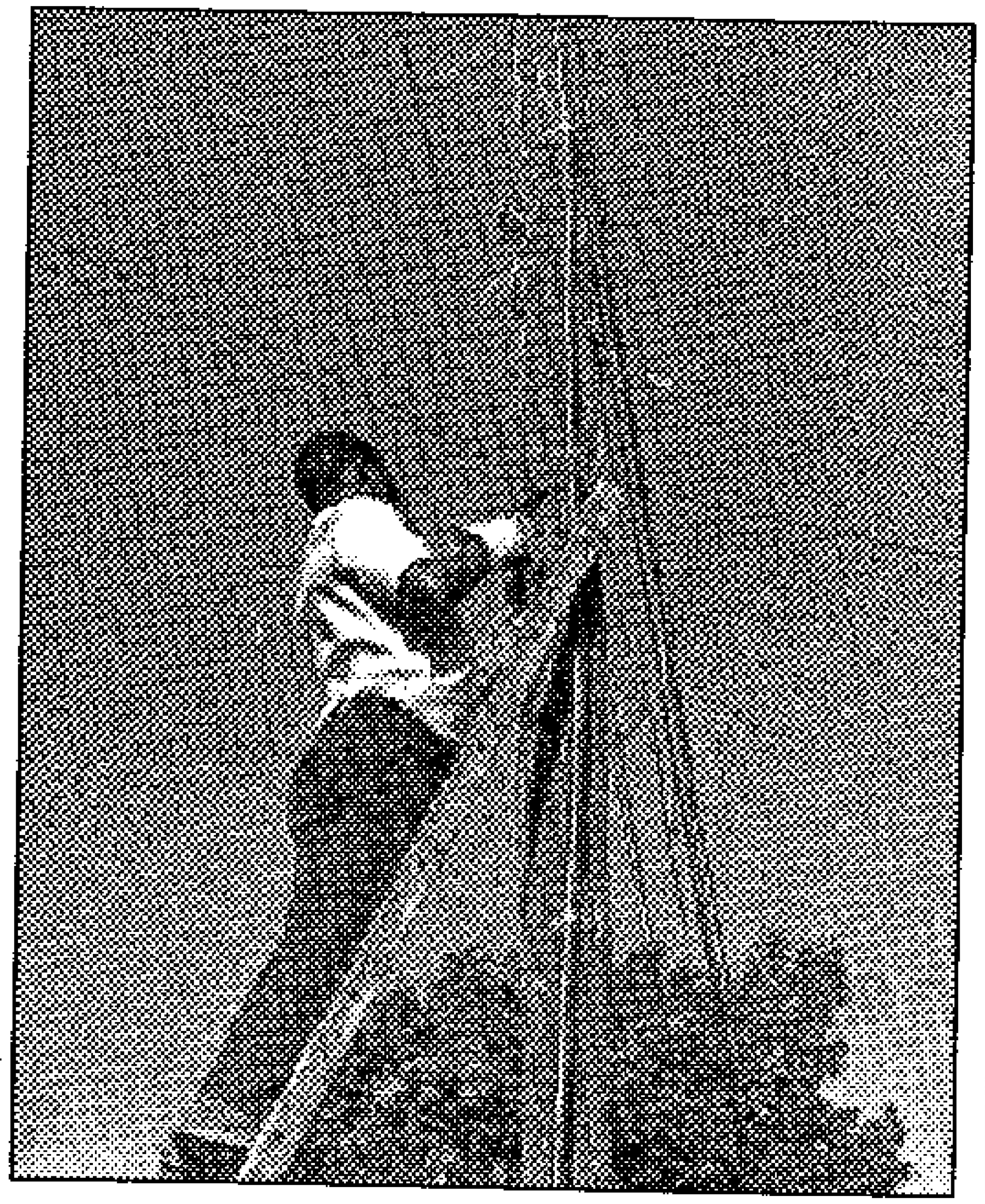
A Kagiso householder who wants to "plug in" can employ the local "wireman", who charges about R200 a house. He attaches the end of a long pair of cables to the house, runs it up along the electricity pole and then down to the power box. With a flick of a button at the box, the house has an instant electricity supply. The wireman does all this wearing only gloves as a safety precaution.

Those who cannot afford to pay R200 do the installation themselves. In some instances they tie pieces of plastic bag around bare connections as insulation. In cases where the power supply needs to be carried from one street to the next, the overhead cable method is implemented. Pieces of wood are placed at strategic intervals between the "live" and "neutral" cables to avoid short-circuits when the wind blows.

Despite the dangers of informal electrification, this "self-help project" has the blessing of the Kagiso civic association. Publicity secretary Peter Kute said last week: "The project was initiated as a tactic to press the local council to electrify our township."

The tactic appears to have borne fruit. Months of negotiating between the civic and Eskom resulted, last Monday, in a commitment by the company to supply electricity directly to the township.





Spaghetti junction ... A Kagiso resident (above) shows the complicated system of cables which brings her electricity and (right) a 'wireman' links up another power line
PHOTOS: RUTH MOTAU

Eskom has also undertaken to electrify the entire township in six to eight months.

"Because of 'Operation Khanyisa', there's been an overload on the system which resulted in trip-offs on a regular basis," explained Paul Mare, Eskom's West Rand sales and customer service manager. "It was for this reason that we installed an extra transformer in the township's main substation to double its capacity."

Informal electrification appears to have had a high cost. Kute said that since the project had been launched, three unconfirmed cases of electrocution had been reported.

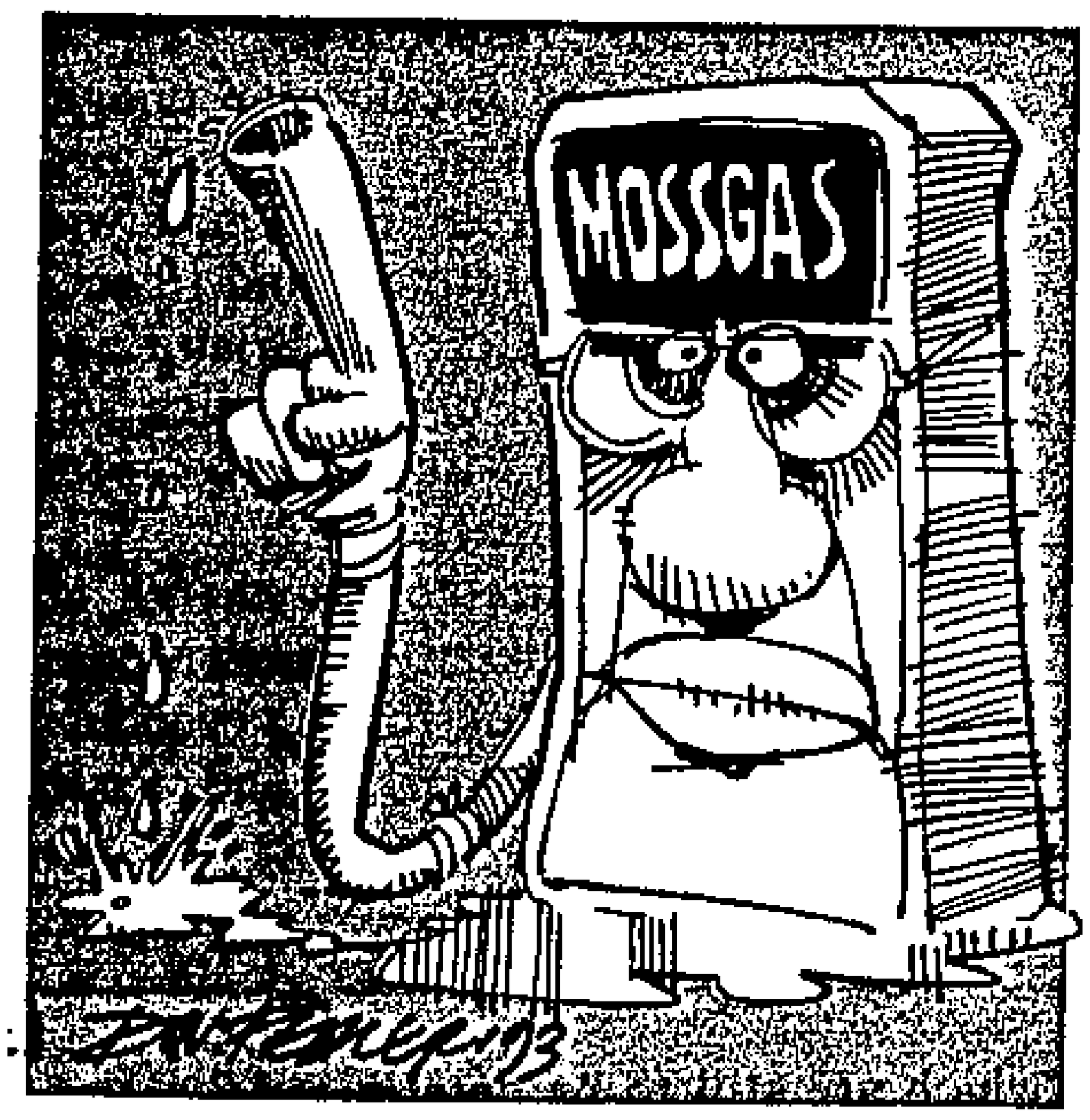
Soon Kagiso's informal electicity users will have a regulated supply. The civic just needs to decide, on behalf of the residents, on the type of network to install in the township — an overhead or underground system.

Fm 6/8/93

SYNTHETIC FUEL

Death-blow to Mossgas?

(55)



The bad news about the R11bn Mossgas project continues to roll in. The latest comes in a report from Auditor-General Henri Kluever, which says the EM gasfield now appears not to be viable. That confines the life of the synthetic fuel plant to that of the FA field, now being exploited, and its satellites — about 12 years, according to Deloitte & Touche Management Consultants (commissioned by the AG to produce a viability report), though Mossgas itself says it's slighter longer at 14½ years.

Still worse, Deloitte & Touche concludes Mossgas will probably be unable to fully service and repay the Central Energy Fund (CEF)'s foreign borrowings, made to finance its construction. The CEF itself will probably be able to fund any deficit — but only, of course, at the expense of the SA public, which finances it.

The only consolation in all this, according to Deloitte & Touche, is that Mossgas is expected to remain cash-flow positive until the year 2000, when further capital expenditure will be needed to gain access to the FA satellite gas reserves.

Even accepting that Mossgas was established for strategic rather than commercial reasons, the original decision can now be seen as thoroughly misguided. The output of synthetic fuel in relation to expenditure could never have been sufficient and the expected gain in national self-sufficiency — of perhaps 10% of our total fuel requirements — hardly exciting.

And all that based on evaluations of gas reserves now declared to have been unrealistically high. The implication is either a shorter life or lower output.

What, now, is to be done about this waste of resources? Cash flow is likely, at current levels of output, to remain positive until 2000, even if no protection for Mossgas's output is provided (assuming oil prices don't collapse).

It seems rational, therefore, to continue operating Mossgas until a further tranche of capital expenditure is required.

The question would then arise of whether further capital expenditure should be incurred, foreign sources of raw material found, or the plant closed down. Given the lack of technical judgment shown so far, the latest downsizing of reserves, shortcomings in construction and a bill so far for R11bn, government should unhesitatingly rule out any more capital commitments on developing further gas reserves.

Apart from more fanciful ideas — such as importing Venezuelan or other ultra-heavy crude oil (bitumen) — there is a technical route which could enable the on-shore synthesis plant to continue operating after the exhaustion of the main FA field.

The raw material now being refined comprises natural gas plus so-called condensate, which corresponds approximately to the product known as liquefied petroleum gas. LPG is now being shipped in dedicated tankers — at manageable cost — across international waters from remote but prolific gas fields such as those in Indonesia or off-shore Australia. So it could be used as input to extend the life of the synthetic plant — that is, so long as other factors such as output prices keep cash flow at least modestly positive.

Meanwhile, questions need to be asked about the role of Soekor in promoting Mossgas on the basis of shaky gas-reserve estimates. Indeed, it needs to be asked whether Soekor, which has spent decades and hundreds of millions of rands in an unsuccessful search for major hydrocarbon deposits on- or off-shore, should finally be liquidated. After all, its political motivation is fast disappearing.

Similarly, the CEF needs to have its future role carefully analysed and questioned. SA is surely near to the end of oil sanctions and the supply of oil can henceforth be left to market mechanisms. The bureaucratic forces which could generate the waste of R11bn need to be eliminated fast. A still-poor developing country cannot afford any more Mossgas fiascos. ■

SAFEGUARDING THE LEADERS

The threat of township violence spreading to other areas and putting political and business leaders at risk has prompted Manor Armour of Britain to move into SA. A world leader in armouring civilian vehicles inconspicuously, its main markets have been the Middle East, Ireland, India, Pakistan and the Americas.

Nigel Morgan, MD of the Defence Technology Group which represents Manor Armour in SA, says his company has armoured four vehicles south of the Limpopo since the beginning of the year with kits sent from the factory in Somerset, England, and installed by Cooper Bodies of Alberton. The latter is the biggest armourer of civilian vehicles in SA.

It costs about R700 000 to armour-plate a Mercedes-Benz. Car models, says Morgan, "should ideally be top of their of our cars must take at least five hits with armour-piercing rounds fired from 3 m away and striking them within a four-inch triangle."

Manor Armours does not use steel, but space-age lightweight modern ceramics reinforced by backing laminates immersed in advanced ballistic matrices. Only 262 kg of this material, compared with 518 kg of steel, is needed to armour a Mercedes-Benz S-class car.

Morgan says tests show steel armour "will hold" hits from 7,62 x 39 AK47 and 7,62 x 51 Nato ball ammunition at 40 m, but fails with anything more potent at that distance. Manor armour "holds" nearly all calibre ammunition at 3 m. Why the three-metre test? Well, assassins no longer hide far away, cuddling high-powered rifles.

Atomic Energy, Fedgas in R7m deal

By DON ROBERTSON

THE Atomic Energy Corporation (AEC) and Fedgas will spend R7-million on a plant to make compressed fluorine for the plastics industry. S/Times

The plant, to be built at AEC's Pelindaba complex, will be the first in the southern hemisphere. Fedgas will market and distribute the product in SA and abroad. (Buss) 8/8/93

The main use for compressed fluorine is for surface fluorination of plastics. It makes them impermeable, gives better adhesion and wear, and improves printability, strength and friction characteristics. (55)

When surface treated, plastics can replace expensive materials, such as glass and metals, in petrol tanks and containers for volatile liquids and agricultural chemicals.

Chris Bull, Fedgas speciality gas manager, says the SA product will compete effectively in export markets.

"The market for fluorine is in a growth stage amd represents many opportunties for development."

The first test consignment of fluorine was recently sent to Australia.

Mossgas faces the scrapheap

S/Times (Buss)

8/8/93

55

By KEVIN DAVIE

THE R11-billion Mossgas plant may have to be sold as scrap.

It has cost motorists 20c for every litre of petrol and diesel sold in the four years it took to complete the project.

The first independent assessment of Mossgas, by auditors Deloitte & Touche Management Consultants (D&T) for the Auditor-General, discloses that even if the R11-billion is written off, Mossgas may need continuing State support.

The Government faces increasing pressure for productive investment in social upliftment and will be hard put to justify unproductive subsidies for Mossgas.

D&T says its findings "bring into question whether the Mossgas project should continue".

D&T recommends that it continue with independent monitoring.

"An independent review should be made of the practicality and costs involved in closing the facility."

If Central Energy Fund (CEF) had spent money on lowering petrol prices instead of on Mossgas, there could have been a 7c saving on every litre of fuel used over Mossgas's 16-year life.

D&T says the cost of mothballing the plant should be investigated. Mothballing costs are not available, but range from zero to R2-billion.

"The alternative uses of the plant have not been evaluated. This should be done to allow comprehensive decision making in the future if it ever became necessary to terminate all or part of Mossgas's operations."

The report — released while Middle Eastern crude prices are about $14 a barrel — says Mossgas would only cover all costs at oil prices of more than $70 a barrel.

It discloses for the first time that the CEF, Mossgas and the Government never "expected that Mossgas would be found feasible if it had to cover a return on its past costs or service the financing of these".

Mossgas backers, such as former managing director Bernard Smith, have maintained that if the R9-billion invested by the motorist through the CEF was treated as a "sunk" cost, Mossgas would pay its way.

But the report sees this as only likely in terms of an "upper case" scenario (average oil price of $22 a barrel over the life of the plant).

Seabed

"Under the best estimate scenario ($19 a barrel) the positive cash flows of Mossgas would not be sufficient to fully cover the servicing and repayment of CEF's obligations for the foreign commercial debt under the current maturation schedule."

D&T says the possible deregulation of the oil industry could have serious negative consequences for Mossgas's profitability.

It suggests that deregulation may mean that the industry switches from import-parity to export-parity pricing, a negative difference of $3 to $4 a barrel. SA used 233 000 barrels of fuel a day last year.

"The financial implications of a regulatory change for Mossgas would be substantial and could reduce revenue by approximately R100-million a year in 1992 rands as a result of having to accept export parity prices."

Experts say the offshore platform is fixed to the seabed and cannot be removed.

Although the onshore plant may be converted to other uses, costs will be high. The gas supply will last a relatively short time and plant output at 30 000 barrels a day is small even by SA standards.

Even if the plant was offered to the private sector at fire-sale prices it would be unlikely to realise much more than scrap value, say experts.

Mossgas is unlikely to pay company tax "even under the upper case scenario".

D&T says: "Under the best estimate scenario Mossgas, if it had to service and repay the foreign commercial loans without additional interest, would need to fund shortfalls of approximately R2,6-billion during 1993 to 1996.

The authors indicate that Mossgas is a marginal proposition for the Government in terms of either economic feasibility or future cash cost.

In the export-parity situation (the oil companies pay Mossgas export-parity prices, the price they fetch in African markets less the cost of transport) the Government would need to seriously consider evaluating continued support after the projected peak cash inflow.

The report says operations should continue as long as no major or unforeseen problems arise or additional funding over that already identified is required.

Engen paid R30-million for the right to buy 30% of Mossgas for 12% of the total cost. It has decided not to take up the equity stake and has asked for the R30-million back, the report says.

The report is the first independent assessment of the multibillion-rand project and the authors say the Petroleum Products Act limited some of the information they could have provided.

Three Eskom directors to quit jobs

BDay 12/8/93

EDWARD WEST 55

THREE of the nine executive directors on Eskom's management board are to leave the utility. The move follows hard on the heels of the recent choice of sales and customer service executive director Allen Morgan to succeed CE Ian McCrae.

McCrae said yesterday finance executive director Mick Davis, electricity generation executive director Johan van den Berg and corporate affairs executive director Paul Semark had indicated they would leave in the next 12 months.

Davis and Van den Berg had been widely tipped as candidates to succeed McCrae when he retired in March.

McCrae said the resignations were not the result of operational or management disagreement. He said their departure was not unexpected considering that they were still relatively young, their dynamism and the changes to top management.

Davis said the new CE's appointment presented an opportunity to pursue other options. His plans were not finalised.

Van den Berg said changes to the top structure of Eskom provided the catalyst to make a career change. His future plans had also not yet been finalised, he said.

Semark referred queries to McCrae. McCrae said Semark planned to retire early from the first quarter of next year. Semark would provide consultancy services to Eskom and would remain executive chairman of Eskom's commercialised maintenance operation Rotek.

The electricity council, which appoints Eskom's management board, was considering the appointment of new directors.

Mossgas in diesel row

By DON ROBERTSON

MOSSGAS has paid R38 400 to vehicle owners who claim its diesel fuel is sub-standard.

It has received 64 claims for R53 800. S Times

The company says its fuel is lower in aromatics and sulphur than diesel produced from crude oil. As a result, rubber seals in fuel pumps of certain vehicles shrink and leaks occur. (Buss)

Mossgas claims that new seals maintain their shape when using its diesel.

Mechanics in the Eastern Cape where the fuel is sold report many complaints about engines which do not come up to scratch when using Mossgas diesel. 15/8/93

Users say its diesel results in engines smoking and losing power. Some users are said to add oil to the diesel, a dangerous practice. (55) (183)

SA uranium 'may be sent to France'

Own Correspondent

LONDON — SA's weapons-grade uranium stocks — 400kg, enough to make 20 Hiroshima-size nuclear bombs — might be sent to France for safekeeping after the elections in April next year, the Sunday Times reported yesterday. B/Day

The report said "right-wing sources" in SA had admitted having discussed raiding the nuclear facility Pelindaba. A right-wing leader was reported to have said they would use the enriched uranium "to hold the government to ransom to agree to the creation of a white homeland". 16/8/93

The report said one of the leading figures of the Volksfront was Atomic Energy Corporation former CE Dr Wally Grant, who played a key role in SA's now-disbanded nuclear weapons programme.

The US, Britain and other Western countries have been putting pressure on SA to move the stocks on the grounds that they might be "misused" by an ANC-dominated government or seized by right-wingers.

The Sunday Times said "right-wing think tanks" linked to the Volksfront believed there was a 30%-40% chance of war within six to nine months. The front, which claimed it could mobilise an army of 100 000, is alleged to have plans to take over "liberated zones" in the Waterberg and eastern Transvaal, north of the Swazi border.

"Key government installations" would also be seized. (55)

The report said that after intense negotiations, agreement had been reached to move the Pelindaba stocks after the April elections so as to "mask any lack of faith in an ANC-led government".

The US had offered to buy the stocks for £10m but this was rejected because SA atomic energy authorities estimated they could make £100m by using the uranium as fuel for manufacturing commercial isotopes for export.

A source "familiar with the talks" said SA had decided in principle to send the stocks to France.

An Atomic Energy Corporation spokesman denied a deal had been reached. The corporation was not planning to send the stocks out of SA, but there were discussions about "strengthening safeguards . . . to allay any international concerns".

Energos to 'pass on the torch'

South 20/8 - 24/8/93

OIL GIANT Engen will close the Energos Foundation in 1994 after supporting over 1 000 projects and spending over R60 million since it was created in 1986. (55)

Engen's chief executive Mr Rob Angel said that the company had fulfilled its objectives.

He said that Engen had assumed responsibility for the foundation until 1994 after Mobil disinvested.

He said the foundation's operating environment was "vastly different" to that of 1986 when the foundation was created in keeping with the Sullivan Programme and later the statement of Principles for South Africa (Sopsa), which then guided the strategies of American-owned companies.

"In its role as a catalyst, facilitator, activist and conscience, the Foundation filled a void in a particularly stressful period for our country. Today, in contrast, there is an established development industry, with proven expertise and with access to legitimate community structures in a way unimaginable before the Mobil Foundation was conceived."

He said Engen would become more proactive in its community/business links and that the company would be making more use of its Employee Community Involvement Programme.

"We believe that now is the time for the foundation to pass on the torch it held in trust for community-owned development organisations, structures and groups and allow us to deal more directly with the larger community within which we live and we do business."

Mr Barrie Hurt, a trustee of the Energos Foundation and an executive director of Engen, said the foundation had been formed with the specific purpose of "advancing and promoting a nonracial and nonsexist, democratic society in South Africa".

"This vision of egalitarianism and social justice we upheld without fear of favour in an often hostile environment.

"We will remain as active in community affairs as we have been," he said.

Hurt pointed out that the company has been investing between 12 and 15 percent of its annual gross payroll expenditure in community projects over the last eight years.

The company says it will soon announce plans for funding of social investment projects and for the creative involvement of Engen employees with NGOs and community groups.

2 SUNDAY TIMES, Business Times, August 22, 1993

Weighing up unleaded fuel

S/Times (Buss) 22/8/93

By DON ROBERTSON

SUPPORT is growing for the introduction of unleaded petrol, as decreed by the Government for 1995, but there are fears it could result in higher prices for standard grade and the cost of vehicles.

Delegates to a meeting convened by the SA Institution of Mechanical Engineers this month appeared to support unleaded petrol.

But it was said that South Africa would be the only country in the world to introduce "green" fuel for technical and economic, not environmental, reasons. (55)

Lead-free petrol and exhaust-cleaning autocatalysts have been in use in Europe, America and Japan for several years to reduce poisonous exhaust emissions. (55)

Tougher controls will be imposed in the next two years.

In SA the cumulative effect of harmful exhaust emissions are well below so-called danger levels and it is argued that unleaded petrol is not needed.

Unleaded petrol was introduced abroad at a lower price than standard grade to encourage its use.

Keith Wainwright, past chairman of the institution, says that although delegates, most of whom were technically minded, favoured the switch to unleaded petrol, socio-economic factors were not discussed. He believes they should be debated.

The oil industry will spend about R1,5-billion to increase production by about 30%. Part of this expenditure will be for lead-free petrol which will cost between 5c and 7c a litre more to produce than standard grade.

No decision has been taken about a possible discount the cleaner petrol would be sold at. Its price could be cut if the Government reduced tax on petrol. But the Government would probably be unable to afford a loss of revenue. So the tax on leaded fuel would be increased to make the price of unleaded petrol attractive.

Robert Scott, energy consultant and former chief director of energy at the Department of Mineral and Energy Affairs, says that if the price of unleaded petrol were 15c a litre lower than for standard grade, leaded petrol would have to rise by 5c/l to maintain the tax take.

Dr Scott, who chaired the institution conference, says his calculation is based on Government plans for 25% of petrol sales to be unleaded in the first year.

There are also fears that the price of cars would rise because engines would cost more if they used unleaded petrol.

The motor industry denies this. It says imported engine components have to be specially made for leaded petrol because it is old technology abroad. All development and technology is now focussed on the use of lead-free fuel and SA would import engines which were in common use abroad.

Manufacturers say that if SA is to compete in the world automobile industry through exports, it must keep in touch with the latest technology.

Dr Scott says it can be taken for granted that unleaded petrol will be introduced in SA. He says the debate about the price difference for the two grades of petrol is no more than a storm in a teacup.

Eskom scores (SS) in global rating 23/8/93

By SIMON BARBER

WASHINGTON. — With an 11,8% return on revenues in 1992, Eskom performed better than all but 12 other concerns ranked in Fortune magazine's latest list of the 500 leading global service companies.

It also posted the 46th largest increase in profits, which jumped 45,7% from 1991 to $522m.

Old Mutual (OM) meanwhile posted the second highest net income — $4,46bn — of the world's top fifty insurance companies, according to Fortune.

Sanlam, with a net income of $2,45bn, after dividends to policyholders and income taxes, but excluding realised capital gains or losses, came in eighth.

In terms of assets, OM came in 40th among life insurers with $24,3bn, down from 38th last year. Sanlam also slid two places to 47th. OM ranked 11th in net investment income, as opposed to premium and annuity income.

Nippon Life topped the insurance standings, with assets of $281bn. Japanese firms took seven of the ten top places.

Among the 50 top utilities in asset terms, Eskom ranked 41st, with assets valued at $13,9bn, a drop from 35th last year. Government-owned Electricite de France led the chart at $117bn, followed closely by Tokyo Electric Power.

The fourth SA company to make the overall 500 was Transnet, which came in 41st among transport companies measured by revenues, 29th by profits (the parastatal made a loss of $31,9m), 8th by assets ($15,9bn), and 2nd in stockholders equity ($4,8bn).

Firms from 25 countries had at least one company in the 500, which was dominated by the US, Japan and Western Europe. SA was the only African country represented.

Sasol seeks protection for fuel industry

EDWARD WEST

SASOL had asked the Board on Tariffs and Trade to investigate granting protection to the synthetic fuel industry by raising customs duties on imported crude and transport fuel, Sasol Oil MD Danie de Villiers said yesterday. BDay

A committee made up of representatives from the industry and government departments was examining mechanisms to protect the industry, he said.

Protection was needed because of low international crude prices. When Sasol started production in 1980, crude oil prices were about $32 a barrel. But they had fallen nearly 45% in nominal terms and 72% in real terms since 1986. 24/8/93

Tariffs and duties granted to protect the industry were pegged at an effective 12,5%, which was low considering the motor industry's 108%, the clothing industry's 65%, tobacco's 50%, the 45% average for consumables and the 27% manufacturing average. The value of protection granted since the introduction of the $23 a barrel price formula in 1989 to 1992 was R1,24bn. This was not high considering that: annual production was R3,8bn, the amount was taxable, and protection granted to the motor industry was worth billions of rands every year, De Villiers said. (55)

The cost of Sasol's tariff protection to the motorist in 1992/93 was 3,4c/*l* if spread over all transport fuel volumes or 5,2c/*l* since 1979. Over a year the cost increased to R85 if one assumed the motorist travelled 25 000km at 10km/*l*.

Sasol was also criticised because synthetic fuel tariff protection was used to cross-subsidise other group activities. However Sasol had decided to separate its oil refining and marketing activities into a new company, Sasol Oil.

The group produced 45% of SA's fuel through its Natref crude oil refinery and its synfuel operations, but other oil companies marketed 95% of SA's fuel. This imbalance would have to be addressed, said De Villiers.

The separation of Sasol's synfuel and refining operations would necessitate the establishment of a marketing infrastructure previously disallowed by government.

Cahora Bassa project 'is still on track'

BIDay 24/8/93

MATTHEW CURTIN

CONFUSION surrounding the R350m repair project to the Cahora Bassa powerline and the likely loss of important Italian finance will prove to be only a temporary setback, says Eskom CE Ian McRae.

There has been no official confirmation of Mozambican power company head Fernando Juliao's weekend announcement that the Italian government had withdrawn its $50m grant. It is understood that the SA government is pursuing diplomatic channels to confirm the decision.

Rehabilitating the Cahora Bassa link is an essential part of Eskom's long-term plans to establish a regional electricity grid joining the hydroelectric resources of southern Africa with its infrastructure.

McRae said Eskom was surprised by the decision. However, if confirmed, it was no more than "a temporary hiccup" which might delay the project. (210)

The scheme to rebuild transmission lines connecting the dam to SA's electricity grid at the Apollo substation near Olifantsfontein in the northeastern Transvaal was a joint venture between SA, Mozambique and Portugal. Their repre- (218)

□ To Page 2

(55)

Cahora Bassa

BIDay 24/8/93

□ From Page 1

sentatives sit on a joint committee with representatives from Eskom and Mozambique's Hidroelectrica de Cahora Bassa.

McRae said the parties were committed to completing the project, and much work had been done organising a finance package, which meant alternatives could be found to replace Italy's contribution. (218)

SA and Portugal have provided guarantees to back bank loans and export credits secured by Mozambique to finance the project in addition to Italy's grant.

Eskom spokesman Peter Adams said the Cahora Bassa facilities were in good condition, supplying small amounts of electricity to the nearby village. The plant had a capacity of 1 750MW, of which SA was contracted to take 1 450MW, equivalent to 2,5% of Eskom's installed capacity. (210)

Eskom's contribution to the project lay in providing materials and replacing 900km of damaged power lines. (55)

Eskom's Mokhobo voted tops for SA

(55)

CT 26/8/93

Business Editor

ESKOM'S senior GM (human resources), Dawn Mokhobo, received the Executive Women's Club of SA Businesswoman of the Year award at a banquet at the Carlton Hotel, Johannesburg, last night.

Dawn Mokhobo

She was selected by a panel of five top business people including the executive president of the JSE, Roy Andersen, from a record number of candidates.

In addition to her job at Eskom, Mokhobo is on the boards of Metropolitan Life and Random House Publications, and an executive committee member of the Institute of Personnel Management and the ANC's department of art and culture. She is also a director of the Independent Development Trust Finance Corporation.

Her career began in 1975 as a social worker and probation officer in the Department of Co-operation and Development in Bloemfontein.

Jobs since then have included public relations manager and later group manager, community development, with Agricor (the Agricultural Development Corporation of Bophutatswana); MD of her own public relations and development consultancy, Development Promotions; senior divisional health education manager, Anglo American Corporation of SA.

She has served on the Consumer Council of Bophutatswana, as a member of the appeal board of the Bophutatswana Board of Censors and as a freelance reader for Bophutatswana TV.

She is married, with two children.

Mokhobo is the 14th Businesswoman of the Year. Last year the award was received by a Cape Town woman, Margerett Macfarlane, executive director of Ziton SA (Pty).

Wendy Vorster, President of the Executive Women's Club, said there was an appreciable increase in the number of women being promoted to executive positions, as well as those founding and managing successful operations.

"But," she continued, "the very top echelon of management is still a predominantly male preserve."

However, Vorster continued, "women's progress and development in the business world is reflected by the calibre of nominations for the award, and the growing number we receive each year."

One of the purposes of the award was to provide exposure for a successful businesswoman who would be a role model.

The Executive Women's Club would continue to make the award "until such time as the abilities of women executives are openly recognised to the extent that they can compete as true equals."

This would be apparent when the percentage of executive positions occupied by women was "proportionate to the working population ratio of men to women."

cott stands, says VCA

Vosloorus to pay for electricity

Sowetan 26/8/93

■ CUSTOMER SERVICE Eskom accounts will be payable on October 7:

ESKOM and Vosloorus community leaders have, after consultation with residents, reached an agreement on a domestic electricity tariff.

Eskom said in a statement on Tuesday that the interim domestic tariff of 16,3 cents a unit for this area was based on the financial position of electricity supply in the town.

It said during the past months it had been doing network refurbishment, meter testing and establishing a customer service centre. (55)

Eskom had opened a service centre at the Lesedi shopping centre where residents could apply for electricity pay accounts, make inquiries, report faults and find out more about prepaid meters and the safe and economic use of electricity.

It said residents would receive Eskom's accounts in the first two weeks of September 1993 and they must be paid before October 7. The Vosloorus Civic Organisation said residents had never been against paying for services rendered and were geared to meet their obligations in this regard.

The VCA said the rent and service boycott had been forced on it by the Government which imposed corrupt and undemocratic black local authorities against the expressed will of the people.

The Vosloorus Town Council had used the supply of electricity as a tool to browbeat the residents into submission, the VCA claimed.

It had taken a year of mass action before the Town Council eventually allowed Eskom to take over the supply of electricity to Vosloorus.

Sasol admits using undercover agents to infiltrate unions

(55)

ARG 28/8/93

JOHANNESBURG. — Sasol admitted it used covert activities to obtain information about possible bomb attacks, arson, sabotage and intimidation of workers at its collieries and its Sasol II chemical plant.

This admission yesterday follows a report in the Weekly Mail & Guardian newspaper that Sasol Mining, a wholly owned coal-mining subsidiary of Sasol, recruited secret agents to infiltrate unions.

It also used companies who were part of the government's covert operations promoting the latter's image among black communities.

The newspaper claimed Sasol admitted the actions in papers before the Pretoria Supreme Court in response to a R12-million breach of contract claim by a former employee involved in the operations.

According to the Weekly Mail & Guardian, Andries Bruyns recruited a corps of trained security officers to infiltrate trade unions to limit the possibility of strikes at Sasol's Secunda colliery complex.

It was also claimed that Sasol set up several front organisations to mask its activities and that one of these had links to a R160-million operation mounted by military intelligence against the African National Congress.

Mr Bruyns is said to have resigned from one such company to cover his tracks. Yet he joined another and mounted an intelligence operation for Sasol to improve its image among political parties.

Sasol spokesman Jan Krynauw yesterday confirmed Sasol's admission of covert information-collecting activities.

He said although bound by sub judice rules, Sasol had taken undisclosed actions to obtain information relating to alleged bomb attacks, arson, sabotage and intimidation of workers at its collieries and at the Sasol II chemical plant.

Sasol claimed that, as security at those plants improved, it had stopped all covert activity and that a "participative atmosphere" now existed between it and the unions.

In the Weekly Mail & Guardian report Mr Bruyns claimed the improved atmosphere was because his operations were so successful that all attempts by the unions to call strikes at the Secunda collieries failed.

However, in an unrelated interview National Union of Mineworkers secretary-general Marcel Golding said relations between Sasol Mining and the union were among the worst in the industry. — Sapa.

Fuel sector urges utility role for Sasol

S| Times (Buss)

29/8/93

SASOL's synthetic fuel core should be turned into a public utility to save the country R670-million, says Engen chief executive Rob Angel.

By KEVIN DAVIE

Mr Angel was responding to Sasol's decision to ask the Board on Tariffs and Trade (BTT) for duties on crude oil imports.

The decision has provoked protests from oil industry executives, who say that if the request was granted it would be tantamount to unfairly protecting Sasol shareholders, prejudicing exports, increasing bureaucracy and subsidising uneconomic activity. (55)

Mr Angel says a solution could be to unbundle synthetic fuels from Sasol to form a utility owned by it or the Government, but independent of the rest of Sasol's activities.

Mr Angel says: "Sasol, has in fact, proposed a form of this structure."

Sasol's tariff protection, or subsidy, was R670-million — 12c a litre — in the 12 months to June 1993.

Mr Angel says: "With the fall of crude oil prices in July, the subsidy increased to 15,96c a litre.

"Engen believes that if it is deemed necessary to have a synfuel industry — and that it requires financial support to make it viable — the cost of the support should be visible."

The best solution for SA would be to eliminate all support for synfuels. A synfuel utility could survive without subsidies and give SA an additional R670-million a year (the present value of the Sasol subsidy).

The rest of Sasol's highly profitable operations would continue to thrive. Sasol could lift its exports without fear of falling foul of the General Agreement on Tariffs and Trade (Gatt).

Mr Angel says: "By contrast, a tariff on crude would increase the end price of fuel and benefit only Sasol stakeholders — not SA. The country would be worse off in the international competitiveness stakes."

Shell (SA), a subsidiary of Royal-Dutch Shell, says Sasol is paid the equivalent of a crude oil price of \$23 a barrel when the price is about \$15.

"This, on today's quotations, constitutes a support level of about 50% on the crude oil factor alone," says Ian Williams, managing director of Shell's oil division.

Caltex chairman Jock McKenzie says oil refiners do not need tariff protection.

"This could lead to our becoming uncompetitive in export markets, which now constitute substantial volumes, earning large net amounts of foreign exchange.

"In the event that credit on any tariff was passed for exports, this would lead to absolutely unnecessary volume reconciliation, accounting and bureaucracy."

Industry representatives have told a Sacob investigation into the deregulation of oil that the fuel pipeline tariff in SA is three times higher than anywhere else in the world.

Jacques Pickard, an analyst at Davis, Borkum, Hare & Co, estimates that fuel users on the Reef should be charged 4c/l (to cover the capital and operating costs of the pipeline) instead of the current 10,9c/l.

This would have reduced Sasol's pre-tax profit last year by R461-million.

Mr Pickard also suggests that a new government may decide to use Sasol's tariff revenue (R538-million last year) for other purposes, such as low-cost housing. His figures show the pipeline charges and tariff revenue were worth R999-million to Sasol last year. Pre-tax profits were R1,53-billion.

Piet Hugo, Director-General of the Department of Mineral and Energy Affairs, confirms that international information suggests that SA pipeline tariffs are higher than those in European countries.

"However, it would be incorrect to compare tariffs without taking cognisance of factors that might influence operational costs, such as topography, volumes and size of pipelines," says Dr Hugo.

Sasol says its protection raises the cost of fuel (3,5c/l in 1992-93). But it claims it delivers much greater benefits (foreign-currency saving of R4-billion and wealth creation of more than R4-billion a year.)

The currency saving protects the rand. Without it, the petrol price would go up by 5c/l, says Sasol.

ANC 'will uphold nuclear arms treaty'

B/Day 3/8/93

THE ANC will abide by the Nuclear Non-Proliferation Treaty and supports the Organisaton of African Unity's declaration that Africa should be a nuclear weapon-free zone, says ANC president Nelson Mandela.

Sapa reports he told delegates at the centenary conference of the SA Institute of Civil Engineers in Johannesburg yesterday that the resources used to make nuclear weapons were disgraceful. Military expenditure should be balanced against SA's other needs.

Referring to fears that the ANC would close groups such as the Atomic Energy Corporation, Armscor and Mossgas, Mandela said the ANC would not ask what these companies had done in the past but what they could do in the future.

EDWARD WEST reports that Mandela said the ANC would not consider closing strategic industries. Technological skills developed to prop up strategic industries during sanctions should be used to better the communities they served.

An ANC government would devise tax incentives for companies developing new and environmentally friendly technology.

The ANC would propose consolidating science and technology functions and policies in to one government department as their fragmentation had contributed to the shortage of scientists and engineers in SA, he said.

Industrial Development Corporation economy research manager Hein Wiese said industrial strategies had during the past two decades done little to develop downstream industries. Focus had been placed on capital-intensive upstream development, and existing policy tended to continue this trend. (55)

Secondary manufacturing development and protection of and assistance to primary activities were not part of SA's industrial strategy.

Current policy could not be defined in terms of any clear, coherent and consistent set of policy measures, Wiese said.

SA's medium-term growth potential was only 2% a year because of a balance of payments (BoP) constraint, exacerbated by lower gold and commodity prices. The BoP constraint had been made more severe by the need to maintain high trade balance surpluses in the face of net capital account outflows during the past eight years.

The manufacturing export industry had not yet grown enough to make up for reduced returns for primary exports and was insufficiently developed to prevent excessive imports during economic growth phases.

SA needed to attract international investment to boost productive capacity, employment creation and export performance.

ANC supports nuke treaty

55 254

JOHANNESBURG. — The ANC would abide by the Nuclear Non-Proliferation Treaty and supported the OAU's declaration that Africa should be a nuclear weapon-free zone, ANC president Mr Nelson Mandela said yesterday. CT 3/8/93

He said military expenditure should be balanced against other needs. — Sapa

Modest growth tipped for Sasol

(SS) [redacted] CT 2/9/93

JOHANNESBURG. — Oil-from-coal and chemical producer Sasol is expected to report modest growth in annual earnings today, despite lower prices for its main products, analysts say.

"The depreciation of the rand against the dollar has boosted synfuel income and its refining profitability," Peter Brown of Simpson McKie Inc said.

Most analysts polled forecast earnings of 217-222c per share for the year to June 30, 1993, versus 202c in 1991/2, and a total dividend of 84-85c versus 78c.

Only one analyst polled said he expects Sasol to report flat earnings and dividend.

The company said recently its cost cutting programme was countering the effects of local inflation, currently running at an annual 10%. Analysts also expect lower tax and interest bills.

Real growth in earnings is expected in the 1993/94 financial year as new projects kicked in, analysts said.

Sasol, increasingly shifting its business to higher margin chemical production, is the world's only producer of transport fuels converted from coal.

Its oil-from-coal technology was initiated as a strategic move in the 1950s, ahead of an international oil embargo launched in the early 1970s as part of anti-apartheid protest.

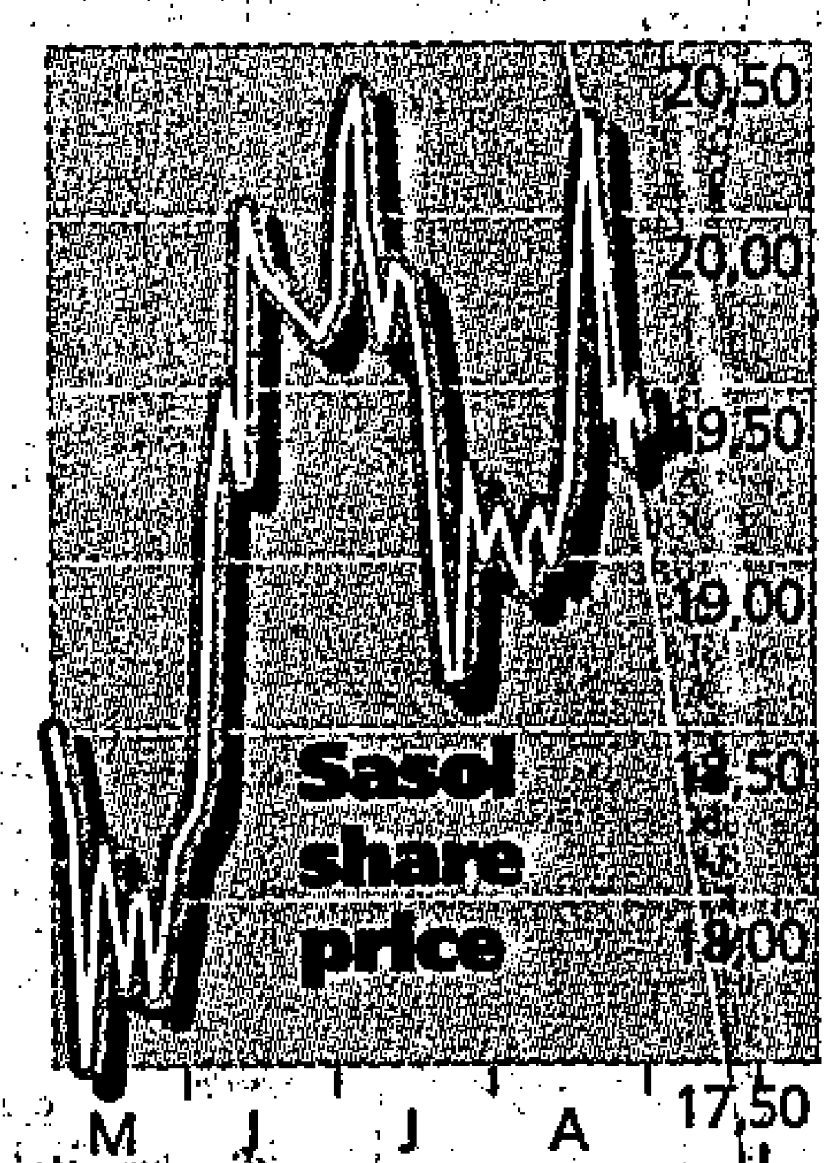
Total dividend 10% higher than last year's

Cost-cutting Sasol beats expectations

Star 3/9/93

55

SASOL has increased earnings by 14 percent despite a sharp decline in profit from its non-fuel interests.



Company: Sasol
Sector: Chemicals and Oil

SHARE PRICE: R19,40 **MARKET VALUE: R10,99bn**
YEAR HIGH: R20 **PE RATIO: 8,4**
YEAR LOW: R14,25
Net asset value: R11,24 **Dividend yield: 4,4%**

Year to	Turnover Rm	Operating Profit Rm	Attributable earnings per share (c)	Dividend per share (c)
1991	7562	1897	184,7	71,5
1992	7854	1759	202,0	78
1993	8297	1956	230,3	86
% Change	5	11,2	14,0	10,3

BY STEPHEN CRANSTON

Sasol beat market expectations with a 14 percent increase in earnings per share to 230,3c in the year to June.

Chairman Joe Stegmann attributes this to Sasol's success in reducing costs and increasing production output and market penetration.

A final dividend of 48c has been declared to make a total of 86c — an increase of 10,3 percent on the previous year.

Stegmann says cost increases were limited to 3,5 percent, because of a 15 percent reduction in staff and more efficient use of raw materials.

At Sasol Two and Three the on-stream availability of the Synthol synthesis units was maintained at very high levels and, combined with excellent plant stability, resulted in a substantial improvement in output.

Synthetic fuels remained the dominant profit source, with operating profit up 24 percent to R813 million.

Sasol Two increased its production of synthetic oil by 3,3 percent and total useable products by six percent.

Sasol Three improved its oil yield per unit of synthesis gas by 1,7 percent.

The rejuvenation of Sasol One was completed at a cost of R820 million — R80 million below budget.

Ammonia production capacity has been increased from 300 000 tons to 500 000 tons a year.

Wax and paraffin production facilities were expanded.

The most disappointing performance came from petrochemicals and other downstream businesses, which saw operating profit fall from R349 million to R230 million.

The worldwide overcapacity and international recession drove dollar prices below the prices prevailing in the previous major slump in the Eighties.

Fertilisers were hit by a five percent reduction in local demand, and sales were af fected by problems caused by the unsuccessful modification of the granulation plant.

The explosives division increased its contribution to group profit, despite severe competition.

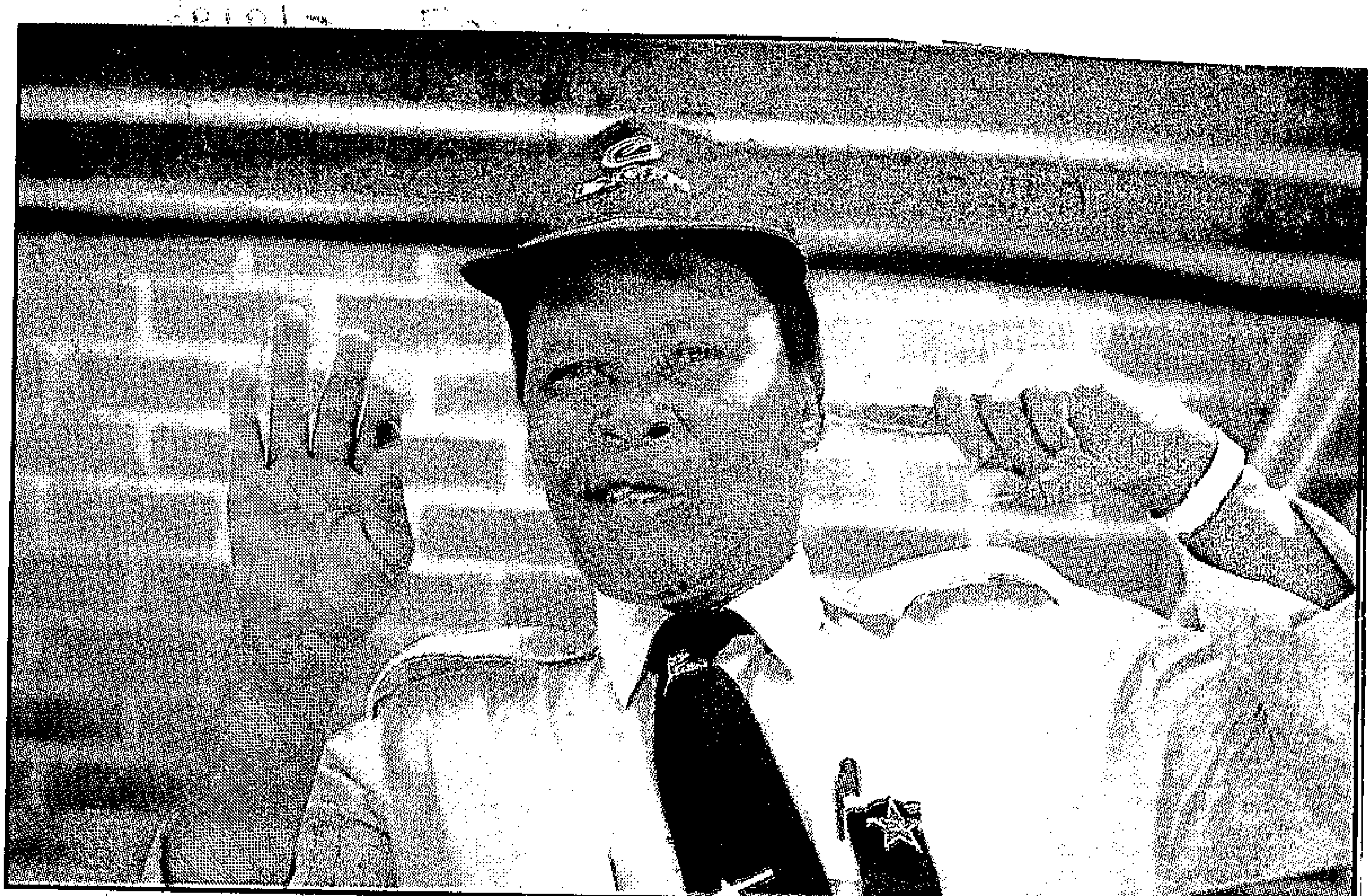
Crude oil refining's operating profit was down two percent to R483 million becuase of a fall in refining margins.

The star performer was the coal division, which increased operating profit by 64 percent to R430 million.

The Secunda Collieries increased production by 6,4 percent and unit production costs fell by 3,6 percent.

Sasol's net interest paid fell by R106,6 million, thanks to higher average cash surpluses and the repayment of a R400 million instalment of the Central Energy Fund loan.

The effective tax rate fell from 23,5 percent to 18,9 percent, but the assessed losses of Sasol Three relating to the Sasol Three project and of Sasol Mining relating to Syferfontein will be fully accounted for in the current financial year.



SMALL PROBLEM: petrol attendant Elias Marogane with Engen's valve cap Picture: KIM LUDBROOK

Fuel law punctures Engen's free offer

S Times [Buss] 5/9/93

By KEVIN DAVIE

FUEL giant Engen will no longer give away free valve caps after the Government asked it to stop the promotion because of a possible infringement of resale price maintenance (RPM) regulations.

Chief executive Rob Angel says Engen mounted the campaign in the belief that the promotion was within the law because the valve cap was of low commercial value and was offered non-conditional to petrol purchase.

Mineral and Energy Affairs Director-General Piet Hugo says: "It is the opinion of the department that the campaign could possibly be interpreted by the courts as being an infringement of the resale price maintenance regulation." He stresses that it is the function of the courts to interpret regulations and not that of the department.

Engen agreed to terminate the campaign. "It will be stopped as soon as the company can communicate in this regard with its regions and outlets," says Dr Hugo.

Competition Board chairman Pierre Brooks says the prohibition on handing out free valve caps "underscores the inherent absurdities of the existing situation".

Dr Brooks says RPM, with the exception of fuel products, is illegal and carries up to a five-year jail sentence and/or a R100 000 fine. Fuel products are controlled by the Petroleum Products Act which outlaws fuel discounting and carries jail sentences of up to seven years.

Pick 'n Pay's Gareth Ackerman says: "I can't see how the valve cap offer can be seen as remotely part of a discount scheme."

He says Pick 'n Pay is investigating various avenues to discount petrol, including importing its own fuel. (55)

"Refinery margins are a lot higher in SA. Fuel can be imported far cheaper if the Government grants import permits."

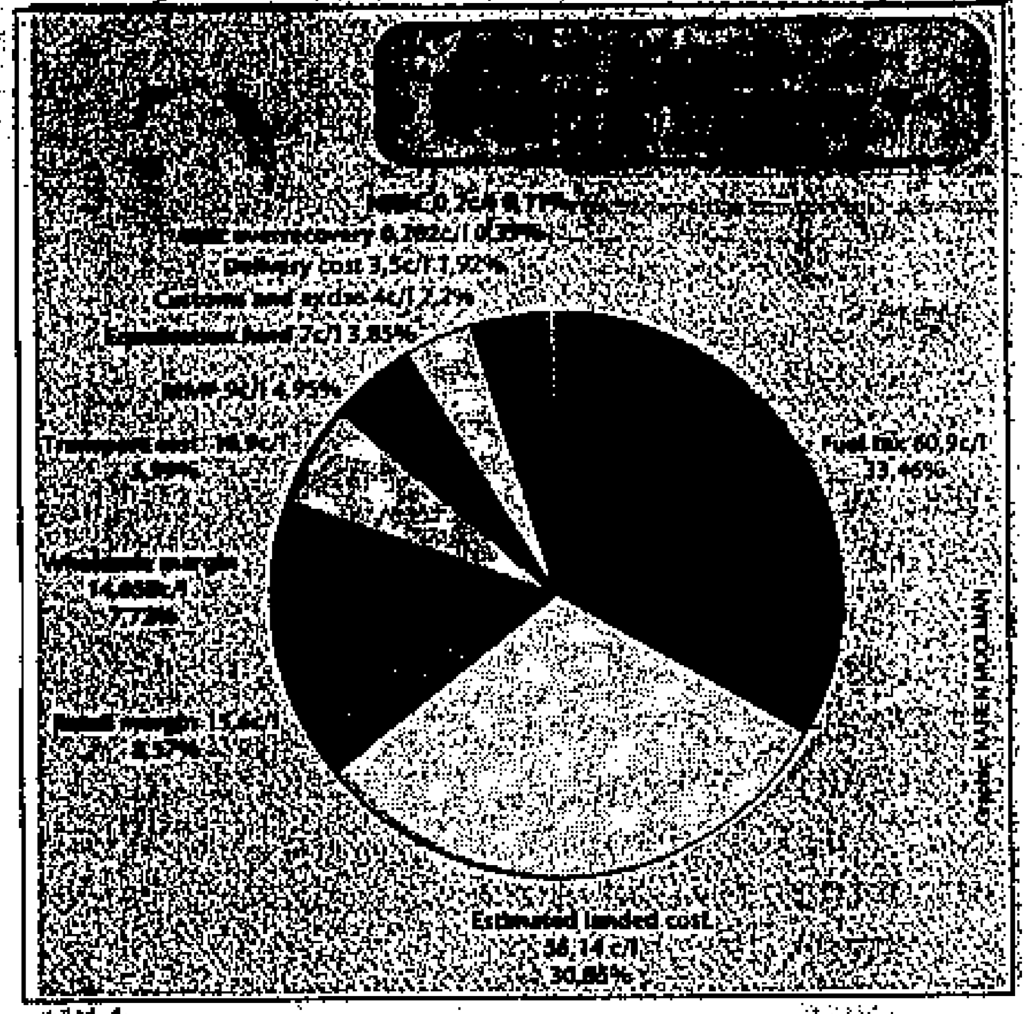
Mr Ackerman says Pick 'n Pay wants to be allowed to compete. The oil companies are selling items stocked by corner cafés and supermarkets through service station convenience stores.

"This is a massive assault on corner cafés and supermarkets."

Government, in its report on the regulation of the fuel industry, says RPM forms the cornerstone of almost all the regulatory measures applied at present.

Mr Angel says Engen's promotion was planned to end in the first week of September, so "there is no need for any party to pursue any further legal interpretation".

Dr Brooks says a draft is complete of the Competition Board's investigation into the service station rationalisation plan (the so-called Ratplan), which controls fuel distribution in SA.



Fuel fund cited for price increase

EDWARD WEST

GOVERNMENT is to raise petrol prices 7c a litre on September 15 as a result of the weakening of the rand/dollar exchange rate and the draining of funds from the fuel equalisation fund. B/Day

The price of 93 octane petrol in the PWV will increase to 182c/l, while the price of diesel will increase 5,5c/l to 168c/l. Paraffin prices will increase 5,5c/l. 7/9/93

Prices have increased 19,7% since last October. The equalisation fund was also cited then as the reason for a 7c/l petrol price increase. In April petrol prices climbed 16c/l. ([redacted]) (55)

The SA Chamber of Business (Sacob) estimated the effect on inflation of the latest increase to be about 0,3%-0,4%. Econometrix economist Tony Twine said fuel prices had a CPI weighting of 3,2% and the effect of the latest increase would be about 0,128 inflation percentage points, which was relatively small.

Shoprite Checkers said the increases barely six months after the previous hike would have a ripple effect. Industry price increases would start filtering through to the retail sector in a few months, dampening consumer preparations for the summer festive season.

Transnet economist Mike Schussler said the price increase was unwarranted. When the fuel price was increased on April 2 the rand price of Brent crude oil was R60,63 a barrel. Since then, the price had fallen to about R55 a barrel, notwithstanding the rand/dollar exchange rate.

Fuel pricing should be deregulated like the transport industry, said Schussler. He

☐ To Page 2

Petrol price

B/Day 7/9/93

☐ From Page 1

questioned whether the consumer would ever see the benefits of the lower international oil prices which had lowered inflation in most OECD countries.

The Automobile Association (AA) said declining crude oil prices in the face of SA's continuing increased fuel prices made a mockery of the artificial methods used to determine the local petrol pump price.

AA GM Robin Scholtz said a public debate to determine the level of deregulation necessary to obtain commercially viable prices according to market forces was the only alternative to the current unacceptable state of affairs. ([redacted])

The call for a more open debate on fuel industry deregulation was echoed by Sacob, which said deregulation would make fuel prices more sensitive to developments on world oil markets.

Only 5,5c/l of the 7c/l underrecovery on paraffin prices would be paid by the consumer in the latest increase. The remaining underrecovery of 2c/l would continue to be funded by the equalisation fund.

A Motor Industries' Federation investigation recommended a 2,4c/l increase in the retail profit margin for petrol and diesel after last July's increase, but government had limited the increase to 0,5c/l this time as an interim measure.

An investigation into the yield on the marketing assets of the oil industry showed that a yield of 8,9% was realised during the 1992 financial year and that a 2,4c/l increase was appropriate this time, the Mineral and Energy Affairs Department said. However, government limited this to 0,5c/l in the latest price hike.

The AA questioned why, at a time when the country was suffering to keep heads above water, the motorist was called upon to pay for increases in the profit margins of oil companies and service stations.

Government indicated last night that a further 4c/l increase was in the pipeline.

Petrol price will rise again

(55) CT 7/9/93

Staff Reporters

MOTORISTS, reeling after the announced petrol price hike of seven cents a litre, should brace themselves for a possible further increase, the government warned yesterday in the face of a barrage of criticism.

Six cents a litre of the petrol price rise will go to the estimated landed cost — the price of petrol bought on the Bahrain and Singapore markets.

Mineral and Energy Affairs Minister Mr George Bartlett said a 4,8c increase would have been appropriate for retailers and wholesalers, at 2,4c a litre each, but the cabinet had decided to allow only 0,5c a litre each, making up the one cent increase, as an interim measure "in the interests of consumers" and to "minimise the influence of increase on the rate of inflation".

The Automobile Association (AA) slammed the increase — which comes into effect at midnight on September 15 — saying that since the last petrol price rise in April, the price of crude oil had decreased by R3 a barrel to R57,48.

Weakening rand

DP energy spokesman Mr Roger Hulley said motorists were being forced to pay 40% more than the world price of crude oil because of the government's misguided synfuel policy.

The equalisation fund was under pressure because of subsidies for Mossgas and Sasol.

The price of 97 octane in Cape Town will increase from R1,68 to R1,75 a litre. Diesel and paraffin will rise by 5,5c a litre.

The increase was necessary because of the continued weakening of the rand against the dollar and the draining of the equalisation fund since June, Mr Bartlett said.

The Consumer Council's said the increase would further erode consumers' buying power and contribute to inflation.

The SA Chamber of Business said the ripple effect could cause an increase in the Consumer Price Index of between 0,3% and 0,4%.

However, the Motor Industries Federation said it was "relieved" the increase had been contained to "as little as seven cents".

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CT 7/9/93

183 55

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Star 7/9/93

Petrol price rise slammed

PRETORIA BUREAU

The Government's announcement yesterday that the price of petrol is to rise by 7c/litre from next Wednesday led to a renewed barrage of accusations that the motorist is being forced to pay even more to subsidise synthetic fuel projects.

And Tony Twine of economic analysts Econometrix pointed out that the price of crude oil in London had fallen from a rand price of R60,63 in April — when the fuel price was last increased — to R57,48 at present.

Along with the petrol price increase, Mineral and Energy Affairs Minister George Bartlett yesterday also announced that diesel and paraffin prices would rise by 5,5c/litre.

The petrol price at pumps on the Reef will now be R1,82 for 93 octane. (55)

Twine said South African motorists lost out because the Government based its calculation of the landed price of fuel on the average cost of shipping refined fuel from refineries in Singapore and Bahrain to South Africa.

He said Singapore prices had risen disproportionately lately because the facilities there had cut their production in line with the slack demand from economically depressed Japan.

"I believe that's a major

▶ To Page 3

Petrol price rise condemned

Star 7/9/93

◀ From Page 1

contributor to the disharmony that exists between the calculations of the Department and the reality of the international light crude market," said Twine.

The Democratic Party claimed that the equalisation fund had been under pressure due to the enormous costs and subsidies of Mossgas and Sasol.

"The motorist is having to pay more than 40 percent higher than the world price of crude oil because of the Government's misguided synfuel policy ($23 a barrel in SA and $16 on the world market)."

DP MP Roger Hulley called for the deregulation of the petrol price and the oil procurement industry. This would mean the closure of unnecessary, protected plants and a lowering of the petrol price.

While consumer experts believe the price hikes could mean an increase in the cost of food and other commodities, the SA Chamber of Business said an ideal opportunity was created for a probe into the layers of secret regulations covering the SA fuel industry. (55)

It said the increases were not unexpected as a result of the weakening rand on world currency markets.

It estimated that ripple effects could force an upward tilt in the overall inflation rate of between 0,3 and 0,4 percent.

The Consumer Council said the increase could mean a price rise for particular products.

"It will further erode consumers' buying power and contribute to higher inflation," executive director Jan Cronje said.

The Automobile Association (AA) says that the drop in the international price of crude since April, despite the weakening in the exchange rate, "makes a mockery of the announced increase and is evidence of the artificial methods that are used to determine the pump price of petrol in SA. The motorist is being called upon to pay for increases in the profit margins of oil companies and service stations".

bad news for hard-hit consumers

Unions attack fuel price hike

Sowetan 7/9/93

By Joe Mdhlela

THE two largest worker-federations, the Congress of South African Trade Unions and the National Council of Trade Unions, described the looming petrol price increase as bad for consumers.

Mineral and Energy Affairs Minister Mr George Bartlett yesterday announced that the fuel price would rise on September 15 by 7c a litre.

Diesel and paraffin prices will increase by 5,5c a litre. (SS)

Spokesman for Cosatu Mr Neil Coleman said the Government seemed unconcerned about what effects increased prices would have on consumers.

"At the same time our people are expected to accept low wage increases. This is obviously unacceptable to Cosatu," he said.

General secretary of Nactu Mr Cunningham Ngcukana believes the increase in fuel prices will be inflationary and force transportation costs to increase substantially.

"If this happens the retailers will pass on increases to the consumers," he said.

He said Nactu would discuss the increase with its constituencies and decide on what action to take.

Ngcukana said the increase would help inflame the taxi feuds that have claimed the lives of many black people.

Standard Bank group economist Mr Nicko Czypionka said consumers would be badly hit by the increase.

But he said he did not see it having any effect on inflation.

Chief economist of Die Afrikaanse Handelsinstituut, Mr Nick Barnardt, said: "The increase was not unexpected in view of the weaker rand/dollar relationship."

The petrol price has gone up 23c since April and a total of 52c since August 1991.

General secretary of Nactu Mr Cunningham Ngcukana believes the increase in fuel prices will be inflationary and force transportation costs to increase substantially.

Star 7/9/93

Mossgas 'to start paying own way'

■ BY SHIRLEY WOODGATE

Mossgas is to continue operating — but is to get tariff protection instead of Treasury allocations, Mineral and Energy Affairs Minister George Bartlett announced yesterday.

His announcement followed recommendations made to the Cabinet by the joint committee on public accounts into the controversial project.

The committee recommended that no further money must be invested unless the investment was justified in terms of normal commercial considerations and was independently verified, taking into account all direct and indirect costs to motorists, taxpayers and the Government.

(55)

The Cabinet had considered the recommendations with proposals by the Central Energy Fund (CEF) and his department, and had decided that Mossgas should continue its operations, remain a subsidiary of CEF and be operated as a commercial State corporation, Bartlett said.

An independent board of directors responsible to the

▶ To Page 3

Mossgas 'to start paying own way'

Star 7/9/93

◀ From Page 1

Minister should be appointed, the committee urged.

Mossgas should receive tariff protection for 10 years, similar to that paid to Sasol, and a monitoring committee consisting of representatives from the CEF and private sector experts should advise the Cabinet on future capital expenditure on the project, Bartlett said.

Econometrix spokesman Tony Twine commented: "Mossgas is hopefully the final legacy of the never-never land of economics foisted by the National Party on this country.

"The break-even point at normal commercial values where one would amortise (write off) investment over 10 to 20 years for Mossgas is now calculated at \$70 a barrel. The current price for crude oil is \$17 a barrel."

Twine claimed the Minister's statement effectively said the project would continue but no more money would be pumped into it.

(55)

● The offshore Mossgas project's capital costs totalled R10,634 billion to March 31 and would need an estimated R368 million more, Bartlett told Parliament in May. This excluded finance charges on commercial loans amounting to R959 million to date.

Mossgas production of petrol and diesel at full capacity would constitute 13,5 percent on local consumption, according to 1992 figures, he said.

Tariff protection recommended

Mossgas gets green light from Cabinet

BDay 7/9/93

(55)

EDWARD WEST

CABINET has approved the continued operation of the R11bn Mossgas project in spite of last month's report damning it as unlikely to produce a real return on money already spent.

Ending speculation, Mineral and Energy Affairs Minister George Bartlett said yesterday the project would remain a Central Energy Fund (CEF) subsidiary and operate as an autonomous commercial state operation.

An independent board of directors, made up of representatives from the CEF, the private sector and the Finance and Mineral and Energy Affairs Departments, would be appointed. It would report to the Mineral and Energy Affairs Minister.

Cabinet also recommended that Mossgas receive import parity revenue, based on the in-bonded landed cost (IBLC) of fuel. It should also be compensated should it receive less than IBLC prices for its products, such as in the case of exports due to excess supply.

Tariff protection, similar to that for Sasol, was proposed for 10 years to help Mossgas position itself more favourably for privatisation, Bartlett said.

A monitoring committee consisting of private sector experts and CEF representatives would advise Cabinet on future capital expenditure on Mossgas.

Bartlett said these decisions would affect the equalisation fund. However, it was expected that short-term compensation and tariff protection would be funded without a levy increase.

Fuel price increases were announced yesterday because " of the draining of funds from the equalisation fund".

Bartlett said a joint committee on public accounts in August had taken into account the general conclusion of the Mossgas report that the project could be viable based on import parity prices for its products and excluding sunk costs.

The committee accepted the report as a basis for the continuing evaluation of Mossgas, but recommended that no further money be invested unless in terms of normal commercial considerations which were independently verified. The cost to motorists, taxpayers and government should also be taken into account.

Cabinet's proposals appear to fly in the face of Sasol's recent initiatives to have its tariff protection — which is based on a $23 floor price of imported crude oil — replaced with a normal tariff system applied to industry and administered by the Trade and Industry Department.

However, CEF spokesman Piet Vorster said Cabinet's recommendation was that the Mossgas's tariff proposals be similar to Sasol's, including future changes.

He said although Engen had rejected its option to take up a stake in Mossgas, Mossgas's economic viability could change in the long term, making some privatisation possible.

DP energy affairs spokesman Roger Hulley said the equalisation fund was under pressure because of the enormous costs and subsidies for Mossgas and Sasol. The motorist was having to pay a price 40% higher than world crude oil prices because of a misguided synfuel policy. He called for deregulation of the oil industry.

Latest fuel price hike condemned

THEO RAWANA

BLACK business and road passenger transport organisations have roundly condemned the petrol price increase announced this week. B/Day

SA Black Taxi Association (Sabta) president James Ngcoya called for pressure to be applied on Transport Minister Piet Welgemoed for subsidies. 8/9/93

National African Federated Transport Organisation (Nafto) chairman Peter Rabali said his organisation was disappointed because the increase came after Nafto had sought concessions. (55)

The taxi industry was demanding the deregulation of petrol, he said.

Putco director Jack Visser said the bus company was surprised as the increase closely followed the previous one.

DIRK VAN EEDEN reports SA Agricultural Union president Boet Fourie said increased fuel prices and government's motivation was unacceptable to farmers who were battling to recover from "unfavourable agricultural conditions".

SASOL

FM 10/9/93 55

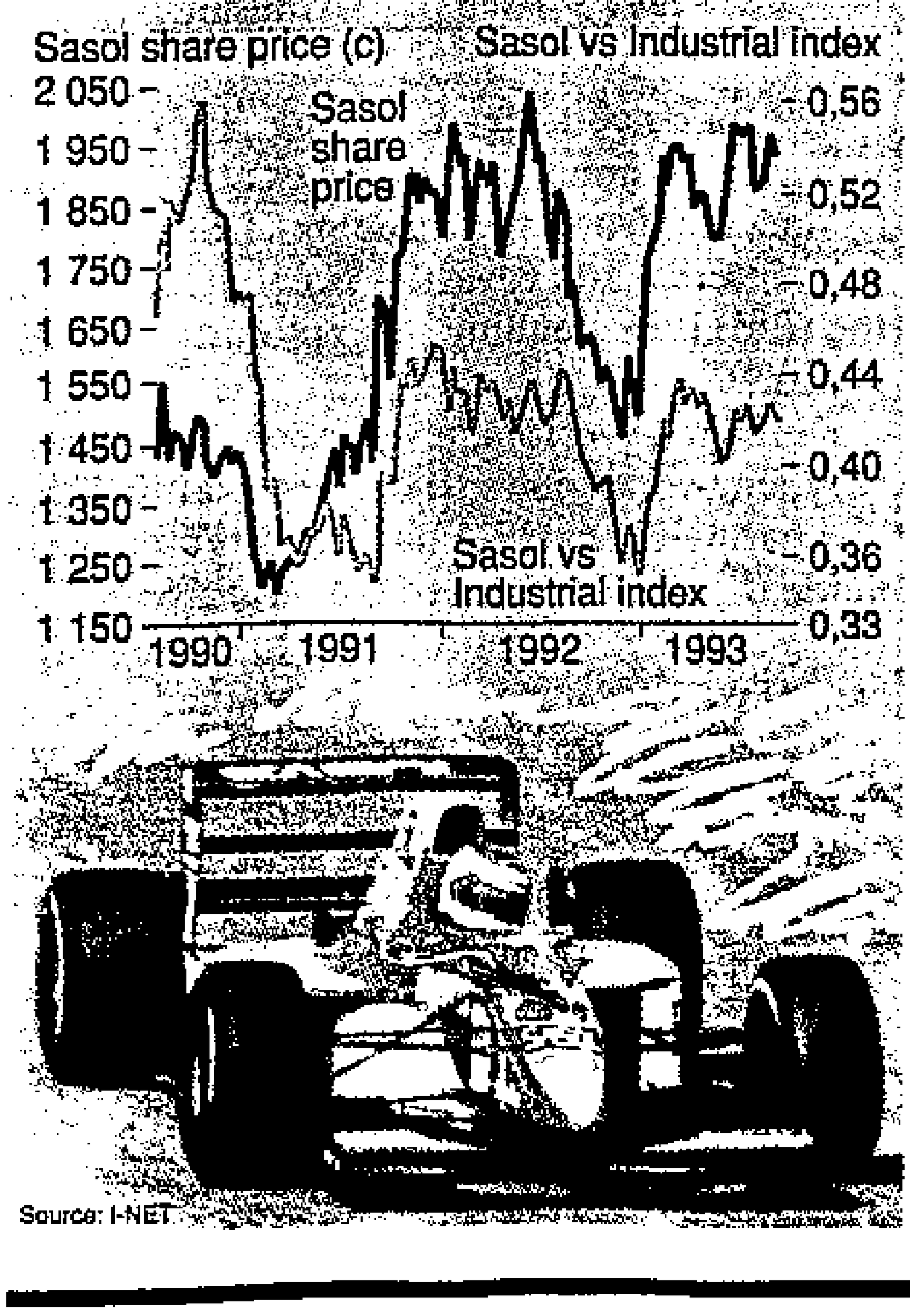
Seeing returns from capex splurge

Activities: *Makes and markets synthetic fuels and chemicals; mines and markets coal; refines oil; and markets fuels.*
Control: *IDC 20%; Old Mutual 16%; Sanlam 14%.*
Chairman: *J A Stegmann; MD: P Kruger.*
Capital structure: *566m ords. Market capitalisation: R11bn.*
Share market: *Price: 1 950c. Yields: 4,1% on dividend; 10,6% on earnings; p:e ratio, 9,4; cover, 2,7. 12-month high, 2 035c; low, 1 425c. Trading volume last quarter, 7,2m shares.*

Year to June 25	'90	'91	'92	'93
ST debt (Rm)	15	406	459	578
LT debt (Rm)	391	1 762	1 822	1 492
Debt:equity ratio	0,06	0,37	0,13	0,16
Shareholders' interest	0,58	0,46	0,53	0,56
Int & leasing cover	n/a	5,1	7,0	9,7
Return on cap (%)	18,5	18,1	14,3	15,3
Turnover (Rbn)	5,03	7,56	7,85	8,25
Pre-int profit (Rbn)	1,22	1,90	1,79	2,05
Pre-int margin (%)	26,5	20,2	22,7	24,8
Earnings (c)	132,4	184,7	202,0	230,3
Dividends (c)	59,5	71,5	78	86
Tangible NAV (c)	762	857	980	1 124

Sasol's ambitious capital expenditure programme of recent years has raised some eyebrows, particularly when shareholders were asked last year to inject more than R1bn by subscribing for convertible debentures. Strong year-end results, however, may indicate Sasol has been following the right strategy.

A smoother ride?
Sasol and Industrial index.



Source: I-NET

Sasol's Kruger ... *higher volumes boosted turnover*

Part of the reason for the high capex bill — R1,3bn in 1991, R1,2bn in 1992, R1,8bn last year — was to get away from reliance on synfuel production and the protection bogyman. This still seems to haunt the share price despite efforts clearly to separate the group's diverse activities into four distinct businesses.

Much of the spending has been on plant to increase production of chemicals and petrochemicals, during which time world petrochemical prices have been steadily drifting down. But increased capacity — set to escalate steeply as new projects totalling about R3,2bn come on stream over the next few years, planned to coincide with an upturn in world prices — is largely behind Sasol's improved operating results.

MD Paul Kruger notes that, with chemical prices and refining margins down, the 5% increase in turnover was solely volume related. The 20% boost to pre-tax profit came largely from Sasol's cost containment programme. One effect has been 3 500 retrenchments, but overall expenses were held to an increase of 3,5%.

Of course, earnings were also helped by lower interest and tax charges but Sasol, which expects its effective tax rate to increase from 1993's 19% to more than 30% this year, put aside R100m in a tax equalisation reserve and still lifted EPS by 14%.

Authorised capex at year-end amounted to R1,6bn, of which R1,2bn is expected to be spent within one year. Cash holdings have dropped from R1,4bn to R900m, but executive director André du Toit says it's unlikely Sasol will hold a rights offer or issue other instruments to fund the programme. Cash flow is strong, with R2,6bn flowing from operations last year (1992: R2,4bn).

Synfuels remain the biggest contributor to operating profit (see table) and grew in importance last year. Increased synfuel production, as well as higher crude oil throughput at the Natref refinery, increased liquid fuel sales by 2,5% to 8,7m/kilolitres.

But spending on chemical production remains the focus, with Sasol One converted to wax, paraffin and ammonia production (R900m), and a R366m alpha-olefins plant and R305m acrylonitrile plant under construction at Secunda.

Kruger says, in ideal circumstances, petrochemicals have the potential to contribute half Sasol's profits. In the short-term he would like to see the contribution from synfuels and petrochemicals drawing closer to each other.

Another important indication of the direction Sasol is trying to steer business in, is the joint venture with AECI to make PVC products from Sasol's ethylene feedstock.

Kruger says due diligence has been completed and both groups are now waiting to hear from the Competition Board, possibly before the end of the month. The intention is to distribute a portion of the Sasol shares directly to shareholders and list the still-unnamed joint venture company.

That will possibly be used by Sasol as the wedge to further separate the chemical, coal mining and refining and fuel marketing businesses away from synfuels and the stigma which remains over the protection this part of the business receives. Kruger says it's possible further separate listings will take place — the most obvious candidate is refining and fuel marketing — though he says Sasol has not set a time frame.

Apart from low world prices for petrochemicals and crude oil, Sasol will almost certainly have a higher tax rate (though this will probably be offset by the R100m tax reserve) and interest bill this year, which will put pressure on earnings. At the same time, it expects to hold down expenses through the

Protected growth
Contribution to operating profit

	1992 Rm	1992 %	1993 Rm	1993 %
Synthetic fuels	657	37	813	41
Coal	262	15	430	22
Crude oil refining, fuels marketing and gas	491	28	483	25
Petrochemicals, fertilizers, explosives, polymers and other products	349	20	230	12
Total	1 759	100	1 956	100

Source: SASOL

cont

FM 10/9/93

ongoing cost containment programme and, with a number of projects to come on stream over the next two years, volumes will continue to increase. ~~250~~ (55)

Sasol will also benefit from the weakening rand. Chairman Joe Stegmann's forecast that earnings are expected to show a modest increase is probably understated. Sasol has shown in the past financial year that it can hold its own in depressed world and local markets by pushing up volumes. With its growing capacity and the possibility that chemical prices could pick up in the next year or two, its earnings potential appears considerable.

That makes the share, despite gaining 50c the day after results were announced, look cheap on its present ratings. Synfuel protection is doubtless still sending out a negative message to investors, though Sasol is doing the right thing by separating its businesses and offering better divisional disclosure (though this still has room for improvement). Maybe a separate listing will give the market more confidence in the share. *Shaun Harris*

MOSSGAS

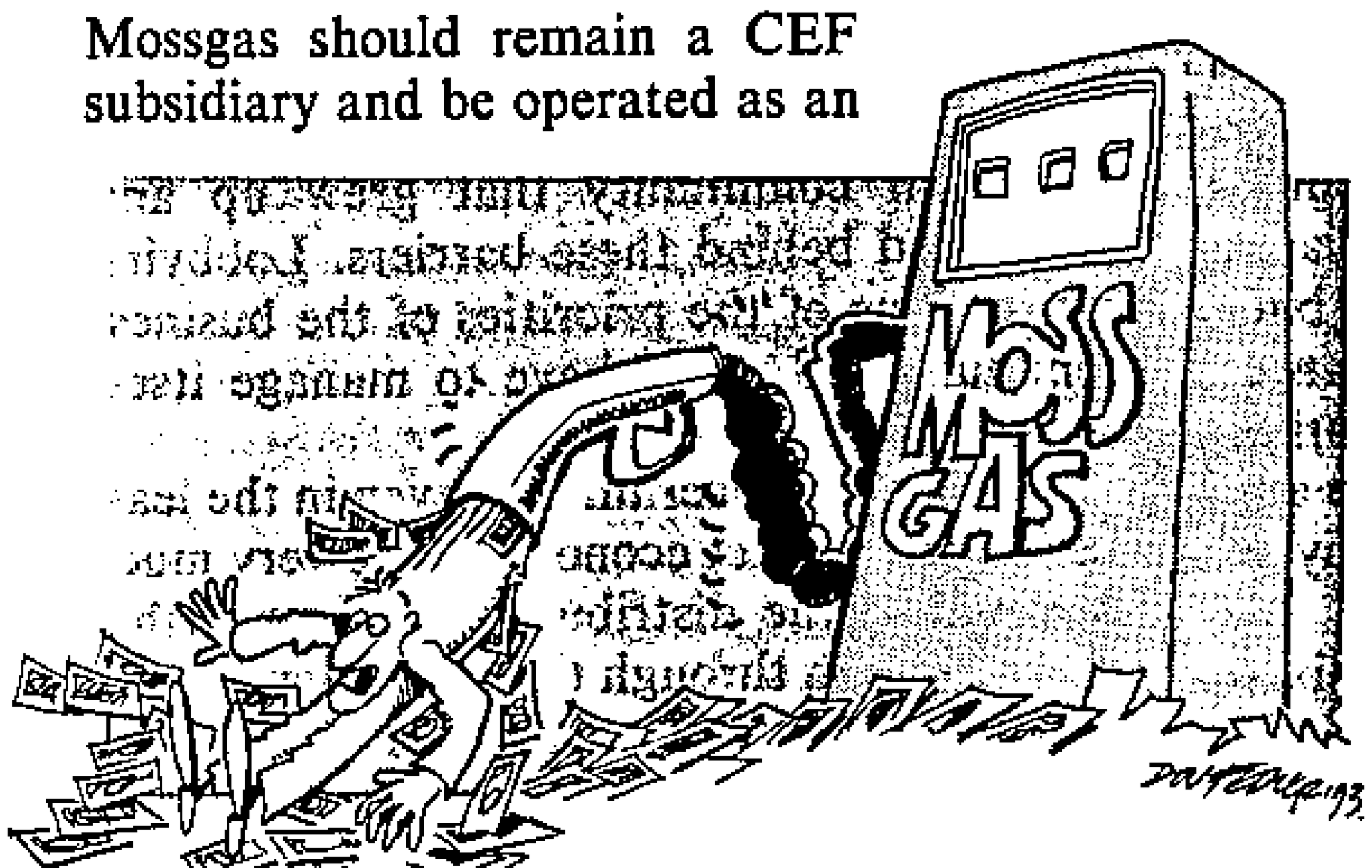
One more lease on life

FM 10/9/93

Government must be told that its proposals for Mossgas are outrageous and unacceptable. This is the case, despite some sensible points in the policy now approved by the Joint Committee on Public Accounts after evaluating the Auditor-General's special report on an independent evaluation of the fuel-from-gas project (by the consultancy arm of Deloitte & Touche).

To deal with the positive side first, SA can be grateful that government now says no further capital should be invested in Mossgas unless justified "in terms of normal commercial considerations" and — of equal importance — is "independently verified," taking into account all costs to motorists, taxpayers and government. A monitoring committee, comprising representatives from the Central Energy Fund (CEF) and "private sector experts" should advise the Cabinet on future capex by Mossgas.

The recommendations also state that Mossgas should remain a CEF subsidiary and be operated as an autonomous commercial State corporation, with an "independent" board. This will comprise representatives of the CEF, private sector and Department of Mineral & Energy Affairs. The board will be appointed by and remain responsible to the Mineral & Energy Affairs Minister.



So far so good, if you accept that Mossgas should continue to operate. In economic terms, this should be the case only if cash flow is positive without protection. What is appalling is government's intention to bring Mossgas, which is to receive in-bond-landed-cost (IBLC) revenue for its output, under the same protectionist umbrella as Sasol. Sasol receives a rebate on fuel levies to ensure it receives prices equivalent to a crude oil price of \$23 a barrel.

Protection to Mossgas would be guaranteed for 10 years, to assist it "in positioning itself more favourably for privatisation." To make matters worse, further compensation will become payable to Mossgas if it receives less than IBLC values through having to export its output. This is no academic matter as the additions to supply from Mossgas have resulted in equivalent additions to exports.

The physical output is being absorbed by the oil industry on a no-pain-no-gain basis. This means that Mossgas must absorb any loss on exporting refined products to the limit of what it delivers locally.

The oil industry, despite the drafting of an agreement committing itself in principle to absorbing Mossgas's output, will not sign any agreement forcing it to accept the financial consequences of having its own refineries' output backed out of the local market.

The oil industry considers that Mossgas's natural market for its refined products is confined to the area around the synfuels plant where it enjoys a transport cost advantage. Unless and until the local market for liquid fuels grows enough to absorb both the recently expanded capability of the oil refineries and Mossgas's contribution, the latter will be forced to take export prices.

The ministerial announcement concludes with the assertion that the decisions will result in certain financial implications for the Equalisation Fund (from which Sasol already derives its protection in the form of a refund of levies).

Government claims the fund should be able to finance the export compensation and protection to Mossgas without a concomitant increase in fuel levies over the short term. What this means is: after the concurrently announced increase of 7c/*l* in the petrol price this week, and, if current values for the rand and crude oil remain where they are, Mossgas could not be financed much beyond the end of the year without further imposts on motorists.

The fund now enjoys revenue of about R93m/month, from which Sasol is drawing around R75m, based on protection of 15c/*l* on refined products. If one makes the assumption that Mossgas is producing around one-quarter of Sasol's output, then the fund is having to pay out another R19m estimated by Mossgas on a full year at the present oil price and exchange rate, for a total of R94m/month. And this excludes compensation for export losses.

Government's reason for all this is that the purpose is to position Mossgas for eventual privatisation. This is an argument that needs to be shot down. Firstly, Engen was elegantly positioned, through its option to take up more equity, to buy into Mossgas if it thought it commercially attractive. Not only has it declined, but it has even walked away from its position as manager of the venture.

Worse still, the oil price has drifted below \$17 a barrel for the benchmark grade of Brent crude. Significantly higher oil prices could be, not 10 years, but decades into the future. Finally, Mossgas has around its neck the sunk cost of the R11bn heedlessly invested by government. Not to mention the major risk of inadequate gas reserves. ■

(55)

MERCEDES-BENZ of SA

FM 10/9/93

Rolling into Africa

The plan by Mercedes-Benz AG in Germany to boost exports of SA-made products is coming together nicely. Subsidiary Mercedes-Benz of SA (MBSA) started exporting only in 1990 and last year shipped components and vehicles worth R200m. Atlantis Diesel Engines has also increased exports of components for Mercedes-Benz engines, which it makes under licence, from none in financial 1990 to R14,7m in 1993.

Easy target

MBSA, which is now in charge of all Mercedes-Benz activity in sub-Saharan Africa, is budgeting to increase total exports to R350m, including components and spare parts, by 1996. This should be an easy target because many other African countries also use right-hand-drive vehicles.

Toyota SA, Nissan and Delta Motor Corp have also started exporting SA-made vehicles and components into Africa and BMW SA is to spend R100m on component suppliers, mainly on its Rosslyn plant, to gear up for an export drive worldwide. But for MBSA, especially, the bones have been falling right. For example, the company:

ALL THE WAY

SA's second biggest liquor-advertising account, Lion Lager, has been moved from its agency of long-standing, BSB/Bates, to Ogilvy & Mather Rightfords. According to Adindex, the account was worth about R12m in the 12 months to May, but Adindex distorts the real expenditure to some extent. The total, including production costs, is probably larger.

O&M already handles two SA Breweries' brands (Amstel and Chandlers). Bates retains the SAB corporate account and Castle milk stout. Castle Lager is the biggest liquor advertising account at R15m a year, according to Adindex. Total SAB advertising expenditure last year is put at R58m.

FM 10/9/93

MOSSGAS

Back to the old ways

(55)

The question of ethics in business and public life has a particular poignancy in southern Africa. During any recession, desperation among businessmen can too easily erode integrity. And we have been in recession for nearly five years. That's enough temptation for some businessmen to reach for a felt hat and a Tommy gun.

We are in a region too where there are governments dominated by some dubious potentates who, with their officials, find bureaucratic transparency anathema and a Swiss bank account essential. Accusations of the misappropriation of public funds have — like township violence — become endemic.

But crooked businessmen and bent officials can, if the Commercial Branch and the Auditor-General are sufficiently diligent, be brought to account. If found guilty, they have to pay the price that society demands for their transgression.

However, the biggest brigand of all gets off scot-free. It is the government which, by virtue of sovereign power, has allowed inflation to rip and taxes to rise, and has invested public funds in unproductive apartheid projects. It has thus despoiled the saver and defrauded the taxpayer. Of all the governments we have had since 1910, that of President P W Botha shoulders the most guilt. There is clear testimony in our declining economic performance during his presidency.

Since then, President F W de Klerk has striven for a more transparent and accountable administration, has attempted to curb the fiscal excesses that cause inflation and has been sensitive to the likely aspirations of a new and more broadly democratic government.

Or so we thought. The decision this week of the De Klerk Cabinet to extend Sasol's dubious price support system to Mossgas is without doubt recidivistic. The R11bn that has been wasted on Mossgas was the last gasp of apartheid economics: wasteful of scarce resources, devoid of economic logic and calculated to preserve the privilege of Nat party supporters at the expense of everyone else.

If there ever were a monument to a system of economic despoilation and political oppression, it is this unfortunate project — unlikely ever to be economically viable. It will not in the foreseeable future provide the taxpayer with any return on the R11bn of public funds invested, let alone an adequate one. Its reserves have turned out to be far less than what, at the outset of the project, the public was told they would be.

There are those who argue that, because it exists, Mossgas might as well be kept going, provided it doesn't cost any more money. And while production earnings exceed operating costs, there might be some justification for that view — provided no further protection is given.

But now the taxpayers — and indeed all those who have an interest in a prosperous economy — are going to have to continue to pay for a specific economic error of an oppressive regime.

The impost currently is far from negligible — R19m per month for a full year at present oil prices and exchange rates, even without allowing for compensation for export losses. It will most certainly impede the difficult task of reasserting fiscal discipline and restoring this country's international competitive edge.

The answer is to acknowledge that Mossgas, like the system that spawned it, was a bad mistake, and to limit the damage. It has little economic utility and it represents a sad period in our history when the sovereignty of government detached itself palpably from ethical consideration. ■

Giant electricity trusts to improve township services

S Times. 12/9/93

[C/Metro]

(55)

By CHARLENE SMITH

THE National Electricity Forum is discussing the formation of giant electricity distribution trusts that would link cities and townships, cut costs and improve services.

Local government negotiators are considering a similar system for water.

The scheme would ease the rates burden linked to the integration of cities and townships, ensure wider distribution and allow more efficient and cheaper services.

It would remove electricity from political control and ensure that more consumers had access to it, Dr Ian McRae, chief executive of Eskom, said.

The forum believes the trusts would be better placed than a parastatal to secure foreign funding.

The scheme would minimise threats from the Local Government Negotiating Forum that white areas will have to pay higher rates to help improve services in townships.

The NEF has already made it clear it is unhappy with the constitutional technical committee's second draft on electrification. The draft gives regional governments exclusive powers over electricity.

The linking of cities and townships would create utility distribution corporations that could seek foreign loans.

Once there were better services and access to electricity, consideration should be given to privatisation, Dr McRae said.

Five models for a electricity strategy are being discussed at the forum. The proposal for distribution trusts is the most favoured.

Dr Bernie Fanaroff of the National Union of Metalworkers of SA — Cosatu's representative on the NEF — said only a few municipalities used electricity to boost funds.

"There are several thousand tariff structures and it is important that these be equitable and uniform. It is difficult to get subsidisation for a fragmented electrification system."

The NEF expects to reach agreement on an electrification strategy by the end of this year.

Legislation will have to be changed to allow electrical distributors access to consumers. Also, electricity departments would have to be restructured to allow the creation of five or six giant suppliers.

Engen questions role of Central Energy Fund

BiDay 14/9/93

LINDA ENSOR

CAPE TOWN — Engen CE Rob Angel questioned yesterday whether there was any future role in the procurement of crude oil for the Central Energy Fund, which monopolised crude oil purchases for SA oil refiners in the sanctions era.

He said Engen was currently buying all its own crude oil supplies and did not rely at all on the Central Energy Fund. Angel noted that there was no longer a political premium on the price which SA had to pay for crude oil, and said there was no longer any need for government involvement through the fund.

He called also for a reassessment of the activities of the state's oil exploration arm Soekor. (55)

Soekor's extensive exploration programme over many years had shown that there was little likelihood of there being commercially viable oil reserves in SA's waters.

Angel expressed support for the deregulation of the oil industry and did not believe that it would materially affect Engen's bottom line.

Engen was forecasting a positive annual result in the year to end-August. Although the domestic market was slack, exports, which now represented about 15% of Engen's total sales, were buoyant.

Eskom dispels 'sabotage plan'

The Argus Correspondent (55) ARG 13/9/93

JOHANNESBURG. — Eskom has dismissed a plan, allegedly devised by the Afrikaner Volksfront, to sabotage the country's electricity as "unlikely".

Eskom corporate communications manager Kevin Morgan said today that the corporation's "uniquely critical position as a national electricity supplier" had made it a major target for dissatisfied polititical groups.

Eskom had developed appropriate security measures.

"We have measures of all types to protect our buildings, installations and staff from sabotage and these include traditional, innovative, prominent and private security measures," he said.

Mr Morgan said Eskom did not perceive a threat from any political organisation as it worked for the benefit of all citizens.

He said even if the Afrikaner Volksfront had members in Eskom it would be unlikely that they could carry out such a threat as Eskom staff were loyal to the institution and the country.

Mr Morgan was reacting to a weekend newspaper report which said the Afrikaner Volksfront had planned to cut off the country's electricity supply to prevent the implementation of agreements made at the World Trade Centre.

Sapa reports that The National Party has condemned the Afrikaner Volksfront's alleged plan.

The plan, one of a series of "plagues" in Operation Sterkarm (Strongarm), entailed switching off Eskom's network by "planted rightwing sympathisers" employed by the company.

According to Rapport, Operation Sterkarm was shelved for humanitarian reasons.

Eskom sees sales growth

CT 14/7/93

Own Correspondent

JOHANNESBURG. — Eskom is heading for renewed growth in electricity sales in 1993 after the recession-induced 0,4% decline in 1992, says newly appointed generation executive director, Bruce Crookes.

Crookes said yesterday that improving bulk industrial electricity consumption this year would push total sales above the 140 000 Gwh mark for the first time.

Sales fell to 138 210 Gwh in 1992 from 138 698 Gwh the year before, the first yearly decline since the 1940s in spite of the steady deceleration in sales growth from the mid-1980s.

Growing outcry to petrol price hike

B/Day

THEO RAWANA

OPPOSITION to today's petrol price hike mounted yesterday, with Cosatu warning government that a backlash similar to the one resulting from VAT's imposition could take place if the increase went ahead.

The ANC warned that the minibus taxi blockade of Border towns could lead to the closure of East London's airport because of a lack of fuel. Taxi operators yesterday blockaded fuel depots in the town.

And the Johannesburg Chamber of Commerce and Industry condemned the price rise and said businessmen could "take to the streets" in protest. 15/9/93

ANC Border media officer Mcebisi Bata said service stations in the region were running dry, and the army and local peace secretariat were locked in talks to end the taxi operators protest at the oil depots.

Taxis also sealed off King William's Town, making access into and out of the town impossible. (55)

In Mdantsane, near East London, a taxi driver was shot dead in a confrontation and shots were fired at a Stutterheim garage, Sapa reports. Thousands of commuters were stranded and employers reported a high rate of absenteeism.

Cosatu said it was making "a last-ditch attempt" to persuade government to suspend the price hike, and enter into negotiations on the way the fuel price was regulated. It said it was throughly unconvinced by the reasons given for the increase.

"We believe government is totally failing in its obligation to ensure transparency and accountability for its handling of the fuel price."

In a letter to Mineral and Energy Affairs

☐ To Page 2

Petrol price

B/Day 15/9/93

☐ From Page 1

Minister George Bartlett, Cosatu called for the increase to be suspended on the grounds that there had been no consultation and it would be "inviting a social backlash similar to that relating to VAT".

Bartlett said the increase was "not open to discussion", but government was not averse to the deregulation of the industry, so long as it was carefully considered. A forum, including as many parties as possible, had been scheduled for the end of October to discuss this. (55)

JCCI president Mervyn King said members could not understand the need for the increase. He warned that the mood among businessmen was "rapidly changing from lame acceptance of circumstances and government actions to strong and even angry opposition".

"If union members and taxi operators can take to the streets, business might start doing likewise. It is clear the authorities have failed to communicate the reasons for the increase. This should suggest that greater transparency is urgently needed in the whole area of oil procurement and fuel pricing."

☐ Pick 'n Pay announced it would discount petrol in defiance of government from today, our Cape Town correspondent reports. CE Raymond Ackerman said that if the "experiment" at the Durban North hypermarket worked today the group would discount petrol nationally.

Bartlett said his department was seeking legal advice on the issue of discount coupons, since this could be an infringement of the price maintenance regulations.

Power cut 'caused by fault'

CT 15/9/93

Staff Reporter

ELSIE'S RIVER ANC chairman Mr Andrew Madela, said last night he had received an anonymous call from a man who said he was an AWB member and claimed responsibility for the power failure in the area.

However, a spokesman for Eskom said power was interrupted by a "normal technical fault".

Power was interrupted from just after 4 pm in Elsie's River, Bishop Lavis and Ruiterwacht, and restored in all areas after 9pm.

Interim rule powers closer

CT 15/9/93

PRETORIA. — The negotiating council came closer yesterday to defining the powers, functions and decision-making processes of an interim cabinet and president.

It was agreed that the president of an interim government would become the executive head of the state and would be elected indirectly by Parliament, rather than through a question on ballot papers.

● Progress on interim rule — Page 2

DP blasts atom plant

(35) ARG 15/9/93

SOUTH Africa's uranium enrichment plant was a mini-Mossgas losing taxpayers hundred of millions a year, Roger Hulley (Democratic Party Constantia) said in the second reading debate on the Nuclear Energy Bill. He said the Bill unfairly gave a regulatory and production role to the Atomic Energy Board. — Sapa.

■ *Taxi drivers blockade Cape Town* ■ *Business leaders angry*

Star 15/9/93

Fuel protests flare

55

COSATU has warned the Government of a 'social backlash' similar to the anti-VAT stayaway

■ STAFF REPORTERS

The Government is facing considerable opposition to the 7c/litre petrol price increase which came into effect last night.

The Congress of South African Trade Unions yesterday warned the Government of a "social backlash" similar to the anti-VAT stayaway if the increase stood. In a statement, Cosatu also proposed that the matter be discussed at today's National Economic Forum meeting and called for public input and consultation.

And taxi operators, infuriated by the increase, said increasingly militant drivers could hit cities around the country with taxi blockades such as the one which crippled Johannesburg earlier this year.

But by this morning, there was no sign of a Johannesburg taxi protest. Taxi operators in the Eastern Cape began blockading streets yesterday and by this morning Cape Town was affected.

A Johannesburg Traffic Department spokesman said the roads were quiet this morning and taxis into the city were running normally.

In Cape Town hundreds of minibuses blocked the incoming Eastern Boulevard freeway into Cape Town as well as the Buitenkant/Darling Street intersection causing chaos.

The Johannesburg Chamber of Commerce and Industry condemned the increase and warned that the mood among businessmen could turn to "angry opposition".

JCCI president Mervyn King said a common feeling at JCCI's monthly meeting was that "if union members and taxi operators can take to the streets, business might start doing likewise".

Sapa reports that Mineral and Energy Affairs Minister George Bartlett said lowering the petrol price was "not even open for discussion".

"The price has risen by 7c/litre for all octanes on the Reef, and diesel and paraffin by 5,5c/litre.

Southern African Black Taxi Association (Sabta) spokesman Molefe Rapodile said the Cape blockades could spread to other areas.

He said [illegible] were not part of a [illegible] campaign but were caused by "the anger of operators who . . . provide an essential public service".

Taxi operators could not raise their fares because the public would object.

Rapodile added that the Government could [illegible] help consumers by allowing the taxi industry to buy petrol in bulk and sell it to operators at reduced prices.

Looking back . . . Matau Mathews pumps petrol into a car yesterday, when it cost 7c a litre less than it does now. PICTURE: JOAO SILVA

Bartlett roasted over Mossgas

TIM COHEN

CAPE TOWN — Mineral and Energy Affairs Minister George Bartlett was roasted by opposition members in a heated debate in Parliament yesterday for his handling of the Mossgas project. B/Day

DP MP Roger Hulley said the Mossgas project was indirectly responsible for the 7c/l petrol price increase. Government had built up a "Frankenstein monster" to control SA's energy supply during the sanctions era under a cloak of secrecy.

Soekor, Sasol, the Central Energy Fund, the Atomic Energy Corporation and Mossgas were linked in an intricate web of vested self-interest, mutual back-scratching, fat markups and special subsidies.

All of these were fed billions of rands of taxpayers' money derived essentially from crude oil purchases and the petrol price.

Hulley listed a large range of countries where the petrol price was cheaper in real terms, including Germany, Japan and the UK, where it was half as expensive, and the US where it was four times cheaper. Petrol was even 10% cheaper in Zimbabwe and was also less expensive in Botswana.

The reason for this was that these countries "do not have energy Frankensteins to feed and they do not have the albatross of Mossgas around their necks". (55)

The CP's Willem Botha said Mossgas was one of the biggest scandals that had hit a government. Any civilised government would have resigned over the R11bn which had been thrown down the drain.

Bartlett replied that Mossgas was contributing to the economy by saving R1bn a year in foreign exchange. 16/9/93

By appointing an independent board of directors, allowing the project import parity for its products as well as tariff protection for 10 years, and investigating privatisation, government had taken into consideration the recommendations of the joint committee on public accounts.

Thursday, September 16 1993 *

Major drive to electrify townships

(55) CT 16/9/93

Municipal Reporter

IN a major new programme to supply electricity to the townships Eskom has announced plans to connect 3 000 Khayelitsha homes this year and 50 000 by the end of 1996 — with the help of two foreign companies.

Spokesman Mr Ronnie Kingwill said Eskom had the full support of the community in undertaking the project as a joint venture, in partnership with England's East Midlands Electricity and with Electricité de France.

"This could be a pilot project, because both companies want to get involved in electricity supply here."

Eskom had a monopoly on the supply of electricity, Mr Kingwill said. Other companies could feature in the distribution of electricity.

"Our partner companies want to use the opportunity to market their products, such as sub-stations, lines and ready-boards," he said.

Eskom had concentrated on bulk supply and had limited experience with projects involving low-consumption households.

Pre-payment meters would be used throughout, he said. These ensured that consumers with low earning capacity did not fall into debt, and could manage their consumption better.

- Eskom's electrification project is the most comprehensive community development drive being undertaken. Countrywide, it hopes to electrify 900 000 homes in five years.

There are 6 500 homes with electricity in Khayelitsha at present.

Earlier this month, the first new consumers in core houses in Town 1 Village 1 Khayelitsha were connected. The first informal houses will be connected in January next year. During 1994, Eskom plans to connect 20 000 plots in all.

Bartlett warns 'rash actions' could endanger 111 000 jobs

Star 16/9/93

Fuel: anger spreads

55

FURIOUS worker, consumer and business groups plan meetings with two Cabinet Ministers

■ **STAFF REPORTERS**

Protests against the petrol price increase flared again today when taxi drivers in Mitchell's Plain, Cape Town, blockaded the local bus terminus and blocked roads.

Traffic in other parts of Cape Town was running normally after yesterday's protests and blockades degenerated into violence.

The PWV has so far escaped any protest action and hundreds of taxis are operating normally.

A spokesman for Energy Affairs Minister George Bartlett said the Minister would be flying to East London today for a meeting with the Border Taxi Association — responsible for blocking access to fuel depots.

He added that the association had asked for a meeting with Bartlett who was willing to "talk to anybody if he has an opportunity".

Worker, business and consumer organisations have called for a meeting with Bartlett and Finance Minister Derek Keys tomorrow over the 7c/litre increase.

The National Economic Forum yesterday invited Bartlett and Keys to urgently discuss the latest increase with a broad range of industry and consumer organisations.

Labour federation Cosatu was yesterday sending out invitations to the organisations, asking them to meet today to hammer out demands to put to the Ministers.

Their meeting with the Ministers tomorrow still has to be finalised.

At a press conference in Cape Town yesterday, Bartlett said the Government was "prepared to discuss the regulatory structure of the petrol price, but would not be bulldozed into deregulation.

He warned that "rash decisions" could endanger the jobs of 111 000 people in the local fuel industry, which saved South Africa about R7,5 billion a year in its balance of payments.

The decision to raise the price had been based on sound business principles.

Bartlett added that the price of fuel would not decrease when oil sanctions were removed because South Africa was already buying fuel at world market prices.

In Cape Town yesterday, police fired teargas and birdshot, arrested drivers and impounded vehicles after drivers blocked major routes during peak-hour morning traffic.

Police spokesman Colonel Raymond Dowd said several people had been arrested and about a dozen taxis had been impounded.

Several taxi association supporters and bystanders stoned police who responded with teargas and birdshot.

▶ **Picture — Page 3**

Forum in bid to defuse crisis

Petrol protest halts traffic in Cape Town

BDay 16/9/93

THEO RAWANA

THE National Economic Forum yesterday requested an urgent meeting with Mineral and Energy Affairs Minister George Bartlett and Finance Minister Derek Keys as opposition to the petrol price mounted.

The forum said it had invited the two Ministers to discuss the latest price increase and "the composition of the petrol price more broadly".

As minibus taxi blockades spread from the Border region to Cape Town, Bartlett appealed for calm and said he was willing to meet a delegation of taxi owners.

Cape Town's city centre and surrounding areas were brought to a standstill as hundreds of minibus taxis blocked key intersections in protest against the fuel price rise, Sapa reports.

Morning rush-hour traffic was delayed on major freeways, particularly on the Eastern Boulevard where angry motorists turned around on the freeway and drove into the face of oncoming traffic. A section of the road was later closed to traffic.

Traffic disruptions also occurred on the Cape Flats and in Mitchells Plain.

Police in central Cape Town fired 19 rounds of rubber shot and two 37mm rubber rounds to disperse a crowd which pelted them with stones and bottles. About 68 people were arrested but no serious injuries were reported. A number of policemen received minor cuts and bruises. Three taxi drivers claimed to have been beaten with rubber batons. (55)

Police towed away 25 minibuses. Later, police agreed that arrested drivers would be released on a written warning to appear in court and taxis would be returned.

Bartlett said the taxi industry had not been consulted on the increase because it was a market-related decision. ([redacted])

His media spokesman Carel du Toit confirmed that the Minister would meet a Border region taxi delegation in East London today. A broad forum against the petrol price increase is to be set up in the Border region today, amid reports that a protest blockade by taxi drivers will resume tomorrow.

The SA National Civic Organisation's southern Transvaal region pledged solidarity with the taxi operators. "It is not opportune to increase the petrol price at the time when our economy is beginning to show signs of recovery."

The Southern African Long Distance Taxi Organisation will petition parties at the World Trade Centre next week to protest against the rise.

Our Cape Town correspondent reports that in a fiery debate in Parliament, the DP said motorists were justifiably in revolt at the attempt to milk them in the

□ To Page 2

Petrol

BDay 16/9/93

□ From Page 1

form of tariff protection payments of R250m a year to Mossgas and R850m a year to Sasol. ([redacted])

The CP said any government which had thrown R11bn of taxpayers' money "into the sea" because of a failed project like Mossgas should resign. ([redacted])

The Inkatha Freedom Party expressed grave concern at the increase and called for the fuel industry to be privatised.

Bartlett said he was happy to talk to all critics and interested parties about the complexities of the fuel industry. However, he was not prepared to allow groups like Cosatu to become involved in fuel price decision-making. "Government has the responsibility to make the decision."

But he invited all interested parties to make representations about how the liquid fuel industry might be restructured. "This is such a complex issue that everybody must have a say."

The lifting of the UN oil embargo, probably at the end of the month, would not mean cheaper petrol.

Bartlett said the country had gradually depleted its fuel equalisation fund by keeping the pump price below landed cost. The motorist had been buying petrol at 6c/l less than landed cost at the time the fuel price went up.

Complete deregulation of the fuel industry could damage the economy considerably if it was not done carefully.

Regarding supermarkets' schemes to discount petrol, Bartlett said supermarkets, if allowed, were likely to sell petrol below cost as "loss leaders" in a bid to attract consumers, who would end up paying for the difference in other purchases.

He said many of the claims being made in advertisements for cut-price fuel were misleading. "You don't get anything for nothing." If supermarkets were allowed to buy petrol on the spot market, SA would risk its massive refinery industry, worth R1,8bn in foreign exchange a year.

□ The Free State Agricultural Union's young farmers' committee called on government to urgently reconsider the price of diesel for agricultural purposes. The increased diesel price would have a detrimental effect on agriculture, and young farmers in particular, it said.

● See Page 5

Minister grilled over fuel price as taxis threaten to renew blockades

BDay 17/9/93

THEO RAWANA

MINERAL and Energy Affairs Minister George Bartlett was grilled for two hours yesterday about this week's 7c/l petrol price hike, but East London taxi operators said his argument was unsatisfactory and threatened to renew their protests.

The Minister is set to face a similar gruelling session in Cape Town today.

And the National Economic Forum confirmed that he and Finance Minister Derek Keys would face the forum over the issue today. The Ministers' acceptance of the forum's invitation came as taxi operators threatened to extend blockades to Transvaal cities, and drivers warned they were set to renew their blockade of Cape Town.

The forum asked for the meeting to discuss the composition of the petrol price after an outcry over the price hike from labour, business and consumer interests.

Sapa reports that the South African Taxi Drivers' Union said traffic in Pretoria would be disrupted today. The union said it planned to launch a national campaign with groups including transport organisations and trade unions. (55)

Union federations Cosatu and Nactu, the SA Black Taxi Association and the ANC met yesterday to discuss the increase. The ANC called for the increase to be suspended, saying it backed the campaign to persuade government to negotiate the regulation of the fuel price.

Our East London correspondent reports that taxi operators vowed to resume their protest after Bartlett angrily rejected their demands for the withdrawal of the fuel price hike. They gave Bartlett four days to report back in person and scrap the increase. Bartlett left the meeting early, saying he had expected "a degree of realism". "The increase was due entirely to market forces. Either you understand them or you don't."

National peace secretariat chairman Antonie Gildenhuys, who chaired the meeting, said the Minister had got a "very clear message that such an increase is not acceptable in the Border region". All parties were waiting to hear the outcome of today's National Economic Forum meeting.

Cape Town taxi operators threatened to renew their blockade after Bartlett postponed yesterday's meeting to this afternoon. A spokesman said they were still prepared to meet the Minister, but felt government was "playing hide and seek".

Sporadic blockades had been set up in and around Cape Town yesterday and 22 taxi drivers and supporters appeared in absentia in the Magistrate's Court on charges of illegally protesting and obstructing traffic. The case was postponed to October 18.

A second group is to appear on October 19 and a third on October 20. A total of 67 protesters were arrested during Wednesday's blockade.

Star 7/9/93

Petrol price rise slammed

■ PRETORIA BUREAU

The Government's announcement yesterday that the price of petrol is to rise by 7c/litre from next Wednesday led to a renewed barrage of accusations that the motorist is being forced to pay even more to subsidise synthetic fuel projects.

And Tony Twine of economic analysts Econometrix pointed out that the price of crude oil in London had fallen from a rand price of R60,63 in April — when the fuel price was last increased — to R57,48 at present.

Along with the petrol price increase, Mineral and Energy Affairs Minister George Bartlett yesterday also announced that diesel and paraffin prices would rise by 5,5c/litre.

The petrol price at pumps on the Reef will now be R1,82 for 93 octane. (55)

Twine said South African motorists lost out because the Government based its calculation of the landed price of fuel on the average cost of shipping refined fuel from refineries in Singapore and Bahrain to South Africa.

He said Singapore prices had risen disproportionately lately because the facilities there had cut their production in line with the slack demand from economically depressed Japan.

"I believe that's a major

▶ To Page 3

Petrol price rise condemned

Star 7/9/93

◀ From Page 1

contributor to the disharmony that exists between the calculations of the Department and the reality of the international light crude market," said Twine.

The Democratic Party claimed that the equalisation fund had been under pressure due to the enormous costs and subsidies of Mossgas and Sasol.

"The motorist is having to pay more than 40 percent higher than the world price of crude oil because of the Government's misguided synfuel policy ($23 a barrel in SA and $16 on the world market)."

DP MP Roger Hulley called for the deregulation of the petrol price and the oil procurement industry. This would mean the closure of unnecessary, protected plants and a lowering of the petrol price.

While consumer experts believe the price hikes could mean an increase in the cost of food and other commodities, the SA Chamber of Business said an ideal opportunity was created for a probe into the layers of secret regulations covering the SA fuel industry. (55)

It said the increases were not unexpected as a result of the weakening rand on world currency markets.

It estimated that ripple effects could force an upward tilt in the overall inflation rate of between 0,3 and 0,4 percent.

The Consumer Council said the increase could mean a price rise for particular products.

"It will further erode consumers' buying power and contribute to higher inflation," executive director Jan Cronje said.

The Automobile Association (AA) says that the drop in the international price of crude since April, despite the weakening in the exchange rate, "makes a mockery of the announced increase and is evidence of the artificial methods that are used to determine the pump price of petrol in SA. The motorist is being called upon to pay for increases in the profit margins of oil companies and service stations".

Violence continues in the Cape

Pretoria braced for taxi protests

Star 17/9/93

(55)

■ STAFF REPORTERS

STALEMATE in the fuel price war goes on. Bartlett says the increase will stay. The taximen promise more blockades

Thousands of people went to work early in Pretoria today in the face of a threatened taxi blockade of the city centre and major roads.

Many shops — including some major department stores — opened for business up to 45 minutes earlier than usual.

Roads into the city centre carried heavier traffic than usual for a Friday morning, an indication that warnings by taxi drivers of a blockade were not being taking lightly.

Marred

The imminent blocking of Pretoria streets comes as taxi protests in the Cape continued for the third day today.

Drivers are disrupting traffic to protest against the 7c/litre petrol price increase.

Cape Town taxi protests were once again marred by violence today.

A spokesman for the Golden Arrow Bus Service said three bus commuters were injured this morning when buses were stoned in Mitchell's Plain, Bonteheuwel and Hannover Park.

And in Johannesburg, a broad range of taxi and other black business organisations, Cosatu, the PAC-aligned National Council of Trade Unions and the African National Congress said they would give the Government 10 days to review its position after today's scheduled meeting of the National Economic Forum (NEF).

Despite the growing protests, Mineral and Energy Affairs Minister George Bartlett repeated in East London yesterday that the fuel increase was here to stay.

He and Finance Minister Derek Keys are to discuss the issue today in the NEF — an economic consultative body consisting of organised labour, business and the Government.

The meeting was due to start this morning in Johannesburg.

Cosatu spokesman Neil Coleman said the organisation was determined to see the increase suspended.

If this did not happen, the 16 organisations which met yesterday to prepare for today's NEF meeting in Johannesburg would hold a summit in ten days' time to decide on further action.

The ANC said it was unacceptable that "hard pressed" consumers were being forced to subsidise "white elephants" such as Sasol and Mossgas.

"Sasol continues to receive large handouts from the Equalisation Fund while at the same time declaring increasing distributable profits to its private shareholders," the ANC said in a statement.

Nactu information officer Mudini Maivha dismissed the planned NEF meeting as a waste of time.

He said it would only result in "economic jargon".

The embattled Bartlett met angry taxi drivers in East London yesterday.

Agreed

On leaving the meeting, he told reporters the price increase was a reality.

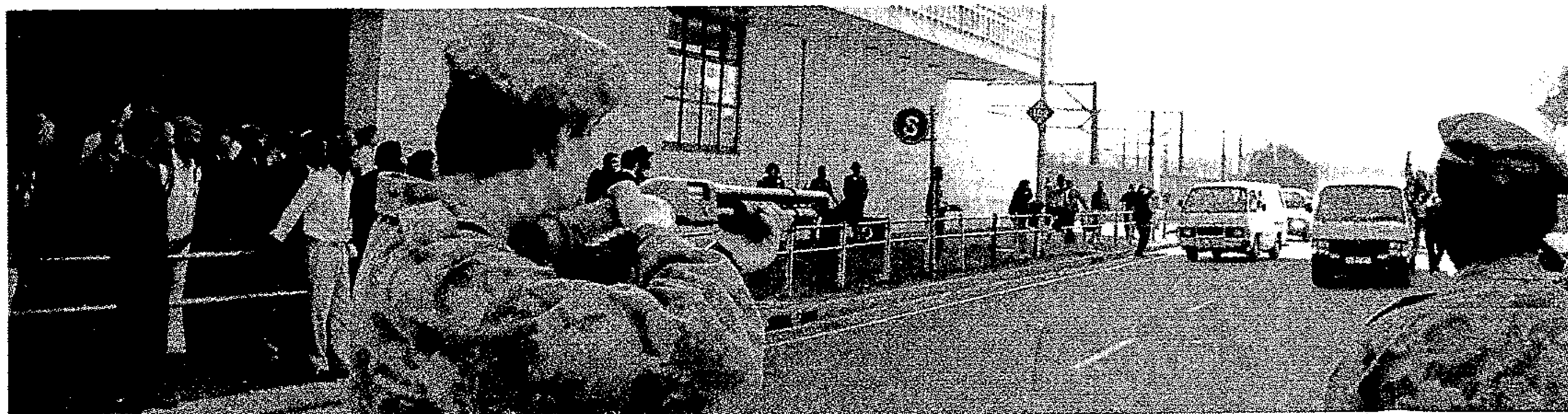
He said: "They're paying it at the gas stations," adding that he was "not in a position" to withdraw the increase.

Taxi drivers in East London agreed to suspend their action for four days.

Port Elizabeth police threw a stun grenade to break up a brawl which erupted when protesters, onlookers and police clashed after police had tried to tow away taxis which were blocking the main street of the city.

After the NEF meeting, Bartlett is due to fly back to Cape Town to meet more taxi drivers.

P.7



TARGET: A member of the Internal Stability Unit aims at taxi drivers in Cape Town

Sharing the petrol cake, in 1991, and now

Everyone bar the consumer is happy

S Times 19/9/93

55

By PETER DE IONNO

SOUTH Africa's fuel supply is controlled by a cosy cartel, uncompetitive by agreement between the oil companies, the government and their assorted hangers-on. They win every time.

They write the rules to suit themselves, and referee and play the game knowing the result before they start. None of the players wants the game to end. Viva the status quo. Everyone's happy.

Everyone except the customers, that is. If they want petrol they must pay the regulated price. No more and definitely no less.

Awash

The only variation allowed is 10,9c added for transporting petrol to the Reef and smaller differentials elsewhere.

Everyone is suffering, but for blacks the price is especially high and humiliating. They are being forced to pay over and over for Fortress South Africa's determination to maintain apartheid at any price. It is a legacy of cloak-and-dagger deals and ultra-expensive schemes like Sasol and Mossgas.

Customers faced with price rises at the pumps see oil prices, now around $17 (R57,80) a barrel, tumbling as the world again finds itself awash with oil.

But what happens to the international oil price has little bearing on the South African price at the pumps unless the price rockets as it did during the Gulf war. The system is designed to cushion consumers from frequent rises.

Since March 1991, 93-octane petrol in the PWV has risen by 38 percent from R1,30 a litre to R1,82 after Wednesday's 7c rise.

The landed cost of crude oil, calculated on refined costs in Bahrain and Singapore, South Africa's nearest suppliers — plus shipping and insurance costs, rising 19 percent from 47,1c a litre to 56,1c — was not responsible for the increase.

A falling rand makes the cost of crude, priced internationally in US dollars, more expensive. In the past five months the decline of the rand has added about 5c a litre to the cost of crude oil, which is priced in US dollars.

The chase continues. The petrol price is based on an exchange rate of R3,35 to the dollar. On Friday that had slipped to R3,40.

The government's slice, the fuel tax, accounts for almost half, rising from 36,9c a litre to 60,9c, up by an inflation-beating 65 percent. The tax was last increased in April, when a rise of 8c a litre pushed the price rise to 15c a litre.

The oil company wholesalers' margin took an extra 9c over the period — up from 5,6c to 14c, a 250-percent rise. And still the companies complain, because, though a formula agreed with the government, the Marketing of Petroleum Return, established a benchmark of a 15 percent return on assets, the companies claim their best return since 1990, when it was minus 1,6 percent, was 8,9 percent last year. A review of the formula is expected to be completed by the end of next month.

Delivery costs have almost doubled — up from 1,8c a litre to 3,5c.

The cut for third-party insurance under the Multilateral Motor Fund has also more than doubled from 4c a litre to 9c, a reflection of our road-safety record.

Customs and Excise has not been half as fortunate. Its cut of 3c a litre in 1991 has gone up by a relatively modest 33 percent to 4c.

Retailers have improved their margins by 44 percent from 11,5c a litre to 15,6c.

Agreed

The National Road Safety Council receives 0,2c a litre, as it did in 1991. This levy will be phased out by the end of this financial year.

The Equalisation Fund, which subsidises Sasol's synthetic-fuel operations up to an agreed level, equivalent to an international oil price of $23 (R78,20) a barrel, rose from 5,4c a litre to 7c in late 1991, and has stayed steady since.

But, even though this element in the equation has remained relatively constant, it is one of the most contentious factors. Sasol, SA's most profitable listed company, making 60 percent of its after-tax profit of R1,4-billion from producing half the country's fuel from coal, admits it could survive without "protection".

The phenomenon of taxpayers subsidising the dividends of private shareholders makes a mockery of free-market rhetoric, but Sasol argues boldly: "Surely tariff protection should not be given only to companies which lose money?"

Dealing with Sasol presents a huge dilemma. Sasol saves the country around R4-billion in foreign exchange that would otherwise be spent on imported crude oil, a point the company readily underlines, saying that without Sasol's contribution the rand would depreciate nine percent against the dollar, adding 5c a litre to the petrol price.

Tariff protection in the last financial year was R627-million before tax, and Sasol pays normal company tax on it. Fending off criticism, Sasol says its vast contribution to the economy more than justifies the average 12,5-percent protection it has received since its inception in 1977, a modest amount compared with the average 30 percent enjoyed by other manufacturing industries.

Transport costs paid to Petronet, which operates pipelines from the coast to the Reef, accounted for 9,2c a litre in 1991. It is now 10,9c, clearly a restrained increase. Petronet claims its charges are competitive internationally, that it receives only half of the 10,9c levy and lashes out at the increases taken by other players in the fuel-price game.

George Bartlett: A sorry history of bungles

By NORMAN WEST
Political Reporter

THE man at the centre of the storm over this week's increase in the price of petrol, Mineral and Energy Affairs Minister George Bartlett, has been called on no less than 20 times by the Democratic Party to quit his job.

Mr Bartlett, who started his political career as the United Party MP for Umzontoti in 1974, switched to the New Republic Party in 1977 and the NP in 1984.

In 1987, he became deputy minister of economic affairs and technology. He held several other cabinet responsibilities and ended up as Minister of Mineral and Energy Affairs in 1991.

He has been accused of bungling in all the portfolios he has held.

He took over as Mineral and Energy Affairs from Dr Dawie de Villiers after a cabinet reshuffle in 1991.

With the portfolio he inherited the multi-billion rand Mossgas fuel project. He was quick to defend it.

He has since maintained that the R12-billion project was not commissioned on the commercial viability of the venture, but to achieve fuel self-efficiency.

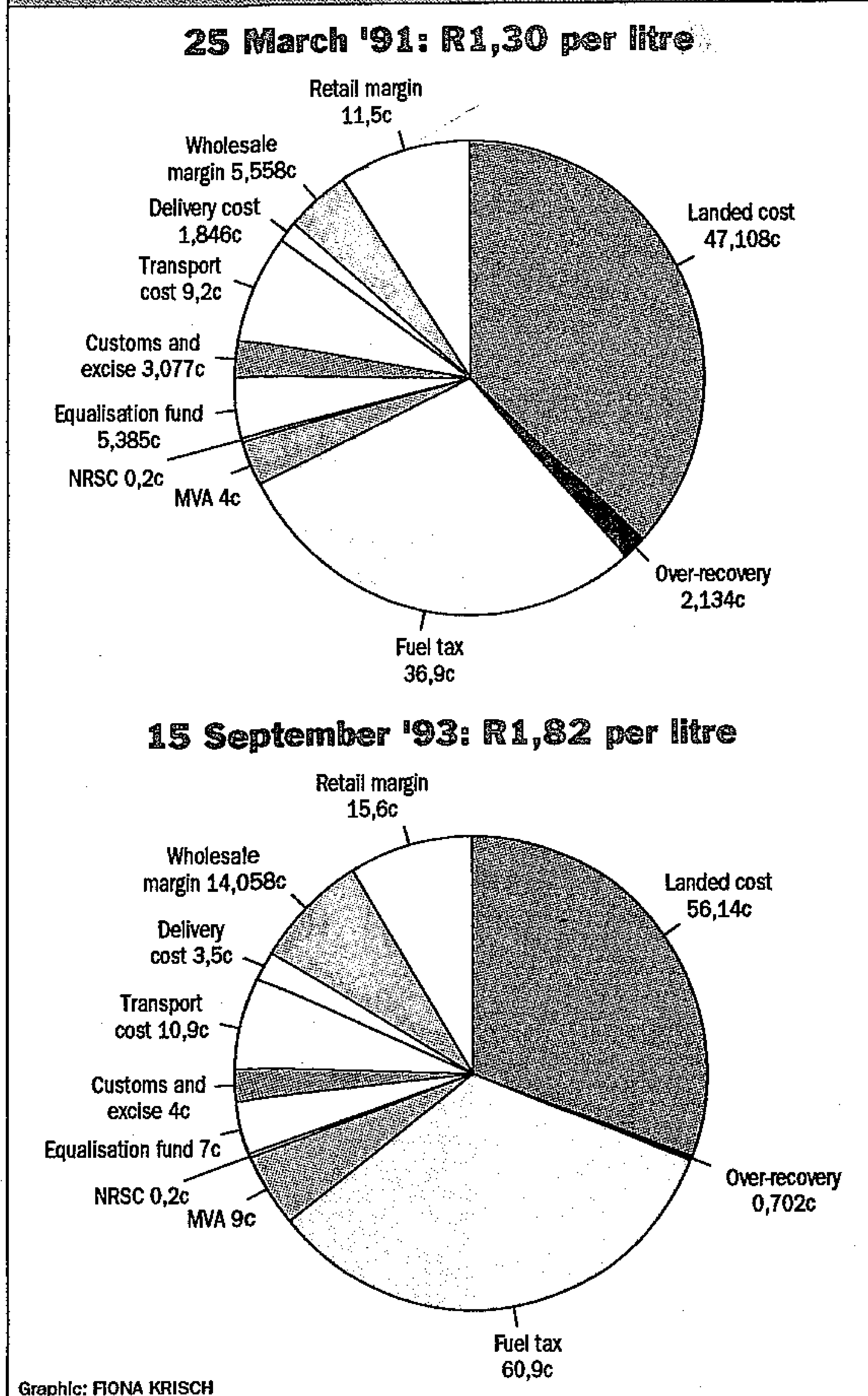
It would make a profit, he claimed, despite a blunt statement by Deputy Minister of Finance Theo Alant that Mossgass was "a bad investment".

In 1991 Dr Piet Welgemoed succeeded Mr Bartlett as Minister of Transport.

The following year, Mr Carlisle called for Mr Bartlett's resignation after the Melamet commission revealed large-scale corruption, fraud and maladministration in the third-party insurance system while Mr Bartlett held the transport portfolio.

As Minister of Transport, Mr Bartlett also presided over the rail commuter corporation debacle. Officials invested some R250-million in the Cape Investment Bank and when it went bankrupt, some R162-million was lost.

93 octane petrol price - PWV area



Graphic: FIONA KRISCH
Sources: DEPT OF MINERAL AND ENERGY AFFAIRS and AA

'We will fight on gas hike'

C/Press 1/9/93

By ALI MPHAKI

THE "war" against the recent petrol price hike is far from over, a Cosatu spokesman warned yesterday. (55)(2??)

This was despite an undertaking on Friday by Minister of Mineral and Energy Affairs George Bartlett to convey taxi owners' anger about the seven cents price hike to President de Klerk.

Bartlett made this promise to Cape Town taximen after taxis blocked routes leading into the "Mother City" for three consecutive days.

The blockades resulted in a flare-up of violence with buses being stoned and thousands of commuters left stranded.

Reports on SABC TV on Friday incorrectly stated that the Minister had given in to pressure from the taximen.

A Cosatu spokesman said, "Our demands are basic. While we say the recent petrol hike should be scrapped, the whole process of deciding on the petrol price should be opened for discussion. We've had three petrol increases in the last year.

"Anything is possible this week, but we would not like to make empty threats lest there be a backlash," he added.

Meanwhile Satdu has confirmed its planned protest of blockading Pretoria's main streets tomorrow.

J

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S1 Times 19/9/93

By PETER DE IONNO

RENEGADE petrol discounter and chairman of Pick 'n Pay Raymond Ackerman faces having his R52-million, 31-million litres a year retail fuel business shut down by ministerial edict.

He will receive a report today from his lawyers telling him whether his 7c a litre coupon discount scheme operating in Durban until Friday can be successfully defended against a government challenge.

Mineral and Energy Minister George Bartlett has summoned Mr Ackerman to his Cape Town office at 8am tomorrow to explain his legal justification for brazenly defying petrol price regulations which forbid price cutting.

Mr Bartlett, under attack this week over his uncompromising stance on the petrol price rise, sent Mr Ackerman a government legal opinion that any form of petrol discounting was illegal.

"He has the power to stop me selling petrol," said Mr Ackerman, who had planned to introduce the scheme in hypermarkets around the country from Wednesday. Now the plan will only go ahead if Pick 'n Pay's legal argument is accepted by the minister.

(55)

"We have gone through a legal loophole — I am convinced we were right," Mr Ackerman said.

"The regulations say the seller of petrol must receive in full the price laid down in law — and that's what's happening. The recipient does not have to pay the full amount."

He said shoppers spending more than R10 had been given coupons allowing them 7c a litre off as much petrol as they wanted.

Mr Ackerman said price-fixing in the fuel industry made the government that preached the merits of free enterprise to the ANC and the world look like hypocrites.

Mr Bartlett was not available for comment.

● See Page 7

Dispute over discount coupon proposal

Govt, Ackerman to discuss petrol

Star 20/9/93

BY BRENDAN TEMPLETON

Amid growing opposition to the petrol price increase, Pick 'n Pay chairman Raymond Ackerman is due to meet the Government today to discuss his controversial plans to sell discounted petrol nationwide.

He will explain to Mineral and Energy Affairs Minister George Bartlett in Cape Town why he believes his discount coupon scheme is legal.

Loophole

But Bartlett is adamant that Ackerman is wrong in saying he has found a way around the law which fixes the fuel price and requires all retailers to sell petrol for the same price.

"He believes he has found a legal loophole, but the law is clear and my department says he is breaking the law," Bartlett said yesterday.

The Minister said he could order fuel companies not to sell petrol to Pick 'n Pay's outlets if it were found that the law was being broken.

A ROW is simmering over a plan to discount the price of petrol, which Minister George Bartlett says is illegal

The dispute comes after a week of heated opposition by the ANC, Cosatu and taxi operators to the price rise, and warnings of a stayaway similar to Cosatu's anti-VAT stayaway in 1991.

Bartlett is also determined to hang on to his job despite growing calls for his resignation over his handling of the fuel price increase.

He vowed not to give in to demands by those who were slinging mud and "manipulating" the furore to suit their own ends.

"How many insults can a person take? There is an awful lot more to this than the petrol price.

"But I will fight back, I'm not an idiot," he said in reference to a recent, uncomplimentary newspaper article which called him "the idiot Minister".

He was being targeted because he was the National Party's Natal leader and an election was due next year. "They say cowboys don't cry, but I ask you: Are these insults justified?"

55

Stonings

The decision to increase the petrol price had not been his alone, but had followed recommendations by his department and consultations with the Department of Finance and the Cabinet, he said.

● **Sapa** reports that buses operating in Khayelitsha, outside Cape Town, were accompanied by members of the defence force yesterday.

The move follows stonings in several Peninsula townships by taxi drivers protesting against the petrol price increase.

Several taxi organisations have meanwhile decided to call off their protest and will provide services again from this morning.

Business Day

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A TIMES ME

Fuel price task force to hold urgent talks

BIDay 20/9/93

THEO RAWANA

A SPECIALLY convened National Economic Forum task force is to hold urgent talks today to discuss the growing furore over the petrol price rise.

At the weekend the influential Road Freight Association added its voice to the rising chorus of opposition.

And Mineral and Energy Affairs Minister George Bartlett is likely to face tough questioning from ministerial colleagues at this week's Cabinet meeting over the mounting opposition from many quarters to his insistence that the 7c-a-litre increase be implemented.

Bartlett was due to have discussed the matter with President F W de Klerk at the weekend, after telling angry taxi operators in the eastern and western Cape their objections to paying more for fuel would be conveyed to the Cabinet.

The embattled Bartlett is also due to have a showdown today with Pick 'n Pay chairman Raymond Ackerman, who has defied the regulations by discounting petrol at his hypermarkets. He summoned Ackerman for talks this morning.

The Road Freight Association announced that the heavy commercial vehicle industry, which was a major liquid fuel consumer, supported the outcry against the price increase.

Association CE Ian Moss said government had dealt "recklessly" with the fuel price without due consideration for consumers and producers. (55)

"The association supports the pleas coming from the taxi industry, Cosatu, Sacob, the Johannesburg Chamber of Commerce and Industry, political parties and members of the public for a moratorium on the present increase in the fuel price until proper consideration has been given to the impact of diesel and petrol costs on the various sectors of the SA economy," Moss said.

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Fuel

BIDay 20/9/93

☐ From Page 1

He said the role and effect of Sasol, Mossgas, Petronet, the Strategic Oil Fund Reserves, the Multilateral Motor Vehicle Accident Fund and overall fuel taxes should be investigated urgently. (55)

A meeting on Friday between the National Economic Forum, Bartlett and Finance Minister Derek Keys failed to reach any agreement other than to set up the task force, which will report back to a "summit" on October 4.

A statement issued after the meeting said the task force would have access to all information needed to assess the present situation and longer-term issues pertinent to the liquid fuel industry as a whole.

Economic forum member Jayendra Naidoo said the labour movement had made its stand clear. It rejected the increase and was calling for it to be rescinded to avoid confrontation.

● Picture: Page 3
● Comment: Page 6

NEWS Turfloop boss quits

Ackerman in fuel hike talks

Sowetan 20/9/93

Sowetan Correspondent

A NATIONWIDE petrol discount coupon scheme could go ahead if retail king Mr Raymond Ackerman convinces Minister of Transport Mr George Bartlett he has found a legal loophole in the petrol regulations.

The Pick 'n Pay chairman has been summoned to a meeting with Bartlett in Cape Town today to discuss his price cutting scheme. A petrol seller has to receive the full price laid down by law. Price cutting is illegal.

Ackerman said his lawyers had found a loophole in the legislation. (56)

"What we have done is legal," he said.

With each purchase over R10, Pick 'n Pay shoppers in Durban have been issued with coupons entitling them to a discount of 7c a litre. If Ackerman can convince Bartlett the measure is legal, Pick 'n Pay plans to introduce discount coupons throughout the country.

Cabinet looks at petrol hike

Sowetan 28/9/93

THE Cabinet is to discuss the petrol price increase of 7c/litre on Wednesday, Mineral and Energy Affairs Minister George Bartlett said on Saturday.

Bartlett said he had discussed the increase with the State President as well as the "problems" in Cape Town following his meeting with delegations from the taxi industry at D F Malan Airport.

Key intersections in Cape Town were blocked by angry taxi drivers last week while bus commuters were attacked and petrol stations damaged as drivers protested against the petrol hike. (SS)

Bartlett said the National Economic Forum had set up a task force to look into the current situation and longer term fuel industry policies. — *Sapa* ([illegible])

Fuel price: Bartlett considers relief to taxi industry

Star 21/9/93

OWN CORRESPONDENT

Cape Town — The Cabinet will discuss the fuel price and possible relief for the taxi industry tomorrow, the Mineral and Energy Affairs Minister, George Bartlett, has promised a delegation of Western Cape taxi association leaders.

Bartlett was speaking during a meeting with representatives of taxi associations yesterday.

Initially given a 24-hour ultimatum to drop the fuel price, Bartlett brokered another 24 hours to raise the matter with Cabinet.

He called on the taxi industry nationwide to prepare a memorandum and submit it to the National Economic Forum. (55)

"But as the Minister of Mineral and Energy Affairs, I believe the increase was absolutely essential. If relief is to be granted it will have to be found elsewhere. The petrol price cannot be reduced."

Bartlett said the 7c/litre increase translated into R93 million a month in extra revenue for the Government.

Violent opposition to last week's price rise continued yesterday. Golden Arrow bus driver, Ganief Karriem was shot dead, apparently by a taxi driver, in Khayelitsha, Cape Town, yesterday.

His death drew condemnation from the ANC, which slammed all attacks on civilians who fell victim to a "hooligan element" among taxi drivers protesting against last week's increase.

The taxi strike which severely disrupted Cape Town last week was suspended yesterday by several taxi organisations who apologised for abuses which had occurred during the strike.

In East London police reinforcements have been brought in to prepare for renewed protests which were last week suspended until today.

In Pretoria, only about 17 of a threatened 300 taxis turned up to form a procession to the Union Buildings to hand a petition to the State President's office demanding that the increase be reversed, the removal of VAT on taxis and a subsidy for commuter operations.

Pick 'n Pay to extend discount petrol

B/Day 21/9/93

THEO RAWANA

PICK 'n Pay announced yesterday it would extend its discount petrol scheme to 16 hypermarket outlets around the country within days, as petrol sales at its Durban test outlet rocketed 250%. (55)

In a tense standoff with government, attorneys for Mineral and Energy Affairs Minister George Bartlett are considering yesterday's submission from Pick 'n Pay attorneys on the discount scheme.

Our Durban correspondent reports that joint MD Gareth Ackerman expressed concern that Bartlett might invoke powers under the Petroleum Products Act to end the scheme. But if he did Pick 'n Pay would take government to court "and win".

Bartlett's spokesman said the Minister was waiting for legal advice and probably would announce his decision after tomorrow's Cabinet meeting. Our political staff reports that Bartlett said last night no finality on how to resolve the petrol price controversy was likely until the National Economic Forum met in two weeks' time.

He told the Convention of Democratic Taxi Associations in Cape Town that he could not see the price being lowered. He had sympathy for the taxi industry and would discuss its problems, including a call for subsidies, with the Transport Minister.

Sacob head Raymond Parsons said business representatives met to discuss recommendations for this week's National Economic Forum task force meeting.

Protest victim . . . rescue workers remove the body of bus driver Ganief Karriem, killed in a Khayelitsha attack.

Pick 'n Pay stands firm on discount for petrol

Star 21/9/93

BY CHRIS WHITFIELD AND BRENDAN TEMPLETON

A showdown is looming between the Government and Pick 'n Pay over the supermarket's 7c discount petrol scheme which is due to hit the Pretoria-Witwatersrand-Vereeniging area by Saturday.

Minister of Mineral and Energy Affairs George Bartlett says he has the power to cut supply lines if the scheme is found to be illegal. (50)

But the supermarket chain has vowed to challenge any Government attempts to end the scheme, which has seen petrol sales at its Durban pumps leap by 150 percent. (55)

Pick 'n Pay joint managing director Gareth Ackerman said from Durban yesterday: "We are going ahead with the programme because we believe it is totally legal. If he (Bartlett) bans it, we'll challenge it legally . . ."

Pick 'n Pay's arguments were examined yesterday by State lawyers.

A spokesman for Bartlett's office said a cut-off was only one of a range of steps which could be taken.

Under Pick 'n Pay's discount scheme, supermarket customers buying goods for more than R10 are given a coupon allowing them 7c a litre off as much petrol as they want.

Sowetan 21/9/93

Minibus protest at Union Buildings

Sowetan Correspondent and Sapa

■ PETROL PRICE Sixteen taxi drivers hand list of demands to government representative:

55

SIXTEEN taxi drivers drove their minibuses to the Union Buildings in Pretoria yesterday to hand a list of demands to a Government representative.

The representative undertook to refer the matter to the relevant authorities.

The demands are that the petrol price increase be rescinded, that VAT on taxi vehicles be scrapped, that the Goldstone Commission's recommendations on the taxi industry be implemented and that taxis receive subsidies similar to the bus industry.

In another development, Pick 'n Pay boss Mr Raymond Ackerman vowed to carry on selling petrol at discounted rates — and to extend this service to 16 other outlets in the country. Initially, this service was only available in Natal.

Earlier yesterday, Pretoria security forces were deployed around the city in anticipation of taxi protests following a meeting yesterday between taxi drivers and the South African Police.

At the meeting, taxi drivers apparently vowed to forge ahead with plans to blockade city streets this week.

In Cape Town the strike, which severely disrupted the city and environs, has been suspended for two weeks and several taxi associations have apologised for abuses during the strike which included violence against commuters.

At a meeting of about 700 people called by the African National Congress and others at Community House in Cape Town at the weekend, and at subsequent meetings, taxi associations decided the strike should end yesterday.

Pick 'n Pay vowed to go ahead with its discount petrol scheme and threatened to challenge energy Minister Mr George Bartlett in court if he tried to prevent this.

Ackerman's defiant stand came as Bartlett sat in Cape Town to consider a submission from Pick 'n Pay lawyers on the chain store's discount petrol offer following last week's rise of 7c a litre.

Ackerman's son, Pick 'n Pay joint managing director Gareth Ackerman, said from Durban on Monday afternoon: "We are going ahead with the programme because we believe it's totally legal."

Under the discount scheme supermarket customers buying goods for more than R10 get a coupon allowing them 7c a litre off as much petrol as they want.

Cabinet 'will not rescind price hike'

Bartlett bans Ackerman's petrol scheme

B/Day 22/9/93

(55)

BILLY PADDOCK and TIM COHEN

GOVERNMENT yesterday banned Pick 'n Pay's discount petrol scheme and threatened to halt the retail group's supplies if it did not obey the injunction.

Defiant Pick 'n Pay chairman Raymond Ackerman immediately said he would take Mineral and Energy Affairs Minister George Bartlett to court.

And Cosatu warned that if today's Cabinet meeting produced a negative response on the petrol issue, the union federation would "embark on a programme of action to rescind the fuel price increase and ensure that an equitable formula is agreed on for determining prices in future".

Pick 'n Pay has been operating the 7c/l discount scheme at its Durban Hypermarket since last week's petrol price hike. The group decided this week to extend the scheme to other centres.

Bartlett said if the scheme had been left unchallenged, it would have led to the "collapse of the industry". It would have had an adverse effect on the selling price of petrol and would ultimately have benefited "only Raymond Ackerman and the Pick 'n Pay group to the detriment of service stations and consumers at large".

The scheme would have led to a "free-for-all", with larger companies squeezing out smaller rivals. "Already there have been complaints from gas stations in Durban North that their fuel sales have dropped."

He said there was little chance that the petrol price increase would be scrapped and he scotched reports that he would recommend subsidies for the taxi industry to the Cabinet.

However, deregulation of the petroleum industry would be discussed in appropriate forums, and "it would be more valuable for interested parties to provide constructive comment in these forums, rather than taking the law into their own hands".

"At the moment there is only one advocate in favour of deregulation and that is Mr Ackerman."

Bartlett sent notification of his decision banning the scheme to Ackerman yesterday, stating that he was acting in terms of his powers in the Petroleum Products Act of 1977. The blanket prohibition also forbade Pick 'n Pay's involvement in any form of petrol coupons or discounting.

It said should Pick 'n Pay fail to halt the scheme immediately "further steps will be taken against you, including the prohibition of the supply of petrol to you".

Ackerman said Bartlett had used "his totally arbitrary powers" to halt the petrol discount scheme.

"We have to comply and the notice forces us to follow the injunction. But this

☐ To Page 2

Petrol

10/544

☐ From Page 1

will only be temporary. Tomorrow we will be consulting counsel and preparing to take the matter to court because we are totally legal and operating fully within our rights and as long as we can prove this his injunction cannot stand," he said.

Cosatu said it had watched Bartlett's performance "with growing anger and amazement". "He seems totally incapable of comprehending the seriousness with which the majority of South Africans view this issue."

It accused Bartlett of trying to use the National Economic Forum as a delaying mechanism to dissipate protests on the issue. If the Cabinet backed Bartlett's intransigent stand "they will face a massive backlash".

Cosatu also said Pick 'n Pay's stand would not ultimately benefit the consumer as supermarkets used petrol as a loss leader, which affected the prices of other essential goods.

DP leader Zach de Beer said Bartlett's action "smacks of a most inopportune attack" on free enterprise. The DP intended to lift the lid "on disturbing features" of the petrol price at a news conference today.

Petrol supply to chain store uncertain

Sowetan 22/9/93

Barlett in row with Ackerman

By Ismail Lagardien
Political Correspondent

THE Government has threatened to be tough on Pick 'n Pay because of the retail chain's sale of petrol at a discount price.

The Minister of Mineral and Energy Affairs, Mr George Bartlett, said yesterday he would shut down the supply of petrol to Pick 'n Pay and prosecute the company's chairman, Mr Raymond Ackerman, if the hypermarket continued to discount the petrol price.

Ackerman has vowed that petrol at his hypermarkets around the country would be sold at the old price through a 7c discount voucher. (55)

Bartlett reacted yesterday and said Ackerman's defiance had already caused losses in petrol sales in Durban — where the pilot hypermarket discount petrol programme was launched — and that it would continue to adversely affect small businesses.

Citing the relevant laws, Bartlett said in Cape Town yesterday that in terms of the law he "prohibited the petrol coupon scheme at present operated by the Pick 'n Pay Group".

Consideration of the facts

"I have taken the decisions after due consideration of the facts and circumstances surrounding the schemes, including the comments of Ackerman's legal advisers, and have concluded that on the whole it will negatively affect the selling price of petrol and that it would ultimately only benefit Ackerman and Pick 'n Pay to the detriment of service stations and consumers at large.

"I have, however, indicated that the question of the deregulation of the petroleum industry will be discussed in appropriate forums and it would be more valuable for interested parties to provide constructive comment in these forums than taking the law into their own hands," Bartlett said.

Chain challenges petrol ban in court

B/Day 23/9/93

DURBAN — The Pick 'n Pay chain filed papers in the Cape Town Supreme Court yesterday in a bid to prevent government banning its discount petrol scheme and cutting off its fuel supplies.

Sapa reports Pick 'n Pay joint MD Gareth Ackerman said the chain would continue selling petrol at the reduced price in Durban.

However, plans to extend its discount scheme throughout the country had been put on hold until a legal ruling had been made.

This follows Mineral and Energy Affairs Minister George Bartlett's warning to Pick 'n Pay on Tuesday to stop its discount petrol coupon scheme, or face prosecution and a cut to fuel supplies.

Raymond Ackerman said yesterday the Durban scheme was not an act of defiance and was legal. It would be continued until end-October to honour customers who had been promised the discount facility.

The DP, in turn, has proposed a plan for cheaper petrol which it believes could cut petrol by 20c/*l*.

DP mineral and energy affairs spokesman Roger Hulley released the plan yesterday, which entails;

- Removing Bartlett from his post;
- A saving of between 10,9c/*l* and 13,9c/*l* in the present regulated pricing structure. This saving would be achieved by a 6-9% cut in the "artificially high landed cost" component, a 9c cut in the Petronet tariff, and a 4c saving in the Equalisation Fund protection tariff. The trimming of the Equalisation Fund would end motorists' R20m-a-month Mossgas subsidy. The DP believed this step should be taken, even if it resulted in Mossgas being mothballed;
- Deregulation and restructuring of the fuel industry; and (55)
- An independent inquiry into the petrol pricing structure.

THEO RAWANA reports minibus blockades moved to the Free State yesterday as the National African Federated Transport Organisation (Nafto) prepared for talks with Bartlett over the petrol price increase.

About 300 taxi drivers laid siege to Welkom yesterday, parking and locking their vehicles in the city centre, to protest against the petrol hike.

A Free State police spokesman said 345 policemen had been deployed in the city.

He said police used stun grenades to disperse the crowd.

ANC northern Free State legal department head Fezile Dabi said the ANC supported the drivers, who came from different taxi associations. The drivers had drawn up demands to be handed to the police.

A Nafto spokesman said Nafto chairman Peter Rabali would lead a delegation of 10 taxi representatives for talks with Bartlett today.

Pick 'n Pay heeds order

B/Day

CAPE TOWN — Pick 'n Pay has stopped selling discounted petrol at its Durban outlets after receiving an urgent instruction from Mineral and Energy Affairs Minister George Bartlett.

Bartlett said he was acting on a directive from President F W de Klerk and the Cabinet. 24/9/93

Pick 'n Pay chairman Raymond Ackerman said the company had decided to heed the instruction immediately, although he did not agree with it and would go ahead with a court application to test the validity of the prohibition.

Pick 'n Pay has until now defied government's order to stop its discount scheme. Under the scheme customers spending more than R10 at Pick 'n Pay's Durban store have been subsidised to the tune of 7c a litre by the company. (55)

Ackerman said yesterday he expected the Cape Supreme Court hearing, at which Pick 'n Pay will challenge the validity of Bartlett's prohibition of the discount scheme, to take place within two weeks. — Sapa.

Sowetan 24/9/93

Protests looming over petrol hike

By Mzimkulu Malunga

A NATIONAL protest action aimed at "bringing the country to a standstill" is looming as the saga over the petrol price rise continues.

A coalition of labour, business and consumer organisations yesterday threatened "mass action" if Mineral and Energy Affairs Minister Mr George Bartlett did not review the fuel price increase.

The labour movement and the taxi industry will today table their demands to the technical committee of the National Economic Forum.

Congress of South African Trade Unions vice-president Mr Chris Dlamini said they would demand a 10c reduction in the fuel price.

"All sectors represented here have avenues to protest against this petrol price increase. We warn the Government from repressing the taxi drivers who are protesting against the fuel price increase," said Dlamini. (SS)

The groups represented at yesterday's meeting have given the Government until October 4 to reduce the price of petrol or "face the consequences of mass action".

National Council of Trade Unions spokesman Mr Mudini Maivha said the co-ordinating committee had reserved the right to take whatever action to protest against the fuel price rise while negotiations with the Government were going on within the framework of the NEF.

Unionists clash with govt over petrol price increase

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THEO RAWANA

UNION federations Cosatu and Nactu yesterday warned government to review its position on the petrol price or face the mounting anger of the masses.

A delegation representing unionists and transport and business organisations met Mineral and Energy Affairs Minister George Bartlett in Johannesburg yesterday. They accused him of "lying" when he told taximen that the National Economic Forum (NEF) had agreed to keep petrol at the increased price while a task group was investigating the situation.

Cosatu and Nactu denied that their NEF representatives had agreed to this when Bartlett and the forum met last week and decided to hold a summit on October 4 to get a report from the task group.

Bartlett also met a delegation of taximen led by Nafto chairman Peter Rabali in Pretoria yesterday. The meeting ended with Bartlett sticking to his guns on the increased petrol price, but agreeing to meet the delegation again with Finance Minister Derek Keys and Transport Minister Piet Welgemoed.

At the Johannesburg meeting Cosatu's Chris Dlamini said a labour delegation and the taxi industry would attend the first meeting of the NEF task group today to begin negotiations.

"We will demand a 10c reduction in the price of petrol and diesel and a review of all the subsidies, protection and profit margins which presently make up the fuel price," said Dlamini. The meeting decided that "all the forces" would attend the October 4 summit.

Government was warned against taking further "irresponsible and repressive" action against protesting taxi operators.

"If this action by the government continues and the petrol price is not reviewed, we will consult with our constituencies about forms of national action," the groups said.

Sapa reports from Kroonstad that police and traffic authorities removed taxis which were blockading the central business district yesterday. (55)

A police spokesman said negotiations were taking place between police and the taxi drivers, who were protesting against the petrol price increase.

Our Cape Town correspondent reports Transport Minister Piet Welgemoed yesterday announced the formation of a new task group to investigate the problems of the minibus taxi industry.

He said his department had been considering subsidising minibus taxi commuters in much the same way as bus passengers were subsidised. But one difficulty was that the taxi industry was fragmented.

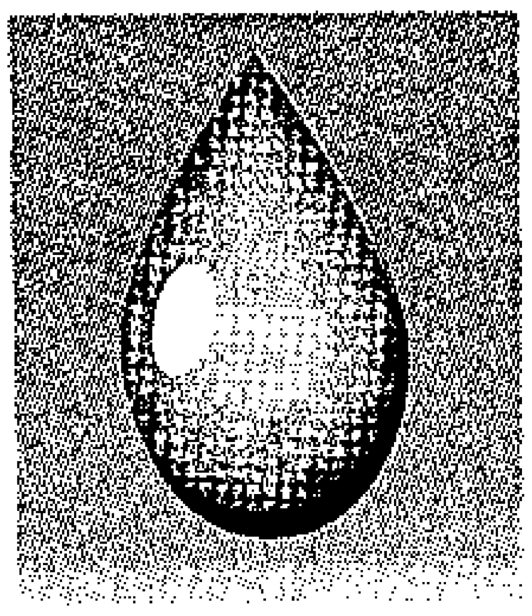
Government hopes to enable commuters to use a single subsidised ticket for a multimode journey, using buses and taxis.

OIL PRICES

FM 24/9/93

Not as simple as radicals would have it

But even so, Bartlett's blundering is unacceptable in the new dispensation (55)



Oil and politics always make an explosive mixture. The latest petrol price increase has raised public temperatures close to ignition. Drawing the fire is Mineral & Energy Affairs Minister George Bartlett, rightful target of trade union group Cosatu and the turbulent taxi drivers. The ANC, too, has aimed barbed criticisms of such long-targeted policy features as the in-bond landed cost (IBLC) pricing mechanism, the reason for which is the exclusive preserve of the oil industry priesthood.

Bartlett deserves all he is getting. Apart from an unbending attitude towards deregulation, he has been tactless, naive and insensitive. Only days before he announced that the administered price of petrol was to rise — and months ahead of a general election — he unveiled further protection for apartheid's greatest white elephant, Mossgas.

Clearly Bartlett is a P W Botha man. Such imperiousness is not characteristic of an F W de Klerk Cabinet. For a politician ahead of an election based on universal suffrage, it is suicidal.

In the new dispensation, this portfolio will require a range of political and technical skills of which the genial George has shown few signs. Not only will vexed issues surrounding the highly regulated liquid fuel industry have to be reappraised, preferably with an eye to introducing free-market principles on a broad front, but even more sensitive matters surrounding "unexploited" mineral rights will require attention.

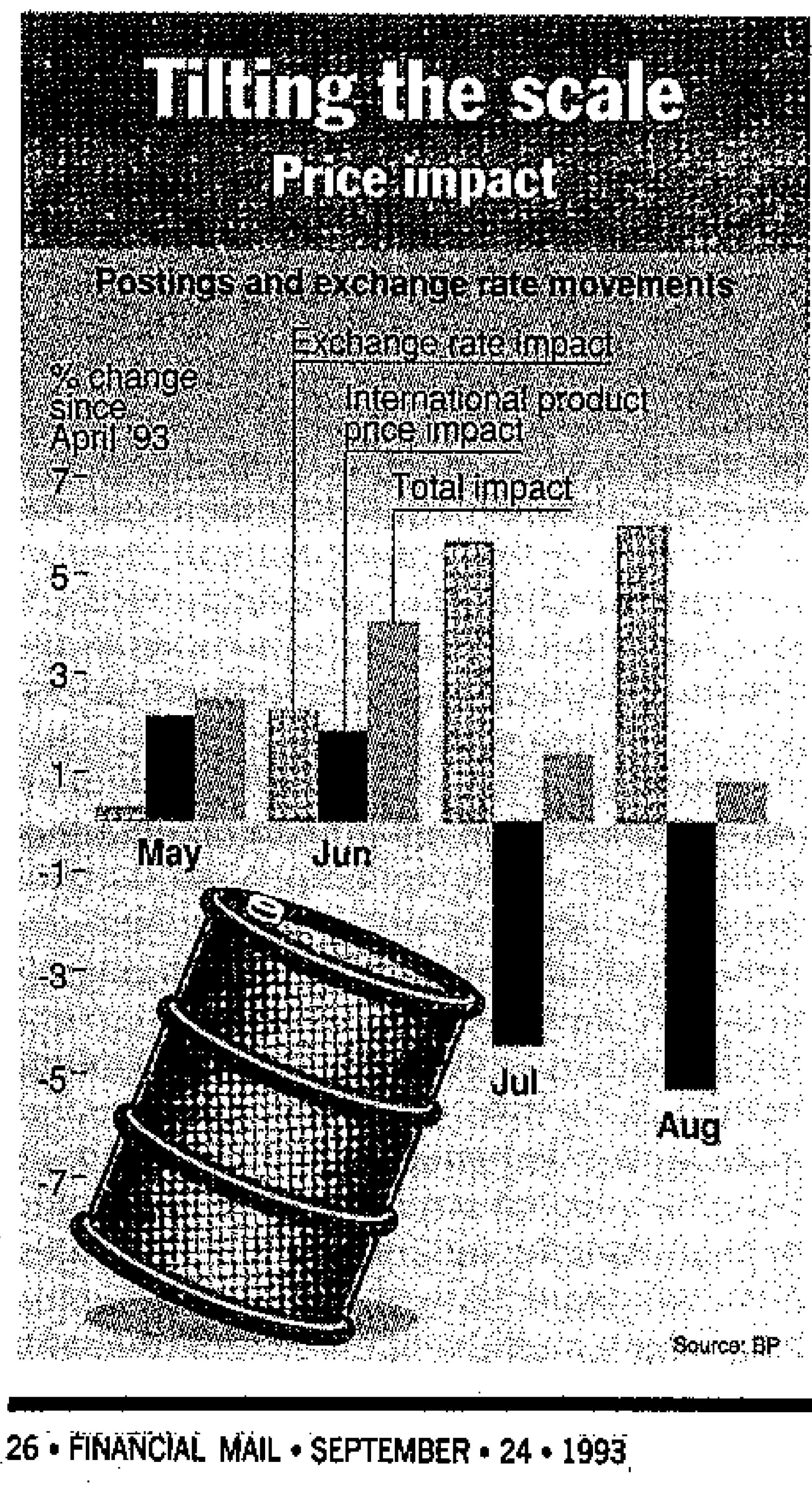
The person to handle all this, regardless of political affiliations, will have to be sufficiently intellectually robust to face down the entrenched bureaucrats and other pressure groups as well as sensitive enough to satisfy public opinion.

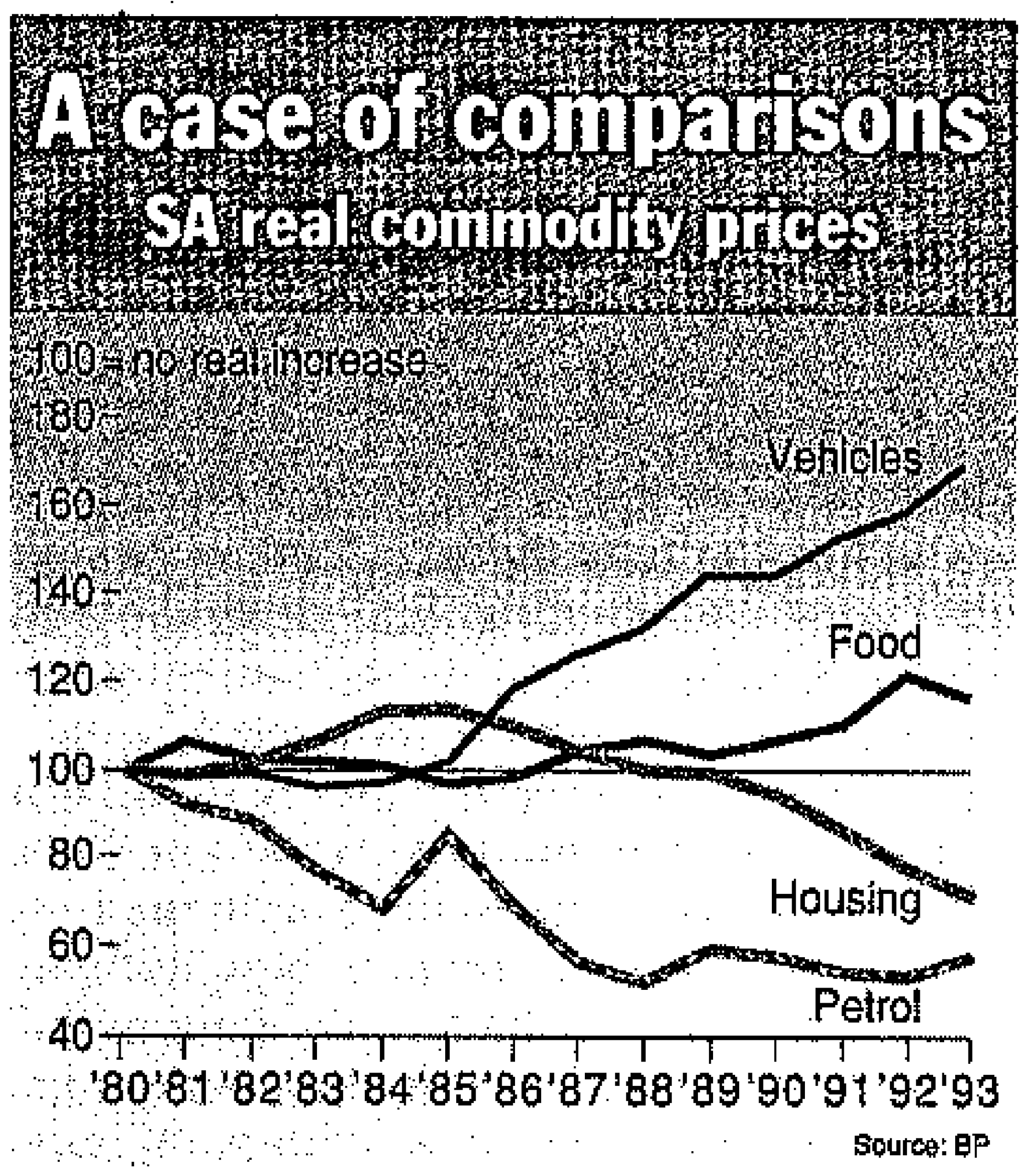
All this said, the facts do not support most of the politicised attacks on the price rises. Truth is, the rand's recent chronic weakness has outweighed the benefits of a lower international oil price (chart 1). (Over a 13-year period, though, the fall in the oil price has outweighed other factors — chart 2.)

Unfortunately, in terms of public evaluation, this simple relationship is obscured by the IBLC administered price mechanism. This long-standing procedure for setting the pump price rests on an adjustment mechanism that nets back over- or under-recovery. It is assumed that — if SA still imported petrol and diesel instead of crude oil — supplies would come from four refineries on the perimeter of the Indian Ocean.

In the medium term, the IBLC for refined fuels tracks the crude price closely (chart 3). Over the short term, there is more than one factor that can cause deviation. Notably, changes in the crude oil price take time to work through refinery inventories to change the price of the petrol and diesel produced through the refining process — the old tale of leads and lags.

Secondly, the Singapore refineries whose output prices form part of the IBLC data base today produce largely for the giant Japanese market, where seasonal influences involving demand for heating oil can significantly distort the prices of "white products" — petrol and diesel. So, for the moment, the recent fall in the international oil price has not worked through into the IBLC mechanism. Product prices have now started to fall, so the lower oil price and the neutralising of seasonal factors at Singapore should soon show up in the IBLC numbers.





The next point which bedevils rational analysis of fuel prices is protection or price support for Sasol. In June, the formula on which Sasol's protection is based delivered just over 12c/*l* petrol. As Sasol provides around a third of total SA demand, the cost to the motorist for every litre sold was equivalent to 4c/*l*. Since then, the fall in the oil price has generated higher protection for Sasol — now around 18c/*l*. So the cost to the motorist of Sasol is 6c/*l*.

Mossgas is to receive the same protection package as Sasol. As its output is roughly a quarter of Sasol's, the current cost of its inclusion in the pricing mechanism would be about 1,5c/*l*. Sasol's protection is designed to create a floor price of a crude oil equivalent price of US$23/bbl, by a rebate of the tax on petrol levied through the Equalisation Fund and the so-called "slate" pricing mechanism. The effect is that liquid fuels derived from imported crude oil bear a hea-

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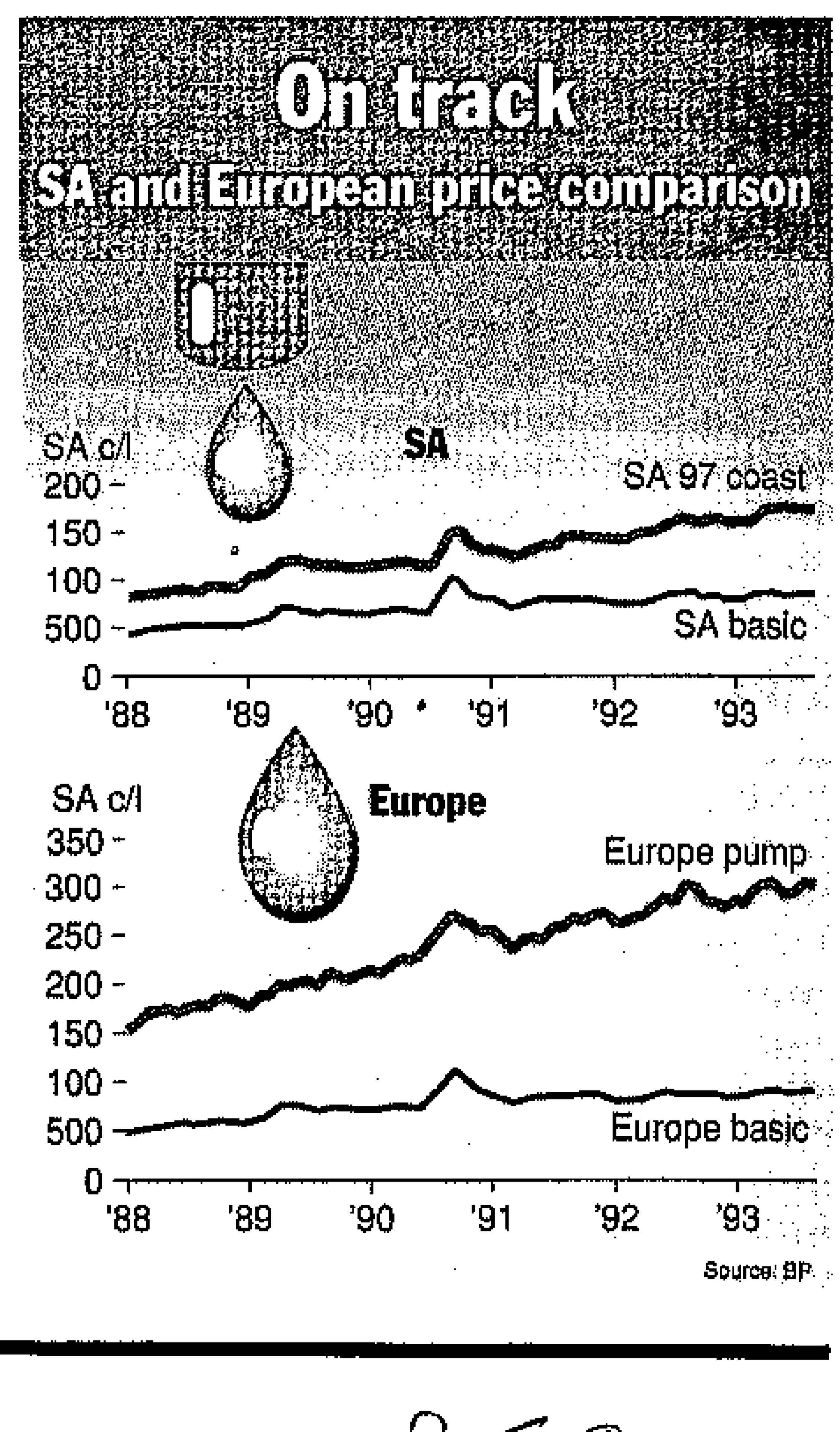


P.T.O →

FM 24/9/93

DEMOCRATIC PARTY

Don't rock Zach's boat

For its size, the DP has more than enough leadership crises. With the first nonracial election less than seven months away, its latest is cause for serious concern among all those who regard neither the ANC nor the Nationalists as reliable guardians of the democratic values, equitable aspirations and free market principles essential to our wellbeing.

The DP is a pillar of moral rectitude, if nothing else. That is its inherent political strength. It is tainted neither by apartheid nor corruption, indiscriminate violence nor economic folly. It is a party of conscience and strong moral leadership that deserves to win sufficient support to become a watchdog and bulwark against excess in the new SA.

There are many who — while not taking credit away from what F W de Klerk has achieved in his four years as State President — will never be totally convinced of the NP's wholehearted conversion to (or even proper understanding of) the principles of liberalism and free markets that it spent over 40 years opposing; while, on the other hand, even if it may have abandoned the worst excesses of Marxism, the ANC shows repeatedly that it is still intrinsically authoritarian, intolerant of views that do not conform to its own.

Both essentially place the State above the individual. That is why, despite their superficial differences, their negotiators get on so well. The liberal values, based on the primacy of individual freedom and a minimal role for the State as protector rather than dictator, will come even more under threat than in the old SA, as the new SA struggles to meet the legitimate but unfulfillable expectations of the majority.

The Nats are trying to present themselves as the new Progs. Even ANC leaders use liberal values to woo white voters. But even though the dominant parties may have the best of motives, political strength and the chance of taking office can be beguiling. The temptation to place political expediency before principle is far less likely in a party that knows that it will never command a majority.

During the apartheid years the DP and its predecessors played that role admirably and made valuable contributions towards ending a wasteful and an evil system of social exploitation and racial greed. Its new leadership wrangle could jeopardise just such a vital position in the future.

The DP's ambition to win 15% of the vote next year seems increasingly unrealistic in spite of evidence that it is winning strong backing in some black, coloured and Indian communities. As the massive forces of its larger opponents mobilise for an unprecedented election campaign, there is a real danger that it will simply be swamped. Critical to avoiding that is strong and perceptive leadership.

Will the DP measure up? Zach de Beer was first intended to be a stop-gap leader. He had already given much of his life to public service when he re-entered politics to pull the Progs through their crisis in 1988. He is a man of substantial talent and commands respect throughout SA and the world. But some members of his own caucus believe he lacks enthusiasm and bold initiative and that the party has become too reactive under his leadership.

Even were De Beer to go — which is not his intention — a suitable successor will be difficult to find. The party is packed with talented individuals, but inspirational leadership requires charisma and judgment. Other candidates with that in abundance are not easily discernible.

Some of the DP caucus believe new southern Transvaal leader Tony Leon is capable of such leadership. While not always popular among caucus members, his forthright style defines a clear stand and supporters say it could provide a more decisive direction.

Leon says he will not challenge for leadership at the DP's national congress in Cape Town on October 2. He is wise not to. Not because he lacks potential or ability; he has both. But the party has had more than enough leaders with derring-do and not much substance, especially political judgment.

Nevertheless, he still has the potential to become the champion, alongside De Beer, of all those who cannot bring themselves to support either the ANC or the NP. Congress delegates should seriously consider giving him such a role. Politics in the months ahead will be tough and fast. For a minority party whose policies have been hijacked by its main rival, judgment and timing, as well as political and organisational dexterity, could be decisive in its survival, let alone enabling it to fulfil the role we have outlined.

De Beer has those qualities. They are far more important than media flash and, in any event, changing leaders in what will soon be midstream could be disastrous. ■

FM 24/9/93 (55)

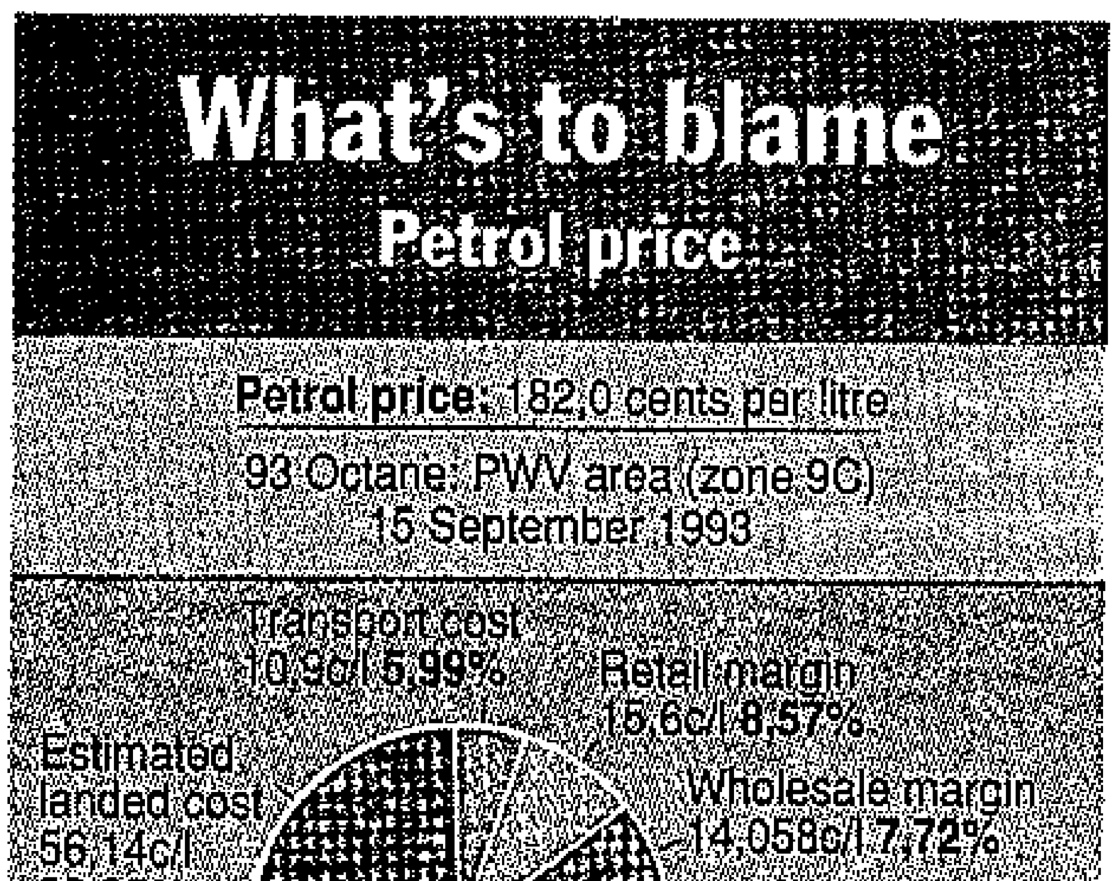
Continued from Page 26

vier rate of tax than fuels synthesised from coal by Sasol (and, in future, from gas by Mossgas).

To avoid frequent adjustments in the pump price, Mineral & Energy Affairs maintains a ledger account reflecting sums due by and to the various producers of refined products. If this "slate" goes into prolonged deficit, the only way to bring it back into balance is to increase pump prices.

It is now evident that the April round of fuel price increases (8c/*l* in tax and 7c/*l* in under-recovery) did not provide fully for the under-recovery on the slate by then apparent. Those increases seem based on the philosophy of Mr Micawber rather than anything firmer. Government was hoping that the behaviour of the rand and of international oil markets would spare it the political pain of making the full requirements of balancing the slate felt at the pump. All that has been achieved is that the latest price increase must also provide for past default.

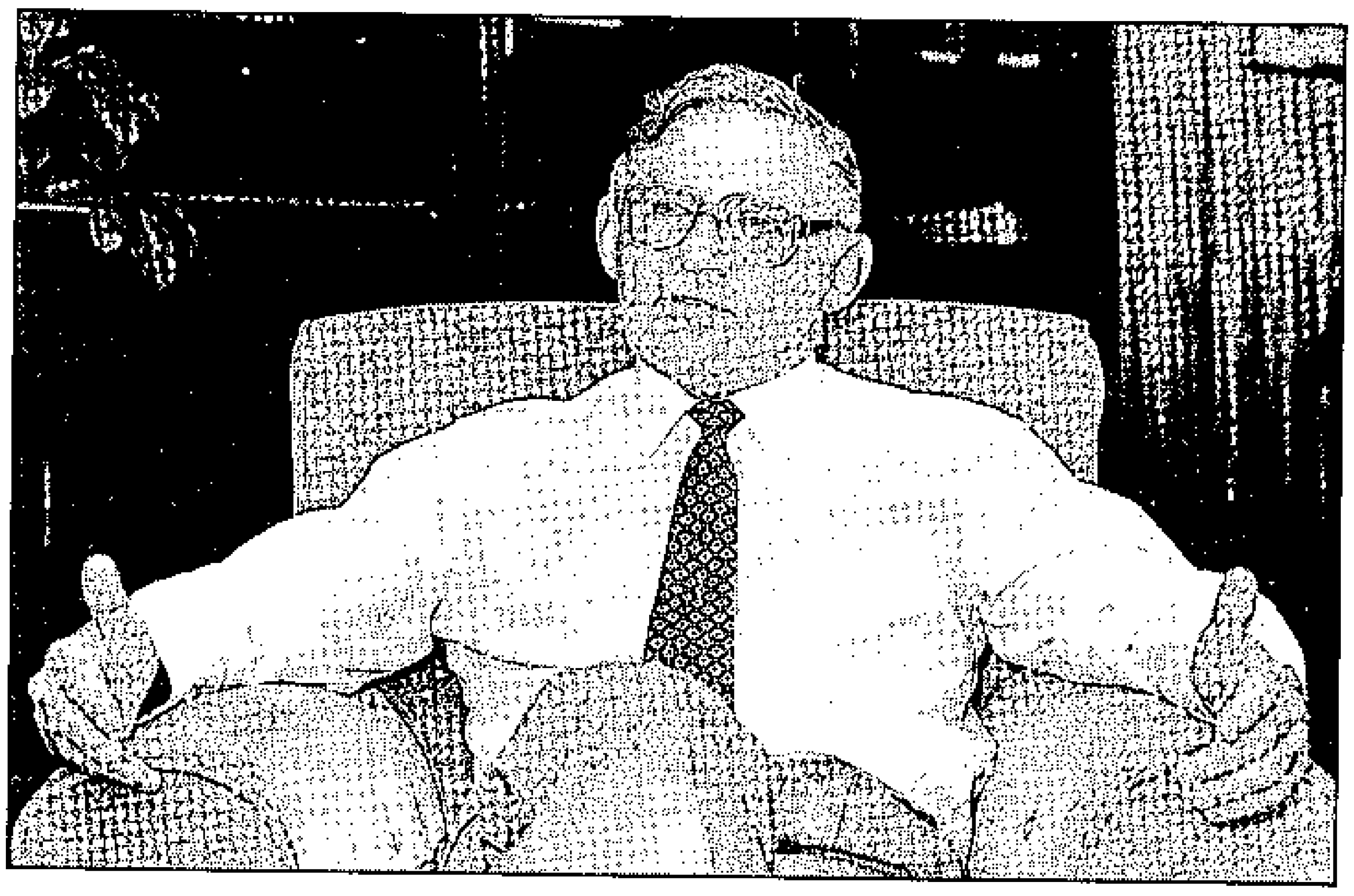
The system, no matter how well it may have simulated the market in the apartheid era, is economically unsound, as there is a cost (however slight) to the rigidity of administered prices, and politically insensitive in a new SA for it imposes a political constraint on a commodity whose price should be set by supply and demand.



In analysing this unhappy situation, we have to distinguish between the current structure of the price (chart 4) and the process which keeps ratcheting it up. Landed cost of around 56c/*l* is close to 31% of the pump price of 93 octane petrol in the PWV area. Fuel tax adds nearly 61c/*l* or 33,5%. A miscellany of other items — including wholesale and retail margins — make up the balance. The latest price increases of 7c/*l* for petrol of all grades and 5,5c/*l* for diesel include 0,5c/*l* for wholesale margin on all products. The retail margin on petrol only is also increased by 0,5c/*l*.

The time has come for thorough re-examination of all the premises underlying fuel price policy — with the intention of moving towards a free market. This would involve regulation at retail level (the so-called Ratplan, which restricts entrants to the filling station market) as well as the quantum and indeed principle of protection for local synthetic fuel manufacture.

If we could slice 10% off all other costs (totalling 64% of the price) by freeing the market (including the importation of refined products), this would cut under 4% from the total pump price.



Minister Bartlett ... *the philosophy of Mr Micawber*

Tax is central to the cost of fuel. Most industrial countries tax fuel heavily, generally more heavily than SA. (The exception is the US, which pays a heavy economic price for its omission.)

A key element in preserving economic incentives is to hold down income (direct) taxes, on individuals and companies, as a proportion of the whole. That implies heavy reliance on indirect taxes such as Vat. A tax on petrol and diesel is almost universally recognised as a vital component of efficient indirect taxes. Collection costs are low and it is almost impossible to evade or avoid.

Arithmetical truths

A future government will have to confront these arithmetical truths too. At a time of pressing and increasing demands for social spending, cutting tax on petrol would be economically inefficient. There may even be a case for an increase.

What must also be considered are fluctuations in liquid fuel prices expressed in rands. But for the depreciating rand, SA would have been able to enjoy most of the benefits of the fall in international oil prices of more than 50% from Opec's last posted level of around US$34/bbl.

Unpleasant though it is to remember days of former glory, the rand started its slide from a rate of $1,35. It is now worth little more than US29c. Reasons for this downfall include irresponsible monetary policy in former years, the flight of capital (especially related to the foreign debt crisis), fiscal indiscipline and, more recently, the use of foreign credits as a political pawn in the negotiation process.

We would not presume to blame the currency's weakness entirely on the policies of George Bartlett. But the situation he faces has long been in gestation, and he made little preparation.

Instead of energetically following a policy of phased withdrawal from administered prices and market regulation, he has allowed himself to be bolstered in his intransigence by the Sasol and Mossgas Mafia — kneecap friars to the last — and pious smoothies in the international oil companies, who favour less regulation but not outright competition.

Had George set the process in motion, he could argue with force and validity that the future value of the rand is critical to the domestic price of petrol.

The extent to which the economy is being used by organisations like Cosatu as a political battleground would then be the single most important influence on the domestic price of petrol. Taxi drivers would reap the reward of their own, or their leaders', political ineptitude.

Bartlett has shown himself in this fiasco to be neither economically smart nor politically aware. The best that can be said is that he has been manipulated by a powerful lobby that does not represent the national interest. In these circumstances, he would not last even if SA were not on the brink of an historical democratic challenge.

Goodbye, George. ■

BARTLETT SAYS *NYET*

George Bartlett has prohibited Pick 'n Pay (PnP)'s petrol coupon scheme and threatened to instruct petrol companies not to deliver fuel to the group's filling stations if it defies his order.

Bartlett told a press conference in Cape Town that if discounts continue at PnP he will use his power in terms of S2(i)(e) of the Petroleum Products Act to cease supplies "to the offending service stations."

PnP chairman Raymond Ackerman's response to the Bartlett ban is that, while he will have to stop the present scheme, he will fight Bartlett in the courts.

P.T.O

FOSCHINI

FM 24/9/93

Tailored for continuing success

Rand-hedge element helps to maintain the premium

Greater earnings growth is expected from Foschini than from any other listed retail stock. That, at any rate, is what its p:e ratio indicates. Most analysts believe its earning multiple of 26,6 excessive. Equally, based on profit history, they concede the share is worth a premium relative to most retailers.

This p:e is well ahead of second-placed Clicks (23,2) and its closest rival, Edgars (22,7). It was not always that way. In 1988, Foschini and Edgars had a p:e of 11,2, sixth in the sector. Way ahead were Cashbuild (17,9), Shield (14,4 — now part of Wooltru) and Pick 'n Pay (13).

Clicks' subsequent rerating meant an enormous share price rise. In July 1988 it was 850c; this June it peaked at R74. That's a rise of 770% in five years, or 54% annual compound appreciation.

Though Foschini's EPS growth is outstanding, it does not compare with that rate of increase. Does Foschini justify its rating?

MD Clive Hirschsohn feels it does. He reckons shareholders are getting a good return from a low-risk business. Returns are good, he says, not only by local but by international standards. On margin criteria, he places Foschini in the top 10% of major retailers worldwide. "We're better than all our competitors, including Edgars and Truworths," he says.

Chairman Stanley Lewis has always been secretive about activities — one reason Foschini remained underrated for most of the Eighties. Hirschsohn is in a similar mould but did discuss some factors he feels are responsible for the success.

Lewis

Management continues to spend heavily on keeping abreast of information technology. Hirschsohn says it's not only a matter of obtaining relevant information; what really counts is how it is used. He feels this allows Foschini, year after year, to produce efficiencies that maintain the trading margin at about 18%. "We're not squeezing productivity to show better results," he says. "Rather, we're getting a dividend from our investment in info technology."

Until recently, the buying, manufacturing, distribution and merchandising benefits of Foschini's information bank mostly affected the largest of its businesses, the 306-store Foschini fashion chain.

Markhams, the men's clothing chain with 106 stores, is not far behind. But Hirschsohn says Pages, with 153 branches, and American Swiss (149) have some way to go. Systems are in place, but there is much learning to be done. Sterns, acquired recently, has not even started. So he contends that substantial productivity improvement as well as floor-space expansion lie ahead.

Most sales are on credit — a rule of thumb is 80% credit and 20% cash. American Swiss has some HP business over six, 12 or 18 months, but most sales agreements are conventional credit contracts.

The typical Foschini or American Swiss customer is aged 18-35, in the B-C income groups. Segmenting consumers for marketing and information purposes is important, though no distinction is made among races. About half are now white, 28% coloured or Indian and 22% black. Within five years it's expected that 35% will be black, 25% coloured and 40% white.

Markhams' customers' age profile is similar but incomes spill over into the A category. Hirschsohn says the racial sales split is a third in each category simply because expansion has been in shopping centres which don't attract much black trade. Within five years Markhams will move into rural areas and customers will then be 40%-42% black, 30% coloured and 28%-30% white.

Hirschsohn says this information is

DISTINGUISHED SPEAKERS FOR THIS YEAR'S *FM* INVESTMENT CONFERENCE

Business decisions in the foreseeable future — but especially next year — will be dominated by political developments: SA's first general election based on universal suffrage and the policy formation likely to follow swiftly afterwards.

These are some of the issues that will be aired at this year's *FM* Investment Conference on October 28-29 by, among others, President F W de Klerk, whose courage and initiative have shaped the reform processs, and ANC secretary-general Cyril Ramaphosa, who has played a key role in the negotiation process and will be a central policymaker.

Those who make our new policies, those who will have to implement them and those likely to be affected will turn to responsible opinion elsewhere for guidance and succour.

For this reason, the *FM* invited Lord Lawson of Blaby (Margaret Thatcher's ex-Chancellor Nigel Lawson) to speak. His achievements at the Treasury resulted not only in stable prices but also sound government finance (he presided over a net repayment of official debt) and substantial privatisation which reinvigorated the UK economy and enhanced a decade of economic growth.

From France we have Michel Francois-Poncet, chairman of the supervisory board of Banque de Paris & des Pays-Bas (Paribas), founded 120 years ago as an amalgamation of bankers from all over Europe. It was in those years at the forefront of the financing of the industrialisation of Europe and is today committed to the European mission.

Francois-Poncet, who has been with Paribas for more than 30 years, has a special perspective of the currency turmoils that have overtaken Europe recently and will reflect on monetary and banking developments in the future.

Also from Europe is one of Oxford's most distinguished economics dons, Peter Oppenheimer of Christ Church, who has tutored some notable South Africans and advises the government of Russia. He is a polished speaker, as at home in front of TV cameras as in a university tutorial.

Among local speakers is Reserve Bank Governor Chris Stals, who has a critical role in protecting our scarce reserves at a time of political turmoil and uncertainty. Lawrence Schlemmer, of the Human Sciences Research Council, will reflect on regionalism in southern Africa; Jos Gerson, of Davis Borkum Hare on corporate ownership and competition; Old Mutual's Johannes van der Horst on industrial shares; and Anglo American's Jim Buys on the economy and interest rates.

Other speakers about whom the *FM* will write in greater detail later are Charter CE Jeffrey Herbert, Trade & Industry DG Steff Naudé, and mining analyst Robinn Kearney of stockbroker Silvis, Barnard, Jacobs, Mellett.

☐ For details contact Brigitte Petty, TML Promotions, on (011) 497-2135.

P.T.O →

Petrol hike reveals ingrained apathy

South 24/9 - 28/9/93

By Barbara-Ann Boswell

PROTESTS against the increase in the petrol price have revealed alarming apathy among South African consumers and consumer bodies. (55)

Even though increases generally push up the price of necessities, the only response of consumers was to flock meekly to service stations last week to top up their tanks.

Only taxi drivers and operators militantly expressed their utter rejection of the price increase.

Mr Dan Fletcher, general secretary of the Foundation for African Business and Consumer Services (Fabcos), says consumer apathy is a result of a "National Party success story".

"Apathy has been inculcated as part of the apartheid system over the years. People were conditioned to believe they would never be able to achieve things outside the sphere of their lives," he says.

Fletcher believes South Africans are reluctant to join organisations which fight for their rights, as they were seen as violent or militant.

"Complacency also exists because of a lack of awareness about business and economics. People are indifferent towards the petrol hike, thinking that it does not affect them, but they don't realise that it affects them directly when food prices and travelling costs also increase."

According to Mr Paul Jourdan, policy co-ordinator of the ANC's Department of Economic Policy, the petrol price hike has been met by resistance only by those who have been hardest hit by the increase.

"Richer groups of people are the car owners, and if you have a car you can probably afford the petrol increase. The taxi drivers represent their clientele — the poor commuters — and are thus more sensitive to a price rise," says Jourdan.

"What we are experiencing now is a price build-up. The price of petrol includes a premium due to apartheid — the government had to pay oil companies to stay here during the apartheid years.

"Why else did companies like Shell and BP hang in here? They must have been making nice returns."

Mr Bernie Fanaroff, the general secretary of the National Union of Metalworkers of South Africa (Numsa), who co-ordinated a campaign against VAT in 1991, has a different view on the issue.

He believes that South Africa is slowly changing from a culture of

Discount petrol for big buyers

S/Times [Buss]
26/9/93

~~244~~ (55)

By KEVIN DAVIE

BIG buyers get discounted fuel at savings of 14c/*l* while the Government has stopped Pick 'n Pay's sales to the small man.

The row over controlled fuel prices intensified this week after Minister of Mineral and Energy Affairs George Bartlett ordered Pick 'n Pay's Raymond Ackerman to stop giving 7c/*l* discounts at his hypermarket in Durban North.

Elsewhere in Durban, Buxtons, a chain of four supermarkets, is continuing with a fuel discount scheme and in Klerksdorp an entrepreneur will this week begin a scheme to sell cheaper petrol.

Business Times has learnt that large fuel consumers such as corporates which operate their own fuel tanks, are given discounts of up to 15c/*l* on diesel and 14c/*l* on petrol.

The Department of Mineral and Energy Affairs (DMEA) confirms that such discounts are available to large customers who operate their own or hired petrol equipment.

The discount — which the Government says depends on negotiations between supplying oil companies and the purchaser as well as competition among the oil companies — is only available to sites which use at least 15 000*l* a month.

This applies to petrol only. Diesel "is not controlled and consumer installations can be erected without approval from the Government", says DMEA.

A survey of European pump prices by Oil Price Assessments Ltd (Opal), a leading company in the field, shows that supermarkets in Europe offer sizeable fuel price savings to consumers.

Supermarket prices are on average 11,4c/*l* cheaper compared to major brands, ranging from a 4,5c/*l* saving in the UK to 20c/*l* in France.

The supermarkets buy in bulk and import their own fuel, which they sell under their own brand name. Supermarket chains in SA are not allowed to import fuel.

The Opal survey, which is conducted on a monthly basis, also shows "no-appreciable-difference" prices at full-service and self-service stations which sell the major brands.

An Opal spokesman says the only outlets which get more for their fuel are those on motorways where full service is provided and a premium charged.

The Opal figures — Business Times has those for the end of May — show an average saving of only 3c/*l* on self-service in nine European countries surveyed.

The small difference suggests that claims by the Government and the oil industry that fuel deregulation in SA could lead to large-scale job losses of petrol attendants because of a switch to self-service are exaggerated.

Buxtons chairman Bill Buxton says shoppers who spend more than R150 on groceries get fuel vouchers to be spent at four specified service stations. The vouchers offer a 5% discount on the grocery bill, which equates to a saving of 15c/*l* on a 50*l* tank.

Mr Buxton says the response to the scheme, which pre-dates Pick 'n Pay's, has been "fantastic ... unbelievable".

Has he been visited by the authorities? "No. I don't sell petrol."

Klerksdorp businessman Anthony Tannous will also start a discount scheme this week. No discount will be offered on the service station's forecourt, but a 5c/*l* saving can be made on purchases in Mr Tannous's supermarket.

"We'd like to offer more than a 5c/*l* saving," says Mr Tannous, "as this will only buy two loaves of bread and a litre of milk. This is not enough for the man in the street."

Mr Tannous previously offered a 2c/*l* saving, selling more petrol in four days than in the 15 days over the Christmas period.

But as a result of "hellfire" from the Motor Industries Federation and visits from the police, including an officer who had taken advantage of the cheaper petrol, Mr Tannous stopped the scheme.

Pick 'n Pay has challenged Mr Bartlett's injunction to stop discount petrol sales in the Cape Town Supreme Court.

● See Page 9

The holes in fuel's leaky pipeline

S/Times [Buss]

THE pricing of petrol has been so secretive and complex that many believe not even Energy Minister George Bartlett knows how it works. KEVIN DAVIE offers an explanation.

SOUTH AFRICA'S Strategic Fuel Fund and oil companies buy crude mostly on contract through intermediaries from Middle Eastern suppliers.

It is bought at the keenest prices, probably slightly below the present Dubai price of about $14,00 a barrel.

This crude is shipped relatively cheaply in giant tankers mainly to Durban, where it is offloaded via the single buoy mooring (or SBM) off the Bluff.

The crude cost plus shipping gives the true landed cost of crude. Crude is refined at four SA refineries, the Shell-BP and Engen refineries in Durban, the Sasol-Total Natref refinery at Sasolburg and Caltex refinery at Cape Town.

These refineries, plus Sasol's synthetic fuel plants at Secunda and the Mossgas plant at Mossel Bay, supply SA's fuel needs.

But fuel prices are not determined by market forces in South Africa. Minister of Mineral and Energy Affairs George Bartlett rather relies on a complex set of calculations, formulas and procedures which favour fuel producers at the expense of consumers. 26/9/93

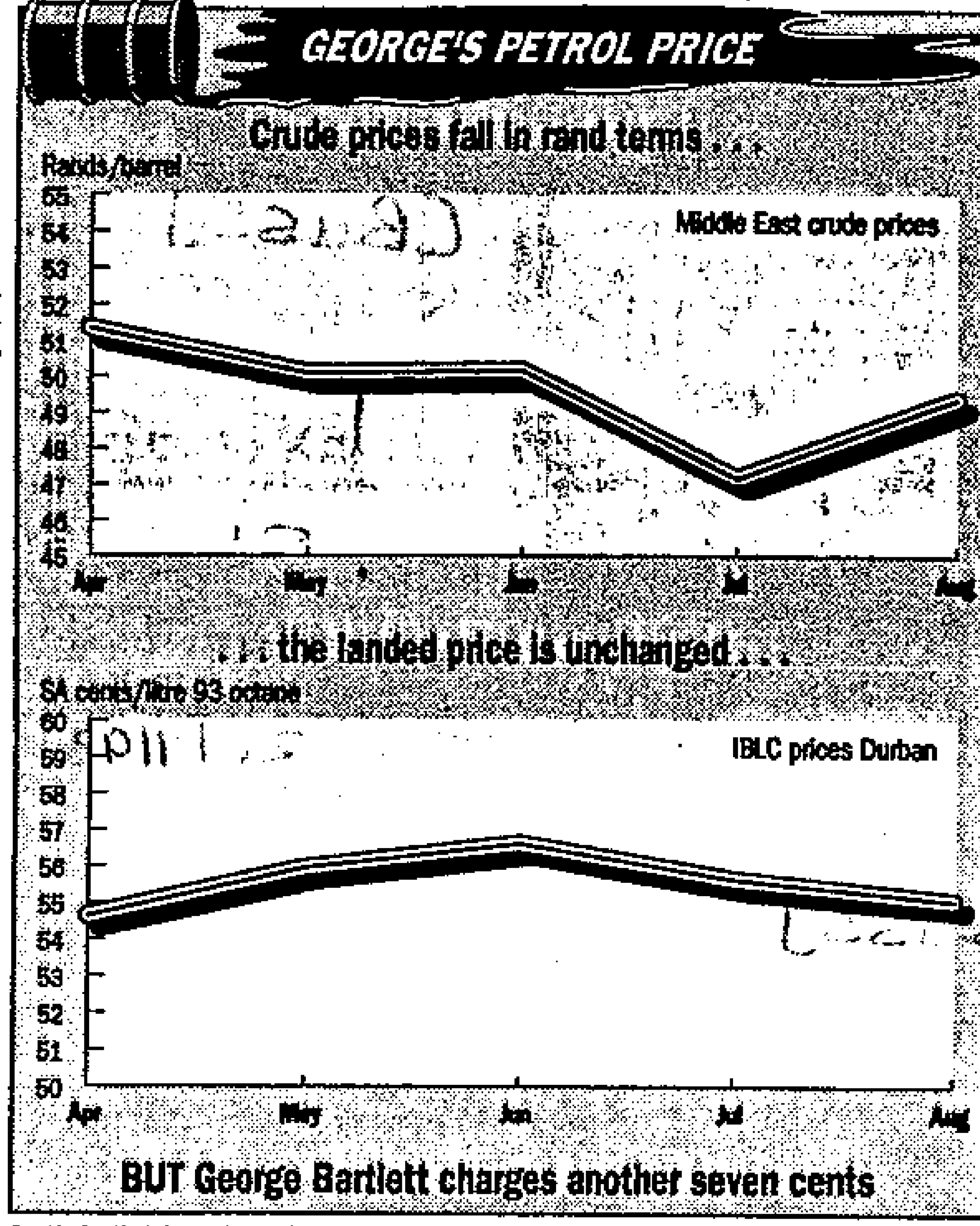
The SA basic price, the In-Bond Landed Cost (IBLC), is calculated from average prices at a Caltex refinery in Bahrain and Shell, BP and Mobil refineries in Singapore. The choice of Singapore and Bahrain to fix SA prices is controversial, as prices in Rotterdam, a leading refinery centre, have consistently been lower. Using Rotterdam prices would give the SA consumer cheaper prices, but eat into fuel industry profits.

A source in Singapore at Petroleum Intelligence Weekly (PIW), a leading oil and gas journal, says it is a competitively priced market, while in the Middle East governments try to set prices.

But Mr Bartlett's formula uses posted rather than traded or spot prices to work out the IBLC. The PIW source says posted prices are artificially high in that they are the prices the refinery hopes to get rather than the actual traded price, which is about 5% cheaper.

The real controversy over the use of Singapore prices,

GEORGE'S PETROL PRICE



BUT George Bartlett charges another seven cents

Graphic: FIONA KIRSCH Source: BP

though, is that notional shipping costs are added to Singapore refinery prices. But Singapore is an oil-importing centre some distance from its main source of supply in the Middle East. Critics say that in a deregulated market SA prices would be close to those of Singapore.

But Mr Bartlett sets the IBLC at Singapore prices, plus shipping, a 10% difference worth some R900-million annually to the SA oil industry.

Another controversy is that crude is piped ashore relatively cheaply from the SBM off Durban, yet the consumer is charged wharfage fees. Costs are incurred at the SBM, but these are much lower than harbour fees. The difference amounts to a R60-million "kickback" for Portnet, a well-placed source said.

Government allows the oil industry an average 15% return on the assets they use to move fuel from their refineries to the pump. This payment — 14c/l — amounts to about R2,1-billion a year.

In 1991 the payment was only 5,5c/l, about R825-million a year, yet the industry still complains that its return on assets, 8,9% last year, is short of the 15% target.

Mr Bartlett allows the oil companies a 3,5c/l delivery cost, an impost which has kept well ahead of inflation as it was only 1,8c/l in 1991.

There is also a transport cost where inland motorists are charged the equivalent of the cost of railing fuel from the nearest harbour, which in the case of the Reef is from Durban. One analyst says that if this was changed to Richards Bay, which is closer to the Reef, it would give the consumer more savings.

But very little fuel actually moves from the coast to the Reef, and where it does, it moves considerably cheaper by pipeline rather than rail tanker. This nets several hundred million rand a year for Petronet, courtesy of the inland consumer.

It also brings in several hundred million a year for Sasol shareholders as Sasol is allowed to charge the full transport "cost" while moving its fuel a short distance from Secunda to the Reef.

Mr Bartlett, who presided over the corruption-plagued third party fund while Minister of Transport, charges 9c/l for this fund, 6c/l more than in 1991, adding R900-million annually to motorists' costs.

Retailers get 15,6c/l, customs and excise 4c/l and Finance Minister Mr Derek Keys takes 60,9c/l as fuel tax, about R9,1-billion in a full year. (SS)

There is also Mr Bartlett's slush account, the equalisation fund, which takes 7c/l from motorists and makes payments to Sasol, Mossgas and to the oil companies who retard their own production so that Sasol and Mossgas can sell their fuel in full.

Since the early 1980s payments to Sasol from this fund amount to R2,5-billion and at current prices are expected to top R3,4-billion this year.

The payments which have held back refinery production have amounted to over R1-billion since 1985. They now cost the motorist about R100-million a year.

But if the system is riddled with inefficiencies, distortions, subsidies and kickbacks, how can it be that the SA price appears competitive compared to overseas markets?

BP has published a survey of 17 countries which shows that SA's fuel price, exclusive of taxes and levies, at 92c/l, is the same as the 17-country average.

But this comparison looks at SA coastal prices compared to average prices in other countries and ignores subsidies paid from the equalisation fund to oil industry. Add 5,5c/l for transport (some 50% of SA's fuel is consumed inland), the 6c/l subsidy to Sasol, 2c/l for Mossgas and 0,6c/l to the oil industry to restrict production, and the SA price, exclusive of tax, jumps to 106c/l, the second highest in the survey.

Cut the subsidies, pipeline charges, the IBLC distortions and factor in the 7c/l Pick 'n Pay's Raymond Ackerman has been offering, and SA's price falls to 79c/l, third-lowest in the survey with the United Kingdom.

The Democratic Party has analysed the petrol price and said it could make savings of 20c/l. This would give a pre-tax price of 72c/l, the same as Greece's 72c, the lowest in BP's 17-country survey.

The 20c/l would constitute an annual saving of R3-billion to the motorist.

Mr Bartlett has shown he will side every time with producer interests at the expense of consumer. The best solution in these matters is for governments to get out of the way and let the market set prices. That is the democratic way.

Nuclear waste control is slack

S. Times

By PETER De IONNO and PETER MALHERBE

LIKE Chernobyl and Three Mile Island, this week's nuclear radiation scare on the Reef and in the Eastern Transvaal was an accident waiting to happen.

The discovery of contaminated stainless steel pipe, from the Palabora Mining Company, exposed not only the fallibility of one company's safety systems but South Africa's haphazard approach to nuclear waste management.

The nuclear industry watchdog, the Council for Nuclear Safety, says 20 mines in the Free State and the Transvaal produce radioactive waste.

Although the 20 tonne shipment, including the two kilograms of contaminated stainless steel that set off radiation detectors at the yards of Ireland Alloys and British Steel in Sheffield, was traced back to PMC, investigations indicate this is not the only source of metal that has resulted in contamination where it has been handled.

A 16,2-tonne shipment of possibly contaminated metal components destined for ELG Haniel Metal, also in Sheffield, was turned back at Rotterdam this week and is now on its way back to South Africa.

Eight scrapyards in Phalaborwa and on the Reef were sealed off this week as extensive investigations into the source of the radioactive material got under way.

The most serious contamination discovered so far is at Bushveld Recycling, Phalaborwa, from which both contaminated shipments were shipped.

More than 60 percent of the plant is affected by small spots of radioactivity many thousands of times higher than the accepted safe level of 0,4 Beqerels per square centimetre.

26/9/93

The yard was shut down a fortnight ago and could remain closed for another two months for decontamination. Although only three workers were directly exposed to low-level radiation from sediment left in the piping, all 20 workers at the site will undergo tests this week to determine the precise extent of exposure.

Nuclear Safety Council spokesman Phil Metcalf said: "This has been going on for some time. All the radioactive contamination has been concentrated. In one place radiation is coming from under concrete — it is not just coming from this piping."

(55)

However, he said it was "inconceivable" that the potentially dangerous waste had been disposed of "wilfully".

Mr Bruce Farmer, managing director at PMC, said it was clear the contaminated steel had been sold by the mine due to a breakdown in safety procedures. Other tainted material had also left the mine.

Most of the contamination at Bushveld is by radium, a product of decaying uranium, that concentrates in calcium scales inside piping in the PMC plant. It takes 1 600 years for the radiation level of radium to decrease by half. The half-life of uranium, which is a by-product of copper-mining at PMC and most gold mines, is 4,5-million years.

Mr Ray Dingwall, managing director of Ireland Alloys, said radio-activity was picked up by detectors in the company's Sheffield Yard and at the British Steel yard in Sheffield.

BUSINESS

Limited role seen for Eskom by 1996

(55)

ARG 29/9/93

DES PARKER

DURBAN. — Within three years, the role of Eskom will be limited to generating and transmitting electricity.

Distribution — currently split between the electricity utility and more than 400 local authorities — could become the responsibility of one national body with complete independence from the current controlling authorities.

Alternatively, if the major municipalities get their way, six regional bodies will take charge of reticulation.

They also would be divorced from Eskom or municipal control but would use the networks of these organisations.

This outline was given here at the biannual conference of the Association of Municipal Electricity Undertakings by the outgoing president of the organisation, Port Elizabeth city electrical engineer Charles Adams.

The two models have evolved in debate among working groups of the National Electrification Forum.

One of the two is expected to be adopted within the next 12 months, with implementation taking place inside three years.

Mr Adams outlined a number of characteristics with which a new distributor or distributors would have to conform, including that it be "de-politicised", not directy controlled by municipal or regional politicians, run on business lines and free of such legislative control as the Remuneration of Town Clerks Act and provincial ordinances.

While generation and transmission would remain much as at present, difficulties were posed by the need to accomodate all interest groups in a controlling body for the distribution industry.

Mr Adams proposed a 21-member board or council comprising:

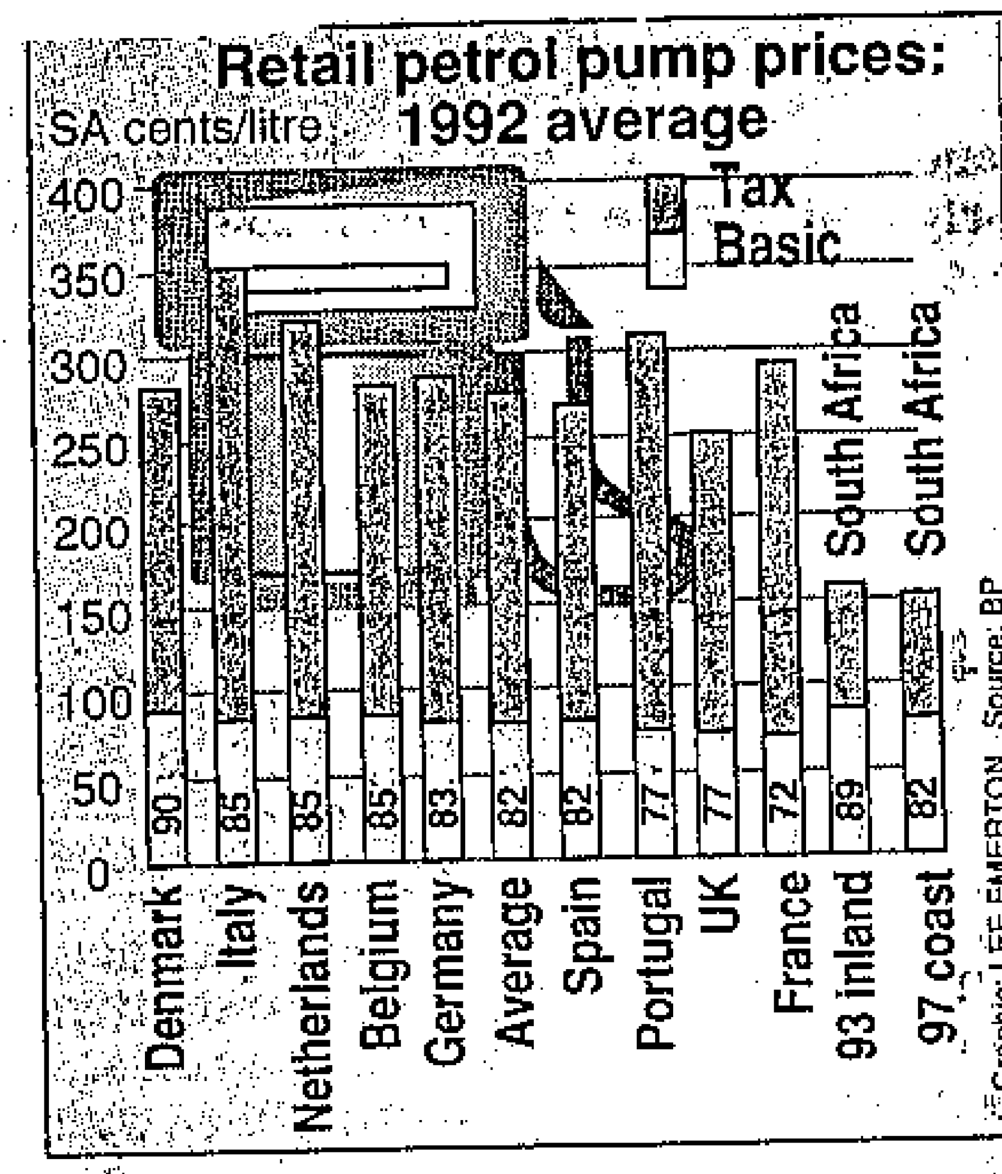
- Six councillors elected by local authorities;
- Three members elected by organised commerce and industry;
- One Chamber of Mines representative;
- Six trade unionists;
- Two SA Agricultural Union members;
- One State official; and
- Two people to represent rural consumers.

Legislation governing the new set-up could, he said, resemble a modified Eskom Act.

In terms of this statute, Eskom "appears to have the required freedom of action in preparing and executing business plans without bureaucratic or political restraints".

Mr Adams said the "mammoth task" of electrification would require all the present skilled manpower "and more" of the local authorities and these people need have no fear of losing their jobs "in the medium term".

"Undoubtedly, some will have difficulty in adjusting to a commercially orientated oganisation with a strong customer focus, but these will be few and the majority of local government employees will be able to respond to the challenge," he predicted.



Oil refiners go public on profits

EDWARD WEST

OIL refiners moved yesterday to counter allegations of excessive profit-taking from fuel prices by presenting the first public independently audited assessment of the industry's profits to the National Economic Forum. B/Day

The report presented an aggregation of the profits of BP, Caltex, Engen, Shell, Sonap, Total, Trek and Zenex, but excluded Sasol fuel operations. Trek and Sonap are owned by Engen.

It showed that the companies invested substantially more in the local economy through capital expenditure over the past two years than the net profit accumulated after tax and interest. 30/9/93

In 1991 the average profits on oil, diesel, petrol and other fuel sales amounted to 3,6c/*l*, and 4,1c/*l* in 1992, the report said. In relation to the price of 93 octane petrol on the Reef in September 1992, the oil companies made an average 2,6% profit on every litre sold. (55)

Aggregate net profit after tax and interest was R886,2m in 1992 and R774,2m in 1991. Capital expenditure was R1,6bn in 1992 and R983,7m in 1991. Total sales volumes were 21,7-billion litres in 1992 and 21,2-billion litres in 1991.

The refinery industry was deregulated in 1991. As a result, refiners were allowed to source crude oil outside the state procurement agency, but were still regulated in terms of marketing operations.

Government allowed the industry a return on assets of 15% before tax. This

☐ To Page 2

Refiners

B/Day 30/9/93

☐ From Page 1

return was not guaranteed. Shell SA said oil industry returns were 1,3% in 1990, 3,4% in 1991 and 8,9% in 1992. (55)

Engen MD Rob Angel said only 5%-7% of the group's costs were not related to procuring, landing and refining crude oil.

Two weeks ago the forum's executive committee, prompted by Finance Minister Derek Keys and Mineral and Energy Affairs Minister George Bartlett, created a task force to seek solutions to the objections to the latest fuel price increase and to investigate the industry more thoroughly over the longer term.

The task force is due to address a summit on the price increase on Monday.

Bid to tighten up on 'nuclear' scrap

Star 30/9/93

■ BY MICHAEL SPARKS

Gold mines had illegally disposed of radioactive metal for years, and had handled it on their own premises without the required licences between 1982 and 1989, Council for Nuclear Safety spokesman Phil Metcalf said yesterday.

The CNS has identified at least 16 scrapyards, including several on the Reef, selling contaminated metals after radiation-contaminated scrap originating from a Phalaborwa yard was discovered in a Dutch port.

However, most mining houses yesterday denied they were involved in the sale of radioactive scrap metal.

Metcalf said 20 workers from Bushveld Recycling and Palabora Mining Company — whose scrapyards were closed last week because of contamination — were being tested for radiation exposure. If the tests show unacceptable levels of radiation, workers from other contaminated scrapyards could also be tested.

THE COUNCIL for Nuclear Safety is overwhelmed by the amount of dangerous waste turning up at scrapyards

55

Metcalf said mines were required, by the Nuclear Safety Act of 1982, to have licences. But it was only after CNS became independent in 1989 and found that the mines were operating without licences that it pressured them to apply and 20 were granted licences.

He said all five mining corporations had mines with licences to generate and deal with radioactive material that was being disposed of.

The CNS had been "completely overwhelmed" by the quantities turning up at scrapyards.

Metcalf said the licences were stringent in terms of the requirements for both the handling and disposal of radioactive materials.

At a meeting with the mining houses yesterday to work out a plan to deal with and clean up the radioactivity, the CNS proposed a number of measures to decontaminate affected areas and materials.

Mine representatives said they would put the proposal to their managements and a further meeting would take place before next Wednesday.

Gengold chairman and managing director Gary Maude said his corporation was not guilty.

Consolidated Mining financial director Hennie Buitendag flatly denied that any radioactive waste had gone off property belonging to the company.

A spokesman for Johannesburg Consolidated Investments said none of his company's mines were "involved at all" in removing radioactive waste from their premises.

Sasol subsidy must go, says Engen

BISDAY

MATTHEW CURTIN

DURBAN — Government had to scrap the multimillion-rand a year subsidy for synthetic fuels producer Sasol if deregulation of the oil industry was to work, Engen MD Rob Angel said yesterday. 30/9/93

Speaking at the Genref refinery, Angel stopped short of making an outright call for deregulation but said: "The synfuel subsidy must go. It's just not right for a subsidy of that degree to be in place for the benefit of a few stakeholders' pockets."

Sasol, regularly ranked as one of the world's most profitable oil companies, received a R670m hand-out from government in 1992/93, contributing to a 14% jump in attributable earnings to R1,3bn, on sales of R8,25bn. Other regulations include those fixing the price at which oil companies buy crude oil and sell petrol, as well as restricting who can sell petrol. (55)

Angel said Engen, which had the biggest slice of the SA petrol market, would "violently oppose" any attempt at only a partial deregulation of the sector. Engen was not prepared to compete on anything other than equal terms with other producers.

He said the synthetic fuels industry should not be abandoned and reiterated his suggestion that Sasol's synthetic fuels business be split from its mining and chemicals operations and turned into a public utility.

If subsidies were scrapped and Sasol's synthetic fuels business was shown to be "cash positive", Engen would support regulations requiring oil companies to buy its output. "We would buy synfuel at a negotiated and transparent price." Engen currently sourced 55% of local output from the Genref refinery and 45% from Sasol.

"A better understanding" of the oil industry's circumstances was required before Engen could call for deregulation.

Solar power for each rural home 'at half the cost of Mossgas'

ARGT 1/10/93

A missed opportunity, says UCT 'green' boffin

HENRI DU PLESSIS
Staff Reporter

FOR less than half the cost of Mossgas, every rural household in South Africa could have been given solar power, a Fairest Cape symposium has been told.

Giving an overview of the problems of green management, University of Cape Town's Guy Preston said financing Mossgas represented an enormous "opportunity cost" in peace and stability.

"No-one would accuse (former State President) P W Botha of having had the wisdom of Solomon — among so many other gems, he and his advisers have left us with the wasted opportunity that is Mossgas," said Dr Preston.

"For less than half of the R12 billion South Africa has contrived to spend on Mossgas to date, we could have provided every rural household in the country with a photovoltaic solar panel, battery, light and television set."

Dr Preston said nobody knew what the impact of such a scheme would have been on the quality of life.

If done with the full participation of the affected people and if combined with an innovative restructuring of the country's "abysmal" television service, it could have had a significantly positive impact on the levels of education, capacity building, health, crime and other social elements.

"We need to understand the consequences of our decisions, and must be accountable for our decisions," Dr Preston said.

He also attacked the Department of Water Affairs over its plans for the Palmiet River Scheme.

"For the amount of money the department wanted to spend on the Palmiet Scheme — up to R500 million, plus the likelihood of very significant escalations and over R40 million a year for treatment and distribution — we could systematically rid our key catchment areas of invasive plants and create the potential for the sponge effect of fynbos to generate a far greater yield of water during the summer months," he said.

Spin-offs could include employment opportunities and long-term conservation benefits.

"And with the change left over from the clearing of invasive aliens, we could convert every cistern toilet in the Western Cape to a dual-flush system (low flush for fluids and full flush for solids) — repairing all leaking toilets while we do so — and install low-flow shower heads in every reticulated house.

"I use these examples not to flog dead horses, but to try to make the point there are opportunities — there may even be solutions. We need planning that has explored the alternatives.

"With innovation and accountability, we can make a difference."

More protest action likely

Govt says no to fuel price cut

Star 7/10/93

(55)

■ BY CHRIS WHITFIELD
POLITICAL CORRESPONDENT

The Government last night dug in its heels on the petrol price, refusing to suspend the controversial 7c/litre increase it imposed last month, which sparked nationwide protests.

The surprise decision was announced by President de Klerk at a press conference in Pretoria's Union Buildings last night after a Cabinet meeting had discussed the issue yesterday.

Last night the ANC and Cosatu, expressing outrage at the decision, said a broad front of organisations opposed to the fuel increase would meet at 9.30 am "to discuss a comprehensive programme of action in response to the disastrous Government decision".

The organisations would then hold a press conference at 11 am.

The Cabinet decision was taken in spite of threats of more protests from trade union and taxi industry representatives if the Government did not accept a National Economic Forum (NEF) proposal

THERE will be no 'almost artifical reduction' financed from the sale of strategic oil reserves

that the increase be "rolled back" for a two-month period to allow for an investigation into petrol pricing.

De Klerk said: "After very careful consideration and in-depth discussion ... we have come to the conclusion that we cannot accept this recommendation."

But he stressed that the Government accepted the necessity to continue and even intensify the work of the NEF task group — made up of representatives of business, labour and the Government — probing the present system of petrol pricing.

He said the Government would give its full co-operation "aimed at ensuring this investigation would result in a lowering of the petrol price".

He rejected suggestions that the Cabinet had taken a tough line for fear of being seen as a "lame duck" government.

Acknowledging that the decision could prove unpopular, he made a plea to those considering protests to think about the loss of income and jobs that could be the result of mass action.

"We have enough violence as it is. This decision is not politically motivated ... from the viewpoint of the consumer it is also a good decision."

De Klerk gave a string of reasons for the decision, saying that in essence the Government did not want to bring in an "almost artificial reduction" financed through the sale of strategic oil reserves.

He pointed out that in terms of the NEF proposal the loan from the reserves would be paid back by consumers of petrol when the "roll back" period ended.

Mineral and Energy Affairs Minister George Bartlett rejected suggestions that he had indicated to the NEF on Monday that the Government would accept its proposal. He had made it clear he would have to go to his principals — the Cabinet — for a decision.

Row rages over inflated cost of local uranium

S/Times 3/10/93

(55) (2...)

By DIANA STREAK

A ROW has erupted over continuing government support for the Atomic Energy Corporation, which produces vastly overpriced enriched uranium — then sells it to another state agency.

Eskom, the country's main electricity supplier, is compelled to buy much of the uranium for its nuclear facility at Koeberg from the AEC for nearly twice the world market price.

At least part of the additional cost — R40-million a year — is thus carried by electricity consumers, adding to the cost of living and making the country's industry even less productive.

The Democratic Party and experts in the field of nuclear technology this week called for the closure of the corporation's controversial Z-plant at Pelindaba, which produces the enriched uranium.

And Eskom's nuclear-energy spokesman, Mr Andre van Heerden, said that, with world markets now opening up, Eskom wanted the freedom to purchase supplies more economically on world markets.

A spokesman for the AEC admitted this week that the cost of production at its plant was "65 percent higher than the accepted market norm".

Mr Roger Hulley, DP spokesman on energy matters, said the plant's annual R160-million cost of production could not be justified, as enriched uranium could be bought at nearly half the price on the international open market.

Eskom this week confirmed that it bought enriched uranium from the AEC to run Koeberg at \$120/kg per separative work unit, based on the US Department of Energy price for long-term enrichment contracts.

"The spot market price for enrichment is approximately \$68 a kg SWU," an Eskom spokesman said.

"Eskom's fuel strategy for Koeberg should ideally include a combination of long, medium and spot contracts. Sanctions have prevented this combination and, thus, the Z-plant has provided a strategic source of enrichment."

Mr Hulley has called the AEC plant a "mini-Mossgas" which sells its product more cheaply to foreign buyers than to Eskom, its "captive market".

The AEC refused to confirm this, claiming that "confidentiality clauses" in its commercial contracts prohibited the release of any details on exports.

"South Africa has, in my opinion, been subsidising a mini-Mossgas in the form of this uranium-enrichment plant for more than a decade," Mr Hulley said.

"It has cost us countless millions of rands. The situation has been disguised by the sanctions era, but that has been over for two years, ever since we signed the Non-Proliferation Treaty."

Because Eskom was forced to buy from the AEC and not on the international spot market, it was paying about R80-million a year for its requirements, though it could be paying closer to half that amount for the fuel it required.

"The AEC is reviewing its strategy regarding continued operation of the Z-plant," an AEC spokesman said this week.

Engen wants to go all the way

By KEVIN DAVIE

ENGEN boss Rob Angel is talking deregulation. He told journalists at Engen's 85 000 barrel-a-day refinery in Durban this week that he was not arguing one way or the other on the issue. S1 Times

But he says he is violently opposed to partial deregulation. If the present system is to be changed then Engen is in favour of total deregulation. All subsidies to synthetic fuel producers would have to go.

Mr Angel says that in a totally free environment synthetic fuel plants would not survive. (BUSS)

He adds, though, that "there are pieces of the past we have to live with". 3/10/93

Sasol's synthetic fuel core should be turned into a publicly owned utility and ring-fenced. The transfer price of coal and other products should be scrutinised and Sasol's fuels sold at transparent prices.

"Synthetic fuel plants have a role to play so long as they are cash positive."

Mr Angel says fuel marketers should be made to buy synthetic fuels in relation to market share. (55)

This extends to supermarket chains which might more vigorously enter the market after deregulation.

He rejects Sasol's application for a tariff to be placed on imported crude oil as "absolutely absurd" as it will make conventional refiners, which are competitive businesses, uncompetitive.

"Synthetic fuel production is totally uncompetitive now and probably for all time."

Mr Angel says it is easy to punch holes in the In-bond landed cost (IBLC), used to determine fuel prices in SA. But he believes that if the IBLC is taken away there may not be "a hell of a lot of difference".

He expects only five companies to survive in a deregulated market. There are 10 now, including Mossgas.

Sasol is likely to enter the retail market, but Mr Angel says this is acceptable only if its subsidy is cut. "Engen will not stand for competition while Sasol is getting a 6c/*l* to 7c/*l* subsidy."

While deregulation in France had been a slow process going back 10 years, Mr Angel expects changes to occur in SA much more quickly. He says prices are likely to fall, but believes prices will be trimmed rather than slashed.

He sees a role for supermarkets and acknowledges that import control on refined product will have to go. There should also be no minimum and maximum prices at the pump.

"Probably one-third of small volume stations may go and go quickly."

Mr Angel says the oil industry should not be seen to be hiding behind potential job losses of petrol attendants as a counter to possible deregulation. Petrol attendants account for about 4c/*l* in the petrol price, says Mr Angel.

He suggests that a solution may be to explore the creation of a special employment subsidy to protect the jobs of petrol attendants.

The Central Energy Fund would no longer play any role in crude oil procurement and the maintenance of the strategic stockpile could be privatised.

Mr Angel says all oil companies, which have recently been freed to buy their own crude, are "doing better than the CEF".

This is because crude is the greatest single cost in the refining business, costing $500-million a year, and in-house buying pursues cost savings much more vigorously than the state-run CEF.

The Engen boss says recent events in the fuels industry were totally predictable and go back to the reforms announced by President F W de Klerk.

It was also inevitable that once secrecy was lifted there would be an active debate on fuel regulation. He also believes that a fuel price increase ("which we didn't expect") would be the trigger for demands for deregulation.

Mr Angel says oil industry profits in SA are "not out of line with refineries east of Suez" and that in SA inflation and political risk have to be taken into account.

Star 4/10/93

Plan to suspend petrol price rise

BY MICHAEL SPARKS

The National Economic Forum (NEF) task force is expected to recommend that the recent 7c/litre increase in the petrol price be suspended until mid-December and the liquid fuel industry be extensively reviewed, according to a task force member.

(55)

In what was described as an "ingenious plan", the task force — made up of government, business and labour representatives — is expected to recommend at a summit today that the increase be suspended between October 14 and December 15.

Between these dates, the NEF would review the structure of the entire liquid fuel industry — including looking at price deregulation — to report back no later than December 15.

The plan is to make up the shortfall to the equalisation fund with sales from the country's extensive oil reserves.

It is understood that the Cabinet will have to give final approval to the proposal.

But the plan is dependent on a stable rand-dollar exchange rate as well as a constant crude oil price on the international market, the source said.

The equalisation fund, which had a R1,4 billion surplus 18 months ago, is currently in deficit. Mineral and Energy Affairs Minister George Bartlett wanted to increase the petrol price because of the deficit.

Of the 7c increase, 1c was to go to the retailer and 6c to the synthetic fuel industry.

While the public perceived Mossgas to be heavily subsidised, it was far less dependent on public funds than Sasol, the source said, adding that without the 6c increase the synthetic fuel industry "would collapse in a matter of months".

Bartlett to face economic forum

New bid to reverse petrol price increase

BIDay 4/10/93

55

THE National Economic Forum task force set up to investigate the fuel industry is today expected to recommend the withdrawal of the latest 7c/l increase in the petrol price.

The task force — made up of representatives from business, labour and the transport industry — would recommend to the forum that the price rise be scrapped and a moratorium be placed on further petrol price increases until the end of the year, a member of the force said yesterday.

The force supported the idea of selling the country's strategic oil stockpiles to fund any underrecovery on the equalisation fund, he said.

Mineral and Energy Affairs Minister George Bartlett commented yesterday that any move by the forum to seek alternative finance for the equalisation fund would vindicate his assertion that a fuel price increase was needed because of a shortfall. He pointed out that funding the shortfall through the sale of strategic oil reserves could not last forever. If the price rise was reversed, government would have to come up with an initial R168m to cover the shortfall.

He denied reports that government would definitely rescind the increase. He said the National Economic Forum would hold a special meeting at Nasrec in Johannesburg today, where the task group's recommendations would be debated.

He said it had to be remembered that the forum was just a consensus-forming body that made recommendations to government. "At the end of the day it is up to the Cabinet to decide on this matter."

He would attend the special meeting this

KELVIN BROWN

afternoon, along with Finance Minister Derek Keys. The two Ministers would then discuss recommendations with the Cabinet at its regular Wednesday meeting.

Bartlett agreed discrepancies in the fuel pricing structure needed to be investigated and the industry had to be more transparent. "The government is looking fully at the pricing structure on the wholesale and retail level."

He said the investigation was scheduled to be completed in November and he was fully prepared to make all the results available.

Government was also prepared to look at the issue of Sasol's subsidisation. "As far as Sasol is concerned, we believe the formula needs to be reviewed, especially if the rand continues to depreciate against the dollar."

Bartlett disagreed with Engen CE Rob Angel's reported comments that government was paying subsidies to cash-positive Mossgas. "None of the revenue raised by the price increase is being used to subsidise Mossgas," he said.

Government is expected to face severe criticism if it goes against a call by the forum for the petrol price rise to be withdrawn. Union federations Cosatu and Nactu warned Bartlett at a recent meeting that he would face mounting anger from the masses if the fuel price hike was not reviewed. On Friday Nactu said it had deferred today's planned national protest against the fuel price rise, but that much would depend on the outcome of today's forum meeting.

Electricity may rise 8% if council gives go-ahead

Municipal Reporter 55 ARCT 4/10/93

THE price of electricity in Cape Town is set to rise by 8 percent if a recommendation by the city council's utilities and works committee is adopted by the full council.

The price would rise from December. The figure is based on the expected Eskom tariff increase.

Committee chairman Ian Iversen said the tariff increase was not caused by arrears owed to the council.

In a seperate debate on electricity prepayment meters, Frank van der Velde said Eskom was owed R800 million in arrears countrywide.

Cabinet to decide on fuel price

Star 5/10/93

BY HELEN GRANGE

The National Economic Forum (NEF) yesterday endorsed a recommendation by its task group investigating the fuel industry to temporarily withdraw the 7c/litre petrol price increase — leaving it to the Cabinet to make the final, sensitive decision when it meets tomorrow.

The task force — made up of representatives from business, labour and the Government in an advisory capacity — proposed that the increase be rolled back from October 14 to December 15, and that the shortfall in revenue during that period be financed through the sale of strategic crude-oil stockpiles and the Equalisation Fund levy.

The only point of dissent concerning this proposal at yesterday's NEF meeting was over the date from which the roll-back should be effective.

The Government proposed that should the Cabinet agree to the recommendation, the roll-back be effected from November 1 rather than October 14 — and that it remain until January 14 rather than December 15.

Mineral and Energy Affairs Minister George Bartlett, who attended the meeting with Finance Minister Derek Keys, said he would refer the NEF's recommendations to Cabinet tomorrow, but reiterrated his view that if the petrol price increase was rescinded, the shortfall would have to be made up by another increase in the future.

(55)

An angered transport delegation warned Bartlett that should the Cabinet oppose the consensus of "this highly representative task group", the threat of mass protest would again become a reality.

Ben van Rensburg of the SA Chamber of Business said after the meeting that the Cabinet faced an essentially political decision as the task force's recommendations "cannot be justified economically".

Forum tells govt to suspend fuel hike

B/Day 5/10/93

KELVIN BROWN
and THEO RAWANA

THE National Economic Forum yesterday recommended suspending last month's 7c/l petrol price rise. But Mineral and Energy Affairs Minister George Bartlett refused to endorse the proposal immediately, saying government first had to discuss the matter at its regular Cabinet meeting tomorrow.

The forum proposed that the price hike be temporarily withdrawn on October 14 to give its task force the opportunity of investigating all aspects of the liquid fuel industry. The task force would make recommendations for a fuel price increase or decrease by December 15. (55)

The forum said the two-month roll-over should be financed through the sale of strategic oil reserves and from the equalisation fund. The financing would be in the form of a loan.

But Bartlett told the forum's liquid fuel industry summit at Nasrec, south of Johannesburg, that his department proposed a roll-back period from November 1 to January 14, when the price would be increased by 8,5c/l.

Government was proposing November 1 for practical reasons and the extra 1,5c would be needed to repay the loan from the sale of strategic oil reserves, he said.

Bartlett, who was accompanied by Finance Minister Derek Keys, expressed concern about using the strategic oil supplies. "Government is in principle in agreement with labour's position that the strategic oil reserve should preferably be used for social upliftment and job-creation programmes."

Bartlett asked for undertakings that business and labour would adhere to the proposals, including possible further increases in the price of fuel.

Labour and taxi industry representatives reacted angrily to Bartlett's refusal to immediately ratify the forum's recommendation. They said a government team had been part of the task force, so there was no reason to seek Cabinet's approval.

Cosatu general secretary Sam Shiloa said the suspension should be implemented today. Bartlett should not set preconditions for agreement and any amendments needed should be referred to the task force.

Sapa reports that Business Forum chairman Dave Brink said business in general had agreed to the roll-back. "We believe this is a sensible agreement and believe it should be implemented."

He did not agree with Bartlett's condition that business, along with labour, adhere to any future fuel price increases. Brink said he saw no harm in Pick 'n Pay testing the competitiveness of the fuel industry.

● Picture: Page 3

Electricity set to rise by 8%

CT 5/10/93 (55)

By PETER DENNEHY
Municipal Reporter

THE Cape Town City Council's utilities and works committee recommended yesterday that electricity tariffs in greater Cape Town be raised by eight percent from December 1.

Cape Town is the bulk supplier of electricity it buys to all but a handful of local authorities in greater Cape Town who buy their supplies directly from Eskom.

Mr Frank van der Velde said at yesterday's meeting that the increase had nothing to do with the city's massive electricity arrears.

It was a normal annual increase, he said.

The committee heard that Eskom — from which the council buys most of its electricity — had increased its tariff by eight percent from January this year, and was expected to increase it by another eight percent from January next year.

'Nothing to do with arrears'

As the amount of electricity bought had increased slightly, the total cost of buying electricity had risen by 9,5% since last year to R355 million excluding VAT.

The council regularly increases its electricity tariffs at the beginning of summer.

This year's increase has been delayed until December to gradually bring the City Council's price rise into line with Eskom's.

The 10% penalty for late payment will remain in force on all domestic accounts over R125 plus VAT.

The Cape Town City Council's electricity arrears are about R45m. It is trying to reduce these by charging a little extra on the electricity tariff — with permission — where consumers have had pre-payment meters installed in their homes.

Mr Van der Velde said it was the practice of established municipalites to transfer some funds from their electricity undertakings to relieve rates. In Cape Town's case 10,6% of the electricity income went to the rates account.

Crucial meeting on fuel hike

Sowetan 5/10/93

THE Cabinet will meet tomorrow to decide whether to reverse the 7c a litre petrol price increase, according to Mineral and Energy Affairs Minister Mr George Bartlett.

Bartlett was reacting yesterday to proposals by the National Economic Forum that the Government roll back the price increase on October 14 to give an NEF task force the opportunity to investigate all aspects of the fuel industry.

The task force would then make recommendations for a fuel price increase or decrease by December 15. (SS)

The NEF proposed the two-month roll-over be financed through the sale of strategic oil reserves and from the equalisation fund. The financing would be in the form of a loan. ([redacted])

Bartlett told the NEF liquid fuel industry summit at Nasrec in Johannesburg that his department proposed a roll-back period from November 1 to January 14, whereupon the price would be increased by 8,5c a litre.

The Government had proposed November 1 for practical reasons and the extra 1,5c would be required to repay the loan from the sale of strategic oil reserves, he said.

"The Government is in principle in agreement with labour's position that the strategic oil reserve should preferably be used for social upliftment and job-creation programmes," Bartlett said. — *Sapa.*

'Cut will not benefit consumers'

Govt rejects call to rescind petrol hike

B/Day 7/10/93

(55)

TIM COHEN

CAPE TOWN — President F W de Klerk last night turned down the National Economic Forum's recommendation that the petrol price increase be "rolled back", setting the stage for a battle with Cosatu.

De Klerk told a news briefing that the forum's recommendation would have involved "chopping and changing" the petrol price, which ultimately would not have benefited consumers.

The forum had proposed that the increase be "rolled back" to mid-December to give the forum more time to discuss a new formula for the petrol price. This should be financed either by selling strategic stocks or by raising a loan, which would have amounted to about R186m.

De Klerk said this would have added 1,5c/l to the price in mid-December to repay the loan, and if it was proved that a new formula would not result in a price decrease, an 8,5c/l increase would be necessary.

He said there were also indications that oil prices were rising.

The "chopping and changing" involved in accepting the forum's recommendation was unlikely to provide positive results in the long run.

Government was committed to continuing the investigation into restructuring the formula, which could obviate the mid-December increase.

Selling strategic oil stocks would be ill-advised, De Klerk said, because SA did not have the oil reserves it used to have.

In the past four years, 21% of the reserves were sold to pay off the debts involved in paying for crude oil. A further 17% was sold to finance projects to assist development and a large amount was already committed to other projects.

Reserves were therefore at a level similar to that maintained by most other countries for their security, and further sales could not be justified.

"We fully realise that this decision will be misused," De Klerk said, asking Cosatu to consider the consequences of engaging in mass action.

He denied that the decision was politically motivated as a result of jibes that he was the head of a "lame duck" government, saying he had much to lose politically by taking this unpopular decison.

De Klerk said government representatives had not been party to the consensus achieved at the forum, and Mineral and Energy Affairs Minister George Bartlett had not given the impression that he would be arguing in favour of the decision.

De Klerk said he had asked Bartlett specifically whether he had indicated support for the forum's proposal and Bartlett had assured him that he had not.

Petrol price increase stays

Sowetan 7/10/93

THE 7c a litre increase in the price of petrol would remain in place, President FW de Klerk announced in Pretoria last night.

The decision follows a Cabinet meeting in Pretoria earlier in the day where a proposal by the National Economic Forum that the price be rolled back was considered.

De Klerk told a news conference the decision was aimed at preventing another fuel price increase and to create the possibility of a price reduction by December.

He stressed the Government would continue to co-operate in the National Economic Forum for the restructuring of the fuel price formula to make petrol cheaper.

To chop and change the fuel price was as unwise as it was to bring about an artificial price reduction and finance it through the sale of oil reserves, De Klerk said. (SS)

Because the price rise had been kept at 7c a litre, there would possibly be no increases in December, and through restructuring possibly a decrease.

De Klerk expected the decision to be misused by the Government's political opponents but said it was not politically motivated and was economically justifiable.

Referring to the Congress of South African Trade Unions' threat of mass action if the price increase was not scrapped, De Klerk said: "We will not allow threats to force us not to take decisions which we believe are in the best interests of the country."— *Sapa.*

Petrol protests planned

Sowetan 8/10/93

By Themba Molefe
Political Correspodent

THE COUNTRY IS BRACING itself for a massive protest beginning today barely 24 hours after State President Mr FW de Klerk backed the controversial petrol price increase.

"The Government's decision is political and not technical," said South Africa's largest trade union conglomerates, the Congress of South African Trade Unions, National Council of Trade Unions and the Federation of South African Labour Unions in a joint statement with the country's taxi organisations.

The nationwide mass action programme, including pickets and public demonstrations, is aimed at reversing the Government's refusal to suspend the fuel price increase of 7 cents a litre implemented by Minister of Mineral and Energy Affairs Mr George Bartlett last month.

However, for the next two weeks organisations would be reporting back to their constituencies and-or embarking on the demonstrations.

On October 21 the different organisations would hold a meeting to decide on a co-ordinated programme which might include a general strike.

In their statement, released at a Press conference in Johannesburg yesterday, the organisations said: "After an emergency meeting today to discuss the Cabinet's decision to reject the National Economic Forum Task Force recommendation to suspend the fuel price increase the organisations unanimously rejected and condemned the decision because it was "insensitive to the plight of the majority".

"It will increase inflation and is a decision which undermines the process of negotiations in the NEF and shows bad faith.

"They (Cabinet) don't want to back down and they don't want to admit years of mismanagement such as Mossgas and Sasol."

Action would be nonviolent, the statement said.

The NEF, which includes representatives from labour, business and the Government, proposed that the Government suspend the fuel price for two months when the task force would report on a new regulatory model and a fuel pricing structure.

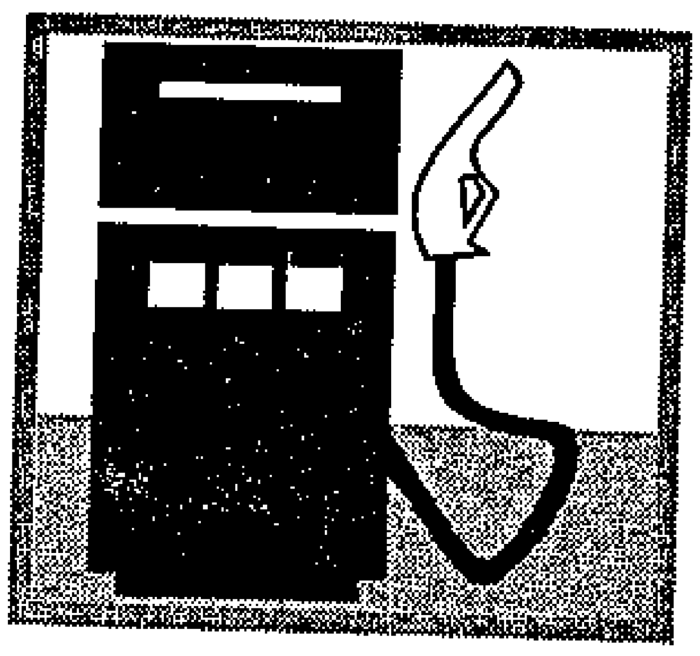
De Klerk's announcement on Wednesday night followed a marathon weekly Cabinet meeting. (SS)

He said the price would be kept at 7c a litre and restructuring could lead to a decrease.

"We will not allow threats to force us not to take decisions which we believe are in the best interests of the country," De Klerk said at a Press conference.

This move has been roundly condemned in both political and business sectors.

Political parties in the tricameral Parliament, the Democratic Party and Labour Party have also condemned the decision.



The Consumer Council, the Automobile Association and Pick 'n Pay have expressed disappointment at the Government's decision not to scrap the 7c/l petrol price increase.

Consumer Council spokesman Mr Paul Roos said petrol was a strategic consumer commodity, affecting the price of all other consumer articles. The Automobile Association said while it was disappointed by the Government's rejection of proposals put forward by the National Economic Forum, it was aware that any proposed short-term loan would have had to be repaid.

Pick 'n Pay spokesman Mr Gareth Ackerman said he was like many other South Africans, disappointed.

"Of all issues, this was one which, had attracted unanimity among consumers, labour and, business ... we feel the Government may have missed a golden opportunity to demonstrate it was open to negotiation on a critical issue."

Unions target fuel companies

Business joins labour protest at petrol hike

BiDay 8/10/93

LLOYD COUTTS

ORGANISED labour, business and political organisations chorused their condemnation of government's refusal to rescind the petrol price increase.

The country's three largest trade union federations — Cosatu, Nactu and the Federation of SA Labour Unions — and the taxi industry, announced a programme of mass action to protest against the Cabinet decision. This would include pickets, marches and taxi blockades of cities and towns, and a general strike had not been ruled out, Cosatu general secretary Sam Shilowa said. Fuel companies would be specific targets.

(55)

The Johannesburg Chamber of Commerce said confrontation with authorities seemed inevitable.

"It is not unlikely that business will join hands with other organisations that have registered their disapproval. Even at this late stage the (14 JCCI) chambers demand that government reverse its decision in the national interest, as recommended by the National Economic forum," JCCI president Mervyn King said.

He called for an investigation into the petrol pricing structure.

The Afrikaanse Handelsinstituut said it failed to understand how the suspension of the increase would have cost the consumer more and was disappointed at government's decision. Nevertheless, the AHI called on angry groups to remain calm and settle the issue through negotiations.

Shilowa called for non-violent demonstrations to be held immediately at regional and local levels. The second phase of the campaign would involve a summit on October 21 to discuss a national programme of mass action.

The ANC said it endorsed the call for peaceful action against government and the oil companies. By disregarding the National Economic Forum's recommendations, government had resorted to "its old style of destructive rule". The ANC would participate in the October 21 summit.

"The De Klerk government needs to learn that it should not merely go through the motions of consultation, but also heed the outcome of such processes."

The meeting of the labour federations yesterday condemned the Cabinet, saying government had taken a "bad faith decision" which undermined negotiations at the forum.

"The government's decision is political and not technical, mainly because they don't want to back down under pressure and they don't want to admit to years of mismanagement (of) such (parastatals) as Mossgas and Sasol," Shilowa said.

"(President F W) de Klerk took this action because he wanted to prove he is not a lame-duck president, that it is not a lame-duck government. We are going to engage in non-violent action, but it is going to be action to ensure that government comes to its senses."

The meeting agreed that government should accept the forum's task force proposal that the price hike be "rolled back".

Taxi industry representatives said they were under pressure to increase fares, but this would bring the industry into conflict with civic organisations.

☐ To Page 2

Petrol

BiDay 8/10/93

☐ From Page 1

Shilowa called on business not to pass on the fuel hike through price increases. His call was echoed by the AA which, with organisations like the Consumer Council, the Labour Party and the DP, expressed disappointment with the decision.

Caltex Oil called for the resumption of National Economic Forum discussions on the structure of the oil industry, and said the politicisation of the industry was "extremely damaging as regards major long-term investment decisions".

(55)

The company said efforts should be made to reduce conflict on the issue while negotiations took place. "Proposals for mass action and a 'national strike' will damage domestic business confidence and delay, if not permanently dissuade, those international investors currently considering SA as sanctions are lifted."

Sapa reports that Volkswagen SA called on government to withdraw from the oil business, saying its regulation of the industry was a legacy of the past now that sanctions had been lifted.

Volkswagen chairman and MD Peter Searle said government should take note of the highly political and sensitive nature of the petrol price. Workers on the factory floor were particularly affected and it was becoming more difficult to create a positive climate of teamwork and productivity when government was insensitive.

● Picture: Page 3
● Comment: Page 8

OIL DEREGULATION

FM 8/10/93

Coming down the pipeline

55

Ever since Mineral & Energy Affairs Minister George Bartlett's decision in May to take the shutters off the heavily regulated oil and synthetic fuel sector, pressure has been inexorably building to free the fuel market from government control.

Last week's sharp attack by Engen CE Rob Angel on the protected synfuel industry, and the ongoing battle over the recent petrol price hike — led by Pick 'n Pay and the taxi industry — have added to the growing support for a radical deregulation of this tightly supervised and secretive industry. Government is under increasingly pointed criticism over its handling of the industry from the National Economic Forum, the DP, ANC and other parties, consumer groups, economists and others, while Sasol — one of SA's most profitable companies — is being forced to respond to calls for its virtual abolition.

Indeed, this week the forum's Liquid-Fuel Industry Task Force suggested that any study and restructuring of the R23bn-a-year sector should take place under its auspices. If accepted, the forum — made up of representatives of government, organised labour and business — would oversee much of the deregulatory process, and probably drive it a lot further than Bartlett's department would.

The regulatory web entangling the sectors contains these elements:

☐ The in-bond landed cost crude oil pricing mechanism, by which refining margins for oil companies are based on the theoretical landed cost in SA of refined product from Singapore or Bahrain, even though most of SA's oil is imported more cheaply in crude form and refined in SA;

☐ Pump subsidies to support synfuel producers Sasol and Mossgas totalling R840m/year (payments to Sasol are based on how far the price of oil is below US$23 a barrel; the world price is about $15 a barrel);

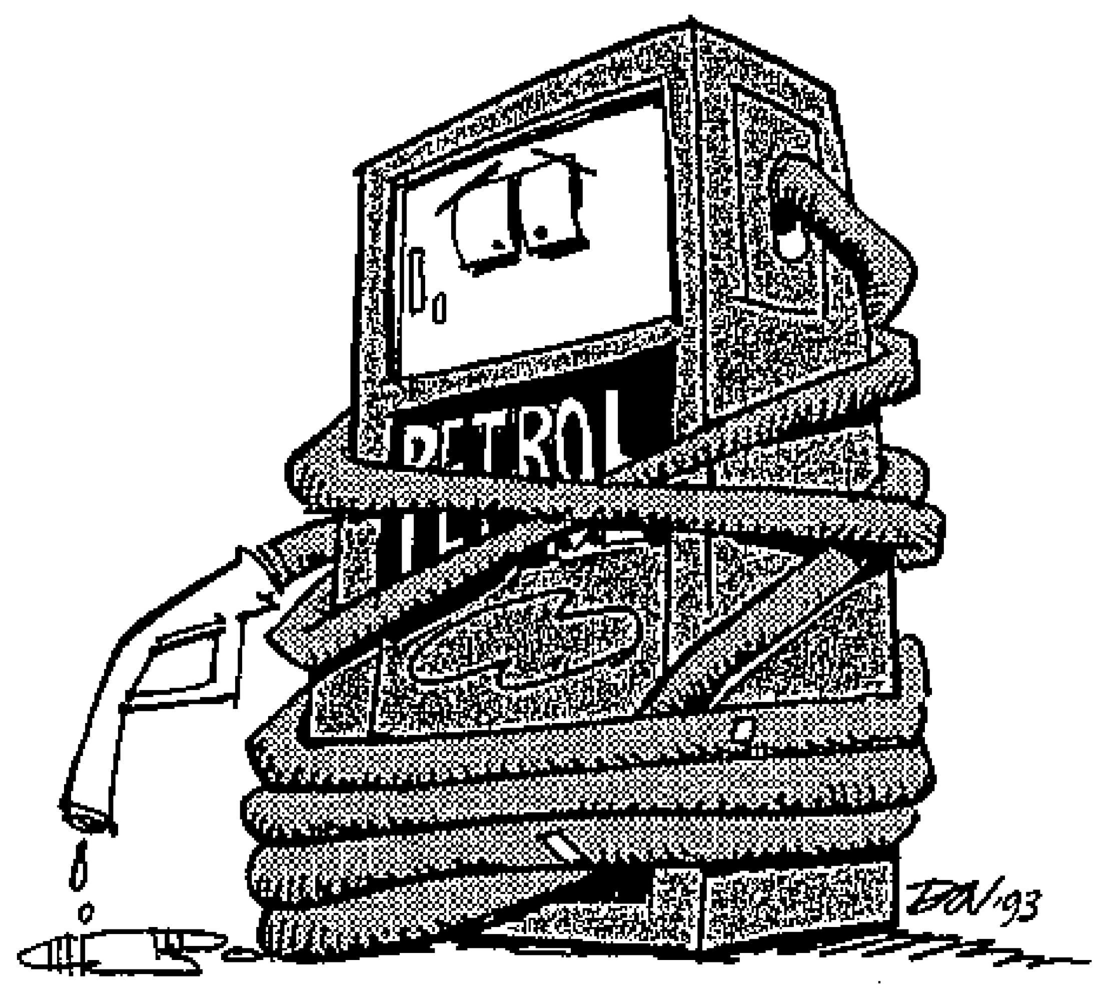
☐ The Rationalisation Plan, or Ratplan, which sets quotas for petrol stations and restricts competition among retailers;

☐ Retail price maintenance, under which government fixes the retail price of petrol countrywide;

☐ Levies and taxes paid at the pump that together amount to about two-thirds of the price paid by motorists; and

☐ Fixed retail profit margins.

In the fight to scrap these costly controls, Sasol and Mossgas have become the main targets. Engen's Angel drew the battleline last week by saying the synfuels industry "is totally uncompetitive and will probably remain so for all time." But government believes it must protect uneconomic synfuel operations — which were developed in apartheid years as insurance against an oil cut-off that never came and grew into the world's largest synfuel industry — and this underpins the regulations' complex structure.



Nevertheless, Sasol defends itself strongly. "Sasol's synthetic fuels enjoyed protection to the value of R629m during the 1992-1993 financial year, which cost motorists 3,56c/*l* if spread over all transport fuel volumes," says Sasol CEO Paul Kruger. "Most manufacturing industries in SA and in many other parts of the world enjoy protection though they operate in a deregulated environment. And, as the current 14,6% protection level on the value the company adds to its inputs does not allow Sasol to earn an excessive return on investment, we feel that it is more than justified."

Angel believes support for the synfuels industry must end. "It is not right that synfuels plants are paid subsidies to go into the pockets of a few stakeholders."

Adds ANC-affiliated, Cape Town University economist Patrick Ncube: "The position of the so-called paranoia corporations (created to counter sanctions) will have to be reconsidered in the new SA."

Kruger, for his part, points out that the regulations also hurt Sasol. He says that, if the market were deregulated, Sasol should also be allowed to retail petrol refined from crude oil to the public (a limited percentage of its output is now sold at specially designated "blue pumps" in the Transvaal, Free State and northern Cape) in competition with the oil companies. This would allow for higher profits at the lucrative wholesale and retail levels.

Angel adds that oil companies should be freely allowed to import crude oil at the world price, while government's role in procuring oil should be abolished. Kruger agrees, adding that government could do a much better job of setting the petrol price. "The pump price should be adjusted on at least a weekly basis," Kruger says. "This would allow the retail sector to pass on global price movements on a weekly basis, giving motorists an indication of the impact of crude oil price movements on pump prices."

One argument against deregulation heard over and over is that it would allow for self-service petrol stations, endangering the jobs of 60 000 pump attendants. Angel says petrol attendants cost around 4c/*l*. He adds that "over a fairly short period, about a third of service stations would close because they would sell too little to compete."

Proponents say there could be a temporary or permanent moratorium on self-service (Pick 'n Pay has proposed five years) to avoid dumping so many workers on a depressed jobs market. They add that deregulation, even without self-service, will vastly offset any jobs lost because motorists and companies will save billions through lower petrol prices, thus spurring the economy.

As for the petrol stations, deregulation advocates argue that the vast overbuilding that has taken place under government protection is no reason not to deregulate. Any neighbourhood that unsuccessfully fought another petrol station setting up around the corner will be glad to see it close. ■

INDUSTRIAL POLICY

Sacob's big muddle

The SA Chamber of Business last week came out with another document on industrial policy and, again, it's a muddle — lots of bad ideas with few good ones.

The aim of the 31-page discussion document, *The Formulation of a New Industrial Policy for SA*, is to place SA on the same growth path already followed by the successful Pacific Rim economies. But its first mistake is to trumpet something that won't help SA at all.

Sacob suggests an Industrial Policy Forum made up of the "golden square" (representatives of government, labour, business and technology), along the lines of the Industrial Structure Council of Japan's Ministry of International Trade & Industry (Miti). This would be assisted by Sectoral Strategy Committees made up of the same representation but based on sectors.

Critics say another forum of elites left to deal among themselves and stick the consumers and taxpayers with the bill is no answer to SA's problems. They add that the proliferation of committees and councils that the document proposes is better suited to a socialist ANC policy paper than the market approach the chamber professes to support. They point out that, if anything, Miti has done more to hold back the Japanese economy than to boost it.

P.T.O →

Undeterred, the chamber proposes that the bodies would fall under the National Economic Forum and operate on a similar, if more transparent basis, co-operating closely with State departments such as Trade & Industry, Finance, Economic Affairs, Manpower, the Board on Tariffs & Trade and the IDC in formulating and implementing policy changes.

The chamber adds that its industrial policy should form part of a broader economic policy. And it seems that even journalists could play a role in its proposed new policy-making bodies.

"It is of interest that the equivalent committee in Japan also has representations of academics and journalists," the document says. "There is also the question of if and how the consumer and the community should be represented." This, of course, is a question the chamber should have answered before it invited the press.

Chamber president Spencer Sterling and deputy director-general Ron Haywood wax lyrical on the beneficial impact that they claim industrial policies had on East Asian economies, forgetting, of course, that the most successful of the tigers, Hong Kong, doesn't have an industrial policy.

The chamber says a focus on developing labour-intensive small- and medium-sized industries will have to be part of the new local industrial policy.

Some of its proposed policies, which the chamber admits may elicit "significant opposition — not least from the business community itself," include:

- ☐ Changing corporate tax rates;
- ☐ Subsidising interest rates on borrowings;
- ☐ Guaranteeing borrowings to increase debt:equity ratios;
- ☐ Investment allowances; and
- ☐ Changing depreciation rates. ■

STREET TRADING

Rethinking deregulation

Pressure from the influential Major Cities Association is behind government's plan to restore the primary control of street trading to local authorities. But the National Economic Forum has been asked to give its view before the proposal is debated in parliament next month.

The proposal is in the form of an amendment to the Businesses Act, which was passed two years ago in a ground-breaking move to deregulate business licences and free street traders from a web of bureaucratic restrictions. Local authorities would regain their power to regulate street trading at town and city level, but with less muscle than in the past.

The Act now provides for provincial administrators to make province-wide regulations (*Business & Technology* April 16).

Louise Tager, whose Law Review Project made recommendations to government before the Act was drafted, sees the proposed amendment as a compromise between total deregulation and the sort of restrictions that applied in the past. She says that even with the amendment, street traders will have considerable freedom and provincial administrators will be able to veto unreasonable rules imposed by local authorities.

The Law Review Project canvassed a number of interest groups, including hawkers' associations, before drafting the amendment. Nevertheless, Tager believes it is still important for the proposal to be considered by the National Economic Forum, which has expressed interest.

The amendment is also apparently an attempt to break the logjam in the implementation of the Act, which most local and provincial authorities have resisted. Implementation dates were left to the discretion of provincial administrators and so far it has been promulgated only in the Cape.

Technicalities are blamed for the delay in the other provinces, but fear of an uncontrolled influx of street traders is clearly a major deterrent.

Cape Town's experience when the Act came into force last year was used as an example by the Major Cities Association of the need for an amendment. Cape Administrator Kobus Meiring initially chose not to restrict street trading in any areas other than public parks and gardens and public roads directly outside residential buildings, if owners or residents complained.

Resolving disputes

Disputes were to be resolved through negotiation. If street trading caused serious problems in specific areas, local authorities could apply to Meiring to have them declared prohibited areas, but would have to give adequate reasons.

But street traders flooded into Cape Town's pedestrian malls and other public areas, which led to strong opposition from the city council, the regional services council and the formal business sector. Meiring subsequently amended his regulations to restore some control to the council.

While it's a good idea to put as much decision-making authority as possible in local hands — that's the point of federalism — here's hoping the local bureaucrats don't use that power to put the informal sector out of business. ■

THE CALDWELL AWARD

Anglo American's Clem Sunter, whose latest book, *Pretoria Will Provide and Other Myths*, will be published this month, will be the guest speaker when the Don Caldwell Trust presents its first Unconventional Hero Award at a luncheon on Friday, October 29, at the Johannesburg Country Club.

Caldwell, a former economics journalist at the *FM*, died last October in a car accident. He was the author of *SA: The New Revolution, No More Martyrs Now*, and *The Customer is Always Wrong*.

The cost is R65. To book for the luncheon, or to make a donation to the trust, call (011) 440-1576 or (011) 442-8898.

MANAGING BY PARALYSIS

Corporate paralysis affects the ability of most companies to make basic planning decisions, according to management consultant Tony van der Schyf. His company, New Products Laboratory, finds that 75% of companies are unable to agree internally even on what their objectives should be.

"This is based on our personal experience and our Impact of Change survey that we do every six months," Van der Schyf says.

"The strategic tactics agreed by the strategic planning committee are not being implemented because there is covert disagreement as to the main thrust of the business.

"Large numbers of companies are being torn apart by lack of focus. They do strategic planning exercises and everybody pays lip service to them. But these plans are either not implemented or are actively sabotaged.

"There is no internal agreement on what has to be done, but nobody says anything about it because they are scared to disagree with management. The average age of the directors of the Top 100 companies is 55. It is very difficult to accept change at that age, with retirement looming."

The only consolation, he says, is that the situation is improving slowly. "In our previous survey, we found 80% of companies in this position. They had identified strategic opportunities, but only 18% of these were ever followed through."

The trend towards unbundling, however, is helping companies to identify their core competencies — what drives the business and individuals in it. "If what you want to do doesn't comply with that core competence, it is wrong for you.

"You also need to identify a single driving force that everybody buys into before you can achieve consensus on your business strategy. That strategy must also be clearly reflected in your operating budget. If you don't get it into the budget it is not going to happen."

ENGEN Fm 8/10/93

Seeking black gold abroad

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An element of urgency has crept into Engen's ambitions to become a fully integrated oil company, spurred on by the possibility of petrol deregulation and consequently tougher trading conditions. CE Rob Angel promises greater detail — including progress on plans to expand upstream into oil production — with next week's year-end results.

It's already clear offshore expansion is an important element in future plans. So much so that marketing division MD John Roberts is working full-time on offshore acquisitions and how to finance them. Angel says this is necessary because Engen expects minimal support from the Reserve Bank for foreign purchases, even though SA's international economic relations have improved. Options include a listing on the London Stock Exchange "when the time is right politically."

Angel says he is repeatedly asked by UK bankers and analysts why, if Engen has such ambitious plans, gearing is so low (current debt:equity ratio is 8%). While opportunities abroad command serious attention, the main focus remains in SA, as evidenced by capex

Fm 8/10/93

of R2,6bn in the past three years.

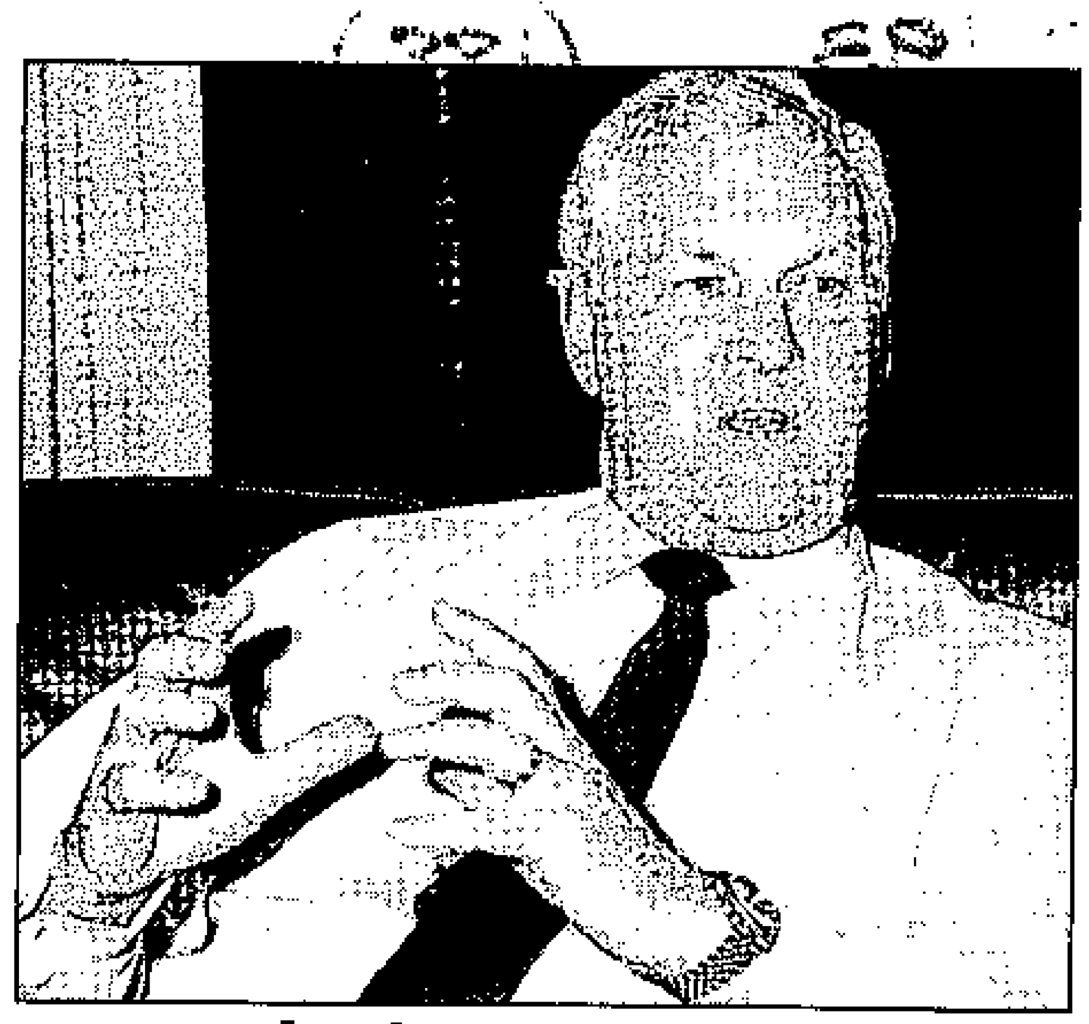
The upgraded Genref Durban refinery — soon to be an operating division rather than a separate company — contributes about 40% of earnings. Refinery production accounts for 55% of domestic sales and all exports.

Phase 1 expansion, completed last year at 4% below budgeted cost of R670m, raised production capacity from 67 000 to 85 000 barrels a day. Phase 2 expansion is under way at a cost of R800m and will increase production to 105 000 barrels a day when completed in March 1995.

Angel says phase 2 is financed from cash generated by the business and rejects suggestions Engen is considering a rights offer to help pay for the project. Genref GM Peter Dent says the most important aspect of phase 2 is that it will allow Engen to refine heavier and cheaper crudes. The recovery of high-earning white products from lower cost crudes is expected to add significantly to bottom line performance.

Engen now exports 18% of the refinery's production to 20 countries, compared with exports to only one country when Mobil's tenure in SA was terminated three years ago. Exports as distant as Pakistan have been established. While not significant in size, they are profitable and that, says Angel, indicates the refinery's cost efficiency.

Exports remain part of Engen's long-term planning — they are not intended merely to



Angel ... *his profits are reasonable*

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dispose of surplus refining capacity which will be channelled into the local market if the obligation to purchase from the synfuel producers ever falls away. However, Angel concedes he would prefer to sell total production locally and consider other options for serving export markets, such as sourcing product from foreign refineries.

He claims oil industry profits in SA are not excessive. They are in line with industry trends east of Suez as well as profits made by other SA companies — but then, considering Angel's position as CE of a major oil producer, that's an argument it would be unusual for him not to embrace.

Chris Freimond

focus on petrol

The petrol debacle shows the National Party intends to continue running

the government with the Transitional Executive Council relegated to an advisory role, say **Mathatha Tsedu** and **Themba Molefe**:

Sowetan 8/10/93

THE BATTLE lines are now drawn as the petrol debacle becomes a full-scale political war and casts doubt on the effectiveness of proposed interim government measures.

And this is because the Government has rejected the proposal by the National Economic Forum to suspend the seven cents increase until a new regulatory model and fuel price structure is reviewed.

The decision by State President FW de Klerk to take over the issue and face the nation, rejecting the measure, has wider political implications.

The NEF is a tripartite forum of labour, commerce and the state that deliberates on economic issues and is allied to similar other forums in housing and local government.

Like the Kempton Park process, the NEF has no constitutional powers but may draw up policies and guidelines on economic issues and legislation.

It is like an advisory body that makes recommendations, as it did this week, to the Government.

In a sense, it is a shadow Transitional Executive Council which, when implemented, will also deliberate and make recommendations but would not legislate. Technically, therefore, the passage of laws remains in the hands of the National Party Government until a final constitution replaces the interim one.

As shown on Wednesday, De Klerk and his Government are under no obligation to implement the recommendations.

So, as the country, through the trade union federations Cosatu and Nactu, prepares to do battle for the lowering of the petrol price, this may be the feature of a TEC still to come — mass action to get the Nats going in the desired direction.

Major deficiency

The TEC will not have any constitutional clout. Criticism of this major deficiency has been met by liberal arguments that this is not necessary as the TEC will operate in accordance with the spirit of negotiations as seen at Kempton Park.

That spirit was obviously lacking on Wednesday, when De Klerk virtually told the NEF to hold on while he ran the country the best way he knew how.

How can the TEC avoid this?

Economical and political analyst Mr Eugene Nyathi said the NEF rebuff on Wednesday was a foretaste of things to come for the TEC.

"The phenomenal compromises on the TEC leave the Government intact. And the Government will co-operate with the TEC as and when it suits them; when it does not, they will do their own thing.

"It is a pity that the Kempton Park talks were not able to have the TEC supersede the Government. Future confrontations like this will be many and, as shown by the cellular telephone controversy, the Government does as it wishes," Nyathi said.

"The TEC itself will be a body of advisers if it is not going to stop De Klerk in his tracks. In fact, the present World Trade Centre negotiations is a mother of all sellouts because it will not deliver"

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"Even the five defined areas of the TEC need 75 to 80 percent on binding decisions. This means that only in situations where the National Party and the ANC agree will they be able to move; if they differ, the NEF experience will come in," Nyathi said.

Nyathi, however, said despite the rebuff he did not expect anything beyond public condemnation by the ANC. Cosatu, which has been in the forefront of the battle against the increase, would also be reined in by the ANC which, he added, was more interested in getting the TEC established.

The Azanian People's Organisation concurred with Nyathi, saying their rejection of the TEC was because it would be nothing but an advisory body.

"We say that a transitional authority is the only option because in that case, De Klerk has to resign and be replaced by this body. And it does not recommend to another body but is the final arbiter in all matters," secretary-general Mr Don Nkadimeng said.

He said many organisations "deluded" themselves into thinking that "when advisory bodies are created, they are sharing power. But the TEC Bill left all state institutions intact, and the only argument will be a moral one. In was to "clip De Klerk's wings".

He said: "Obviously, it won't be just smooth sailing in the TEC. There are going to be problems and the ANC is aware of that.

Multi-faceted battle

"But we do not see the TEC as the end of struggle but as a phase, a prong in a multifaceted battle."

Indeed, it is the ANC's belief that the TEC heralds the beginning of the end of white minority rule as the country nears its first elections in April.

The Pan Africanist Congress on the other hand believes De Klerk's decision on the petrol issue meant he was still in charge and would still be when the TEC comes into operation.

PAC publicity director Mr Waters Toboti said: "De Klerk is in control and will continue to run the government of the day.

"The TEC itself will be a body of advisers if it is not going to stop De Klerk in his tracks. In fact, the present World Trade Centre negotiations is a mother of all sellouts because it will not deliver."

The beginning

As the country prepares for what is billed as the beginning of the end for National Party rule, in more ways than one, it is effectively ensconcing the white minority in a position where it will rule with advice from blacks, advice that will be taken and rejected as seen fit by the white rulers.

It remains to be seen therefore whether those serving in the TEC will ensure their followers are not betrayed in the process.

ANC rethink about Sasol

(55)

CT 8/10/93

BRUSSELS. — The ANC has had a change of heart about its opposition to the Sasol oil-from-coal project.

Addressing a meeting of business leaders organised here by the Belgian Foreign Trade Office, Mr Tito Mboweni of the ANC's economic desk said the organisation had previously been critical of Sasol.

However, as a result of recent research it had decided "we should make use of as much of Sasol as we can".

Mr Mboweni is accompanying ANC president Mr Nelson Mandela on a tour of Europe, selling South Africa as a good business investment now that the organisation has called for the lifting of economic sanctions.

'We'll use it as much as we can'

Although Sasol was still plagued with problems, it had the infrastructure for development, Mr Mboweni added.

Mr Mandela said he agreed with "everything" Mr Mboweni had said, and went on to lament the extent of pollution in South Africa caused by coal-fired power stations.

Fighting pollution would be a priority for an ANC-led government, he said.

An option for the future — and Mr Mandela stressed he meant future — would be to examine the use of solar energy instead of coal.

He also stressed that the ANC had abandoned nationalisation of businesses as a policy cornerstone.

It had already been clear to the ANC two years ago, he said, that "we had to choose to retain nationalisation and lose investment, or give up nationalisation and attract investment".

The ANC now held the same position on the issue as Germany, where nationalisation was a constitutional option but had not been used for decades.

"So do not be frightened if you see that clause in our constitution," Mr Mandela said. — Sapa

Secret SA oil cache quietly dries up

S Times 10/1/93 (55)

By KEVIN DAVIE

SOUTH AFRICA'S fabled oil stockpile — once officially claimed to be in excess of three years' supply — is no more.

President FW de Klerk admitted this week that the size of the stockpile had been run down to internationally accepted levels — about 90 days' supply.

Mr de Klerk advanced this as a reason for refusing the National Economic Forum's recommendation that the 7¢ a litre petrol price hike be withdrawn for two months while the issue was investigated in depth.

The NEF had recommended that shortfalls in funding the petrol price could be sourced from sales of the oil stockpile.

While ANC leader Nelson Mandela has given the go-ahead for the UN to lift oil sanctions, the government is still refusing to disclose details of the size and location of the remaining reserve.

The Central Energy Fund's Danie Vorster said about 21 percent of oil reserves had been sold to repay outstanding loans to the Treasury for crude oil purchases used to build up the reserve.

Mr de Klerk also said a large amount of the remaining reserve was committed to other projects.

Mr Vorster said socio-economic and employment creation projects funded from strategic oil sales of R2-billion had been announced by Mr de Klerk previously.

He said oil sales had not been used for the funding of Mossgas.

This appears to contradict an Auditor-General's report that former Energy Affairs Minister Dawie de Villiers gave authorisation on August 29 1989 for the proceeds of "a specific quantity of crude oil to be sold to partially finance the capital requirements of the Mossel Bay projects".

Expert estimates of the size of SA's stockpile have varied from six months to 2½ years supply.

UN energy expert Paul Conlon said SA officials had once claimed to have stored three years' crude supply.

The CEF has disclosed the size of one of the storage facilities, a R500-million underground bunker at Saldanha Bay which once contained enough oil to keep the Caltex refinery at Milnerton going for 2⅓ years.

South Africa is now said to make annual crude imports of $500-million (R1,7-billion), suggesting that a 2½-year stockpile was worth about R4,2-billion.

"The government has indicated that the actual figures regarding the extent of the strategic reserves are not yet available for publication," Mr Vorster said.

Inflated diesel prices squeeze taxi industry

S/Times [Buss]

10/10/93

(55)

By KEVIN DAVIE

DIESEL fuel prices in South Africa are far higher than internationally, an investigation by State-owned Atlantis Diesel Engines (ADE) has found.

The study says that internationally diesel is an average 28% cheaper than petrol, but in SA the difference is only 8%. The findings have major implications for embattled minibus taxis owners.

Diesel engines, the study says, last twice as long as petrol ones, break down half as often, need servicing half as often and are up to 40% more fuel efficient.

ADE estimates that minibus taxis pay R1,7-billion annually for petrol. A switch to diesel could save their owners up to R700-million a year.

ADE says SA should encourage a greater price difference between petrol and diesel. It recommends that diesel be 20% cheaper than petrol.

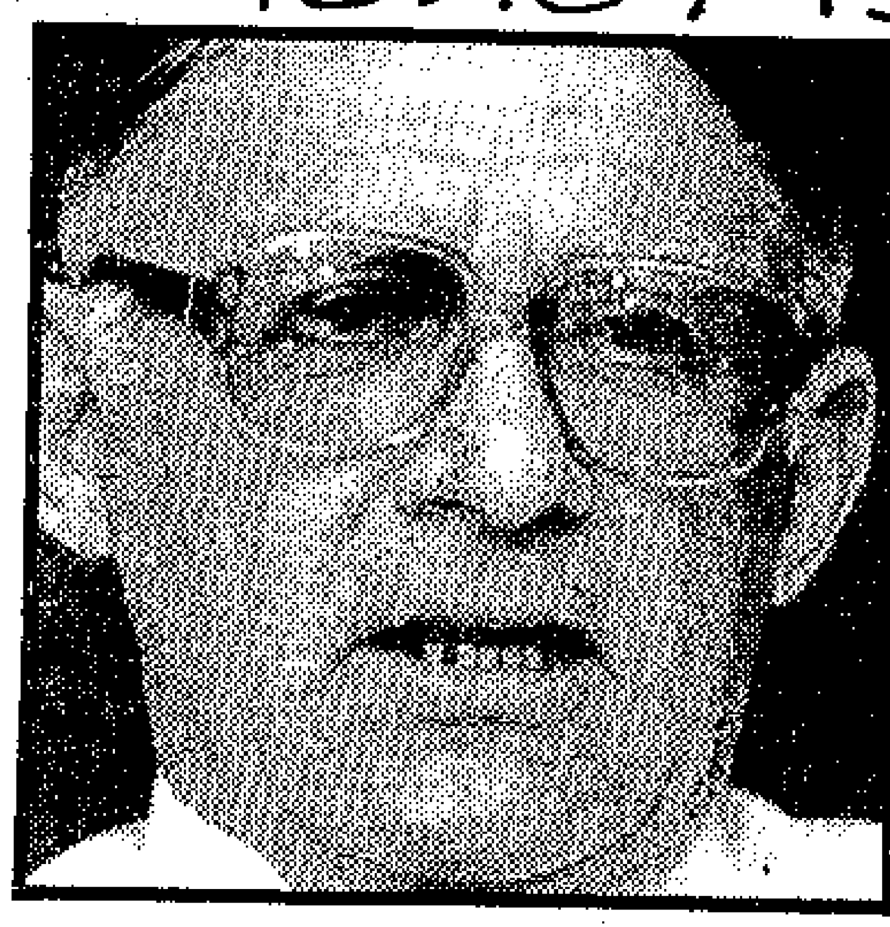
"The consequences would be national energy savings, a better environment and a significant boost for the SA economy.

"All over the world the trend is to promote energy efficiency and protect the environment."

Diesel engines in SA are about 15% more expensive than petrol ones. But diesel vehicles in some European countries are cheaper than petrol-powered ones fitted with mandatory catalytic convertors.

The ADE findings have been presented to Finance Minister Derek Keys, Energy Affairs Minister George Bartlett, Transport Minister Piet Welgemoed and the ANC's Trevor Manuel.

The findings were released to Business Times this week as the Cabinet



GEORGE BARTLETT

chose to ignore a National Economic Forum (NEF) recommendation that the 7c/l fuel increase be rolled back pending a more detailed NEF investigation.

The taxi business and three union federations have decided on mass action, including picketing oil companies.

The Government's decision to reject the NEF's proposed moratorium has been widely condemned by business, motorists and farmers.

Singled out for criticism is fuel-from-coal giant Sasol.

Cosatu says: "Sasol is the most profitable chemcial company in the world, but it got R690-million in subsidies last year."

Sasol's share price jumped R1,40 this week after an upbeat presentation by managing director Paul Kruger to the Investment Analysts' Society in Johannesburg.

Mr Kruger said his information was that the ANC would cut Sasol's $23-a-barrel floor price to $20.

ADE finds that in 13 European countries diesel is on average 21% cheaper than petrol.

It says the differential favours petrol only in Switzerland, where it is 8% cheaper than diesel.

Diesel prices are on average 28% cheaper relative to petrol in the Middle East, the Far East, South America and Southern Africa.

Tests of a fully laden Nissan minibus taxi powered by a diesel engine have shown a 39% fuel saving in typical urban use compared with an equivalent petrol-powered unit.

This is a cost saving of R11 930 on every 100 000km.

ADE says that compared with petrol engines, diesel motors emit a fraction of the noxious gases.

Diesel technology has reduced noise to the same level of petrol engines.

ADE acknowledges that its lobbying is aimed at increasing demand for diesel engines, but says this will bring SA in line with world trends.

Diesel engines are now fitted to 12,5% of new cars sold in the UK, 20 times more than a decade ago.

Diesel sells in the Pretoria-Witwatersrand-Vereeniging area for R1,68 a litre. Petrol cost R1,82/l. The difference is made up by fuel tax (7,5c/l), the retail margin (3,7c/l) and MMF insurance (3,2c/l).

ADE suggests that the 20% differential could be made by allowing part of the levy on diesel to be claimed as a VAT credit.

ADE's Caroline Grossi says the Government is considering giving a tax break to the oil industry to produce lead-free fuel.

"Surely this should also be considered for diesel which has similar environmental benefits?" she asks.

New petrol-powered minibus taxis can be converted to diesel for about R14 500; reconditioning second-hand vehicles with diesel engines costs about R25 000.

Earnings growth of 10% predicted for Engen

BIDAY 13/10/93

MATTHEW CURTIN

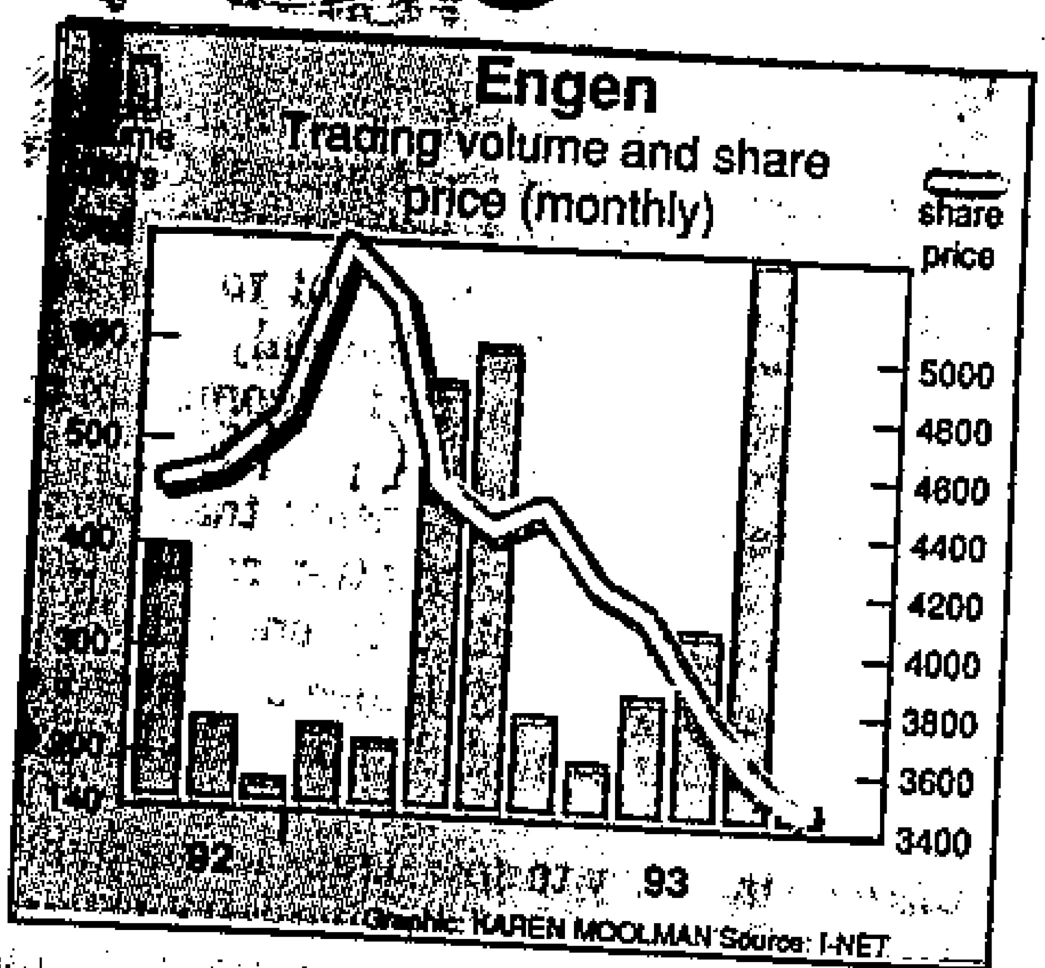
THE recent collapse in the Engen share price did not reflect the fuels group's trading performance, market sources said yesterday in forecasting 10% to 15% earnings growth for the group which releases its 1993 year-end results today. (55)

Analysts put earnings in the year to August at between 300c and 315c a share compared with 275c in 1992. Engen turned in a 10% improvement in 1993 interim earnings at 147c (134c).

Engen shares have fallen from a high of R53 in February and R42,50 in July to yesterday's close of R34,50. Market sources have attributed the distribution of 91-million Engen shares through the unbundling of Gencor and the IDC's investment companies a major factor in the downward pressure on the stock, borne out by the increase in the volume of Engen scrip traded in recent weeks.

Analysts said the re-rating of the shares and the results — satisfactory in difficult trading conditions — suggested Engen's days as "the glamour stock" on the JSE's chemicals board were over.

However, analysts said accurate forecasting of Engen earnings was complicated by the existence of its inventory reserve, bearing windfall profits earned in 1990/91 which have been hoarded and used to bolster earnings. Engen drew R25m from the reserve at the interim stage.



Senekal Mouton Kitshoff analyst Rob Cattich, predicting earnings of 310c and 156c total dividend, said the overhang of Gencor-owned shares continued to dampen the share price. It was unlikely investors would start buying Engen stock again until the unbundling exercise was complete.

He said Engen's improved results would reflect higher throughput through its Genref refinery, the increased wholesale margin on the petrol price, plus possible marginal increases in yields at Genref and refining margins in the second half.

Other analysts said good operating results would be offset by an increased effective tax rate without the cushion of interest income, as Engen's rights issue cash pile continued to decline and borrowings rose.

Optimism as fuel sales rise

KELVIN BROWN

FURTHER evidence of a rebound in the economy since the second quarter of this year has emerged following the release of petrol sales figures by the Central Statistical Service (CSS).

The data released yesterday indicated a turnaround in the wholesale sale of fuels from the middle of the year. Fuel sales firmed an annual 2% in the first two months of the third quarter after slumping 0,6% in the second quarter. B/D 94

In the first half of this year petrol sales eased 0,5% from the corresponding period last year while the economy was down 2%. 13/10/93

There was a strong correlation between petrol sales and the growth rate of the economy, said Econometrix economist Tony Twine.

The difference between the 1% compound growth rate of the economy and the 4,5% average annual growth rate in petrol sales could be explained entirely by the 3,5% increase in the number of vehicles on the road in the '80s, he said.

"Economic growth determines vehicle activity which then affects fuel sales."

(55)

The latest data followed improved manufacturing production figures in July from the low levels recorded earlier in the year. Output was up a seasonally adjusted 1,16% in July from 0,98% in June.

Engen sees steady climb in earnings

BDay 14/10/93

MATTHEW CURTIN

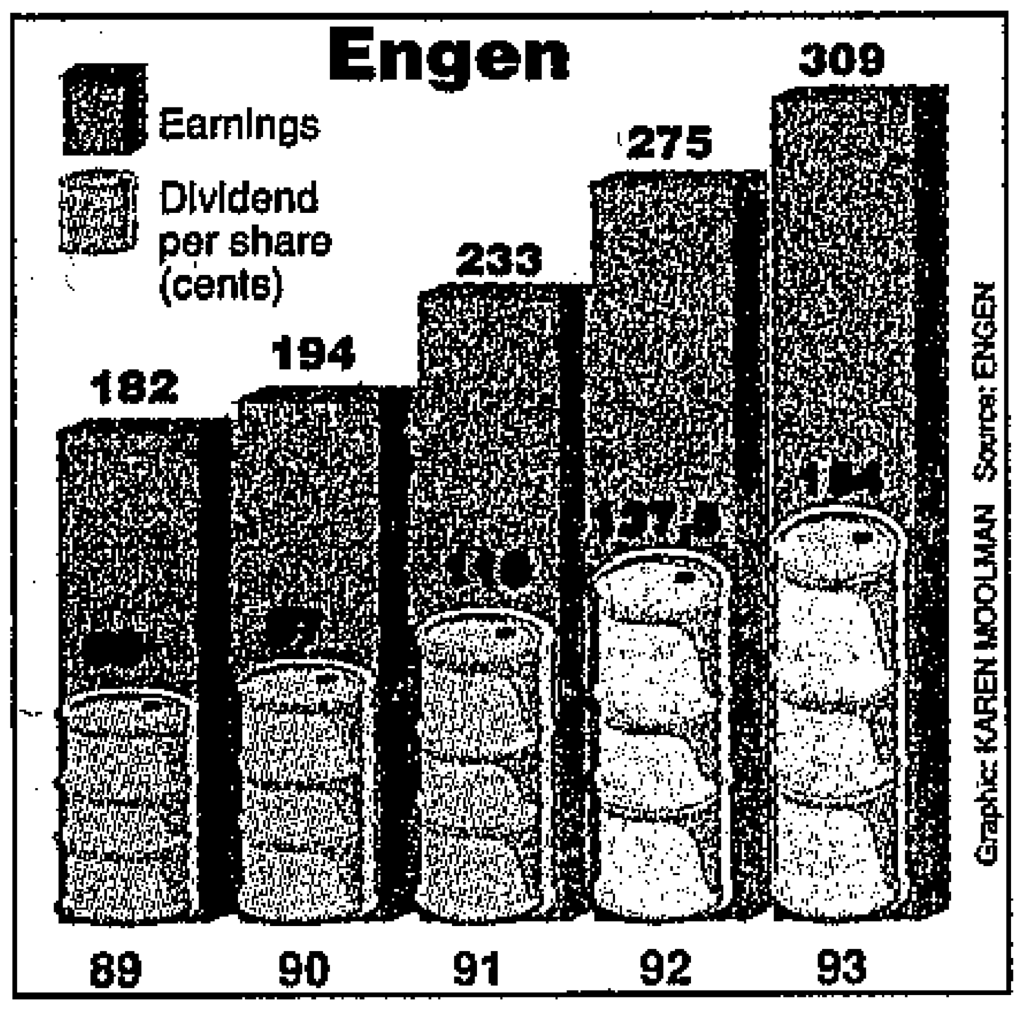
ENGEN has reported an inflation-beating 13% increase in earnings a share for the year to August 31, but success in ironing out problems at its Durban oil refinery in the second six months was partly offset by a steep decline in net interest income.

The fuels group — about to be unbundled from mining house Gencor — notched up earnings of 309c a share compared with 275c in 1992. Engen declared a 12% higher total dividend of 154c (137,5c).

MD Rob Angel said yesterday the year's highlight was a strong second-half operating performance. (55)

However, Engen remained frustrated by Reserve Bank exchange control regulations which had prevented the group pursuing offshore acquisitions. Exploration in Africa would continue, but Engen was keen to acquire offshore assets already in production. In March Engen had bought a 10% stake in an Omani gas field due to come on stream at the end of this year.

Group sales climbed to R7,72bn (R6,56m) reflecting the two increases in producer prices in the year. Government increased industry wholesale prices last October and again in April. Domestic petroleum product sales — the highest value and largest volume item among Engen's fuels and chemicals output — were flat and wholesale margins unchanged.



However, operating profit surged nearly 50% to R578m (R393m), albeit with the help of a net R22m transfer from the group's now empty inventory reserve.

Angel said refining margins were firm, but the second half was the first time Engen had reaped the full benefits of its phase one expansion at the Genref refinery, now operating at full capacity.

The volume of crude oil refined jumped by a third to 27,6-million barrels from 20,4-million in 1992. The improved second-half

☐ To Page 2

Engen

BDay 14/10/93

☐ From Page 1

performance was shown in throughput of 15,5-million barrels compared with only 12,1-million in the first half.

Engen's export success continued as overseas sales climbed 70%, with deliveries to 26 countries, mainly in Africa but also as far as the Philippines and Australia. Volumes have risen threefold in the past three years, and increased to 905-million litres from 539-million in 1992.

Exports represented nearly 15% of total fuel and chemical sales volumes. Inland sales volumes stood at 5,6-billion litres (4,5-billion), as the change from the Mobil brand name to Engen lifted the group's share of the petrol market. (55)

The expense of the phase two Genref expansion took its toll on the group's cash balance. Net interest receipts tumbled to R16m compared with R140m in 1992. Engen moved from a net cash position to borrowings of R335m, equivalent to 11% of total equity. Engen has spent R1,7bn in capital investment in the past two years.

With a higher R113m (R107m) tax provision, after-tax income rose to R481m (R424m). Attributable earnings stood at R480m (R429m).

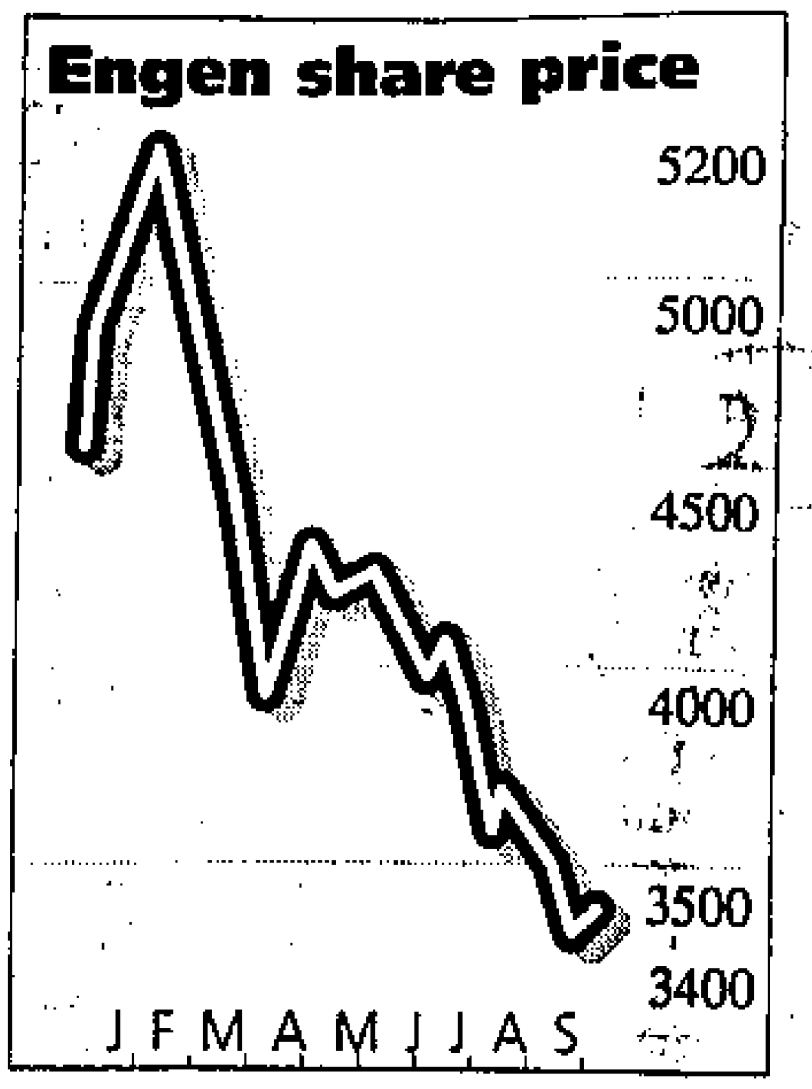
Angel withheld comment on plans for the deregulation of the oil industry ahead of chairman Bernard Smith's yearly review, expected soon. Engen's investment in Genref demonstrated its confidence in SA's economic future, he said.

The expansion project was on track and benefits would be felt from the beginning of 1995. He said Engen would at least maintain earnings in the current financial year.

Smith said the sharp decline in Engen's share price in recent weeks largely reflected the overhang of Engen scrip as Gencor prepared to distribute its Engen shares.

Higher Genref volumes boost Engen earnings

Star 14/10/93



Company: Engen
Sector: Chemical and Oil

SHARE PRICE: R34,50 — **MARKET VALUE: R5,36 billion**
YEAR HIGH: R53,25 — **PE RATIO: 11,2**
YEAR LOW: R33,75
Net asset value: — **Dividend yield: 4,5%**

Year to	Turnover Rm	Operating Profit Rm	Attributable earnings per share (c)	Dividend per share (c)
1991	6 098	379	233	116
1992	6 560	393	275	137,5
1993	7 719	578	309	154
% Change	17,7	47,1	12,4	12,0

(1827) (55)

■ BY STEPHEN CRANSTON

The increased volumes of crude oil processed at the Genref refinery in Durban enabled Engen to report a 12,4 percent rise in earnings per share to 309c in the year to August.

There was a considerably improved performance in the second half as earnings in the first half were up by only 10 percent because teething problems after commissioning of Phase One of the refinery expansion reduced output.

Cash generated in the sec ond half was R303 million, about 20 percent higher than in the first half.

Petrol price hikes in October last year and April this year, neither of which improved the wholesale margin, helped turnover rise by 18 percent to R7,719 billion.

Operating income rose by 47 percent to R578 million because of the increased crude volumes and higher exports to 26 countries in Africa, and to the Philippines and Pakistan.

Exports were up 70 percent to 905 million, or about 13 percent of production.

Net cash reserves were used up and Engen went into a net borrowings position, though gearing is still a conservative 11,4 percent. Financing income fell from R140 million to R16 million.

Group CE Rob Angel says Engen's ambitions to acquire more of its production capacity through offshore acquisitions were stifled by the Reserve Bank's limitations on foreign exchange.

The group is considering ways of raising funds overseas, including a possible listing on the London Stock Exchange.

Exploration expenditure increased from R35 million to R38 million. Four new licences were awarded in West Africa, including two offshore licences in Angola, an onshore licence in Gabon and one offshore in Namibia.

Another important feature of its offshore diversification was the purchase of a 10 percent interest in the Bukha gas-condensate development offshore of Oman.

Commenting on Gencor's imminent unbundling of Engen, Angel says that during its formative years Engen benefited greatly from the support of Gencor as its major shareholder.

The unbundling will see Engen emerge as a publicly owned company with the management and resources to grow and prosper in the years ahead.

Engen's P/E ratio of about 11 makes it look reasonably priced, but investor sentiment has turned against it and might not return easily.

Angel says there was some loss of market share in the first half, with the total share falling from 25,3 percent to 25,1 percent.

But in the second half, market share soared back to 25,8 percent, which Angel says indicates the acceptance of the new Engen brand in the market place.

Earnings up 21 percent, dividend up 20 percent

Star 15/10/93

Sentrachem gets it right

55

BY STEPHEN CRANSTON

Despite tougher trading conditions in the second half, Sentrachem achieved a 21 percent increase in earnings per share to 75,3c. The dividend is up 20 percent to 24c.

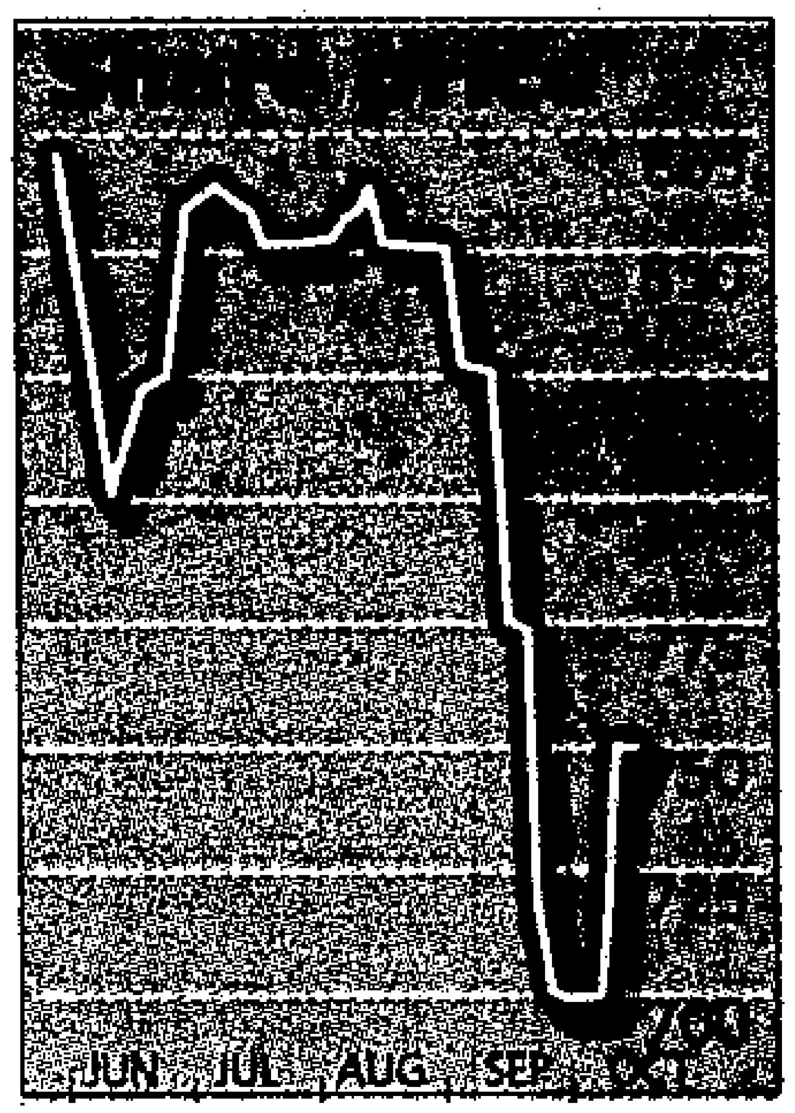
MD John Job says that volumes were up, but that there was pressure on pricing, which in some cases was "distressed", particularly for organic chemcials.

Chlorine producer NCP suffered from the softening of prices internationally.

Group operating margin fell from 9 to 8,1 percent, although there were increased contributions from Sanachem, Mega Plastics and Karbochem.

Asset management was improved and borrowings in all divisions were cut 20 percent, except for Sanachem, which had to fund its increased exports.

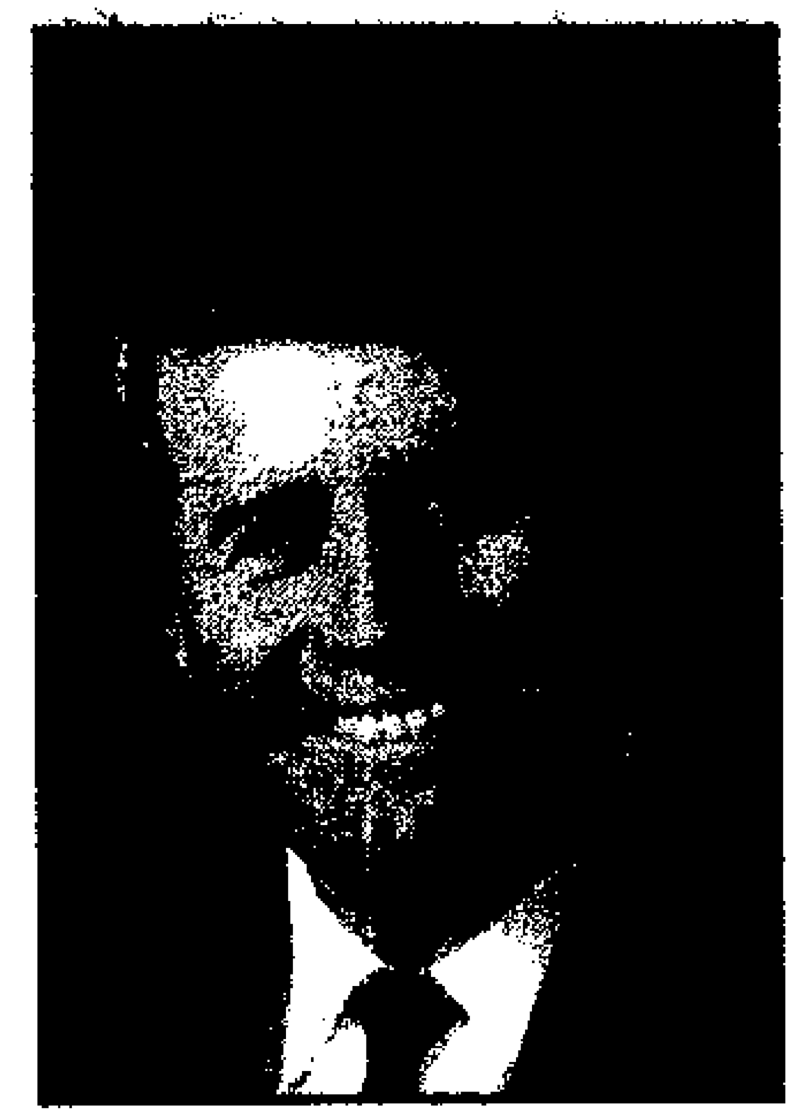
Net borrowings were down by R10 million to R380 million and gearing fell from 44 to 42 percent, slightly ahead of the 40 percent predicted at the interim stage.



Company: Sentrachem
Sector: Chemicals and oil

SHARE PRICE: 750c
MARKET VALUE: R866 million
YEAR HIGH: 875c
YEAR LOW: 535c
PE RATIO: 10,0
Net asset value: 552c
Dividend yield: 3,2%

Year to	Turnover Rm	Operating Profit Rm	Attributable earnings per share (c)	Dividend per share (c)
1991	2 275	214	53,8	18
1992	2 433	220	62,0	20
1993	2 623	212	75,3	24
% Change	8	—4	21	20



John Job . . . pressure on pricing.

Better debt management and lower interest rates, however, reduced finance charges by 12 percent to R66 million and brought interest cover up to 3,3 from 2,7 last year and two times in 1991.

Financial director Norman Kennelly expects interest cover to rise next year.

The reduced corporate tax rate and better tax planning trimmed the effective tax rate from 33 to 25 percent, though the change in the deferred tax balance was treated as an extraordinary item.

Exports took an increasing share of sales and at R345 million represented 13 percent of turnover.

Sentrachem will buy the remaining 50 percent of Sanachem from Farm-Ag in February 1995 on a formula based on three years' trading.

After the first year's results, the price looks likely to be about R165 million.

Capital expenditure was down from R154 million to R106 million, which Job says is not much above the spending required to keep the assets in good order.

Unless there are significant new projects, Sentrachem intends to keep capital expenditure at or below depreciation.

Sentrachem has had a good recovery over the last two years, and probably offers some value at its present price.

Engen to search for African oil

ST Times

By JULIE WALKER

ENGEN and multinational partners have been awarded four licences to explore for oil — three off the coast of Angola and Namibia and the fourth on land in Gabon. (BUSS)

Engen chief executive Rob Angel says the group spent R38-million on exploration in the year to August.

The group, which refines and sells Mobil, Trek and Sonap petrol, other fuel and chemicals, recovered in the second half to August to report annual earnings of R481-million, 13% higher than in 1992.

Two compulsory price increases lifted turnover by 18% to R7,7-billion. (SS)

The Durban refinery lifted operating income by 47% to R578-million. 17/10/93

Mr Angel estimates that Engen's three brand names have a 26% market share of the Southern African market. By his figures, Shell has 19%, Caltex 17%, BP 16%, Total 13%, Sasol 6% and Zenex 3%.

Keys in late bid to end fuel crisis

By KEVIN DAVIE

FINANCE Minister Derek Keys is behind a last-ditch attempt to defuse the petrol price crisis. S/Times

The oil industry is examining its margins to see what immediate cuts can be made to the petrol price.

Transport and Energy Affairs Ministers Piet Welgemoed and George Bartlett are investigating possibility of providing subsidies for the minibus taxi industry. (Buss)

President F W de Klerk is understood to have been warned at a meeting this week that a blockade to shut down the oil industry would spread rapidly to the rest of the economy.

Taxi and union federations will meet on Thursday to formulate an action plan to protest against both the price increase and the Government's rejection of the National Economic Forum (NEF) recommendation that it be rolled back pending a detailed investigation. (55)

An industry source says that the 0,5c/l wholesale and 0,5c/l retail margin increases are likely to be withdrawn.

The source says the industry believes that a margin increase is justified, but that 0,5c/l is not worth the political heat generated.

It is also said that another possible saving will be abolition of payments of about 2c/l to subsidise Mossgas.

Subsidising taxis is high on the list of Government priorities. The subsidy could be financed by the equalisation fund. 17/10/93

The Department of Mineral and Energy Affairs (DMEA) said on Friday it would soon be able to make certain proposals to government.

It says the Government is giving attention to the problems faced by the taxi industry "as a matter of great urgency."

DMEA says both oil and international petroleum prices have increased significantly while the rand/-dollar exchange rate continued to worsen since the fuel price increase on September 15.

Cosatu spokesman Neil Coleman says labour has already compromised by dropping its demand that the petrol price be cut immediately by 10c/l.

Labour agreed to support the NEF's recommendation of the 7c/l rollback after it was suggested by business representatives in the forum.

The NEF suggested that the oil stockpile be used to make up revenue shortfalls, but Mr de Klerk replied that the strategic reserve had been run down to internationally accepted levels.

Fuel price protesters get organised

BiDay 18/10/93

JOHANNES NGOBO

TALKS aiming at co-ordinating mass protest action against the recent petrol hike will be held at the National Federation of Taxi Organisations' Johannesburg office this week.

The Liquid and Fuel Crisis Committee, black business and consumer, labour, political, church, civic and taxi organisations, will debate and adopt a programme of action.

Top of the agenda will be what labour and the taxi industry can bring to the campaign to force government to rethink its position on the recent 7c/*l* petrol price hike.

Business Times reported yesterday that Finance Minister Derek Keys has initiated attempts to defuse the crisis through investigations into the possibility of a taxi industry subsidy.

All packed up . . . workers measure radiation levels of the contaminated waste which has been packed away at Stilfontein mine.

PICTURE: JOKI BIEBER

South Africa finds itself radioactive

Star 20/10/93

THE revelation that radioactive pipes, originating from mines, were leaving scrapyards in the Phalaborwa area has sparked an intensive investigation by the Council for Nuclear Safety, reports Michael Sparks

55

The probe into radioactive material emanating from South African mines has become so extensive that the Council for Nuclear Safety has called in nine experts from Eskom's Koeberg nuclear power station outside Cape Town to help.

They are to join five CNS specialists attempting to tackle the problem which CNS spokesman Phil Metcalf described as one which is "overwhelming the council".

The CNS probe began in Phalaborwa three weeks ago after steel pipes exported to Britain, emanating from the far northern Transvaal, were found to be radioactive.

So began a sleuthing operation as the CNS, starting with a probe into mines in Phalaborwa, tracked contaminated material to scrapyards in the area, then to the Reef and to Middelburg.

But it's not just scrap metal from Phalaborwa that is the problem. CNS has established that material with radioactive properties is coming from a number of mines which have nuclear licences.

At the 20 licensed mines, metals like gold and copper are extracted while uranium and radium are produced as by-products. The latter two minerals are radioactive and this is the reason the mines need nuclear licences.

During extraction, chemicals are added to the sludge to separate minerals.

Radioactive particles form a coating on the inside of pipes which are replaced during maintenance. When the mine has no further use for them, the pipes are sold to farmers for irrigation or to scrapyards for recycling.

Tracing where contaminated metals have gone after leaving the mines will form the bulk of the work for the recently formed rehabilitation unit to be run by CNS.

It was officially created earlier this month with a preliminary sum of R5 million made available by the major mining houses which all own licensed mines.

The mining houses have provided the money but most continue to insist that their mines have not tranported radioactive material off their property, which would be in contravention of their nuclear licences.

Metcalf disagreed: "The radioactive material must have come from these mines."

When The Star visited Gengold's Stilfontein mine in the western Transvaal recently, the extent of the problem became apparent.

The property is being decommissioned because gold underground is no longer viable to mine, says Gengold consulting engineer James Cockburn.

In the mine manager's office there is a grid map showing the levels of radiation of everything within the fenced property.

A 5 ha restricted area has been declared where radiation levels are high enough to require daily monitoring of the workforce who are in the process of demolishing the derelict buildings.

They then test and separate each item which is radioactive, including hundreds of pipes like those in Phalaborwa.

Joe Lynch, Gengold's radiation expert, showed The Star around the property. He produced an instrument similar to a geiger counter to measure radiation levels.

When the instrument was put inside one of the pipes, the crackling and pinging sounded as though a movie director was trying to depict the presence of radioactivity. The meter reading was almost off the top of the scale.

The radioactive items are placed in bags and stored, to be sorted again and workers will try to wash off the radioactive particles. The water will then evaporate, leaving a concentrated, more radioactive residue.

And this meticulous process is going to have to be repeated at all the mines and scrapyards where the CNS finds radioactive components. The investigation on the property of the mines is to be conducted by the mines themselves, under the supervision of the CNS.

The process of cleaning up the contamination is expected to take at least three years, according to Metcalf.

In the meantime, what of the health threats to workers and the public?

Jonathan Cooper of the CNS said preliminary results of tests on 20 workers from Bushveld Recyclers and Palabora Mining Company showed radiation levels one-thirtieth of acceptable levels for workers who are usually exposed to radiation. Results of further tests will not be available for at least 10 days.

In a further attempt to put the hazards of radiation in perspective, Gengold's Lynch said if a worker were to spend eight hours a day for two years in close contact with only the most contaminated areas at Stilfontein, radiation would still be at levels lower than half the acceptable limits for people who work with radioactivity.

Lynch pointed out that radioactivity at very low levels occurs naturally, and most people are exposed to extremely low and harmless levels every day.

However, it was still important that the levels of exposure be continually monitored and workers at Stilfontein were checked daily, he said.

The effect of radiation exposure on these workers is primarily an increase in the likelihood that they will develop some form of cancer.

For the workers at Stilfontein, it increases the chance of death attributable to radiation exposure by less than 2 percent, well within the acceptable industry limits for occupationally exposed workers, Lynch said.

Eskom agrees to electrify Kagiso

WILSON ZWANE

ESKOM has undertaken to install a safe overhead electricity network in the West Rand township of Kagiso. B/DAY

In terms of an agreement between the utility and the Kagiso Negotiating Forum, the construction of the network will start later this month and is expected to be completed by July next year.

Eskom said yesterday the new network would bring electricity "safely" to 4 900 homes in the central Kagiso — the oldest part of the township which has never been formally electrified. 20/10/93

The utility said between 70% and 80% of these homes were connected dangerously to a network supplying the new houses. The connections had been made under Operation Khanyisa, a project initiated by the Kagiso Civic Association about two years ago. (280)(55)

Eskom stressed that these unsafe connections would be removed only as the construction of the network progressed.

Meanwhile, Sapa reports the electricity supply to the Brakpan suburb of Geluksdal has been switched off for safety reasons, leaving the estimated 12 000 residents without power for weeks.

Brakpan Town Council spokesman Eddie Chapman said residents had damaged pillar boxes and mini-substations and had made illegal electrical connections in the wake of power cuts by the council as a result of a boycott of monthly payments.

Geluksdal Action Committee spokesman Mike Moses said residents were boycotting water and electricity payments and demanding a negotiable flat rate of R30 because of "exorbitant" accounts.

The Brakpan Town Council and the committee are scheduled to meet tomorrow to try to resolve the deadlock.

Star 20/10/93

Petrol price formula set for shake-up

The Government hopes a meeting of players in the oil industry to discuss restructuring of the petrol price formula will take place later this month or early in November.

Sources said the Government accepted the formula would probably be changed after the meeting and that this could lead to a drop in the price or stave off further increases. (SS)

A source in the Department of Mineral and Energy Affairs said comments on the formula were being processed.

Discussions with the National Economic Forum's task group on the industry were also being taken into account. The group had recommended that the 7c/litre price rise be suspended while it probed the price formula, but this was rejected. — Political Correspondent.

Govt considers changing fuel price formula

TIM COHEN

GOVERNMENT yesterday discussed a reformulated set of proposals on the petrol price mechanism on the eve of today's conference to protest against the recent 7c/l petrol price increase. B/Day

Details of the proposal have not been released yet, but it is understood that they concern the regulatory framework of the petroleum industry and tax structure of the petrol price. 21/10/93

Mineral and Energy Affairs Minister George Bartlett refused to confirm or deny that the proposal was discussed at yesterday's weekly Cabinet meeting, but said the structure was being "intensely studied".

Only when there was finality on the proposals would a decision be taken, he said, adding "we still have some homework to do". Agreement still had to be reached.

Members of union federations Cosatu and Nactu, taxi associations Sabta and Saldta and black business organisation Fabcos plan to hold a "crisis summit" in Johannesburg today. It will decide on what action to take on government's rejection of a National Economic Forum recommendation to "roll back" the recent petrol price increase during negotiations on restructuring the price. (55)

Meanwhile, the ANC welcomed news that government might consider changing the petrol price formula, but it warned the government not to act unilaterally. The forum remained the only legitimate and credible body through which any restructuring could be done. The ANC gave its "unqualified support" to today's summit.

Petrol wholesale and retail representatives have said they were not in favour of foregoing their 0,5c/l increases included in the 7c/l increases.

Shell communications manager Koosum Kalyan said the forum's task force proposal contained an industry agreement to fund 1c/l on the slate on a temporary basis until negotiations were completed. Arrangements for the repayment of this amount were included in the proposal. Fuel Retailers' Association head Leon Naude said his organisation was against foregoing this amount, saying retailers were already "underrecovering" by 3c/l.

Daggers drawn over petrol

Star 21/10/93

■ BY HELEN GRANGE

Attempts by the Government this week to soften the mood of protest in the transport industry over the petrol price increase have apparently failed — and labour and taxi organisations are likely to strongly support a programme of mass action at a summit today.

Assurances by the Government that a meeting of players in the oil industry to discuss the restructuring of the petrol price formula was being planned for early next month — and could result in a 2c/litre reduction in the fuel price — have been coldly received by the transport industry.

55

Hard line

The three major labour federations — Cosatu, Nactu and the Federation of South African Labour Unions — as well as the South African National Civic Organisation (Sanco) and taxi organisations are expected to take a hard line against the Government today.

Among the actions being mooted are stayaways or taxi blockades.

Nactu information and publicity secretary Mudini Maivha said it would recommend to the summit that the transport industry reject invitations from the Government to discuss petrol price restructuring.

Sanco president Moses Mayekiso said Sanco would "plug into the decisions made by the mass democratic movement".

The ANC said the National Economic Forum remained the only legitimate and credible body through which restructuring could be done.

The ANC added it would give its unqualified support to today's summit.

Mass action begins on Monday in protest against petrol price hike

BDay 22/10/93

THEO RAWANA

BLOCKADES of petrol depots and other forms of mass action would resume on Monday despite government's offer to reduce the petrol price by 2c, the liquid fuel crisis committee announced yesterday.

The committee decided at a Johannesburg summit of labour, taxi and business organisations that President F W de Klerk's offer on Wednesday of a 2c permanent reduction "was an opening statement to reopen the negotiations in the National Economic Forum's liquid fuel task force".

The crisis committee said De Klerk had made the reduction offer at a meeting with a forum committee.

Bernie Fanaroff, of the National Union of Metalworkers of SA, said the unions and transport organisations had decided not to go back to the task force after government rejected its recommendation for a suspension of the 7c/l petrol price increase.

The committee said it had told De Klerk in a letter: "We do not reject the 2c offer, but it does not meet our demand of a 7c rollback, pending the restructuring of the petrol price."

The committee said it had demanded that the reduction be implemented by October 31. It warned De Klerk not to "unilaterally announce the revised decision of government on the petrol price".

An announcement should come from the task force. "Any unilateral announcement on this issue will further jeopardise negotiations," it said.

(55)

Committee members include union federations Cosatu and Nactu, the Federation of SA Labour Unions, the National Federated Transport Organisation, the SA Black Taxi Association, the Federated National Transport Organisation and the SA Long Distance Taxi Association.

The meeting decided that regional and local committees would be formed to lead blockades of fuel depots and towns, pickets of oil company and government offices, marches, petitions and stayaways. The national programme would be implemented in the eastern Cape from October 24 to 31, the Free State from November 1 to 7, Transvaal from November 8 to 14 and Natal from November 15 to 21.

The meeting resolved that white petrol dealers would be approached to support the campaign, "or their petrol stations will be selectively blockaded". Companies and businesses were called on to pass on the petrol reduction to consumers.

Sapa reports that taxi industry spokesman Boetie Letsoela said taxi drivers were prepared to blockade Jan Smuts Airport with thousands of taxis if this was necessary "to bring government to its senses".

He said the industry was unable to absorb the latest price increase and would have to start negotiating fare increases with civic organisations.

● Picture: Page 3

FOCUS ON BUSINESS Petrol supplier launches ecotourism trust to boost job creation

Sowetan 22/10/93

Engen hits the tourist trail

■ SPEEDY MOVE Potential to revitalise economy and create jobs:

AS A CONTRIBUTION TO REVITALISING the South African economy, Engen oil company has announced it supports for the growth of the ecotourism.

Engen will launch an ecotourism trust which is geared to develop a comprehensive strategy that will include job creation linked to the utilisation of the environment.

In addition to founding the trust, the company has made grants to help establish the first job creation and community involvement programme to be implemented in the Richtersveld National Park.

Travellers will also be assisted through the provision of the tourist information at their network of service stations by Engen Limited.

Engen's chief executive, Mr Rob Angel, said the launch of the new strategy was the product of two years of comprehensive consultation with all of the major parties in the environment and tourism industries.

(55)

"We believe that the concept of what is often referred to as ecotourism is the industry which shows the potential for revitalising South Africa and creating the many jobs that this country so dearly needs. "The experts have persuaded us that with the support which we and other companies can provide, this industry can rapidly be developed to the benefit of all South Africans," he added.

Angel pointed out the need to this country to be given a positive vision and direction if it was to succeed in providing a reasonable standard of living for all its people, without destroying its natural attributes.

Govt offers to cut price by 2c, but mass action to go ahead

Taximen plan petrol blockades

Star 22/10/93

(55)

BY PAUL BELL
LABOUR CORRESPONDENT

A PROGRAMME of countrywide protests is planned to force the general restructuring of the petrol price

Despite a Government offer of a 2c/litre cut in the price of petrol, the taxi industry has decided to resume mass action next week in an attempt to force a reversal of last month's 7c/litre increase.

This includes the disruption of fuel supplies by blockading petrol dumps.

At the same time, the taxi industry, pleading that it has been severely hit by the 7c price rise, says it will be forced to raise fares but has undertaken to consult community organisations, including the South African National Civic Organisation, on an appropriate increase.

In a statement last night, Mineral and Energy Affairs Minister George Bartlett said a Government investigation into the structuring of the fuel price had found it "possible to propose a modest price reduction with almost immediate effect".

The results of the investigation had been passed on to the National Energy Forum (NEF). "The parties will meet as soon as possible to discuss this matter further. An announcement on a possible decrease in the fuel price will be made only after further consultations," he said.

The Liquid Fuel Crisis Committee (LFCC), which convened a summit in Johannesburg yesterday, will write to President de Klerk today saying it accepts the offer of the 2c price reduction made on Wednesday at a meeting of the NEF's process committee.

But the LFCC will tell De Klerk it regards the Government offer simply as an opening bid in what must be renewed negotiations on the restructuring of the fuel price.

The LFCC wants the 2c/litre price cut no later than October 31, and it is demanding that the Government return to the NEF Liquid Fuel Task Force on Monday.

In what is clearly an attempt to ensure that whatever political credit is to be gained from a drop in the petrol price does not merely accrue to the Government, the LFCC has warned De Klerk to refrain from a "unilateral" announcement of its offer, saying any statement should come from the NEF's task force.

These decisions were taken at the LFCC summit, which included leaders from the taxi industry and the broad trade union movement, as well as representatives of a range of consumer and transport organisations and black petrol retailers. The summit was chaired by Dr Bernie Fanaroff who called on the business sector to reduce its prices in line with the 2c price cut.

The summit also accepted a programme of mass action to ensure a roll-back of the entire 7c increase and the general restructuring of the petrol price. Proposed action includes the picketing of oil company and Government offices; blockades of petrol dumps and streets; and the organising of marches, petitions and stayaways.

The programme is expected to spread through the four provinces week by week, beginning in the Cape on Sundayand move to the Free State on November 1, to the Transvaal on November 8 and to Natal on November 15.

In a burst of enthusiasm, taxi spokesman Boetie Letsoela warned delegates: "If we have to take 3 million taxis and blockade Jan Smuts Airport, we will do it."

Black petrol retailers endorsed the action but expressed fears that a blockade could lead to a serious disruption of their supplies.

ENGEN
FM 22/10/93

Investor image weakens

Engen's earlier capital spending programme, about R2,3bn over the past three years, including R600m in the 1993 financial year, is starting to pay off. The most dramatic example was the second-half surge in throughput from the Durban refinery (27,6m barrels, compared to 20,4m for the 1992 year), following completion of the first phase of the Genref expansion. (55)

The name and livery change, from Mobil to Engen, also boosted market share in the second half. CE Rob Angel says while Engen's market share grew only marginally over the financial year, from 25,3% to 25,4%, the full year's growth was achieved after market share declined to 25,1% during the first six months.

According to Engen's figures, and including brands Trek and Sonap, the group holds

CHANGING GEARS

Year to August 31	1992	1993
Turnover (Rbn)	6,56	7,72
Operating income (Rm)	393	578
Attributable (Rm)	429	480
Earnings (c)	275	309
Dividends (c)	137,5	154

FM 22/10/93

26% of the SA market, compared to industry estimates which put rival Shell second with 19%.

But the strong operating performance, which saw earnings grow 12,4%, has not yet been reflected in the share price, which continues to languish at R35 after a steady decline from its R53 annual high in February. The downward trend seems to have more to do with external factors than Engen's performance, but one effect appears to be a change, for the worse, in investor perceptions which could take a lot of effort and some spectacular results to reverse.

Engen's Angel ... *gaining market share*

Engen's share was probably overpriced at the beginning of the year and interim EPS growth of 9,7% took some shine off what had become the glamour stock in the chemicals and oils sector.

But increasing criticism and public outrage over the petrol pricing structure in SA could be affecting perceptions of the share. Engen, of course, does not receive any of the tariff support afforded to Sasol for its synthetic fuel operations, but it's likely the share is being tarred by a broad sweep of the same brush. Uncertainty about deregulation of the industry is probably not helping either.

And, as Engen management point out, the overhang of some 91m Engen shares as Gencor prepares to complete its unbundling exercise next month, is depressing the price. Gencor chairman Brian Gilbertson says he has been unhappy with the share price performance of subsidiary and associate companies since unbundling plans were announced and believes the market is "reading it wrong."

The year ahead looks fairly encouraging. Engen has started the second phase of the Genref expansion, to cost about R800m and which should be complete early in 1995. That will further improve yields and will also enable Genref to refine heavier, and cheaper, crude oil.

(55)

Engen also seems to be shopping around for an offshore acquisition, despite earlier opportunities being scotched by Reserve Bank limits placed on the funding of foreign acquisitions. Alternative means of raising offshore capital are being investigated, including the possibility of a listing on the London Stock Exchange.

With ratings now roughly in line with the sector averages, the share looks fairly priced on a 4,4% yield. It could offer value for investors prepared to take a view on the future of the oil industry in SA. *Shaun Harris*

PETROL
FM 22/10/93

Debating a sticky issue

The compromise between government and its critics over the petrol industry is still taking shape but there's no doubt that one is in the works. President F W de Klerk last Monday met the Business Forum of the National Economic Forum, which had put together a compromise that the Cabinet rejected earlier this month. No final arrangement was agreed but De Klerk indicated that he was sensitive to the issue and a forum spokesman says further developments are expected.

The SA Chamber of Business, at its national congress in Cape Town, also pressed for a compromise this week. The fear is that if a deal is not worked out, Cosatu and the taxi drivers could take to the streets in a protest that could undermine the growing but fragile confidence in the economy.

The forum's compromise offer would have rolled back the recent 7c/*l* petrol price increase until December 15, when the forum expects to finish its study of the price formula and a possible restructuring of the huge oil and synthetic-fuel industries. (55)

"Business still supports the forum's proposal for a moratorium and healing period, even though recent increases in crude-oil prices have changed the original arithmetic," says chamber economist Ben van Rensburg, a member of the forum's liquid-fuel committee. "But the forum's task force should still investigate the whole issue and propose new structures."

He adds that the forum's study, which is open to input from all parties, should supercede government's proposed "open forum" to discuss the issue.

The open forum is the next step in a process that began in May when government released a report outlining its role in the secretive, R23bn-a-year industry. Mineral & Energy Affairs Minister George Bartlett

Shilowa

Van Rensburg

called for comments and proposals from all parties that would serve as the basis of a one-day public conference to thrash out the many tricky issues involved.

The conference has still not been scheduled but Mineral & Energy Affairs director Theunis Burger says the department is proceeding at full speed with its own study of the industry and the tight regulation that governs it. FM 22/10/93

He adds that the National Economic Forum's December 15 deadline seems "a bit hasty" for such a complex topic. "But we are going all out to complete our studies and recommendations to the Minister. Everything is on the table and the aim is to find ways to remove impediments and possibly reduce fuel prices."

Cosatu has withdrawn from the forum's liquid-fuels task force but general secretary Sam Shilowa says: "We are mandated to continue talking with the oil industry and feel that business must absorb the fuel-price increase." (55)

Shilowa adds that the subsidies propping up the synfuel industry must be taken away because they are relics of the sanctions years. "The whole fuel-price process must become more transparent. Fixed margins for oil companies are not acceptable and the whole industry needs to be re-regulated. If government is willing to discuss these issues, we will be prepared to help find both short-and long-term solutions to the industry's problems."

Cosatu's solutions may just be a case of "our regulations are better than yours" but, until all sides put their proposals on the table, it's impossible to say. ■

Fuel price may drop

AN announcement on a possible decrease in the fuel price would be made only after wider consultation had been made, Energy Affairs Minister Mr George Bartlett said yesterday. Sowetan 22/10/93

The Government proposed a 2c a litre cut in the price of petrol at a meeting of the National Economic Forum on Wednesday. Bartlett said this was made possible by the Government's investigations into the structuring of the fuel price. (55)

He said the Government was anxious to pass the modest price reduction on to consumers as soon as possible. -*Sapa*.

Fuel price: Govt bows to pressure

Star 23/10/93

PAUL BELL and CHRIS WHITFIELD

THE growing muscle of the National Economic Forum in influencing economic policy was demonstrated yesterday when the Government formally submitted to the NEF Liquid Fuel Task Force its proposal to drop the petrol price. (55)

The 2c/l price cut, which includes diesel and illuminating paraffin, takes effect next Saturday and the NEF has called on "all those who raised prices as a consequence of the fuel price increase on September 15" to reduce prices accordingly.

The Government responded rapidly to Thursday's demand by a crisis summit in Johannesburg that by Monday it meet the NEF task force — whose original recom-

● See Page 2 and Editorial on Page 8.

mendations for a suspension of the increase were rejected by the Government — to agree to the cut and resume talks on a further reduction.

Yesterday's decision was announced by the Government following a meeting of the task force yesterday.

The Department of Mineral and Energy Affairs said the cut had been made possible through careful analysis of the composition of the Equalisation Fund Levy, in which "certain areas of potential relief to the consumer" had been identified. The Government welcomed the reactivation of the NEF task force's deliberations and said that if scope for further price reduction was identified in the course of its investigation, these would be passed on immediately to the consumer.

The price cut may have come just in time to persuade the hard-hit taxi industry to soft-pedal on its plans for mass action, due to begin in the Cape on Monday.

But the threat of action has not been lifted. The labour spokesman on the NEF task force, Cosatu's Jayendra Naidoo, said the programme of action accepted by taxi, labour, consumer and transport spokesmen at Thursday's summit would continue, albeit under review.

Mass action proposals include taxi blockades of highways and petrol supply depots, marches and petitions. These are intended to force the Government to re-enter serious negotiations on a restructuring of the petrol price that would permit a roll-back of September's entire 7c/litre increase, which led to the crisis. Naidoo said the task force, which includes representatives of labour, the Government and busi-

Fuel

● FROM PAGE 1.

ness, believed any actions taken in terms of the summit plan would comply with the accepted guidelines for peaceful protest.

Any action would aim to ensure the full attention of all the parties in achieving the full 7c/l reduction. He said the crisis summit's action proposals represented merely a "list of possibilities" which would be assessed in each region and co-ordinated at national level.

"The underlying principle is to keep the pressure up to see that this process doesn't get buried under a mound of documentation."

The task force agreed to begin immediately a review of all aspects of the liquid fuel industry, and table a report to the NEF process committee on December 15.

It was agreed that a separate but related investigation into the passenger transport industry, including the taxi industry, was urgently needed.

The Automobile Association welcomed the price cut and supported the view that this should be the first step towards a possible further reduction based on the findings of an investigation into the fuel pricing structure.

"It is imperative that the proposed seminar on possible deregulation of the oil industry, which should involve all stakeholders, be held as a matter of urgency," said Robin Scholtz, general manager, public affairs, of the AA.

The recommendations flowing from such a seminar would help the NEF to complete its task by the deadline of December 15.

C/Press 24/10/93

Further reduction wanted

(55)

By ALI MPHAKI

THERE were more brickbats for Mineral and Energy Affairs Minister George Bartlett after his Friday announcement that the petrol price would be cut by 2 cents from October 30.

To add to the woes of bungling Bartlett, union federation Cosatu has said it will not halt protest plans until the total scrapping of the 7 cents-a-litre price hike imposed on September 15.

Cosatu's Jay Naidoo said the latest cut was welcomed, but the protests planned by the federation were aimed at having the price rolled back to pre-hike levels.

He said actions under review by Cosatu include blockades of fuel depots and towns, marches, stayaways and petitions. Oil companies and government offices could also be picketed.

Just two months after Bartlett announced the fuel price hike was "not negotiable" he has compromised after pressure from the National Economic Forum.

He issued a statement on Friday announcing the the price of petrol, diesel and liquid paraffin would be reduced on October 30 after a joint meeting of the NEF's Process Committee and the Liquid Fuel Industry Task Force.

The task force, comprised of labour, business and government representatives, will review all aspects of the liquid fuel industry and table a report to the NEF committee on December 15.

Bartlett said the latest fuel cut was made possible after careful analysis of certain areas of potential relief to the consumer, adding that if scope for further price reduction was identified, these would be passed to the consumer immediately.

Describing the fuel cut as a "victory" over unilateralism by the government, Cosatu said it would vigorously pursue further price reductions in the NEF negotiations, as it believed these to be possible.

However, the fuel cut is likely to complicate certain business transactions and not benefit the consumer immediately.

JAY NAIDOO

Oil industry agrees to lose R300m

S/Times

By KEVIN DAVIE

THE oil industry, which faces pickets and protest from tomorrow over the 7c/l fuel price increase, has agreed to a R300-million revenue cut.

Energy Minister George Bartlett says the fuel price will fall by 2c/l on Saturday, October 30. (BUSS)

The decrease comes from a 1,3c/l cut in the protective tariff paid to Sasol and a 0,7c/l "synlevy" payment to the oil industry for restricting output to safeguard synthetic fuel sales.

The Government says each cent in the fuel price translates into about R150-million a year, meaning R195-million less for Sasol and R105-million less for the oil refiners.

Sasol's share price shed 25c on Friday to R18,50. 24/10/93

Pick 'n Pay's Gareth Ackerman says the retailer will cut petrol prices by 2c/l from Tuesday.

Mr Ackerman says this is in response to Mr Bartlett's call for the petrol price reduction to "be passed to the consumer". (55)

Mr Bartlett says scrutiny of the equalisation fund enabled his department to identify areas of potential relief for the user.

"This was done with the full knowledge and collaboration of the two main affected stakeholders, Sasol and the oil industry."

Trade-union leaders say that planned protests will continue while labour will resume participation in the NEF task group which is investigating the fuel price.

Star 25/10/93

Petrol price protests set to begin

BY HELEN GRANGE

Mass action by the taxi industry protesting against the recent petrol price rise looks set to begin in Cape Town today, despite the Government's decision to drop the fuel price by 2c/litre from October 30.

Although the protest mood has been softened in the industry, plans to stage taxi blockades and marches in major centres countrywide, hitting the Transvaal on November 8, have not been scrapped.

The Congress of SA Trade Unions, while welcoming the reduction, has remained committed to the mass action agreed to at the liquid fuel crisis summit last week.

The National Council of Trade Unions has said it rejects the 2c/litre price reduction as inadequate, and warned businesses they would be targeted for protest action if they did not "reduce their prices accordingly".

55

Pick 'n Pay to reduce petrol price early

B/DAY 25/10/93

LINDA ENSOR

CAPE TOWN — Another showdown over discounted petrol looms this week between government and Pick 'n Pay. Pick 'n Pay MD Gareth Ackerman said at the weekend the chain intended to cut the petrol price by 2c at all its outlets from tomorrow instead of waiting until Saturday.

Government announced last week that the reduction would come into effect on Saturday.

Ackerman said petrol tanks at all Pick 'n Pay's outlets would be filled today, providing supplies for four to five days.

Even if government issued threats, Pick 'n Pay was unlikely to back down.

The Brackenfell outlet's decision to immediately charge the lower price had been reversed on Friday in the face of government threats only because the decision had been "made by mistake", he said.

It was not a policy decision of the whole company. (30) (55)

Ackerman said government had delayed the price decrease for a week to enable small petrol station owners to lose as little as possible on existing supplies. However, they had taken large profits when the price went up by 7c, he said.

Pick 'n Pay's court application to sell discount petrol through a coupon scheme is to be heard in the Cape Town Supreme Court on Thursday.

Ackerman said Pick 'n Pay would await the outcome of the hearing to see whether it could discount petrol further.

Meanwhile, any impression in a full-page newspaper advertisement yesterday that Sasol planned to cut prices by 2,8c a litre was incorrect, a spokesman said. The

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Pick 'n Pay

B/DAY 25/10/93

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advert stated that greater operating efficiencies had made it possible for Sasol to absorb a 2,8c-a-litre reduction in tariff protection, "which is now passed on to you".

Sasol spokesman Jan Krynauw said this did not mean Sasol prices would be reduced by this amount. (30) (55)

"The 2,8c reduction applies to the petrol we produce, which is one-third of the total. Spread over all SA's production, our contribution represents 1,3c of the 2c a litre cut announced by the Minister."

The other 0,7c comes from a cut in the synfuel levy paid to the oil industry.

Protest action in the Border region would begin today with a go-slow during which taxis would travel at 20km an hour, sources in the region said yesterday.

Sowetan 25/10/93

Fuel: 2c drop 'little'

THE National Council of Trade Unions has rejected the announced 2c/litre drop in the petrol price as inadequate and warned businesses that should they not "reduce their prices accordingly", they would face mass protest action.

"Should business not make such reductions on prices of commodities, they may render themselves targets of mass protest action within the framework of the petrol summit resolutions made on October 21," Nactu warned in a statement. (55)

It urged the Liquid Fuel Crisis Committee comprising labour and the taxi industry to finalise practical details of protest action agreed to at the summit.

The country's other major federation of unions, the Congress of SA Trade Unions, has welcomed the reduction in the petrol price, but added that it, too, remained committed to the programme of action agreed at the Liquid Fuel Crisis Summit.

The action would maintain public vigilance to ensure the negotiations process delivered in the interests of workers, commuters and consumers, it said. — *Sapa.*

NEWS THE STAR / TUESDAY OCTOBER 26 1993

Cosatu meets taxi industry today

Petrol price demos still on the cards

Star 26/10/93

(55)

BY HELEN GRANGE and ABDUL MILAZI

FEDERATION reiterates it will accept no less than withdrawal of the entire 7c/litre increase

Cosatu is to meet the taxi industry today to discuss mass action plans aimed at pressuring the Government to withdraw the remainder of the recent 7c/litre petrol price rise.

The Government's decision last week to reduce the increase by 2c/litre comes into effect at midnight on Saturday/Sunday, but it has failed to seduce the taxi industry and the Cosatu affiliates concerned.

Taxi drivers in the Border/Kei region plan to embark on a week-long slowdown from today. Taxis will travel at 10 km below normal speed limits — with 100 km/h the maximum speed, Border/Kei Taxi Forum chairman Sunday Sotyelelo said yesterday.

Taxi organisations failed to implement planned blockades of petrol stations in Cape Town yesterday.

Cosatu assistant general-secretary Zwelinzima Vavi said yesterday the federation would accept no less than the withdrawal of the entire 7c/litre increase, and would therefore continue preparing for mass action until the Government accepted this demand.

Plans included a taxi blockade of Johannesburg city centre and smaller centres countrywide, pickets, sit-ins and the occupation of government buildings.

Cosatu is also organising protest actions from Thursday as a build-up towards the November 15 strike to demand the withdrawal of the clause in the draft Bill of Rights which entitles employers to lock out striking workers.

Vavi said the two mass action campaigns would be run separately but would be merged if Cosatu's central executive committee felt it was necessary.

Addressing the contentious Bill of Rights clause, Vavi said the clause not only favoured those who owned the means of production, but was also a naked tactic to bash trade unionism.

The mass action against the draft Bill of Rights clause would culminate in a march on Thursday to the World Trade Centre, in which about 50 000 were expected to take part, he said.

Pick 'n Pay to meet Bartlett in court

LINDA ENSOR

CAPE TOWN — Legal representatives of two Pick 'n Pay companies and of Mineral and Energy Affairs Minister George Bartlett take up the cudgels in the Cape Town Supreme Court on Thursday to determine the validity of government's prohibition of a discount coupon scheme introduced by Pick 'n Pay in Durban. BDay

Pick 'n Pay Retailers and Pick 'n Pay Hypermarkets have brought the application against Bartlett to set aside the prohibition he issued in September.

The applicants also request that, if they do not comply with the notice, Bartlett be declared to have no legal right to prohibit the supply of petrol to them. 26/10/93

In terms of the scheme, Hypermarkets issued shoppers at the Durban Hyper-by-the-Sea with coupons if they bought groceries worth more than R10. The coupon entitled the customer to a 7c/l discount (the amount by which the petrol price increased in September) from the petrol station at the hypermarket. The amount of the discount was paid by Hypermarkets, which ran an account with the filling station.

Pick 'n Pay MD Gareth Ackerman argued in an affidavit that the scheme abided by the law as the price charged by the filling station remained the prescribed price, which was paid partly by the customer and partly by Hypermarkets. (55)

As the scheme had no influence on the purchase or selling price of petrol at any

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outlet, it was therefore not illegal.

A key element of the scheme was that the Durban Hyper-by-the Sea was a different legal entity from Hypermarkets, which was paying for the discounted petrol and which was beyond the ambit of the regulations as it did not own the garage and was not a seller of petrol. The petrol station itself was not giving the customer a benefit as was prohibited by law. (55)

But Bartlett argued that this distinction between the legal entities was irrelevant as the result of the scheme was to discount the petrol price. In any event, all the companies were acting together in a common scheme, he claimed.

In court papers Bartlett said it would be "extremely unfair to law-abiding petrol outlets if I ignore one outlet which introduces a discount system on the selling price of petrol". Law-abiding outlets would suffer a severe loss of turnover.

"As the existence of other outlets is at stake, they may even be compelled to revert to illegal and undesirable practices to offer cheaper petrol to customers."

Bartlett argued that the discount scheme would result in severe pressure on the prescribed price of petrol and this would eventually force him to increase the prescribed price once again.

His standpoint was supported by Motor Industries Federation executive director Wietsche Fourie, who said in an affidavit that promotions which discounted the selling price of petrol directly affected the cost structure of service stations. They drew customers away from competitors, placed pressure on their profit margins and affected their viability.

Fourie said that in July 1993 a federation survey of petrol outlets had indicated an average underrecovery of 2,45c/l prior to the margin increase of 0,5c/l in September.

"Based on the survey constants, it is therefore clear that an average service station outlet would make a profit on petrol sales only once the total underrecovery has been eliminated. It is the federation's view that the shopping coupon scheme in Durban is a thinly disguised discount action which has no long-term consumer benefits. It is essential that all petrol resellers continue to honour the various regulatory components in the industry."

☐ Sapa reports that Pick 'n Pay yesterday confirmed it would begin selling petrol at a discount of 2c/l at Pick 'n Pay filling stations from midnight last night.

● See Page 3

Fuel protests called off

Sowetan 26/10/93

■ WORKER VICTORY Minister George Bartlett reduces price of petrol by 2c a litre:

By Ike Motsapi

THE CONGRESS OF South African Trade Unions has for the time being abandoned its protests against the petrol price increase.

Instead, Cosatu has welcomed the 2c a litre reduction in the price of petrol officially announced by Minister of Mineral and Energy Affairs Mr George Bartlett, yesterday.

Cosatu said this was a victory over the Government's unilateral action.

Mr Zwelinzima Vavi, assistant general secretary of Cosatu, said this did not, however, mean the federation had entirely abandoned its intended programme of action.

"The committee that has been formed to look at ways of pressuring the Government to reduce the petrol price will be meeting soon to decide on what to do next," Vavi said.

(55)

The National Council of Trade Unions said "news of the agreement to reduce the petrol price has not been received with enthusiasm by workers and consumers around the country".

Nactu media spokesman Mr Mudini Maivha said: "Workers are, therefore, urging the Liquid Fuel Crisis Committee, comprising labour and the taxi industry, to finalise practical details of protest action agreed on at their summit at least by the end of this week."

Bartlett said yesterday the petrol price would be reduced by 2c a litre from midnight on October 30. He said the new prices for petrol, diesel and illuminating paraffin would be published in the *Government Gazette* of October 29.

Bartlett cuts Pick 'n Pay supplies

LINDA ENSOR

CAPE TOWN — Mineral and Energy Affairs Minister George Bartlett last night cut off all petrol supplies to Pick 'n Pay outlets for a week. BIDay

His order followed the group's decision to implement government's 2c/l price reduction immediately, instead of waiting for the official reduction on Saturday.

Bartlett's decision to cut supplies followed a flurry of faxes between Mineral and Energy Affairs director-general Piet Hugo and Pick 'n Pay MD Gareth Ackerman. They failed to resolve the dispute and Ackerman said the group was stocking up in the hope of withstanding the embargo.

In a fax to Ackerman, Hugo accused Pick 'n Pay of a "blatant disregard of present regulations and the present prescribed price", saying it appeared that the company was acting in wilful disregard of the law. He also said Pick 'n Pay was harming its opposition. (55)

Unless Ackerman could explain the situation he would recommend to Bartlett that petrol suppliers be asked to cut supplies to Pick 'n Pay outlets for one month.

Pick 'n Pay's attorneys Sonnenberg Hoffman & Galombik replied, saying it was the company's practice to pass on to consumers any cuts in controlled prices without delay. The impact of implementing the price reduction would be minimal and would not be to the detriment of other petrol station owners. 27/10/93

They described the cut-off threat as "draconian and punitive in nature and wholly inappropriate in the present circumstances". The legislation had been designed to ensure adherence to the prescribed price and was not intended to be punitive. It would be unlawful to maintain a cut-off of supplies beyond Saturday, when Pick 'n Pay would be charging the prescribed price like everyone else.

Star 27/10/93

Discount fuel: 'Govt orders supplies cut'

(55)

■ STAFF REPORTER

The Government has ordered oil companies to cut petrol supplies to Pick 'n Pay for one week "as a punishment" for pre-empting an official 2c-a -itre reduction in the price, joint MD of the supermarket chain Gareth Ackerman said yesterday.

Pick 'n Pay began discounting the fuel price from midnight on Monday. The Government announced it would reduce the price from midnight on Saturday.

Ackerman said in a statement that Director-General of Mineral and Energy Affairs P J Hugo issued a letter giving the company an hour to conform to the fixed price or face a month-long embargo on supplies.

■ The supermarket chain's earlier application to the Cape Town Supreme Court for an order restraining Mineral and Energy Affairs Minister George Bartlett from halting petrol supplies to the group will be heard tomorrow.

The application was lodged when the Government threatened to cut fuel supplies to Pick 'n Pay if it did not cease a petrol discount coupon scheme introduced when the price was raised by 7c a litre last month.

Central authority 'would speed up electrification'

BDay 29/10/93

GAVIN DU VENAGE

ELECTRICITY supply should be transferred from local authorities to a single national body in an effort to accelerate the rate of electrification, a University of Cape Town research project has recommended.

Energy Policy Research and Training Project manager Paul Theron said yesterday the nature of electricity supply through more than 400 scattered local authorities made it unlikely that more than 300 000 households could be electrified each year.

(55)

Studies had shown that the rate of electrification should be pushed up to 500 000 a year within the next three years. This would result in the present 42% of households with access to electricity increasing to 70% by 2000, with a target of 85% by 2010. However, this was not possible under the present system.

Theron said electricity should remain a state utility, but under a corporate structure. This, he said, would provide the finance needed for mass electrification.

He said it could cost the fiscus more than R21bn to achieve the 85% target. However, if electricity fell under a single national authority, it would be possible to cut the cost to government to less than R9bn.

A single power authority could raise money on the capital markets, as Eskom was already doing. It could also cross-subsidise electrification, using income received from households that already had power to pay for the installation in those that did not.

Theron said that although electricity was one of the most desirable forms of energy, other sources should also be exploited and even refined.

A biomass project aimed at exploiting waste from state forests and commercial farms should also be considered.

Another viable source of power was paraffin, which was widely used by the rural and urban poor.

Its cost could be reduced by distributing it with farm diesel or through service stations established in townships.

Sapa reports the research group is funded mainly by the Dutch government and the EC with additional support from Norway.

...et forced to drop fuel discount

Govt gets tough on store

Sowetan 29/10/93

THE Government has forced Pick 'n Pay to withdraw its petrol discount price of 2c a litre with immediate effect today.

Director-General of Mineral and Energy Affairs Mr PJ Hugo ordered Pick 'n Pay in a letter to stop the discount scheme which it began five days ahead of the Government deadline. (55)

In an earlier letter to the company's chief, Mr Raymond Ackerman, Mineral and Energy Affairs Minister Mr George Bartlett gave notice that he would prohibit the supply of petrol to the company for a week as he was "convinced" the company was "wilfully disregarding regulations".

Pick 'n Pay director Mr Gareth Ackerman has said his company was being "treated like errant schoolchildren" and being "punished and scolded" in what was the "commercial equivalent of being gated".

He said that by constantly changing its mind, the Government had "succeeded in alienating virtually every sector of society" and was "playing a local version of Russian roulette with the economy".

By its latest action it was "behaving like a playground bully", he said.

Petrol discount duel in court

Bartlett's ban 'unreasonable'

Star 29/10/93

(55)

■ OWN CORRESPONDENT

Cape Town — The conclusion of Mineral and Energy Affairs Minister George Bartlett that Pick 'n Pay's petrol discount scheme was likely to affect the general retail price of petrol was "grossly unreasonable", it was argued in a packed court yesterday.

The supermarket chain has applied to the Supreme Court in Cape Town to set aside the notice served on it by Bartlett on September 21 to stop its petrol discount scheme immediately or have its petrol supplies cut off.

The scheme, in operation at the Durban Hypermarket, entitles Pick 'n Pay customers who spend more than R10 at the store to a 7c/litre discount on petrol, supplied by the Hypermarket's petrol station.

This discount is paid by Hypermarkets (Pty) Ltd, a wholly owned subsidiary of Pick 'n Pay Stores.

Bertrand Hoberman, SC, told the court the

MINISTER based Pick 'n Pay fuel decision on irrelevant considerations, court told

Minister had prohibited the scheme under the mistaken impression that it involved the sale of petrol at less than the prescribed selling price.

But the price at which petrol was sold to the consumer was the full retail price. The only difference was that the 7c discount was subsidised by Hypermarkets (Pty) Ltd, he said.

In deciding to ban the scheme, the Minister had taken into account "irrelevant considerations", including the view that law-abiding petrol outlets would suffer severe losses in turnover, which would compel them to "revert to illegal and undesirable practices to offer cheaper petrol to customers".

J L van der Merwe, SC, for the Minister, argued that the petrol discount scheme amounted to a "sham" by which Hypermarkets (Pty) Ltd and Pick 'n Pay colluded to sell petrol at 7c less than the prescribed price.

"We submit that the court must look at the real intention of the parties concerned — in this case to sell petrol at the discounted price ... in order to gain more customers," Van der Merwe said.

The scheme was a plan to get around the illegality of selling petrol at a reduced price by having Hypermarkets (Pty) Ltd "cover up the difference", he argued.

"This is equivalent to an offence being committed by two parties who share a common purpose," said Van der Merwe.

He argued that if the court ruled in favour of Pick 'n Pay, the company would lose no time in extending the scheme countrywide.

Mr Justice J Conradie, sitting with Mr Justice F Brand, reserved judgment.

Retailer suspends fuel discount

Star 29/10/93

Pick 'n Pay has been forced to discontinue selling petrol at 2c/litre below the regulated price after the Government ordered oil companies to stop its petrol supplies.

Pick 'n Pay managing director Gareth Ackerman said the decision had been taken on the understanding that petrol supplies would be reinstated.

(55)

He said the laws on liquid fuels were draconian.

In a letter to Mineral and Energy Affairs Minister George Bartlett, Ackerman said it was inappropriate for the Government to hold out on deregulation of the oil industry. — Sapa.

Minister's petrol ban unreasonable, court told

CAPE TOWN — Mineral and Energy Affairs Minister George Bartlett had been grossly unreasonable in banning Pick 'n Pay's discount petrol scheme, the Cape Town Supreme Court heard yesterday. B/Day

Advocate Bertrand Hoberman SC said this in an application by Pick 'n Pay Retailers and its sister company Hypermarkets to have the Minister's official notice prohibiting the scheme set aside. 29/10/93

Judgment was reserved.

Introduced in mid-September, the scheme offered customers who bought Hypermarket goods worth more than R10 a 7c/l discount on petrol bought at the adjacent petrol station operated by Pick 'n Pay Retailers.

Hoberman said the Petroleum Products Act clearly distinguished between purchase price — which he contended was the price paid for petrol by the purchaser, in this case a Hypermarket customer — and selling price, the price received by the seller, the Pick 'n Pay petrol station.

Bartlett had chosen to prohibit the scheme under his "draconian powers" because it affected the "selling price", said Hoberman.

However, the price at which Pick 'n Pay petrol was sold was the full prescribed price, he said. (55)

The consumer paid a portion of the price and the Hypermarkets company, which had an account with Pick 'n Pay, paid the rest. Under the scheme there was no difference between the actual selling price and the official prescribed price.

Advocate Mac van der Merwe, for the Minister, said the purchase and selling price were, in fact, the same thing. If a company sold petrol at a lower price and another company made good the loss, then the real selling price was the lower one.

It was common cause that the two companies had entered into an agreement to do what legislation did not allow them to do, namely give a discount. The situation was precisely that of two partners in crime.

The Act was not aimed at protecting the individual petrol retailer, said Van der Merwe. "It's to protect his opponents against competition which is illegal when there's a prescribed price . . . and therefore the concern is not the nominal selling price but the effective price at which petrol is sold to the public." — Sapa.

Eskom gives private briefings on tariffs

MATTHEW CURTIN

ESKOM has delayed the announcement of its 1994 electricity tariffs because of a last minute decision to brief all stakeholders before the news is made public, so avoiding possible accusations of unilateral action.

Issues affecting the utility are particularly sensitive as the National Electrification Forum gears up to present its recommendations for restructuring the industry.

Eskom cancelled a scheduled announcement of the yearly tariff adjustment last week. An official announcement is now expected early next week. B/Day

Although the tariff increases are not up for negotiation, Eskom directors have spent the past week briefing representatives of the ANC, trade unions, civic associations, municipalities and the forum.

Corporate communications manager Kevin Morgan said yesterday the Electricity Council — which has wide representation from Eskom stakeholders — had approved the tariff increases, but wider consultation was deemed necessary because of "the huge impact tariff increases have on industry and the public". 3/11/93

The decision was part of new Eskom policy to make its business "as transparent as possible". (55)

Morgan said the new tariffs would be in line with Eskom's commitment in 1991 to bring down the real cost of electricity in SA, already one of the cheapest sources worldwide, by 20% in the five years after 1992. Real prices fell 4,9% in 1992.

New Eskom bond for foreigners

55 CT 4/11/93

From GRETA STEYN

JOHANNESBURG. — Eskom is developing a new township electrification bond specifically for foreigners after the Reserve Bank banned foreign investment in the recently launched Electrification Participation Notes (EPNs).

The exchange control authorities believe the potential returns in commercial rands for foreigners who invest in the notes through the financial rand will be too high. The electricity utility has successfully placed about R600m in EPNs in the domestic market, but its efforts to market EPNs overseas have been stymied by the Bank.

The New York City pension fund has indicated an interest in investing in EPNs, but the Bank's move will hold up the investment until a new instrument has been designed.

Bank exchange control GM John Postmus yesterday confirmed that the EPNs had fallen outside the ambit of investment through the finrand allowed in terms of "normal" exchange control regulations. He was waiting for a new Eskom proposal.

Eskom financial director Willem Kok confirmed that the electricity supplier was working on a new proposal which would allow foreign investment in township electrification. One option being considered was to issue EPNs in dollars rather than finrands, which would be tantamount to raising a normal foreign loan. Such a move would bolster the reserves by bringing foreign exchange into the country, which was not the case if investment took place through the finrand.

Returns

"The Reserve Bank's concern relates to the absence of a cap on the returns foreign investors can earn in commercial rands on a finrand investment. We are also considering ways of introducing a limit," he said.

EPNs have two ways of providing returns to the investor — a fixed interest component and the variable rate component. The Reserve Bank's problem lies with the variable rate part, which is an additional return based on the sales of electricity under the electrification programme. This component introduces the possibility of high extra returns, but is linked to an element of risk. The fixed interest component carries a 6% rate, paid in two instalments each year on the nominal value of the bond.

The Bank's decision follows fruitless representations from the Life Offices' Association, which co-operated in devising EPNs, and from the ANC. The bonds were discussed with potential foreign investors during last month's SA roadshow in the US. The US Investor Responsibility Research Centre at the weekend said New York City had shown an interest in investing in EPNs.

The Bank's decision follows a move to ban foreign investment in Transnet's Equity Linked Fixed Interest investment. The Elfi also has two components, the one linked to the stock exchange and the other a fixed interest part. The JSE-linked part of the instrument fell foul of the Bank, which banned investment in it through the finrand because returns through the commercial rand were potentially too high.

Electric debate on power supply

BDay 4/11/93

MATTHEW CURTIN

THE development of interim strategies for reorganising the way electricity is supplied and priced in SA is causing the biggest headache for delegates to the National Electrification Forum (Nelf). This is despite significant progress in reaching consensus on how Eskom and the rest of the industry will be restructured.

The first official indication of what the shake-up will look like is set to emerge in three weeks at the forum's second plenary session on November 24.

Nelf is expected to present a broad framework for future recommendations to government on restructuring the industry as well as the outline of a comprehensive multibillion-rand electrification and economic development strategy.

Although the forum — made up of nearly 200 representatives from government, ANC, Eskom, employer federations, trade unions, civics, and municipalities — has made substantive progress in reaching consensus among its eight working groups, it is understood working group six has been the area of hottest debate.

The group, chaired by ANC local government national co-ordinator Billy Cobbett, is tackling how to revamp SA's cumbersome supply and tariff structures. SA has more than 2 000 electricity tariffs and all its 450 electricity suppliers — including Eskom, homeland distributors and municipal authorities — are represented.

Interviewed in the forum's inaugural newsletter, Nelf chairman Wiseman Nkuhlu said the one of the main constraints facing the forum was the existence of so many distributors — often "not economically viable" — each with its own equipment, staff, policies and tariffs. Eskom is arguing for a relatively small number of well-regulated, high-profile independent regional suppliers. (55)

The forum's other working groups are aimed at developing:

- ☐ A regulatory framework, structure and policy, co-chaired by Numsa national secretary Bernie Fanaroff and Mineral and Energy Affairs chief director G P N Venter;
- ☐ Human resources strategy (NUM national organiser Gwede Mantashe)
- ☐ Technology strategy (Association of Municipal Electrical Undertakings representative Harold Whitehead);
- ☐ An industry database (Eskom executive director Jan de Beer);
- ☐ Finance and tariff strategies (Sanco southern Transvaal secretary Dan Mofokeng and Eskom manager J R van Deventer);
- ☐ Environmental policy and affordable electrical appliance development (Mineral and Energy Affairs Ministry representative J A Basson). An eighth group has the job of co-ordinating the other groups.

UCT ENERGY STUDY

55

Multi-billion rand plan to give power to the people . . .

ARG 4/11/93

Improving the lives of the poverty-stricken masses is the biggest challenge facing a democratic government in the next few years, and its failure to meet it adequately could be its downfall. One way to make a difference, according to a UCT energy research project, is to embark on a multi-billion rand electrification scheme. Political Correspondent MICHAEL MORRIS reports.

SOUTH Africa boasts an advanced energy technology.

It has even been a record-setter: remarkably, Kimberley had street lights before London did.

But it falls dismally behind in getting power to the people ... 23 million citizens are without electricity.

And electricity is among the key factors that determine the nation's quality of life, and its capacity to improve it.

The University of Cape Town Energy Policy Research and Training Project — funded by the Dutch and Norwegian governments and the European Community — has spent more than a year studying the South African energy sector and produced a range of policy proposals it believes are achievable and affordable.

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"The energy sector is one in which a democratic government will be able to deliver visibly and rapidly, with all the favourable implications this has for social equity, economic growth and political stability."

The report says the main feature of the household energy sector in South Africa to date is that it has been "seriously neglected" from a policy perspective.

Significantly, the project has worked closely in its research with Eskom and the ANC, and its proposals are geared to making a material impact on the lives of the 23 million South Africans who do not have electricity.

A national electrification programme is at the centre of the proposals, but there are also suggestions for a low-smoke coal programme, a fuelwood security programme — to grow and manage plantations specifically for the purpose — and suggestions to improve access, affordability and safety of using paraffin and gas.

The report proposes that the rate of annual connection (to the national power supply grid) be increased from 1992's level of about 200 000 houses to about 500 000 within three years.

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"By 2010, this scenario would result in almost 90 percent of households having access to electricity."

But the researchers believe that within the present structure of the electricity supply industry, this "fairly ambitious" programme — a total cost of about R22-billion over 17 years — will not be possible.

Three key changes are required: restructuring of the electricity supply industry, rationalising tariffs and establishing financing mechanisms, and an Electrification Fund.

The report says the 430 electricity supply authorities will have to be reduced, the distribution of electricity separated from the generation and transmission functions, and that the management structure of the sector will have to be overhauled, including the creation of an independent national regulatory agency to mediate between the government and the electricity utitlities.

Furthermore, the multiplicity of domestic electricity tariffs should be rationalised into a single domestic tariff system, with two rates.

There should be a flat-rate tariff which would apply equitably to all domestic consumers.

This "will generate considerable revenues from long-established consumers, which will significantly reduce the financing requirement associated with the electrification programme".

The second rate should be a voluntary time-of-use tariff to provide consumers with "more accurate pricing signals related to their patterns of electricity consumption" at different times.

This tariff "should result in benefits both for the electricity generator and for high-consumption households which may be able to shift their consumption to off-peak periods".

High-level consumers of power will be a "major source" of finance for the accelerated electrification programme, but the UCT report suggests that in addition, large amounts could be raised through an "electrification levy" to spread the burden among all electricity consumers.

The report says the gains which are possible "are highly symbolic and relatively unique in that they can be delivered more rapidly and visibly than in most other development sectors, and can be financed largely from within the energy sector itself."

Eskom told to redesign its bond

Bank ruling deters foreign investment

BIDay 4/11/93

ESKOM is developing a new township electrification bond specifically for foreigners after the Reserve Bank banned foreign investment in the recently launched Electrification Participation Notes (EPNs). 155

The exchange control authorities believe the potential returns in commercial rands for foreigners who invest in the notes through the financial rand will be too high. The electricity utility has successfully placed about R600m in EPNs in the domestic market, but its efforts to market EPNs overseas have been stymied by the Bank.

The New York City pension fund has indicated an interest in investing in EPNs. but the Bank's move will hold up the investment until a new instrument has been designed.

Bank exchange control GM John Postmus yesterday confirmed that the EPNs had fallen outside the ambit of investment through the finrand allowed in terms of "normal" exchange control regulations. He was waiting for a new Eskom proposal.

Eskom financial director Willem Kok confirmed that the electricity supplier was working on a new proposal which would allow foreign investment in township electrification. One option being considered was to issue EPNs in dollars rather than finrands, which would be tantamount to raising a normal foreign loan. Such a move would bolster the reserves by bringing foreign exchange into the country, which was not the case if investment took place through the finrand.

"The Reserve Bank's concern relates to

GRETA STEYN

the absence of a cap on the returns foreign investors can earn in commercial rands on a finrand investment. We are also considering ways of introducing a limit," he said.

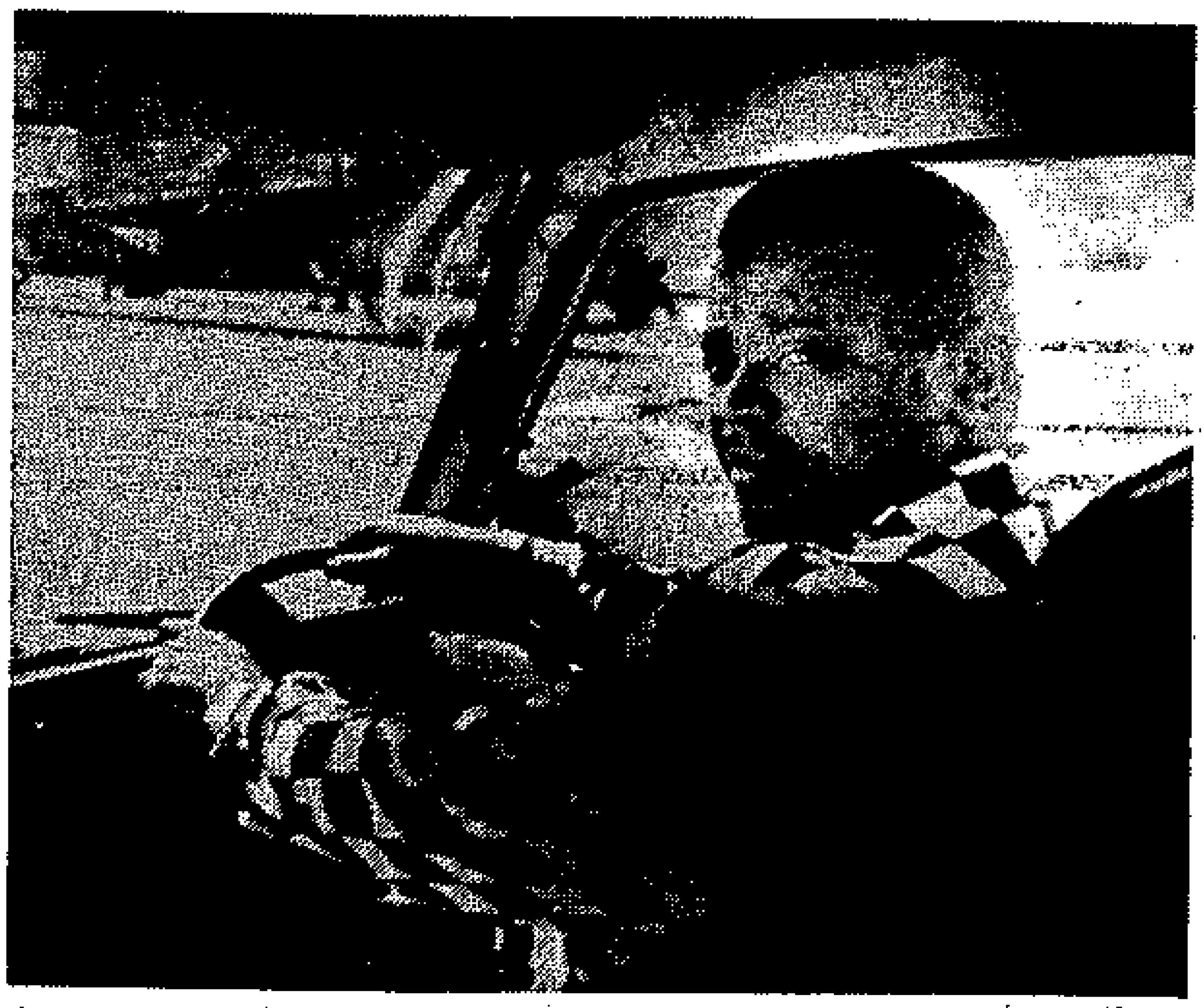
EPNs have two ways of providing returns to the investor — a fixed interest component and the variable rate component. The Reserve Bank's problem lies with the variable rate part, which is an additional return based on the sales of electricity under the electrification programme. This component introduces the possibility of high extra returns, but is linked to an element of risk. The fixed interest component carries a 6% rate, paid in two instalments each year on the nominal value of the bond.

The Bank's decision follows fruitless representations from the Life Offices' Association, which co-operated in devising EPNs, and from the ANC. The bonds were discussed with potential foreign investors during last month's SA roadshow in the US. The US Investor Responsibility Research Centre at the weekend said New York City had shown an interest in investing in EPNs.

The Bank's decision follows a move to ban foreign investment in Transnet's Equity Linked Fixed Interest investment. The Elfi also has two components, the one linked to the stock exchange and the other a fixed interest part. The JSE-linked part of the instrument fell foul of the Bank, which banned investment in it through the finrand because returns through the commercial rand were potentially too high.

A taximan tells his story

How are taxi-drivers coping with the latest fuel increase? **QUENTIN WILSON** spent some time with Mkhabela Mdlankomo, who shuttles commuters between Guguletu, Cape Town and Khayelitsha in his combi:



MKHABELA MDLANKOMO

MR MKHABELA Mdlankomo starts his working day at 3.45am by driving his combi to Eyona taxi rank in Guguletu. Careful not to wake his wife and two kids of six and 10, Mdlankomo leaves his home in NY1 to be one of the earliest on the rank, so as to ferry the first batch of early workers to town. South 5/11 – 9/11/93

For the next 15 hours, Mdlankomo is on the road.

Only after 7pm, when his last combi load is despatched at Kuwait taxi-rank, Site C, Khayelitsha, can he think about spending some time with his family.

"I can't complain," says the 32-year-old. "It brings in money and that is what is important for me and my family."

Mdlankomo has been driving passengers around Cape Town since 1985.

Despite his relief at being able to put food on his family's table, Mdlankomo says the taxi-industry has been beset with difficulties.

He has worked through the "cruelty", as he calls it, of the traffic department which "did everything it could to stop us from being on the roads", especially in the eighties when authorities were anxious to protect state-owned train and bus companies.

Then there was the taxi-war, spanning through 1991 and 1992.

"God, that was terrible. It was impossible to work because people were too busy fighting. Eventually I went to work with my grandparents in Ciskei until the fighting was over. I only returned at the beginning of this year," Mdlankomo said.

Now he, and the thousands of taxi-drivers like him, face the latest crisis to rock the transport industry — the fuel price increase.

"Believe me, this increase is killing us," says Mdlankomo. "We can't charge our passengers more because a lot of them earn low wages or are unemployed. We the ones who are made to suffer."

Before the price increase, Mdlankomo says, half a tank of petrol cost R50. Now he has to spend R75. (55)

While Mdlankomo says he brings home about R100 each day, he is one of the more fortunate because he owns his own combi.

Most drivers in his association, the Congress of Democratic Taxi Association (Codeta), don't own the combis they drive.

Instead of the R100 Mdlankomo brings home, they would be left with R25. The other 75 percent of the takings going into the owner's pockets.

Even though the owners fork out on car repairs, the drivers pay for the petrol they use — making them the vulnerable ones when the petrol price is upped.

Even before the latest increase of 7c a litre, the meagre wages of taxi operators have led to fierce and often violent competition between taxi-drivers over routes.

IF there are too many taxis working one route, fare-paying passengers are thinly spread, often causing fierce scrambles for passengers. This was one of the reasons that unleashed the taxi war between the old Lagunya and Webta taxi associations.

"I can't see this petrol price increase starting another war," says Mdlankomo. "People are sick and tired of fighting. But it certainly could raise tensions."

Mdlankomo pointed to a new fleet of about 50 taxis which have set up shop next to Mdlankomo's rank in Cape Town. They also lift commuters from town to Guguletu, robbing Mdlankomo of former passengers.

"This is the reason why I am earning peanuts at the moment. Since they started about a month ago, I have had very little work. While we mustn't fight about it, something must be done," Mdlankomo said.

As far as Mdlankomo is concerned, the government must "open their eyes" and back down completely on any petrol price increase.

But, he believes, protests should not take the form of street blockades "and such like action" because this would inconvenience people who want to commute.

"Instead," says Mdlankomo, "people must protest outside parliament with petitions. It is them that did this to us, so we must target them in our actions and not the public."

NOT only should the government sort out the petrol fiasco, says Mdlankomo, they should also act on promises made to the taxi industry.

"About two years ago, they promised to make space for us near the train station and to build shelters for waiting passengers who have to stand in the rain in winter. We are still waiting," Mdlankomo said.

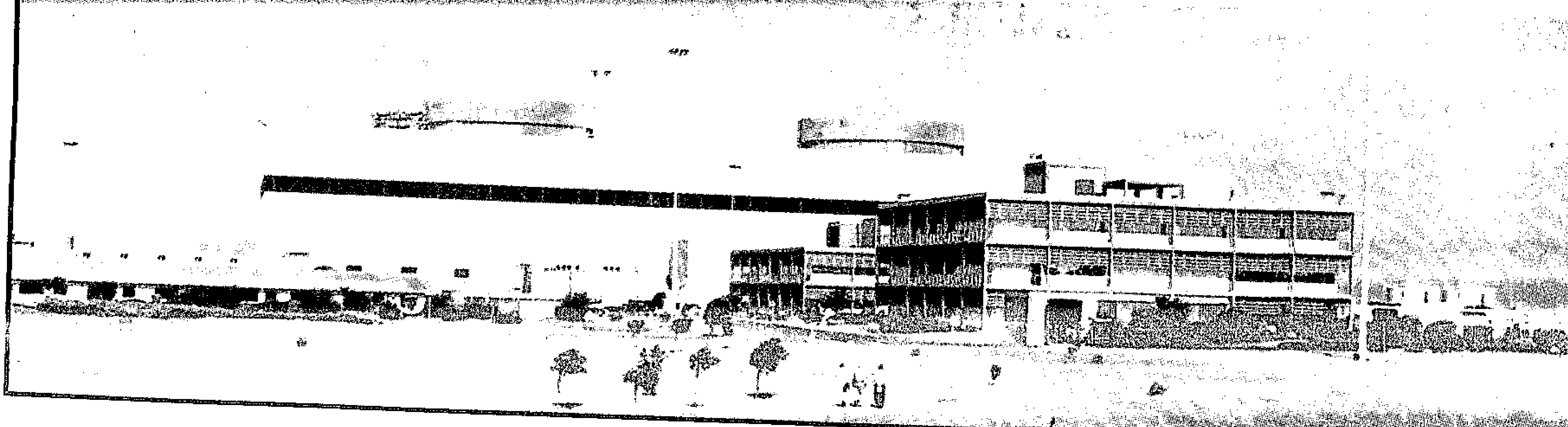
But, he says, the attitude of the traffic department towards taxi operators has changed over the years.

"They are not as cruel as they used to be," Mdlankomo says, "They seem a lot fairer now. I remember once in 1987 I was driving a combi full of passengers into town.

"It was in the morning and they were trying to get to work on time, when I was pulled over by a traffic officer who was determined to get me off the road.

"He looked at everything, all my papers were in order, and he could find nothing wrong with the taxi. But even still, I had to offload my passengers at Mowbray and go immediately to the traffic department in Green Point for a full check-up. I lost a morning's work and they found nothing wrong.

"But it looks as though they have come to accept our presence on the roads now. They know we are here to stay," Mdlankomo said.



KOEBERG

IN THE HEART OF THE BEAST IS A STRANGE SENSE OF SURREALISM

SITimes 7/11/93

On a visit to Koeberg, South Africa's only nuclear power station, the Sunday Times had the rare opportunity of viewing one of its two nuclear reactors while it was open for the annual reloading of fuel rods. DIANA STREAK reports

(55)

AS I stared through the clear, blue-tinged water into the huge metal cylinder, an involuntary shiver at being so close to such power ran through my layers of protective clothing.

The core of a nuclear reactor is an awesome sight.

Usually the two reactors are sealed as they work the mysterious process of nuclear fission — splitting uranium nuclei and releasing energy.

When the reactors are active no one has access to the massive domed buildings which secure them from outside threat and contain any danger of radiation release.

During the reloading of fuel rods the reactor is dormant, but the risk of radioactive contamination is treated just as seriously. The process of getting into the container building is an exercise in patience and endurance.

As we approached the domed container building housing the nuclear reactor, questions raced through my mind.

If this is generating power for the entire Western Cape, where are the noise, smells and pollution normally associated with electricity production?

Gazing at the beautiful surroundings, one could almost imagine being in a holiday resort.

The immaculately kept lawns give way to a pristine fynbos reserve which is home to buck and other wildlife. The Atlantic Ocean rolls up the deserted white beaches which front the 3 500ha estate.

Inside the complex, we move towards the administration building, where forms are signed and an individual radioactivity detector provided.

One of the intriguing security devices that mark Koeberg is a sophisticated explosives detector. The perspex box in which I place my hands will pick up whether I have touched any explosive during the past 24 hours.

Some of the turnstiles require our secret PIN numbers, which we punch in, followed by a symbol — if an employee is being forced to enter under duress he can punch in the wrong verification symbol, immediately alerting security.

We strip down and don white overalls. These are then covered with yellow overalls for the reactor area.

Okay? No, a pair of large, soft plastic yellow "socks" go over our shoes, followed by two pairs of yellow bootees, strapped on with masking tape, which also secures our collection of security cards and radiation gadgets clipped to the overall.

White gloves complete the atomically correct ensemble and we stand awkwardly, resembling a band of badly dressed astronauts, bracing ourselves to enter the heart of the beast.

We shuffle into an air lock — a cream-coloured vault with thick steel doors at each end. The air pressure inside the reactor building is lower than outside so, in case of a leak, the air will be sucked in.

The door, half a metre thick, swings shut and I feel a momentary sense of panic as our group stands sealed inside. Moments later the opposite door grinds open.

After sweating up endless metal staircases, the container building soaring 56m above us, we stand poised above an enormous metal tank of the cleanest water I have ever seen.

The 42 cubic metres of water is continually purified and the radiation-absorbing boron that is added gives it a surreal blue glow.

A strange magnetic pull draws me to the railing, a feeling comparable to standing on a cliff edge when gravity asserts itself and one's mind has to resist the body's inclination to fall over the edge.

Shimmering 20m below the water surface is the large cylinder containing some of the zirconium rods holding uranium enriched pellets.

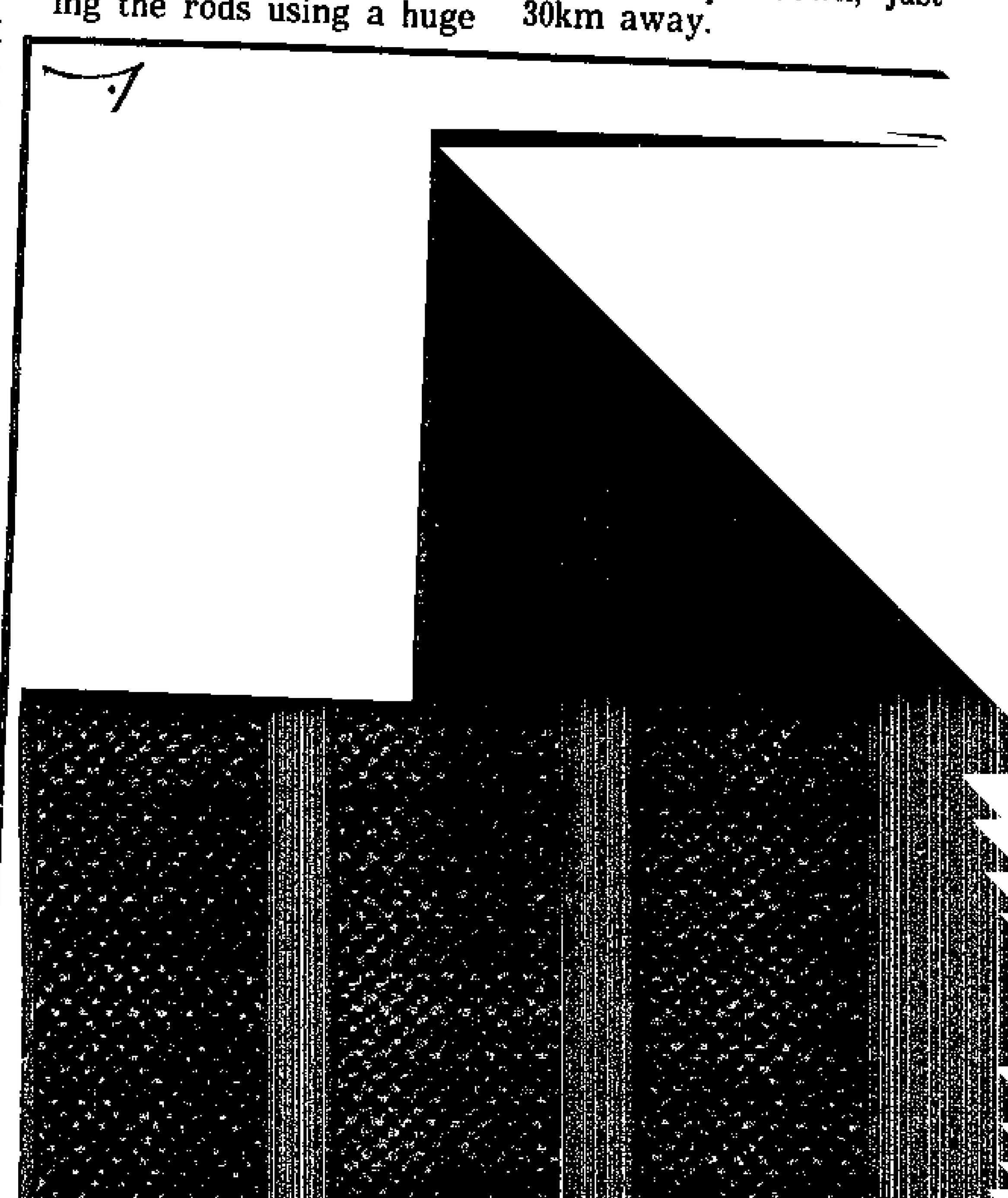
Film images of futuristic nightmares pop into my mind: but it is not cyborgs. Two orange-overalled humans are carefully replacing the rods using a huge orange crane straddddling the stainless steel tank.

A low hum and the clanking of the crane are the only sounds bouncing around the huge concrete shell, punctuated by the high-pitched beeping of monitors constantly checking radiation levels.

The heat inside the building starts to take its toll and, combined with a faintly nauseating smell of glue, makes one long for fresh air.

As we leave the reactor the sense of relief is overtaken by the stronger and more lingering memory of its strange, compelling beauty.

A spectacular view of Table Mountain from Koeberg reminds one that this impressive power source — one kilogram of uranium produces the same amount of energy as three-million kilograms of coal — could, in another form, threaten the entire population of Cape Town, just 30km away.



SECURE ... Jan Norman, business administration manager, at one of the entrances to the reactor

Pictures: AMBROSE PETERS

'Layered security' ensures sabotage attacks will fail

AN ALLEGED AWB plot to sabotage South Africa's only nuclear power station was doomed to failure from the start.

Koeberg's "early warning system" and elaborate security measures would have ensured that no serious damage could be done to the sensitive installation.

Details of the plot, uncovered with the arrest of four AWB members — one of whom lives near Koeberg — are under wraps, but security officials said the most likely scenario would have been a "standoff attack".

"We knew what they had in mind so we expanded our area of protection," said Mr Jan Norman, business administration manager.

Koeberg has "layered" security — and the closer one gets to the reactor, the harder it is to breach.

"They could never have got far enough to present a nuclear threat," he said.

A transformer or pylon, shot at with a high-velocity rifle or bombed, was probably what the AWB had in mind.

(55)

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"There was no real security then because it was a construction site and there were 3 000 people coming in every day.

"Now there are two types of threat and we cater for both.

"There is the outsider trying to get in, using bombs or guns — and there is the insider, somebody

SECURE ... Jan Norman, business administration manager, at one of the entrances to the reactor Pictures: AMBROSE PETERS

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"It would have been a high-profile attack for publicity," he said.

Officials claim the power station was built to withstand a direct hit by a Boeing 707 which "could crash into the container building housing the nuclear reactor without damaging it to the extent that it would release radiation".

A full-scale war could be a different thing, but as a national key point, the army simulates an attack on the installation once a year.

"So far, Koeberg has always passed with flying colours," says nuclear engineering services manager Andries van Schalkwyk.

A bomb explosion which occurred during the construction of Koeberg in December 1982, for which the ANC claimed responsibility, had posed no nuclear danger as there was no fuel on the site.

Four limpet mines exploded, causing major damage and setting the project back by a year, said Mr van Schalkwyk.

"There was no real security then because it was a construction site and there were 3 000 people coming in every day.

"Now there are two types of threat and we cater for both.

"There is the outsider trying to get in, using bombs or guns — and there is the insider, somebody who has enough knowledge and skills to use equipment inside to sabotage and cause damage."

Most security measures are classified, but what are visible are three sets of fences around the complex, including railway tracks embedded vertically in the earth and an electrified fence.

The underground nerve centre of the security system houses 20 video screens on which selected security staff monitor the movements in every part of the complex and have the technology to block any access.

General security includes repeated body searches and metal detection, secret cameras, access cards with PIN numbers, restricted access, sniffer dogs and a sophisticated explosive-detection machine.

"I am confident we have one of the best security systems in the world because there are so many layers," said Mr Norman. "The international trend is a bit more relaxed."

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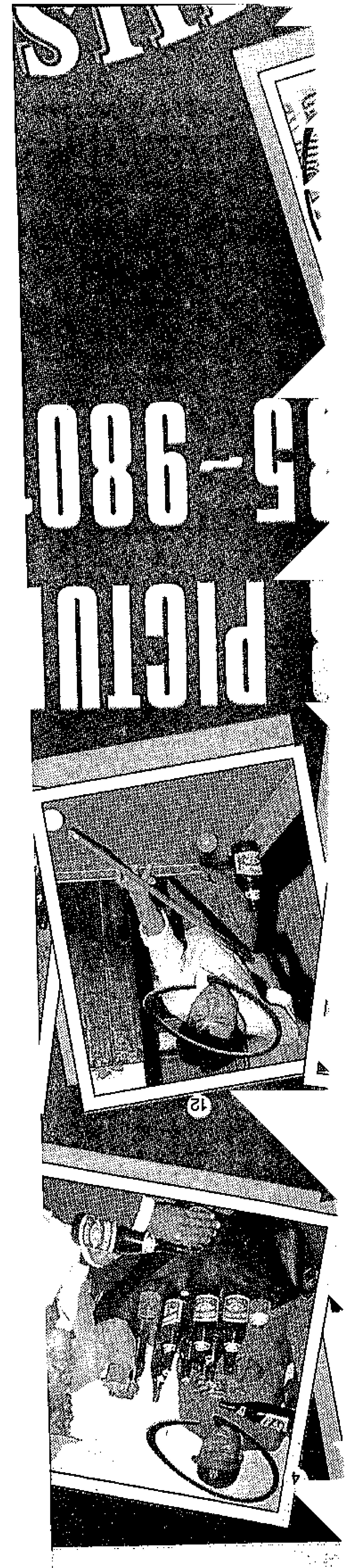

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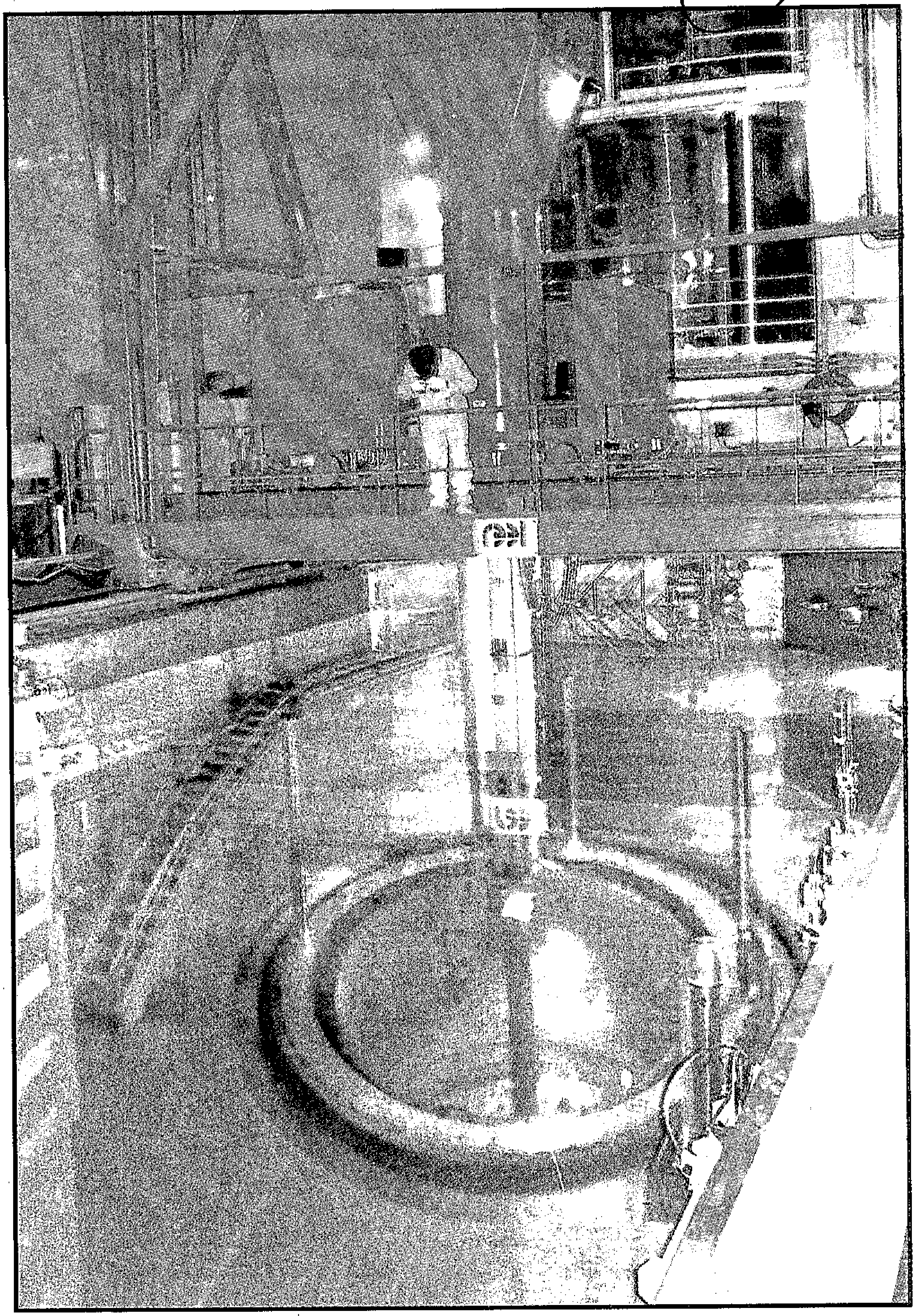

STARING INTO THE NUCLEUS . . . a technician watches a fuel rod being loaded into the reactor.

Bartlett bans taxis' cheaper petrol

S Times 7/11/93

By KEVIN DAVIE

ENERGY Minister George Bartlett has outlawed a scheme which enables embattled minibus taxis to save 15,6c a litre on petrol.

Mr Bartlett's intervention followed lobbying from the oil companies and service stations which supply petrol valued at R1,7-billion annually to minibus operators.

The ruling has caused outrage because it denies benefits to minibus taxis which are available at about 2 000 approved installations operated by farmers, companies, bus operators and conventional taxis.

The scheme establishes consumer installations owned and run by taxi associations. They buy and sell fuel at wholesale prices, a 15,6c/l saving.

Sources suggest that further "kickbacks" of a few cents a litre depending on volumes sold.

Sasol currently supplies 12 outlets used by taxi organisations. The cheaper fuel led to a flood of applications to the Department of Mineral and Energy Affairs for more outlets, leading Mr Bartlett to impose a moratorium from August 1.

An industry source says Sasol, limited to 8% of the retail market in terms of the blue pump agreement with the oil majors, is keen to develop the sites and so increase its market share.

The cost of an outlet is said to be moderate. (55)

The SA Black Taxi Association's Mike Ntlatleng says the taxi business is the largest user of fuel after the Government. It thus makes sense that it be allowed to run its own installations.

Mr Ntlatleng says Mr Bartlett claimed that unscrupulous people tried to take advantage of the savings available.

Mr Bartlett says it is estimated that at least 500 service stations are more than 50% reliant on taxi business.

"A proliferation of these installations would seriously impact on the existing retail outlet network and particularly the black service station operator."

He says there are about 1 000 black-operated service stations (roughly 20% of the network).

Industry sources say the taxi operators are faced with increasing fuel and other operating costs, but are unable to pass them on to consumers.

Mr Bartlett has said he is sympathetic to the plight of taxi operators.

The Government is reportedly investigating the provision of subsidies for taxis.

Pretoria attorney Adolf Luderitz, who represents 17 taxi associations, has filed eight applications since November last year for taxi associations to set up their own fuel depots.

None has been granted or rejected.

Mr Luderitz has tried unsuccessfully to meet Mr Bartlett to discuss the issue.

Mr Luderitz says most applications were independent of support from the oil companies. Fuel operators would negotitate with these companies to see which could supply at favourable prices.

One scheme on hold is a major taxi rank in Kimberley which has support from the city council, private developers and the regional services council. They have put property and money into the scheme.

Mr Bartlett says increased numbers of fuel sellers will promote conflict between taxis and black business interests.

"Loss of fuel sales may render operations unviable and closure will lead to the loss of enterprises and jobs — not just forecourt attendants.

"In addition, replacement of equivalent volumes would result in duplication of dispensing equipment and existing investment would be underutilised."

Mr Bartlett told the Motor Industries Federation annual conference this week that taxi groups could be encouraged to take over existing service stations to provide low-cost fuel to their members.

"To allow for an assessment of all implications of minibus taxi installations and of possible alternatives a moratorium has been placed on the erection of new consumer installations," said Mr Bartlett.

Mr Ntlatleng says the sales points should be seen in the context of the wider deregulation debate, including the need for greater disclosure of information about fuel issues.

Further discussions in the National Economic Forum and with Mr Bartlett are planned.

Poverty still rules in South Africa. A UCT research project suggests that one way to eliminate it is to give everyone electricity. ***Michael Morris reports***

Bringing power to all the people

Star 8/11/93

It has even been a record-setter: Remarkably, Kimberley had street lights before London did.

But it falls dismally behind in getting power to the people ... 23 million inhabitants are without electricity.

And electricity is among the key factors that determine the nation's quality of life, and its capacity to improve it.

The University of Cape Town-based Energy Policy Research and Training Project (Epret), funded by the Dutch and Norwegian governments and the European Community, has spent more than a year studying the South African energy sector, and has produced a range of policy proposals it believes are achievable and affordable.

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Epret says the main feature of the household energy sector in South Africa to date is that it has been seriously neglected from a policy perspective.

Significantly, Epret has worked closely in its research both with Eskom and the ANC.

Its proposals are geared to making a material impact on the lives of the 23 million South Africans who do not have access to electricity in their homes.

A national electrification programme is at the centre of the proposals, but there are also suggestions for a low-smoke coal programme, a wood-fuel security programme — to grow and manage plantations specifically for the purpose — and suggestions to improve access, affordability and safety of using paraffin and gas.

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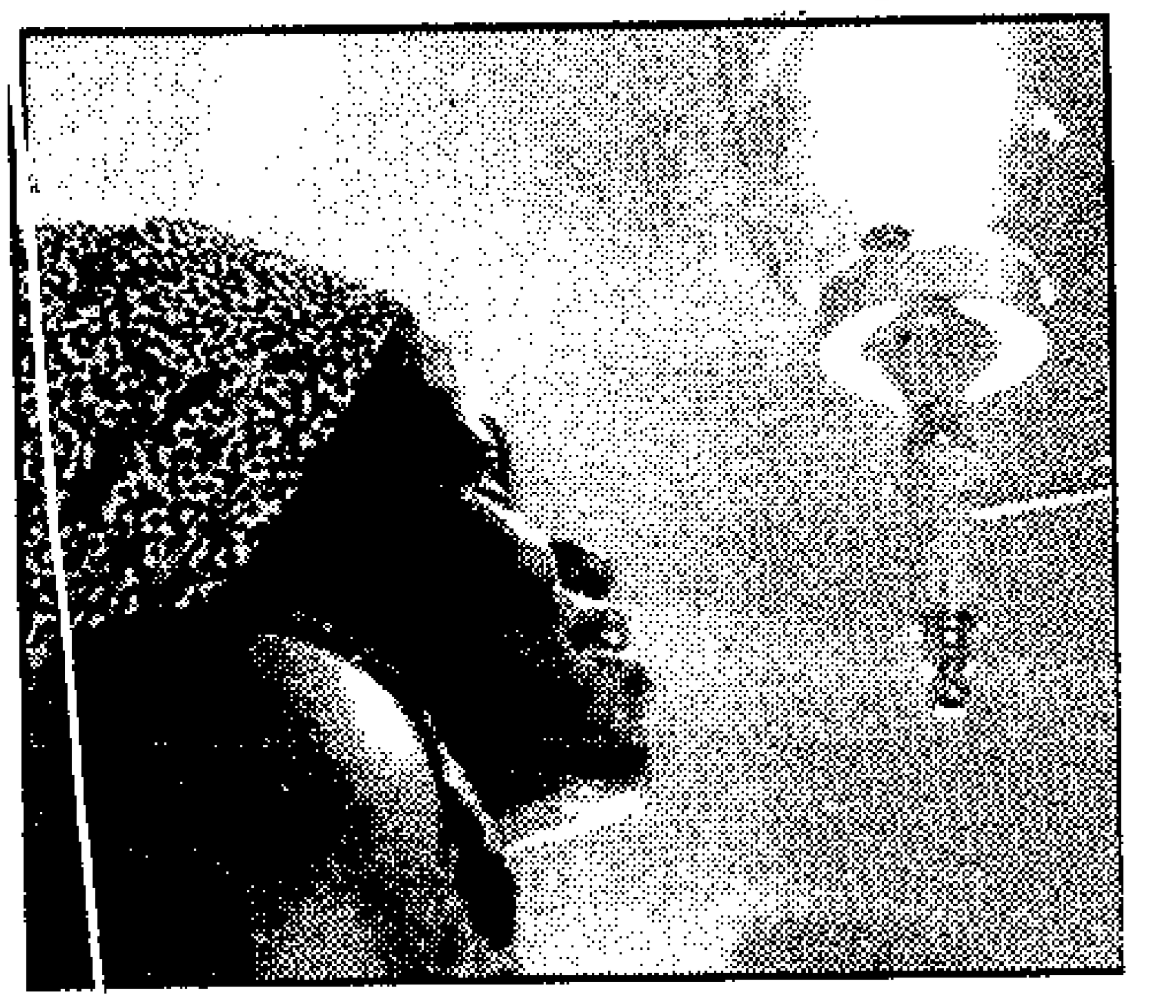

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This will include the creation of an independent national regulatory agency to mediate between the government and the electricity utilities.

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There should be a flat rate tariff which would apply equitably to all domestic consumers.

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This tariff "should result in benefits both for the electricity generator and for high-consumption households which may be able to shift their consumption to off-peak periods".

High-level consumers of power, Epret says, will be a "major source" of finance for the accelerated electrification programme, but suggests that, in addition, large amounts could be raised through an "electrification levy" to spread the burden among all electricity consumers.

Bulk finance could be raised through an Electrification Fund, which would also serve to channel finance to target groups.

Epret notes: "The policies proposed in this project represent a significant break from the past record of the energy sector, since they reflect the priorities and orientation of democratic government ... policies which are aimed at improving the material position of the poor."

It says the gains which are possible "are highly symbolic and relatively unique in that they can be delivered more rapidly and visibly than in most other development sectors, and can be financed largely from within the energy sector itself".

Eskom cuts real price for 7th year

MATTHEW CURTIN

IN WHAT will be a multibillion-rand boost to the economy next year, Eskom has cut the real price of electricity for the seventh consecutive year by announcing a 7% increase in the average electricity price to 9,8c a kilowatt hour in 1994. BDay

The increase is the smallest rise in the utility's tariff structure in 10 years. The new price is at least 2% below Eskom's forecast of 9%-9,5% inflation next year and will represent estimated savings for the economy of R5,5bn. 12/11/93

Eskom is still on track to meet its 1991 commitment to reduce the average price of electricity 20% in real terms by 1996.

Finance executive director Willem Kok said yesterday that seven years of below-inflation tariff increases had ensured that electricity prices now lagged the rise in the consumer price index by nearly a third and were equivalent to cumulative savings for consumers of more than R20bn in the period. (55)

Chairman John Maree said New Zealand was the only country with cheaper electricity. By the time the 1991 price compact was fulfilled, SA would have the world's cheapest electrical power, turning the country into a global haven for heavy industry in the same way that California's Silicon Valley had become the major centre for the computer industry.

Kok said the tariff increase was tailored to Eskom's projections for electricity demand and the performance of the economy in 1994. He forecast moderate GDP growth

☐ To Page 2

Eskom

BDay 12/11/93

☐ From Page 1

of 1,5%, flat inflation, some easing in interest rates, with a deceleration in the increase in electricity sales. Demand would rise about 1,2% compared with higher than expected growth of 3,5% this year.

Eskom ensured that the real decline in tariffs was matched by a similar fall in overall operating, capital and financing costs in order to prevent the utility being caught in a debt trap. Financing costs were the biggest element in reducing Eskom's cost structure. The utility's borrowing rate had been lower than government's since 1989 — although roughly the same in the past six months. (55)

Declining interest rates had helped, but Eskom continued making good progress towards cutting its debt to equity ratio to parity. The utility's projected debt to equity ratio would fall to 2:1 in 1993 (2,2:1) as net borrowings rose marginally to R27,8bn (R27,6bn) against improved capital reserves of R14,1bn (R12,5bn).

Kok said real gains in reducing costs would derive from Eskom's improving capacity utilisation — as economic recovery and electrification ate up spare generating capacity — which lowered capital costs and improved cash flow. He expected Eskom would successfully lower real electricity costs well beyond 1996 and the expiry of the 1991 price compact.

He said the impact of the R600m in outstanding debts acquired as Eskom took over electricity supply from black municipalities, where non-payment was common, had a negligible effect on the utility's financial position. Total sales to black domestic consumers represented only 1,7% of Eskom's overall R13bn sales.

In addition, the 15% collection rate of electricity payments from the townships in question was still higher than the marginal cost of supplying the communities with electricity. Eskom would be worse off if supplies were stopped.

● See Page 3

Electricity tariff to increase by 7%

CT 12/11/93 (55) (133)

JOHANNESBURG. — Eskom's national electricity tariff will increse by seven percent from January 1 next year.

This was the lowest annual price increase since 1984, electricity council chairman Dr John Maree said at a news conference yesterday at Eskom's head office in Sandton. The increase was two percent below the expected inflation rate of 1994.

He said this was the eighth consecutive year that Eskom's annual increase was below the national inflation rate.

"The fact that we have the second cheapest electricity in the world is a matter of great satisfaction to us all at Eskom," Dr Maree said.

New Zealand supplies the cheapest electricity in the world and Japan is the most expensive country.

Eskom's chief executive designate Mr Allen Morgan said service payment boycotts, particularly on the Witwatersrand, since July 1989 had led to debt of R650 million.

However, this debt had had a negligible effect on Eskom's tariff structures — less than one percent.

Referring to the great variety of tariff rates nationally — there were about 1 000 different rates — Mr Morgan said uniform rates needed to be introduced as soon as possible.

"If not nationally then at least we need to introduce uniform rates regionally, as every customer should pay the same rate per electricity unit," Mr Morgan said. — Sapa

● **Eskom 'empowers' SA to tune of R5,5bn — Page 11**

Eskom empowers SA to tune of R5,5bn

CT 12/11/93

IN WHAT will be a multibillion-rand boost to the economy next year, Eskom has cut the real price of electricity for the seventh consecutive year by announcing a 7% increase in the average electricity price to 9,8c a kilowatt hour in 1994.

The new price is at least 2% below Eskom's forecast of 9%-9,5% inflation next year and will represent estimated savings for the economy of R5,5bn.

Eskom is still on track to meet its 1991 commitment to reduce the average price of electricity by 20% in real terms by 1996.

Chairman John Maree said New Zealand was the only country with cheaper electricity. By the time the 1991 price compact was fulfilled, SA would have the world's cheapest electrical power.

8. OPERATING AN

APPENDIX A

APPENDIX B

Report 1 - Population and Housing

Report 2 - Level of Service

Report 3 - Water supply and Consumption

Report 4 - Operating and Maintenance Aspects

Report 5 - "White" Municipalities Population and Water consumption

Report 6 - "White" Municipalities Budget and Tariff

Report 7 - KwaNdebele Population and Water Schemes

Report 8 - Bophuthatswana Population

Eskom will switch on 300 000 homes, says CE

B/Day 12/11/92

MATTHEW CURTIN

ESKOM's electrification programme, currently connecting 25 000 to 30 000 households a month, is on course for its 1993 target of more than 300 000 new connections despite disruptions related to PWV violence, says incoming CE Allen Morgan.

However, Morgan said yesterday at a press conference that SA needed a uniform tariff structure and the elimination of flat payment rates. Development capital, perhaps international aid, was needed to take electricity to isolated areas where electrification costs were highest.

He said the main impediments to the programme were the cost of electrification — put at R3 000 a household and R9bn for the whole country — and the affordability of supply.

The electrification of SA required national co-ordination within an economic development strategy. (55)

Morgan said developing such strategies was the critical task facing the National Electrification Forum.

He noted that Eskom, one of SA's 450 electricity suppliers, had access to only a third of the country's households without electricity. Also, its tariffs directly affected only these customers, as municipal authorities imposed their own, hence SA's cumbersome 2 000-strong tariff structure.

Morgan added the forum was looking less at an unbundling of the electricity industry than at "a bundling up" as participants sought to restructure supply and pricing.

Chairman John Maree said there was a commanding business logic to maintaining supplies to townships, even if payment was erratic, and proceeding rapidly with electrification. Eskom had to sustain custom and its supply infrastructure to reap the longer-term benefits from domestic electricity consumption.

Research showed there was an enormous multiplier effect once a household was connected with electricity, in the purchase and use of domestic appliances and the establishment of small businesses.

Maree said he had visited small shacks in the Orange Farm squatter settlement whose occupants used 11 appliances, while it was estimated 1-million jobs would be created with the electrification of 1-million new homes.

50 000 homes to get power supply

Municipal Reporter

AT least 50 000 Khayelitsha houses are to be connected to electricity supplies in the next three years in a joint project by Eskom and two foreign companies.

Pay-first meters will be installed to prevent low-income consumers falling into debt.

Eskom, a French power supply company, EDF, and a British firm, East Midlands Electricity, will jointly finance the project.

Called Phambile Nombane, the project will be owned by Eskom when it is finished.

An Eskom spokesman said the community had given its full support to the programme.

The partner companies would use the opportunity to market products, such as sub-stations, lines and readyboards.

Targets are for 3 000 houses to be connected this year, and 50 000 by the end of 1996.

Khayelitsha has a population of about 500 000.

55

ARGT 16/11/93

Eskom planning R750m upgrade

B/Day 16/11/93

MATTHEW CURTIN

ESKOM plans to spend more than R750m upgrading its electricity transmission facilities in 1994, compared with capital expenditure of more than R1bn in 1993.

A spokesman for Eskom's transmission group, responsible for 25 000km of transmission lines, said yesterday a major portion would be spent upgrading and extending electricity lines in southern Africa.

Eskom was increasing supply to the Botswana Power Corporation as it proceeded with the project to connect SA to the Zimbabwe Electricity Supply Authority.

In addition, Eskom was upgrading its link to the Swaziland Electricity Board and expanding the transmission system supplying Richards Bay to meet demand from Alusaf's new R7,2bn smelter.

The spokesman said the R757m spending programme had been unveiled at a suppliers' forum last week. (55)

Eskom would spend R243m on transmission lines, R290m on substations and substation extensions, and R169m on telecommunications, protection and related work.

The spokesman said Eskom relied heavily on its national radio network to ensure it could service facilities promptly, and was introducing digital radios to replace outmoded analogue systems.

Refurbishment would account for a further R55m chunk of the group's capital spending plans. Eskom's total capital spending added up to R3,6bn in 1992, compared with R3,3bn the year before.

Cahora Bassa loan deal 55

Own Correspondent

PRETORIA. — South Africa has stepped in to save the rehabilitation of the Cahora Bassa project with an offer this week to guarantee loans from South African banks of up to R100 million to help finance the project.

A senior Foreign Affairs source confirmed yesterday that financing to a maximum of R100m would be provided on commercial terms.

Financing of the project ran into trouble after the Italian government withdrew its offer of R150m in September, Eskom chief executive Mr Ian McRae said yesterday. CT 18/11/93

Power station on schedule

55 ARG 20/11/93

THE Eskom Kriel power station project underway by CSMS is on schedule and due for completion in early 1994.

The contract was awarded to CSMS and JCJ (its joint venture partner) — following the successful completion of the fixed price Eskom Hendrina baseline documentation project — and involves the process and instrumentation diagrams (P&ID's) and AKZ coding contract for the turbines and auxiliary plant at Eskom's Kriel power station in the Eastern Transvaal.

The 16-month project commenced in October last year.

The new P&ID's have been prepared on microstation CAD from site walkdowns and, where available, existing documentation. All equipment on the P&ID's is being coded to Eskom requirements using the AKZ coding system around which a plant equipment database is being developed.

"The project has gone very well. The site walkdowns were completed on October 8 as planned and the project is now in the final coding and quality assurance checking stage.

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Motorists top up Mossgas

S Times (Buss)

By KEVIN DAVIE

Oil companies are buying Mossgas fuel at a 10c/l discount subsidised by the motorist.

This subsidy, which is yet to be paid to Mossgas, amounted to R84-million between January and September. 2/11/93

Further subsidised payments from the equalisation fund to Mossgas took effect from October but the exact amount, which could be worth several hundred million rand annually, is still to be determined.

The R84-million owing to Mossgas from the Department of Mineral and Energy Affairs arises from the fact that Mossgas fuel has caused an oversupply on the SA market.

SA oil companies market this fuel in SA but are compensated by 9,8c/l for displaced fuel which is exported to Africa.

The ongoing payment of subsidies to the synthetic fuel industry has been criticised by Engen in its annual report.

Chairman Bernard Smith said the time was appropriate to review the R1-billion support for the synthetic fuels industry. (55)

Mossgas has begun an investigation into the possible construction of a tank farm to import gas and/or condensate.

This has led to speculation that its gas reserves are less than what has been officially stated.

But Mossgas says estimates for the FA field reserves are still the same as published in the recent Auditor-General's report, namely 11 years.

"We also remain confident in the viability of the EM field which will add a further five to six years to the reserves available to Mossgas."

Mossgas says the possibility of building a tank farm is being investigated in accordance with the Cabinet's brief to management to develop and optimise the Mossgas operation to its fullest potential.

The study, including cost estimates, has however not been concluded yet.

"All future projects at Mossgas will be evaluated in terms of normal commercial considerations and, according to a Cabinet decision, be verified independently," Mossgas says.

Mossgas says that when the project was orginally conceived the intention was that it would receive tariff protection similar to that which is paid to Sasol.

"The Minister has announced that tariff protection would be paid to Mossgas as from October, 1993," Mossgas says.

"The exact amount to be paid is dependent on the final formula resulting from the recently announced petrol price decrease of 2c/l and is still to be advised," says Mossgas.

Electrification forum shows it is switched on

BIDay 24/11/93

MATTHEW CURTIN

55

ELECTRIFICATION is one of those rare issues in SA to have managed to make itself more or less immune to ideological or party political hijack. It may be the one service that a new government can guarantee it will deliver.

There is general agreement among leading delegates to the National Electrification Forum that their talks, marked by the absence of politicking, have proved unusually productive since the forum was constituted in May. The forum has nearly 200 delegates representing organisations ranging from Eskom and the Association of Municipal Electrical Undertakings to government, trade unions, Sanco and the SA Agricultural Union.

"It's pretty difficult to argue that linking up more and more households with electricity is not the right thing to do," says forum secretary Johan du Plessis, a former Eskom manager now in charge of the forum's administration from his offices at the Development Bank of Southern Africa.

However, the forum's second plenary session, scheduled for today, may show that the honeymoon is over. Having successfully moulded consensus on what needs to be done to speed up electrification and restructure the electricity industry, delegates now face the trickier problem of putting policy into practice.

Bernie Fanaroff — a member of the Electricity Council (Eskom's board of governance), Numsa national secretary and forum management committee member — says the forum has been "100% free from political chicanery". It is an observation less easily made about some of the other national forums.

Fanaroff says trust and a commitment to furthering electrification and social development have united the delegates, facilitated by the clear objectives of the forum and the transparency of its operations. "We've concentrated on the facts, not the ideologies," Fanaroff says. Eskom's non-partisan role has been critical, bolstering Cosatu's belief that Eskom provides a model for the way parastatals ought to be run.

Du Plessis says the management committee has focused strictly on the issues at hand. In addition, the forum has not fallen into the trap of creating its own potentially obstructive bureaucracy. Apart from a handful of trainees seconded to the forum by the Development Bank, which is chairing and co-ordinating the forum, all delegates have had to make do with their own staff and resources on forum business. The forum has been financed by R650 000 in grants from Eskom, the Independent Development Trust and the bank.

Consensus has not come easily. Fanaroff says some working groups have fought shy of reaching conclusions through poor chairmanship, while forum sources say securing consensus from top to bottom among the organisations represented has been exhausting.

Du Plessis says transparency, helped by the publication of a forum newsletter, is central to reaching genuine consensus. Though many delegates are too cautious to say so, it is evident that the forum has reached consensus on identifying the key issues. Delegates have been tackling the affordability of electrification (the bill for the whole country will be R9bn), how to finance often uneconomic rural electrification projects, and how electrification should tie in with other development.

Fanaroff says: "There is no point digging up a street to lay electric cable one week, only to dig it up again to put in water pipes, and then a telephone line." Electrification unaccompanied by access to affordable electrical goods, small business development assistance and other infrastructural programmes will not provide the catalyst for economic and social upliftment it promises.

Fanaroff believes the gains will be impressive whether in releasing people from time-wasting activity necessary because of the absence of electricity or in spurring "the manufacture of high quality, affordable consumer durables, from metering equipment to appliances, for domestic consumption and export". Numsa would like SA to make electrification "a national priority".

Similarly, consensus has emerged on what a new industry should look like. SA is likely to end up with a national generation and transmission authority, with distribution split among a few regional suppliers, but not equivalent to the new political regions. An industry watchdog and national electrification fund to finance the development projects, especially in rural areas, are also on the cards. Significant reform of SA's cumbersome electricity tariff structure is inevitable.

However, the crunch is going to come where electrification and restructuring meet away from the negotiating table: at local authority level. Eskom is only one of 450 distributors of electricity, with access to only a third of homes without electricity. Electricity supply has been the function of local authorities, and is deeply embedded in the way they are run and financed. Town clerks are paid according to a formula related to electricity supply. Some municipalities own distribution plant and equipment, while most cross-subsidise other services from electricity tariffs.

This has to be squared with forum plans for a regionally co-ordinated electrification and development strategy with national goals.

Forum sources say some municipalities represented by councils held by the CP have been less than accommodating in their representations to the forum, withholding information or promising unhelpfully, as Warmbaths did, to electrify the local township over the next 18 years. But most have joined the party.

Association of Municipal Electrical Undertakings spokesman Harold Whitehead says municipalities have been constrained by their obligation to supply electricity within legally defined boundaries, although authorities such as Durban have become important regional suppliers. Du Plessis notes some municipalities have built up surpluses which, if now redirected towards electrification, raise the question of compensation.

Whitehead says: "There is an inevitable reluctance among the municipalities to relinquish their authority, as well as concern that they should still be able to influence local electricity prices when local government is reformed." Electricity is an important source of income and municipalities may not be keen to spread their stretched resources further "to catch up the services backlog" until alternative sources of income are in place.

All parties agree matters have been made worse by lack of consultation between negotiators and technical committees at Kempton Park and the forum. First, constitutional negotiators decreed electrification would be the exclusive prerogative of SA's nine new regions, making a mockery of outline recommendations agreed by the forum, and then decided electricity supply would be the absolute right of local authorities. Representations to Kempton Park and the Cabinet resolved the first issue, but forum delegates are waiting for the outcome of lobbying on the second.

Fanaroff acknowledges the difficulties posed by redefining the role of local authorities, not helped by the "irresponsible approach of the Kempton Park negotiators". As for compensation, he notes not all municipalities have surpluses, and where they do exist, as in Johannesburg, they would disappear pretty quickly when directed towards electrifying townships.

"But we've got to be careful about going overboard in compensating white municipalities for losing the benefits they got through apartheid because they now have to redress the disadvantaged black community."

Eskom 1994 funding needs at R2,4bn

(33) CT 26/11/93

JOHANNESBURG. — Eskom's total funding requirement for 1994 was R2,4bn, the electricity supplier said yesterday.

Corporate treasurer Johan van den Berg said the corporation would look to the domestic capital market for R1,8bn while raising some R500m through a dollar-denominated bond issue and R100m through export credit finance.

He said R1,2bn had already been secured through pre-funding and the rate on the balance had been protected with put options at an average rate of 13%. "Although our view is that rates should decline further during 1994, we thought it prudent to protect the whole requirement against the real possibility of higher interest rates which could result from uncertain conditions before the general elections."

Compared with previous years, Eskom's 1994 requirement is modest. In 1993 the utility's requirement totalled R3bn, R2,5bn of which was raised in the domestic capital market and the balance through maturing investments and export credit finance.

Willem Kok, executive director (finance), says Eskom's plan is to become a net repayer of debt by 1997. "This is based on two main assumptions; that the structure of the organisation will remain largely unchanged and that its electrification programme will proceed according to schedule. Should this be the case, then Eskom will begin reducing its total borrowings by 1987 and could achieve a debt:equity ratio better than 1:1." — Sapa.

ge prices

Power fund part of SA reconstruction

CT 25/11/93

JOHANNESBURG. — Priority will be given to a national electrification fund to obtain, allocate and co-ordinate funds as an integral part of reconstruction in South Africa. (55)

Decisions taken yesterday at the plenary session of the National Electrification Forum were seen as a breakthrough in the forum's electrification debate involving 160 delegates.

Other matters given priority include the education of communities and consumers on electricity supply.

Investors could bring in billions

Tempting bait for foreign projects

Star 25/11/93

LOW-COST power will provide a powerful incentive for capital-intensive projects with electricity as their main cost component

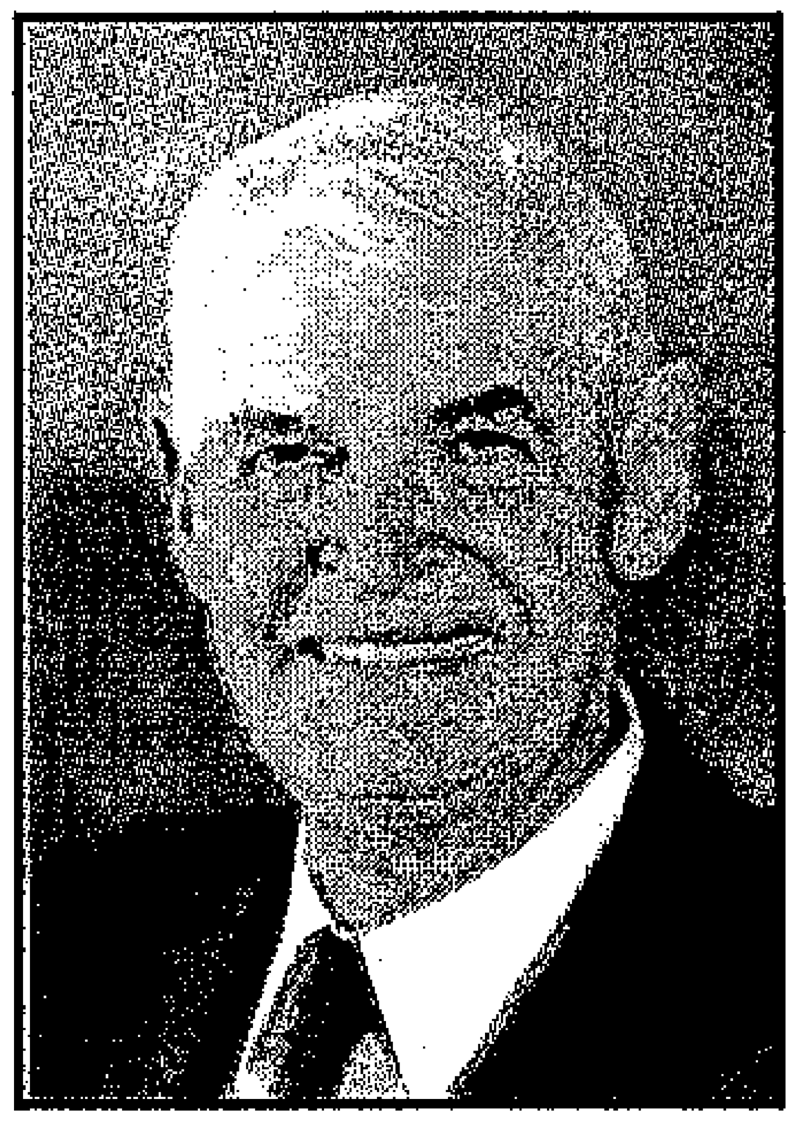
BY JOHN SPIRA

Eskom is to make a concerted drive to attract major foreign investment projects, potentially worth many billions of rands, to South Africa.

Chairman John Maree says the initiative is based on the highly competitive price — internationally — at which electricity is sold in South Africa.

"Eskom's electricity is the world's second-cheapest and we'll soon be the cheapest. This has to provide a powerful incentive for capital-intensive projects with electricity as their main cost component.

"I firmly believe that what Silicon Valley was to the computer industry, South Africa can be to world's energy-intensive industries. Eskom is actively going to target those industries."



John Maree ... position of economic prosperity.

65

He points out that Alusaf, the huge aluminium producer, is a massive consumer of electricity.

It imports its raw materials, processes them here and exports the final product. Its viability lies in cheap electricity and inexpensive labour.

Stainless steel producer Columbus operates on much the same principle.

"We think we can attract foreign industries to South Africa similar to Alusaf and Columbus, in addition to helping make our existing industries more competitive internationally."

Maree believes a basic motor of economic growth for SA is an abundant supply of electricity at a low price.

"Accordingly, Eskom is immensely important in ensuring that South Africa will soon return to a position of economic prosperity — a situation which would be enhanced should we be successful in attracting substantial foreign capital investment."

Maree is unable to quantify the foreign investment Eskom could attract, but suggests that, owing to the nature of the projects Eskom would be targeting, it was bound to run into billions of rands.

Electricity forum to set up watchdog

B/Day 25/11/93

MATTHEW CURTIN

THE National Electrification Forum could present Parliament with plans to create a national industry watchdog as early as next week.

(55)

The forum has put the establishment of a national electrification fund to finance its multibillion-rand electrification drive at the top of the agenda for 1994.

Development Bank of SA and forum chairman Wiseman Nkuhlu said the forum's second plenary session, held in Midrand yesterday, was "very satisfactory".

Delegates had reached agreement on the principles on which the electricity industry would be restructured.

Numsa national secretary and forum management committee member Bernie Fanaroff said the session was "a success".

However, the central question of what role local authorities, currently responsible for 90% of domestic electricity supply, will play in a restructured industry remains unresolved. In addition, some delegates are concerned inevitable uncertainty posed by the April election will make more progress next year difficult.

Overall, delegates hailed the session as a breakthrough "towards developing policies and strategies for accelerating electrification".

Consensus was reached on:

- The immediate establishment of "a national regulator for the electricity supply industry";
- A reduction in the number of distributors from 450 to a much smaller number as soon as possible;
- The retention of Eskom's name and its national power generation and bulk transmission functions; and
- The protection of SA industry's comparative advantage internationally of having access to the world's second cheapest electricity supply.

Forum management committee chairman and bank GM Johan Kruger said the forum would focus on securing consensus

To Page 2

Forum

B/Day 25/11/93

From Page 1

on outstanding issues — achievable by March — rather than putting policies into practice in the run-up to the election.

(55)

It is understood a minority of members of the Association of Municipal Undertakings (AMEU) and United Municipal Executive (UME) are holding out against recommendations made by the forum's management committee — on which their executives sit — on how the regional supply of electricity should be carried out.

Many authorities are reluctant to give up without compensation the current practice of cross-subsidising the services they provide white ratepayers with the tariffs charged for local electricity distribution, sometimes accumulating surpluses in the process. They are now faced with costly electrification programmes which will eat up surpluses and stretch their budgets.

One possible solution is for municipalities to relinquish direct control over electricity by franchising distribution to national or regional distributors.

Eskom executive director Jan de Beer said there were three possible models for redesigning electricity distribution: the creation of a single national supplier, as in France; the creation of a small number of regional suppliers; or the adaptation of the status quo. There were good and "atrocious" examples internationally of how each model functioned.

Picture: Page 3

Opec move gives hope of cheaper petrol

Star 29/11/93

BY JOHN SPIRA

Motorists looking for a reduction in the petrol price as a new year present may have some grounds for optimism.

A watershed event in Vienna last week could convert their wish into reality. It was there that 12 delegations from the Organisation of Petroleum Exporting Countries decided to retain Opec's production ceiling of 24,5 million barrels a day in the face of slumping revenues.

The decision heralded a change in strategy from one which focused on price, to an emphasis on market share.

The result was immediate. The international benchmark price for oil collapsed by more than a dollar a barrel to $14,55.

Mehdi Varzi, research director of Kleinwort Benson Securities in London, was quoted in the Financial Times as wondering where the rot would stop.

Varzi saw many similarities between current market conditions and those which led to the oil price collapse in 1986, when prices fell below $10 a barrel.

One such similarity is the surge in oil production by non-Opec producers.

The signs are pointing to further weakness in oil prices — a trend bound to place pressure on the South African authorities to reduce the domestic petrol price.

(55)

Resistance to such pressure has traditionally been on the basis that any fall in the oil price was offset by a decline in the value of the rand.

This time, however, Minister of Mineral and Energy Affairs George Bartlett will find great difficulty in making the argument stick, because although the rand has declined by 11 percent against the US dollar since the beginning of the year, the oil price has fallen by 20 percent. Besides, for the past six weeks or so the rand has been rock steady at around R3,35 to the dollar.

And with inflation dropping, downwards pressure on the rand is likely to be limited.

CA

SA could become world's cheapest electricity source

55

ARG 30/11/93

Power supply may switch on industries from other countries

ALIDE DASNOIS
Business staff

SOUTH Africa's electricity could be the cheapest in the world within five years, says Eskom chairman John Maree.

Speaking to delegates to an international conference here yesterdayon oil and minerals in Sub-Saharan Africa, Mr Maree said South Africa had the potential to become the world's "electricity valley", attracting electricity-intensive industries from other countries.

At present the country was a net exporter of electricity. But in the long term it would have to import electricity, relying on generating capacity in other southern African countries.

Dr Maree said the huge hydro-electric potential of the Zambezi valley and the Congo basin could provide electrical power for the region. Zaire alone could meet the entire region's electricity needs.

As the fifth largest electricity utility company in the world, Eskom was prepared to share its expertise with South Africa's neighbours.

Regional co-operation would bring huge benefits to all the countries concerned.

In spite of a surplus capacity in the region, some countries like Zimbawe and Tanzania had power shortages. Increased regional trade in electricity would enable more efficient use of resources and make supplies more reliable.

Coal-based electricity could be replaced by cheaper and environmentally more acceptable options.

Water resources could also be more evenly shared, through a comprehensive hydrology study for the region. South Africa and Botswana lacked water, but the region as a whole had sufficient resources.

Dr Maree said as South Africa was welcomed back into the world community, a "window of opportunity" was opening in the region.

Apart from mineral resources, the country could offer a strong infrastructure, high industrialisation, sophisticated financial services, and an efficient agricultural sector which made South Africa one of only seven food-exporting countries worldwide.

"Our common goal is economic well-being and growth. In South Africa the government will not be able to survive without economic growth and the same applies to the rest of Africa. By working together we have a better chance of showing the world that we can be an effective participant in the world economy."

● Kuwait was eager to help African economic development by ensuring a stable oil supply and by participating in the development of African oil industries, the Minister of Oil Ali Ahmad Al-Baghli said.

Mr Al-Baghli, who is the first Kuwaiti official to visit the country, said sub-Saharan Africa was an attractive prospect for oil producing countries because of its enormous growth potential.

Kuwait had taken two and a half years to rebuild its economy after the devastation of the Gulf War and his government hoped that a similar "miracle" could take place in Africa. South Africa could be a catalyst in this process, Mr Al-Baghli said.

"We in Kuwait would like to be a partner."

● New strategies were needed to pull Africa's mining sector out of its crisis, the African Development Bank's Infrastructure and Industry Director, Kouassi Apetey, said.

Priority should be given to prospecting, to the encouragement of small mines and of private investment, and to regional integration. The bank, which has assets of $22 million (R66 million) and participants from 52 African and 25 non-African states, was prepared to increase its financing of basic exploration.

● The Nigerian government had taken steps to attract foreign investment for its oil and petrochemical industries, the minister for Petroleum and Mineral Resources Don Etiebet told the conference. He said Nigeria planned to increase its oil production to 2,5 million barrels a day in 1997, from 1,86 million today.

A glittering future in store for Eskom

Star 30/11/95

BY ALIDE DASNOIS

Cape Town — SA electricity could be the cheapest in the world within five years, says Eskom chairman John Maree.

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Maree said that as South Africa returned to the world community, a window of opportunity was opening in the region. (55) ~~(2289)~~

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"We in Kuwait would like to be a partner in that adventure."

Electricity now on in 800 Crossroads homes

CT 4/12/93 (55)

ELECTRICITY has now been brought to some 800 houses in Crossroads' Phase One area, and Eskom hopes to go on to light up the rest of the settlement as well.

The Western Cape Regional Services Council made R3,9m available for electrification of Phase One.

Eskom has paid R320 000 for pre-payment meters that are installed in each house in the newly-electrified area of Crossroads.

Mr Willi Holtz, Eskom's electrification manager in the Western Cape, said pre-payment meters ensured that no electricity debts would build up.

He said most of the areas which were being electrified, including Crossroads, had Eskom rather than their local authority as their supplier. Eskom itself set the electricity tariffs, he said.

All the houses in Crossroads which have just been electrified are formally built. Mr Holtz said informal settlements were also having electricity brought to them. Eskom had about 200 customers in Philippi East, for example, and it had electrified the whole of Wallacedene.

He said he believed 3 800 Khayelitsha houses would be electrified by the end of this year, and it was hoped another 20 000 could have electricity by the end of next year.

Crossroads homes light up

S Times [C Metro] 5/12/93

By DIANA STREAK

MORE than 800 houses in Phase One of Crossroads have been fitted with electricity dispensers — pre-paid meters activated by cards bought for various amounts.

The Crossroads Town Council was granted R3,9 million by the RSC and Eskom financed the electricity dispensers to the tune of R320 000.

More than half the households have taken advantage of the available electricity by paying R35 for their meter to be connected.

"We didn't expect so many people to go for it," said Mr Willi Holtz, Eskom's electrification manager.

Although pre-paid meters cost a lot more to install — R500 — against R140 for the conventional meter, in the long term the system was more cost effective.

Mr Dieter Daub, from the consulting electrical engineering company, said the meter system indicated to consumers exactly how many units were available and the rate of usage by appliances.

(55)

He said municipalities were starting to use the meter system in new developments in white areas as well.

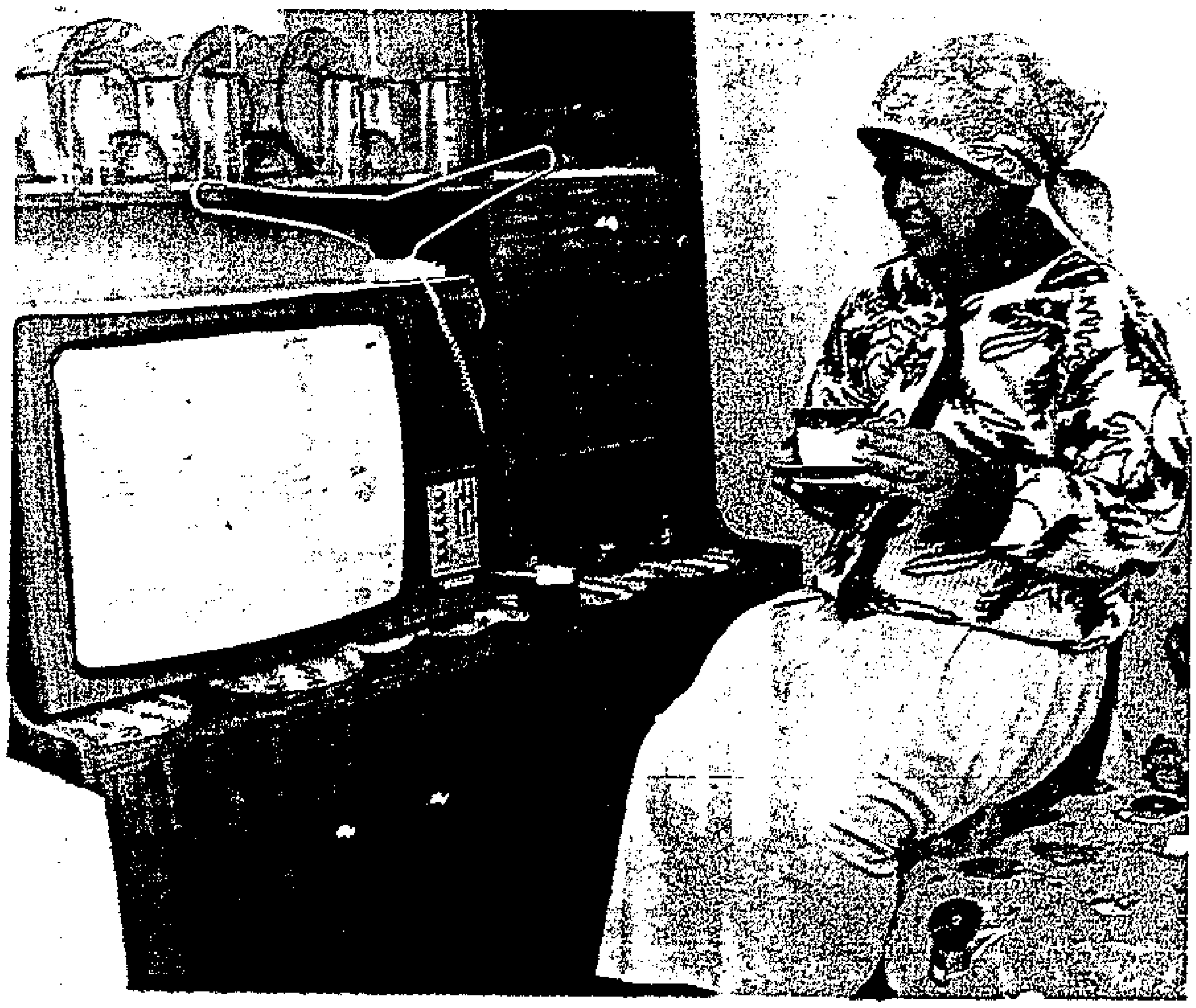
Crossroads resident Miss Joyce Mapoloba said electricity had made her life easier and safer and was cheaper.

"Paraffin makes your house dirty and smelly," she said.

Miss Mapoloba said the first thing most people bought was a television set.

"Today was the first time I have been able to make toast at home," she said.

Eskom provides "starter packs" costing R175 to first time electricity users of a two plate stove, a kettle and an iron.



SWITCHED ON . . . Mrs Marion Mto watching television after electricity was installed in her Crossroads home Picture: AMBROSE PETERS

Electricity monitor on hold

MATTHEW CURTIN

THE National Electrification Forum has put plans for a new electricity industry regulatory authority on the backburner after deciding not to present draft amended legislation before Parliament this week. 8/Day

The forum identified the creation of a new industry watchdog as being pivotal to the acceleration of countrywide electrification and restructuring the industry at its second plenary session last month.

However, forum management committee chairman Johan Kruger said at the weekend potential legal obstacles convinced the working committee addressing the issue that rushing through an amended version of the Electricity Act might create more problems than it solved.

Forum sources said a regulatory authority "with teeth", unlike the existing Electricity Control Board, was needed. It would be able to force electricity suppliers — especially potentially obstructive white local authorities resisting calls to electrify black townships — to address electrification and oversee a new national domestic tariff regime for the long-term success of a restructured industry. 6/12/93

The current Act gave the control board no authority over Eskom, local authorities and homeland governments as electricity suppliers.

Simply empowering the board to grant supply licences, which the forum at first thought would give the board adequate new powers, could be short-circuited if recalcitrant municipalities refused to apply for new licences. (55)

Kruger said he was confident the electricity forum would be able to present new legislation to Parliament early next year.

In the meantime, the forum had made progress in devising an interim tariff structure to replace the current cumbersome system of more than 2 000 tariffs, both "in principle and in detail", he said.

Koeberg warning system 'unreliable'

B/Day 9/12/93

ADRIAN HADLAND

CAPE TOWN — Public warning systems in the event of a nuclear accident at the Koeberg power station are unreliable, says the Council for Nuclear Safety.

In its annual report tabled in Parliament yesterday, the council said public notification procedures following an emergency at Koeberg were an area of concern. (55)

Emergency exercises during the year showed that sirens installed in residential areas adjacent to the plant and vehicle-mounted warning systems had not performed adequately.

Residential development around Koeberg made the improvement and expansion of the warning systems essential, it said. Eskom would be addressing the problems.

The report said radiation exposure to Koeberg staff and to the public through the station's water and airborne effluent had been kept well below regulatory limits.

However, the disposal of radioactive waste continued to be a problem.

Council chairman J B Martin said: "The absence of a coherent and acceptable policy on the final disposal of high level waste is a matter of concern to the council and to similar regulatory bodies elsewhere."

Various disposal options were under consideration.

The report indicated that most of the 20 mining operations which had licences for the processing of radioactive materials had made only "limited progress" in implementing radiation protection programmes.

Pyrite-burning sulphuric acid plants were a particular problem and several instances of overexposure had occurred.

The report said that since SA's recent signing of the Nuclear Non-Proliferation Treaty, opportunities for contact with international agencies and other regulatory bodies had increased significantly.

Our political staff reports that the report said most reportable occurrences at Koeberg since 1986 arose from human error, but this was similar to the pattern at other nuclear power plants.

The incidence of human errors lent weight to the significance of the quality of human performance in the execution of operational control tasks and to the need for stringent personnel selection measures, which included psychological assessment and monitoring of licensed operating staff, the report said. It was essential for all reactor operators to receive continuing training.

Speed up electrification, project suggests

B/Day 8/12/93

MARIANNE MERTEN

ENERGY sector policies to improve living conditions of the poor could be delivered quickly, were more visible than investments in most other development sectors, and could be financed by the energy industry itself.

The energy policy research and training project, based at Cape Town University, has said that although demand-side energy management strategies required a high initial capital outlay, costs are recovered through lower operating expenses.

The two-year research project has proposed three policies to integrate end-user demand and energy suppliers to ensure energy policies consistent with broader socioeconomic and political objectives.

It suggested a programme to accelerate electrification and increase the annual connection rate from 200 000 houses in 1992 to about 500 000 within three years. This meant access of households to electricity would increase from the current 42% to about 70% by 2000.

(55)

The initiative would require an investment of R22bn over 17 years. It had been estimated that electricity supply industry debt in connection with such an electrification programme could be kept below R10bn in 1993 rand terms.

An additional R500m could be raised every year through a 4% electrification levy on the bulk supply. Other funds could be raised from private capital as Eskom had recently done with its electrification bond.

As part of rationalising the sector, the 430 electricity supply authorities needed to be drawn into a maximum of 10 suppliers.

The project also suggested introducing a single national domestic tariff, comprising a flat-rate tariff for all domestic electricity users and a voluntary time-of-use tariff to encourage users to move electricity consumption to off-peak periods.

Other energy policy proposals included the promotion of low-smoke coal, improved management of natural woodland and social forestry programmes, and tighter control of paraffin prices as some traders add a mark-up of more than 33% to the wholesale price.

Energy consumers should be able to choose the most appropriate energy source, as low income households spent about 20% to 40% of their financial resources on energy.

SA's energy policy over the past 40 years was aimed at increasing the country's self-sufficiency through projects such as Mossgas and the Atomic Energy Corporation. Yet about 23-million South Africans had no access to a reliable and safe energy source and needed to rely on firewood, coal and paraffin.

Petrol price cut 'feasible'

EDWARD WEST

TRANSNET economist Mike Schussler has disputed Mineral and Energy Affairs Minister George Bartlett's claim that a predicted 6c/l-8c/l cut in the petrol price is optimistic. B/Day 8/12/93

Schussler said yesterday there was room for a cut of about 8c/l, on the strength of the in-bond landed cost. (55)

The cost for 93 octane petrol yesterday was 47,894c/l — nearly 9c lower than the landed cost element in SA's fuel price structure set in September when the last fuel price rise was announced.

Other charges making up Reef petrol pump prices — including transport, wholesale and retail margins, customs and excise duties and the MVA and NRSC levies — totalled 117,3c/l.

After adding these charges to yesterday's landed cost, and a further 7c/l for the Equalisation Fund to protect SA from sudden world oil price movements, there was ample room for a cut, Schussler said.

The fuel price could also fall because SA no longer had to pay "extra" for its oil, following the lifting of the oil embargo by the UN yesterday.

Schussler said there was also no reason why world oil prices should not decline furtherin the absence of effective Opec action.

Prices had already fallen 30% in dollar terms since March.

Opec had shifted its focus to market share and petrol prices had fallen recently in countries including the US, Thailand and New Zealand.

Singapore, from where SA's prices were based, would soon start competing with Korean refineries, forcing Singapore refinery margins down from 40% to 15%-20%.

Landing costs included wharfage, landing, insurance, shipping and leakage. Schussler also used refinery postings at BP Singapore, Caltex Bahrain, Mobil Jurong and Shell Pulau Bukom to determine an average price.

☐ The Liquid Industry Task Force, charged with reviewing the liquid fuel industry, would report its findings to the National Economic Forum processing committee today, seven days before the report was due, the forum said yesterday.

fuel were well advanced.

Warning system defective

55 CT 9/12/93

PUBLIC warning systems in the event of a nuclear accident at the Koeberg power station were unreliable and the disposal of radioactive waste continued to be a problem, the Council for Nuclear Safety said.

Emergency exercises using sirens installed in residential areas near the plant and vehicle-mounted warning systems had not performed adequately, the council said in its annual report, tabled in Parliament yesterday.

Continuing residential development around Koeberg made the improvement and expansion of the warning systems essential.

The disposal of radioactive waste also continued to be a problem, the report said.

"The absence of a coherent and acceptable policy on the final disposal of high-level waste is a matter of concern to the council and to similar regulatory bodies elsewhere," the council's chairman said.

While various disposal options were under consideration, it was clear the disposal of waste and the ultimate closure of mining facilities would create major difficulties "from a radiation point of view".

The report said most of the 20 mining operations which had licences for the processing of radioactive materials had made only "limited progress" in implementing radiation protection programmes.

Radiation exposure to staff working at Koeberg and to the public through the station's water and air-borne effluent had been kept well below regulatory limits, the report said.

Human error 'weak link' at Koeberg

HUMAN error has been the cause of most of the reportable occurrences at the Koeberg nuclear power station since 1986, the Council for Nuclear Safety reported yesterday.

This was similar to the pattern at other nuclear power plants. The incidents had been recorded in a database to help identify trends.

Because of the human factor extra care was needed in the selection and monitoring of staff. Staff also needed to keep up to date with their training.

CT 9/12/93

Chairman of the council, Professor J B Martin, said plans for the interim storage of spent reactor fuel were well advanced.

Warning system defective

CT 9/12/93

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Eskom's power drive starts to light up people's lives

(55)

ARG 9/12/93

☐ Plan to electrify 40 000 Peninsula sites in two years

ROGER FRIEDMAN
Staff Reporter

ESKOM'S drive to bring power to everyone in the Western Cape will result in the electrification of 40 000 plots in the informal settlement areas of Khayelitsha within two years — and should help reduce shanty fires.

More than 60 Cape shack dwellers — many of them children — have died in their burning homes this year. The Cape Town fire department has responded to 610 fires in informal areas in the past 12 months.

Last year 44 people died in shack fires.

Although arsonists were responsible for some fires, lack of electricity was the main culprit, said fire chief Joop Hamel.

Candles, braziers, gas and paraffin stoves and heaters in shacks — insulated with cardboard and paper — made for a lethal concoction, he said.

Eskom spokesman Charles Cooper said they recognised that the drive to bring electricity to all would have to include informal settlements.

"Clearly, it will be some time before all South Africans are housed in brick and mortar structures," he said.

Eskom has already installed electricity in 1 096 Wallacedene and 188 Philippi East shacks and planned to tackle 600 Driftsands and 1 800 Bloekombos sites early next year.

Readyboards — with a light, three-plug socket and an earth-leakage unit mounted on a piece of wood — could be attached anywhere, even in plastic and cardboard shelters, Mr Cooper said.

Consumers were charged deposits of R35 each and normal Eskom "per kilowatt hour" rates.

Once Khayelitsha had been electrified, 95 percent of houses in the Western Cape would have power, which was far above the national average, said Mr Cooper.

Meanwhile, the city council has embarked on an electrification programme of its own.

More than 700 informal dwellings — from Lavender Hill to Noordhoek Site Five — have been electricified in the past five months.

The council also embarked on a major education programme to reduce shack fires this year.

With the sponsorship of Engen, 30 000 *Dhlomo Says* pamphlets have been printed for distribution to school pupils.

Mr Hamel said education was the most important element in reducing shack fires.

Many fires were caused by candles falling over and ill-maintained paraffin or gas cooking and heating equipment.

"If you overpump a pressure stove and it has not been maintained it can explode."

Mr Hamel suggested people build shacks with a second door as a fire escape.

Highly combustible cardboard and paper were commonly used for insulation and many deaths could be avoided if residents were able to escape a burning shack through a back or side door.

The lack of "proper town planning" — resulting in shacks being built virtually on top of one another — exacerbated the problem.

"If one shack goes up you invariably have another 50 or 60 going up too," said Mr Hamel.

People regularly set fire to other people's shacks in an attempt to drive them out of an area. This led to a Catch-22 situation for the fire department.

"They stone us when we come to put out fires which they have set — but if we don't put the fire out we get stoned by the residents of the shack," said Mr Hamel.

Eskom close to meeting target of 200 000 new connections

B/DAY 10/12/93

MATTHEW CURTIN

ESKOM is on the verge of meeting its target of 200 000 new connections in 1993 at an estimated cost of R600m. The utility's accelerated electrification drive has partially shrugged off problems caused by violence in the townships and pressure on its cash flow.

Eskom will have electrified 25% more households and small businesses than it did in 1992 and remains on course for the 800 000 new connections it hopes to make in its five-year programme started in 1991. The programme has led to 488 000 new connections so far.

Spokesman Kevin Morgan said yesterday the running total of new connections this year was 182 862 with a year-end forecast of 199 112. Eskom made 145 522 new connections in 1992.

However, he reiterated Eskom had access to only about a third of unelectrified homes in SA as it was one of 450 electricity suppliers: hence the importance of industry negotiations being conducted at the National Electrification Forum aimed at jump-starting a national electrification programme tied up with the restructuring of the industry.

The Energy for Development Research Centre at Cape Town University has estimated that 23-million people in SA lack electricity, including the vast majority of people in rural areas.

It has advocated the formation of a R22bn national electrification programme which would increase the rate of new connections to 500 000 a year by 1995, resulting in 90% of households being linked to electricity by the year 2010.

(55)

Morgan said the total number of new connections which could be linked to Eskom activities would be more than 275 000 this year.

The group's financial incentive scheme offered to farmers for connecting their workers' homes had led to nearly 14 000 new connections this year, with 14 231 expected to be completed by December 31.

In addition, the R400-a-connection subsidy Eskom offered municipalities to help defray their electrification costs had led to an estimated 50 000 to 55 000 households being hooked up to the Eskom grid, with a possible 63 000 connected by year end. The average cost of connecting a home is R3 000.

South 10/12 - 14/12/93

And there was light . . .

(55)

By Quentin Wilson

OVER 800 families in Crossroads benefited last week from Eskom's "Electricity for All" drive when their homes were connected with electricity for the first time.

Paraffin lamps, gas stoves, candles and batteries were all relegated to storage as relieved residents switched to electric hotplates, kettles and, in some cases, television sets.

"I can't tell you how much easier this has made our lives," said Mrs Patricia Futshane, 35.

"I was so happy. For the first time I could put my feet up and watch television in my own home."

"I don't have to worry anymore about my six children and all the gas we used to have in the house — it was very dangerous, expensive and difficult to work with," she said.

But the greatest bonus, as far as Futshane is concerned, is the boost it gives to her job. As a cook who sells her food to tuckshops, she does not have to cart all her pots and ingredients to Mandela High's kitchen anymore — she can now cook in her own kitchen.

"I believe everything will be OK now. We are just getting to feel comfortable with electricity. Our lives have been really difficult here in Crossroads, but now I think life will be easier," she added.

Her neighbour, Mr Timothy Duna, agreed the electrification scheme could only help bring stability to Crossroads.

"There used to be so many fires caused by our paraffin lamps and so on, but now life will be a lot easier. There are so many things I had to do before which I don't need to do anymore — electricity saves a lot of time," he said.

Mr André Kühn, Eskom spokesperson, said the Crossroads connections were part of Eskom's drive to provide electricity for all.

"Two years ago, Eskom started a campaign, 'Electricity for All', and this is part of that drive.

"There are lots of reasons for us committing ourselves to a campaign of this nature. Firstly, we are a business, and the more customers we have, the more business for us.

"Secondly, electricity in all areas would certainly help to build the economy of the country. Once people have electricity, it is easier for them to start businesses.

"Also, electricity will help the level of education in the country. Pupils and students will be able to study far more effectively with electrical light than with a candle.

"All in all, it is an important way to build real stability in our country," Kühn said.

He said the Cape Town metropolitan area could currently enjoy a higher level of electrification than any other region.

"It is difficult to say because of all the different projects underway all the time. But a rough estimate puts the greater Cape Town area as the frontrunner in terms of the number of electrified homes," he said.

"At present, roughly 50 percent of the country is electrified. In the Cape Town metropolitan area, that figure stands around 85 percent — and that is a conservative estimate."

The power struggle is just beginning

(55)

What seemed like simple ideas — rationalising the hundreds of local electricity distributors into a handful of regional suppliers, establishing a fund to electrify the country and appointing a regulator to administer a countrywide tariff structure — have tied the National Electrification Forum up in knots.

The 200-member forum has now decided *not to go* ahead with proposing legislation for the current session of parliament after it became evident that local authorities would not go along meekly.

Johannesburg city councillor Paul Asherson, who is on the forum's management committee, and other city fathers are protesting what they see as a concerted effort by Eskom and the ANC to usurp their power to collect extra revenue by jacking up electricity prices to residents. "Eskom dominates the forum show and we are very unhappy about this situation," Asherson says.

Wits University commerce dean Duncan Reekie is also highly sceptical of the process. "It seems that the bureaucrats want to retain their vast powers. One wonders what deals are being struck between the Nats and the ANC about the future of Eskom."

For a while it looked as though the forum would vote to allow Eskom to keep its monopoly on electricity generation and bulk transmission while distribution — now shared between Eskom (55%) and 452 local authorities (45%) — would be bundled into somewhere between five and 25 regional suppliers.

That is the plan supported by Allen Morgan, who takes over as Eskom CE on April 1 (*Business* November 12). He says the regional utilities would be able to benefit from economies of scale and provide a cheaper service, as is the case overseas.

National Electricity Forum chairman Wiseman Nkuhlu also supports rationalisation. "With about 1 000 different electricity tariffs in SA and tariff variations of as much as 130% between different authorities, there is consensus that SA needs a more unified, national tariff structure, though tariffs obviously cannot be the same everywhere."

But as predicted, the local authorities and municipalities want nothing to do with a plan that puts them out of the electricity business. This is because they reap millions in extra income each year by "loading" their electricity accounts by 15%-25% above the cost that Eskom charges them.

The local authorities say they put this extra money towards noneconomic civic projects, such as libraries, museums and road building. Says Johannesburg city electrical engineer Martin Pomeroy: "We feel it is better to load the electricity account, where consumers at least have the choice of cutting down on use, rather than, for example, the rates account, which is an inescapable cost for property owners."

But the ANC wants to take that power to load the electricity bill away from the municipalities. Instead, it wants the revenues collected from loading the bills — about R500m a year — to go into a national fund to finance the electrification for the 75% of the population without power.

Eskom, which is now electrifying 200 000 households a year and wants local governments to help bump up the figure to 500 000, supports the idea of putting part of the surplus into a fund to pay for electrification. Eskom, in fact, favours anything that would boost sales because it is sitting on a huge surplus generating capacity, the result of skewed planning in the early Eighties.

Reekie says, however, that while Eskom can't be faulted for its efficiency as a generator and transmitter of electricity, it is out of line for getting involved in the politics of electrification. "Eskom's job is to generate electricity, not to look after the poor."

Johannesburg's Kelvin power station ... *outside Eskom's grip*

Asherson defends the current system, which allows Johannesburg to load its annual R1bn electricity account by about R250m. "Why spoil a system that works well for the sake of electrifying some huts in Lebowa at a cost of R7 000 per connection? With the population of greater Johannesburg expected to grow from the current 3m to about 6m by 2005, we should rather concentrate on the city's own needs."

Asherson, like most others, agrees that an electrification fund is necessary and he would support a national levy of, say, 1c/unit to finance the drive. Pomeroy, however, believes that the fund shouldn't tap electricity consumers, but rather off-shore financing, grants from bodies such as the World Bank, or the fiscus.

Leaders of the big cities believe that if there is to be rationalisation in distribution, they should be at the top of the list for expanded powers. And they are already making their pitches.

"The city council of Durban has, since the late Twenties, been supplying electricity as far south as the Illovo River and as far north as Tongaat," says Durban city councillor Howard Whitehead, who is president of the Association of Municipal Electrical Undertakings.

"We now distribute electricity directly to about 300 000 customers in about 48 local authority areas."

And it's not just distribution that's at issue. Pomeroy also disagrees with the way the forum is leaning towards letting Eskom keep its monopoly on generation and transmission. "Competition is a healthy part of a free market. And, while it may be premature for SA to follow the UK example of having competing distributors, this option should also be held open for the future."

Johannesburg, for instance, runs two power stations, Kelvin at Kempton Park and another in Orlando in Soweto, which were grandfathered into the Electricity Act and provide about half of the city's power. Asherson says the self-generated power source allows the council to keep tariffs low.

Reekie is not afraid to talk about privatising Eskom as a way of bringing more power to the people. "Eskom is one of the few power utilities in the world not on the road to privatisation. From Vladivostok to Buenos Aires, power utilities are being rapidly privatised.

"In the UK about six different generators compete fiercely to sell electricity throughout Britain. This compares with the position a few years back when the Central Electricity Generating Board (similar to Eskom) monopolised generation, distribution and sales."

The UK national grid has now been sold to a separate private company, which is regulated as a "common carrier" and cannot refuse carrying power for any of the competing, privatised generating companies.

Reekie says the best reflection of the freedom of competition in the UK is that an electricity spot market has developed in London, where daily rates are fixed by the six generating companies. "For example, if a small supermarket owner anywhere in the UK does not like the rates quoted to him, he can go to the spot market and buy his electricity at the lowest spot rates offered. This is how a competitive free market is supposed to operate."

With the details of how local governments will operate still to be decided, don't expect any quick decisions. Says Pomeroy: "Because these local authorities (with Eskom) are the major retailers of electricity, the distribution rationalisation debate has a long way to go."

Electricity consumers 'still paying too much'

BiDay 2/12/93

ROBYN CHALMERS

ESKOM is falling far short of its target to reduce the cost of electricity in real terms by 20% over five years, says NUS national sales manager Rob Mackenzie.

A study undertaken by NUS, an energy cost control service company, showed SA consumers were paying 60% more for electricity than in 1988. (55)

Mackenzie said that in 1988, a medium sized industrial consumer using 283 000kWH a month at an average price of 11,08c/unit would have been charged R31 362. Today, at a cost of 17,67c/unit the customer would be charged R50 010 — an increase of nearly 60%.

This flies in the face of a pledge in 1991 by Electricity Council chairman John Maree to reduce electricity costs by 20% in real terms over five years.

Since the announcement, annual price increases have been 9% in 1992, 8% in 1993 and 7% for 1994.

Mackenzie said the problem was that, during the past two years, the inflation rate reduced more than most people expected.

"Inflation in 1992 was 9,6% so the real terms benefit to consumers was marginal. Inflation this year is likely to be below Eskom's 8% price increase and is projected to fall further next year."

The real benefit to consumers was negligible, said Mackenzie. In addition, many businesses were over-charged for electricity.

Most consumers assumed they were being charged the best price, while the onus was on consumers to determine the most cost-effective tariff, Mackenzie said.

COMPANIES

Eskom move a blow to Spescom

ROBYN CHALMERS

CUTBACKS in parastatal spending levels and tough trading conditions saw Spescom Electronics post a substantial drop in turnover to R21,95m (R30,72m) for the six months ended October 31. B/Day

A squeeze on margins left operating income down to R2m (R2,4m), but this was boosted by income from investments of R2,5m. Interest paid was marginally lower at R1,1m (R1,11m). 21/12/93

The group was hit with a royalties bill of R2,3m because of its sale this year of patents relating to the credit transfer system used in electricity prepayment meters. Spescom retained the use of the patents.

An abnormal item of R382 000 related to the cost of salaries following a restructuring programme, which left pre-tax income almost halved at R675 000 (R1,3m).

A tax payment of R45 000 reduced net income after tax to R630 000 (R1,3m). Earnings per share were halved to 3,2c (6,3c), but directors decided to declare a dividend of 1,5c (2,0c) a share in anticipation of a better second half.

Spescom chairman Tony Farah said there were good reasons for optimism about the future of the company.

The biggest blow for Spescom was the decision by Eskom not to award the company — a leading supplier in 1992 — a contract for its prepayment electricity metering systems, Cashpower 2 000. The impact of this decision was to reduce production volumes to the parastatal to a quarter of former levels.

In addition, Farah said supply to ongoing contracts was at a lower level than planned because of violence in areas undergoing electrification.

Farah said he believed Spescom was a strong contender for Eskom's next prepayment electricity meter tender and the group was well advanced in negotiations on an international joint venture for its metering products. (55)

On the local front, Farah said, Spescom had obtained exclusive distribution rights for Fluke, a major supplier of electronic test equipment for the service industry.

COMPANIES

Eskom defends prices pledge

ROBYN CHALMERS

ESKOM has defended its pledge to reduce the price of electricity by 20% in real terms over five years after a study by energy cost control company NUS showed it was falling short of its target. B/Day

The NUS study said SA consumers were paying 60% more for electricity today than in 1988. 22/12/93

However, Eskom communication manager Kevin Morgan said the parastatal remained confident that it would effect a real price reduction of 20% by 1998.

"Eskom's annual price increase from 1989 to 1993 was indeed 60%, compounded. Consumer price inflation over this period was 90%, compounded, resulting in a price reduction in real terms of 30%.

"Producer price inflation over the same period was 66%, giving a real price reduction of 6%," said Morgan.

Morgan said Eskom's average price increased 52% between 1989 and 1993. This was a reduction of 38% when measured against consumer price inflation and 14% against producer price inflation.

However, economists said the picture since 1992 shows that in real terms consumers have benefited little as inflation has declined further than expected.

The annual electricity price increase was 9% against inflation of 9,6% in 1992. This year, the price rise was 8% and 7% in 1994. (55)(~~[illegible]~~)

Eskom suspends cutoff programme

BIDAY 27/12/93

WILSON ZWANE

ESKOM had suspended its programme of electricity cutoffs for non-payment in Soweto because of high levels of crime in the area and the threat of its employees being attacked, sales and customer service manager for Johannesburg Ken Green said at the weekend.

Eskom employees had been the victims of numerous attacks by criminals in Soweto recently and a number of the utility's vehicles had been hijacked. (55)

Last week four Eskom employees narrowly escaped death when the vehicle in which they were travelling was shot at in Diepkloof.

Green said the cutoff programme would be resumed next month.

Eskom began cutting off electricity to 20 000 Soweto homes early last month. The affected households were those of residents who had not paid the R33,80 monthly rate introduced in February 1992 in Greater Soweto, in May 1992 in Dobsonville and in February 1993 in Diepmeadow.

Green said the level of electricity service payment for December was likely to

□ To Page 2

Eskom

BIDAY 27/12/93

□ From Page 1

be lower than in recent months, when up to 70% of residents had been paying. The high rate of payment was apparently a result of the threat of cutoffs, he said. (55)

He said Eskom expected a fall in payments because of households' holiday season expenses.

Eskom spokesman Peter Adams said electricity bill payments were expected to improve throughout the country next year.

He said residents of townships where Eskom had direct supply rights had no excuse not to pay because the utility was providing good service and rendering accurate accounts.

Eskom's East Rand customer services spokesman Laetitia van Staden said the rate of payments in the region currently stood at about 50% of households.

Eskom halts power cut-off

CT 27/12/93

JOHANNESBURG. — Eskom had suspended its programme of electricity cut-offs for non-payment in Soweto because of high levels of crime in the area and the threat of its employees being attacked, sales and customer service manager here Mr Ken Green said at the weekend.

Eskom employees had been attacked by criminals in Soweto recently and a number of vehicles had been hijacked.

Last week, four Eskom employees escaped death when the vehicle in which they were travelling was shot at in Diepkloof.

Mr Green said the cut-off programme would be resumed next month.

Eskom began cutting off electricity to 20 000 Soweto homes early last month. Affected residents were those who had not paid the R33,80 monthly rate, introduced in February 1992 in greater Soweto, in May 1992 in Dobsonville and in February 1993 in Diepmeadow.

Mr Green said payment for December was likely to be lower than in the recent past when up to 70% of residents had been paying.

Eskom's bid to cut 20% off electricity costs 'failing'

Star 29/12/93

BY STEPHEN CRANSTON

Eskom's attempts to cut the cost of electricity by 20 percent over five years are failing, says Rob Mackenzie, national sales manager of energy cost control analysis company NUS South Africa.

He says in 1988 a medium-sized industrial consumer using 283 000 kilowatts a month at the then Eskom average price of 11,08 c/unit would have been charged R31 362. Today, at a cost of 17,67c a unit and assuming static consumption, the customer would be charged R50 010 — an increase of nearly 60 percent.

"Eskom is already falling short of its target. Its annual price increases have been nine percent in 1992, eight percent in 1993 and seven percent for 1994. (55)

"The problem is that during this period the South African inflation rate has reduced considerably more than most people expected.

"In these circumstances, the real benefit to consumers is negligible."

Many businesses also unwittingly pay too much for the electricity that they use.

Mackenzie says that of the businesses taking on the NUS analysis service for the first time in 85 percent of cases it wasestablished that they were overcharged.

"The reason is that most consumers take their electricity expenditure for granted and automatically assume they are being charged the best price. In fact, by law the onus is on consumers to determine the most cost-effective tariff.

Business fails to plug in as Eskom takes power to the people

BDay 30/12/93

MATTHEW CURTIN

55

ETHEL Mbatha lives with her husband and two small children in a 3x3,5m metal shack in Orange Farm, the township south of Johannesburg.

Orange Farm is unremarkable. The township's population has jumped from 40 000 to about 140 000 in less than five years and is blighted by high unemployment. Schooling is inadequate, there is no street lighting, and the dirt roads become treacherous when it rains in summer, and not much better in winter with the wind and dust.

What distinguishes Orange Farm is its unusual skyline of pylons and a myriad of cables crisscrossing the shacks and small brick houses. Eskom started electrifying the township in 1990 and Telkom is now using the electrical infrastructure to run its cables to people's homes.

Unlike 23-million of her compatriots, Mbatha (not her real name) has a home which has electricity. When not working at the local creche, Mbatha spends much of her time watching TV1 — the radio is unplugged and on the shelf — and selling ice from her freezer, as well as orange drink in chilled plastic bags for 20c a go. Then there's the ironing, cooking on the electric hotplate, a new Telkom phone for a chat, the kettle for a quick cup of tea, not forgetting her husband's tools, a grinder and spraygun for repainting cars in his spare time.

Mbatha has eight electrical appliances in her tiny home for which Eskom had to erect a concrete support to carry the electricity cable for fear the shack would collapse under its weight. A pre-payment electricity meter is installed inside the shack.

She says electricity has made her life much easier — "there's no smoke, I can cook and watch TV and do many other things" — and a good deal cheaper. Mbatha says she spends about R10 a week on electricity and she and husband earn cash from the little business they do from home. She used to spend R15 a week on coal alone for her stove — now used just as a heater — in addition to candles and paraffin.

The extraordinary impact electrification has is borne out by the neighbourhood store. Two years ago, the shop consisted of a dark storeroom from which customers bought tinned food and vegetables, often queueing in several inches of mud.

Today, customers have to make their way past the old storeroom, children huddled around the three video-arcade games, a rotisserie browning half a dozen chickens, and a fridge with cold drinks to a new building housing the shop, kitchen and storeroom proper. The delicatessen-style fridge holds products typical of any Johannesburg corner shop: milk, cheese, eggs, cold meat. The store is neon-lit, its upwardly mobile status confirmed by the advertising hoardings on the walls outside, while shoppers now queue on a tiled floor.

Electricity has transformed The Voice Education Centre, Orange Farm's curiously named self-help school run by the energetic Alexander Khumalo. The school, with a staff of about 260 teaching more than 10 000 pupils from kindergarten through to matric, has been built from scratch with "zero zero capital", according to Khumalo. Parents have traded their artisan and other skills for their children's education.

The premises started life as a farm house with two long rows of low-lying buildings housing chicken coops which served as classrooms. Khumalo says in the early days, children squatted on the floor and were taught in the dark.

Today, the buildings have been made taller, the installation of fluorescent tubes mean pupils can see the blackboards and, most important, the revamping of the school can take place in earnest.

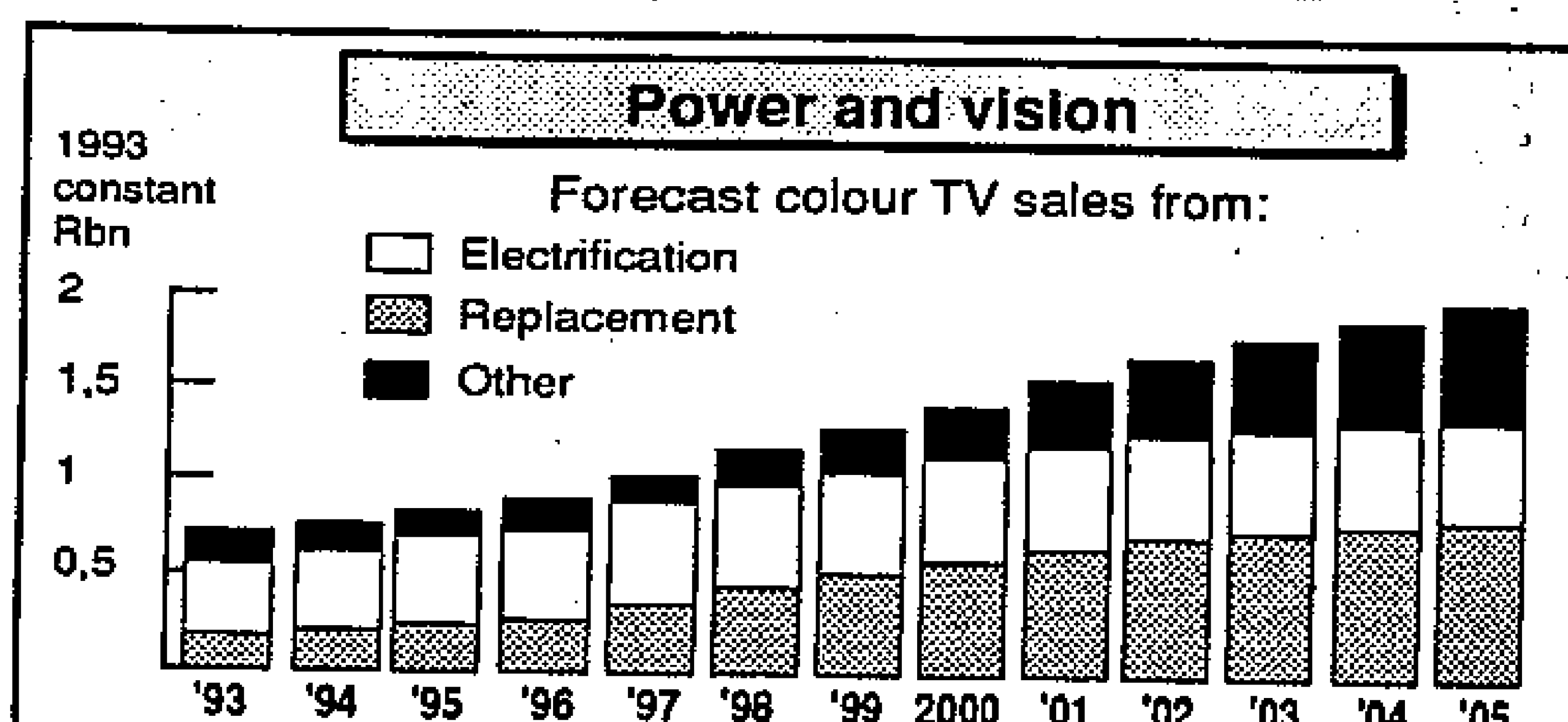
Khumalo has installed carpentry and metal-working equipment to transform the mountains of junk the school has collected — old bus seats, wooden crates, glass shower doors — into desks, chairs, burglar bars and flower boxes.

Soon he will have more electricity connections so second-hand typewriters, a photocopier and new hawkers' stalls outside the main school entrance can go into action.

National Electrification Forum secretary Johan du Plessis says Orange Farm is one of the most impressive examples of the link between electrification and development, and a taste of the consumer products boom a successful national electrication drive would bring (see graph). He would like to think it helps explain the relative tranquility of Orange Farm compared with other Reef townships and the energetic self-help culture which is growing and epitomised by Khumalo's school.

However, Du Plessis has reservations about the Orange Farm experience, and more about the chances of replicating it as successfully throughout the country. For all the encouraging signs of small business in Orange Farm, no formal business has taken the plunge and invested there despite its burgeoning population and creeping prosperity.

No Spar, Pep or OK Bazaars, no Plascon hardware store, no dry cleaners or bottle store, no bank, cinema or hamburger joint. In fact, the only formal business enterprises are the two Eskom shops which hook up new homes, sell basic electrical equipment and give free advice. He says this serves as a serious brake on the development of the community because people have no choice but to spend most of their money outside Orange Farm, in Johannesburg or Vanderbijlpark.



Worse, it reduces the economic viability of the electrification process. It is the high rate of electricity consumption by commercial and industrial users in white municipalities which make domestic tariffs as low as they are and which provides Eskom with an adequate rate of return for its investment in electricity provision.

Bringing electricity to Orange Farm was a struggle in itself because the TPA, having acquired the farmland to which it moved squatters in 1989 as the formal development of the township began, proved reluctant to electrify the area. The right of electricity supply was vested in the TPA which argued that it could not afford to electrify homes. In any case, officials said, the people of Orange Farm were not interested in electricity.

An Eskom source says the TPA's tune changed when officials and Eskom CE Ian McRae toured Orange Farm one day in 1989. The utility's argument that it had the resources to electrify the township, if only the TPA would cede the right of supply, had fallen on deaf ears until McRae stopped the minibus in which the party was travelling and conducted an on-the-spot poll. Orange Farmers said their number one need was electricity.

The forum is yet to devise a strategy to overcome potential and real intransigence by local authorities, the majority of SA's more than 400 electricity distributors, which refuse to take up the electrification burden.

Their stand against Eskom, trade union and ANC enthusiasm for a drastic shake-up in the industry stems from the important revenue they earn from electricity tariffs which they could lose in a reorganisation. A further complicating factor is the issue of non-payment.

Communications director Hanlie Delport notes the TPA does not fund electricification from its own budget but facilitates the acquisition of loan finance by local authorities for such projects. She says the TPA has ceded electricity supply to Eskom in a number of cases.

She adds: "The community should decide if it is ready for the responsibilities that come with (electrification). The financial implications should be handled by the community and not by the authorities."

ENERGY — 1994

Workers and sub-contractors are needed for electrification project

ARGT 10/1/94

Staff Reporter

HUNDREDS of unemployed people and scores of sub-contractors stand to benefit when the first phase of the electrification of about 40 000 Khayelitsha homes kicks off soon.

Eskom community affairs adviser Mac Mdingi said that at least 200 unskilled people would be needed for the labour-intensive project.

He said phase one would begin in the shack areas of Town 3, Village 5 and all 40 000 houses would be electrified during the next 15 months.

"Electricity will be supplied by cables mounted on wooden poles — a system is known as the network.

"Electricity is fed into each home through a cable which comes down the pole, under the ground and into the house," he said.

At the end of the cable was a "ready board" mounted in the house and which had a pre-payment meter.

"Electric light and appliances such as a stove, refrigerator, radio and television set can be plugged in."

Mr Mdingi said nearly all the work could and would be done using labour-based techniques, offering employment to jobless residents of Khayelitsha.

He appealed to residents with experience in building or construction work, those who could manage labour teams and those wanting training as sub-contractors to come forward.

He said applicants would be screened from today until Saturday from 8am to 12 noon at the PS4 office next to the sewage treament works in Khayelitsha.

WM 11-17/2/94 (55)

De Klerk's three nuclear lies

Top secret documents reveal that FW de Klerk lied about South Africa's nuclear programme, reports **Paul Stober**

Lies ... FW de Klerk did not tell the truth on SA's nuclear ties to Israel

Jailed ... Former minister Fanie Botha was a perpetual insolvent

THE *Mail & Guardian* is this week able to print the details of a court case the government has kept hidden for five years, revealing that President FW de Klerk was not telling the full truth when he revealed South Africa's nuclear weapons programme last year.

The court records of the trial of Brigadier Johann Blaauw in 1989 show that De Klerk's statement to parliament contained three direct lies about South Africa's collaboration with other countries in the nuclear programme. It also indicates that he underplayed the extent of the programme when he told of the existence of no more than six crude atomic bombs.

The record also puts on display the level of corruption in the government in the 1980s, allowing former minister of mines Fanie Botha, a perpetual insolvent, to sit in parliament and the cabinet and even serve as leader of the House. Judge J Friedman said that in order to hide his state of affairs Botha was "prepared to commit perjury, fraud and deceit; he was prepared to become involved in political chicanery of the most despicable kind ... he was prepared to lie to the prosecutor ... he was prepared to lie deliberately under oath ... no reliance can be placed on his evidence".

Botha was later jailed for one year.

Transcripts of the trial confirm South Africa and Israel collaborated on the development of nuclear weapons — and prove De Klerk lied on three counts:

- He stated South Africa had not acquired nuclear weapons technology or material from another country.
- He stated that South Africa had never provided material to another country.
- He stated that South Africa had never co-operated with another country in this regard.

The September 1989 Supreme Court judgment, in the "in camera" case of former South African Air Force brigadier Blaauw, reveals startling details of South African-Israeli swaps of nuclear weapon technology and material and extensive collaboration between the two.

Until now reporting on the judgment has been banned under the Nuclear Energy Act and the Criminal Procedure Act. As recently as last week, the government tried to block the story, threatening the *Sunday Times* with an interdict if it printed it.

In October 1987, Blaauw was charged with attempting to extort mining concessions from Botha, by threatening to reveal that he was financially bankrupt.

During the trail it emerged that Blaauw had in fact shored up Botha's finances with the help of the Israelis and brokered many of the key nuclear deals between South Africa and Israel. Blaauw was found not guilty on all charges.

After his retirement from the SAAF in 1975, Blaauw acted as a go-between for Israel and South Africa on military matters.

In 1976, he was approached by a member of an Israeli council involved in the clandestine purchase of nuclear materials and asked to obtain South African "yellow cake" for Israel. Yellow cake is an uranium oxide which, when enriched, can be used for the production of nuclear weapons.

Blaauw got agreement for the sale of 50 tons of yellow cake from the then prime minister, BJ Vorster, and the former head of the Bureau of State Security, Hendrik van den Bergh, despite resistance from the then minister of mines, Piet Koornhof. Koornhof was replaced by Botha who was instructed to ensure the deal went through.

Blaauw arranged a tour of Israeli military installations for Botha and the Israelis quickly struck up a good relationship with Botha.

Said the judgment: "Blaauw testified that there was, at that stage, a high degree of confidence developing between the South African and Israeli governments which involved the exchange of military technology, joint aeronautic ventures and the supply of 'knowhow' by Israel to South Africa in regard to the manufacture of weaponry."

After the yellow cake deal went through, Blaauw was asked by Van den Bergh to see if Israel would supply tritium to South Africa. Tritium boosts the explosion of a nuclear bomb. The Israelis agreed to supply 30g of tritium to South Africa — enough for 12 atomic bombs. In exchange, South Africa delivered two more consignments of yellow cake, of 50 tons and 500 tons, to Israel.

Details of the transactions are recorded in *Critical Mass*, a recently published book by William Burrows and Robert Windrem, which investigates the proliferation of nuclear weapons among developing countries.

While the deals were going through, Botha slid into bankruptcy and his political career was threatened by a R1,7-million overdraft he owed Volkskas. But help was at hand.

Said the judgment: "The Israelis were interested in keeping Botha in the portfolio of mines because the yellow cake transactions had not yet fully materialised. There was every possibility of Botha becoming the minister of defence and they would have preferred Botha to hold that portfolio."

The Israelis gave Blaauw $1-million — then worth R800 000 — as a "gift for what I had done for them". With the money, Blaauw gave Botha cash transfusions and kept him financially and politically alive. Blaauw and Botha fell out after Botha failed to deliver valuable mining concessions promised to Blaauw as a reward for his services to South Africa's nuclear programme, in July 1979.

In court, Botha alleged Blaauw attempted to force him to hand over the concessions by threatening to reveal details of Botha's illegal attempts to get evidence of corruption from his rivals in the struggle for the leadership of the National Party, after the fall of Vorster in 1979.

In his speech to parliament in March last year, when he announced he had ordered the dismantling of South Africa's nuclear arsenal, De Klerk baldly stated: "I wish to emphasise that at no time did South Africa acquire nuclear weapons technology or materials from another country, nor has it provided any to any other country, or co-operated with another country in this regard."

When confronted with the court records by the international London based magazine, *Africa Confidential*, which first broke the story, the office of the state president replied: "South Africa did not acquire nuclear weapons technology from another country. Although tritium many be used in initiators of nuclear explosive devices, (although not in the devices produced by South Africa) it has many other commercial uses. South Africa has been active in the commercial exploitation of tritium for some time and has procured this material from various sources in the past."

Despite De Klerk's 1993 announcement, details of South Africa's nuclear programme remain shrouded in secrecy. Said ANC science and technology head Roger Jardine: "They are prepared to give a tour of the complex but have never given details of the programme. A senior official once offered to tell me everything — but only if I signed the Official Secrets Act."

State tried to suppress details

THE *Mail & Guardian* is publishing this story today because it is clearly of great public interest in a pre-election period, despite repeated attempts by the government to suppress it.

The court details were suppressed in terms of three laws:

- **The Nuclear Energy Act, which empowered the minister to ensure the case was heard in camera.**

Since then, however, the government has said that restrictive press laws will not be applied. In particular, they have committed themselves to openness on nuclear activity.

- **A section of the Criminal Procedure Act that protects the victims of attempted extortion. Since it is public knowledge that the victim was Fanie Botha and he was subsequently jailed, this protection no longer applies.**
- **A state application that the trial be held in camera in terms of Section 153 of the Criminal Procedure Act. This ruling, however, was made in the context of attempts to protect the government from embarrassment and would no longer be valid.**

Electrical inspection costs to be reduced

BD4 17/11/94

ROBYN CHALMERS

ESKOM and the Manpower Department have devised a mechanism to reduce the cost of property owners' electrical installation inspection bills, estimated at R80m.

Property owners were burdened with the financing of inspections made on electrical installations when changes to the Machine and Occupation Safety Act were implemented on January 1.

The legislation meant that owners would have to apply for certificates of compliance for any alterations to electrical installations, or to change ownership.

The deal struck by Eskom and the Manpower Department will mainly affect new home owners in the lower- and middle-class housing market.

Eskom electrification senior GM Ray Dabengwa said the department had ruled that a readyboard would be allowed to meet the standards of the legislation.

"We held extensive discussions with the Manpower Department when the Machine and Occupation Safety Act was being reviewed late last year.

"A readyboard has earth leakage protection and circuit breakers. Buyers will not have to pay the cost of an additional electrical inspection as the board already meets the requirements for a certificate of compliance." (55)

Property owners with standard electrical wiring systems will, however, still have to shoulder the cost of ensuring it meets specific standards in order to acquire a certificate.

Institute of Estate Agents vice-president Willie Marais said the inspection procedure was open to abuse.

Department questionnaires were vague and underemployed electricians could use them to undertake unwarranted work.

He said there was a danger that the department was overregulating the procedure, and the onus should be on the buyer to determine whether he wanted to acquire the premises with the existing wiring.

R850m to be spent on electrification drive

BDay 20/1/94

MICK COLLINS

AS PART of its drive to bring electricity to 900 000 homes by 1998, Eskom is planning to spend R850m on a total of 250 000 new connections during 1994.

In 1993 the corporation spent R584,4m on more than 294 600 connections.

An Eskom spokesman said the added cost for 1994 came from the fact that the problem of electrifying rural areas was now being addressed.

"In the urban areas where we have been operating we had the infrastructure to operate. However, in these areas we have just about reached saturation point.

"In the rural areas there is a distribution infrastructure to be completed which adds to the cost."

The average cost per connection in 1993 was R2 799 while this year the cost would escalate to R3 400 per connection, he said.

National Electrification Forum secretary Johan du Plessis said the forum was aware of Eskom's plans but "they do not go far enough in addressing the needs of the majority of the people.

"Priority must be given to the establishment of a national electrification fund to obtain, allocate and co-ordinate funds for electrification."

What was also needed, he added, was a national regulator in order to achieve the regulation of the electricity supply industry on a national basis. "Other resources must be obtained and this can only be done in collaboration with local authorities."

Since the start of its electrification drive in 1991 Eskom has spent more than R1bn on more than 500 000 connections.

Yesterday Eskom said these included 385 358 direct connections in townships (informal settlements included), as well as 28 772 completed by farmers (farm workers' houses) and 92 378 installed by municipalities for which Eskom had paid an incentive of R400 a connection.

"The incentive to farmers and municipalities is to speed up the electrification process," it said. (55)

In the past year it had made more than 208 000 direct connections in townships, informal settlements and self-governing territories where it had access compared with the planned 158 100.

Farm workers' houses accounted for more than 16 000 extra connections against a planned 11 700.

"Distribution in Eskom has been decentralised to five distributors — Cape Town (covering the western, eastern and southern Cape), Durban (Natal), Johannesburg (PWV area), Pretoria (covering northeastern, northwestern and eastern Transvaal), and Bloemfontein (covering the Free State, western Transvaal and northern Cape).

"Total direct connections for the 1991/93 period per distributor (not including those done by farmers and municipalities) were Bloemfontein 70 764, Cape Town 41 020, Durban 100 895, Johannesburg 76 691 and Pretoria 95 988."

Electricity the green light for peace

WM 21-27/1/94

Electrification could be the key to peace on the East Rand, according to a plan presented to the TEC this week. Stephen Laufer reports

Power to the people: Cyril Ramaphosa, Joe Slovo and Mac Maharaj at the TEC this week PHOTO: GUY ADAMS

AS a veteran of the communist movement, the Transitional Executive Council's Mac Maharaj may have had Lenin on his mind as he searched for a peace plan for the East Rand over the past fortnight.

Communism, Lenin explained, is people's power plus electrification. Maharaj is convinced that the comprehensive electrification of Thokoza, Katlehong and Vosloorus will be the key to bringing calm and social justice to the area.

Eskom, Maharaj told the TEC this week, had promised to start electrifying every house in the area within a week of a TEC go-ahead.

The overall solution for the East Rand might lie in the proclamation of a disaster area, said Maharaj. Alluding to the Los Angeles earthquake, he hinted at direct TEC intervention: "In a disaster situation, a single authority has the power to override other institutions and to call on them for help."

The East Rand disaster relief authority is likely to be part of a composite plan due to be published this weekend. It is expected to combine massive funding for urban development projects like electrification with a new approach to security, including the replacement of the ISU by SADF elements and joint patrols by all parties to the conflict.

Maharaj gave a graphic and impassioned report on the crisis in the East Rand townships.

Maharaj painted the picture of an area where water was a precious commodity, railway lines were sabotaged regularly and hostels had become armed encampments.

On a tour of the area, the TEC officials were driven into Schoeman Road, which can only be used by armoured vehicles.

"Any other movement — vehicular or pedestrian — is a guaranteed death sentence, whether from the snipers on the left or on the right. The road is flanked by deserted houses on either side, many gutted and most with bullet marks clearly visible. The eeriness of the situation is made more marked by the visibility of human life at the end of the no-go zone."

The area was such a death trap, said Maharaj, that cars left abandoned were still intact. "No one dares strip them — they know Schoeman Road means death." Maharaj described how one man was allowed to walk through the road freely. Mentally disturbed, he enjoyed the protection of both sides.

Other areas had their own unwritten laws, and not knowing them could — and every night did — mean execution for the unsuspecting. The test in Inkatha-held areas, said Maharaj, was proof of IFP membership.

In the ANC-dominated areas, the test was also IFP membership. "Inkatha members normally face death, but members of other parties such as the PAC are generally safe."

There was a clear correlation between the existence of no-go areas and the proximity of hostels. Buyafuthi hostel, from which shots were fired at Cyril Ramaphosa and Joe Slovo, houses so many weapons that residents were able to sustain a three-hour gunfight with the SADF.

Constitutional Affairs Minister Roelf Meyer told the council R33,5-million had been available for hostel upgrading for some time. "It's been impossible to get consensus on spending the money," he said.

Hostel dwellers had sent their families home. "They are caught in a war psychosis," said Maharaj.

Even without the daily bloodletting, the East Rand was a horrific environment. Phola Park, where shacks had been built cheek by jowl for security reasons, had neither water supply nor sewage and garbage disposal.

Eight taps were available to the thousands living in three other settlements. Formal townships were often without sewage disposal, Meyer said. "Pumping stations have been sabotaged several times. Repairs run at R 1,2-million each time."

Despite signs of civic pride such as neatly kept gardens, said Maharaj, there was widespread despair on the East Rand. "This includes the ISU," he said. "However well-intentioned, the policemen cannot see the fruits of their efforts. Theirs is an aimless task of body collection and running after criminals, where their lives are at risk."

SA's 10% gas price hike in 1993 'highest'

CT 2/2/94 (55)

Own Correspondent

JOHANNESBURG. — After a 10% increase in 1993, local gas users are paying the fifth highest price of 11 major countries analysed in the latest international gas price survey compiled by National Utility Services (NUS).

NUS SA national sales manager Rob Mackenzie says the local 10% price increase is the highest in the 11 countries surveyed and, significantly, it exceeded the 9,1% rate of inflation. Of the other countries, only two exceeded inflation with their price increases — the US with 5,4% (inflation 2,8%) and Italy with 4,9% (inflation 4,2%).

The analysis, on a cents per kilowatt-hour firm contract supply basis, shows that local gas at 6,4c is more expensive than in Britain, Belgium, the Netherlands, the US, Australia and Canada. It is cheaper than in Italy — the most expensive — and in Germany, France and Sweden.

For large users consuming a million therms or more a year, SA is the most expensive country because no discounts are offered on volume.

A specialist in fuel and energy cost analysis, NUS serves 35 000 customers worldwide. More than 2 500 of these customers are South African, at about 25 000 different sites around the country.

"In this year's survey it has been decided that as Gascor supplies more than 95% of the country's requirements, our survey is now based only on the Gascor price so as to reflect a truer picture for the vast majority of gas users," Mackenzie said.

Among other suppliers of piped gas, Johannesburg Gas increased its average price 15,7% during 1993 to 11,13c/kWh and Cape Gas 15% to 17,69c/kWh. This compares with Gascor's increase of 10% to 6,4c/kWh. Belgium, Germany, Canada, France, the Netherlands and Sweden decreased prices, Britain maintained prices at the 1992 level and Australia raised prices only 1%.

'Gas-from-trash' SA first

JOHANNESBURG. — South Africa's first full-scale "gas-from-trash" plant is to be built at a Pretoria landfill site this year, Engineering News reports.

CT 8/2/94

The membrane biogas purification plant, which will produce methane gas to power municipal vehicles and equipment, will be built at Pretoria's Eersterus landfill site.

65 (55)

This follows the successful operation there of a pilot plant by the Atomic Energy Corporation's Membrasep Division.

The Pretoria city council hopes to power its entire fleet of dump-trucks and compactors used at the site with the methane. The gas is expected to meet the council's needs — the equivalent of 500 litres of liquid fuel a day — if run continuously.

A tip handling 1 200 tons of garbage a year could produce more than 100 litres of fuel an hour, 24 hours a day, the report says. One cubic metre of methane has the energy equivalent of 1,1 litres of petrol.

Membrasep is also investigating the use of biogas in other applications, including power generation. — Sapa

The Inkatha Freedom Party's Ben Ngubane and Prof Hermann Giliomee of UCT at a conference yesterday in Johannesburg on the interim constitution. Picture: GARTH LUMLEY

Eskom active in keeping grid plans on schedule

BDay 11/2/94

MICK COLLINS

IN AN effort to keep the construction of a southern African electricity grid on schedule, a series of top-level meetings involving Eskom and neighbouring power utilities have been taking place over the past few months.

The electricity authorities of Zambia, Zimbabwe, Mozambique and Botswana are involved in the talks at which the basis of the grid is being formulated.

Eskom envisages the reinforcement of existing agreements and the creation of new multilateral agreements with neighbouring corporations with the backing of their governments.

Major extensions of the grid will, in the medium term, span Botswana, Zimbabwe, Zambia, Mozambique and Zaire, and in the long term Tanzania, Uganda, Kenya and Angola. Each of the respective countries will have to finance its "leg" of the grid, but this will require finance from bodies such as the World Bank, African Development Bank, the European Investment Bank and other sources.

The grid will bring far-reaching social and economic benefits to the region and will provide the southern African economies with a boost in terms of indirect demand for technical and consumer goods.

Eskom predicts electricity supply opening up among the region's 200-million population, only 10% of whom now have access to electricity.

In the process, SA electricity prices will benefit, initially because Eskom will be a net exporter of electricity, absorbing existing over-capacity. Later, it will be possible to import cheaper hydro power, thus cushioning capital expenditure demands and production costs.

55

Eskom should have spare capacity up to and beyond the year 2000.

The first steps towards the grid have already been taken with the initial phase of the construction of a 400kV line from Ellisras to Bulawayo, which will provide power to Zimbabwe. The quantity of energy exported will be determined in response to the levels of water at Kariba, Kafue and other hydro stations.

A complementary project involves strengthening the power system between Eskom and the Botswana Power Corporation (BPC) by the addition of two 132kV lines to Gaborone, which is already linked at 220kV to Zimbabwe via Francistown.

Work on the 132kV project is already under way and will be financed jointly by BPC and Eskom. Work on the Ellisras-Bulawayo line will start soon. Eskom will cover the costs up to the Botswana/Zimbabwe border and Zimbabwe will cover the costs in its country. The total cost of the project will be about R370m, the Zimbabwe portion being about R200m. It is hoped that this project will be completed within the next two years.

Eskom anticipates a mix of power sources for the grid — coal-fired, nuclear (Koeberg), pumped storage, gas-fired and hydro. Of the hydro sources, Cahora Bassa in Mozambique will be involved while other stations in the grid will include Capanda in Angola, Ruacana and Epupa at the Namibia/Angola border and Batoka Gorge or lower Kafue in Zimbabwe/Zambia.

Star 12/12/94

Manuel spells out ANC's nuclear power stance

A DECISION to close Koeberg power station would not be taken lightly by an ANC government, but the country would remain free of nuclear weapons, the ANC said at a conference on nuclear policy for a new South Africa. STEFAANS BRUMMER reports.

(55)

CAPE TOWN — An ANC government would "thoroughly investigate" before thinking of closing Koeberg nuclear power station, ANC economics head Trevor Manuel said last night.

Delivering a keynote address at a conference on a new nuclear policy for South Africa, he squashed rumours that he "would today announce the closure of Koeberg".

Secrets

The country could ill afford to lose the highly skilled people employed by Koeberg, and the Atomic Energy Corporation's technological capacity should not be unravelled "lightly", he said.

But while the hornet's nest of South Africa's nuclear secrets was being scratched open again, Manuel gave a firm ANC commitment that the country would remain free of nuclear weapons: "We want to state unambiguously that the ANC does not want a nuclear weapon capability in South Africa," he told international and local experts hosted in Cape Town by the Environmental Monitoring Group and the ANC science and technology department.

Manuel said President de Klerk stood in "a mushroom cloud" of lies and distortions after details were published yesterday of a court judgment seemingly contradicting De Klerk's "coming clean" speech last year on the country's nuclear bombs.

A weekly newspaper published extracts from a 1989 Supreme Court judgment which it claims contradicts statements in Parliament by De Klerk that South Africa had never co-operated with other countries in nuclear weapons development nor traded technology and material.

The judgement, after an in-camera trial of former air force brigadier Johann Blaauw, who acted as go-between for the South African and Israeli governments, seems to indicate that tritium, used in nuclear bombs, was indeed provided by the Israelis and that there was an exchange of technology.

Manuel said: "A few months ago we were treated to a display of the closure of a few holes in the desert. We were told that the capacity has been completely destroyed.

Stockpile

"We have not yet been told what has happened to the stockpile of 400 kg of uranium 235 or the whereabouts of the tritium from Israel which could make another eight nuclear bombs.

"There is no basis for trusting anything that any Government official has said about this country's nuclear capacity."

(47 Sauer Street, Johannesburg.)

FW 'did tell full nuke truth'

CT 12/2/94 (55)

By BARRY STREEK
Political Staff

REPORTS that President F W de Klerk did not tell the full truth of Pretoria's nuclear weapons programme last year were denied yesterday by the chief executive of the Atomic Energy Programme, Dr Waldo Stumpf.

The Weekly Mail claimed yesterday Mr De Klerk had not revealed all details of trade with Israel related to nuclear weapons.

The paper also alleged the Sunday Times had been *gagged* on the matter last weekend by threats of a state interdict.

The Weekly Mail said Pretoria bought 300 grams of tritium — used to initiate nuclear explosions — from Israel in 1977; that Pretoria supplied uranium oxide to Israel in 1977; and that South Africa had swapped much technology with Israel.

The newspaper said transcripts of the trial of Brigdadier Johann Blaauw confirmed the government and Israel collaborated on nuclear weapons development.

But Dr Stumpf said tritium was not used in nuclear explosive devices in South Africa. It had many commercial uses and was not subject to International Atomic Energy Agency safeguards.

He said Pretoria had long been trading uranium oxide and had supplied a number of nuclear and non-nuclear states.

He said this "never extended" to trade in technology used for making nuclear weapons.

"President De Klerk is therefore . . . accurate in his assertions in this regard."

ANC: SA should be nuclear-free zone

CT 12/2/94 (55)

Staff Reporter

THE ANC does not want a nuclear weapon capability in South Africa and has endorsed the Organisation of African Unity declaration for the African continent to be a nuclear-free zone, Mr Trevor Manuel, ANC head of economic planning, said last night.

Mr Manuel, addressing the ANC conference on "nuclear policy for a democratic South Africa", suggested a study on whether the Koeberg nuclear power station should be shut down.

He said about R400 million was still being spent on nuclear projects, down from its mid-80s peak of R980 million, which was "still high enough to be a major concern".

ANC's power station tour off

ORGANISERS of an international conference on nuclear policy cancelled plans for delegates to visit the Koeberg nuclear power station after a disagreement between Koeberg management and workers, an ANC spokesman said.

ANC science and technology spokesman Mr Roger Jardine said the visit was planned for Friday, but "became impossible" because of a dispute.

Richtersveld site rejected

THE Richtersveld had been considered — and rejected — as a potential site for dumping nuclear waste, the head of the Atomic Energy Corporation's environmental technology department, Dr Brian Hambleton-Jones, said on Saturday.

The area was one of three considered. The facility was eventually established at Vaalputs. — Sapa

SA N-blast role alleged

INFORMATION would probably emerge in the very near future to show that South Africa collaborated with Israel in a neutron bomb test in the South Atlantic in 1979, the national co-ordinator of the ANC's science and technology group, Mr Roger Jardine, said.

Speaking in Cape Town at an international conference on nuclear policy at the weekend, he said he believed this would add another item to the "list of lies" that President F W de Klerk had told about South Africa's nuclear weapons programme.

Chief executive of the Atomic Energy Corporation Dr Waldo Stumpf told the conference it should go on record that no fallout was ever measured anywhere after the flash.

"It was possible it was a 'clean' bomb," he said. "I wouldn't know. South Africa was not involved." — Sapa

(55) CT 14/2/94

Alternative to Koeberg 'is far too expensive'

(53) CT 14/2/94

CLOSING down Koeberg prematurely would cost the country thousands of millions of rands, money which could be better spent on electrification and housing, a senior official in Eskom's nuclear generation division, Mr Tony Stott, said.

He told an international conference on nuclear policy at the weekend that Eskom considered it essential to keep Koeberg in operation right up to its planned decommissioning date in 2015.

Koeberg was "absolutely safe", and one of the safest nuclear power stations in the world. Alternative power sources would be far too costly. — Sapa

Embassy papers 'helped activists'

DOCUMENTS that "went missing" from the South African embassy in Bonn in the mid-1970s provided anti-apartheid activists with important confirmation of the Republic's nuclear programme.

This was revealed on Saturday by Mr Abdul Minty, director of the World Campaign Against Nuclear Collaboration with South Africa.

Mr Minty, who is attending a conference on nuclear policy in Cape Town, said in an interview that in 1975 the campaign received a number of SA government documents, some of them in the post.

CT 14/2/94

These included papers which apparently originated from the embassy in Bonn.

The documents included copies of exchanges between authorities in South Africa and Bonn, and exhanges with the German state-controlled nuclear company STEAG, he said.

The papers had confirmed some of the campaign's monitoring of German nuclear collaboration with South Africa, including a year's secret training in nuclear enrichment for the present head of the Atomic Energy Corporation, Dr Waldo Stumpf, and colleagues. — Sapa

55

Early Koeberg closure mooted

By DAN SIMON

THE costs of running the Koeberg nuclear power station were prohibitive and could lead to its premature shutdown, the ANC's science and technology national co-ordinator, Mr Roger Jardine, said yesterday.

He was responding to questions from the press after the ANC's conference in the city on a nuclear policy for a democratic South Africa.

The ANC's science and technology policy division declared at the conference that South Africa had no need for more nuclear power stations.

The policy group also said the costs of running and decommissioning Koeberg — about R2 billion — were prohibitive, especially given the electricity generation over-capacity and the "substantial potential" for imports of hydro-power.

"It would recommend that a new ANC-led government appoint a commission to inquire into all facets of the nuclear programme.

"The commission could decide to close Koeberg if it found sufficient reason."

Dr Paul Jourdain, co-ordinator of energy policy for the ANC, said the organisation would also review the Atomic Energy Corporation's Z-plant, where nuclear fuel is manufactured.

The AEC had projected closure of the plant for 1996, but this "may be brought forward", he said.

CT 14/2/94

● 'ANC could rebuild nukes' — Page 4

(55)

'ANC could rebuild nukes'

(55) CT 14/2/94

A FORMER nuclear spy for the ANC told an international conference on Saturday an ANC government would rebuild South Africa's nuclear bombs if forced to by world events.

Dr Renfrew Christie, a member of the ANC's science and technology group and Dean of Research at the University of the Western Cape, said the ANC had not committed itself to a nuclear weapons-free South Africa for moral reasons.

It had done so simply because the country's interests would not be served if it had atom bombs now, he told a conference on a nuclear policy held by the ANC at a Sea Point hotel.

"South Africa will not make, or possess, atomic or hydrogen bombs in the foreseeable future, not in the next 10 or 15 years. But we must understand clearly why we make this decision.

"We make this decision because our people simply do not want these bombs now.

"We also make it because the world community has not forced us to go nuclear."

Dr Christie, who was jailed for seven years for nuclear spying, said the ANC could not say it would never build a bomb.

It was possible that in 40 or 50 years there would be a "horrible" world outside, and people would agree the country needed a nuclear weapon.

The national co-ordinator of the science and technology group, Mr Roger Jardine, said immediately afterwards that the ANC had said it would abide by the Non-Proliferation Treaty, and would work hard to make Africa a nuclear weapons-free zone. These commitments from the ANC foreclosed any possibility of the ANC building weapons.

Dr Christie said a small clause in the treaty said that in "time of ultimate need" a signatory could withdraw.

"That's the door I'm leaving open." — Sapa

'A threat to democracy'

NUCLEAR development was a threat to democracy, the organisation's conference on nuclear policy heard on Saturday.

British nuclear consultant Dr John Large said nuclear power had cost billions to develop.

"It has failed to produce electricity at competitive prices, it has yet to resolve the mounting radioactive waste issue."

Greenpeace International spokesman Mr Damon Moglen told the conference nuclear development had produced and relied on anti-democratic tendencies.

It had fostered secrecy, extra-legality and undemocratic decision-making.

President of the International Institute of Concern for Public Health, Dr Rosalie Bertell, said the nuclear industry had been "built on lies".

ANC 'no' to nuclear weapons

EDWARD WEST

CAPE TOWN — The ANC did not want a nuclear weapons capability in SA and it had endorsed an OAU declaration calling for the African continent to be a nuclear-weapon free zone, ANC economics department head Trevor Manuel said at the weekend. B/Day 14/2/94

He was opening a conference organised by the ANC on future nuclear policy issues.

Manuel said there were indications that Western powers were more nervous about nuclear capability in the hands of an ANC government than the same, or even enlarged capacity, in the hands of the apartheid regime.

He said SA's capacity to build nuclear bombs had cost the taxpayer R8bn and not the R800m which President FW de Klerk had said it had cost. Analysis indicated that power from the Koeberg nuclear power station was more costly than other generating options such as coal or natural gas, he added.

US-based Institute for Science and International Security president David Albright said one of the most pressing problems facing a new government was what would happen to the high enriched uranium (HEU) stored by the Atomic Energy Corporation (AEC) under heavy security.

The AEC currently planned to use the higher quality HEU to fuel the Safari research reactor, which could operate for another 15 to 20 years. The remaining HEU would probably be convered into low enriched uranium.

Albright said the US and other governments were concerned about the HEU remaining in SA for fear of a later government reconstituting a nuclear bomb programme, or an extremist faction seizing the HEU for material or political gain.

He said the US and the AEC were jointly investigating the feasibility of replacing the HEU fuel in the Safari reactor with new non-weapon-usable low enriched uranium fuel. (55)

The AEC also expressed a willingness to allow the keys and controls to the HEU storage facility be turned into a vault under the control of international nuclear monitoring agencies.

Report by E West, TML, 122 St George's St, Cape Town.

Nuclear plants uneconomical and should be banned — ANC

(55)

ARG 14/2/94

JOHN YELD
Environment Reporter

NUCLEAR power stations are not economically viable and no more should be built in South Africa, says the ANC.

There should be an urgent probe into Koeberg nuclear power station to see whether it should be closed immediately or allowed to continue to the end of its 35-year design period.

These were among the recommendations of the ANC's "Nuclear policy for a democratic South Africa" conference at a Sea Point hotel at the weekend.

About 200 delegates attended, including representatives of the Atomic Energy Corporation, Eskom, environmental researchers, lawyers and others.

At a press briefing afterwards, the ANC's national co-ordinator of science and technology policy, Roger Jardine, said the findings of the conference were recommendations and were not binding on ANC policy.

Delegates had emphasised the importance of South Africa's commitment to the nuclear Non-Proliferation Treaty (NPT) and of rejecting the nuclear militarism of the apartheid era.

Key questions debated had included South Africa's "over-investment" in nuclear research.

"The current analysis of nuclear power indicates that it is more expensive than generating options such as coal, natural gas and hydro-power. Nuclear power also comes with future unknown costs for decomissioning and waste management.

"Given the electricity over-capacity and the substantial potential for imports of hydro-power from Southern Africa, it is clear that South Africa has no need for further nuclear power stations," Mr Jardine said.

An urgent commission of inquiry into the future of Koeberg, including a review of all its economic, social and environmental costs, was likely to be initiated soon — possibly by the Energy Policy Council which the ANC was committed to establishing.

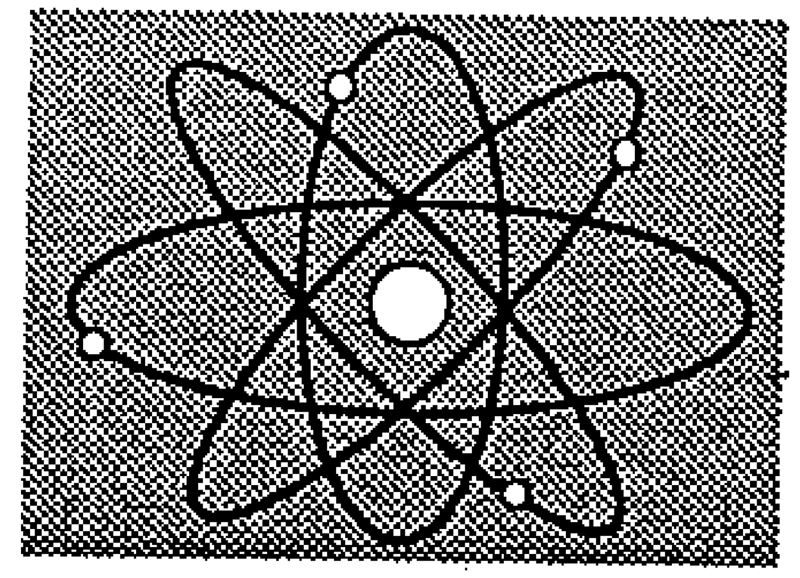
"We don't want to pre-empt such a commission but it's quite possible that it might recommend immediate closure (of Koeberg)," Mr Jardine said.

● It would cost about R2 250-million to decommission Koeberg and store its radioactive waste safely, the conference heard.

Nuclear industry buffeted by critical flak and fallout

Star 15/2/94

COMPARISONS between South Africa's nuclear history and apartheid were made at a conference to plot the country's atomic future, reports Ben Maclennan



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For decades, South Africa's nuclear industry operated under a shroud of secrecy, devouring several billions of rands in State funds.

At the weekend, it came face to face with its critics in what was billed as the first public debate in South Africa on nuclear policy — and it didn't always come off best.

The conference, co-hosted by the ANC and the Cape Town-based Environmental Monitoring Group, was designed to provide input on nuclear policy for the post-April 27 government.

One of the strongest critics of the nuclear industry at the conference was the National Union of Mineworkers, which has a membership of 10 632 in Eskom, operators of Koeberg — South Africa's only nuclear power plant.

The union's assistant general secretary, Gwede Mantashe, was applauded when he told the conference that the NUM resolved at its triennial conference in Pretoria last week that it should become actively involved in the lobby against more nuclear power stations.

"It is our view that the building of the Koeberg power station was a political decision and not an economic decision. The desirability of a nuclear power station or further development of nuclear power stations is questionable," he said.

One nuclear accident would have a disastrous effect on the whole of southern Africa, he added.

"Nuclear power is like apartheid," Mike Cope, secretary of the Cape Town-based Eco Programme. "Both have cost our country untold billions which could have been spent better elsewhere. Both have created jobs, but only for a qualified few, and at unacceptable social, economic and environmental cost. Both are insane in their logic — the logic of mutual assured destruction."

Fought back

The industry representatives — who formed a large proportion of the delegates — fought back vigorously.

Koeberg was safe, environmentally clean, and the most cost-effective way to generate power in the western Cape, insisted Eskom representative Tony Stott.

"The refuse that results from Koeberg, radioactive or not, is better controlled than any household refuse or any other industrial waste," he said.

But even Atomic Energy Corporation chief executive Dr Waldo Stumpf's mini-lecture on the danger of global warming — "nuclear power can't save the world, but this disaster cannot be averted without nuclear power" — failed to convince the sceptics.

The scientists' case was not strengthened by a member of the Institution for Nuclear Engineers who said it was a "red herring" to claim that Koeberg's spent fuel could be used for nuclear weapons.

Challenged, he modified his statement: "You can't make a *decent* bomb," he said.

At a press briefing at the end of the conference, ANC spokesman Roger Jardine spelt out the ANC's position on the major issues.

Everyone already knew the ANC had said no to the Bomb (although one speaker, former political prisoner Dr Renfrew Christie, claimed this had more to do with South Africa's current interests than with morality).

But on the other big question — the principle of using nuclear power for civilian applications — the answers were less clear-cut.

"Given the current electricity generation overcapacity and the substantial potential for imports of hydro-power from southern Africa, it is clear that South Africa has no need for further nuclear power stations," Jardine said.

As for closing Koeberg, the country's only existing nuclear power station, there would have to be an investigation "taking into account all its economic, social and environmental costs".

When there is an investigation, it is likely that one of the voices heard will be that of ANC veteran Denis Goldberg, who delivered the last formal presentation of the conference.

"We once naively believed that a handful of uranium, refined into a suitable fuel, would be all that we needed for a lifetime for clean and cheap power production for many thousands of people," he said.

"Now we know better — a handful of radioactive nuclear fuel can kill thousands of people, and even breathing a small quantity of radioactive nuclear vapour can kill, quickly but awfully.

"We might yet take a decision to conduct industrial activities which are a risk to human life, but we must know what those risks are and determine openly that they are worth taking; that we are collectively prepared to sacrifice some lives for the benefit of the overwhelming society.

"But we must know that those industrial risks will not destroy our society and the planet on which we live." — Sapa.

'Out nuclear secrets' call

JOHANNESBURG. The ANC has called for immediate and unconditional public access to the transcripts of a secret 1988 trial of a former army brigadier who allegedly presented evidence of nuclear collaboration between South Africa and Israel.

This follows the disclosure of the trial of Brigadier Johann Blaauw by a weekly newspaper last week, suggesting his evidence proved that President F W de Klerk lied when he said South Africa had received no outside help in its nuclear weapons programme.

The ANC said yesterday the programme had been financed by taxpayers, who had a right to know about it. — Sapa

5/5/94

53

Hydro power 'beats coal'

THE future energy needs of Southern Africa should come from hydro-electric power in Mozambique, not from coal with all its environmental problems, the executive secretary of the South African Development Conference, Dr Kaire Mbuende, said yesterday. (55)

This power could be obtained not only from Cahora-Bassa but from other sources in Mozambique, he said at the International Press Institute conference in Cape Town. CT 16/2/94

Mr Mbuende also made a strong plea for regional co-operation in South Africa.

Koeberg report 'human error'

CT 17/2/94 (55)

AN internal Eskom report has criticised maintenance staff at the Koeberg nuclear power station for lack of attention to detail in their work, and said they felt they were under too much production pressure at times.

A copy of the report was obtained during a conference on nuclear policy at the weekend, where several speakers expressed concern over "human error" as a factor in the safety of nuclear power stations — and some called for the immediate closure of Koeberg.

However, Koeberg's station manager, Mr Peter Prozesky, has stressed that incidents referred to in the internal report at no time presented any nuclear danger.

And Mr John Henderson, Koeberg's nuclear general manager, commented that while he supported the need for the public to be informed at all times about the operational performance of Koeberg, he felt it was misleading that judgments should be formed on isolated internal incident reports. These were honest attempts to be extremely critical of all incidents, no matter how trivial, and to learn from experience.

Explaining the circumstances of the internal report Mr Prozesky said Eskom was trying to cut down the length of its "outage" time — de-activation of a reactor for routine maintenance and refuelling.

But, he said, it also recognised that the human being was the "weak link in the chain", and compensated for this with stringent quality checks.

The report dealt with an incident towards the end of last year, when one of the two units at Koeberg was being recommissioned after an outage.

A maintenance technician failed to replace computer cards that would allow "make-up" pumps to activate automatically when water in a steam generator loop dropped below a certain level.

This was missed in a check before the unit was recommissioned, and was only discovered more than a month later.

An internal investigation into the incident found that staff felt they were under too much pressure during outages.

Mr Prozesky confirmed another incident during an outage at Koeberg last year, when a misunderstanding between staff resulted in a valve between the reactor building and the spent fuel storage building not closing fully.

Some of the boron-enriched water that covered and shielded the spent fuel drained away.

Asked what would have happened had the spent fuel been exposed, Mr Prozesky said that was "just not possible" and "not worth speculating about".

"In terms of its implications for us, it was a minor incident." — Sapa

Nuclear review welcomed

ESKOM has welcomed the review process proposed at the recent African National Congress conference called to debate a nuclear policy for a democratic South Africa.

"The willingness of the ANC to involve all stakeholders in this process will lead to an understanding of the importance of nuclear power in the present and future energy mix in South Africa," nuclear general manager Mr John Henderson said yesterday.

Mr Henderson said an alternative to coal as a source of energy in South Africa was presently in operation and proving itself reliable and safe — the Koeberg nuclear power station.

Koeberg, in its 10 years of existence, had demonstrated its ability to generate power with first-class reliability and minimal environmental impact.

Mr Henderson said: "The experience gained through Koeberg will stand South Africa in good stead during the next century, when the world will experience an energy crunch.

"Declining coal, oil and gas reserves will spark a worldwide search for energy, and those countries with established nuclear capabilities will be at a major advantage." — Sapa

Eskom welcomes ANC nuclear plan

B/Day 17/2/94

(55)

CAPE TOWN — Eskom has welcomed the review process proposed at the recent ANC conference called to debate a nuclear policy for a democratic SA.

"The willingness of the ANC to involve all stakeholders in this process will lead to an understanding of the importance of nuclear power in the present and future energy mix in SA," nuclear GM John Henderson said yesterday.

As a developing nation, SA faced "exceptional" demands on its resources to fund large-scale reconstruction and upgrading programmes.

He said an abundant supply of reliable, low cost electricity was a vital element. The country had depended on its coal reserves to supply this need, but coal would run out.

Koeberg, in its 10 years of existence, had demonstrated its ability to generate power with first-class reliability and minimal environmental impact.

He said the country's nuclear generation capability should be capitalised on and sustained, "not discarded for short term objectives".

Meanwhile an internal Eskom report has criticised maintenance staff at the Koeberg nuclear power station for lack of attention to detail in their work, and said they felt they were under too much production pressure at times.

However, Koeberg's station manager, Peter Prozesky, has stressed that incidents referred to in the internal report at no time presented any nuclear danger.

Henderson commented that while he supported the need for the public to be informed about the operational performance of Koeberg, he felt it was misleading that judgments should be formed on isolated internal incident reports.

Explaining the circumstances of the report Prozesky said Eskom was trying to cut down the length of its "outage" time — deactivation of a reactor for routine maintenance and refuelling.

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A maintenance technician failed to replace computer cards that would allow "make-up" pumps to activate automatically when water in a steam generator loop dropped below a certain level.

This was missed in a check before the unit was recommissioned, and was only discovered more than a month later.

An internal investigation into the incident found that staff felt they were under too much pressure during outages.

"But I want to stress that at no time was there any nuclear risk," Prozesky said. — Sapa

Eskom: 'Nuclear power is vital'

ARG 17/2/94 (55)

STEFAANS BRÜMMER, Staff Reporter

ESKOM has welcomed the African National Congress's proposed review of the need for Koeberg — but says nuclear power generation is "vital" to South Africa's future energy needs.

An ANC environmental monitoring group conference on future nuclear policy recommended that no more nuclear power stations be built and the possible premature closure of Koeberg be investigated.

ANC national co-ordinator of science and technology policy Roger Jardine said: "The current analysis of nuclear power indicates that it is more expensive than generating options such as coal, natural gas and hydro-power."

Eskom's head of nuclear generation John Henderson welcomed the review. "The willingness of the ANC to involve all stakeholders in this process will lead to an understanding of the importance of nuclear power in the present and future energy mix."

He said an abundant supply of "reliable, low cost electricity" was vital to South Africa as a developing nation.

"To date, the country has depended on its reserves of coal to supply this need, but coal will run out."

NUCLEAR POLICY

FM 18/2/94

Rhetorical fog

At least one clear lesson emerged from the ANC's nuclear policy conference in Cape Town at the weekend: it's far easier to bash the nuclear establishment than formulate a politically coherent and economically viable energy policy for the future.

After three days of letting off steam, it was decided that key issues such as the future of Koeberg nuclear power station and the Atomic Energy Corporation (AEC) need thorough investigation by all interested parties.

It was a reasonable conclusion to a conference dominated by the anti-nuclear lobby. And it set the scene for a rational rather than emotional reassessment of the current state of the nuclear industry and its future under a new government. (55)

Though closing Koeberg was talked of as an option, any decision on its future, says ANC science and technology policy co-ordinator Roger Jardine, must involve all stake-holders, including the National Union of Mineworkers, who represent Koeberg workers and local communities, and must consider the economic, social and environmental costs.

Much of the conference was devoted to a harshly critical assessment of SA's past nuclear policy and the development of what was repeatedly described as a highly secretive, enormously expensive and economically unviable industry. Cont → P48

FM 18/2/94

The heavily outnumbered Eskom delegation battled with little success against the intractable brigade who tended to reject assurances that Koeberg is one of the safest nuclear power stations in the world or that current technology and resources make nuclear power one of the better options.

Criticism of past action was often well founded — as acknowledged by AEC CE Waldo Stumpf. But he argues that the hostile world environment in which SA's nuclear industry evolved left the government of the day with few choices. (55)

Stumpf says the AEC has rationalised and commercialised many of its activities and is working towards self-sufficiency. Nevertheless, Jardine says an ANC government will review the AEC's research and development programme "in order to remove the burden on the fiscus that these activities represent."

For example, the conversion of uranium yellowcake to uranium hexafluoride will be supported if it proves to be economically viable. However, uranium exports will have to be monitored to ensure they are in keeping with the ANC's commitment to nuclear non-proliferation.

An ANC government may also bring forward the AEC's 1996 deadline for the closure of its Z-plant which manufactures nuclear fuel. The facility is uneconomic. Cheaper fuel is available on world markets.

Future power generation needs, says Jardine, will be assessed on the basis of current overcapacity and the potential for imports of power from other parts of southern Africa. He believes, however, that SA does not need any more nuclear power stations.

The anti-nuke lobby gave no quarter at the conference. The ANC's Dennis Goldberg and Cape Town environmentalist Elfrieda Strauss, for example, insisted that Koeberg be closed and Mike Cope of the Cape Town-based Eco Programme likened nuclear power to apartheid because both had cost SA "untold billions" which could have been spent better elsewhere.

"Both have created jobs, but only for a qualified few and at unacceptable social, economic and environmental cost. Both are insane in their logic — the logic of mutual assured destruction," he said.

The debate is clearly a long way from over. ■

THE WEEKLY MAIL & GUARDIAN
February 18 to 24 1994

FW still lying on SA nuclear weapons

WM 18-24/2/94 (254) (55)

There is further hard evidence of SA-Israel co-operation on nuclear weapons, report **Jane Hunter and Paul Stober**

TESTIMONY in the trial of South African Air Force Brigadier Johann Blaauw, and South African submissions to the International Atomic energy Agency, leave no doubt that President FW de Klerk is still lying about key aspects of his government's nuclear weapons programme.

First disclosed in *Africa Confidential*, Blaauw's evidence was the subject of a *Mail & Guardian* front page story last week, which called into question De Klerk's assertion last year that South Africa had not acquired nuclear weapons technology or material from another country, or provided another country with nuclear materials.

Reacting to the expose, De Klerk insisted that South Africa's procurement of 30g of tritium from Israel, and its provision of yellow cake uranium to Israel, were not part of collaboration between the countries on nuclear and conventional weapons. His statement was endorsed by Atomic Energy Corporation chief Waldo Stumpf.

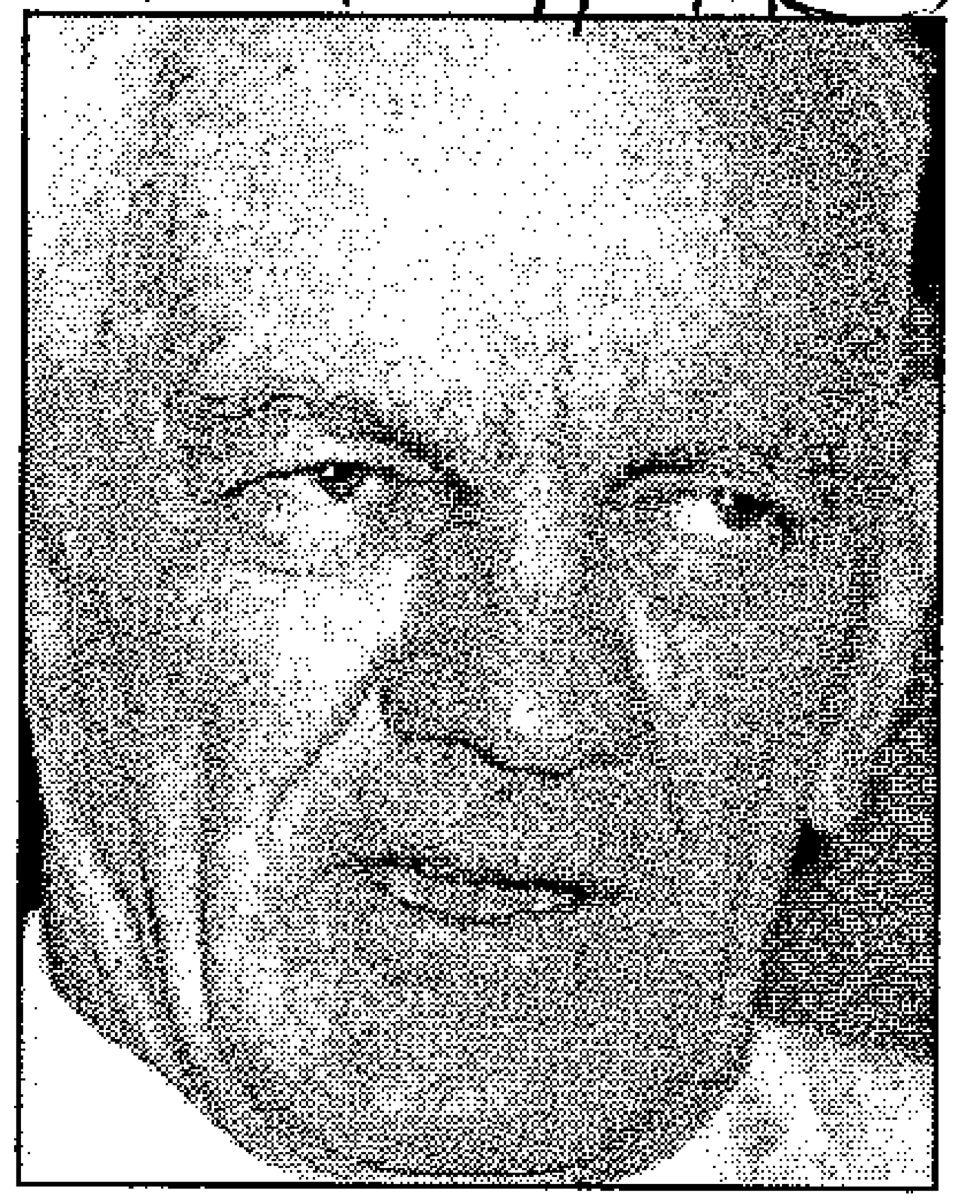
Cape Supreme Court documents make it clear that Blaauw was the government's key intermediary in sensitive military deals with Israel, including those involving tritium and yellow cake.

It was General Hendrik van den Bergh, head of the Bureau for State Security (Boss) who personally asked Blaauw to get tritium, according to the documents.

They note that the 30g Blaauw ultimately secured "was sufficient for the manufacture of 12 atomic bombs".

The tritium shipments were so sensitive that ranking South African and Israeli officials accompanied the 12 air shipments of the gaseous substance, and the heads of both governments were notified each time a shipment was successfully completed, according to the newly published book *Critical Mass* by US journalists William Burrows and Robert Windrem.

Much of what South African officials withheld from the public was told to the Vienna-based International Atomic Energy Agency (IAEA), which is charged with verifying the government's compliance with the Nuclear Non-Proliferation Treaty.



General Hendrik van den Bergh

According to a confidential IAEA document — it bears the identifying numbers GOV/2684 and 93-03174 — South Africa's Atomic Energy Corporation "received some tritium in 1977, but after the withdrawal of a small sample for the verification of its quality, the material remained in store until 1987".

During that time, according to the IAEA document, South Africa was engaged in "theoretical and practical" research on "lithium-6 separation for the production of tritium for possible future use in boosted devices".

The government also did the preliminary engineering work on a reactor — "to be built at a site at Gouriqua, near Mossel Bay" — to produce and recover plutonium and tritium, says the IAEA, repeating information provided by the De Klerk administration.

It adds: "In September 1985 the South African government decided to ... stop all work related to possible plutonium devices and to limit the production of lithium-6, but to allow further development work on implosion technology and theoretical work on more advanced devices."

The 1985 date seems compellingly to coincide with the refusal of international financial organisations to roll over their loans to South Africa. It is reasonable to infer that if sanctions had not started to bite, the South African government would have built an advanced nuclear device whose only purpose could be to attack — or threaten — nations within range of its surface-to-surface ballistic missiles.

Even after putting its advanced weapons programme on ice, South Africa kept the tritium for another two years. With extensive Israeli help, it worked on developing its own versions of Israel's Jericho missiles.

After the two countries jointly tested a South African Jericho clone from the Overberg test range in July 1989, US officials told reporters that one of the several missiles Israel was helping South Africa develop was intended for delivering nuclear warheads.

Last year De Klerk asserted that South Africa only planned to make seven crude nuclear weapons and only intended the six which were actually made as a "deterrent". This purportedly meant testing a bomb in order to blackmail Washington to save the established order from "total onslaught".

At an international conference last weekend to discuss future nuclear policy for South Africa, the head of the ANC's science and technology department, Roger Jardine, slammed De Klerk's "list of lies" about South Africa's nuclear weapons programme. He called for the nuclear industry to be opened to full public scrutiny.

■Jane Hunter is the American-based editor of Israeli Foreign Affairs, an independent publication on Israel's activities outside the Middle East, and the author of many articles on Israeli-South African military collaboration and Israel's nuclear weapons programme.

S1 Times 20/2/94

Nuclear weapons go to market

(55)

By BRONWEN JONES

ARMSCOR this week revealed exactly how it is beating its swords into ploughshares.

At a military research seminar in Braamfontein, Armscor senior manger Dr Andre Buys described how the only country in the world to ever dismantle a nuclear weapons capability had gone about it.

South Africa has 400kg of highly enriched uranium in storage 15km from Pretoria, supposedly safe against terrorists — unless they have scientists on their side, said Mr David Albright, president of the US-based Institute for Science and International Security.

South Africa also had a controversial batch of tritium, which dramatically increases the power of nuclear weapons, imported from Israel in exchange for uranium.

As part of the scheme, the tritium was sold for use in fluorescent signs such as those on cinema exits.

South Africa — the founder member of "the ex-nuclear club" — realised it had to commercialise its technology if it was to succeed in dismantling its nuclear weapons capability, said Dr Buys.

Scores of Armscor ideas were whittled down to 17 business units with processes stemming from the uranium enrichment programme.

Centrifuges designed to enrich uranium were adapted to reduce emissions from industrial stacks, to filter air for helicopter turbines and to improve mining ventilation.

URANIUM MAN . . . David Albright

Staff members at Armscor subsidiaries involved in the construction of nuclear devices also came up with 200 commercial ideas that were hacked down to six projects.

These were:

- Explosive cladding. Metals aluminium that cannot be welded conventionally are joined by explosives;
- Creating rare-earth magnets;
- Linking tungsten to copper or silver for use in electrical switchgear;
- Hot isostatic pressing which allowed components to be made from metallic powders;
- Pyrotechnic products which include special focused explosives to break up big boulders; and,
- A medical ventilator.

However, Dr Buys said it was not known if the technology conversion would be successful in the long term.

"Since no one else has dismantled a nuclear weapons programme, there is nowhere to look for advice."

The 400kg of highly enriched uranium outside Pretoria cannot immediately be reconstituted into weapon form.

And, with a glut of nuclear material on world markets, it is only worth R15-million.

But if, as the ANC wishes, it is used to make medical isotopes, the value will increase to R500-million.

However, Western nations oppose this option because they fear the "black bomb" — industry terminology for a black nation with nuclear-weapons capability.

Mr Albright said: "America doesn't want highly enriched uranium to remain in South Africa."

At the ANC's military research group meeting in Johannesburg this week, he said the West wanted the possibility of bomb-making removed from South African soil.

But Mr Albright said: "The US government won't give up on highly enriched uranium. They don't want to hurt South Africa economically — they just don't want it to have this power."

On the other side, the ANC was "upset by the lack of trust, the idea that it wants to create a black bomb".

"If highly enriched uranium wasn't present in South Africa, it would take years before it could get a nuclear weapon here," said Mr Albright.

"But as it is, the project could be reconstituted in secret and it would take only a few months."

Mr Dion Smith of Armscor confirmed that a maximum of 1 000 South Africans had known about the nuclear military programme — so reconstitution in secret was not impossible.

The closest South Africa came to using one was in 1987.

Test-bomb shafts were dug in the Kalahari desert and later closed in the 70s.

But they were reopened in 1987, said the ANC's Roger Jardine, because "the Cubans were overrunning the SADF in Angola".

Dr Buys said: "The shafts were reopened in relation to events in Angola. The war was reaching a semi-conventional state and it was backed by the Soviet Union."

The thinking was that if South Africa detonated a nuclear bomb in a shaft, the Americans would pick it up on satellite or seismic equipment and would be forced to help — or risk SA using remaining "credible devices".

And so the watchers and the watched, former adversaries, continue to debate the chronology and detail of what really happened, with Armscor asking for a copy of a the Soviet report it says "cannot exist".

Ban widens gap between flying and smoking

By ROGER MAKINGS

THE writing is on the wall for high-flying smokers as top international airlines increase pressure for smoke-free flights.

British Airways has started a weekly non-smoking Johannesburg-London flight on Friday nights. And it has not ruled out further such flights.

Air France recently reduced the number of smoking seats on its flights "following world trends".

And the Airports Company said it would ban smoking in certain sections of the nine SA airports it controls from next month.

The International Air Transport Association has said it would like a smoking ban on all flights from 1996.

BA joins the growing band of other international carriers like Cathay Pacific, which plans to be smoke-free by 1995.

Mr Malcolm Freeman, general manager for BA in South Africa said bookings for the non-smoking flight had improved. A second smoking flight remained on Friday nights.

"Market demand will dictate whether we extend non-smoking flights to our other schedules, but our surveys show that this will happen in time," he said.

?REFACE

'his report is one of a series of regional studies on available statistics on living standards nd other development indicators. It has been produced as part of a larger study of the South African Labour and Development Research Unit (SALDRU

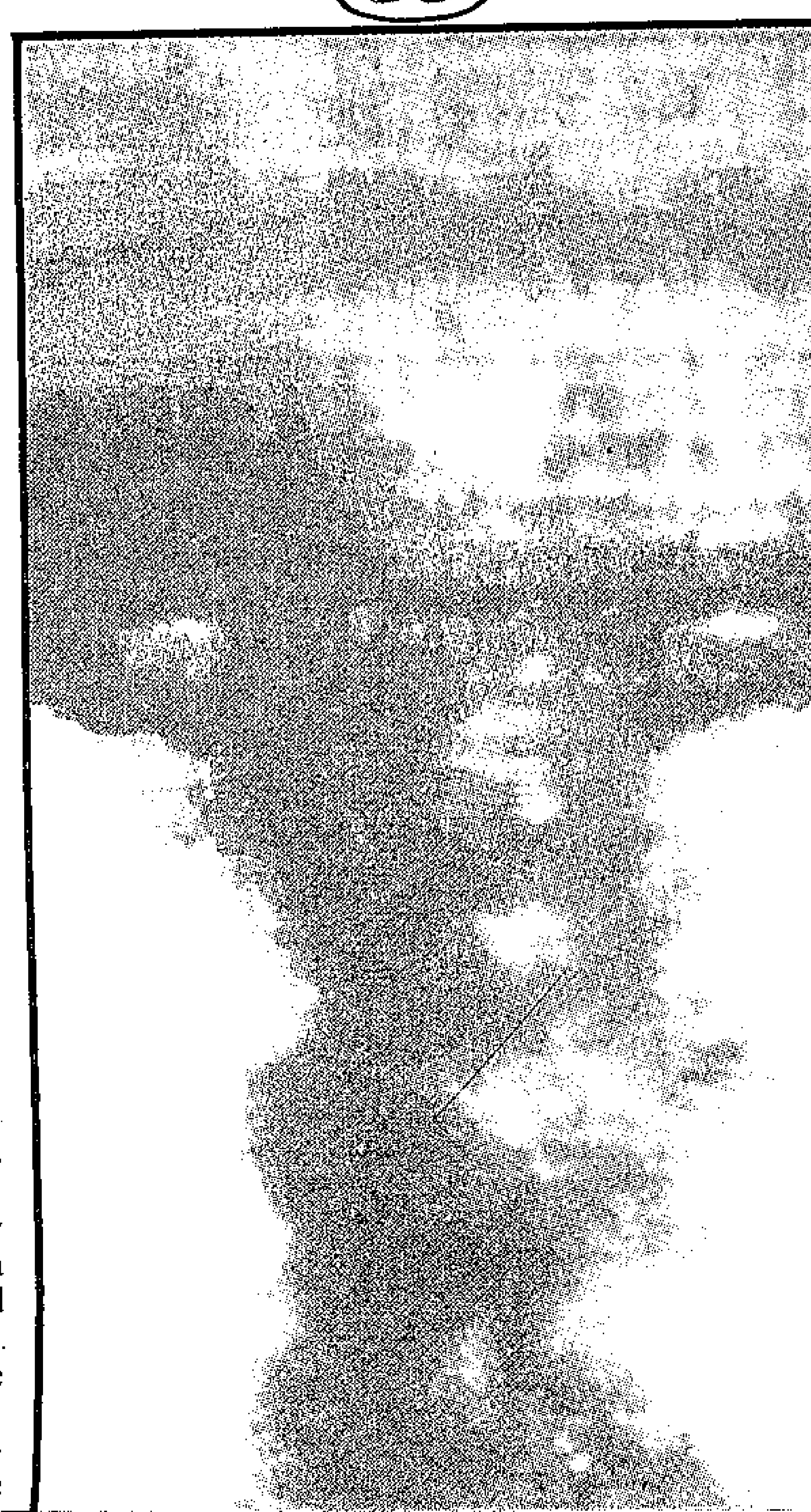
That bomb just won't go away ...

C/Press 20/2/94

55

...but Koeberg might, say ANC planners

President FW de Klerk and his government are still under fire for not coming clean about South Africa's co-operation with other countries in developing nuclear weapons. And a heated debate is also raging over the future of the country's nuclear programme. After holding a nuclear policy conference in Cape Town, the ANC has decided that SA needs no more nuclear power stations. DESMOND BLOW reports.



SOUTH Africa's nuclear policy has two unique features. It is the only nuclear country to have apparently voluntarily dismantled all its nuclear weapons – and the ANC is the only liberation movement to have a scientific technology division to deal with nuclear energy.

Last weekend the ANC's Scientific and Technology Division held a conference on Nuclear Policy for a Democratic SA in Cape Town. Over 200 international and local scientists, nuclear engineers, environmentalists and diplomats held a unique debate on the country's future energy needs and fears.

There were heated debates between the Atomic Energy Corporation and Armscor and their opposite the government's denial that SA had co-operated with other countries to manufacture nuclear weapons.

In March last year De Klerk announced that SA had indeed manufactured mass destruction nuclear weapons and that the weapons had been dismantled. He said SA had received no outside help.

The same week City Press in a front page exclusive headlined "Nuke Bombshell: Lies and coverups over SA's secret bomb deals with Israel" revealed that De Klerk had not told the truth. We gave details of Israel's involvement with SA and told of about four secret deals including the sale to SA of tritium needed to booster nuclear bombs.

Three weeks later City Press confirmed this report through an interview with the late Eschel Rhoodie, once Director of Information in SA, who helped transport tritium to SA from Israel.

Recently overseas press reports supporting this story were repeated in the South African press.

At the conference Abdul Minty, the founder member of the overseas Anti-apartheid Movement who was the Director of the World Campaign against Military and Nuclear Collaboration with SA, revealed that documents that "went missing" from the South African Embassy in Bonn in the mid-1970s provided anti-apartheid activists with important confirmation of SA's nuclear programme.

He said the documents included copies of exchanges between South African and German nuclear scientists. This included a year's secret training in nuclear enrichment for present AEC head Dr Waldo Stumpf, who was also a speaker at the conference.

Besides Israel and Germany, Minty said, the United States, Britain and Switzerland had assisted SA. He called on De Klerk to "come clean".

Between 1954 and 1972, Minty revealed, 155 US scientists visited SA and 90 South African nuclear scientists spent time in the US.

Former Rivonia trialist Dennis Goldberg, who was in jail with former Commodore Dieter Gerhardt (unmasked as a Soviet spy while he was commander of the Simonstown naval base), also revealed to City Press that Gerhardt had told him that the double flash over the South Atlantic in 1979 had in fact been a South African-Israeli nuclear device explosion. It was known as "Operation Phoenix", he said.

Goldberg, who was a delegate to the conference, is chief of the ANC's project department in London.

This week Gerhardt, speaking from his home in Switzerland, confirmed to City Press that he had told Goldberg about "Operation Phoenix".

He was not prepared to reveal the full facts about "Operation Phoenix" just yet, but said he was not directly involved in the planning of the operation, which was known to a very few people.

"The explosion was clean and was not supposed to be detected. But they were not as smart as they thought, and the weather changed – so the Americans were able to pick it up.

Unsophisticated

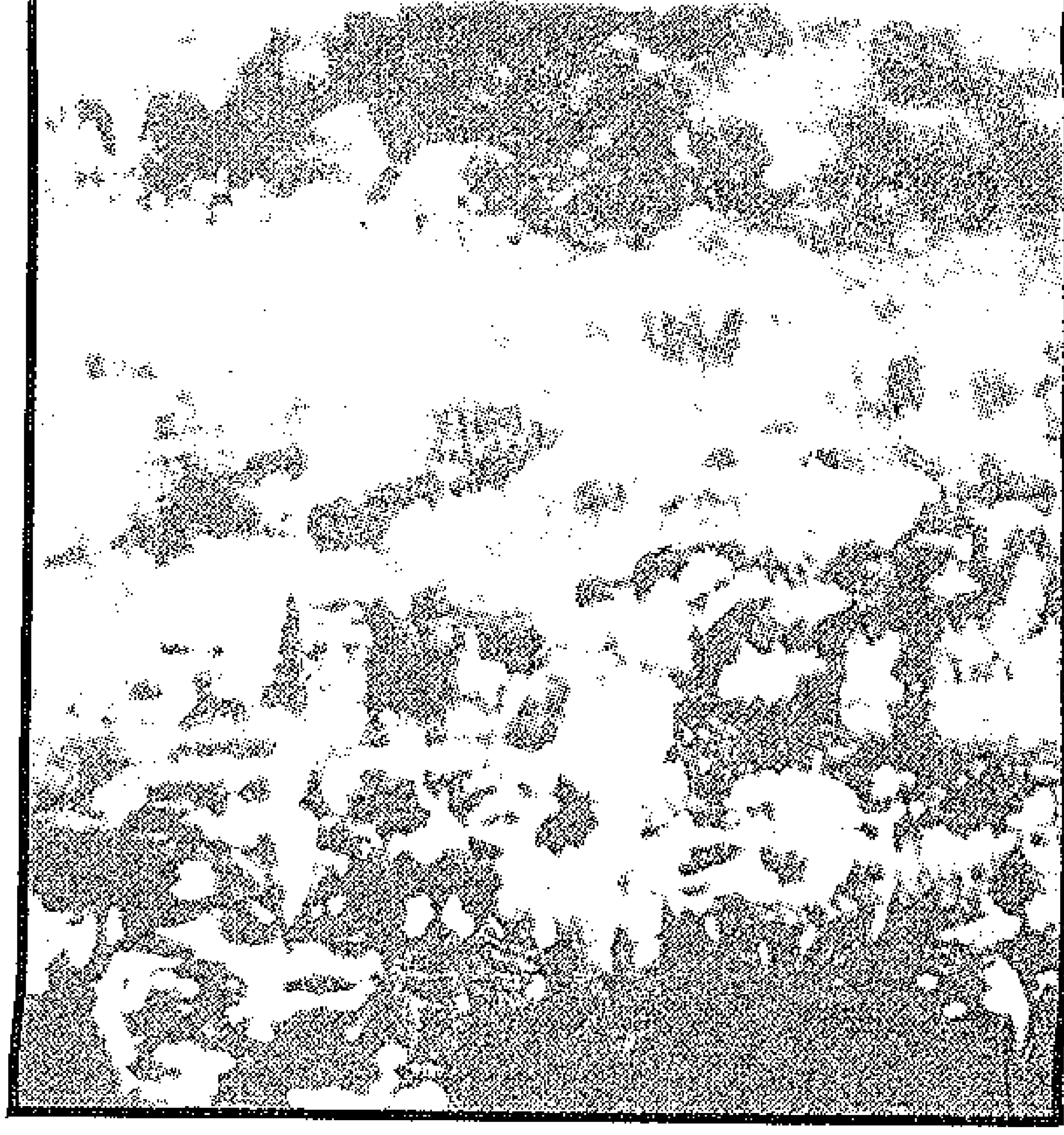
"No record of the movements of the South African ships involved in the event were kept," he said.

"Although the US authorities said they merely suspected there had been a nuclear explosion, they must have been well aware of it. There must have been radiation fallout. I don't know why the Americans said they could not find any."

The AEC – and not Armscor – was involved in "Operation Phoenix", he said.

Co-operation between SA and Israel began in 1974 with "very unsophisticated weapons at first", Dieter said. In 1976 "Russia and the United States had very concerned discussions about this, but decided not to do anything about it". He said the US must have taken the same decision in 1979.

At the Cape Town conference and again at a smaller three-hour conference held in Johannesburg this week – attended by the Military Research Group (which includes the ANC's Scientific and Technology Division), Armscor, the AEC and David Albright of the Institute for Science and International Security in Washington DC – the AEC and Armscor both denied any knowledge of the "double flash" explosion and also that any other country aided SA in building the bomb.



PEEK-A-BOO . . . Is that a flash of light or a nuclear bomb? FW de Klerk should know.

They admitted there had been an exchange of nuclear scientists between SA and other countries, but said this had nothing to do with the bomb. They insisted it was only for non-military use.

Weapons

They did not deny SA had received tritium from Israel, but denied it was used in weapons.

They denied SA exploded a bomb in the south Atlantic in 1979. Some informed critics say this may be true – it may have been an Israeli bomb and although SA co-operated in the operation, the bomb was exploded by the Israelis.

At the end of the Cape Town conference an ANC press statement condemned De Klerk's "continued secrecy on the nuclear weapons programme".

"The most recent controversy," the ANC said, "surrounds the information contained in a transcript from a secret trial held in 1988 in the State vs Johann Philip Derek Blaauw, in which the accused is believed to have presented considerable evidence proving nuclear collaboration between SA and Israel."

The ANC demanded immediate and unconditional access to the trial transcripts by the public as the nuclear weapons programme had been financed by taxpayers' money.

The government claimed the bomb's development cost R800-million – but some experts think it was more likely R8-billion.

The nuclear bomb only concerned part of the conference. A larger part was devoted to nuclear energy in general in the new SA, and whether the country should proceed with its nuclear power stations.

ANC science and technology national co-ordinator Roger Jardine said the cost of running the Koeberg nuclear power station in the Cape was prohibitive. His division had decided after the conference that SA needed no more nuclear power stations.

It would recommend that a new ANC-led government appoint a commission of inquiry into the nuclear programme. It could decide to close Koeberg before its planned decommissioning date in 2015.

But closing down Koeberg prematurely would cost thousands of millions of rands, money which could be better spent in electrification and housing, said Eskom nuclear generation division senior officer Tony Stott.

Eskom, foreign utilities in township venture

R/D Day 2/12/94

LINDA ENSOR

LONDON — Eskom is collaborating with French and British utilities in a three-year, R144m project to supply electricity to all the homes in Khayelitsha by 1996.

The project involves electrical connections for about 70 000 dwellings. Only 5 000 are supplied at present. The project got under way last month with the first new clients being connected earlier this month. Connections are expected to reach a rate of about 100 a day.

A spokesman for Electricité de France (EDF) said yesterday the total investment in the electrification programme was expected to be about Ff250m or R144m.

The third participant is UK distribution utility East Midlands Electricity (EME). Eskom has long-standing utility co-operation agreements with both companies.

The three have formed a joint operating company, Phambili Nombane, Xhosa for "forward with electricity". (55)

The EDF spokesman said the foreign companies would make extensive technological knowledge, management expertise and experience available to Eskom.

With a population of about 500 000, Khayelitsha, near Cape Town, is one of the fastest-growing townships in SA.

"It is expected that electricity will immediately provide a cleaner environment at a cost which is competitive with traditional fuels such as coal, and wood and which in the long run will boost local business activities," the spokesman said.

"The involvement of the three utilities can be viewed as a pilot project which, if successful, could lead to further actions in the electrification of southern Africa and possibly other countries in Africa."

'Power costly in township'

CT 26/2/94 (55)

Municipal Reporter

THE bulk supply tariff for electricity in Khayelitsha, which is supplied directly by Eskom, is nearly twice that of the area supplied by the Cape Town City Council.

This was disclosed at a seminar yesterday by Mr Thozamile Botha, executive director of the UWC-based Institute of Local Governance and Development. Mr Botha is also the head of the ANC's local government department.

He said the respective tariffs were 7,6c/kWh and 13,5c/kWh in the 1991/2 financial year. One possible way of ending this disparity would be to have a single supplier of electricity throughout the proposed Cape Metropolitan Area, he said.

But taking away the function of providing electricity from the municipalities would hurt their budgets, he said.

He predicted problems in setting up metropolitan authorities since local councils had been delivering services of different standards.

● Mr Botha said full racial integration within the primary local authorities below a metropolitan body would simply not happen in the short- or medium-term, and they would have to be redistributed at metro level.

The economic case for keeping Koeberg

At the recent Cape Town conference on nuclear power the ANC's science & technology group head Roger Jardine carefully distanced himself from the anti-nuclear ultras who want Eskom's Koeberg nuclear power plant (which has functioned safely and efficiently for almost 10 years) closed. At the same time, as a prudent politician ahead of an election, he said their arguments would be evaluated.

FM 11/3/94

The ANC, operating as an underground political movement, attracted many camp followers with their own agendas — not necessarily in the interests of the black masses. In the case of anti-nuclear lobbies, their stock in trade is very understandable international public terror of nuclear bombs being exploded in anger — coupled with a profound ignorance of all matters nuclear.

Two nuclear incidents have been grist to the mill of the ultras.

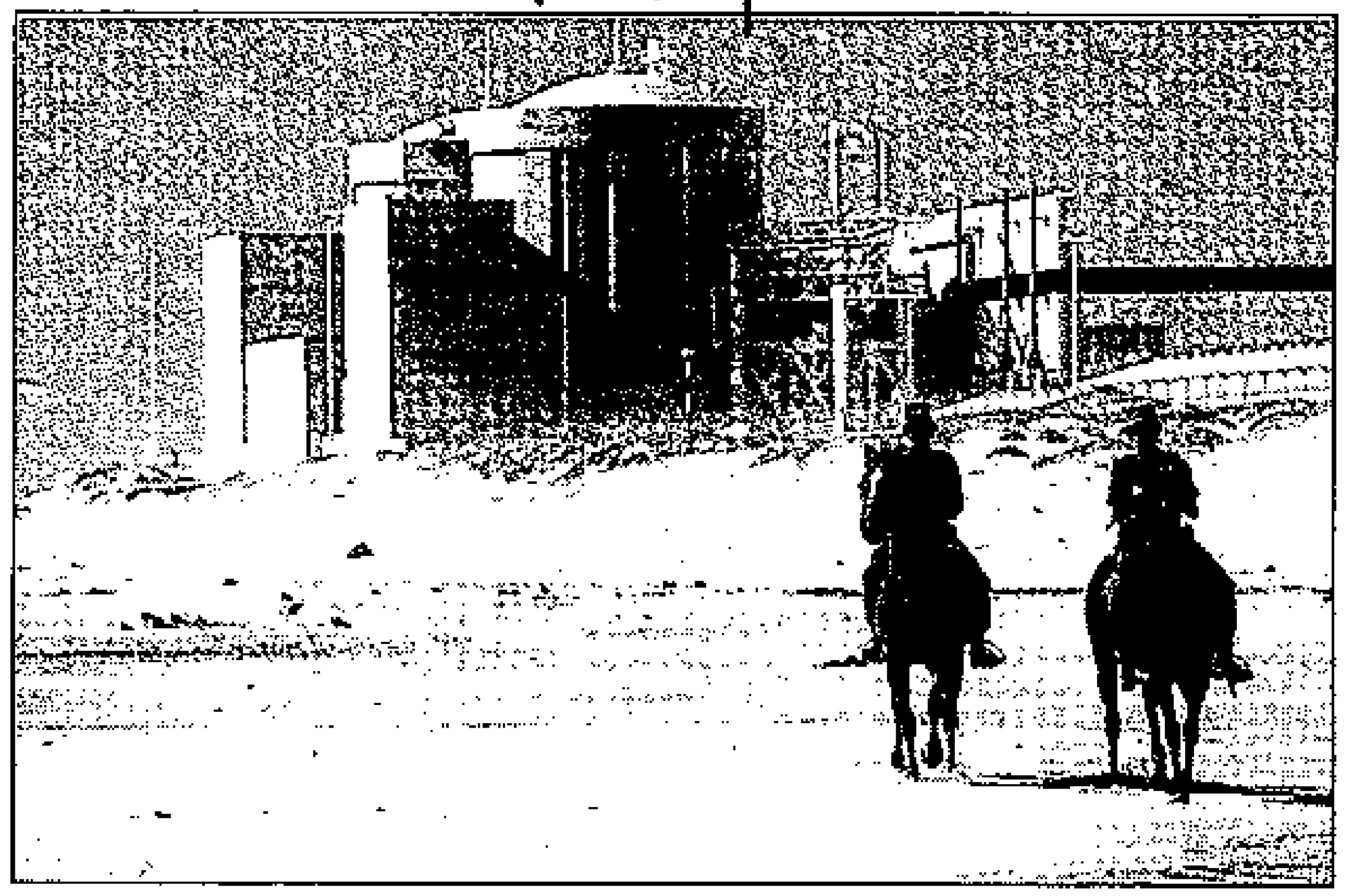
First was the malfunctioning of the US nuclear power plant at Three Mile Island — caused substantially by operator error which, in turn, was the result of inadequate training. That said, while the ruin of the reactor as a producer of electricity has been an economic catastrophe for its operator, Consolidated Edison, the effect on public health was nil. The radiation released from the reactor was held within the outer containment building. As a once-popular slogan had it: "Chappaquidick killed one more person than Three Mile Island."

More serious by far, both objectively and in its effects on public opinion, was the explosion at the Chernobyl power plant in the Ukraine in 1986. Thirty-one people died from exposure to radiation and other effects of the disaster and many more suffered radiation sickness.

Estimates of the number of cancer cases that might ultimately appear vary widely. The numbers in western Europe will probably never be known as the effect there is considered so small it will be masked by the natural incidence of cancer. The number of extra cases likely over a long period among those in Byelorus, who were most exposed to fall-out, could be more significant.

The disaster at Chernobyl was due to grave deficiencies in the former Soviet nuclear industry. Design of the reactor can be criticised on many counts. Weaknesses in the core design had been pointed out to the Soviet government before the accident. A serious further shortcoming was the absence of an outer containment as understood in the West. (Reactors of the type in use at Koeberg are surrounded by a shell of concrete 1 m thick — able to withstand the forces of a crashing Boeing 707.)

(55)



Replacement cost is R7bn

Then there were political appointments to management and the utterly irresponsible staging of a dangerous test because of the belief that superiors demanded it and fears of challenging them.

The explosion at the No 4 reactor at Chernobyl was not, of course, remotely comparable to the detonation of a bomb — because a nuclear bomb and a nuclear power reactor are very different engineering and physical systems.

Despite Chernobyl and Three Mile Island, nuclear generation of electricity has built up — not merely an adequate — but an exemplary safety record over the past two generations. No single dangerous exposure to radiation has occurred among workers at the plants and not one significant leak of radiation into the atmosphere has occurred anywhere outside the former Soviet Union.

The few moderate (never dangerous) episodes of radiation leakage that have occurred in the West were all at early-generation weapons establishments processing uranium or plutonium for military purposes.

As for Koeberg itself, its design is copied precisely from the French power plant at Tricastin, which has been operating impeccably for many years. The reactor type, the pressurised water reactor has operated effectively and safely around the world. Koeberg's operational record for downtime is on a par with those of its French counterparts. Though its capital cost was high, relative to coal-fired plants, its fuel costs are low.

Koeberg contributes around 1 800 MW to Eskom's grid (6% of total output) and does so at the extremity of the power lines linking it to coal-fired plants in the eastern half of SA. This means regional transmission costs are minimised.

To replace it with another coal-fired station in the Transvaal would cost R7bn, plus a further R650m to upgrade the powerlines from the Transvaal. (To build a coal-fired plant at the Cape would require the costly and virtually impractical railing of coal.) The electricity lost in transmission would be considerable, so more MWs would have to be generated than would be sacrificed at Koeberg.

Atmospheric pollution from the coal-fired plant (including, ironically, some radiation) would also be considerable, especially in the western Cape which is the fastest-growing industrial region.

The ANC is doing its best to be polite to all past allies. But the case for sending the nuclear nutters packing after April's general election is unanswerable.

'Power cut' could force rates up 60%

Municipal workers threaten mass action

ARG 1/3/94 55

CLIVE SAWYER
Municipal Reporter

A HUGE shock awaits ratepayers countrywide if income from electricity is taken away from municipalities — a move the SA Association of Municipal Employees says it will block with mass action.

The National Electrification Forum is investigating ending local government use of electricity to augment budgets and subsidise property rates.

The union said up to 15 000 workers would lose their jobs. This included electrical engineering and treasury staff.

Employees of rural municipalities would be particularly hard-hit.

Union president Hans Deetlefs said Saame had not yet resorted to mass action.

They would embark on a mass campaign if there was any attempt to implement the electricity plan and if anything was done to jeopardise present pension benefits.

Other local government bodies, including provincial municipal associations and employers' associations, would be asked to join the campaign to retain municipal control of electricity.

"The death knell will ring for local authorities if electricity is taken away from them.

"Big city councils will be reduced to little town committees lacking the financial muscle to deliver services to their communities, or those communities — ratepayers — will face rates hikes of about 60 percent."

In an apparent reference to the mainly blue-collar SA Municipal Workers Union, Mr Deetlefs said stayaways by other municipal unions would seem a "holiday" compared to his union's action.

He declined to expand on the type of mass action contemplated by the union.

"If electricity is taken away from municipalities the National Electrification Forum and the government will have to explain the results and the chaos to ratepayers," he said.

Unrest could slow Eskom

WILSON ZWANE

ESKOM expects its programme for the electrification of hundreds of thousands of homes this year to be slowed by unrest in parts of the country in the run-up to elections. B/Day

Eskom electricity distribution executive director Jac Messerschmidt said at the weekend the utility would not endanger its personnel by sending them into volatile areas. 21/3/94

He was optimistic that Eskom would make up for lost ground from May.

Eskom is aiming at spending R650m this year to electrify 250 000 homes, as part of its programme to bring electricity to 900 000 homes by 1998. Last year, the utility spent R584,4m on more than 294 000 connections. Eskom has 900 000 customers. (55)

Messerschmidt also disclosed that the thrust of the electrification programme was the installation of prepaid electricity meters. But this, he said, was not due to fears of non-payment by township residents.

He said about half of the utility's customers had prepaid meters.

Report by W Zwane, TML, 11 Diagonal St, Jhb.

ANC and Inkatha to study mediation plan

B/Day 21/3/94

DAVID GREYBE

RICHARDS BAY — Inkatha Freedom Party and ANC leaders were scheduled to study detailed proposals for international mediation at the weekend which, if accepted, would be likely to begin within three weeks.

The proposals included the names of a team of international mediators, as well as the terms of reference of such mediation, ANC national chairman Thabo Mbkei said at a fundraising dinner in Richards Bay at the weekend.

"Hopefully the mediation process can then start in two or three weeks," he said. But he warned that there were "serious problems" in KwaZulu concerning a climate for free political activity.

"Clearly the Transitional Executive Council and government must act," Mbeki said.

He warned the ANC would have to reconsider the agreement brokered between Nelson Mandela and Inkatha leader Mangosuthu Buthelezi that supporters would be free to campaign for or against the elections. Recent Inkatha violations of the agreement, such as the occupation of stadiums booked by the ANC for political rallies, had necessitated this.

He announced the ANC had effectively dumped the Afrikaner Volksfront in negotiations on a volkstaat, in favour of Gen Constand Viljoen's newly formed Freedom Front. The ANC was "interested" in negotiating directly with the Freedom Front, Mbeki said. Viljoen had led the Volksfront team in volkstaat negotiations with the ANC on a bilateral accord.

Discussions between the ANC and the Volksfront began at the end of last year, and a 12th draft of a possible accord is being studied.

"We have said to them (the Freedom Front) that if indeed an agreement were to be reached between us, we would be willing to pursue whatever we have agreed in terms of such constitution-making ... after the elections," he said.

(110)(115)

Mbeki said he expected government "to join in later", effectively to adopt a trilateral accord. He said volkstaat issues that needed to be clarified included: where it would be; its constitution; what would happen to the civil and political rights of non-Afrikaners within such a volkstaat; what would happen to Afrikaners resident outside the volkstaat; and how to establish it.

According to the proponents of a volkstaat the majority of the population in the territory would be Afrikaners, with an exclusive right to elect its government, Mbeki said.

"But how do you achieve that result without discriminating against other people? How do you achieve that result while keeping true to principles of nonracialism and democracy?"

Sapa reports Mbeki also told a fundraising dinner in East London on Saturday that ANC leader Nelson Mandela would be inaugurated as SA's new President on May 10 in Pretoria.

"It is planned that the new president, Nelson Mandela I think, will be installed, inaugurated, on May 10, a big occasion in Pretoria."

Report by D Greybe, TML, 11 Diagonal St, Jhb; and B Maclennan, Sapa, 28 Caxton Street, East London.

Power to the people of PE

55

NRG 23/3/94

PORT ELIZABETH. — More than 20 000 township residences in New Brighton, Zwide and Kwazakhele near Port Elizabeth are to be electrified.

By Tuesday, lights had gone on in more than 1 000 houses, according to a statement from the Small Business Development Corporation, which is involved in the project with the Algoa Electrical Association, the Development Bank of Southern Africa and the Port Elizabeth Municipality.

SBDC eastern Cape assistant general manager for administration, Mr Sakkie Pienaar, said the project included training artisans in the Algoa Electrical Association.

"All the electricians have had training while working for contractors, but it is a long term objective of the members of the association to become fully qualified electricians," he said.

"To this end, the Algoa Electrical Association approached the SBDC to assist them with further training."

He said people who wanted their houses electrified first had to pay an R80 deposit. Many residents were not aware of the electrification project.

"Others are still scared of electricity because they have no knowledge of its use." — Sapa.

The big switch on!

ELECTRIFYING: Eskom officials Brian Jones and Steven Williams deliver a poster to the local shop to advertise Pella's "switch-on". Coupons are now available at the shop and can be used in meter boxes installed at homes. Pictures: JOHAN SCHRÖNEN

□ Electricity arrives after 116 years . . .

JOHAN SCHRÖNEN (55)
Staff Reporter

PELLA, a tiny Moravian mission station 40km from Cape Town on the edge of Atlantis, has grown over two centuries into a tranquil, self-supporting village of 500 homes, a school, post office and shop, but has waited 116 years for electricity.

Pella's people held meeting after meeting with authorities before the big switch-on last month when power finally became available through Eskom coupon-operated meter boxes installed in homes.

ARG 23/3/94

For more than a hundred years candles and two diesel generators, no bigger than small motorcycle engines, produced a glimmer of electric light in the church, school and community hall.

The rest of the town had only candles and oil lamps to see after dark.

Bath water and food heated on fires was a way of life. Newspaper advertisements were the closest the 2 000 souls of Pella got to electric kettles and hotplates.

Those who went shopping in Atlantis, the town just a stone's throw away, would drool over light bulbs, heaters and big colour television sets before returning to their candle-lit homes.

"It's not just the winds of political change that rustle the tree tops of Pella. The winds of progress are also blowing here and now we are switched on," said Moravian parish priest Jacobus Wynand.

"When I arrived here two years ago I was met by a community ready for upliftment, and who showed the courage to make things happen and not to wait for them to happen.

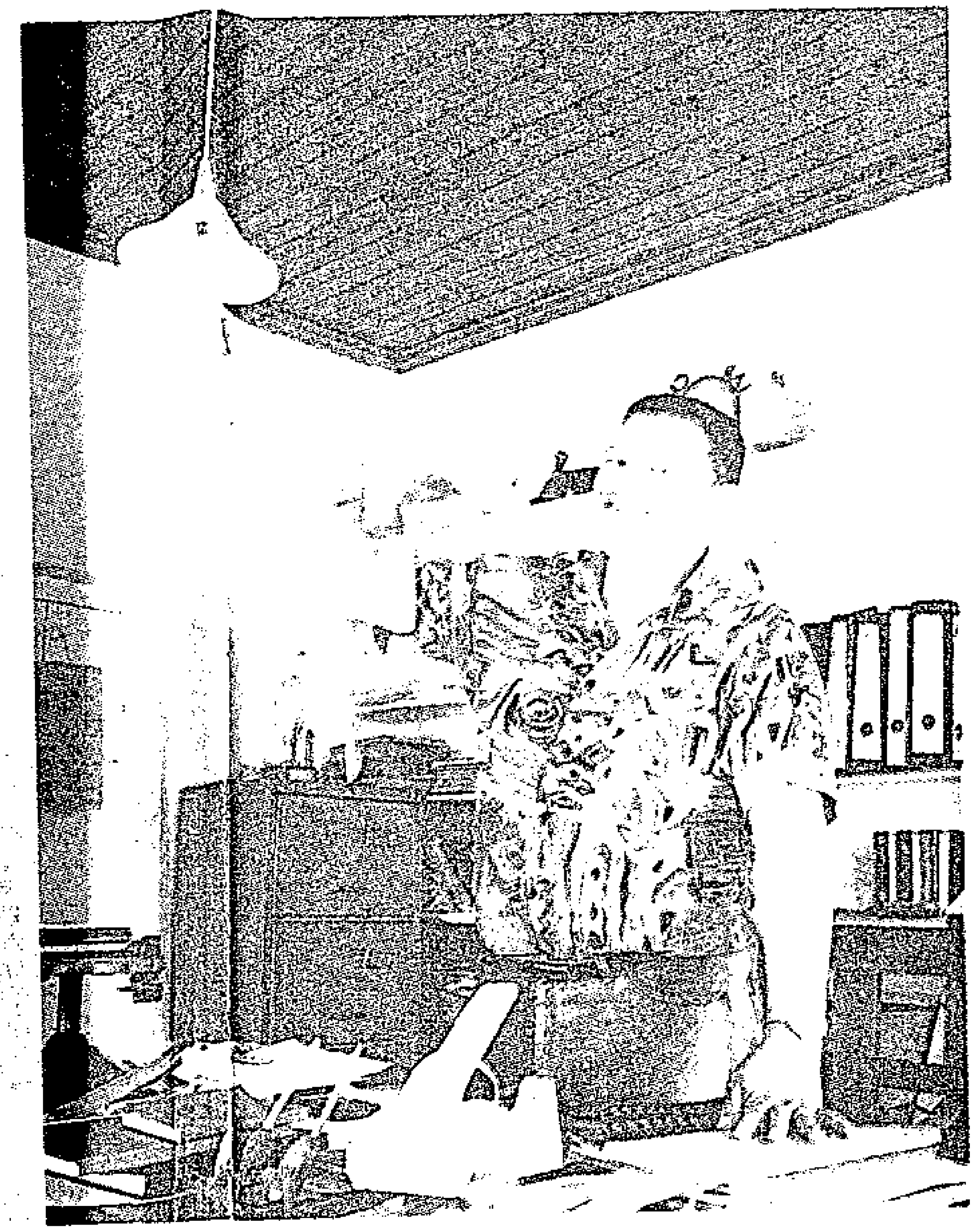
"The electrification of Pella opened many doors for the community who will benefit now from an improved health service, audio-visual equipment in the school and crèche, and hot running water in their homes."

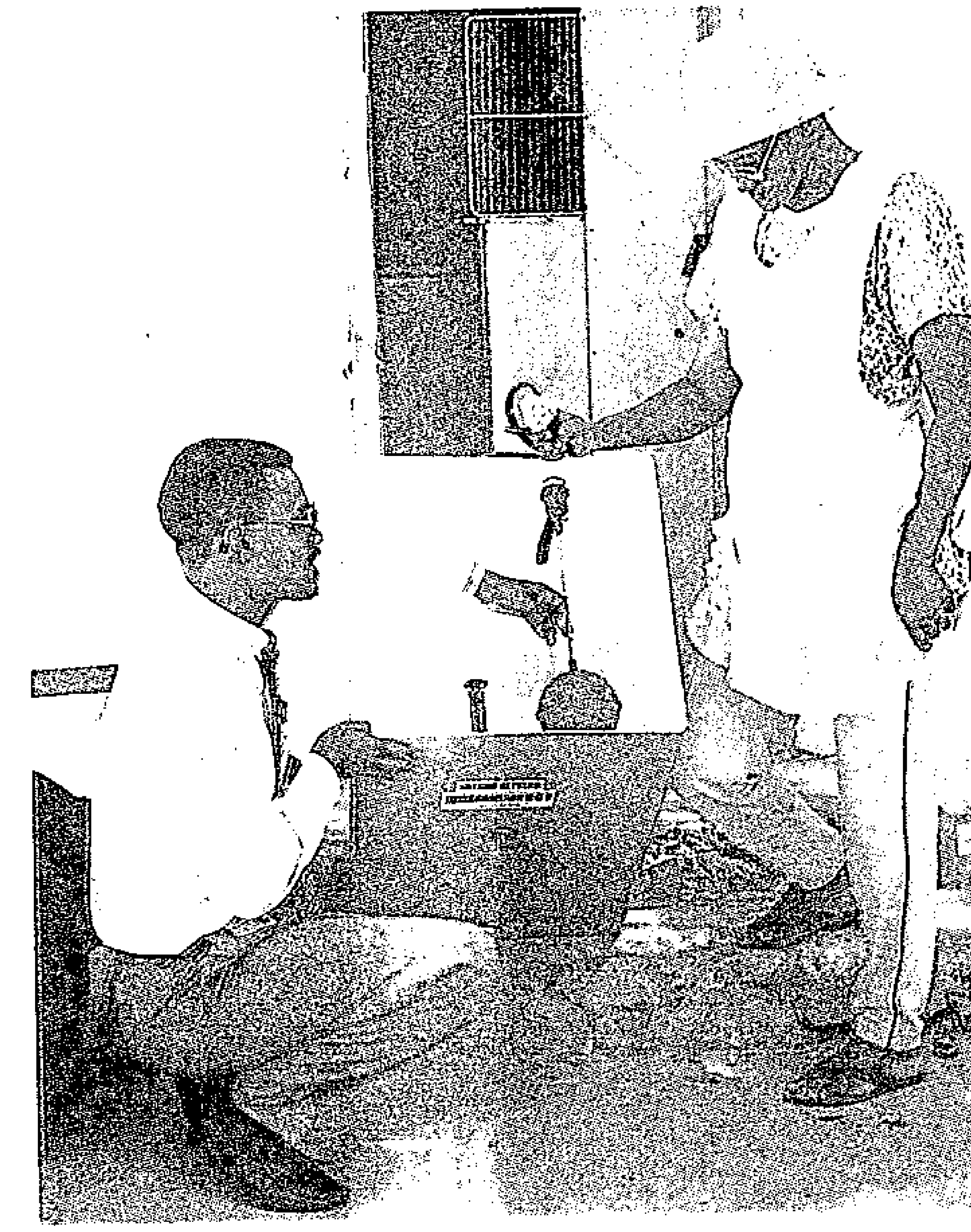
Mr Wynand said he would nevertheless protect the tranquility of the village. For a start he has ordered that the new street lights be positioned where they would not spoil the atmosphere.

And it's unlikely the town's leading figures will disagree. In fact, the parish priest, the mayor, the postmaster, the peace officer, the development officer and the school manager speak with one voice.

Which is not surprising when you realise that they are one and the same person – Mr Wynand.

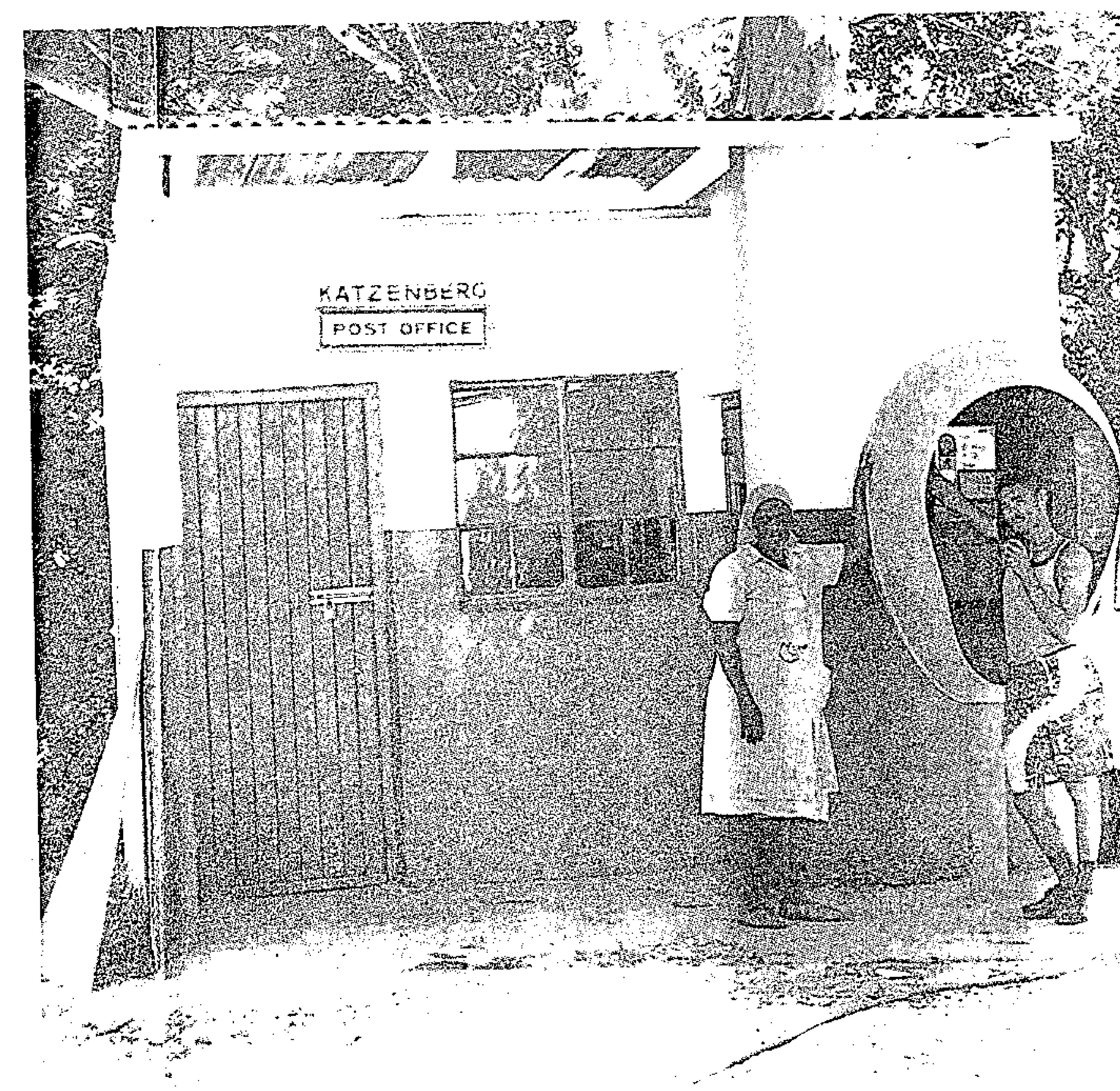
Pella may be switched on, but tradition dies hard here . . .





THEN THERE WAS LIGHT: Preacher Jacobus Wynand, above left, welcomes "koop krag" in Pella. He says it will enhance development in the village which has up to now relied mostly on two small diesel generators.

HOT WATER: Pella residents, above, inspect an economical portable fibreglass geyser cylinder that costs only R350 and can be plugged into a normal wall socket.



POWER HOUSE: Even the post office, left, in Pella now has the "luxury" of electricity. A resident uses the public phone to break the news to his friends in Cape Town.

Loss of uranium 'normal'

Star 24/3/94

The disappearance of 25 kg of highly enriched uranium from SA's aborted nuclear bomb programme was due to allowable chemical process losses, Armscor executive manager Tielman de Waal said yesterday.

He told a media briefing — a year after the announcement that South Africa would terminate its nuclear bomb capability and destroy seven bombs — that international nuclear energy inspectors from Vienna had investigated the recorded 25 kg deficiency. They had ascribed it to normal losses resulting from the chemical processes that the material had been subjected to. 55

The highly enriched uranium extracted from the devices could be used as medical isotopes. It is worth about R300 million.

De Waal said destruction of the devices was continuing.— Sapa.

Call for single body to oversee electrification

GAVIN DU VENAGE

ELECTRIFICATION was "not happening" and should be co-ordinated by a single body to ensure efficient provision of power for all South Africans, National Electrification Forum secretary Johann du Plessis said yesterday.

B/Day

Earlier this month the forum's announcement that it wanted to remove electricity supply from the hands of local authorities was met with outrage by municipalities around SA.

31/3/94

Some local authorities made "quite a large profit" from the sale of power, according to an industry source. The income generated was often used to subsidise other municipal services.

Local authorities stand to lose hundreds of millions of rands. Cape Town alone realises a surplus of R70,5m from the sale of electricity undertaking, of which about 10% is used to augment property rates.

Randburg will apparently lose as much as R9m if deprived of electricity revenues.

However, more than 400 providers of electricity had led to vastly different standards and tariffs, and made the provision of mass electrification almost impossible, du Plessis said.

It was necessary to consolidate electricity provision if power was to be supplied to the millions who lived without power.

(56)

Du Plessis said discussions with local government officials were making progress, and it was likely municipalities would come to accept the need for the present haphazard system to be rationalised.

The benefits for local authorities far outweighed the disadvantages. For instance, many local authorities would not be able to afford the costs of supplying infrastructure within their newly-consolidated boundaries.

This was the type of problem that would be eliminated by co-ordination, he said.

New body silences private broadcasts

B/Day 8/3/94

LLOYD COUTTS

THE Independent Broadcasting Authority (IBA) yesterday effectively dashed all hopes of radio stations with temporary broadcasting permits remaining on air during the run-up to the elections.

IBA co-chairmen Peter de Klerk and Sebiletso Matabane announced that the authority would probably not issue any new licences before the elections for logistical and practical reasons.

The Independent Broadcasters Committee — which represents 12 temporarily licenced stations — warned that the decision could lead to radio broadcasting piracy on an unprecedented scale.

De Klerk and Matabane said the IBA decision followed an Independent Media Commission request that no new licences be granted.

Most private radio stations with temporary licences went off the air on Sunday night in compliance with the terms of the IBA Act, which came into operation on Tuesday.

The right-wing Radio Pretoria was, however, broadcasting illegally, and said yesterday it would continue to do so until ordered to cease by the Supreme Court.

The broadcasters' committee said the IBA had taken the easy way out at its inaugural by stopping temporary licences and not issuing new ones, and accused it of evading its responsibility.

"The (committee) . . . cannot understand why the 'Independent' Broadcasting Authority is already being influenced by other bodies outside the industry. The committee is concerned that its members are prejudiced by virtue of the fact that other parties are able to make representations to the IBA and yet local broadcasters are excluded.

"The committee would like to know what the 'practicalities' and the reasons beyond the control of the IBA are, since the IBA Act . . . delegates full power to the IBA to make all decisions pertaining to broadcasting," a statement said.

IBA spokesman Jack van der Merwe said time constraints would not permit the issue of licences before the elections. Notice had to be given in the Government Gazette, applications would have to be made and the IBA would have to formulate guidelines and stipulate them in the gazette.

Radio Pretoria yesterday agreed to postpone an urgent Supreme Court application which it hopes will keep the station on air.

Spokesman Mossie van der Berg said the application — to have a shut-down order by the Postmaster General overturned — was postponed to next Tuesday when the second respondent, Home Affairs Minister Danie Schutte, could not be traced.

Report by L Coutts, TML, 11 Diagonal St, Jhb.

Call for single body to oversee electrification

GAVIN DU VENAGE

ELECTRIFICATION was "not happening" and should be co-ordinated by a single body to ensure efficient provision of power for all South Africans, National Electrification Forum secretary Johann du Plessis said yesterday.

B/Day

Earlier this month the forum's announcement that it wanted to remove electricity supply from the hands of local authorities was met with outrage by municipalities around SA.

31/3/94

Some local authorities made "quite a large profit" from the sale of power, according to an industry source. The income generated was often used to subsidise other municipal services.

Local authorities stand to lose hundreds of millions of rands. Cape Town alone realises a surplus of R70,5m from the sale of electricity undertaking, of which about 10% is used to augment property rates.

Randburg will apparently lose as much as R9m if deprived of electricity revenues.

However, more than 400 providers of electricity had led to vastly different standards and tariffs, and made the provision of mass electrification almost impossible, du Plessis said.

It was necessary to consolidate electricity provision if power was to be supplied to the millions who lived without power.

(55)

Du Plessis said discussions with local government officials were making progress, and it was likely municipalities would come to accept the need for the present haphazard system to be rationalised.

The benefits for local authorities far outweighed the disadvantages. For instance, many local authorities would not be able to afford the costs of supplying infrastructure within their newly-consolidated boundaries.

This was the type of problem that would be eliminated by co-ordination, he said.

Mossgas wants R600m more

S1 (Citizen) (Business)

By DON ROBERTSON

MOSSGAS wants to spend R600-million to bring in a second gas field.

The work, part of planned development, will involve drilling, establishment of well-heads, construction of pipelines and platform toe-ins and building a gas-compression module at the existing production facility.

As gas reserves in the first and second fields are exhausted, a third will be tapped. 8/4/94

The decision to go ahead with the second phase has drawn sharp opposition. The R11-billion complex became cash positive only recently.

Critics say it did so only because of protection it receives. Mossgas earnings are insufficient to pay interest on loans.

Mossgas managing director John Theo says expenditure in bringing the second and third satellite fields into production was approved by a special report from the Auditor-General.

Feasibility and engineering studies are in progress to establish the "commercial viability" of the contemplated work. The findings will be monitored by an independent organisation.

Further capital spending must also be approved by Parliament, says Mr Theo. The spending request will be submitted to a parliamentary committee. (55)

If approvals are obtained, construction will begin early next year and be completed in phases from 1996 to 1998.

But critics say Mossgas will never become economic, especially with the current low crude oil price.

The break-even point of Mossgas is between $12 and $14 a barrel.

A report from Deloitte & Touche says the break-even point on total investment is as high as $75 a barrel.

Since the end of 1992, the oil price has been below $20 a barrel. Analysts believe it will remain so for some time. It might, therefore, be better for Mossgas to refine crude oil instead of using gas. Only minor alterations to the plant would be required.

Mossgas has investigated the possibility of using "alternative feedstocks" to maintain long-term profitability. No decision has been taken.

The lifespan of the three gas fields is between 14 and 16 years. With the project now two years old, it is estimated that about half of the reserves of the first field have been exhausted.

Critics ask why Mossgas, subsidised by fuel users, is asking for more money for expansion.

They also wonder what the cost of the expansion will be in 1998 money.

Eskom power drive blows its first fuse

S.Times (Buss) 3/4/94

(55)

By SVEN LUNSCHE

ESKOM's electrification programme in black urban and rural areas is encountering its first snags.

It made almost 210 000 direct domestic electricity connections last year.

Since the electrification project began in 1991 more than 385 000 households have been connected and, as Eskom proudly claims in its 1993 report, "the lives of 3-million people have been changed by making electricity available in their homes".

Chief executive Allen Morgan is confident that up to 2,5-million housing units will be connected by the end of the decade — in line with the ambitious task of electrifying 72% of all households, as set by the ANC in its reconstruction and development programme.

This is double the present number and, according to Eskom plans, will be achieved by connecting 250 000 houses this year and 300 000 a year until 1999.

So far, however, the project has required capital commitments of almost R1,06-billion and yielded lower-than-expected financial benefits for Eskom.

Installing a pre-pay connecting unit costs Eskom R2 800. In order to meet some of the costs, Eskom hopes to persuade its new customers to use eventually up to R80 of electricity a month.

But last year the average amount spent amounted to a "disappointing" R16 a month to pay for a minimal use of 75kW.

"We view the project as a long-term investment and

ALLEN MORGAN

estimate that it will take up to eight years to bring a unit to full capacity," says Mr Morgan.

"Nevertheless, we hope to reduce this lead time to five years by bringing down the cost per connection."

Eskom says in its annual report that violence and unrest in certain areas, particularly in Natal and on the Witwatersrand, hinder workmen's access.

"In areas such as Soweto and Alexandra where Eskom has taken over the supply of electricity, considerable success has been achieved in getting electricity supply back to normal by upgrading the networks and working closely with customers in respect of payments," says the report.

Mr Morgan stresses that the supply situation is critical to the success of the electrification programme. He warns that although the generation and transmission are taken care of by Eskom, the supply structure makes it almost impossible to deliver electricity satisfactorily.

More than 400 distributors (mainly local authorities) supply electricity and there is a significant potential for rationalisation, Mr Morgan says.

Although the situation is under review in the National Electricity Forum (NELF), the forum last month called for electricity supply to be removed from the hands of local authorities.

The call upset many municipalities which stand to lose one of their main sources of revenue.

Mr Morgan says Eskom is reluctant to become an electricity retailer. It has been forced by political factors to do so in several black townships.

Eskom has little hope of receiving almost R700-million owed to it by black local authorities.

The annual report shows continued satisfactory financial growth for Eskom last year.

Turnover increased to R13,8-billion (1992: R12,65-billion) and operating expenses rose by R830-million to R9-billion (R8,2-billion). After interest and finance charges of R3,15-billion (R3-billion), net income was R157-million higher at R1,65-billion (R1,5-billion).

Eskom reduced its funding requirement for 1994 to R2,4-billion from R4,1-billion last year.

It is relying heavily this year on the SA capital market to raise funds, but plans to launch an electrification bond denominated in dollars equivalent to R500-million.

Eskom last year repaid R1,7-billion in foreign loans, of which R1,1-billion fell outside the debt standstill net. A total of R650-million of debt inside the net was refinanced at favourable rates.

Outcry over electricity

55

CT 4/3/94

By PETER DENNEHY

THERE was an uproar at the United Municipal Executive (UME) annual meeting yesterday over the prospect of municipalities losing their role in supplying electricity.

Hundreds of millions of rands are at stake. In Cape Town alone a surplus of R70,5 million from the electricity undertaking, or 10% of all the tariff money that comes in to the electricity department, is being used in the present financial year to augment property rates.

"At the moment, we are losing the battle (to remain electricity providers)," Mr Iain Davidson, chairman of Johannesburg's management committee, said. He said the UME, which consists of the various provincial local government associations, could not continue to discuss the future of electricity without discussing the future of local government.

The meeting resolved yesterday that a bushveld "think-tank" (bosberaad) would be held in the Free State next week at which the UME will draw up its own document on the future of the electricity supply industry.

Overberg land frozen for second nuclear site

(55) ARG 5/3/94

JEAN LE MAY
Weekend Argus Reporter

ANOTHER step has been taken towards a second nuclear power station in the Western Cape with the publication yesterday of a draft plan for the southern Overberg.

The plan recommends a holding action which will freeze growth around the Bantamsklip site, halfway between Danger Point and Quoin Point.

It is likely to attract strong opposition from the African National Congress, which has come out against nuclear power and has proposed a review of the Koeberg operation.

However, no comment on the new plan was available from the ANC yesterday.

The plan says there will be continuous monitoring on a 16km radius around the Bantamsklip site in order to stop the development of large-scale institutions such as hospitals, schools, prisons, old-age homes, food processing plants and airports.

"As the zone is predominantly rural, it is not foreseen that there will any problems," says the draft plan.

However, Dries van Schalkwyk, Eskom's nuclear engineering services manager, assured Weekend Argus yesterday that no new nuclear power station would be constructed until "at least 2020".

■ To page 5

Land frozen for second nuclear site

■ From page 1 (55)

"If we don't move now to allocate the land for a nuclear station, it might be developed for something else," he said.

"Reserving the site keeps our nuclear option open. We are convinced that although Eskom has excess capacity at the moment, nuclear power is the best option for the Western Cape."

Mr Van Schalkwyk said the next step in the process would be public consultation on the plan. If there were no objections which could not be overcome it would go to the administrator for approval.

After that the Overberg Regional Services Council (OBSR) would control the area so that it could be used for its intended purpose. About 10 years before building of the nuclear plant was to start an environmental impact study would be made, following which Eskom would apply for a licence to the Council for Nuclear safety.

ARG 5/3/94

In the meantime, said Mr Van Schalkwyk, "we are busy with seismological studies. There are only four sites on the South African coastline suitable for another nuclear plant — we've surveyed the entire coastline — and this is one of the four."

The draft plan was produced by a firm of Cape Town consultants for the ORSC and public reaction has been invited.

A plan became necessary, said the report, because of the growing popularity of the Western Cape as a holiday resort and because the Bantamsklip site was declared a strategic national resource site.

This came about after Eskom bought Hagelkraal Farm and a part of a state forest in the coastal dunes adjoining it. Bantamsklip is the rocky strip on the beach itself.

Hagelkraal, 1 320 hectares, was bought by Eskom in January 1991 for R3,2 million, according to records in the Deeds Office.

Koeberg praised for 10 years of power

B/Day 5/4/94

CAPE TOWN — SA would have to ensure future energy supplies were adequate, reliable and environmentally sustainable, Koeberg Nuclear Generation manager John Henderson said yesterday. 55

"Declining coal, oil and gas reserves will spark a worldwide search for energy, and those countries with established nuclear capabilities will be at a major advantage," Henderson said, praising the achievements of Cape Town's Koeberg power station.

By yesterday Koeberg, which provides 8% of SA's electricity, had generated 10 years of nuclear electricity. About 81 000-million kilowatt-hours of electricity had been generated since the station started operating in 1984. A coal-fired power station would have used 40-million tons of coal and 160 000-million litres of water to produce the same amount of electricity. Koeberg had used only 7½ tons of uranium 235. — Sapa.

Eskom's McRae has made his vision a reality

Star 6/4/94

BY LANA JACOBSON

At a time when many are asking whether there is any light at the end of the tunnel, Ian McRae, outgoing CEO of Eskom, wants to ensure light for everyone after April 27.

Electrification has been one of his great visions — "one of the few top priorities, and it is viable, both for the country and for Eskom", he says.

"For the country, it will enable more people to play an active part in the economy, reduce unemployment and create new businesses. Without the energy base there can be little economic development in rural areas."

Electricityis high on the list of priorities for black and rural communities. "We'd rather lead the way than be forced to do what is right anyway."

He not only regards Eskom as the catalyst in bringing electricity to the 23 million South Africans who still remain without this essential commodity, but looks forward to a major role for the utility well beyond SA's borders.

His vision of a sub-Saharan electricity grid has moved from dream to reality. Eskom's grid is about to be linked to Botswana and Zimbabwe. The link between Mozambique's Cahora Bassa and Zimbabwe is imminent and those between Zaire, Zambia and Zimbabwe now appear viable.

"It even looks as though the Zaire River could connect southern and northern African grids.

"You have 17 countries with 200 million people and only 10 percent of them have electricity. That's a base from which fantastic economic growth can take off.

"I believe that economic growth is the key to southern Africa's future and that the energy base is essential to economic growth."

(55)

Ian McRae . . . fantastic economic growth.

McRae admits that some of the projects, both locally and elsewhere, might not make exciting returns immediately, "but job creation and sales growth will be there and many utilities would love to have our potential in that regard".

McRae, who turns 65 this year, retired at the end of February as chief executive and chairman of the management board of Eskom.

"When McRae started articulating his vision of electricity for all in the mid-1980s, few people took him seriously ... and when his vision of an interconnected grid in Southern Africa became known, some experts spoke openly of a pipe dream," Professor Wiseman Nkuhlu, chairman of the National Electrification Forum, said when making a special award to McRae last November.

"In the face of opposition from cynicism of some of his peers, colleagues and masters, he persisted in communicating his visions with such sincerity and conviction that he actually influenced thinking and often turned their opinions around ...

"Millions who received electricity over the past few years can thank him for his vision and courage. Millions more will get electricity much sooner than one could have dreamed," Nkuhlu said.

President FW de Klerk, presenting McRae with the gold award for meritorious service last year, said McRae "strives to use electricity as an agent for peace, and to create an organisation which is productive and developing all of its people at the same time".

As proof of his commitment in this regard, McRae ranks affirmative action high on his list of developments over the past nine years.

"He was one of the first people to be committed to affirmative action, before it was the politically right thing to do," says Dawn Mokhobo, Eskom's senior general manager, human resources, and the Executive Businesswomen's Club 1993 businesswoman of the year.

"He saw that South Africa could only be served by all South Africans, not only by a segment of the population."

While McRae is happy with the general direction and changes of attitude in the affirmative action programme, he maintains: "We have come a long way — not far enough."

He feels Eskom is well placed to do the job it has to do and meet the challenges that lie ahead. It is also highly regarded internationally and has built up trust and credibility in Africa.

"So my feeling in handing over the baton (to Allen Morgan) is that Eskom is in good shape to meet the future and this is the appropriate time to change its leader."

Having spent his entire working life at Eskom — he rose through the ranks from apprentice fitter in 1947 — he is likely to have a busy retirement.

"A person of his calibre still has a strong leadership role to play within the Eskom corps," Mokhobo says, echoing views expressed both internally and externally urging him to remain active in the field of electricity supply and beyond, as well as to continue serving on Eskom's electricity council.

In addition to his Eskom posts, McRae is a chairman of the SA Foreign Trade Association (Safto) and the SA National Committee of the World Energy Council.

He is a board member of the Atomic Energy Corporation and serves on the advisory board of the Urban Foundation (Development Strategy and Policy Unit Board). He is also a council member of the SA Foundation.

Hands-on approach reduced Eskom's risks

B/Day 7/4/94

MICK COLLINS

BY ENSURING funding requirements were actively managed and appropriately hedged, Eskom was able to reduce the risks associated with fluctuations in the financial markets and their bottom-line products, according to the electricity utility's annual report.

Electricity Council chairman John Maree said Eskom was able to borrow modest amounts in Europe and to satisfy the balance of its funding requirements locally without putting pressure on the SA capital markets.

He said the utility took advantage of prevailing favourable conditions in the local markets during 1993 and launched the Electrification Participation Note (EPN), which was designed to provide a vehicle for investment in socially responsible projects.

"Eskom also launched a new bond, the E172, which has been well received and well traded since inception. Continued support by existing overseas investors and a material increase in new investment in Eskom bonds towards the end of last year demonstrated a new wave of investor interest in SA."

Outgoing CE Ian McRae said the year was characterised by extremely high volatility in the local capital market because of unrest, economic uncertainty and the lifting of sanctions. He added that turnover in the capital market was markedly higher than in previous years.

"Against the background of such uncertainty, the Frankfurt office continued to meet the information requirements of Eskom's foreign investors. The launch of the EPN was well received and the first tranche of R600m was placed successfully with institutional investors.

"The EPN has been designed to share risks between Eskom and investors. It features a fixed coupon of 6% a year and a variable element, consisting of a payment equivalent to a proportional share of 30% of turnover generated by the electrification programme." (55)

He said the EPN was considered an appropriate funding mechanism, given the relatively low affordability levels of end users.

"Investors will initially receive a low return which will gradually build up over the life of the investment. This return will be affected by affordability levels, consumption patterns, tariffs and the general level of economic activity in the country."

Referring to the E172, McRae said it complemented existing medium-dated bonds with a maturity date of September 1 2001 and a coupon of 8%.

"The total authorised nominal value is R4,5bn with R700m being issued on the first day. The bond has been well received and well traded since inception."

He added that 1994's funding requirements would include R500m to be raised in the foreign capital market by way of a dedicated electrification bond denominated in dollars. R1,8bn would be raised on local markets.

Miners' union slams Eskom arms dealing

(55)

ARGT 7/4/94

JOHANNESBURG. — The planned arms deal between Eskom and the KwaZulu police indicated the existence of a network aimed at destabilising the democratic process, said the National Union of Mineworkers.

NUM assistant general secretary Gwede Mantashe demanded that Eskom co-operate fully with the investigation into the planned sale of 1 000 semiautomatic rifles to the KwaZulu police.

"The arms deal between Eskom and the KZP is sending clear signals of a possible broader network aimed at destabilising the process of democratisation," Mr Mantashe said.

He linked the arms deal with attacks on union workers, allegedly by Inkatha Freedom Party supporters.

Two Eskom employees were suspended last week after making the deal with a Johannesburg arms dealer and the transaction was cancelled by Eskom management before delivery took place.

The LM-4 rifles — similar to R4s — were surplus stock Eskom wished to dispose of.

"Eskom management owes the public a full explanation of how a decision was reached about disposing of so-called surplus arms in this way while the current security situation is unstable.

"Eskom needs to come clean by making the investigation transparent in order to clear the mistrust already created among our members. All major stakeholders in Eskom need the full facts if mutual trust is to be restored," said Mr Mantashe.

Eskom said its management board thought the arms were for export and disovered only later the dealer intended selling the weapons within South Africa. Eskom had informed the Goldstone Commission and the South African Police about the matter.

Mr Mantashe charged that NUM members at Eskom power stations in the Transvaal had been under constant threat of attack by Inkatha and Eskom had acted in an unconvincing way in all instances.

"This makes the possibility of an electricity switch-off during the elections a reality that cannot be taken lightly," he said. — Sapa.

Tavern killings: 5 face charges

Court Reporter

FIVE PAC members implicated in the Heidelberg Tavern massacre will be served with indictments to face four charges of murder, five of attempted murder and charges relating to terrorism and the illegal possession of weapons when they appear again on May 20, the Cape Town Magistrate's Court was told yesterday.

They have been not been asked to plead and no charges have been put to them.

Four people were killed when gunmen burst into the Observatory tavern and opened fire in December last year.

Eskom probe into gun sales

CT 12/4/94

JOHANNESBURG. — Eskom said yesterday it had agreed to hold an urgent investigation into alleged arms sales by some employees of the parastatal. 56

To be co-ordinated by the Independent Mediation Services of South Africa, the investigation will focus on further arms sales, surplus arms, the possibility that some Eskom employees are supporting destabilisation and, for political ends, could interrupt electricity supplies.

Last month, two Eskom employees were suspended after they apparently concluded a deal to sell weapons to the KwaZulu Police. — Sapa

Judgment in AWB 9 trial

CT 12/4/94

JOHANNESBURG. — Judgment in the trial of nine AWB members charged with killing four blacks at an illegal roadblock on the Ventersdorp-Krugersdorp road last year began in the Rand Supreme Court yesterday.

Mr Justice D Marais described the December 12 incident as "a cold-blooded killing".

Thirteen-year-old Patrick Gasemane, Mr Kau More, Mr Teboho Makhuza and Mr Tembani Nkompone, whose ear was cut off, were killed at the roadblock.

The nine accused face four counts of murder and six of attempted murder, as well as charges of assault with intent to do grievous bodily harm, robbery with aggravating circumstances, malicious damage to property and illegal possession of firearms and ammunition.

The judge said one of the accused, Mr Petrus Matthews, had told the court he knew the roadblock was illegal, but it had been set up with the aim of collecting illegal firearms to hand over to the police for a reward.

He said he had not expected violence even though the group was heavily armed.

Judgment will continue today in the cases against Mr Matthews, 26, Mr Frederick Badenhorst, 20, Mr Marthinus van der Schyff, 25, Mr Marius Visser, 23, Mr Karel Meiring, 28, Mr Gerhardus Diedericks, 34, and Mr Andre Visser, 39.

Judgment in the cases against Mr Deon Martin, 30, and Mr Phillipus Klopper, 40, who were sent for psychiatric observation and are believed to have been the leaders, will be delivered on Thursday. — Sapa

G'stone probes Eskom deals

C 14/4/94

JOHANNESBURG. — The Goldstone Commission announced it would hold a public inquiry tomorrow into illegal purchases or attempted purchases of arms from the electricity supplier Eskom. 55 378

The inquiry follows revelations by Eskom that a staff member had tried to sell arms to a dealer who intended passing them on to KwaZulu. — Sapa

Arms sale: 'No record of NIS car'

CT 16/4/94

55

JOHANNESBURG. — There was no record of a National Intelligence Service (NIS) vehicle involved in an abortive R2,1-million arms deal between the KwaZulu Police and Eskom, a preliminary Goldstone Commission of inquiry into the deal heard yesterday.

This follows newspaper allegations made here on April 9 that a grey German sedan with registration number NVB131T belonging to the NIS formed part of a fleet that was to collect 1 000 LM4 semi-automatic rifles at Eskom's Megawatt Park headquarters in Sandton on March 25.

NIS employee Mr Andre Rouz told the commission he had started an investigation into the allegation on April 7 at the request of President F W de Klerk.

He confirmed that a vehicle with registration number NVB141T belonged to the NIS, but said the vehicle was a 1989 white three-ton truck.

Eskom's legal representative, Mr Phillip Laubscher, confirmed there was no record of the NIS truck having entered Megawatt Park, but noted that a blue BMW 3 series model with registration NVG131 was seen in the vicinity.

The vehicle belonged to a bodyguard employed by Gintans Security, the company that had facilitated the arms deal through Seyeh International.

Mr Justice Richard Goldstone postponed the preliminary inquiry until April 20 for the SAP to provide the commission with details about the export permit authorising the weapons sale to KwaZulu. — Sapa

Mossgas may need R3bn in state funding

S l Times (Buss)

17/4/94

By KEVIN DAVIE

A R3-BILLION plan for the Mossgas fuel-from-gas plant is being put together to extend its life beyond 1998 when its gas reserves are expected to run out.

The plan could cost the taxpayer R3-billion to convert the 30 000-barrel-a-day (bpd) synthetic fuel plant into a 80 000 bpd conventional refinery.

This is in addition to the R700-million Mossgas is seeking from Parliament to develop a second gas field.

The survival strategy — only in conceptual form now — is likely to run into major opposition. The reason is that oil companies agreed to market Mossgas fuel because it comes from indigenous raw materials.

The agreement does not extend to fuel refined from imported crude oil. Development of service stations for Mossgas could cost R1-billion.

Roy Pithey, appointed Central Energy Fund (CEF) and Mossgas chairman on April 1, says a feasibility study for converting Mossgas into an oil refinery will be undertaken at a cost of about R3-million.

Mr Pithey, former senior executive director at Sentrachem, says the new government will have to weigh up this expenditure against socio-economic and other priorities.

"It's not for me to say we should or should not make this investment. But the initial studies I have been shown appear economically attractive.

"We will provide the government with the best options we can come up with. (55)

"Like it or not, every South African is an owner of Mossgas."

The R700-million to extend gas supplies until 2006 is also controversial as this investment would give a much longer life if invested in a conventional refinery.

Mr Pithey says that if Mossgas becomes an oil refinery, it could form the nucleus of a multibillion-rand cracker and petrochemical complex.

The state would probably have to be a lead investor in the refinery, taking a 20% to 40% stake. International interest has been expressed in the project.

The cracker and petrochemical projects would be private-sector investments. The gas could be put to other uses, such as heating.

Mr Pithey says Mossgas saves foreign currency and produces 30 000 bpd of fuel.

Sasol and Mossgas, criticised this week by Engen's Rob Angel for the R1,6-billion they will get this year in direct support, are "distinct animals".

"The one is extremely successful with a 40-year track record and is privately owned. The other is state-owned, dramatically overcapitalised and there is considerable doubt about the life of its raw materials."

Sentrachem recommended to the De Waal Commission that Mossgas be stopped and the then R5-billion investment be written off. But the government went ahead with it.

Mr Pithey was appointed head of CEF by Mineral and Energy Affairs Minister George Bartlett. CEF's sole shareholder is the state.

Included in CEF companies are the Strategic Fuel Fund, which manages the oil stockpile, and Soekor.

Mr Pithey says Soekor's activities are now mainly limited to finding more gas for Mossgas in the Bredasdorp Basin. Its budget has been scaled down from R200-million a few years back. He says Soekor may have political value in the new SA, helping neighbouring countries in energy exploration.

Although oil companies say crude procurement should be their domain, Mr Pithey says the stockpile should be actively managed. This would include continued oil procurement.

34 ERA PAVITT | Reuter

ELECTION COUNT

Sale of rifles got general's nod

(55)

CT 21/4/94

Own Correspondent

JOHANNESBURG. — Police Commissioner General Johan van der Merwe approved the sale of 1 000 LM4 semi-automatic rifles from Eskom to the KwaZulu Police in March, a Goldstone Commission hearing was told yesterday.

Counsel for Gen Van der Merwe, Mr W L Wepener, said the commissioner had discussed a March 2 cabinet decision relating to the sale of arms to homeland governments with a member of his staff, a Brigadier Maritz. After ascertaining that no embargo applied to such sales, Brig Maritz informed Brig W Blaauw, who authorised the clearance of the sale of the semi-automatic rifles to the KZP on March 25.

The police counsel yesterday appeared for the first time before the Goldstone Commission after having failed to attend last Friday's preliminary hearing into the aborted arms sale.

Mr Wepener said neither Gen Van der Merwe nor his staff suspected anything irregular in an application by a private gun dealer to buy arms for the KZP. The commissioner acknowledged that an arms export permit was authorised by Brig Blaauw and signed by a Lieutenant-Colonel Le Roux. The officers were aware that the arms were for a police force.

Col Le Roux in particular knew about an earlier unrelated sale of arms to the KZP in 1989 and had in the latest instance requested the necessary documents and clearance before signing the application.

The Goldstone Commission also heard details of how the KwaZulu government had made out a cheque for R2,1 million to the security firm and how only R670 000 was signed over to Eskom while the rest was paid out as commission to intermediaries.

Eskom moots levy on sales

(55)

From LINDA ENSOR

LONDON. — Eskom is considering imposing a levy on electricity sales to finance its electrification programme, executive director Mr Jan de Beer said here this week.

Eskom executives were in London to present the utility's results to its foreign bond-owners.

The company was also considering issuing electrification participation notes in foreign markets, Eskom economist and investment manager Dr Louis van Pletsen said.

However, an agreement would have to be reached with the new government about whether the bond should be exclusively for electrification or whether it should be a reconstruction and development bond launched by the government. The proceeds of such a bond would be used for various projects, including electrification. CT 22/4/94

Eskom would be scaling down its foreign fund-raising activities. About R500m was required this year mostly for maintenance programmes and about R300m next year.

Mr De Beer also mooted the possibility of a funding agency being established.

FM 29/4/94

The current runs against deregulation

When the 200-strong National Electrification Forum meets again next month to consider the restructuring of SA's multibillion-rand electricity industry, Eskom officials should find it easy to deal with representatives of an ANC-dominated government. They already have so much in common.

It's apparent that the two power brokers agree that the State — through Eskom, which generated 98% of SA's electricity and had R13,8bn in turnover last year — should retain tight control of the generation and transmission of electricity.

They also agree that the current system of electricity distribution — about 450 local authorities charging more than 1 000 different tariffs distribute 45% of the country's electricity — should be realigned into a limited number of regional distributors. There's even some sentiment for one giant, monopoly distributor (*Business* December 17).

The third major area of agreement is that Eskom, rather than the State, should shoulder the approximately R12bn cost of electrifying some 2,5m households over the next six years. That is why these costs were not included in the ANC's proposed R39bn bill for reconstruction and development. The money would likely come from special electrification bonds, capital market and foreign loans, and subsidies from the current customers.

Wits University commerce dean Duncan Reekie suggests an alternative source of funding — privatisation — though it's not likely to find much favour in a forum dominated by central planners. "If a new government wants to provide uneconomic services to its disadvantaged populace, this should be recognised as a political decision driven by social-welfare considerations. And it should be paid for by the fiscus, not through enforced subsidisation by existing users. To pay for this, a new government should also strongly consider the privatisation route — billions could be generated by selling Eskom's power stations as competing generators of electricity."

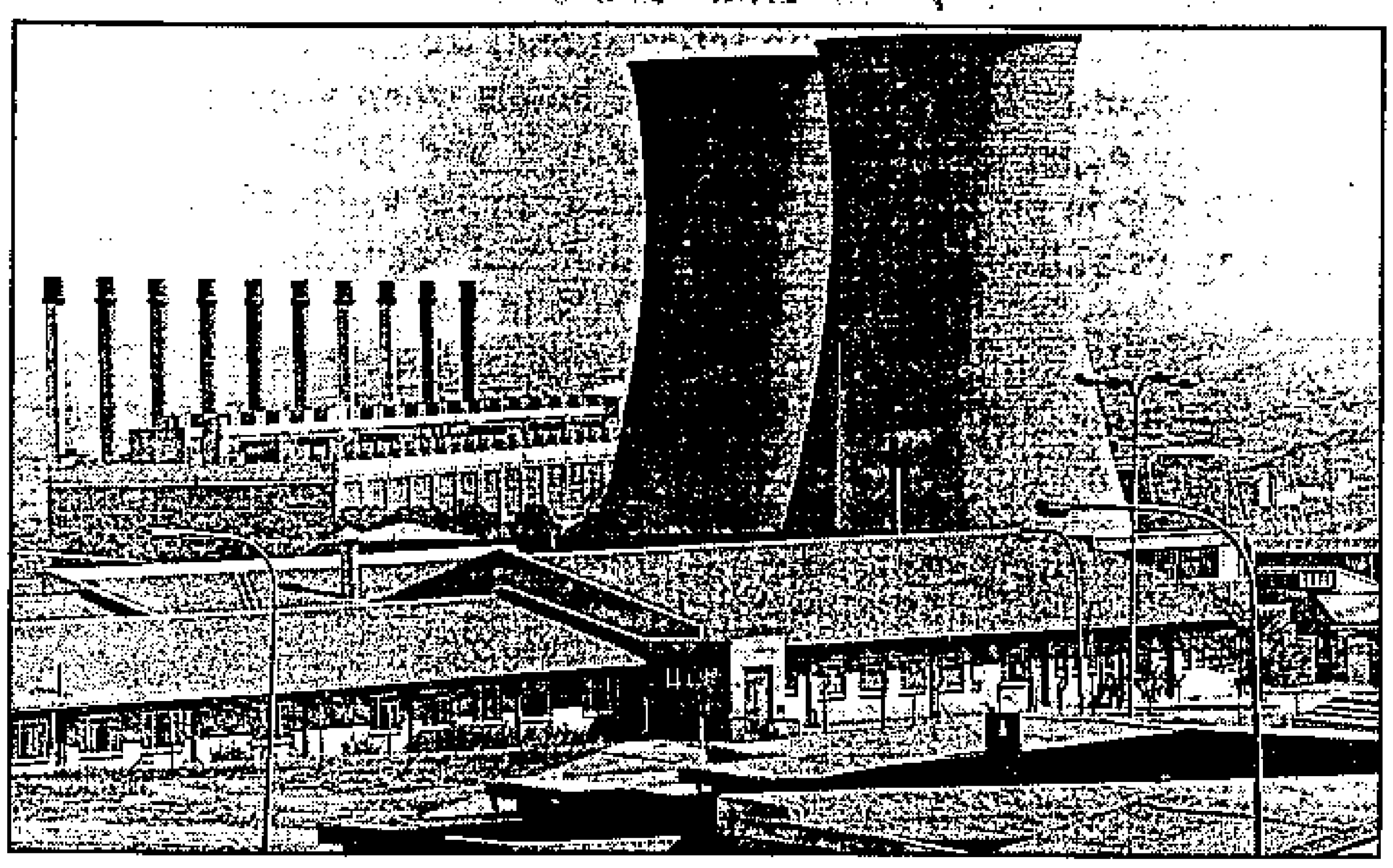
Much more likely is that with a more centralised distribution system, customers will be hit with the double whammy of higher municipal property taxes to replace the R1,3bn annual revenue that local authorities now make on the resale of power bought from Eskom (white municipalities routinely tack on 15%-20% to electricity bills) and user fees to help pay for the huge electrification programme.

Says Eskom executive director Jan de Beer: "The forum feels that many local authorities generate surpluses from electricity distribution that are beyond reasonable norms and that these surpluses should help to pay for the costs of electrification."

Mark Pickering, analyst at the ANC-linked Minerals & Energy Policy Centre, suggests raising domestic rates by about 33% and adding a levy. He also sees a need for a national regulator to oversee the tariff structure. "What we are looking at is lifting the average national domestic tariff of about 15c/unit to about 20c/unit, while additional levies may be charged to help pay for electrification costs. We would also prefer a single national distributor." (55)

Johannesburg city councillor Paul Asherson, who is a member of the forum's management committee, is against asking existing customers to pay for electrification for new users. "The man in the street already bears more than 40% of SA's tax burden. How can he be expected to also shoulder the costs of electrification?"

Asherson says the ANC is growing less enthusiastic about abolishing the local authorities' control over electricity tariffs as the reality dawns that shortly they may be in control of these bodies. "After all, if you buy a shop, it's better to take over the stock and goodwill than to first get rid of its assets."



Powering a nation ... *and municipal budgets*

UCT electrical engineering professor Charles Dingley, who is a member of the forum's working group on structure and regulation, argues that local authorities do not deliver. "Some 500 electricity distributors (mostly municipalities) serve 3,5m customers — on average about 7 000 customers each — making the SA distribution sector (very) fragmented. This structure is inefficient and locks resources into wealthy areas. The disparity in service provision that resulted from this structure is there for all to see."

Dingley feels that the best size for an electricity distributor should be determined by a balance between economies of scale and responsive service. "Global practise is to have large distributors to take full advantage of economies of scale, with good service being achieved through decentralised organisation. This is not only so in most developing countries, but also in countries such as the UK, where privatised suppliers have up to 2m customers each, and in the US, where Southern California Edison serves 3,5m. The biggest of all is the French national supplier, which has 25m customers."

Reekie believes that it's the UK's example of deregulation and privatisation that SA should follow. There, transmission lines are common carriers for all competing generators throughout the country and individual power stations now compete freely with one another. "New generators have sprung up, using alternative power sources such as North Sea gas, while freely imported SA and Australian coal forced the closure of uneconomic British coal mines. Power is freely imported from across the channel, while an electricity spot market has been created in London for anyone wishing to buy or sell surplus power at spot rates."

Dick Dutkiewicz, director of UCT's Energy Research Institute, says Eskom's transmission network should become a wholesaler of electricity, buying power from a range of generators (including imports from neighbouring states) and selling it to distributors.

"The distribution sector should consist of an overall planning and standard-setting body with regional components."

Asherson recommends that the proposed regulator scrutinise Eskom's transmission function to see whether its rates are competitive. "After all, if private hauliers could take on SA Transport Services and beat it in the field of cargo transport, the same principle should apply in the transmission of electricity. Jobs could be created by allowing competing transmitters to take on Eskom."

There is some sentiment at Eskom and the forum for allowing some competition.

"While I would favour a continuation of the economies of scale provided by Eskom's dominant generation and transmission roles in the immediate future, competing generators should be allowed to offer their services, as already happens in municipal areas such as greater Johannesburg," says former Eskom CE Ian McRae, now the new chairman of the forum's management committee. "But experience shows that while smaller competing generators can operate in competition with Eskom, they often cannot continue these services because the running costs prove beyond their capabilities.

"SA is a developing country and neither Eskom nor the forum sees great advantage in splitting Eskom's generation and transmission functions. The real sensitive issue is distribution."

Engen pushes fuel for growth

S/Times (Buss)

By KEVIN DAVIE

A MARKET-driven oil industry could fund 10% of the ANC's reconstruction and development programme (RDP), including creating 400 000 jobs and building 160 000 houses, according to Engen. 1/5/94

It says in advertisements in major newspapers today that there is no reason why the oil industry should not become the leading example of free and fair competition at its best, and the engine room of South Africa's economic recovery.

It says that legislation from the apartheid years continues to undermine SA's progress. (55)

"One such inheritance is the cost to the economy of a regulated oil industry."

Engen calculates that on the experience of deregulation elsewhere, 7 000 petrol attendant jobs would be lost over 15 years in SA.

"We anticipate only a third of SA service stations will offer self service by 2009.

"While deregulation will create a measure of short-term unemployment, lower fuel prices will benefit all sectors of the economy and encourage the creation of sustainable new employment and a significant number of small businesses."

Engen says deregulation could bring fuel prices down by as much as 25c a litre, keeping R4-billion in the economy annually.

"To put this in perspective, that is enough to fund 10% of the RDP. Or build 160 000 new homes in the coming year. Or provide 400 000 jobs. In fact, properly spent, it could probably do all three."

Engen's campaign represents a major challenge to ANC policymakers who have opted for regulation of the fuel industry to continue.

The RDP says: "The regulation of the fuel industry is necessary to ensure a stable, high-quality supply, stable investment and low input prices to the economy and consumers."

Eskom security chief named in gun sale probe

(55) ARG 5/5/94

The Argus Correspondent

JOHANNESBURG. — Eskom employee Johan van der Walt was responsible for the surreptitious, unauthorised sale of 1 000 semi-automatic weapons from the Eskom armoury to the KwaZulu Police in March, the Goldstone Commission has found.

Mr Van der Walt, manager of the parastatal's National Protective Services Department, was suspended pending the outcome of an inquiry by the commission, whose findings were released yesterday.

The commission found that the permit for the transaction was issued after consultation with the police commissioner, General Johan van der Merwe, only a week after Judge Goldstone had reported there was prima facie evidence that officers of the SA Police were involved in the illegal delivery of firearms to KwaZulu.

The commission said it was unfortunate that General Van der Merwe had not consulted with Law and Order Minister Hernus Kriel before authorising it.

Eskom executive-director George Lindeque found Mr Van der Walt overseeing the loading of the weapons on to KwaZulu Police vehicles without registration plates on the evening of March 25.

Also present at the time were arms dealer Ivan Garb and KwaZulu government official Phillip Powell.

Mr Lindeque immediately cancelled the transaction and called in the Goldstone Commission.

It appeared that the KwaZulu Police vehicles were irregularly admitted to Megawatt Park on the instructions of Mr Van der Walt, said the report.

The R2,1 million deal also involved Gintans Security, Seyeh International and arms dealers J Garb and Co.

The 1 000 surplus LM4 semi-automatic rifles were to be sold to Garb for R675 000, resold to Gintans associate Seyeh at a price of R1,07 million and finally sold by Seyeh to the KwaZulu government for R2,1 million. All of these payments were made on March 25, the commission said.

Following an audit of the Eskom armoury it was further revealed that Van der Walt had previously organised the unauthorised sale of 50 LM4 rifles to Kempton Park arms dealer Shotgun Willies.

For 20 of these rifles payment was not made and false Eskom removal permits were made out and signed by Mr Van der Walt, the commission said.

In response, Eskom said it had taken note of the findings, which would be considered during a further investigation by the Independent Mediation Services of South Africa on behalf of Eskom and the various trade unions representing Eskom employees.

World Bank loan for gas project

JOHANNESBURG. — The World Bank is likely to approve a $30 million engineering credit in early June for the Pande natural gas project in Mozambique, a Bank spokesman said from Washington.

The $30 million credit negotiated between the World Bank and the Mozambiquean government is for further exploration and general preparation of the Pande project, which involves South Africa's Sasol.

55 (55) ARG 6/5/94

The credit would involve the strengthening of Empressa Nacional de Hidrocarbonetos, and other costs relating to a project management team, an environmental assessment, training, arranging finance and further engineering of the development project, the Bank spokesman said.

The World Bank, the Norwegian aid agency, Norad, and the former Soviet Union have financed the bulk of the exploration undertaken by Mozambique's state oil company, which has been studying the field since 1980.

Exploratory work by to date by ENH has found there are proven gas reserves close to the level required to support a gas export project.

Proven reserves appear adequate to support projected market demand over at least 20 years and would generate revenues of $5,8 billion over this period, joint sponsor Sasol estimated.

A spokesman said: "ENH and Sasol have undertaken a range of studies on gas reserves, pipiline routes and costs and market demand.

"In-house feasability studies by each of the partners have confirmed that the project appears viable and economically attractive."

According to an agreement between the two companies, Sasol has access to Pande technical data and some priority rights to enter into an investment agreement with ENH. — Sapa.

Race to stave off rise in fuel price

S/Times (Buss)

8/5/94

By KEVIN DAVIE

HUGE savings on the petrol price are being discussed in the National Economic Forum (NEF) in a race to avoid the new government's having to impose a 10c/l increase soon after the first democratic election.

A war of words has broken out among major industry players on where savings can best be made.

Paul Theron, director of the ANC-aligned Minerals and Energy Policy Centre (MEPC), says possible savings include 6c/l to 7c/l on the in-bond landed cost (IBLC) and 1c/l on shipping and wharfage.

Mr Theron says the intention is to produce a document for the new minister who will be able to announce cuts in the price composition. The task force in the NEF has been deliberating for six months and action is needed now.

"Everyone accepts it will be extremely difficult to put up the petrol price now," says Mr Theron.

BP says savings can be made by reducing Sasol's tariff protection, "which currently exceeds the combined refining profitability of the rest of the industry".

BP's Richard Fienberg says savings can also be made by lowering tariff protection to Mossgas and the pipeline charges.

Sasol says it objects to BP exploiting the matter of tariff protection for commercial reasons, ostensibly to swing negotiations in its favour.

It says tariff protection for Sasol has already been reduced from $23,00 a barrel to $21,85 to avoid price increases in the past.

Sasol says a rise in pump prices cannot be laid at its door: "The present under-recovery is a direct result of higher oil prices and a less favourable exchange rate.

"As oil prices rise protection is reduced and this benefit is passed on to the motorist which is currently the case." (SS)

Sasol says it adds R4-billion to GDP annually by beneficiating SA's low-grade coal.

Discussions in the NEF have focused on reducing the individual parts of the petrol price composition.

Mr Theron says cutting Bahrain prices from the IBLC formula would save 1c/l. Switching from Singapore to Mediterranean spot prices would save about 8c/l.

Cuts in protection payments to Sasol will be discussed in the coming week.

Mr Theron believes it is unlikely that consensus will be reached in the NEF about price cuts, but it is important to have a report ready for the new minister.

Mr Fienberg says Engen's advertised claim of a possible 25c/l saving from a deregulated fuel industry is not attainable in the short to medium term. External factors are likely to drive fuel prices up soon.

BP supports the minimum government intervention model submitted by organised business to the NEF liquid task force.

Fuel and currency projections made available by Sasol show international refined fuel prices rising this year from the present $20 a barrel to $24 in December.

Power users face 33% hike

S Times (Buss) 8/5/94

By TERRY BETTY

ELECTRICITY tariffs may increase by up to 33% for white households and up to 10% for industrial users to finance electrification programmes.

ANC-linked Minerals and Energy Policy Centre (MEPC) analyst Mark Pickering says rates in many black areas, which pay up to 50% more than white areas for electricity, will see about a 20% drop in tariffs.

Whether the government or the private sector pays for electrification is being debated within the National Electrification Forum (NELF). (55)

The MEPC is proposing a standardised national electricity price for domestic users, rather than the 1 000 ruling at present. It also wants to narrow the tariff gap — in Johannesburg, for example, a unit costs 15,5c in white areas and 24c in newly electrified areas.

If approved, the increase for white areas will be in addition to Eskom's annual tariff increase and will be phased in over several years.

It also means the business sector will assist financing electrification. Mr Pickering points out it is already cross subsidising 2% of the domestic electricity bill.

Mr Pickering says the phase-in period for the increase will depend on what structure is accepted for distributing electricity. The debate is between a single national distributor and a combination of national and 10 metropolitan distributors and large local authorities.

New bid to cut fuel price

S/Times (Buss)

By KEVIN DAVIE

A PACKAGE of petrol-price cuts is expected to be discussed tomorrow at a National Economic Forum meeting at Sasol headquarters in Johannesburg.

The package envisages a 8c/l to 9c/l cut in some components of the price, meaning the industry's annual revenue could drop by up to R1,35-billion.

The plan calls for Sasol to surrender 6c/l to 7c/l of its protection payments. This would cut the synfuel floor price from $21,84 to between $15 and $18 a barrel. Sasol is likely to object because only last year it lowered its price from $23.

Also on the table is cutting the in-bond landed cost (IBLC), SA's base fuel price, by 3c/l to 4c/l by changing the basket of refined prices used to compute it.

Data supplied by Sasol to Paul Theron of the ANC-aligned Minerals and Energy Policy Centre show it is possible to save up to 8c/l by switching from Singapore to Mediterranean spot pricing. 15/5/94

Mr Theron says Sasol's protection payments would increase if the IBLC were lowered because they are linked to the IBLC.

Transnet will be asked to lower its fuel-related tariffs. But it is expected to resist the proposal because it needs huge sums to fund its pension-fund deficit.

Mr Theron says present under-recoveries at the pump mean that the motorist will still be asked in the next few weeks to pay 3c/l to 4c/l more.

The package envisages retail and wholesale margin increases of 1c/l each.

Tomorrow's meeting of the NEF liquid fuels task group will be followed by an NEF meeting on Wednesday where it is hoped that consensus will be reached about the fuel industry.

Engen goes nationwide again this weekend with advertisements replying to organised labour suggestions that deregulation would mean 65 000 job losses.

Engen estimates potential job losses at 7 000 through the introduction of self-service over 15 years.

It supports President Mandela's call for an economy based on market principles and better management of SA's resources.

Engen "invites all South Africans to join hands in building a great nation with opportunities for all".

Organised labour and the Motor Industries Federation (MIF), which represents service stations, contest Engen's deregulation claims. (55)

The MIF's Vic Fourie says deregulation will not help motorists. Analysis in other countries shows that after deregulation, pump prices moved up and down in the short term, but rose in the long term.

"Some 'specials' might be offered in some areas at some times, but the oil companies still recover the full price from motorists," says Mr Fourie.

The MIF encourages free trade, but deregulation should be carefully controlled.

Move to keep electricity costs down

8/Day 11/5/94

MICK COLLINS

THE National Electrification Forum moved swiftly at the weekend to allay business fears that industry would have to bear the burden of electrification projects, including those aimed at social upliftment.

Forum chairman Ian McRae said one of the forum's priorities was to keep industry competitive.

Industry should not become too concerned about tariff increases. There were rumours, but business should take cognisance of the fact that "we are conscious of keeping electricity charges to industry down".

There would be a plenary session of the forum at which tariff structure problems would be thrashed out.

"We have to keep industry competitive. At the same time we have the electricity programme which we hope to implement without massive price hikes. We are still addressing the need for 500 000 connections a year," McRae said.

Eskom executive director Jan de Beer said it was too early to comment on tariffs.

(SS)

Head of Seifsa's economics division Michael McDonald said he understood that big electricity users, such as Alusaf, would keep the contracts already in place.

He said electrification played a big part in the ANC's reconstruction and development programme.

"Although we support the electrification programme we have to be careful that we don't kill off the export-orientated base metals industry," McDonald said.

Anglo American Coal Corporation (Amcoal) chairman David Rankin said last week that he was worried about electrification funding proposals that could jeopardise industry competitiveness.

He said proposals had been made within the forum, which was studying ways to accelerate electrification.

One proposal was that the supply of electricity to major consumers such as the mining industry should be routed through regional or municipal distributors instead of through the Eskom power utility, he said.

"Amcoal is concerned that the risks attendant on such a proposal may include a less reliable supply and increased cost to the user."

Forum allays fears on electrification

(55)

From MICK COLLINS

JOHANNESBURG. — The National Electrification Forum moved swiftly at the weekend to allay business fears that industry would have to bear the burden of electrification projects, including those aimed at social upliftment. CT 16/5/94

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Sasol, Mossgas stand to lose R300m sales a year

B/Day 20/5/94

MICK COLLINS

SASOL and Mossgas stood to lose around R300m a year in sales if the proposed 2c/*l* cut in tariff protection was implemented, analysts said yesterday.

The cut was proposed by the National Economic Forum's liquid fuels task force as part of a package which will shortly see a two-stage rise in petrol prices of 8c/*l*.

One analyst said the tariff protection reduction would have the effect of chopping more than R245m a year from Sasol and nearly R50m from Mossgas.

A Mossgas spokesman said it was not clear how the tariff protection reduction would be applied and "until such time as we receive clarity on its application we are not in a position to comment on how it will affect us".

Sasol refused to comment.

Engen MD Rob Angel welcomed the proposed review. Another analyst said if the underrecovery rate of 14c/*l* had been allowed to continue it would have amounted to R2bn a year.

"As it stands the underrecovery is still 3,5c/l which comes to R500m a year." He added that government was still not sharing the burden with a tax cut in the fuel price.

(55)(~~123~~)

The SA Chamber of Business said while business recognised the increases would have a negative effect on the economy, it reluctantly accepted that external pressures had made them unavoidable.

It said that for as long as fuel was subject to regulation and to retail price maintenance the government would have to announce price adjustments.

In terms of the recommendations, the oil industry and Sasol would have to make considerable sacrifices, which could only be a one-off measure.

"These factors give substance to the concerns of business regarding the direction of government's interventionist policies and their effects on investor confidence and the exchange rate," it said.

Sacob said its acceptance of this method of dealing with the short-term price pressures on fuel was conditional on an acceptance that the oil industry had to be restructured so as to allow market forces to determine the price.

Switch-on will light up their lives

624 55

Staff Reporter CT 20/5/94

A THREE-YEAR project to bring electricity to 50 000 Khayelitsha shack dwellers kicks off next week when the first 200 families switch on the lights in their homes for the first time.

The R75 million project is a joint venture by Eskom, (British) East Midlands Electricity and Electricité de France.

The joint company, Phambili Nombane (Forward with Electricity), is part of a countrywide drive to electrify 1,5 million homes in the next five years. Some 3,8m houses in South Africa lack electricity.

Phambili Nombane aims to electrify the remaining 50 000 dwellings in Khayelitsha by 1996.

The first 200 customers in Makhasa, Village 5, already have pre-payment meters installed.

Local contractors, using township skills, have also begun erecting poles and stringing overhead cables in Khayelitsha's Town One and Three.

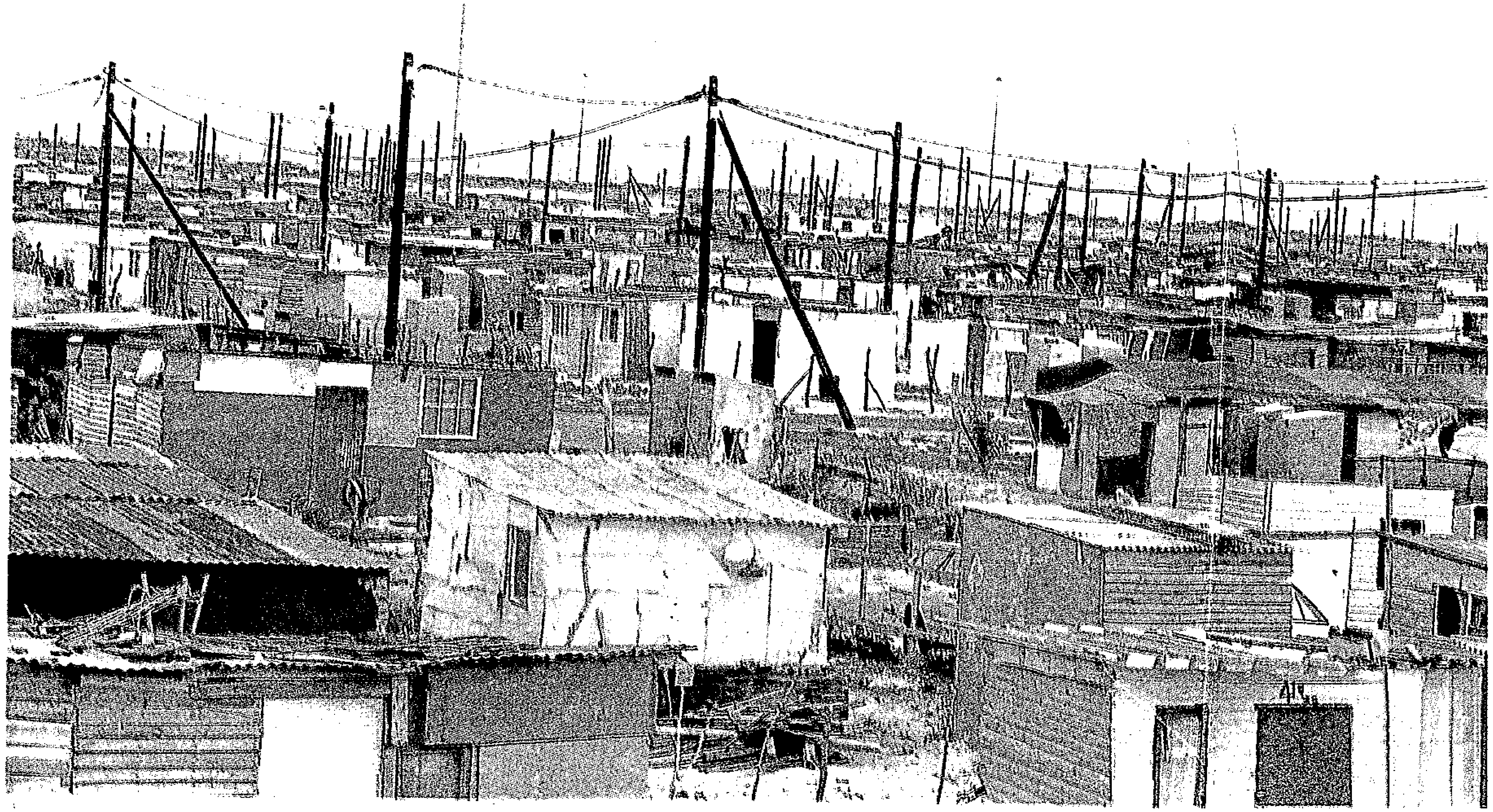
Makhasa spaza shop owner Ms Kindness Mlumbi says she will now buy a fridge and stock cooldrinks and perishables. "My turnover will increase and my life will be much, much easier," she said.

The sale of electricity on a pre-payment basis will be franchised through existing spaza shops.

SWITCHING ON . . . Ms Kindness Mlumbi, a Khayelitsha spaza shop owner, is eagerly awaiting the electrification of her shack which will be among the first 200 to be "switched on" next week.

Picture: CLIVE SMITH

Weekend Argus, May 21/22 1994



Pictures: DOUG PITHEY, Weekend Argus.

□ **NEW ERA:** Poles sprout up over Khayelitsha as wires supplying electricity are linked to shack.

Massive electricity project to light up township life

□ **AT THE HELM:** Project supervisor Faiq Meye[r] checks the "overhead network" to make sur[e] Khayelitsha is "connected" on time.

Villagers turn on the power

~~###~~ (56) ARGT 21/5/94

■ The first shack-dwellers in Khayelitsha will have electricity connected in their homes next week as a huge electrification project in Cape Town's largest township gets under way, reports **DALE KNEEN**.

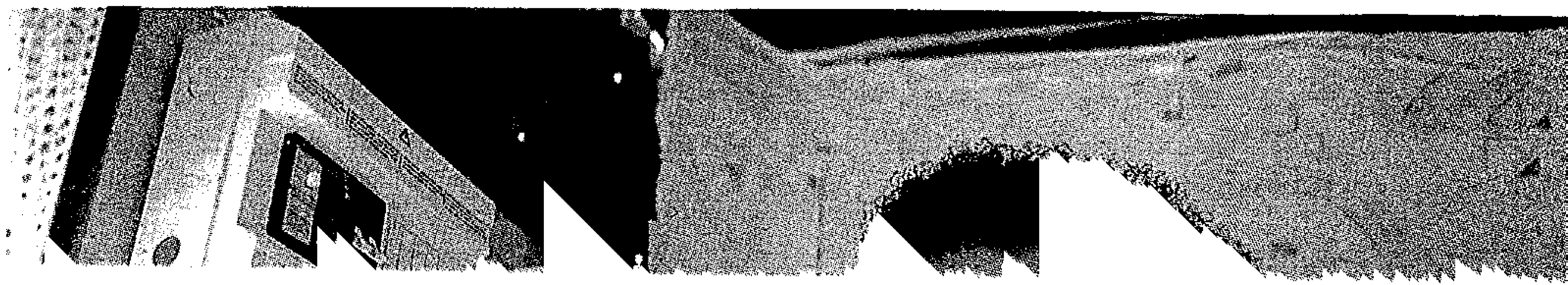
KHAYELITSHA residents believe electrification of the township will bring a whole lot more than light to the township.

They think it will help create jobs and that the township will become a more attractive and safer place.

the shacks with electric "key-pad meter-boards".

Residents, like housewife Agnes Kuniso,

Pensioner John Dlepu said electricity would make people feel more "settled" and that they would make gardens and



Not at all, says Alain Roucole, a French specialist who has worked on several large electrification projects in Third World countries.

He has witnessed massive socio-economic transformations in other poor communities in Africa, after the installation of electricity.

The first 200 shack-dwellers in Khayelitsha will be connected next week, bringing to an end the first phase of a massive, R20-million electrification project which will light up the entire township.

It is planned that all 500 000 inhabitants of Khayelitsha will have electricity by the end of 1996. This means the vast majority of homes in greater Cape Town will have been electrified.

The power is supplied by Phambili Nombane, a company jointly owned by Eskom, East Midlands Electricity and Electricité de France.

The first residents to benefit from next week's connection are in Town 3, Village 5 and Town 1, Village 3.

Sub-contractors using Khayelitsha labourers have installed an "overhead network" of wires in the villages and fitted have been visited by Phambili Nombane workers and told how they will be able to light up.

"It's going to be great. At the moment I go to the shops to buy paraffin for my lamp and heater. I'll simply go to the same place and pay for a code which I punch into the key-pad meterboard to get connected," said Agnes.

She felt electricity would make a "huge difference" in the township, because people would be able to use electric stoves and light bulbs instead of fires and candles.

"Shacks are always burning down because candles get knocked over. People lose their possessions and are often badly burnt. This will all change when we have electricity."

Computer operator Isaac Maboza said there was "massive unemployment" in Khayelitsha and some people might initially find it difficult to afford electricity, but he believed the long-term effects would be beneficial.

Electricity would spark economic activity, he said.

build solid structures to live in.

Dorina Vokozela has decided to do just that.

"I didn't want to live in a hokkie anymore. Hokkies are dangerous. When I heard we were getting electricity I decided to build a brick house."

Electricity will cost 23c a kiloWatt and first-time users will have to pay a R40 connection fee. The cost for each unit is more economical than paraffin.

Mr Roucole said he had worked on similar electrification projects and had discovered that electricity often sparked a flurry of socio-economic activity as people improved their homes.

"If people don't have electricity, they tend to think of their homes as temporary camps. With electricity, they settle and start improving their environment."

He said residents of Khayelitsha had been "overwhelmingly" positive about the electrification project and many had handed Phambili Nombane the keys to their homes so that key-pad meters could be installed.

□ **BIG CHANGES:** Dorina Vokozela and her children, Mavis, David and tiny Gerald, find out if Milton Bambiso has connected their electricity. Dorina is building a brick house now she has electricity.

□ **LIGHT WAVE:** A delighted Agnes Kupiso will be one of the first shack-dwellers in Khayelitsha to get rid of her candles when she gets electricity. The "key-pad meterboard" behind her has three plugs and is activated by a code which is punched in.

Petrol cuts could cost fuel industry R850m

St Times (Buss)

By KEVIN DAVIE

THE petrol-price cuts proposed in the National Economic Forum (NEF) this week could lop R850-million off annual industry (including Transnet) revenue.

But a 14c/l under-recovery on pump prices means that two 4c/l increases are likely in the next six weeks.

The proposals are yet to be agreed to by NEF principals and the Cabinet.

Sabta's Cyprian Lebese says taxi owners oppose price increases because they are not subsidised as are other carriers.

Mr Lebese says deregulation will bring lower prices.

"There may be job losses but other jobs will be created from lower prices."

Sabta will ask Transport Minister Mac Maharaj for subsidies. (55)

A Government source says taxis carry about 50% of urban commuters. Sabta would be in line for about R2-billion a year.

Mr Lebese says Sabta could make large savings if allowed to operate its own fuel depots. He says Sasol has suggested discounts of 36,5c/l. 22/5/94

Sasol's Pat Davies says the moratorium on new fuel depots is unfortunate. Potential savings of between 10c/l and 15c/l are possible for users who run their own installations.

Increasing crude-oil prices mean lower protection for Sasol.

"A reduction in the equalisation fund levy of at least 3c/l can be passed on to the motorist."

The 6,75c/l proposed price cuts include the in-bond landed cost (1c/l), wharfage (1c/l), pipeline (1c/l), payments to Sasol and Mossgas (1c/l) and the equalisation fund (2c/l).

Sacob supports this so long as fuel is deregulated in the longer term.

RDP electrification targets 'attainable'

BDay 26/5/94

MUNGO SOGGOT

ELECTRIFICATION targets set by the reconstruction and development programme were attainable without a "funding crisis", the National Electrification Forum said yesterday. (55)

But a national regulator to oversee the programme during its first five-year phase, which proposed 2,5-million new connections, would have to be established immediately, forum management committee chairman Ian McRae said.

McRae said the committee had still to finalise funding plans for the programme. Concrete proposals would be presented to government in a matter of weeks.

"There is no immediate funding crisis. Eskom and metropolitan local authorities can borrow money," McRae said.

No decision had been taken on whether or not to impose a consumer levy to fund the electrification programme.

McRae said he was confident the target of 350 000 new connections in 1994 — mentioned by President Nelson Mandela during his opening of Parliament speech — could be met. Eskom had already made 80 000 new connections this year.

The 500 000 new connections would cost between R1,5bn and R2bn. The establish-

□ To Page 2

Electricity

BDay 26/5/94

□ From Page 1

ment of a national electrification funding mechanism to regulate extra funds, including foreign cash, was being given attention.

Over the next five years local authorities which wanted to continue supplying electricity could do so, providing they could meet the RDP targets. If not, either Eskom or another supplier would take over control of the area's supply.

Eskom would take over electricity supply from the TBVC states. (55)

"The intention is to move gradually in the direction of a national distributor for electricity," McRae said. There was still some dispute over how to achieve this, but the plenary session had agreed on the need for a national domestic tariff system.

□ Sapa reports the Medical Research Council said the electrification programme would have health benefits.

Research commissioned by Eskom had determined that electrification would reduce the incidence and severity of pneumonia, burns and paraffin poisoning, which was responsible for 16 000 hospitalisations a year and 1 000 deaths.

Up to R800m in health service costs could be saved by full electrification.

Mandela's electricity goal 'can be met'

Nearly 3 million homes would be electrified in the next five years at a rate of 500 000 new connections a year, the National Electrificaton Forum (Nelf) plenary agreed yesterday. Star

Nelf management committee chairman Dr Ian McRae stressed the feasibility of the projection, saying President Mandela's target of 350 000 connections in 1994 would be achieved. 26/5/94

Plans for the electrification project and rationalisation of the electricity industry would be presented to the Cabinet by the end of next month.

McRae said the Reconstruction and Development Programme's target of 2,5 million connections in the next five years was attainable. 55

A reliable source said 60 percent of the country would have electricity by the end of that period, compared to 30 percent at present.

McRae told a press conference after the plenary at Midrand that members had agreed that a national regulator should be established soon to control the industry. The existing Electricity Control Board could play this role.

The plenary agreed that local goverments who so wanted could retain electricity supply if they were able to meet the criteria of the electrification plan.

McRae said electricity was one of the main sources of revenue for local governments.

Cross subsidisation from urban to more expensive rural areas would be more effective within a single body rather than by several local authorities.

The plenary also agreed on a national domestic tariff system.

It also agreed Eskom would take over electricity supply to the former TBVC states. — Sapa.

OIL INDUSTRY

FM 27/5/94

Showdown at the pumps

(55)

New Mineral & Energy Affairs Minister Pik Botha will need to rely on his long years as a diplomat as he faces the short-term prospect of increasing fuel prices and the long-term goal of deregulating SA's R30bn-a-year oil and synfuels industries.

In fact, it's the politically devastating prospect of having to raise the petrol price continually that may finally force government to let the market handle that problem, especially when some experts say major deregulation could lower fuel prices by 25c/*l*.

Botha will need all the help he can get to adjudicate among the vociferous vested interests fighting for their causes:

☐ The free market lobby, under the leadership of Engen CE Rob Angel and Pick 'n Pay joint MD Gareth Ackerman, which claims the current regulations cost motorists (and the economy) up to R4bn a year;

☐ The Motor Industries Federation, fighting to retain its garage members' cosy set up of quotas and high profit margins;

☐ Sasol and Mossgas, the two synfuel giants, which, according to Angel, receive annual benefits from motorists valued at about R1,6bn a year. Sasol, however, says it's closer to R1bn and that it will go down as crude oil prices increase;

☐ Petronet and Transnet, which may be receiving far more for their pipeline and wharfage services than the market would determine;

☐ Oil companies, which benefit from the inflated petrol-pricing mechanism and also receive high marketing margins; and

☐ Trade unions, which are adamant that not one job should be lost, even in the short term.

The Liquid Fuel Task Force of the National Economic Forum is working on a proposal to increase retail petrol prices by 8c/*l*, in two instalments over a six-week period and reduce the cost of protectionist mechanisms. This is scheduled to be finalised before the end of the week and then turned over to Botha. Because of the urgency of the current 14c/*l* petrol pump price under-recovery (caused by an increase in crude oil prices and the weakening rand), he is expected to submit the proposal to the Cabinet as soon as possible.

If the Cabinet accepts it, the proposal could be the first tear in the huge regulatory web that protects the oil and synfuel industries. The proposal would cut the In Bond Landed Cost (IBLC) petrol-pricing mechanism by 0,9c/*l*; Sasol and Mossgas tariff protection (0,9c); the Petronet oil pipeline tariff (1c); the Equalisation Fund synfuel levy (2c) and the Portnet single buoy mooring tariff (1c).

Sacob chief economist Ben van Rensburg says that's fine, for now. "The chamber's acceptance of this particular method of dealing with short-term price pressures on fuel is conditional on an acceptance of the view that the oil industry must be restructured to allow market forces to determine price and bring about efficiencies in the delivery mechanisms."

The task force's interim package deal includes studies into:

☐ Sasol's tariff protection, to be completed by October 30;

☐ The separation of Sasol's Natref crude oil refining activities from its synfuel activities to prevent cross-subsidisation (thus allowing Sasol Oil's entry into the retail petrol market), to be completed by November 30;

☐ A Mossgas "upliftment" agreement with oil companies (they have to "uplift" all Sasol and Mossgas fuel, based on their respective national shares of the oil market and a commercial agreement between the parties), to be concluded by June 30; and

☐ A new set of principles to be negotiated, between Sasol and the oil companies on "uplifting" Sasol synfuel from Secunda.

Some businessmen, however, are impatient with the delay in implementing deregulation, which the task force's business lobby estimates will take two-and-a-half years. "We must stop tinkering with the interrelated issues that bind our industries together," Angel says. "We must now push for full deregulation, which I believe can be put into effect within 12 months."

Engen recently launched an advertising blitz, which promises that a market-driven oil industry could fund 10% of the ANC's R39bn reconstruction & development programme this year alone, or build 160 000 houses or create 400 000 jobs. "In fact, properly spent, it could probably do all three." It also states that deregulation could allow fuel prices to drop by up to 25c/*l*, "keeping some R4bn in the economy annually."

The company also dismisses the widely promoted idea that deregulation could lead to job losses for 45 000-plus petrol pump attendants. "Our calculations show that at most, an estimated 7 000 service station attendants could lose their jobs directly as a result of self-service — and this over a 15-year period." This figure, of course, is far offset by the jobs that would be created.

Ackerman says fears are unfounded that small outlets will be put out of business and thousands could lose their jobs because of retail price deregulation. He offers a three-to-five-year moratorium on self service as "a fair and feasible measure to protect the outright job loss of pump attendants."

The key issue, Ackerman says, is that retail prices should be set by the market. Pick 'n Pay has, since 1975, fought government on this issue, took it to court several times — and lost. He says the IBLC should be dropped, allowing Pick 'n Pay to import petrol freely at a 20c/*l* discount to current refined prices.

All these promises fail to impress Rod Crompton, chief labour spokesman on the task force, who is dead-set against market-driven prices as in the US, which has some of the cheapest petrol prices in the world. "Can those people who dream that the market can regulate a nonsubstitutable product please explain to me how their ideas can work?

"All the oil companies are involved in swapping products and are in bed with one another. Only an independent, statutory petroleum industry regulator can properly protect the interests of consumers and workers against the power of big business. The market alternative means chaos, a general conflagration and a war for market share."

Crompton says the proposed statutory body would also have to determine an appropriate lower level of tariff protection for the "misbegottenly privatised" Sasol. "I oppose the anarchic freeing of the market and the scrapping of jobs that would follow deregulation. We need a gradualistic approach towards the best mix for a restructured industry, which is admittedly necessary. This is not a simple issue."

Sasol also opposes over-hasty reforms. "Sasol was the first oil company to advocate deregulation, but in a phased, well-ordered manner," the company said in a statement this week. "We are opposed to the short-term ad hoc adjustments to the regulatory framework, as they create uncertainty and are harmful to the industry. We trust, therefore, that any changes now will be once-off and not repeatable measures."

Cont P86

By biting the reform and restructuring bullet, Botha could give the economy a major boost.

(55)

Wages: Electricity workers down tools

SHARON SOROUR
Labour Reporter

(55) ARGT 27/5/94

CONTRACT employees working on the electrification of Khayelitsha are on a four-day work stoppage over wages.

The workers are employed by sub-contractor Racec Pty Ltd on a contract to electrify the township for Phambili Nombane, a joint company comprising Eskom, British distribution utility East Midlands Electricity and Electricité de France.

One of the workers said about 80 workers downed tools on Friday because they had not been paid for the work they had done in Site B, near the police station.

He said he had only received R32 of the R600 he was owed for erecting electricity pylons.

Phambili Nombane operations manager Ian Barge confirmed the workers were employed by Racec Pty Ltd, one of the project's main sub-contractors.

Mr Barge said the electrification was being done using a labour-based sub-contracting system and Phambili Nombane insisted that local labour be used on the contract.

"The original intention was for workers to be paid a task rate only, meaning they would only get money for work completed. But workers have not fully accepted this system because their wage packets fluctuate," he said.

Mr Barge said it was understandable for workers who were previously unemployed to want a constant pay package.

"We are in the process of talking to the main contractors to go back to a basic daily rate of remuneration, and we are hoping to finalise the negotiations next week."

Light and power for the people

SHARKEY ISAACS (55)
Weekend Argus Reporter ARG 28/5/94

IN a big electricity switch-on, power has been installed in 227 houses in sprawling shanty towns in Khayelitsha.

Township resident Cynthia Sogexe yesterday celebrated her introduction to electricity with a few friends.

Mac Mdingi, sales manager of joint operating company Phambili Nombane, handed her a voucher and a large cake, saying that 50 hours of free electricity would be given to all consumers.

General manager of the company Alain Roucole said that one contractor was electrifying 4 000 homes in Town 3 — part of Village 5 — and other contractors were working elsewhere in Khayelitsha.

"Our aim is to connect about 20 000 homes by the end of the year," he said.

Charlton in bid to reverse subsidy cuts

KATHRYN STRACHAN

WITS University principal Prof Robert Charlton said yesterday he would urge the Committee of University Principals to make the "strongest possible representations" to reverse the decision to cut state subsidies. BDay 16/6/94

Wits University's subsidy cut of R2,046m represented its share of the R220m reduction by government in the total allocation for education, which had been imposed to finance the elections.

Charlton said the university had already budgeted for a deficit this year, with cuts in spending on books and equipment. Further cuts would have ~~to be~~ borne by the personnel budget. 54

Committee of University Principals chief director Prof Jos Grobbelaar said universities would all be hit hard, suffering cuts proportional to their subsidies.

Sapa reports that at a lunchtime meeting of joint staff associations at Wits University more than 500 academic, administrative and technical staff unanimously endorsed resolutions protesting against the budget cuts.

One speaker described the staff mood as "incredibly low at the moment".

Our Eastern Cape correspondent reports that Rhodes University plans to reduce its staff complement by 10% during the next three to four years because of funding cuts.

Vice-chancellor Derek Henderson said the most obvious solution would be to increase student numbers by 10% while reducing academic staff by the same proportion.

Hendersdon and personnel director Bruce Smith both emphasised that large-scale retrenchment would be a last resort.

Smith said rationalisation, freezing vacant posts, early retirement and natural attrition would help avoid retrenchments.

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Mufamadi promises unit to probe taxi violence

STEPHANE BOTHMA

PRETORIA — Safety and Security Minister Sydney Mufamadi announced yesterday that the police would set up a special unit to probe taxi violence.

He intervened as news came that another taxi driver had been shot dead in the city yesterday, despite a peace accord reached by long distance taxi operators three weeks ago.

Mufamadi said he had met three taxi organisations to discuss government's concern about the increasing taxi violence, and the SA Police Service would be asked to set up a special investigation unit.

The organisations were the Lethlabile Taxi Association, the association to whom the dead man belonged, the Federated Local and Long Distance Taxi Association and the Southern African Long Distance Transport Association.

He said a joint meeting with the organisations would be held next week to discuss proposals to deal with the situation.

He said he had made it clear to them that peace between the various rival taxi organisations could not be achieved unless the industry put its house in order. This would include credible and effective disciplinary steps against the perpetrators of violence in their own ranks.

"I impressed upon them that taxi violence was rivalling political violence in intensity and was not only a blot on SA's new democracy but was sabotaging the economic growth necessary to uplift the community."

The driver was shot twice in the chest with a 9mm firearm at 5.10am at the Bosman Street bus terminus and died on his way to hospital, police spokesman Capt Dave Harrington announced.

Police on routine duty had found the seriously injured man next to his taxi and the area had been cordoned off while police searched for clues. The driver, who may not be identified before his family has been informed, was from Hammanskraal.

About two hours later, several shots were fired at another operator in the same area, but nobody was injured in the incident.

The shootings took place three weeks after city police brokered a peace accord between warring taxi industry leaders operating the lucrative Pietersburg-Pretoria route. At the time, industry leaders said the agreement reached was a "lasting peace accord".

The agreement was signed by the Lethlabile Taxi Association, the Pretoria-Pietersburg Long Distance Taxi Association and the Federated Local Long Distance Taxi Association a few hours after unidentified gunmen opened fire on the Dairy Mall taxi rank where yesterday's shootings also took place.

Yesterday's killing was still under investigation, but Harrington said police "presumed it was part of the ongoing taxi violence in the city".

Government looking to slice housing red tape

B/Day 28/6/94

ROBYN CHALMERS

A NATIONAL Housing Forum investigation into land invasion and squatting could lead to government slicing through legal and bureaucratic measures which have stymied affordable housing development for decades.

A forum spokesman said yesterday that one measure under consideration was the development of mass housing on unproclaimed land, but the legal ramifications of such a move had to be considered.

There were also proposals to construct, in the short term, basic homes — which could be upgraded later.

"There is a general realisation that we have to get rid of bureaucratic controls hindering the provision of services to land and the construction of low-cost homes.

"These and other measures have to be implemented as quickly as possible as it is clear that SA's poor are prepared to risk being criminalised to gain access to land," he said.

The forum's investigation follows the recent call by Housing minister Joe Slovo for speedy solutions to squatting, which was beginning to reach crisis proportions.

Slovo requested regional housing ministers to identify suitable tracts of land in or surrounding urban areas which could be used for temporary or permanent housing proposals.

"I will also request them to develop, in conjunction with my department, an acceptable policy and strategy with regard to the invasion of land and the handle squatting in as humane a manner as possible."

He feared land invasion was undermining the government's affordable housing programme and could jeopardise the chances of SA's destitute gaining speedy access to homes.

Slovo said that he had sympathy for landless people, but the government would not allow any queue-jumping.

"Squatting on land which is in the process of being developed for housing clearly has a detrimental effect on the very programmes which are being designed to provide the poor with housing opportunities," he said.

Wits staff in work stoppage

B/Day 28/6/94

JACQUIE GOLDING and MELISSA NIVEN

ABOUT 500 National Education, Health and Allied Workers' Union members (Nehawu) launched a work stoppage at Wits University yesterday in response to a R2,046m cut in the university's government subsidy.

Wits said the personnel budget was reduced because two-thirds of it was used for staff benefits and cuts in money to students or levies on student fees were not feasible.

Nehawu spokesman Vusi Nhlapo said workers were demanding that the money be restored into the personnel budget because the funds were needed for their wage increases.

Nehawu members were demanding a R200 across-the-board increase while the university was offering R26 across-the-board, Nehawu said.

"The minimum wage of R1 300 will be raised by at least R100 should the money be placed in the personnel budget," Nhlapo said. (54)

Wits said government's subsidy cut was to fund election costs and to contribute to the reconstruction and development programme. It already expected a R3m deficit for 1994.

Star 28/6/94

Wits won't talk to us, strikers claim

About 500 striking University of the Witwatersrand workers demonstrated on campus yesterday, claiming the authorities had refused to talk to them about wage demands.

Vice-Chancellor Professor Bob Charlton rejected the claim.

The workers, mostly members of the National Education, Health and Allied Workers' Union, accused the university of "unilaterally reducing" salaries.

54

Nehawu president Vusi Nhlapo said the authorities had used a State subsidy cut of about R2 million as an excuse.

Talks deadlocked last week. Nhlapo said he tried to resume talks with the administration yesterday because the campus was "volatile". "But they insisted we return to work first."

Charlton said a dispute procedure had been negotiated with Nehawu but the union had ignored the agreement. — Sapa.

Tuesday June 28 1994 SOWETAN

NEWS University claims Nehawu abandoned talks

Wits on wage-cut strike

Sowetan 28/6/94

By Nombuyiselo Maloyi

THE entire Wits University workforce, excluding academic staff, are on strike after the union and university administration deadlocked on wage talks last Friday.

Members of the National Education, Health and Allied Workers Union declared a dispute after the university refused to reinstate the R2 046 million cut in the university's wage subsidy.

Nehawu president Mr Vusi Nhlapo said the university claimed it received a circular with the instructions from the department of finance.

Nhlapo said Deputy Finance Minister Alec Erwin and director general for State Expenditures Mr Hannes Smit denied sending a circular of that kind to the university.

Wits University spokesperson Mrs Valerie Diesel said all universities had received circulars on subsidy cuts. (54)

She said there was no deadlock but that Nehawu walked out of Friday's talks.

Nhlapo said consultation was not properly done. "We want to know where the university got the instructions from, because the government denies it".

Workers from Wits Technikon have also joined the strike.

University vice-chancellor Professor Bob Charlton rejected the claim by the strikers that the authorities refused to talk to them.

"If they believe we have something to talk about, we will talk to them."

Nhlapo said the authorities had used a state subsidy cut of about R2 million as an excuse to cut workers' salaries.

"The government circular on the subsidy did not instruct the university to cut salaries. We were not consulted about this and we demand that the R2 million be re-instated," he said.

According to Nhlapo, he tried to resume talks with the administration yesterday morning because the campus was "volatile". "But they insisted we return to work first."

Charlton said a dispute procedure had been negotiated with Nehawu but the union had ignored the agreement. The university nevertheless remained willing to talk.

Fm 3/6/94

ESKOM Fm 3/6/94

The big get bigger?

The ANC and Eskom appear to be moving towards a system that could see Eskom eventually put in charge of distributing almost all electricity, according to developments at last week's National Electricity Forum meeting.

Though it generates and transmits nearly all electricity, Eskom now distributes only 55% of the supply, with about 450 municipalities and other local and regional authorities distributing the rest. For the past year the forum has talked about taking distribution away from the local authorities and setting up a number of regional distributors that would charge more uniform rates and end the large differences in rates from city to city (*Business* April 29).

Now the ANC is hinting that Eskom — already the world's fourth largest electric utility — should do all the distribution, giving it a complete monopoly.

Says forum secretary Johan du Plessis: "It is conceivable that Eskom could form the core of a national distributor that would eventually take over the total electricity distribution function." (55)

At the meeting, the ANC's Mark Pickering pushed for an early decision on whether the entire electricity distribution should fall under one organisation, probably Eskom. Then, once the forum has reached a consensus, it should lobby for legislation to be enacted as quickly as possible, he said.

No mention was made of the proposed regional distributors; that plan is apparently dead. As for the local authorities, which tack on surcharges to their electricity bills in order to keep down property rates, the news is not good. They may still be allowed to distribute electricity for a few more years — before Eskom takes over — but they would lose their cash cow because their rates would have to be approved by a national regulator.

Said Pickering: "Local authorities (could) continue with their operations, provided they meet the regulator's strict conditions on standards and quality of service, tariff levels, taxation and electrification."

McRae

Understandably, the local authorities are quite upset over what they see as a power grab by the ANC and Eskom. "Electrification is the issue, not rationalisation," said Cape Town city electrical engineer Fred Berwyn-Taylor. "My impression is that the ANC wants to bottle up the debate. In fact, their power play for centralised control can be seen as a virtual declaration of war. But this would also be a recipe for paralysis. Why mess around with a structure that works? The motto should be: 'If it ain't broke, don't fix it.' Possibly their aim is to get their hands on the R1,9bn surplus generated on electricity sales by local authorities. If this happens, Cape Town, for one, would have to increase property rates by 18% to make up for the lost revenue."

Other critics point to the hypocrisy of the ANC's threatening to break up what it claims are monopolies in the private sector while pushing simultaneously for the strengthening of Eskom's monopoly. They also say that while Eskom has for decades enjoyed a monopoly over generation and transmission — indeed, competing against Eskom is barred by law — the only result has been a stagnant, complacent electricity industry that has been unable to electrify more than 30% of the country.

Says Wits University senior lecturer in business economics, Henry Kenney: "This is what one could expect from the ANC — I am surprised only that they have decided to show their true colours so soon. They reject private monopolies but believe in public monopolies. The whole issue is jobs for pals, not the quality of service to the customer. Like the Bourbons, they have learnt nothing and forgotten nothing — they obviously do not believe that socialism has collapsed."

But rather than being embarrassed over the contradiction, Pickering cites centrally controlled power monopolies — such as France's EDF — as the ANC's model. Former Eskom CE Ian McRae, now the forum's management committee chairman, also favours the French model. "EDF, as well as the statutory electricity monopolies in South Korea and Taiwan, are doing a good job. While the method of creating a national distributor still has to be finalised, I definitely support the principle."

Supporters of solidifying Eskom's monopoly cite the potential economies of scale, but critics argue that the best way to ensure efficiency and quickly electrify the country would be to break up Eskom into competing private power companies. They point to the two private cellular telephone companies which — because there's competition — are racing against each other to set up national networks first. If Eskom had to race against someone, they say, the country would be electrified quicker. Putting Eskom in control of every aspect of electricity will only slow electrification, they contend.

McRae, however, is pushing ahead anyway. He says his committee will make recommendations soon to Mineral & Energy Affairs Minister Pik Botha on the creation of a national distributor. (55)

McRae believes that SA, as a developing country, is not ready for Eskom's privatisation because shareholders would demand maximised returns, which would run counter to the social demands for subsidised electrification.

Everyone at Eskom may not be completely sold on the ANC's new proposal. Acting Eskom CE Jac Messerschmidt warns that changes shouldn't be made just for the sake of change. "It is essential to keep the whole electricity-supply industry as stable as we can and to use the most sensible way to achieve our goal. Any other way is fraught with problems."

Another Eskom executive agrees that accelerated electrification is the real aim and this is more important than rushing to create new structures. "We must first give the new local-government structures that will be created under the Local Government Transition Act a chance to do the job properly." ■

IES

Gloomy warning over high electricity levies

S Times (Buss)

By TERRY BETTY

EXPORTS would become uncompetitive, less foreign currency would be earned and fewer jobs created if industry and business paid more for electricity to finance mass electrification.

Chamber of Mines public policy consultant Johann Liebenberg says: "Relatively cheap electricity is the one competitive advantage South Africa has."

The National Electrification Forum (NELF) says the redistribution and development programme aims to provide electricity for 2,5-million houses in the next five years. The target could be achieved at an estimated cost of R12-billion.

A "national electrification funding mechanism" will be considered to pay for electrification. Foreign loans could be raised.

It is believed that repayments might have to be financed through cross-subsidies, an electricity levy or the fiscus. 5/6/94

Business wants the fiscus to pay for mass electrification. (55)

Mr Liebenberg says: "Don't load input costs, rather allow us to make a reasonable profit, tax the profit and use that to fund electrification.

"It would be sad if industry and mining subsidised unproductive urban consumption."

Sacob manager, infrastructure, Peggy Drodskie, says: "Taxing an input would have a ripple effect through the production chain. Outputs should be taxed."

She says Sacob is opposed to cross-subsidies. But if they are unavoidable, it would be preferable to subsidise infrastructural and capital costs.

"In this way the subsidy could eventually be phased out. A subsidy for electricity use would continue indefinitely."

Johannesburg city electrical engineer Martin Pomeroy says cities should not pay for the electrification of far-away areas.

"Cities have their own problems. They are a magnet to people from rural areas and this places a burden on us to supply services.

"All the money raised from electricity sales should be used for the burgeoning populations of metropolitan areas," says Mr Pomeroy.

United Municipal Executive member Zanus Immelman says local authorities' profit on electricity pays for other services which yield no income.

Union strike action at Eskom head office

(55)

CT 8/6/94

JOHANNESBURG. — Members of the National Union of Metalworkers of South Africa have occupied Eskom's Megawatt Park head office to demand bonus payouts, the union said yesterday.

The strike was expected to spread to other areas, Numsa regional secretary Mr Bethuel Maserunule said.

Eskom spokesman Mr Peter Adams confirmed the industrial action, saying it was contained to two or three sites in this area but that business was operating normally. — Sapa

Protesting workers sub contracted

55

Labour Reporter

CONTRACT employees working on the electrification of Khayelitsha by Phambili Nombane who embarked on a four-day work stoppage over wages were employed by sub contractors and not main contractor Racec Pty Ltd.

About 80 workers downed tools at the end of May because they had not been paid for the work completed in Site B near the police station.

Racec managing director M J Uys said: "The contract is labour based, and Racec is obliged to employ and train entrepreneurs from within the community who then sub contract to Racec according to agreed rates certified by a professional consulting engineer.

"All payments to these sub contractors were made timeously and in terms of such certificates.

ARG 13/6/94

"The problem occurs when these sub contractors fail to pay their workers or abscond after payment has been made, leaving workers unpaid," Mr Uys said.

Phamibili Nombane is a joint company comprising Eskom, British distribution utility East Midlands Electricity and Electricité de France.

SA's electricity no longer the cheapest

MICK COLLINS

WITH an overall industrial electricity price increase of 9,58% for the year to April, SA was no longer the cheapest country among 16 major industrialised nations surveyed recently, the National Utility Services (NUS) said yesterday. B/Day 21/6/94

A NUS analysis showed the increase to be the highest with only Italy (4,4%) and the Netherlands (3,21%) showing increases. The remainder either held or decreased prices — Norway leading with a decrease of 11,28%.

NUS SA sales manager Rob Mackenzie said in the eight surveys conducted since 1986 SA had been the cheapest every time.

But SA's price increases had invariably been high in comparison with other countries.

"The cumulative effect of this trend is that Sweden now takes pride of place as the cheapest country."

Sweden reduced its price by 1,14% a kilowatt-hour while SA's 9,58% increase took its price to 13,55c a kilowatt-hour.

The 9,58% was the average of the five major electricity suppliers in SA, three of which — Eskom, Pretoria and Cape Town — kept their increases below the 9,9% (as at April 1) rate of inflation.

Cape Town went from 12,51c to 13,49c (7,97%); Durban rose from 12,88c to 14,88c (11,32%); Johannesburg from 12,57c to 13,8c (11,60%) and Eskom from 10,56c to 11,28c (6,99%). (55)

Mackenzie said with inflation dipping further to 7%, electricity suppliers would come under greater pressure to limit increases for 1994/95.

He said it was disturbing was that once again SA's price increases were the highest of all.

He added a revision of electricity distribution in SA was likely. Almost all supplies in SA were generated by Eskom. It supplied more than 450 municipalities, which in turn sold power to consumers.

For some years industry opinion had been that this was an inefficient and costly way of distributing electricity. A new system was being considered by the National Electrification Forum.

The model for comparison in the survey was based on customer size of 1 000 kilowatts, 450 000 kilowatt-hours a month, and customer-owned transformer, industrial and commercial users.

Cape Eskom workers strike

CT 23/6/94

WORKERS at Eskom depots in the Western Cape have embarked on a strike after Tuesday's wage dispute go-slow, it was reported yesterday.

The workers are demanding a 13% increase, while management is offering seven percent.

The regional organiser of the National Union of Mineworkers, to which most of the striking workers belong, said certain sub-stations in the region had been damaged by heavy rain. Talks with management would determine whether they would be repaired.

Eskom regional spokesman Mr Charles Cooper said there had been only isolated incidents of work stoppages and denied NUM reports that several sub-stations in the province had been damaged in this week's storms. — Sapa

World wants to be in on public enterprises

ARG 24|6|94

□ Businesses seek partnership deals in SA

CLIVE SAWYER
Political Correspondent

INTERNATIONAL businesses are approaching the government for partnership deals in public enterprises — in fields ranging from energy to aviation.

A huge deal involving energy supply to a neighbouring country was the subject of talks this week between public enterprises minister Stella Sigcau and United States business interests.

From elsewhere in Africa there has been an approach for joint ventures with South African Airways on aircraft maintenance.

Transnet is exploring a major contract with Libya and a possible air partnership with Tanzania.

The negotiations are in line with President Mandela's call for international partnerships with domestic businesses as part of a drive for investment in post-apartheid South Africa.

Performance of public enterprises, whose activities range from forestry to diamond mining, were being closely monitored by potential investors.

And Mrs Sigcau said the government had not closed the door on privatisation of public enterprises.

"Our interaction with other people in the international community will also broaden our thinking and if we feel that perhaps our people can benefit because of a certain line of action then we have to consider our people more than ideology."

But the same principle applied to nationalisation — it could be used if it would benefit those disadvantaged by apartheid.

For the moment, emphasis was on commercialisation, but privatisation could be examined as a long-term option if it empowered people previously excluded from economic wealth.

Commercialisation was the better option for now because black people wanted to demonstrate that they were capable of running their own affairs.

Each of the public enterprises run by her department had an affirmative action programme.

Keeping parastatals in the state-owned fold was a guarantee that affirmative action would be guaranteed.

A monitoring mechanism will be set up soon by the public enterprises department to ensure affirmative action programmes of parastatals are implemented.

SA's atomic agency cuts state funding

(55) CT 28/6/94

Political Staff

THE Atomic Energy Agency had reduced its dependence on the state by R576 million from its 1991/92 level, the agency's executive general manager, Mr Karel Fouche, said yesterday.

He said the agency planned to decrease its state funding by another R150m over the next five years, reducing its total state funding to R100m in 1998/99.

He said the agency would market radio isotopes to the medical sector, using radioactive material originally developed for the previous government's nuclear programme.

Power for 10 000 shacks by year-end

Political Staff 55

BY the end of the year more than 10 000 shacks in Khayelitsha are set to have electricity, says National Electrification Forum member Ian MacRae.

Speaking in Khayelitsha, where 50 homes received electricity for the first time yesterday, Dr MacRae said ultimately 60 000 homes would be connected to the grid.

The lighting of Khayelitsha, where more than 90 percent of the estimated million residents have no eletricity, is a joint project between Phambili Nombane, Eskom, Electricité de France, and East Midlands Electricity.

The estimated cost of the project, which may take three years, is R100 million.

ARG 5/7/94

The general manager of Phambili Nombane, Alain Rouche, said the project was carried out with the blessing of the community representatives. The installation of electricity should help create jobs.

Dickson Khulani, Khayelitsha chairman of the South African National Civics Organisation, described the electrification of the township as a victory for the community.

Eskom kicks off power grid plans

BiDay 7/7/94

NICK COLLINS

ESKOM has taken the first major step in its plans to establish a sub-Saharan electricity grid, with contracts of about R400m placed in collaboration with Zimbabwe.

The company said yesterday the contracts — placed in SA and Zimbabwe — depended on a down payment by the European Investment Bank (EIB) which was financing the Zimbabwean leg of a 410km, 400KV line between Matimba and Bulawayo.

Zimbabwe was responsible for 60% of the cost of the project on its side of the border which was being financed through foreign loans.

The completion date was the end of 1995 and it would connect SA at high voltage with Zambia through Zimbabwe. On the Botswana/SA portion of the grid Eskom had placed a letter of intent with the line contractors.

Eskom power system planning manager Pierre Rubbers said Eskom was working with Portugal to rehabilitate links between SA and Cahora Bassa in Mozambique. This would cost about R250m with Eskom and the SA government being responsible for some of the cost.

"It is in the interest of Electricidad de Mozambique, Eskom and the Portuguese authorities to have the scheme rehabilitated as soon as possible. A project completion date for early 1997 has been proposed."

The purpose of the interconnections was to create "a kind of a common market" for electricity.

Major extensions of the grid would, in the medium term, span Zimbabwe, Zambia, Mozambique and Zaire and, in the long term, Tanzania, Uganda, Kenya and Angola. (55)

Eskom envisaged reinforcement of existing agreements and creation of multilateral agreements with neighbouring corporations with the backing of governments.

Each country would finance its leg of the grid but would require cash from bodies such as the World Bank, African Development Bank, the EIB and others.

The grid would bring social and economic benefits to the region and provide economies with a major boost through demand for technical and consumer goods.

Eskom predicted electricity supply opening up among the region's 200-million population, only 10% of whom had access to electricity now.

In the process SA electricity prices would benefit, initially because Eskom would be a net exporter of electricity absorbing over-capacity. Later it would be possible to import cheaper hydro power, thus cushioning capital expenditure demands and production costs.

Eskom had a maximum demand of 24 500MW and generated about 80% of electricity in southern Africa.

MOSSGAS Fm 8/7/94

Poor returns

The scale of State spending, past and present, on the liquid fuel industry is a sharp reminder of one ruinous legacy of the apartheid years — extravagant attempts to achieve self-sufficiency. It is recorded in the second annual set of Auditor-General's reports.

The most painful reading deals with Mossgas. Leaving aside an accounting quibble over depreciation policy (which the AG concedes is academic), we have to confront an "investment" of R9,8bn in the synthetic fuel project.

The return on this sum will depend above all on the extent of its gas reserves and the oil price — neither of which is strictly within the province of accountants. On the latest data he has, the AG puts the value of Mossgas at R8,932bn. But the history of technical problems in estimating the amount of recoverable gas suggests that this should be accepted with great caution. Past estimates of recoverable gas have proved too optimistic. (55) ([redacted])

Fm 8/7/94

Other sore points in the report are:

☐ During the financial year 1992-1993, Sasol received R623m from the Equalisation Fund as import protection;

☐ Local oil refineries received R86,6m as compensation for loss of output incurred because of their obligation to market Sasol's synthetic fuels preferentially. A comparable amount of R14,6m — to cover loss of refinery throughput to compensate for taking Mossgas's output — has not yet been debited to the Equalisation Fund because it has not yet received ministerial approval;

☐ During the financial year, oil was sold from the strategic reserve and R327,4m transferred to the Equalisation Fund, but this was more than offset by the transfer of R780,5m to the State Revenue Fund. Of the total proceeds of crude oil sales from reserves (plus interest on the proceeds), the fund had, up to the end of the 1992-1993 financial year, received R1,1bn and paid to the State slightly more — R1,2bn; and

☐ To the date of the report, Soekor had spent R2,2bn on its search for oil and gas, of which R119m was advanced in the year under review. Excluded from these figures are earnings by Soekor, notably through managing Mossgas's gasfield. Gross expenditure was R186,9m. (55) ([redacted])

The AG was informed that a Soekor employee was discovered to be involved in a conflict of interest through ownership of a stake in a company contracting with Soekor. No loss was caused but Soekor says it has taken disciplinary steps.

The AG notes that — arising from his previous report — the Joint Committee on Public Accounts recommended, last August, that there should be no further expenditure on Mossgas without thorough official reinvestigation of the economics of the project and related policy issues.

The installation of a new government provides a unique opportunity to rationalise liquid fuel policy. Steps should include a ruthless writing down of the Mossgas investment to a value based on sound, conservative estimates of the gas reserves and cautious projections of the dollar/oil price and exchange rate for the rand. Government should not balk at complete closure if that is the most rational course.

The future of Soekor should be considered with equal ruthlessness. Some offshore gasfields, modest by international standards, are not much to show for all the years of drilling. Soekor has announced a programme

Fm 8/7/94

of rationalisation and commercialisation that it is hoped will lead to privatisation. This course should be pursued with vigour.

The remaining administered mechanisms regulating the liquid fuel industry, notably protection for synthetic fuels, are now the subject of fundamental policy review. A major announcement is expected soon.

One complication affecting possible further reductions in the level of protection is the fact that Sasol still owes money to the State (through the Central Energy Fund) for the purchase of its remaining half share in the Sasol 3 plant. (55) [redacted]

The agreement provides for variation in the interest rate applied to the loans from the State now being repaid according to the level of Sasol's revenue from synthetic fuels. This would be affected by changes in the level of protection. But this constraint can influence policy shifts only until the end of 1995. ■

VIP makes electric dream come true

(55) CT 15/7/94

THE dream of a new stove was fulfilled for an unemployed Khayelitsha mother, Ms Celine Nxele, yesterday when British Trade and Industry secretary Mr Michael Heseltine and British High Commissioner for South Africa Sir Anthony Reeve visited her newly electrified shack.

After an enthusiastic greeting by hundreds of ululating residents, Mr Heseltine flipped the switch at a mini sub-station to electrify 240 shacks — including the 1 000th home in the area — by the joint British, French and South African electric project, Phambili Nombane (Electricity for All).

He then led the delegation to the home of Ms Nxele, 33, to see the results. There Eskom chairman Dr John Maree said, under the glare of Ms Nxele's lightbulbs, that the electricity would cut her R100-a-month paraffin and gas bill by half.

Mr Heseltine promised to make Ms Nxele a gift of a stove.

● South Africa had the "will" to become a winning nation, Mr Heseltine said last night at the inauguration dinner of the Cape Chamber of Commerce & Industry.

The country had "opportunities of historic proportions", he said.

● **New trade campaign launched — Page 11**

MASS ELECTRIFICATION

FM 22|7|94

How to carry the cost

55

Electrification of millions of homes must not be a political football

The cost of electricity is about to explode again as a major political issue, as it did in the mid-Seventies when the price went up on occasion by more than 20% a year. Then middle-income consumers had to pay for the political advantage the Nats saw in having kept the cost of electricity in the Sixties below the cost of major generating inputs, such as coal. The poor simply had to do the best they could with wood and coal fires.

Now middle-income consumers and commerce and industry will have to pay for extending a cheap electricity supply to some townships and many country folk who will not in the foreseeable future be able to pay anything like a commercial rate. To the romantic that may be fair retribution. But sound economics for future prosperity is seldom compatible with retribution.

Now — as in the Sixties — the rationale is political: a means of buying peace among those deprived by apartheid and the liberation struggle from jobs and the normal processes of progressive rural development.

The cost of past folly will not only be high in terms of the squeeze on household and corporate budgets, it will be reflected in lower economic growth as local undertakings have yet another impediment placed on their ability to compete abroad. They will have to face the cost of a major industrial input most likely growing faster than earnings.

The short-term political need is difficult to gainsay, whether presented as the achievement of equity or as retribution. But that will not overcome the economic cost which could create worse political problems in future.

However, economic folly and political opportunism can be mitigated. First, by leaders who understand and can point out that immediate sacrifice may be worth longer-term economic advantage. In the unlikely event of that happening, transparency of purpose, careful financing and adroit management may be able to draw some of the string.

Electrification of millions of homes is an understandable aspect of social improvement and one of the keys to political stability. Black urban areas are the first major goal, though rural electrification remains very much on the agenda. A good start has been made, largely through Eskom's extension of its retailing function — one it assumed reluctantly and only because of the collapse of black local authorities.

Eskom's role as retailer has been buttressed by the fact that the civic associations and ANC are dubious about local authorities' will to reticulate electricity sufficiently widely at what they would regard as a reasonable price.

But while Eskom may enjoy the trust of the newly enfranchised, the extension of power to those who cannot fully afford either the capital cost of the connection or the running costs is a problem that promises to become much larger, if not critical. Reticulation into these areas is already resulting in cross-subsidies from other consumers, including industry and mining, where international competition will increasingly be felt.

As the electrification programme gathers momentum, the cost of cross-subsidies will rise. Eskom's pricing chief Hendrik Barnard, who is helping the National Electrification Forum (Nelf), calculates that the cumulative impact of Eskom's total programme to date has needed a subsidy from customers equal to about 2,5% of all tariffs, at the true cost of supply. This includes an allowance for surplus generating capacity.

McRae

Serious and urgent debate is required about the soundness of present financing methods. There has been far too ready an acceptance of the ANC's view, put forward in the RDP, which calls for electrifying an additional 2,5m households by the year 2000. This is estimated to cost about R12bn, with annual investment peaking at R2bn — to be financed within the industry as far as possible via cross-subsidies.

Nelf secretary Johan du Plessis says the forum's management committee has accepted that electricity supply should move to a national tariff system — presumably under the direction of a proposed national regulator. This would reflect more cost-related tariffs for general domestic customers and subsidies for poor customers.

High usage customers now being subsidised by some local authorities would pay more. For some consumers, increases of 30% or more are possible. However, increases would be phased in over a reasonable period. Time-of-use tariffs would also be offered, which would enable consumers to manage loads to minimise the impact of the increases.

Barnard says Nelf is adopting Eskom's present domestic pricing policy, which requires domestic customers generally to pay cost-reflective tariffs. These should include a two-part tariff (fixed charge plus energy charge) as well as a time-of-use tariff to reflect higher costs at peak periods.

Within the electrification programme, most consumers are poor and use small quantities of power, so are being offered a subsidised tariff. As consumption rises to exceed about 400 KWh/month, depending on each situation, the subsidy will disappear.

Chart 2 shows the extent of the subsidy and reflects the shortfall of the customer's monthly payment related to power used against the requirement of covering fixed and variable costs of supply.

Du Plessis concedes that some local authorities may find it difficult to obtain funding for electrification. If they can't meet their obligations, they would have to concede their right of supply either to Eskom or to another local authority.

Another means of meeting these costs could be a general levy on electricity, but Nelf doesn't envisage this for the near future. Should it be needed, an undertaking would have to be created to raise, manage and allocate revenue; some fundamental thinking would have to be done on who would pay and who would benefit.

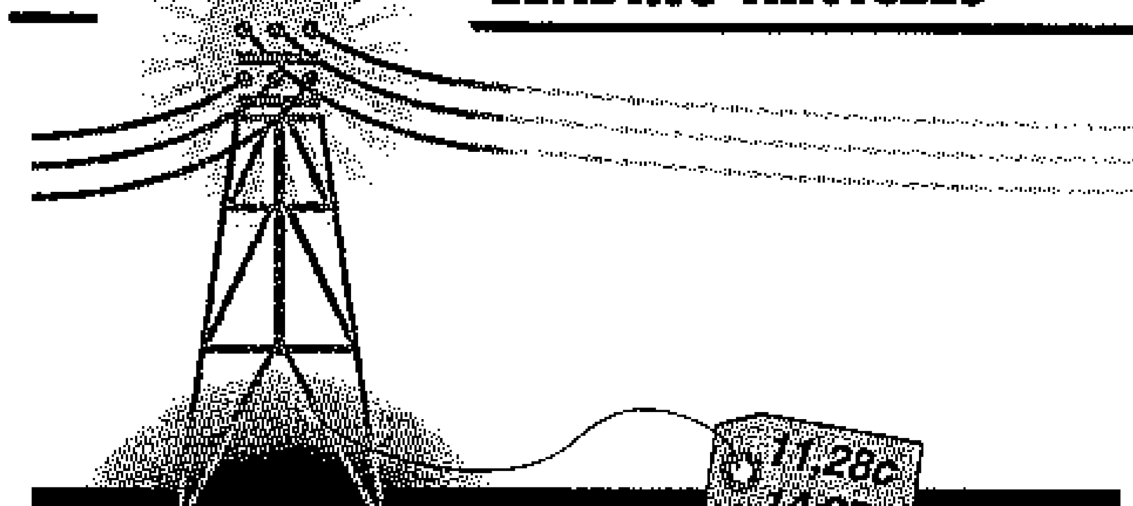
Where necessary, says the RDP, government should provide concessionary finance for electrifying poor households in remote rural areas, while a national tariff structure with low connection fees should be applied to promote affordability. The RDP also argues for a national electrification fund, underwritten by government guarantee, to raise bulk finance.

The vigorous programme now initiated has 1994 targets of 250 000 connections for Eskom and 100 000 collectively for local authorities. Barnard says the industry electrified 506 000 homes between 1991-1993. Of these, Eskom suplied 414 000 at a total cost of R1,1bn. Eskom's plan for 1994 will cost R796m and the future annual target of around 300 000 should cost around R1bn. The programme does not envisage the poor being able to pay full capital and operating costs in the foreseeable future.

Whatever may be said of past Eskom planning, a big generating surplus means that capital costs of increasing generation will be modest. However, Barnard says this must be qualified. Though transmission networks can provide electricity to many areas, extensions and strengthening are needed to township boundaries, inside townships and, of course, individual connections.

Furthermore, technical staff to install networks will have to include outside contractors. To attain quality service, large numbers of people will have to be trained. Resources will be stretched to their limits.

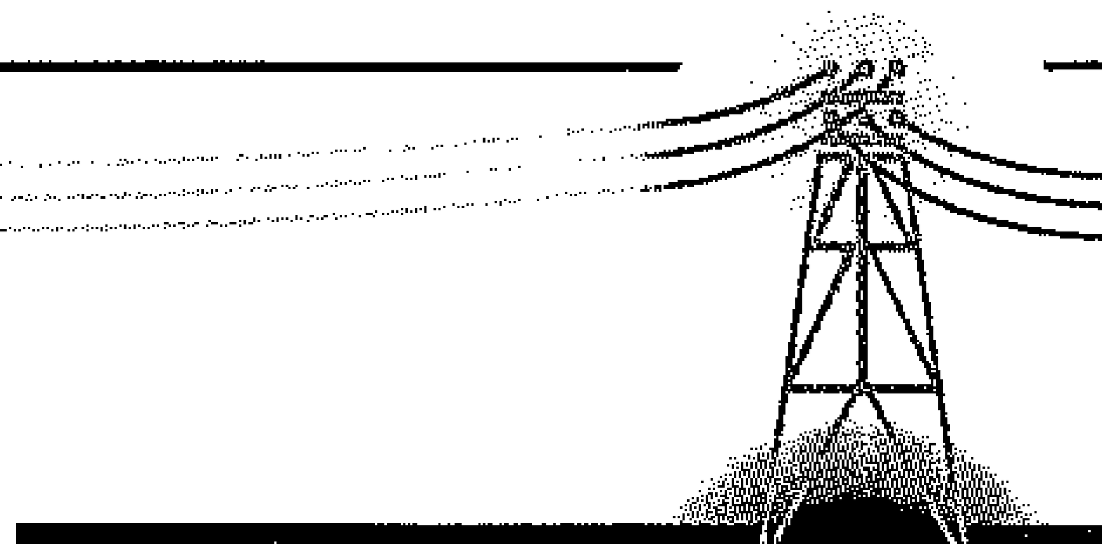
Though non-payment of electricty bills is still an issue, this is small relative to other electrification costs. It is more significant with existing township customers. This problem is only likely to be solved when new, non-



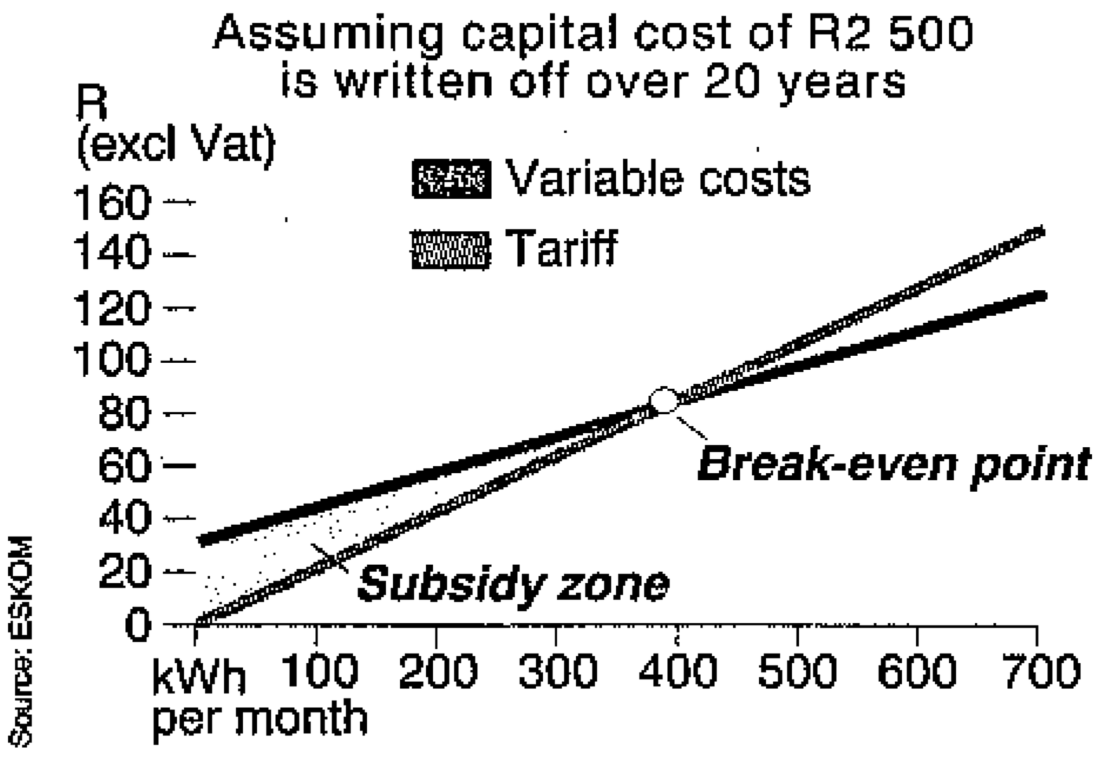
Ranging wide: Overall average electricity price

INDUSTRIAL AND COMMERCIAL CONSUMERS, cents per kWh

	1993	1994	% increase
ESKOM	10,56	11,28	*6,99*
JOHANNESBURG	13,34	14,88	*11,60*
DURBAN	12,88	14,32	*11,32*
PRETORIA	12,57	13,80	*9,58*
CAPE TOWN	12,51	13,49	*7,97*



The subsidy zone: Cost/revenue analysis



racial local authorities are established and service improves.

But that raises another vexing question. Impending fundamental restructuring of local government has to take into account that profits on electricity are often used to subsidise other services. This policy, says Barnard, has kept municipal prices for large customers high and — in conjunction with a wide range of pricing practices — caused diversity in domestic tariffs (see chart 1).

There is strong support in Nelf for the view that retail supply of electricity should eventually be taken away from municipalities and placed in the hands of a national agency. Ian McRae, chairman of Nelf's management committee, says several advanced industrial countries, including New Zealand, have successfully followed this route. But Barnard says opinion is split on the final structure, though there is agreement that the industry should be rationalised to address present insufficiencies and spread the cost of electrification.

At the very least, argues McRae, we need a national regulator of retail prices, to prevent irrational divergences in tariffs. For the present, Nelf accepts that power should be supplied by a combination of municipalities and by Eskom where local government has proved inadequate.

However, we should not assume that major metropolitan centres will easily surrender present powers and sources of revenue. Indeed, considering the administrative machines built up over many years, it would be folly to dismantle them.

Johannesburg city treasury spokesman Grant Easton argues that in metropolitan areas Eskom's role should diminish, not be extended. He says Nelf initially contemplated ring-fencing municipal electricity surpluses for electrical upgrading. It was opposition to this from local government — specifically from the embryo Central Witwatersrand metropolitan government — that initially caused Nelf "to fall flat." His view is that use of electricity surpluses for cross-subsidy will have to continue in some form.

Tariffs will still have to be structured locally, regardless of whether a national tariff is imposed. "Local" authorities will be metropolitan rather than local and cater for a larger portion of the community. But, argues Easton, all of Johannesburg's services are already metropolitan in nature. Electricity should not be funded in isolation from other services, as it is only one of many provided by local government.

Simply, if the cities are deprived of this income, rural poor may be given access to cheap electricity, but there'll be urban decay where the bulk of the population resides — and aspires to reside.

He maintains the Central Witwatersrand Metropolitan Forum intends upgrading and reconstruction to form part of a holistic process, whose funding must take priority over funding of individual services. Where that funding is to be found is being examined.

Easton believes that local government should not recede from electrification as it provides — for the most part — the ideal delivery mechanism for both the national and provincial RDPs.

If that be so, there should be great wariness of an eventual national retail distributor. By its very nature a national body would heighten the politicisation of supply, for it would focus dissent away from local conditions, which might differ substantially from national objectives, and offer opportunities for political patronage.

This issue is likely to remain academic for years, longer even than Nelf itself acknowledges. Apart from the likely shortage of staff to run a national retailer, to deprive local authorities of electricity retailing as a major source of revenue (probably in aggregate in the region of R1,6bn annually) would cause a grave crisis in municipal finances.

So Nelf, without much choice, has decided on an interim period in which electricity will be retailed much as now. Major city (or future metropolitan) councils are recognised as efficient administrative units, and will continue to operate as retailers. In many cases, black urban areas will be supplied by Eskom. As Eskom hands over urban areas to future local authorities, it will divert its efforts to the rural areas.

This defers the issue of uniform pricing. Nevertheless, creation of new units of third tier government will create disparities in the numbers of affluent and disadvantaged residents. This in turn would set up divergent financial demands on the new units — that is, if many local authorities retain their role as retailers of electricity. The enormous and complex task of creating new provincial and third tier governments should tell us that any interim arrangements will endure far longer than optimistic planners dream.

The cost of electrification must also be addressed in the national macro-economic context. Smuggling in a further tranche of subsidised redistribution through Eskom's budget and local government is undesirable and distorting.

In particular, it increases the already substantial financial burden on the business community and middle class. The other possibility open to third tier governments of loading rates would hardly be an improvement, especially in relation to industrial costs and the incentive mechanism for the already hard-pressed middle class.

To limit political dissent and foster economic discipline, financing through subsidies must be transparent so that the total burden of redistribution can be fairly and constantly evaluated and clearly seen as part of the cost of the RDP. As the capital cost of supplying electricity is normally included in the cost of a new house, one route could be the national housing account.

The RDP proposal for a national electrification fund could have merit. Not only could it serve as an accounting device for isolating costs, it could also help in obtaining long-term foreign finance which, though the burden of repayment on future generations will be heavy, will give time to accomplish widespread electrification without sacrificing too much immediate economic growth.

A substantial electrification bond floated abroad designed to capture aid and other humanitarian financial flows could help government out of difficulties arising from conflicting political and economic objectives. It could be presented to investors as a sign of government's confidence in its own policies.

But nothing would overcome the problem of financing massive expansion of electrification over a specific period, without constricting economic growth unduly, other than the injection of permanent equity capital.

The sensible means of doing this is to identify undertakings that could be progressively privatised. That might require careful consideration and substantial compromise. But to reject it out of hand is to identify ideological prejudice rather than an overwhelming desire of government to achieve its electrification and other social objectives. ■

25 strikers arrested at Cape Gas

(55) (k02) ARG 26/7/94

Staff Reporter

STRIKERS at Cape Gas, armed with sticks, sjamboks and iron bars, were arrested at the company premises in Woodstock today after they stormed through the plant, assaulting people at random.

Company financial director Bernard Straughan said Cape Gas obtained a court interdict on Friday ordering members of the Chemical Workers' Industrial Union to stay off company premises.

There were arrests on Friday night when strikers occupied the plant and refused to leave.

But they returned "in force" yesterday, "assaulting people and interfering with customers and suppliers", Mr Straughan said.

Union shop stewards eventually persuaded strikers to leave.

"In terms of a written agreement with the union, strikers are not allowed on the premises and will not interfere with customers or suppliers."

Mr Straughan said: "Our gas-making operations are continuous — they cannot stop, and a dangerous situation can develop if this happens."

About 25 strikers were arrested. They will appear in court today charged with contempt of court for defying the interdict.

'25 gas strikers arrested'

POLICE yesterday arrested "about 25" striking Cape Gas workers after they had allegedly "rampaged" at the company's Woodstock premises in apparent defiance of a Supreme Court order.

Cape Gas financial director Mr Bernard Straughn said 56 workers went on strike last Friday.

Cape Gas then obtained a court interdict ordering workers belonging to the Chemical Workers Industrial Union to stay off the company's premises, Mr Straughn said.

He alleged that on Friday night strikers had refused to leave the premises. Police moved in to remove them, said Mr Straughn, and several were arrested.

55 CT 27/7/94

'Assaulted'

"They re-appeared outside the premises on Monday and intimidated and assaulted temporary workers and prevented customers and suppliers from approaching the premises," Mr Straughn alleged.

Mr Straughn claimed that from 6am yesterday 40 workers forced their way onto the premises and assaulted staff, including casual workers, before police arrested them.

● Police spokesman Captain Ben Theron said police had arrested about 25 strikers, who are expected to appear in court. — Staff Reporter, Sapa

FURNACE FUEL: Scrap tyres in a donga.

Scrap tyres used as fuel by PPC

Star 30/7/94

ANITA ALLEN SCIENCE WRITER

SCRAP tyres will replace coal as a fuel in the cement kiln at PPC's Hercules factory in Pretoria, according to a proposal being considered by the company.

The process has been studied overseas, where it is already in operation at more than 80 plants around the world. During trials at the Hercules plant, 10 000 scrap tyres have been successfully burnt.

Burning tyres as a fuel results in a three-way saving: it conserves resources of fossil fuels, in this case, coal; it solves a major waste problem; and it recycles energy from a waste product.

(55)

"We are confident the process is environmentally acceptable," says Jeremy Gaylard, PPC's technical consultant. "We believe Hercules' location is ideal as the greater PWV region generates the largest volume of scrap tyres in South Africa, about 2,5 million a year."

Up to 85 percent of used tyres are unsuitable for retreading and are scrapped. This amounts to some 6 million tyres countrywide.

A very small percentage is used as raw material for the manufacture of rubber-based products, such as heavy-duty mats.

The rest creates a huge disposal problem. Tyres are not biodegradable, and the small percentage which is dumped in landfills hinders compacting.

Hazard

Most of the scrap tyres find their way to informal dumps, the veld or rivers. Here they remain a health hazard, especially if they catch fire. They burn at a relatively low temperature and pour black smoke containing sulphur and carbon from incomplete combustion into the air. Burning tyres also discharge zinc, iron, tars and phenols, posing a threat to surface and ground water.

"Cement kilns provide an environmentally acceptable disposal route which allows for complete combustion to take place," says Gaylard. "Tyres are made up of rubber and steel cord. In the cement kiln, the composite rubber is completely burnt to carbon dioxide and the steel is oxidised, leaving no residue."

Restructuring in energy sector

B/Day

CAPE TOWN — The national electricity forum was examining restructuring SA's energy sector, and might consider greater competition among power generators, Mineral and Energy Affairs chief director Johan Basson said yesterday. (55)

He told the parliamentary committee on mineral and energy affairs that the forum expected to report its findings before the year-end. One of the issues being examined was independent power generation.

Other issues being debated included the future of synthetic fuels, taxi subsidies, development of a regional power pool, more rational tariffs, low-smoke coal and marketing paraffin. SA also needed to start designing thermally efficient homes.

Earlier, Mineral and Energy Affairs officials said the ANC had assured the Ministry that it wanted to widen access to mineral rights, not limit it to the state.

Chief director Jan Bredell said Paul Jourdan, of the ANC's mineral and energy policy centre, had told him that he wanted only to "open debate" when he mentioned earlier this year the possibility of all mineral rights being held by the state.

"It is common ground that there must be a balance between security of tenure and access to mineral rights," Bredell said.

A move towards greater beneficiation of raw materials was a priority "because that is where the jobs are". This would require a multidisciplinary approach involving several government departments as well as the private sector. — Reuter.

1/8/94

Mossgas beats production and income targets

EDWARD WEST

CAPE TOWN — Mossgas outstripped targets for production, cost and income to produce foreign exchange savings of about R50m for its first financial year to March, the state-owned synthetic fuel producer said yesterday. B/Day

The project, into which government has pumped an estimated R9,8bn, said its offshore and onshore facilities had performed well, and this had continued into the current financial year. 4/8/93

Mossgas produced 1,34-billion litres of fuel, 7,7% more than forecast, while operating costs were 18,4% below expectations at R628m. This left the parastatal with an operating surplus of R58,2m, 8,2% above budget, at the regulated base price at which SA imports crude oil. This was despite a statutory maintenance shutdown of more than a month last October.

A spokesman said Mossgas was gaining from higher crude oil prices. The increase in Dubai crude from an average of $12,40 a barrel in March to more than $16 a barrel had enabled Mossgas to forgo 2c/l when local fuel prices were adjusted recently.

In his 1992/93 report, the auditor-general said it had been impossible to give Mossgas an unqualified audit because of uncertainties stemming from the oil price, the exchange rate and the project's reserves. Mossgas was commercially viable, but uncertainty surrounded its R8,9bn valuation.

The Mossgas spokesman said it was investigating development projects, ranging from petrochemical production to expanding its refinery section to process crude oil.

Preliminary figures indicated that some of these, such as crude oil refining, could be commercially attractive, but investigations were at too early a stage to go into detail. However, restrictions on its licence were preventing Mossgas pursuing all its beneficiation possibilities, such as chemicals production. (80 55)

Power for the masses in five years

JOHANNESBURG. — Electricity would be supplied to about 500 000 additional housing units a year over a period of five years at a cost of R1,2 billion in terms of the reconstruction and development programme, chairman of the National Electricity Forum and former Eskom chief executive Ian McRae said yesterday. 55

Dr McRae said electrification would be financed in urban areas by Eskom and local government. ARG 6/8/94

Electrification in rural areas would have to be heavily subsidised and the government would have to play a role in the process, he said.

The cost of electrification in rural areas would be much higher because of a lack of infrastructure and because there were fewer and more widespread homes. Another factor influencing electrification in rural areas was residents' low income, which would reduce consumption, he said.

The Electricity Forum would discuss new electricity supply policy proposals with a Cabinet sub-committee on Monday.

Eskom can meet undertakings

RDP to raise power costs by 8%-10%

BlDay 8/8/94

MUNGO SOGGOT

THE Reconstruction and Development Programme's (RDP) electrification programme would probably demand an extra 8%-10% hike in electricty tariffs over the next five years, National Electrification Forum chairman Ian McRae said on Friday.

Industry sources said it was the first time the forum had attached a figure to possible tariff increases to help fund the RDP. Different users would face different increases in their charges, as cross-subsidisation would take place.

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Eskom senior GM Andries Calitz said through a transparent electricity pricing policy, Eskom would declare the cross-subsidisation towards the electrification programme in its electricity prices. He sought to allay business fears by saying the power supplier "was going all out" to make electricity supplied to its SA customers the cheapest in the world.

Despite the increased tariffs required by the electrification programme, Eskom would still be able to meet its price undertakings — a reduction in the real price of electricity by 20% between 1992 and 1996 and by 15% between 1995 and 2000.

He said Eskom "was maintaining a two-to-one ratio between the price of domestic electricity (20c/kW) and the price of industrial electricity (10c/kW)".

Electricity was currently 3% more expensive because of the electrification programme. The cost would escalate as the programme gathered pace. By the year 2000, the programme would probably have lifted the price of electricity 8%-10%.

According to National Utility Services figures released in June, there was an overall industrial electricity price increase of 9,58% for the year to April, ending SA's brief reign as the cheapest of 16 industrialised countries surveyed recently.

Calitz said the forum's proposals on the electrification programme would be put before Cabinet in the next two weeks.

McRae told the Institute of Marketing Management in Sandton the forum would meet a government subcommittee today to discuss how to present its recommendations on the RDP's targets to Cabinet.

McRae said the success of the RDP programme — which aimed to make 500 000 connections a year over the next five years at a cost of about R1bn a year — would hinge on the way local governments played their role. There needed to be a "change of attitude" by many local governments if the programme was to succeed, he said.

The creation of a national regulator to monitor the performance of local governments which elected to carry out their own electrification programmes was vital.

He said such a body should be in place by October when local governments would have decided to either carry out their electrification programme themselves or pass it on to an organisation which could.

The regulator would need powers to force local governments to, if necessary, hand over their electrification programme to organisations like Eskom.

Local governments would have to set up their electricty departments as separate business units so that the regulating body could monitor the income from and the costs of the supply of electricity.

● Picture: Page 3

Council wants R12-m for power

(55)

ARGT 8/8/94

LENORE OLIVER
Staff Reporter

THE Cape Town city council has asked the government for R12 million to upgrade the electrical network in Guguletu and Langa, while 80 percent of households in these areas are responsible for electricity account arrears of R21 million.

At the moment an upgrade is in progress in Langa to supply electricity to residents who do not have it at present and to provide secure supplies to those consumers whose supply is regularly interrupted due to overloading.

City electrical engineer Fred Berwyn-Taylor said the bad state of the electrical network in Guguletu and Langa was attributable to political unrest which made it dangerous for maintenance and development teams to work in these areas.

At the same time continued vandalism was taking its toll.

Mr Berwyn-Taylor was reacting to a letter from a Guguletu resident who complained about frequent power failures.

"The high level of non-payment of accounts has resulted in an arrears amount of R21 million for these areas. Only 20 percent of consumers are not in arrears," Mr Berwyn-Taylor said.

He said the upgrading programme was being carried out in close liaison with the community and a marketing campaign had been launched to bring the council's subsidised electricity connection policy to the notice of prospective consumers.

For the installation of a prepayment meter and "ready board" (comprising three plugs, points and a light) consumers pay R35.

"Local people are employed for the installation of new cables, thereby providing some relief for the unemployed in the area".

Mr Berwyn-Taylor said R12 million had been requested under the government's Reconstruction and Development Programme to upgrade the electrical system in Langa and Guguletu.

"Until such time as these funds become available the electricity department is utilising its own funds for the (upgrading) programme."

Any electricity problems can be directed to the electricity department depot ☎ 637 1240.

ANC to call on World Bank for Mossgas study

BiDay 9/8/94

EDWARD WEST

CAPE TOWN — The ANC planned to commission two independent studies — one by the World Bank — on synthetic fuel producer Mossgas, the party's mineral and energy policy co-ordinator Paul Jourdan said yesterday.

It was no use "crying over spilt milk", he said, referring to the estimated R9,8bn spent on the parastatal. As scrap, it would net barely R150m.

However, the project's viability, gas reserves and possible expansion continued to be questioned.

Discussions were being held with a view to commissioning a World Bank study. A further investigation by another independent body was envisaged.

The operation produced 8%-10% of SA's fuel requirements, which, in terms of future balance of payments constraints the reconstruction and development programme would impose, amounted to substantial foreign exchange savings, he said.

Mossgas produced 1,34-billion litres of fuel in its first financial year to March and an operating surplus of R52,8m, excluding from the calculation the synthetic fuel levy or tariff protection payments. The project netted forex savings of about R500m.

Industrial protection mechanisms granted to Mossgas and Sasol were being discussed by the National Economic Forum's liquid fuels task force, which was expected to make recommendations by the end of the year.

(55)

SA Chamber of Business representative on the forum, Ben van Rensburg, said any expansion — such as the plan mooted to convert capacity to crude oil refining — had to be based on private sector principles. The fact SA had sufficient crude oil refining capacity would have to be considered, as would the cost in the context of SA's other financial needs.

DP spokesman Roger Hulley described as "outrageous" the plan to convert some of Mossgas's capacity to crude oil refining capacity, given private sector investment in refineries. He suggested instead that the operation be auctioned off.

Power station closes today

Municipal Reporter

SALT RIVER Power Station in Paarden Eiland will close officially today, after nearly 70 years of operation.

Eskom public relations officer Ms Berdy Bishop said the coal-powered generator had not been used much in the past few years.

It was not particularly efficient, as the coal had to be transported over long distances, and it was cheaper to generate the electricity elsewhere and supply it via the national grid.

Between 60 and 70 staff members have been employed at the station over the past few years, but none were being retrenched, she said.

Once that was done, the building would be handed over to Eskom's property division for a decision.

No proposals were on the table at present, but Eskom was keen on a development that could use the shell of the building — or at least retain the front facade. (55) CT 12/8/94

Eskom to manage TBVC electricity

MUNGO SOGGOT

ESKOM has been appointed to supervise and manage electricity supply in the former TBVC states and self-governing territories, Public Enterprises Minister Stella Sigcau said yesterday. B/Day

The department said the move followed a recent Cabinet decision which transferred responsibility for electricity in those areas to the Minister. 17/8/94

"Eskom's appointment is in the form of a management contract which paves the way for an eventual take-over agreement, without giving Eskom ownership of the distribution assets at this stage."

Eskom electricity distribution senior GM John Bradbury said Eskom would ensure the continuity of supply in the regions, as the existing electricity supply bodies were "somewhat rudderless" following the demise of their governments. (55)

Eskom would represent Sigcau in a supervisory role for a renewable 90-day period. It had appointed a four-man committee to carry out the necessary work.

Eskom would be paid a fee by the existing TBVC bodies for its management of their electricity supply.

Bradbury said Eskom's task also entailed bringing the goals of the supply bodies in line with the electrification targets set by the reconstruction and development programme.

National electrification forum chairman Ian McRae told the Institute of Marketing Management that Eskom's takeover of electricity supply in the former TBVC states would not be easy as the areas were rural and undeveloped.

"Politically, rural areas are hotspots in Africa, and it is no different in SA," he said.

AEC enjoys sharp rise in product sales

SELLO MOTLHABAKWE

THE Atomic Energy Corporation (AEC) increased sales of nuclear and non-nuclear products 28% to R196,4m in the 1994 financial year amid continued efforts by the organisation to reduce its dependence on state funding, CEO Dr Waldo Stumpf said in the 1994 report, which was tabled in Parliament yesterday.

Stumpf said exports had increased to 15,7% of total sales and sale of industrial products had increased 86,3%, contributing 43,8% of total sales. B/Day

Industrial sales growth was supported by the organisation's resumption of control over former subsidiary HTP from the Industrial Development Corporation. 19/8/94

Gross operating expenditure had been reduced 8,1% but the figure stood at 15,6% in real terms when servicing government loans was considered.

Overheads were reduced 16,9% in real terms. The commercialising of operations resulted in a 17,6% reduction in staff to 2 800 employees.

Stumpf said the annual government grant of R310,9m in the past year had been supplemented by R156,2m to service state guaranteed loans and interest redemption. (55)

Stumpf said the organisation's AEC 2 000 plan was structured to reduce its state dependance and at the same time contribute towards wealth creation.

The plan had resulted in a 17,9% increase in productivity which boded well for the corporation's aim to reduce state dependence. He said state allocation to the corportation had been reduced 12,3% this year.

☐ BARRY STREEK reports nuclear fuel sales to the Koeberg power station declined 17% last year. Nuclear fuel products worth R78,4m were sold to Koeberg during the year.

Energy body's sales up by 28%

55

ARG 19/8/91

Staff Reporter

THE Atomic Energy Corporation's sales for the year ended in March increased by 28 percent, while state support decreased by 12,3 percent, according to the corporation's annual report tabled in parliament yesterday.

State support was R445 million less than the allocation for 1991, taking the present value of the rand into consideration.

The termination of various projects resulted in 598 retrenchments — 17,6 percent of the staff. The corporation's staff complement is now down to 2 800 employees — compared with more than 8 000 people in 1986.

In the report the AEC said it was "well into" the process of changing from a predominantly state-funded strategic parastatal to a commercial organisation.

The report boasted that the AEC's successes in the technology field included progress in the field of uranium enrichment using the laser enrichment process, and the sale of 9 300 consignments of medical and industrial isotopes.

Zimbabwe, South Africa to co-operate on energy and trade

ARG 19/8/94 (55)

CLIVE SAWYER
Political Correspondent

AGREEMENTS to create a Southern African energy pool and to draft a new trade agreement are among the results of Zimbabwean president Robert Mugabe's visit.

Military intervention by the two countries in the deteriorating situation in Lesotho has been firmly ruled out, with a pledge to use peaceful avenues to bring parties to the negotiating table.

President Mandela has accepted an invitation to visit Zimbabwe as soon as possible.

In a joint statement, Mr Mandela and Mr Mugabe said the Zimbabwean president's visit had been part of consolidating relations between the two governments, and exploring new areas of cooperation.

These included education, energy, transport, tourism, trade and commerce.

Today mineral and energy affairs minister Pik Botha and his Zimbabwean counterpart Dennis Norman signed a "Southern African Energy Pool" understanding.

Mr Botha said electricity and energy in general would play a vital role in the reconstruction and development of Southern Africa.

The two countries plan to set up a joint economic commission.

Officials will meet next month to discuss proposals for a new trade agreement, to replace one concluded in 1964.

The two governments agreed to strive for a bilateral regional tourism and environment policy.

They would also attempt to devise appropriate quotas for bus and taxi operations between the two countries.

Zimbabwe indicated it would abolish visas for South Africans visiting on business or as tourists.

It said it wanted to send its citizens to South Africa for tertiary education in professions such as architecture, for which it did not have teaching facilities.

The two presidents expressed concern about instability in various African countries.

They pledged to continue efforts to aid negotiated peace settlements Angola and Lesotho.

Mr Mandela said the two countries had decided to concentrate on peaceful methods of restoring stability to Lesotho.

Replying to a question, Mr Mugabe said the fate of South African citizens who were in jail in Zimbabwe would be decided when their cases were due for review.

Those jailed for political offences would be more favourably reviewed than others.

Call to curb power cost

MUNGO SOGGOT

THE National Electrification Forum has recommended that government use legislation to prevent local authorities bumping up electricity tariffs so as to raise taxes. B/Day

In proposals under discussion in the Cabinet on RDP electrification projects, the forum said some local authorities were inflating charges by 50%.

Forum secretariat member Hendrik Barnard said yesterday that the proposals acknowledged that the Katz commission and government had to have the final say on local government taxation. 22/8/94

But the forum opposed the practice of bumping up electricity bills as an easy way of rasing taxes.

"All the civic centres in SA have been built with surplus profits from electricity sales," he said.

Forum secretary Johan du Plessis said if it was decided that money from electricity sales could only be used for electrification projects, then a decision would have to be taken on how to fund other services.

Du Plessis said the forum was expecting Cabinet's response to the proposals this month. The forum would meet on September 9 to discuss Cabinet's reaction.

The central issue before Cabinet was the mechanics of a national regulator to help meet RDP electrification targets, he said. 55

Manuel says govt role on textiles wil be 'positive'

B/Day 22/8/94

YURI THUMBRAN

TRADE and Industry Minister Trevor Manuel played down suggestions at the weekend that his department would leave the clothing and textiles industries at the mercy of an unshackled free market.

Manuel dismissed reports that his department had rejected proposals from an industry think tank, the Swart Panel, and that a decision had been made on the period for phasing out import tariffs.

He said government was playing a "positive role" in supporting increased competitiveness.

There is a growing row over the department's plans, with the Textile Federation (Texfed) warning that the department's stance was uninformed and ill-considered.

Manuel and the department's acting director-general, Gerrit Breyl, told Texfed's annual conference last week that government wanted to confine its support to areas such as trade policy, rather than direct intervention. The industry had to cut its dependence on government for survival, and should instead lift its levels of productivity and competitiveness.

Manuel reportedly rejected the Swart proposals that taxpayers should foot the R4,5bn bill for the industry's 10-year restructuring plans. Breyl said government wanted to cut import tariffs over eight years, rather than the 10 expected by the industry.

Texfed president Mervyn King said at the weekend that lower tariffs would not correct structural problems within the SA economy or compel global competiveness.

He said the department's stance was ill considered and based on a lack of information and understanding of problems and issues.

King said the Swart panel had turned out to be an "exercise in futility".

"Government has once again assumed for itself the role of sole arbiter on the crucial issues facing the industry."

The industry had haemorrhaged from the 1989 Structural Adjustment Programme, King said, losing 25 000 employees and R1bn from shareholders' funds.

"Turnovers have not increased for the past two years and any profit now being realised is only the start of a recoupment phase in order to re-equip," King said.

The department had been represented on the Swart panel, but it had used the conference to reveal for the first time that it had never contemplated approving a phase-out period of longer than eight years.

● Comment: Page 12

Power 'stock exchange' mooted

TIM COHEN

CAPE TOWN — Mineral and Energy Affairs officials are working towards establishing an electricity "stock exchange" which member countries can sell to and buy from.

A memorandum of understanding signed between SA and Zimbabwe on Friday was an important step in that process, officials said.

According to the commu- sell to utilities as well as assist in the sharing of technical research information, the communique said.

Mineral and Energy Affairs deputy director-general Gert Venter said SA and Zimbabwe would start looking at common interests in the energy sector. A joint team had been established to pursue this.

be "ideal", Venter said, adding that discussions on this possibility were still at the initial stage.

The electricity "stock exchange" was a "conceivable possibility and an achievable goal," he said.

Apart from the need to gain the agreement of all countries involved on the principle, one of the most difficult issues would be to arrange what is known as

Talks may see SA run regional energy pool

55

From ALIDE DASNOIS in Gaborone

WORK on a huge regional power grid for southern Africa could start next year.

Ministers of Foreign Affairs of the Southern African Development Community (SADC) countries have, in principle, approved proposals to share energy.

ARG 27/8/94

And South Africa may well be put in charge of the energy portfolio, currently managed by Angola.

SA will become the 11th SADC member when President Nelson Mandela signs the treaty at the summit here on Monday.

Ministers of Foreign Affairs, including South Africa's Alfred Nzo, meet behind closed doors for the second day today in the run-up to the summit.

The pooling of energy resources has long been mooted as a concrete form of regional co-operation which could be beneficial to all concerned.

The SADC, which was originally aimed at reducing the dependence of other countries in the region on South Africa, is in the process of being restructured to reflect new, post-apartheid, political realities.

A concern both of the present members and of South Africa is that SA, easily the richest country in the region, should not dominate its fellow members.

At present, the flow of trade is heavily biased in SA's favour, with other SADC countries running big trade deficits with South Africa.

One way of correcting this imbalance, argue SADC officials and delegates to the Gaberone meeting, would be for other countries in the region to start exporting services — such as electricity and water — to SA.

A start in this direction has already been made with the Lesotho Highlands Water Project.

A regional power pool could be a further step, especially as SA's present surplus of power could rapidly decrease as ambitious programmes to electrify more and more households get under way.

In addition, a regional grid would open up the way to energy co-operation between other countries in the region.

SA had no desire to be the dominant partner in the SADC, Foreign Minister Nzo told the meeting yesterday.

Nor did it intend to become the "regional benefactor", he added.

Expressing SA's joy at being "part of the family" again, he said the countries of the region were "remarkably compatible" with regard to their judicial, financial and institutional infrastructure.

Koeberg offers a ray of hope for energy policy

By TERRY MACKENZIE-HOY

TEN years ago, on August 18, the Koeberg nuclear power station north of Cape Town first began generating power commercially.

Since then it has been running without any reported problems, in the process setting a record for longest operational period of any Eskom generator.

In terms of worldwide reliability this reflects well on Koeberg.

Apart from a reported ANC statement in February, since lost in post-election events, no government policy has emerged on the future of Koeberg or nuclear power in South Africa.

This is unsurprising. Eskom has a 4 000MW coal-fired generation surplus and the country has sufficient coal to last until 2040 — the question of future power stations need not be raised right now.

However, all is not roses for Eskom and Koeberg. Questions have been raised over the real cost of Koeberg power.

Eskom will not say what its costs are per Koeberg kilowatt hour and this reluctance may be for reasons other than commercial secrecy.

According to a paper published by the University of Cape Town's Energy Research Institute, there appear to be unanswered questions about the costs of Koeberg's nuclear fuel, which Eskom has purchased from the Atomic Energy Board (AEC) since 1988.

The AEC receives two-thirds of its R707-million budget for 1994/95 from the Department of Mineral and Energy Affairs.

According to a paper published by the University of Cape Town's Energy Research Institute, there appear to be unanswered questions about the costs of Koeberg's nuclear fuel, which Eskom has purchased from the Atomic Energy Board (AEC) since 1988.

Such a subsidy can only come from income derived from consumer electricity sales.

Should Eskom continue to contract to the AEC for nuclear fuel and pay a premium for doing so, the new government could decide that the AEC should disband and that either Koeberg must buy fuel internationally or close down.

In the short term this would have little effect on Eskom generation resources. Political benefits would be a R469-million windfall and that the government would be "seen to be green".

The only casualties would be the AEC (and thus whatever nuclear expertise South Africa has) and a less secure power supply for the western Cape.

At present, neither Eskom, the govenment nor the Mineral and Energy Policy Centre (whose board comprises interested members of industry, government and others) is saying anything.

The AEC (according to UCT) is going ahead with plans to build a cheaper enrichment technology.

If the UCT report is correct it must be asked how will it be fuelled and who will pay. Only when these are answered will the next 10 years of operation be off to a good start.

Koeberg has a good safety record. Despite microscopic "vessel head penetration cracks" (not considered serious by the French designers or Eskom), the safety of Koeberg and the safety record of its operations rank among the best.

Environmentally, the government might address fears of what will happen to the waste from Koeberg but these fears are unfounded as the lifetime waste from Koeberg (including the reactor contents) can be stored in a 10m deep pit the size of a rugby field.

Worries about such waste contaminating ground water can also be easily dismissed — large areas of South Africa have little or no rain — and in any event, with the exception of low-level waste stored at Vaalputs in the northern Cape, Koeberg stores waste in ponds where it can be managed until some future technical disposal solution presents itself.

In comparison with coal stations, Koeberg is more environment-friendly. While Eskom may have surplus coal-fired power, coal power produces tons of carbon dioxide, adding to the greenhouse effect. The costs of cleaning up such flue gases may make nuclear power financially more attractive than at present.

The green movement may suggest alternatives like tidal, wind or solar power but these are not options for South Africa, which does not have enough wind in the right places nor the right tides.

Furthermore, the biggest solar station in the world generates just over half the power of one of Koeberg's two units and costs more than this county could afford.

Thus, the best government nuclear power policy may be to do nothing at present and not to discount the possibility of a wider role for nuclear power in the future.

Terry McKenzie-Hoy is a consulting electrical engineer.

New system helps check on electricity payment

Municipal Reporter

THE time between paying the Cape Town City Council for electricity and the payment being reflected on its computer will be reduced by a new computerised receipting system.

Mr Ron Grace, deputy city treasurer, said this yesterday in answering queries about grievances over electricity cut-offs.

He said the new system would cut the present delay of up to 48 hours down to less than 24 hours.

Several Steenberg residents complained this week that their electricity supplies had been cut off "after they had paid". CT 1/9/94

Mr Grace said it was impractical for the person who cuts off the electricity to check just before a cut-off whether a resident had paid.

Where it turns out that a person had paid in full by the time the electricity was cut off, the reconnection is done without any penalties being imposed. 55

Electricity supply 'a priority'

CT 1/9/94

SENATE. — An additional R2,5 million would be allocated to reconstruction and development programmes, Mineral and Energy Affairs Minister Mr Pik Botha said yesterday.

The restructuring of the electricity supply industry was the most important RDP project, he said, adding: "There are 1 000 or more different electricity tariffs in this country, and more than 300 suppliers."

Some local authorities were using money made from the sale of electricity to pay for other projects, Mr Botha said.

He said his ministry was already geared to "initiate the electrification projects of the RDP announced by President Mandela". — Sapa

Eskom beginning to branch out into Africa

Star 5/9/94

BY WINNIE GRAHAM

The creation of a southern African electricity grid — which in time could stretch from the Cape to Zaire and Kenya — starts this week with the construction of a major power line linking Eskom's network to Zimbabwe and Botswana.

The project has been compared in importance with Cahora Bassa, the scheme in which South Africa and Mozambique are involved.

Eskom's Zimbabwean counterpart, Zeza, and the Botswana Power Corporation are partners in the new project.

At a sod-turning ceremony at the Matimba power station, Northern Transvaal, on Friday, Eskom chief executive Allen Morgan said the project was the realisation of a dream "to bring power to many thousands of people in southern Africa".

(55)

South Africa would, in time, not only be exporting power from coal but would be importing hydro-electricity from the north.

Morgan said the power which would be generated by the grid would be the world's lowest-cost electricity.

Tony Hoft, managing director of ABB Geralin, the construction company, said the 15-month contract would generate jobs for thousands of local people.

The 420 km line will pass near Selibwe-Pikwe in Botswana, through tribal land and environmentally sensitive areas, to Insukamini, a substation near Bulawayo.

The line, which will come into operation by late 1995 or early 1996, will be able to transmit 500 megawatts of electric power in either direction.

NEWS Electricity tariffs phased out

Pik promises lights for all

Sowetan 5/9/94

By Ismail Lagardien
Political Correspondent

A PLAN to electrify 350 000 private homes this year and 500 000 a year over the next five years as part of Government's Reconstruction and Development Programme is "ready to go".

A spokesman for the Ministry of Mineral and Energy Affairs, Mr Roland Darrol, yesterday also confirmed that savings within the Department, amounting to R250 million, would be redirected to the RDP.

Phased out

Darroll referred to remarks in Parliament last week by the Minister of Mineral and Energy Affairs, Mr Pik Botha, when he said the various electricity tariffs - there are at least 1 000 in the country - and more than 300 suppliers could be phased out and streamlined.

"This cannot continue, because it is sloppy. I believe that there are more than 300 suppliers of electricity... that there are local governments and municipal councils which sell electricity and then use the profits from the sale of electricity to subsidise other services," Botha said.

Darroll said the idea was that a single national, or nine regional tariffs could be negotiated and established.

(55)

In his speech Botha also said: "As far as I am concerned, the single most important objective of the RDP should be electrification, coupled with housing... We want to see 350 000 domestic connections this year, if I can get the decisions through Cabinet quickly enough. We want half a million connections per year for the next five years...

"We want 2,5 million additional connections so that we can open up a better world to the people.

"We want to improve the lives of all South Africans who are still excluded from what I consider to be an essential service in their lives."

BUSINESS DAY, Wednesday, September 7 1994

Golding calls for public debate on nuclear power

ADRIAN HADLAND

CAPE TOWN — Fundamental changes were imperative to SA's mining and energy policies, Mining and Energy standing committee chairman Marcel Golding told Parliament yesterday.

Speaking on the Mineral and Energy Department budget, Golding called for public debate on "the entire question of nuclear power" and for a radical shift in the priorities of Minister Pik Botha's department.

The department's budget did not "reflect the primary goals of where we should be going", Golding said.

He called for an urgent inquiry into the affairs of the Atomic Energy Corporation, saying all three of its plants — conversion, enrichment and fuel fabrication — were losing money.

While the global enrichment uranium capacity exceeded demand by 60% for the next 15 years, nuclear fuel procured from the AEC was 30% above the world market price, which affected the domestic electricity consumer.

Golding said the department had cut its support to mines from R41m to R31m and this had "no rational basis". Although government had no intention of pouring money into unfeasible mines, it was necessary to have a targeted assistance programme to aid mines that complied with the criteria, he said.

Legislation was required to limit the social effect of closing mines and the subsequent loss of jobs.

"Mining towns will become ghost towns if we do not plan adequately for the eventual closure of mines."

A new Health and Safety Bill should also be launched following the publication of the Leon Commission report in December, Golding said.

He called on the commission to begin its second phase of investigation into compensation for miners.

On the petroleum industry, Golding said the free flow of commercial information on the oil and fuel industries, and the depoliticisation of the pricing process, would help to "change the climate".

Sapa reports Mineral and Energy Affairs Minister Pik Botha told Parliament yesterday that since 1990 the Atomic Energy Corporation had been able to turn itself from a fully state-funded parastatal to a commercially driven organisation.

Replying to his Budget debate, he said, "The government contribution to the AEC has dropped by R576m since 1990. A decline of R150m in government funding to the AEC is planned in the next five years."

He added that in the first four months of the current financial year Mossgas had shown an operating surplus of R69m. It had saved the country more than R1bn in foreign exchange.

Before the government put any more money into Mossgas, a complete survey, to be independently verified, would be undertaken, and only if it could be proved investment was justified would the money be spent, Botha said.

The liquid fuels industry had agreed on a mechanism "outside of government that will control the price of fuel in a transparent way".

The proposal would be taken to Cabinet as soon as possible, he said.

"Why should the government get the blame when the rand-dollar exchange rate drops? Why should the government get blamed when there is an increase in the price of crude?"

The new body, if approved, would be able to make automatic adjustments to the petrol price as the need arose.

(55)

Deregulating the fuel price would bring the petrol price down for a short while, but would lead to many small operations closing down and up to 30 000 pump attendants losing their jobs before the fuel price had to be reregulated again.

Urban electricity set to cost more

THE cost of electricity in urban areas is likely to rise to bring some sort of equity to tariffs, chairman of the National Electricity Forum (Nelf) Dr Ian McRae said yesterday.

"Certain urban electricity tariffs are about half of those in some rural areas. These tariffs may go up in terms of rationalising rates," he told the Mineral and Energy Affairs Committee.

(55) (128) CT 8/9/94

Hydro-electricity produced in South Africa would be a help in peak periods but was not a year-round solution as the rivers are seasonal.

Currently South Africa has an electricity surplus. However, the need to electrify 2,5 million homes by the turn of the century could cause this to dry up unless the proposed Southern African power pool was established. — Sapa

● Police, protesters hurt in skirmish — Page 2

Cities' electricity tariffs set to increase

8/9/94

CAPE TOWN — Electricity tariffs would not rise above inflation before the turn of the century, despite the industry's commitment to meeting electrification targets set in the reconstruction and development programme, National Electrification Forum chairman Ian McRae said yesterday.

He told the parliamentary committee on mineral and energy affairs that the introduction of a national tariff system would mean that electricity prices in the cities, which were about half those in rural areas, would increase. But, with the current oversupply, it was not expected that prices would rise by more than the inflation rate.

It was generally agreed that the industry had to be rationalised. The 2 000 or more different tariffs should be rationalised into a national tariff system and rural electrification should be subsidised.

"That does not mean that the tariff will be the same all over the country, but the basis on which tariffs will be determined will be the same," he said.

The forum had agreed that Eskom should take over the homelands' electricity operations, while some cities would continue running their own departments.

Rapid growth would make it necessary to increase generating capacity, possibly through the development of regional power grids, he said. — Reuter

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SBDC rejects govt advances

ADRIAN HADLAND

CAPE TOWN — The Small Business Development Corporation would be ruined if government took control of the organisation, SBDC MD Ben Vosloo said yesterday.

He told Parliament's standing committee on trade and industry that the SBDC would lose staff, donors and suffer a credit control problem if government was to attain more than its current 25% representation on the SBDC board. BDay

Referring to talks this week between Trade and Industry Minister Trevor Manuel and SBDC private shareholders, Vosloo said that while a restructuring of the board or the signing of a new agreement could be beneficial, the "politicisation" of the corporation would be disastrous. 8/9/94

International donors would withdraw their support for the SBDC as a development agency if the state assumed control and experienced staff members would leave. "For heaven's sake, don't politicise the operation or you will destroy it."

Government had launched a bid to increase its representation on the SBDC board two years ago, but this had been abandoned, Vosloo said.

The international trend was to move away from government interference as state interest in institutions had led to nepotism, corruption and bankruptcy.

He denied that the SBDC was competing with private providers of finance to small business. The bulk of the SBDC's loans were for less than R50 000. As income achieved on these loans was lower than the cost, while the risk was high, banks did not finance projects at this level.

He questioned government's ability to run such an organisation effectively: "Is it realistic to expect public servants to produce entrepreneurs? It is best left in the hands of those who know about it — the private sector."

Chairman Ednah Sethema said Vosloo's views would be considered carefully.

Cities' electricity tariffs set to increase

BDay 8/9/94

CAPE TOWN — Electricity tariffs would not rise above inflation before the turn of the century, despite the industry's commitment to meeting electrification targets set in the reconstruction and development programme, National Electrification Forum chairman Ian McRae said yesterday.

He told the parliamentary committee on mineral and energy affairs that the introduction of a national tariff system would mean that electricity prices in the cities, which were about half those in rural areas, would increase. But, with the current oversupply, it was not expected that prices would rise by more than the inflation rate.

It was generally agreed that the industry had to be rationalised. The 2 000 or more different tariffs should be rationalised into a national tariff system and rural electrification should be subsidised.

"That does not mean that the tariff will be the same all over the country, but the basis on which tariffs will be determined will be the same," he said.

The forum had agreed that Eskom should take over the homelands' electricity operations, while some cities would continue running their own departments.

Rapid growth would make it necessary to increase generating capacity, possibly through the development of regional power grids, he said. — Reuter

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Unfair pricing of electricity

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CT 16/9/94

Govt to revamp industry

CONSUMERS in some metropolitan areas were paying a surcharge of 50% and more on their electricity bills to subsidise other municipal services, Minister for Energy Affairs Mr Pik Botha said yesterday.

The government had no objection to this as long as the municipalities told people.

Mr Botha was speaking at a conference where he announced the formation a new controlling body, the National Electricity Regulator. This formed part of the cabinet's plans to restructure the country's electricity supply.

In the process many local authorities could lose the right to supply electricity.

Local authorities which could not supply electricity efficiently and economically would be obliged to transfer their rights to Eskom or merge distribution networks with other local councils.

About 300 local authorities as well as Eskom were involved in the distribution process causing a severe barrier to electrification. There were over 2 000 tariff rates.

In some black townships residents paid more than those in white urban areas, Mr Botha said. "There is no one who can justify that."

The government was aware of the difficulties the loss of income derived from surcharges on electricity bills would pose for these municipalities, but this could not be avoided. Fundamental changes were required if the goal of extending electricity to 2,5 million people over the next five years is to be achieved.

Although the industry had met the needs of commerce, agriculture and the middle and upper income brackets, more than 20 million people were without domestic supplies.

Licences

An ad hoc cabinet committee, consisting of the Minister of Finance, the Minister of Local Government and the Minister without Portfolio, would investigate the taxation of electricity.

The National Electricity Regulator's functions would include the issuing licences and the regulation of tariff structures. — Political Staff, Staff Reporter

'Local-level tax' on power

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Municipal Reporter

CONSUMERS in Cape Town pay about 10% more for electricity than the actual cost, amounting to an annual surplus of roughly R70 million.

Most municipalities collect more money from consumers than the cost involved and this money has been targeted by the National Electrification Forum.

Nelf delegates have calculated that in total the surplusses come to about the sum of money needed for the expansion of the electricity network.

City electrical engineer Mr Fred Berwyn-Taylor said that although the excess charged amounted to a local-level tax, "this money is not wasted, it is put into things like sewerage networks, roads, and parks".

CT 16/9/94

In Cape Town, each percentage point increase in rates brings in around R5m, so raising an extra R70m would place a huge burden on ratepayers.

Eskom prices up by 4% (55)

Business Staff

ESKOM will lift its electricity price by four per cent in January — the lowest annual increase for 20 years, it announced yesterday.

It hopes to keep annual increases at below inflation at least until the year 2000.

Eskom said accumulated arrears of payment for electricity since 1989/90 now totalled R830 million, 50% of this owed by individual borrowers. Prepayment meters would be used to prevent arrears accumulating.

CT 16/9/94

Eskom's 4% price rise 'lowest in 20 years'

BDay 16/9/94

EDWARD WEST

CAPE TOWN — Eskom's 4% annual price increase next January would be the lowest annual increase since 1974, confirming the corporation's potential to become the lowest producer internationally, chairman John Maree said yesterday.

The price increase was in line with Eskom's undertaking to reduce the real price of electricity by 20% between 1992 and 1996. Maree said inflation was forecast at about 10% in 1995 and a 6% price reduction in real terms would be achieved next year.

Eskom planned to hold the 1996 adjustment to six percentage points below inflation. In terms of the reconstruction and development programme, Eskom had committed itself to a 15% real reduction in prices by the end of the century and Maree was confident the strategy of below-inflation price increases could be maintained.

The utility would electrify about 250 000 homes for the RDP this year, rising to 300 000 next year. (250)(55)

Eskom finance executive director Willem Kok said the utility had achieved a 20% increase in productivity. The cumulative below-inflation real price reduction amounted to minus 5% in 1992, minus 1,7% in 1993 and minus 1% in 1994.

Next year's increase was based on expectations of 3,5% GDP growth compared with 2,5% this year, an inflation rate of 9,5% compared with this year's 8% and forecast producer price inflation of 8,5%.

☐ To Page 2

Eskom

BDay 16/9/94

☐ From Page 1

Eskom's estimated revenue requirement was R16,48bn compared with this year's projected R15,21bn. The difference between this and next year amounted to a 3,2% increase in cents per kilowatt hour.

Kok said the difference took into account forecasting risks, a planned R100m drop in arrear debts, risks associated with the electrification programme — which would cost about R1,1bn next year compared with R841m this year — the need to factor in costs of taking over supply from the former homelands and ensuring price stability. (250) (55)

CE Allen Morgan said the viability of the electricity supply industry depended on a reversal of the non-payment situation by domestic customers. The outstanding debt was about R830m, of which about half represented bulk users such as towns and municipalities while the rest was owed by individual customers. Negotiations would be held with bulk users.

Electricity supply to be restructured

Councils could be in for 'electrical' shock

Star 16/9/94

■ BY CHRIS WHITFIELD
POLITICAL CORRESPONDENT

Cape Town — Councils which have profited hugely from electricity sales could be in for a shock from the restructuring of the electricity supply industry.

Mineral and Energy Affairs Minister Pik Botha announced yesterday that the Cabinet was to probe the practice by some local authorities of charging consumers extra on their electricity bills to subsidise other services.

Botha said some cities were charging up to 50 percent extra on electricity bills tp pay for other services. He declined to name specific ~~cities~~ carrying out the practice. 55

The Cabinet has decided that this practice and the running of local government electricity operations as business units should be referred to an ad hoc Cabinet committee.

Three Ministers, including Minister Without Portfolio Jay Naidoo, would be on the committee which would also review the taxation of electricity.

The Cabinet this week approved the establishment of a National Electricity Regulator (NER) and steps to restructure the electricity supply industry.

There are an estimated 2 000 different tariff systems being applied in South Africa at the moment.

Other decisions were:

■ Eskom's generation and transmission operations would be retained in its present form.

■ Local government authorities who operated their own power stations would continue to do so, subject to regulation by the NER.

■ The Electricity Control Board would be transformed into the NER with the selection of new members.

■ There would be a "rationalisation phase" for restructuring the industry.

Eskom charges 4% up

Star 16/9/94

■ OWN CORRESPONDENT

Cape Town — Eskom increased its electricity supply charges yesterday by 4 percent — sticking to its promise to keep increases well below the rate of inflation.

But Eskom has warned that the viability of the electricity supply industry was still threatened by service payment boycotts.

The direct impact of the increase on individual consumers will only be known when city councils and other bulk buyers announce rate adjustments.

Eskom chairman John Maree said Eskom had kept the increase as low as possible to meet the undertaking that price increases between 1992 and 1993 would reduce the real price of electricity by at least 20 percent — that is, the nominal price less the inflation rate.

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Afford

Maree said with an expected increase in inflation to 10 percent for 1995, "we will achieve a price reduction in real terms of 6 percent for the year".

But Eskom chief executive Allen Morgan said the country could not afford to provide services for which no payments were received.

He also appealed for a "peaceful environment" to allow Eskom to push ahead with township electrification plans without endangering its technicians.

Maree said although there were inflationary pressures, price increases were being kept to a minimum. Eskom was continuing to strengthen its balance sheet to ensure its ongoing financial soundness in the years ahead.

Pik to probe bumped-up electricity billing

Political Staff

COUNCILS that have made huge profits from electricity sales could be in for a shock with the restructuring of the electricity supply industry.

Mineral and Energy Affairs Minister Pik Botha announced yesterday that the cabinet would probe the practice by some local authorities of charging consumers extra on their electricity bills to subsidise other services.

Mr Botha said some cities were charging up to 50 percent extra on electricity bills to pay for other services.

The cabinet has decided that this practice and the running of local government electricity operations as business units should be referred to an ad hoc cabinet committee.

Three ministers, including Reconstruction and Development Programme minister Jay Naidoo, would be on the committee, which would also review the taxation of electricity.

However, Mr Botha said the main motivation in the probe was to have the issue aired. "I am not criticising it. If that is what a city wants it can have it, but I want consumers in cities to know what they are paying for."

The minister declined to name specific cities carrying out the practice.

Mr Botha was unveiling ambitious plans designed to ease the provision of electricity to 2,5 million homes over the next five years.

The cabinet this week approved the establishment of a National Electricity Regulator (NER) and steps to restructure the electricity supply industry.

Foremost among these will be the creation of a national domestic tariff system, which the cabinet decided "should be developed and implemented as a matter of priority".

There are an estimated 2 000 different tariff systems being applied in South Africa at the moment.

Other decisions included:

- Eskom's role could change as the National Electrification Forum (NELF) reviews models of operation.
- Local government authorities who operated their own power stations would continue to do so, subject to regulation by the NER.
- There would be a "rationalisation phase" for restructuring the industry. In this process local government operators who could not meet the NER's criteria for supply would "be obliged to transfer their supply rights to another supplier — Eskom or another local government supplier".

(55) ARG 16/9/94

Change in electricity policy

BDay 16/9/94

ADRIAN HADLAND

CAPE TOWN — Large numbers of local authorities could lose the right to supply electricity following Cabinet approval of plans to substantially restructure SA's electricity supply industry.

Energy Affairs Minister Pik Botha said yesterday that local authorities who could not supply electricity efficiently and economically would be obliged to transfer their rights to Eskom or merge distribution networks with other local councils.

Government was aware of the "serious and complicated situation" that would arise following municipalities' loss of income from electricity surcharges and the need for staff and asset rationalisations, but these could not be avoided, Botha said.

While government had not "declared war" on municipalities, fundamental changes were required if electricity supplies were to be extended to 2,5-million people over the next five years.

Botha said the fragmentation of the industry's distribution sector, in which about 300 local authorities as well as Eskom were involved in supplying consumers at more than 2 000 tariff rates, had caused severe problems as well as barriers to electrification.

These included a large number of small, inefficient and uneconomic distributors and difficulties in raising finance to expand electricity systems.

"The result is that crises have developed in a large number of less successful and financially weak local government authorities."

Authorities who did meet the regulator's standards would have to declare the surcharge they added on to consumers' electricity bills for the approval of voters, Botha said.

(55)

Some municipalities added up to 55% on electricity charges in order to cross-subsidise other local services.

While this would not be stopped, electricity undertakings would have to be run as separate business units and extra surcharges would be placed in a separate account. This would enhance the transparency and accountability of local government expenditure, Botha said.

An ad hoc Cabinet committee, made up of the Ministers of Finance, Local Government and the RDP, had been appointed to investigate the taxation of electricity.

Although the electricity supply industry in SA had met the needs of industry, commerce, agriculture and the middle and upper income brackets, more than 20-million people were still without domestic supplies.

Former MK officers get to know the ropes in the South African Navy at Simonstown naval base.

New electricity dispensation

Sowetan 16/9/94

THE Cabinet has approved a new electrification dispensation aimed at giving power to 2,5-million homes within the next five years, Mineral and Energy Affairs Minister Mr Pik Botha said yesterday.

The plan to restructure, regulate and rationalise electricity costs could accelerate electrification relatively quickly.

An electricity Amendment Bill will be piloted through Parliament in October to facilitate restructuring the electricity supply and establishing a national regulator.

The plan will rationalise the fragmented 300 suppliers.

Restructuring electricity supply would have serious implications for local authorities and municipalities relying on higher electricity levies to generate funds to finance other infrastructure.

Some local authorities are charging a 20 to 30 percent levy to generate funds.

Botha said the restructuring process was not aimed at penalising local authorities, but would entitle the consumer to know what he was paying for and to establish a uniform tariff structure.

The electricity supply industry's problems were that Eskom and about 300 local government authorities distributed electricity to end-users.

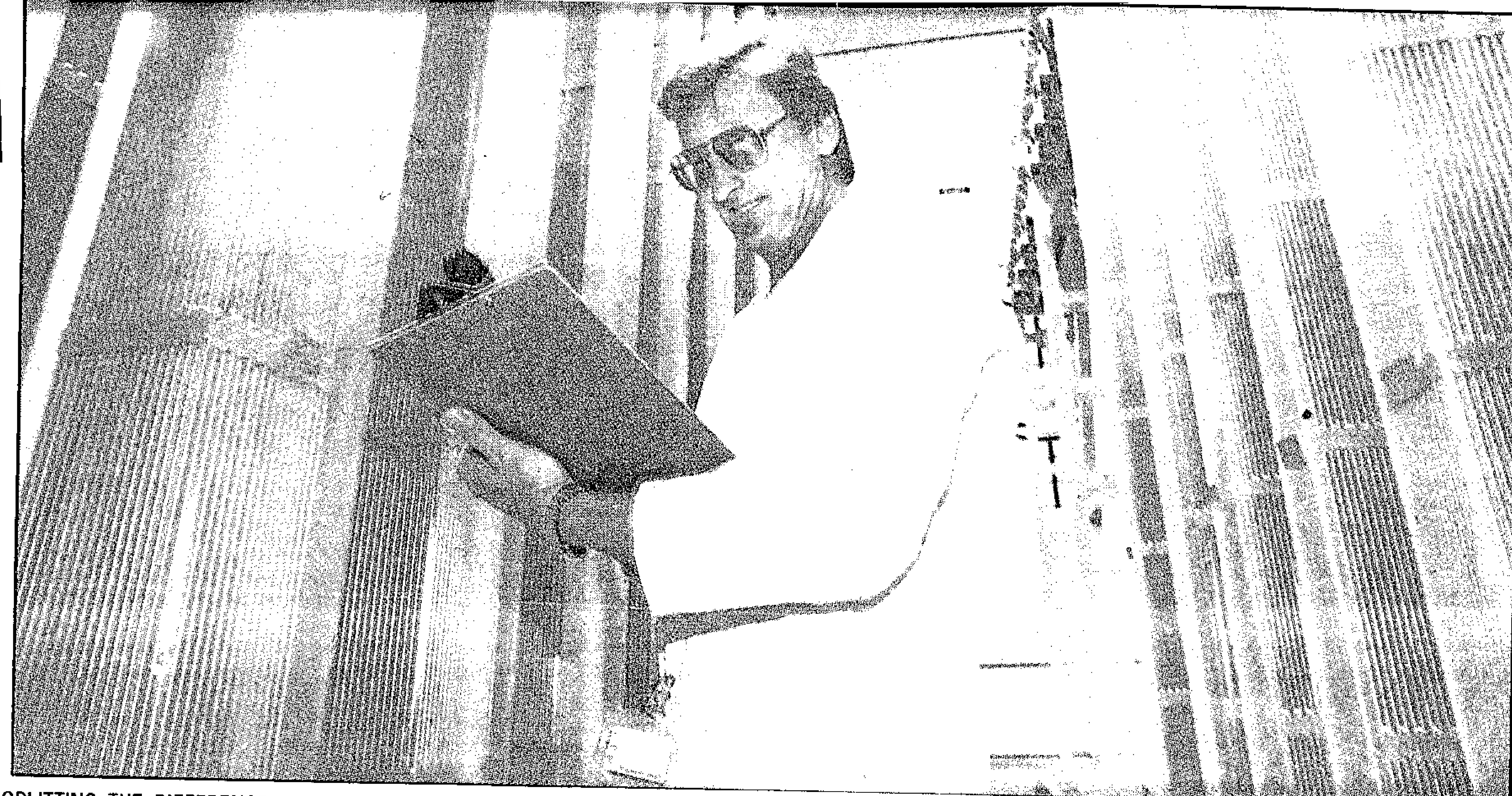
This fragmentation had resulted in a large number of distributors with a small consumer base. The operation was inefficient and uneconomical, and it delivered a low quality of supply to consumers.

Additional problems were caused by the 2 000 different electricity tariffs throughout the country. (55)

Another problem was the politicisation of electricity supply because it was identified with local authorities.

Options for the industry were:

- The industry could evolve into a national generation and transmission utility; or
- The industry could alternatively evolve into a number of metropolitan and local government concerns supplying electricity directly. — *Sapa.*



SPLITTING THE DIFFERENCE ... AEC technician Marius Derwig at the corporation's fuel processors Picture: JON HRUSA

Koeberg gets what it pays for, says AEC

S/Times (Buss) (55) 18/9/94

By CIARAN RYAN

THE Atomic Energy Corporation has come under attack for over-charging on nuclear fuel supplied to Eskom's Koeberg power station.

A report by the Energy for Development Research Centre (EDRC) at the University of Cape Town says Eskom has been paying between two and four times the world spot price since 1988. The EDRC report claims Eskom effectively subsidised the AEC to the tune of R220-million between 1988 and 1992 through the high prices charged by AEC for nuclear fuel.

An internal Eskom report is also critical of AEC's pricing policies. The current world spot price for nuclear fuel is $70 per separated work unit (SWU), whereas AEC charges Eskom $120/SWU.

But, says AEC chief Waldo Stumpf: "People are always comparing production costs for nuclear fuel with spot prices. This is unfair as the spot market reflects stock reductions. There is an over-supply of nuclear fuel in the world at present. Spot prices do not reflect the costs of production and no responsible utility will rely only on the spot market for its fuel."

Eskom pays long-term prices at the same rate as that charged by the United States' Department of Energy, says Mr Stumpf.

AEC disputes the assertion that it receives subsidies from Eskom to the tune of R220-million. "This figure was calculated without the knowledge of contractual information," says an AEC spokesman. "The AEC's budget deficit is supplemented by funds allocated by government and is not financed by Eskom."

More than R1-billion was spent developing an enrichment facility at AEC under the previous government. The corporation requires state funding of about R300-million a year, while sales to Eskom, the main customer for enriched uranium, are worth around R80-million a year with a further R10-million from exports, according to the EDRC report.

The EDRC says AEC will not be able to compete globally because of its "astronomical" production costs.

AEC says sales from its nuclear fuel production unit total R90-million a year, R32-million of it from exports, with operating expenses of R183-million.

"This budget deficit of R93-million is funded by the state and not Eskom," says the AEC spokesman.

In an effort to scale down its dependence on state funding, the enrichment facility will probably be shut down within 18 months, although the conversion and fuel fabrication plants may remain open, says Mr Stumpf.

Provided the AEC continues to secure long-term contracts from the government and mines for radiological work, it will break even by the end of the decade. The value of these contracts is close to R100-million a year. The future viability of the corporation also depends on growth in its non-nuclear fuel commercial programmes.

AEC is piloting a new enrichment technique called MLIS. Preliminary studies suggest that it could produce nuclear fuel at $50/SWU.

But, "investment in MLIS seems to be a waste in view of the fact that an American centrifuge plant can produce at around $20/SWU," says Johan Kruger, an energy specialist at Wits's Bernard Price Institute.

Mr Stumpf says it is most unlikely that any plant in the world will be able to produce at $20/SWU and that the MLIS pilot is proving highly successful.

The EDRC report says: "It is implausible that the AEC is succeeding (in developing MLIS technology) where other nuclear corporations with much larger budgets and far more advanced scientific and technological infrastructures are failing."

Towns face shock over power levies

By SVEN LUNSCHE

LOCAL authorities could lose their power to supply electricity if they do not meet the reconstruction and development programme's electrification targets.

The policy, contained in the government's new electricity dispensation, is a serious financial threat to local authorities who use electricity levies to subsidise other services.

The new electricity policy was approved by the Cabinet this week and is based on proposals handed to it by the National Electricity Forum (Nelf). An electricity amendment Bill, to be tabled in October, will give effect to the policy.

The Bill sets a five-year deadline for local governments to satisfy a new industry regulator, the Electricity Control Board (ECB), "that they can provide an acceptable service and meet electrification targets".

As a result of the policy, Eskom could emerge as the sole supplier of electricity if local authorities "do not perform".

Ian McRae, former Eskom chief executive and chairman of Nelf's management committee, says the new policies have two aims — to speed up electrification and restructure the supply industry.

It should also ensure the RDP's electrification targets will be met while at the same time maintaining "competitive" prices.

The RDP provides for the electrification of 500 000 new homes a year until the end of the decade.

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Mr McRae is convinced the additional demand will not substantially raise electricity prices. "Eskom has already given an undertaking to cut real electricity costs by 20% over a five-year period and this should prevent prices from increasing above inflation."

IAN McRAE

The restructuring of the supply industry holds serious consequences for the 300 local government bodies which at present supply electricity to households and industries.

In the first phase of the programme local governments will have to prove they can provide an acceptable service and meet electrification targets in order to retain the right to supply electricity.

If they cannot meet the targets "they will be obliged to negotiate with the regulator for Eskom or another supplier to take over the supply".

In the second — consolidation — phase of the programme, the supply industry will evolve into one of two models: a national distribution utility decentralised into regional distributors or a number of local government undertakings that will supply electricity.

Howard Whitehead, president of the Association of Municipal Electricity Undertakings, says local governments have been given an effective five year deadline to bring their houses in order.

The decision on whether local governments will maintain distribution rights will rest with the ECB, which has the power to issue or revoke licenses.

The ECB, an independent nine-strong body, will be set up over the next few months, says Mr McRae.

Apart from its licensing function the ECB will also develop a set of principles through which suppliers establish their tariffs to consumers. At present about 2 000 different tariffs are being charged.

The Nelf also recommends that levies or taxes on electricity should not be used to provide additional revenue to local government.

"If they do allow it, however, they should only do so after consulting the Fiscal Commission and the Katz Advisory Committee on tax," Mr McRae says.

Star 21/9/94

SA to give R160-m for Cahora Bassa

Maputo — South Africa is to contribute about R160 million to the reconstruction of electricity lines between the Cahora Bassa dam in north-western Mozambique and South Africa.

According to the Mozambican news agency AIM, the joint standing commission on Cahora Bassa comprising South Africa, Portugal and Mozambique signed a contract on Monday for the reconstruction of the transmission lines.

Portugal, the main shareholder, will finance R87 million of the project.

The balance is expected to come from European sources including the Caisse Française, the European Investment Bank and the European Union itself.

British Overseas Development Minister Lynda Chalker described the dam this week as a major asset. She was optimistic that this long beleaguered project would take off soon. — Star Foreign Service

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ESKOM FM 23/9/94

Window of opportunity

There was good news for electricity consumers when Eskom announced its new rates last week; tariff increases for 1995 are being held down to a mere 4% — almost 6% below the inflation rate.

The corporation can afford to be generous. A multibillion rand power station capex splurge in the Eighties left a 25%-30% surplus in generating capacity.

Now, Eskom is aiming to reduce electricity charges in real terms by an effective 20% below inflation over a five-year period, ending 1996. In 1992, Eskom committed itself to a "compact" with consumers in terms of which it undertook to pass on the benefits of its surplus generating capacity, its improved productivity and reduced capex requirements. 55

Eskom CE Allen Morgan says Eskom's conservative, below-inflation tariff policy has meant that about R28bn will have been "ploughed back into the economy over the past seven years" giving SA a major competitive advantage in global terms. SA's electricity is now the second-cheapest in the world — after that of New Zealand.

"This gives SA a 10-year window of opportunity — until our next big projects start coming on stream by around 2007. Even at that stage, we would have a choice of plugging into the regional power grid with its cheaper hydro-power or building economic gas-powered generating capacity

P.T.O.

FM 23/9/94

Morgan

at the coast," says Morgan.

Eskom has budgeted for additional electrification expenditure of R841m in 1994 and R1 098bn in 1995. It plans to electrify about 300 000 new households each year, compared with the RDP's target of 150 000 a year for all local authorities over a five-year period. It is also taking over the supply of electricity in the former homelands.

Unfortunately, the electricity utility is sitting with R800m in accumulated arrears — largely from the nonpayment of township services charges. This it plans, somewhat optimistically, to reduce by R100m in the coming year. However, the nonpayment of electricity charges remains a major difficulty for the corporation.

Says Morgan: "We have managed to reduce our debt:equity ratio to a factor of two and plan to bring it down to a factor of one by 1998, as we have no further major capex requirements, outside of electrification costs, to the end of the century. Growth in sales is estimated at 2% for 1994 to a total of about R15bn. 55

"This is expected to surge further to around 5% next year, when Alusaf's new plant starts drawing its 800 MW requirement. By mid-1997 Cahora Bassa's 1 450 MW should start flowing into our grid — though Zimbabwe is entitled to draw off 500 MW to the year 2003."

The recent political developments in SA allowed the country to join the Southern African Development Community, opening the door for the creation of a southern African power pool with a grid linking SA with the rest of sub-Saharan Africa.

Continued on page 83

Continued from Page 81 FM 23/9/94

"The 500 MW capacity transmission line linking Matimba in the northern Transvaal with Bulawayo in Zimbabwe will be ready in 1996. We should be in a position, by 1997, to start drawing off from Zambia's estimated 500 MW - 1 000 MW surplus capacity on the Kariba scheme, subject to tariff negotiations," Morgan says.

Once the grid is in place, SA will have a choice of selling surplus capacity to other pool members or pressing a switch at peak demand hours to draw off cheaper hydro-power from its regional pool partners.

Ian McRae, National Electricity Forum management committee chairman and chairman of SADELECT, a nongovernmental southern African organisation which has set itself the task of identifying regional electricity projects and obtaining finance from donors for them, says: "Our first board meeting will be in the first week in October. We will be looking at implementing some projects which have already been identified. 55 ■

Moves to establish independent electricity body

BDay 28/9/94

MICK COLLINS

THE National Electrification Forum had already started advertising for posts on a regulatory body which would oversee the overhaul of the electricity industry, sources said yesterday.

The move follows recent recommendations made by the forum to the parliamentary committee on mineral and energy affairs that the entire industry be restructured and placed under an independent regulatory body.

Forum chairman Ian McRae said it was generally agreed that the electricity industry had to be rationalised to meet the reconstruction and development programme's aim of electrifying 500 000 homes a year.

The sources said the present 2 000 or more different tariffs in the industry would be rationalised into a national tariff system and government should provide a subsidy for rural electrification. (55)

But this would not necessarily mean that the tariff would be the same all over the country, but the basis on which tariffs were determined would be the same.

The forum agreed that initially Eskom should take over the electricity operations in the former homelands while those cities that wanted to continue running their electricity departments would do so. But both groups would have to be regulated by the planned independent body.

McRae said restructuring should not lead to job losses, and no one should be left worse off than they were now.

The introduction of a national tariff system would mean electricity prices in the cities, now about half that charged in rural areas, would increase. But, because of over-generation, it was not expected that electricity prices would rise by more than the inflation rate until the turn of the century.

Uranium plant to close down

(SS)

CT 30/9/94

PRETORIA. — The cabinet had approved closing the Atomic Energy Corporation's Pelindaba uranium enrichment plant because of costs, Mineral and Energy Affairs Minister Mr Pik Botha said yesterday.

However, a new laser process of producing the commodity would be developed there.

Mr Botha said the cabinet had approved a new policy requiring mining permit holders to pay for the rehabilitation of land. — Sapa

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Cabinet decides on tariffs system

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CT 30/9/94

Staff Reporters

THE cabinet has decided that a national domestic electricity tariff system should be developed and implemented as soon as possible.

This was confirmed yesterday by Dr Piet Hugo, director-general of the Department of Mineral and Energy Affairs.

He said, however, the cabinet had made no mention in its resolution of different prices for rich and poor, as the Cape Times reported.

The National Electrification Forum (Nelf) submitted a report to the cabinet saying a national domestic tariff system should be introduced.

The system should include "... an appreciation of the affordability level of poor customers and therefore these customers must be subsidise".

"The tariff system will ensure that customers are subsidised by a reasonable amount, taking cognisance of the impact on other customers and the competitiveness of electricity as an energy source."

Mr Mark Pickering, an ANC representative to Nelf, was quoted in Wednesday's Cape Times as saying the cabinet had agreed to a Nelf suggestion that differential electricity tariffs be applied to rich and poor.

He said this was incorrect.

Nelf had merely noted in a report to the cabinet that a national domestic tariff system be introduced to remove the wide range of current practices.

The cabinet has not approved a two-tier electricity tariff system where richer users would subsidise poorer consumers, Mineral and Energy Affairs spokesman Mr Roland Darrol said.

EXCLUSIVE

After nearly 30 years exploring for oil Soekor is now ready to [illegible] Africa's first oilfields off the Cape [illegible]

CAPE OIL BONANZA!

W/End Argus 1/2/10/94 (55)

WILLEM STEENKAMP
Weekend Argus Reporter

OIL may soon be flowing from South Africa's first oilfield off the Cape south coast near Bredasdorp where nine small oil fields have been discovered over the past couple of years.

An excited Joggie Heüser, Soekor chief executive, told me in an exclusive interview that early indications were that upward of 20 000 barrels of high quality light crude oil could be tapped from the E-BT oil field about 100km west of Mossel Bay.

Mr Heüser said several international companies had been invited to tender for the development of the so-called E-BT oilfield off the coast.

It is expected that an overseas contractor would have to spend between R175 million and R350m on the development of South Africa's first oilfield. Mr Heüser said Soekor, oil giant Engen and the overseas contractor would be partners in the venture.

The venture would be run on a profit basis and would not cost the taxpayer any money. It would, however, save the country millions of rands in foreign exchange.

Mr Heüser said new technology now made it financially viable to develop smaller oilfields. A Floating

■ More details, maps and graphics on page 23

■ PLUS — major mining boost for West Coast — see BUSINESS section.

Platform Facility (FPF) would be used to tap into the oilfield and pump crude oil into tankers to be sold to refineries.

It is expected that about 200 new jobs will be created, most of them to be filled by local labour.

Nine small oilfields have been discovered in the Bredasdorp Basin and it is believed there may be other reserves in the deeper water. Soekor showed me samples of the high quality light crude recovered in the area.

Mr Heüser said when one field was depleted, the FPF would simply be moved to another field and continue producing oil.

"We are evaluating all our data and will be able to make a firm decision by the end of the year. Indications are extremely positive and we would not have undertaken these studies, surveys and prospecting if we weren't confident we could go ahead with the project.

Mr Heüser said that apart from the oilfields, 14 gasfields had been discovered in the Bredasdorp Basin. These do not include the gasfields discovered and presently used by Mossgas.

Although there has been considerable oil exploration and drilling in the Bredasdorp Basin, a large section of the area is still under-explored and significant potential exists for other natural oil and gas discoveries.

■ In a separate development, Soekor is to embark next week on a ma-

■ To page 3

☐ **OIL AT LAST:** Petroleum engineering manager of Soekor, Kevin Stallbom, holds up samples of high quality crude oil recovered from the Bredasdorp Basin off the Cape south coast, where intense investigations are under way to develop South Africa's first oil-producing field.
Picture: ANDREW INGRAM, Weekend Argus.

Oil bonanza

W/End Argus 1-2/10/94

■ From page1 (55)

jor drive to market licences for 18 exploration areas off the South African coast. By issuing licences Soekor hopes international consortiums can help discover and develop other potentially oil-rich reserves.

Minister of Mineral and Energy Affairs Pik Botha will invite investments in offshore oil and gas exploration on behalf of the South African government at a seminar to be held in London next week.

All the major international oil companies have been invited to the seminar, the second of which will be held in Houston, Texas on October 11.

Mr Heüser said there was great interest among international oil consortiums about becoming involved in oil exploration off the SA coast.

But he emphasised that although 18 oil exploration blocks would be offered for sub-lease to international consortiums, Block Nine (the Bredasdorp basin) would not be offered as existing discoveries in this area were due to be developed.

Moody's' thumbs up for Eskom

(58) ~~(288)~~ CT 12/10/94

From ROBYN CHALMERS

JOHANNESBURG. — International credit rating agency Moody's Investors Service has given Eskom a favourable long-term credit rating of Baa3, paving the way for the utility to issue new debt on world markets by the year-end.

Eskom executive director Willem Kok said the company would wait for government to lead the way with an issue of new debt on international markets.

The rating, which is considered investment grade, formed an integral part of Eskom's strategy to diversify its international funding activities.

It was the same grade as the rating recently given to SA by Moody's.

"Previously, international bond issues were essentially limited to the various Euromarkets. The Moody's rating will enable Eskom to widen its investor base through geographic and currency diversification. In addition, the rating will provide the mechanism for finer pricing strategies. It confirms that Eskom is regarded as a well-managed company in international financial circles," Kok said.

Meanwhile, Eskom will sign a loan agreement today with the Bank of Taiwan for a loan of $30m, spread over five years.

This followed a visit in August by a special Taiwanese trade and investment delegation looking for ways of supporting the SA government's reconstruction and development programme.

Kok and Bank of Taiwan MD David Chang will sign the agreement.

A press release issued yesterday by the Taiwanese Embassy said: "Through this loan, the government of the Republic of China hopes that the electrification of rural areas in South Africa can be furthered."

Bring light to darkest Africa

CT 12/10/94

By ANTHONY JOHNSON

MR Pik Botha yesterday issued an impassioned plea to the First World to bring light to darkest Africa — and other parts of the Third World.

Opening the executive assembly of the World Energy Council, attended by delegates from 68 countries and 10 international bodies, the Minister of Mineral and Energy Affairs urged industrialised nations to create a special fund to help channel electricity to underdeveloped communities.

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For millions of people, lack of electricity created an "instant veto" on meaningful activity once night fell.

Two-thirds of South Africans did not have electricity, he said.

The government had undertaken to supply electricity to an additional 500 000 homes annually until the end of the century, "resulting in 2,5 million additional homes having this energy source, more than double the number of existing connections".

Pik's call on Cahora Bassa

CLIVE SAWYER (55) ARG 13/10/94
Political Correspondent

MINERAL and Energy Affairs Minister Pik Botha says industrialised countries should buy Cahora Bassa hydro-electric dam — and put it at Southern Africa's disposal.

This would be an immediate contribution to regional development.

Speaking at the World Energy Council southern and eastern African forum today, Mr Botha said Cahora Bassa "must be rehabilitated soon if it is to be rehabilitated at all".

It was hoped a peaceful election and political settlement in Mozambique would make this possible.

Cahora Bassa could be an important part in a Southern Africa "power pool".

The first steps to setting up this pool had been taken by South Africa, Botswana, Zambia and Zimbabwe.

It was reported last month that the joint standing commission on Cahora Bassa, consisting of South Africa, Portugal and Mozambique, had signed a contract to rebuild powerlines from the dam to South Africa.

Mr Botha said other areas of potential co-operation between southern and eastern Africa and industrial nations were exploration for oil, natural gas and coals and design of heat-retaining and low-cost housing.

Energy was a fundamental human need and essential for economic growth.

'Folly to phase out Koeberg'

CT 15/10/94 (55)

SOUTH AFRICA should build two more nuclear power stations by 2030 and extend the life of Koeberg, says Atomic Energy Corporation (AEC) head Dr Waldo Stumpf.

It would be folly to close down or phase out Koeberg, he said in a paper at the World Energy Council's regional forum in the city yesterday.

To do so would make it almost impossible for South Africa to reduce carbon dioxide emission levels and help reverse global warming.

Figures indicated clearly that South Africa should have more rather than less nuclear power.

By using Koeberg rather than coal-fired power stations 77 million tons of carbon dioxide, 866 000 tons of sulphur dioxide and 370 000 tons of nitrous oxides had been kept out of the atmosphere in the 10 years of its operation.

Nuclear energy's 17% share of the world's total electricity production already avoided the annual release of more than two billion tons of carbon dioxide into the atmoshpere.

Dr Stumpf said nuclear power, although still controversial in some quarters, was increasingly being recognised as a cleaner source of power than was assumed to be the case some years ago.

South Africa, with its significant uranium resources and its well-run Koeberg station had clearly demonstrated its ability to safely handle this form of generation.

Group for Environmental Monitoring (Gem) research director, Dr David Fig, said Dr Stumpf's remarks "failed to tell the full story" about Koeberg.

Nuclear power is one of South Africa's most expensive forms of energy.

The nuclear fuel activities at Pelindaba-Valindaba complex ate up about an eighth of Koeberg's output, making the generation of nuclear energy itself a very energy-intensive process. — Staff Reporter, Sapa

Energy policy 'a priority'

By DAN SIMON

COUNTRIES in Southern Africa will have to "move fast" to create an efficient energy base for the electricity needs of the region's estimated 200 million people, Eskom chairman Mr Ian McRae said yesterday.

He told the WEC's regional forum these states had to take a "long-term view" in planning energy policies.

"If we don't move fast we won't see economic growth to combat poverty."

Abundant coal and offshore gas reserves could be harnessed for the benefit of the region.

Non-government organisations and business structures would have to be established to identify opportunities.

Sapa reports that WEC secretary-general Mr Ian Lindsay said the energy infrastructures of many African countries were "wildly inefficient".

Many lost up to 50% of their potential energy through a lack of maintenance, finance and management.

But in many instances it would not take a lot of money to make these systems considerably more efficient.

Financing was a major issue in the energy business.

Eskom to raise billions on local and foreign markets

BDay 17/10/1994

CAPE TOWN — State electricity utility Eskom will have a net financing requirement of between R2bn and R3,5bn a year in the next few years.

Reuter reports Eskom financing manager Thomas Potgieter, in a paper presented on Friday to the World Energy Council's regional forum on the utility's medium-term financing strategy, said Eskom would raise between R750m and R1bn a year from foreign capital markets, and the balance locally.

The net financing requirement included servicing of existing debt and repaying maturing debt.

Eskom's goals included becoming the cheapest provider of electricity in the world, providing electricity in terms of the reconstruction and development programme, and creating an interconnected southern African grid.

In terms of the RDP, a target of electrifying 2,5-million houses by 2000 had been set. Eskom would look mainly at rural areas, where a target of 300 000 households had been set for the same period.

He said foreign funds could be raised through various mechanisms, including medium-term notes and the Japanese Eximbank facility.

Locally, between R750m and R1bn a year could be raised through the conventional bond market. Any more would require aggressive market-making or increased funding costs.

He said it was unlikely that Eskom could dislodge the Reserve Bank as the most dominant force on the local capital market given the government's large funding needs.

Electrification Participation Notes, and other structured finance and dedicated funding mechanisms, could raise between R750m and R1,25bn as an alternative, he said.

Several other local alternatives were open to Eskom, he said. These included the use of one or more standard financial instruments such as a range of zero coupon bonds or promissory notes with different maturities and priced on a zero coupon yield to meet the cashflow needs of, say, an annuity fund.

These alternatives had helped Eskom reduce its reliance on local capital market funding at a time when other borrowers had become more active in this market, he said.

Sapa reports Atomic Energy Corporation head Waldo Stumpf told the conference SA should plan to build two more nuclear power stations by 2030 and to extend the life of Koeberg. It would be folly to close down or phase out Koeberg, he said.

Shutting it down would make it almost impossible for SA to make meaningful reductions in carbon dioxide emission levels and help reverse global warming.

Figures indicated SA should rather have more than less nuclear power in its future power generation mix.

Using Koeberg rather than coal-fired power stations meant 77-million tons of carbon dioxide, 866 000 tons of sulphur dioxide and 370 000 tons of nitrous oxides had been kept out of the atmosphere in the 10 years of its operation since 1984. (266)

Nuclear energy's 17% share of the world's total electricity production avoided the annual release of more than 2-billion tons of carbon dioxide into the atmoshpere. (55)

Maintaining the present mix of energy sources, or phasing out nuclear power altogether, would lead rapidly to disastrous levels of carbon dioxide in the global atmosphere.

Plea for all-in energy grid for southern Africa

(55) ARG 18/10/94.

TOS WENTZEL, Diplomatic correspondent

AN electricity supply system linking all electrical energy systems in southern Africa is the way to keep the different economies in the region in step, says Eskom senior general manager Mike Deats.

He told the international "Africa Oil '94" conference in Camps Bay that South Africa was one of the few countries in the world that had an excess electricity generating capacity.

Through a common grid this usable energy could be made available to other countries, enabling them to enhance their economic growth and self-sufficiency.

The concept of a southern African grid and power pool originated 10 years ago and was promoted by the Southern African Development Community (SADC).

Now that the political climate had improved and South Africa had become a full member of the SADC more substance could be added to the idea and much higher mutual benefits could be achieved.

Already a 400 kV powerline was being built from South Africa to Zimbabwe via Botswana. Others were at the planning stage between Zaire, Zambia, Malawi and Tanzania.

Hilton Trollip of the Energy for Development Research Centre in Cape Town said the gas industry in South Africa was largely undeveloped apart from the "exceptional" Mossgas synfuel plant.

With the demise of the apartheid government regional trade in gas had recently become possible.

Eskom revamps bond to raise R1,2bn in funds

BEATRIX PAYNE

ESKOM yesterday launched a second electrification bond to raise an additional R600m, bringing to R1,2bn the finance raised for its recently extended electrification programme. BDay

Eskom finance executive director Willem Kok said the extra R600m would be used for additional projects.

The instrument used to raise the finance, Electrification Participation Notes, has a small guaranteed return of 6% but offers investors no upper limit to returns.

The parastatal raised about R600m last year after issuing its first Electrification Participation Notes (EPN1). 19/10/94

Kok said Eskom had planned to electrify 150 000 homes over five years, "but we have since revised that and plan to electrify 300 000 houses a year for five years from 1995 to cope with the demands of the reconstruction and development programme".

The EPN1 would be converted into EPN2, as some technical changes had been made to the instrument. The conversion would take place by buying back stock from bond holders and issuing EPN2s.

It would offer investors a two-part return through a 6% fixed interest coupon and a linked warrant for a variable amount based on 35% of turnover generated by the electrification drive. It had a 15-year life span and would mature in 2010.

Current bond holders included life assurance bodies and pension funds. Foreign investors were still prohibited by the Reserve Bank from investing in the bond as there was no upper limit to investor returns, Kok said. The offer was not be open to public investors. 280 55

Life Offices' Association (LOA) executive director Jurie Wessels said its members were still willing to invest in the bond. The LOA had launched the bond with Eskom last year. "Institutions are frustrated

To Page 2

Eskom

BDay 19/10/94 From Page 1

at the lack of investment vehicles in the development sector and they are keen to participate in RDP-linked projects." 280

He said the LOA initiated Investment Development Unit (IDU) had been involved in placing the paper with institutions. 55

IDU executive director Errol Benvie said the life assurance industry had taken up more than 85% of the issue with the balance being absorbed by pension funds. "This indicates that the IDU's shareholders — contractual savings institutions — are committed to funding the RDP."

Reuter reports that senior fuel and technical services GM Michael Deats said Eskom expected capital spending to reach R4,1bn this year and R5,2bn next, after last year's R3,6bn.

He told the Africa Oil '94 conference in Cape Town that demographic data at the end of 1993 showed 8-million dwellings countrywide, of which 3-million had electricity. Of the 5-million without, 3-million could be connected to the existing grid.

Eskom issue launched

(55)

JOHANNESBURG. — Eskom today announced the launch of the second tranche of its Electrification Participation Note, EPN2, to fund a substantially enlarged electrification programme of 1,75 million households.

The first tranche, EPN1, was issued in May 1993 to raise finance for the electrification programme which at that stage targeted one million new households by 1998.

ARG 19/10/94

The EPN2 launch was announced by Eskom's executive director (finance), Dr Willem de Kok.

He said the EPN2 issue would once again be a private placing to institutional investors who were mainly members of the Life Offices Association.

At the same time as EPN2 was launched, Eskom would repurchase from investors the full issue of EPN1 and replace it with the equivalent value of EPN2.

Total funding to be raised by EPN2 would be about R1,2 billion, which would fund about 400 000 electrification connections.

The EPN is seen as the single most significant manifestation of how private sector capital can successfully be used to fund upliftment projects in the RDP. — Sapa.

Natural (55) gas for SA by 1997

CT 19/10/94

By ARI JACOBSON

SA IS to gain access to natural gas by late 1997 via a multi-billion rand pipeline out of Mozambique, according to a paper presented by spokesmen for ENH (Mozambique's gas development company) and Enron (US natural gas utility) at the Africa for Oil Conference in the city yesterday.

In an interview afterwards, Hugh Brown & Associates senior partner Hugh Brown, nominated by the World Bank to assist local companies with gas development, said that there were various studies being conducted concerning the supply of natural gas to SA industry from regional gas fields.

These included the feasibility of linking SA with gas fields situated in Namibia and Angola.

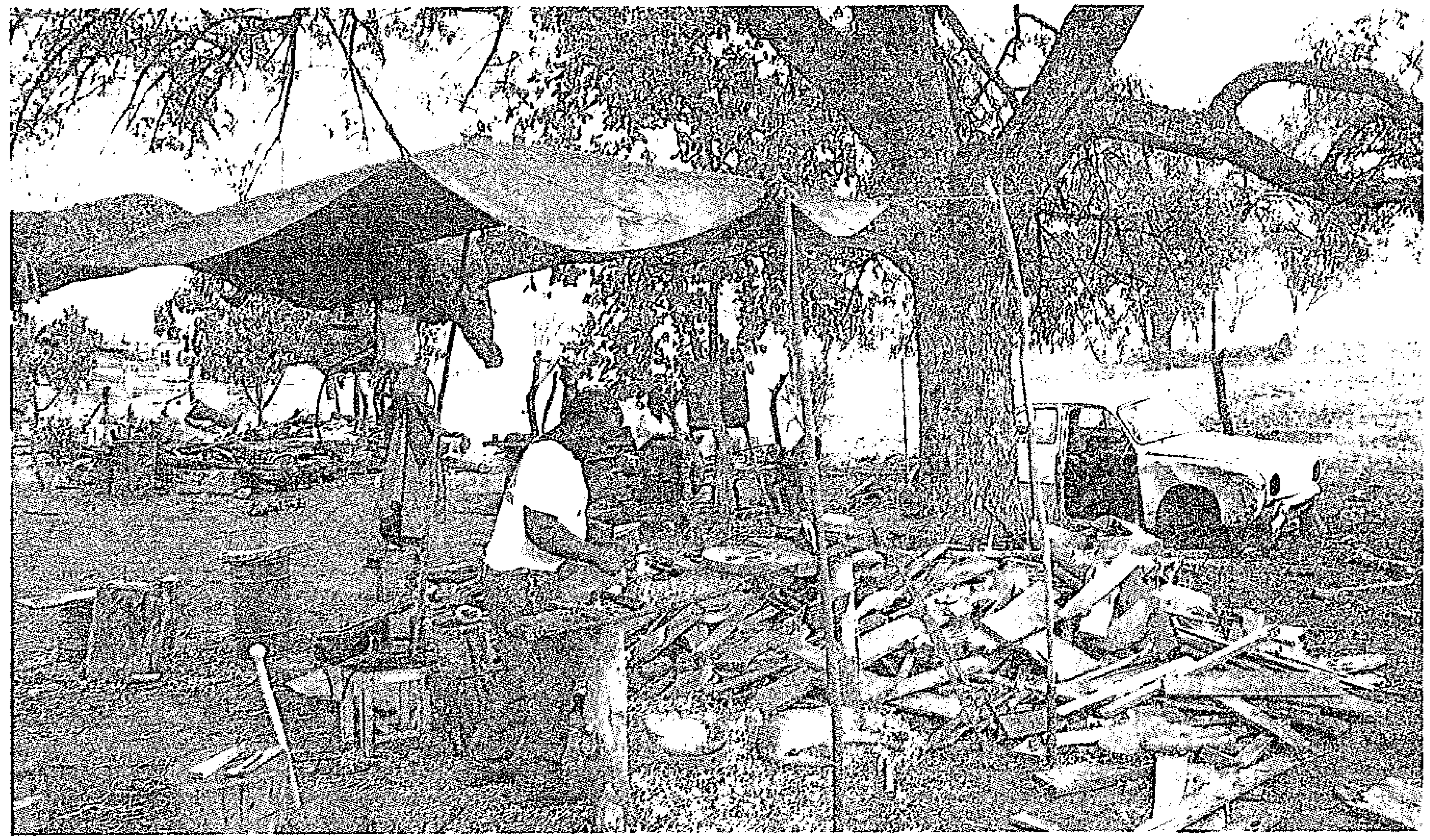
The Pande gas field in Mozambique would most likely supply the PWV, Eastern Transvaal and possibly Natal via pipeline.

This development follows from a multi-billion rand deal announced this week in which Mozambique signed with Enron to allow it to extract and transport natural gas from Mozambique's Pande gas field.

Brown said the spin-offs of using natural gas in SA could include low cost energy for the under-privileged situated close to pipeline routes.

He said that 10 major industrial organisations had shown an interest in being supplied with natural gas.

SKILFUL HANDS: Woodcarver Alfred Tshabangu shapes a kiaat fruit bowl, which will be sold to tourists visiting the Kruger Park, at his outdoor workbench.



BASIC FACILITIES: The rudimentary outdoor workshop of Alfred Tshabangu, chairman of the Mhala Woodworkers Association, which is supplying items for sale in shops in the Kruger National Park.

Pictures: JOHN YELD, The Argus.

Take a taxi to Kruger

(57) ARG 19/10/94

□ Initiative to work with the park's neighbours

JOHN YELD
Environment Reporter

OOM Paul Kruger may not have approved, but new initiatives in South Africa's flagship national park — including black taxis ferrying day visitors at special rates — have probably put paid to threats of cattle farming within its borders.

The management of Kruger National Park, galvanised by reports of severe criticism from poor black communities adjoining the park, recently started an integrated conservation and community development programme aimed at enabling these communities to share in the park's benefits.

The initiative also followed a highly publicised threat by Land Affairs Minister Derek Hanekom that cattle-farming could be allowed in the park.

Initiatives include the marketing of hand-carved wood products on behalf of local craftsmen and training local taxi-owners to act as day-tour guides.

The taxi-owners, who undergo a four-day course before receiving a special diploma, are entitled to free entry to the park, and their passengers — if from neighbouring communities — pay only 50 percent of the normal entry fee.

Chris Marais, the National Parks Board's manager of visitor services, explained details of the programme to guests during the launch of Engen's *Manifesto for growth in a revitalised South Africa*, based on environmentally balanced tourism development.

The last forced removals from Kruger had taken place in 1969, he said.

"There is immense pressure from rural communities bordering the park who are in need of natural resources."

After the unbanning of the African National Congress in 1990, the park's management had realised it had to act because of hostility from their poverty-stricken neighbours.

"And it was frightening for us to realise what their perceptions were — we realised we had to do something dramatic," Mr Marais said.

Four forums had been developed to represent 62 black communities — including three big townships — along the western border of the two million hectare park.

"It took us up to a year to get these going, and there was a lot of hostility especially in Kangwane."

During negotiations, it had been decided to appoint full-time community liaison officers who would be chosen by the communities themselves and who would also sit on the park's management committee, Mr Marais said.

"The structure for these appointments has been developed and the budget approved. We've started with this aspect, which is about good communication."

Major problems raised by the communities had included the lack of water in the rural areas, land claims and problem animals.

"Some of the land claims have been solved and others are being referred to arbitration," Mr Marais said.

"We've also started the electrification of some fences to keep problem animals in the park — not people — out and water boreholes have been drilled."

The community programme was also aimed at using the substantial economy of the park, which attracted 700 000 visitors each year, to promote small businesses in the neighbouring communities.

"You must remember that these are very poor people, many of whom are living in very remote areas.

"It's generally accepted that small business development is one of the most effective ways of creating employment which is desperately needed," Mr Marais said.

"For example, we use 10 000 brooms in the park and half-a-million rands worth of linen, and we're promoting joint projects for the supply of these."

The park also acted as an agent for local woodcarvers, taking orders for their products which were sold in shops in the park.

Alfred Tshabangu, chairman of the Mhala Woodworkers Association which operates in the area close to Skukuza, said their previous transport problems had been solved with the new arrangement.

"This is an improvement. Working with the park's people we lose nothing — they don't argue with us (about prices). Everyone's happy at the moment."

Andrew Venter, who has been seconded to the Kruger National Park from the former KwaZulu Bureau of Natural Resources, to help institute the programme, said they were looking at ways of expanding the woodworkers' sales.

"We're trying to treat this as a business development. We don't want them to sell only to the park and they must be competitive — otherwise you're not achieving anything."

John Mkhonto, one of 16 taxi drivers who recently completed the first four-day training course to enable them to act as day tourist guides in the Kruger park, said the initiative would help his business.

Mr Marais said the park's management was also facilitating bigger projects which neither they nor the neighbouring communities were in a position to tackle themselves, such as education and the supply of electricity.

"It's still a fragile situation, but we're now slowly but surely getting there."

Big electricity drive

Sowetan 26/10/94

By Ismail Lagardien
Political Correspondent

THE Government will electrify 250 000 homes before January next year but consumers must be prepared to pay for it, Minister for Public Enterprises Ms Stella Sicgau said yesterday. Opening the Kendal Power Station in the Eastern Transvaal, Sicgau said the Government, through Eskom, planned to electrify 300 000 homes each year for the next six years. (55)

"This is an enormous challenge, not only for Eskom but for the industries which support these endeavours. This is a necessary task and Eskom deserves all the support it can get to achieve this objective.

"Government will play its part, the people of South Africa will also need to play theirs in getting this undertaking off the ground...

"If we want to have a constant and reliable supply of electricity available to us on a continuous basis then we have to be prepared to pay for it," Sicgau said.

Sicgau said there were tough choices ahead for all South Africans.

She said Eskom was able to rely on consumer contributions to remain viable without a State subsidy.However, if consumers failed to pay their bills the State may have to subsidise Eskom which would invariably lead to increased taxes.

"For those who believe that subsidies from government are the answer let me remind you that such subsidies can only come from people in the form of increased taxes."

Star

Eskom in bid to cut its tariffs

26/10/94

Witbank — Eskom plans to reduce the cost of electricity by 15 percent over the next five years, according to Electricity Council chairman Dr John Maree.

It also plans to provide more than 3 million houses with electricity by the year 2000.

Speaking at the opening of the Kendal power station near Witbank yesterday, Maree said this would create about a million job opportunities.

Eskom was connecting about 100 homes a day.

Explaining his corporation's role in the Reconstruction and Development Programme, Maree said Eskom planned to spend about R50 million a year to connect 2 500 schools and clinics in rural areas.

Minister of Public Enterprises Stella Sigcau appealed to provincial governments to speed up housing, education and health facilities so that Eskom's project would not be retarded. — Sapa.

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BUSINESS DAY, Wednesday, October 26 1994 3

Eskom to cut power costs over five years

JOHANNES NGCOBO

ESKOM had committed itself to reducing the real price of electricity by 15% over the next five years as a contribution to the reconstruction and development programme, chairman John Maree said yesterday.

And the utility would spend R250m over five years electrifying 2 500 schools and clinics nationwide, Public Enterprises Minister Stella Sigcau announced.

Both were speaking at the opening of a R10bn power station at Kendal in the Eastern Transvaal.

Maree said low-cost electricity would make energy intensive industries such as ferrochrome, stainless steel and aluminium more competitive in world markets, stimulate investment in the sector, and make electricity more affordable to the low-income sector.

Large-scale electrification was essential for economic growth, and a Pretoria University study had shown that the electrification of 3-million homes could create one million job opportunities. For every 10 homes electrified, one to two would start some economic activity. The current rate of electrification was 1 000 homes a day.

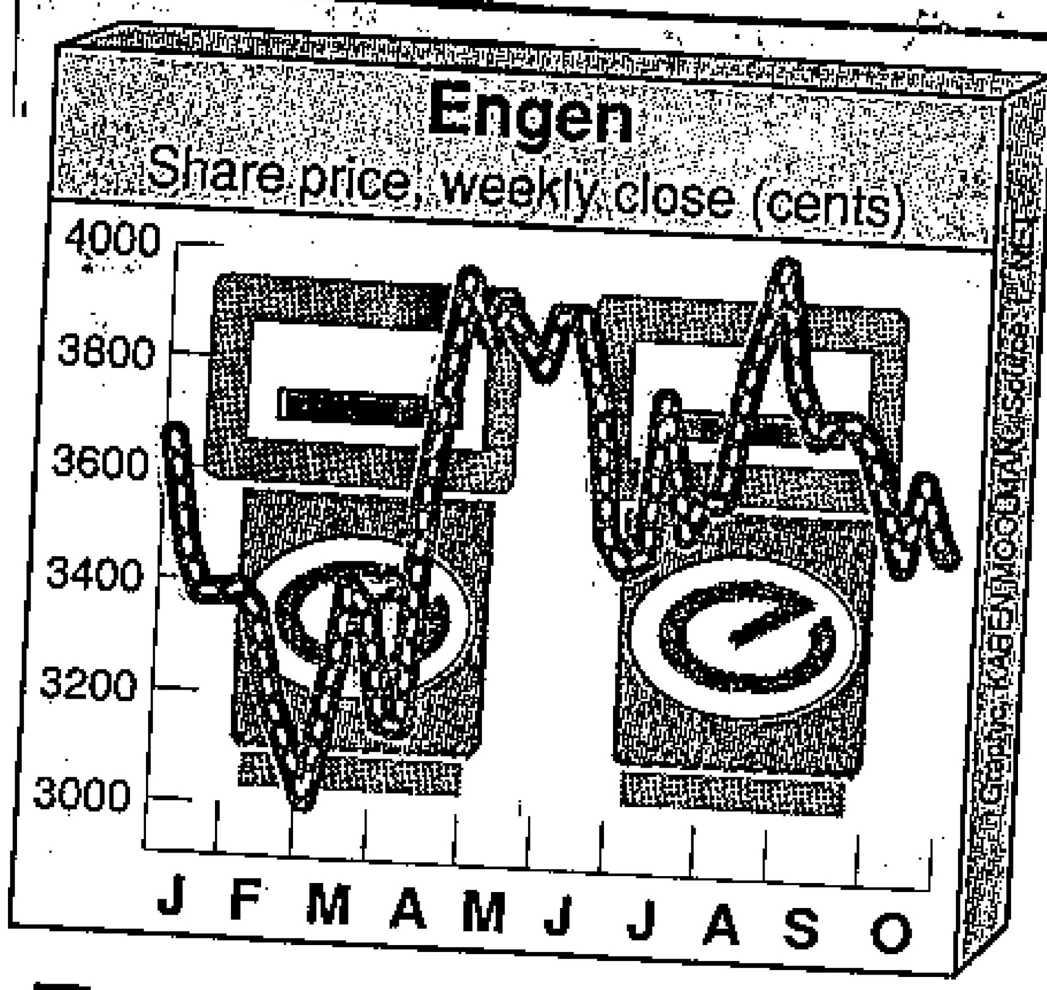
Sigcau told the gathering Eskom's commitment to empowering underprivileged people would go hand in hand with an affirmative action programme which should see blacks make up 30% of the stretegic management component of the utility by the year 2000.

Sapa reports Sigcau appealed to provincial governments to speed up the provision of housing, education and health facilities to help facilitate Eskom's project.

Eskom said the Kendal station — which took 10 years to build — was the biggest coal-driven electricity plant in the world and had already started supplying power to Mozambique, Swaziland, Botswana, Lesotho, Zimbabwe and Namibia.

The station and its mine employed about 3 000 people.

(55)



Engen plans Congo oil field venture

B/Day

MICK COLLINS 27/10/94

ENGEN confirmed yesterday it was involved in a joint venture with French oil company Elf Aquitaine SA for the development of a $1,65bn oil field in the Congo.

Engen exploration and production CEO John Bentley said negotiations were "far advanced". The local company would take between 5% and 7,5% of the equity providing it received Reserve Bank approval.

Bentley said negotiations with Elf were continuing, and Engen was in competition with two unidentified multinational companies. Talks had started about a year ago.

Finance for the project would be complicated and offshore debt would be used to fund a significant part of the deal, he said.

Production at the oil field, located in the N'Kossa area 60km offshore from the French Congo, was expected to come in at 100 000 barrels a day at peak, making it the third largest field in West Africa.

"By participating in this major venture we will have access to a pro rata share of the production of crude oil from the field."

Bentley said there were endless opportunities for a company such as Engen in Africa and it was part of its overall strategy to get into African development.

Engen has already acquired exploration opportunities in Namibia, Angola, Gabon and the Middle East — in all cases in partnership with major oil companies.

The company has a 10% interest in the Bukha gas-condensate development off Oman and also has an interest in the Alba oil field in the North Sea which came into production in December last year.

More than R2bn has been spent on capital projects since 1991, largely on the expansion of refinery operations.

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New body to fund electrification projects

B/Day

MUNGO SOGGOT

SOUTHERN African governments have banded together to fund electrification projects through the formation of a new body, the Southern African Development through Electricity.

National Electrification Forum chairman Ian McRae said the non-governmental organisation aimed to set up an integrated southern African electricity infrastructure.

McRae, who is a former Eskom CE, is the new body's chairman-elect. He said the body would be a "facilitator" for southern African electricity utilities — which were mostly government-owned — by raising money and giving potential lenders confidence in prospective projects.

The group's board included development experts from Norway, Malaysia, the US and the African Development Bank, as well as "experienced power-sector visionaries" from southern Africa. 27/10/94

In another development, the Cabinet was expected to decide this week on the board members of a new national electricity regulator to co-ordinate the RDP's electrification programme.

National Electrification Forum secretary Johan Du Plessis said the regulator would ensure the government's electrification targets were being met, and would take away suppliers' supply rights if they were not judged to be up to the task.

The regulator would be created from the existing Electricity Control Board.

But the Act governing the board, the 1987 Electricity Act, would be ammended so that all electricity suppliers came under the regulator's jurisdiction. All suppliers would have to operate under a licence issued by the regulator.

☐ Eskom said reports that electricity tariffs in Soweto were generally more expensive than in Johannesburg were untrue. (55)

Taxed earnings 13 percent lower

Govt blamed for Engen profit fall

Star 21/11/94

BY DEREK TOMMEY

The government's failure to abide by oil industry agreements cost Engen more than R100 million in the year to August, says chairman Bernard Smith.

This was one of the reasons for the R24 million — 4,3 percent — drop in operating income to R532 million, even though turnover rose 9,5 percent to R8,45 billion.

Another reason was a $1 a barrel decline in refining margins in the second half of the year, which cost Engen R50 million. Engen is sensitive to changes in gross margins.

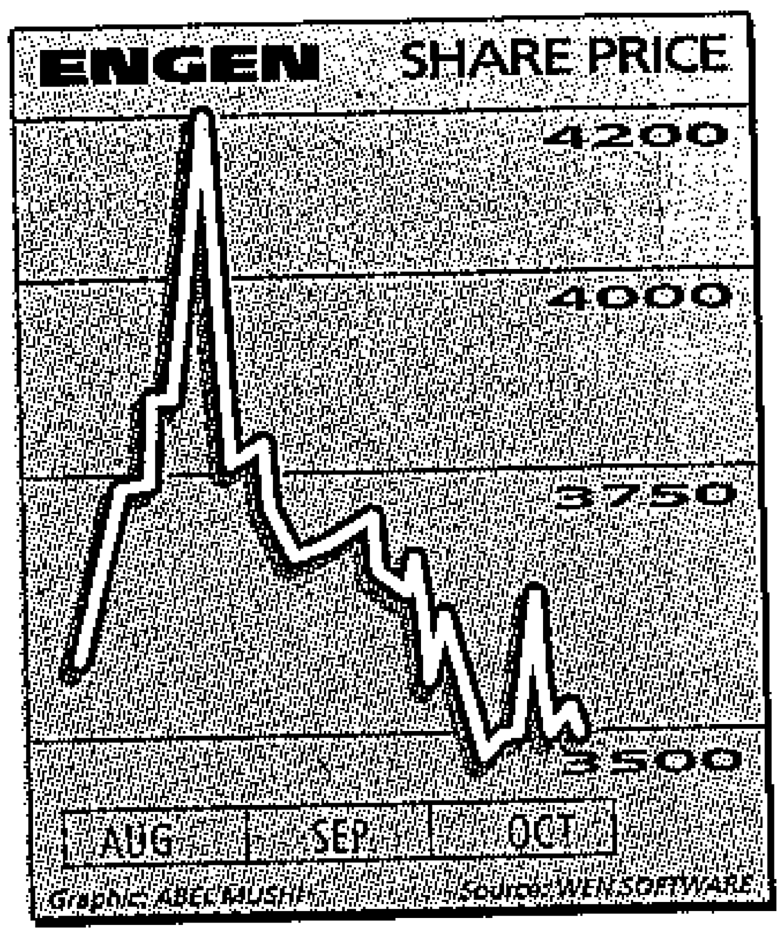
Higher financing costs further depressed earnings and though the provision for tax dropped R33 million to R80 million, taxed earnings before exceptional items were R63 million — 13,3 percent — lower at R416 million, equal to 259c (1993: 298c).

Cash earnings (reported profits plus depreciation) were slightly higher, being equal to 345c (342c) before exceptional items.

Engen is paying an unchanged final dividend of 99c a share, making an unchanged 154c for the year. Shareholders can elect to receive the dividend in cash or in capitalisation shares.

Smith says Engen's view that the oil industry should be run on the free enterprise market principle now enjoys widespread support.

"Regrettably, the past year was characterised by piecemeal tampering with the regulatory system."



He lists the elimination of the synthetic levy, changes in the IBLC formula, failure to adjust the service differential and grant the marketing margin increase due to the industry. (55)

This reduced Engen's operating income by R100 million in 1993-94 and, in a full year, will cost close to R140 million.

"Such tampering is clearly untenable as long as our industry is expected to adhere to the rules of the current regulatory framework."

Reviewing current operations and prospects, chief executive Rob Angel says domestic sales in 1993-94 grew by only 1,6 percent to 31,6 million barrels, with petrol sales up 3 percent.

But demand in July and August picked up and sales were 5 percent ahead of last year.

In September and October, the first two months of the current accounting year, the increases were even greater.

Angel says a 4 percent growth in GDP should result in a 6 to 7 percent increase in petrol consumption. If such growth is achieved, SA will soon need to consider increasing refining capacity, even though there is 20 percent surplus capacity at present.

In the past year Engen closed down 109 unprofitable filling stations.

The job losses arising from the closures were more than made good by the opening of 60 Quick Shops.

It is planned to open 200 Quick Shops at top service stations where they should generate 10 percent of operating income from service station business.

More than 500 people, mostly in middle and senior management, were retrenched at a cost of R65 million. Savings are expected to amount to about R50 million a year.

Another area which should help increase profits is refining. The R600 million phase two upgrade is progressing well.

It will enable the plant to process cheaper crude and increase recoveries by 22 percent.

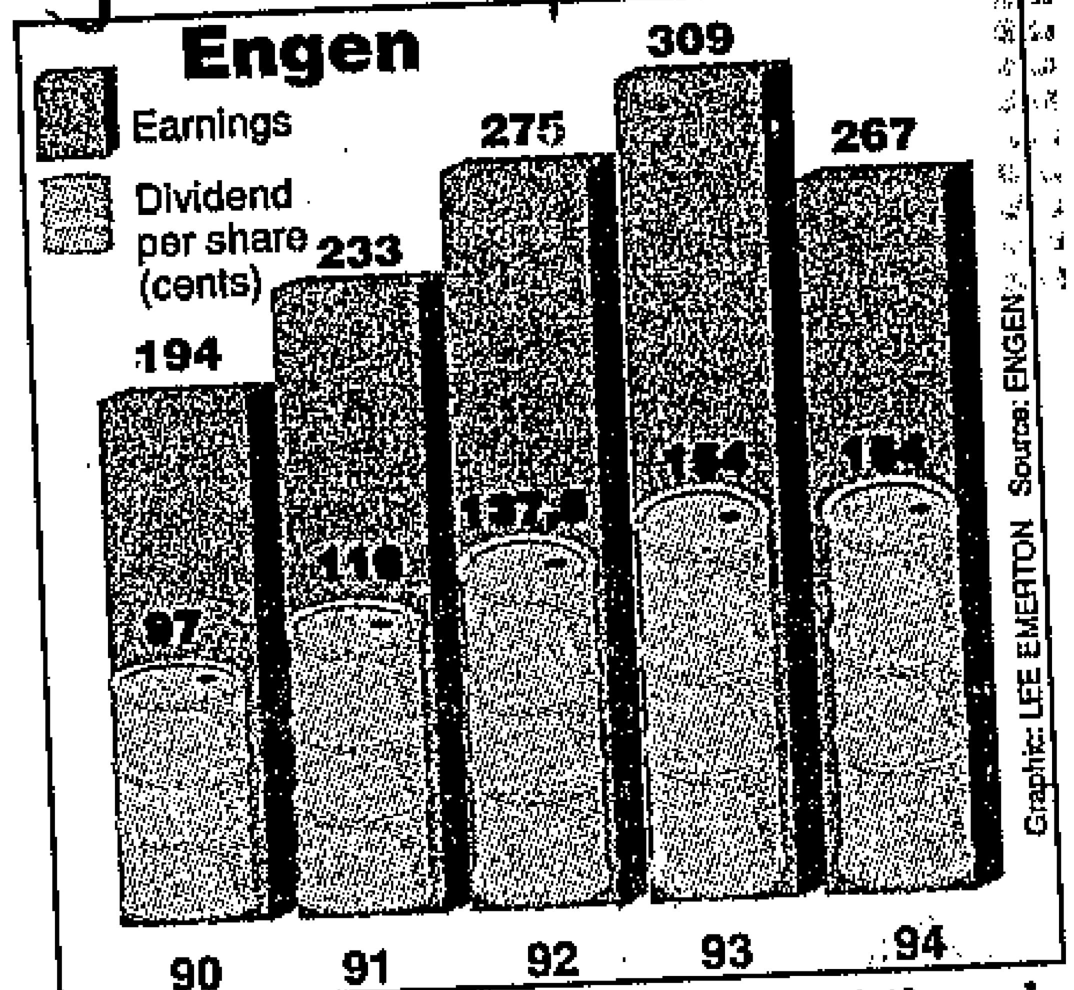
However, the closure of the refinery for the commissioning of the project will limit the benefits of the upgrade this year. These benefits are also contingent on wider than prevailing light/heavy crude oil differentials.

Engen is continuing to restructure to cope with the highly competitive environment that lies ahead.

Depressed refining margins hurt Engen

BDay 2/11/94

MICK COLLINS



FUELS producer Engen yesterday reported a 13% drop in net income to R416m for the year to August following depressed refining margins and sluggish sales.

Turnover rose 9,5% to R8,4bn, but CE Rob Angel said that with the disappointing performance of the economy, Engen's sales volumes to the local market grew only 1,6% with petrol sales up 3%.

But he noted that there was healthy volume growth in July and August, with petrol sales up 5% on the previous year.

Operating income before exceptional items and inventory effects was 4,3% lower at R532m, but with the recovery of crude oil prices in the second half of the year Engen was able to more than reverse the R37m inventory loss reported at the interim stage and earned a R27m inventory profit for the full period. 55

This was offset by exceptional items which included retrenchment costs of R65m and other costs of R4m. But the sale of the company's cylinder business to Afrox for R45m and a R12m profit on the sale of upstream assets saw the final figure translate into a loss of R12m, which

□ To Page 2

BDay 2/11/94

□ From Page 1

Engen

brought operating income after exceptional items and inventory effects to R547m.

After financing costs of R49m (R16m), pre-tax profit was 16,2% down at R498m.

The group's tax bill fell to R80m from R113m in 1993. 55

Earnings a share after exceptional items and inventory effects fell 13,6% to 267c. The dividend was maintained at 154c, covered 1,7 times. A scrip alternative will be offered to minimise STC exposure. Shareholders can decline the award.

Angel said the restructuring programme which the company had embarked on a year ago had resulted in the loss of 500 jobs at senior and middle management level. The exercise was expected to yield annualised savings of about R50m.

He said piecemeal tampering with the regulatory system in the synthetic fuel levy, the in-bond landed cost formula and the service differential, as well as government's failure to grant the marketing margin that was due to the oil industry, cost Engen more than R100m. The effect would amount to R140m in the current financial year.

Having closed more than 100 uneconomic service stations, the group "had temporarily suspended this programme". But in the absence of an increase in wholesale margins additional non-commercially viable stations would have to be closed.

Better bunker fuel and export sales boosted overall sales 4,8% to 43,9-million barrels from 41,9-million barrels.

Two major factors behind Engen's results were the fact that expenses grew only 2% during the year and the excellent performance of its Durban refinery.

Angel said the group stood to benefit from phase two of its refinery upgrade, with the full benefits contingent on higher light/heavy crude price differentials than those currently prevailing. The 1995 financial year would be affected by the closure of the refinery during the project.

ENGEN

Fm 4/11/94

Running on lower octane

55

Results after a difficult year's trading can best be described as reassuring. The 13,6% decline in EPS was slightly better than what the market was expecting. Internally, it seems the oil group is doing all it can to reduce costs and squeeze greater efficiencies out of assets.

The question now is whether Engen has been through the worst and will be able to reverse the trend of declining earnings in financial 1995. For investors, the related question is whether the share price, which, at R35, has stagnated for most of the year, will start to recover. An improved performance this year depends on some factors beyond Engen's control: specifically, future refining margins and the outcome of the debate on deregulation of the industry.

On the positive side, CE Rob Angel says the first two months of the 1995 year have seen firming demand for petroleum products, with growth now running between 6%-7%/year. Domestic fuel sales over fiscal 1994 year grew by only 1,6% to 31,6m barrels, with petrol sales up 3%.

"I think we are starting to see a kick up in GDP growth. Traditionally, this has a multiplying effect on growth in the oil industry. Higher domestic demand also means higher margins than we get on the excess production we now export."

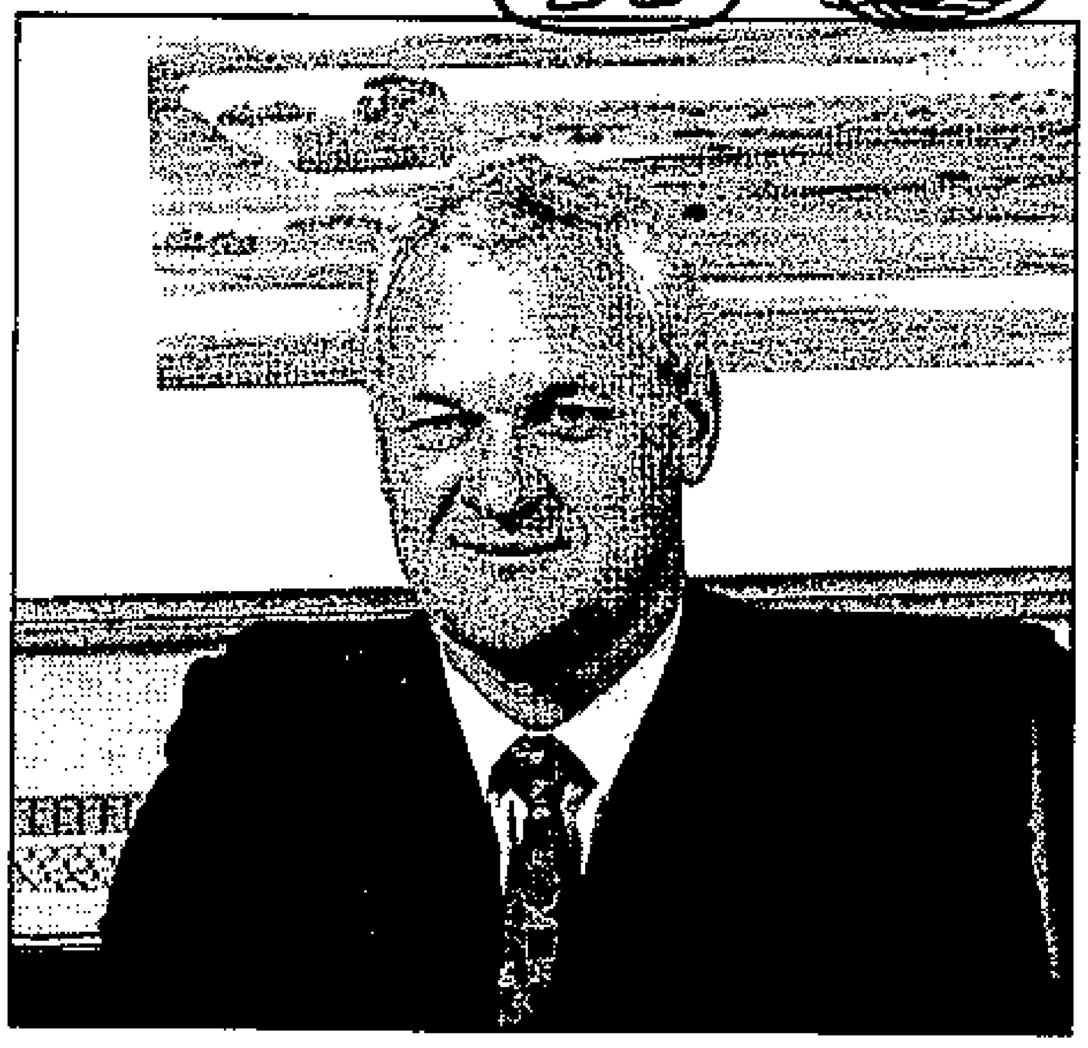
Fuel sales are critical to Engen, so the prospect of increasing demand should partly offset the likelihood that international refining margins will remain weak in the short term. Angel says, though, that margins can move quickly, particularly in the dynamic Far East market. Refining margins declined, on average, by about US$1/barrel in the second half, taking some R50m out of full-year operating income.

Deregulation remains a question mark. Chairman Bernard Smith says the piecemeal tampering with the regulatory system, including the removal of the synthetic levy, changes to the in-bond landed cost formula and failure to grant the marketing margin increase due to the industry reduced operating income by more than R100m in the financial year, with the effect on calendar 1994 expected to be R140m.

While Engen may not receive much sympathy for the marketing margin — analysts say the SA industry enjoys one of the widest margins in the world — ad hoc changes to regulations have a significant effect on Engen and make future planning diffficult.

FEELING THE SQUEEZE

Year to August 31	1993	1994
Turnover (Rbn)	7,72	8,45
Operating income (Rm)	556	532
Attributable (Rm)	480	416
Earnings (c)	309	267
Dividends (c)	154	154



Engen's Angel ... *demand for petroleum products is firming*

Angel says the past year's restructuring programme is continuing into a second phase, transforming Engen and preparing it for what he calls full deregulation. Engen will not get the full benefits of deregulation of the retail end of the industry unless there is full freedom to procure oil from its own sources and not be obliged to take a percentage of oil from Sasol. Angel says, pointedly, that Sasol's market entry will not be facilitated by the oil industry.

While upstream exploration and production of oil is a long term, often expensive business, it will offer Engen more balance in its activities. Angel says Engen's focus is increasingly on offshore west Africa, where much of the earlier political risk has diminished.

During the year, Engen re-arranged its upstream assets, selling the Britannia gas field, for which it earned a profit of R12m for its original 27,2% stake. As part of the transaction, it bought Gencor's interest in the Alba field in the North Sea.

Prospects for 1995 are also strengthened by the completion of the refinery upgrade, which can increase capacity by 22%, if needed, and will allow the plant to process cheaper crude oil while maintaining the yield of white oils.

Debt, which more than doubled to R787m during the year, is expected to shrink with the completion of the refinery upgrade unless a significant upstream investment is made. Exchange control regulations are hampering Engen's efforts in this regard.

The share remains a difficult call. Ratings have slipped to below the average for the sector, though prospects for this year suggest the price should not decline further. That gives it some speculative attraction, though sustained growth will probably depend largely on Engen's next results.

Shaun Harris

NBS HOLDINGS

Diversifying earnings

The first full inclusion of income from associates and a strong performance from the mortgage division boosted interim results, with earnings rising 49%. More importantly, it shows NBS on target in its diversification strategy to attain a wider spread of earnings, reducing the importance of interest income.

MD John Gafney says insurance and assurance now account for about one-third of earnings, mainly from associates Norwich Life, RMB Holdings (including Momentum Life) and Aegis Insurance.

With all these investments accounted for in the first six months, income from associates more than doubled to R20,7m.

At the same time a 26% increase in advances — mainly in home loans which account for more than R8bn of total advances of R11,9bn — fuelled asset growth by 21,5%, to R14,8bn.

Earnings growth would have been stronger were it not for a bad and doubtful debt charge rising from the year-ago R31,6m to R74,7m. General provisions were raised by R40m to R154m, largely, says corporate division senior GM Paul Leaf-Wright, because of the possible effect of an expected increase in interest rates.

"The last time the interest rate cycle went up there were more defaulters. We are creating a provision ahead of the likelihood of this happening again."

However, about half the bad debt provision for the first half relates to possible losses due to fraud and related, inadequately secured loans. Leaf-Wright says NBS has been conservative — at best, it will only lose the first R500 000 and get the rest back from fidelity insurance.

Action has also been taken to recover some of the fraudulent losses. NBS has applied for the sequestration of Lionel Gafney, one of the former employees who allegedly defrauded the bank. "But it will probably take some time to process the insurance claim. Should we get the bulk of the money back, we will consider reversing the provision," he says.

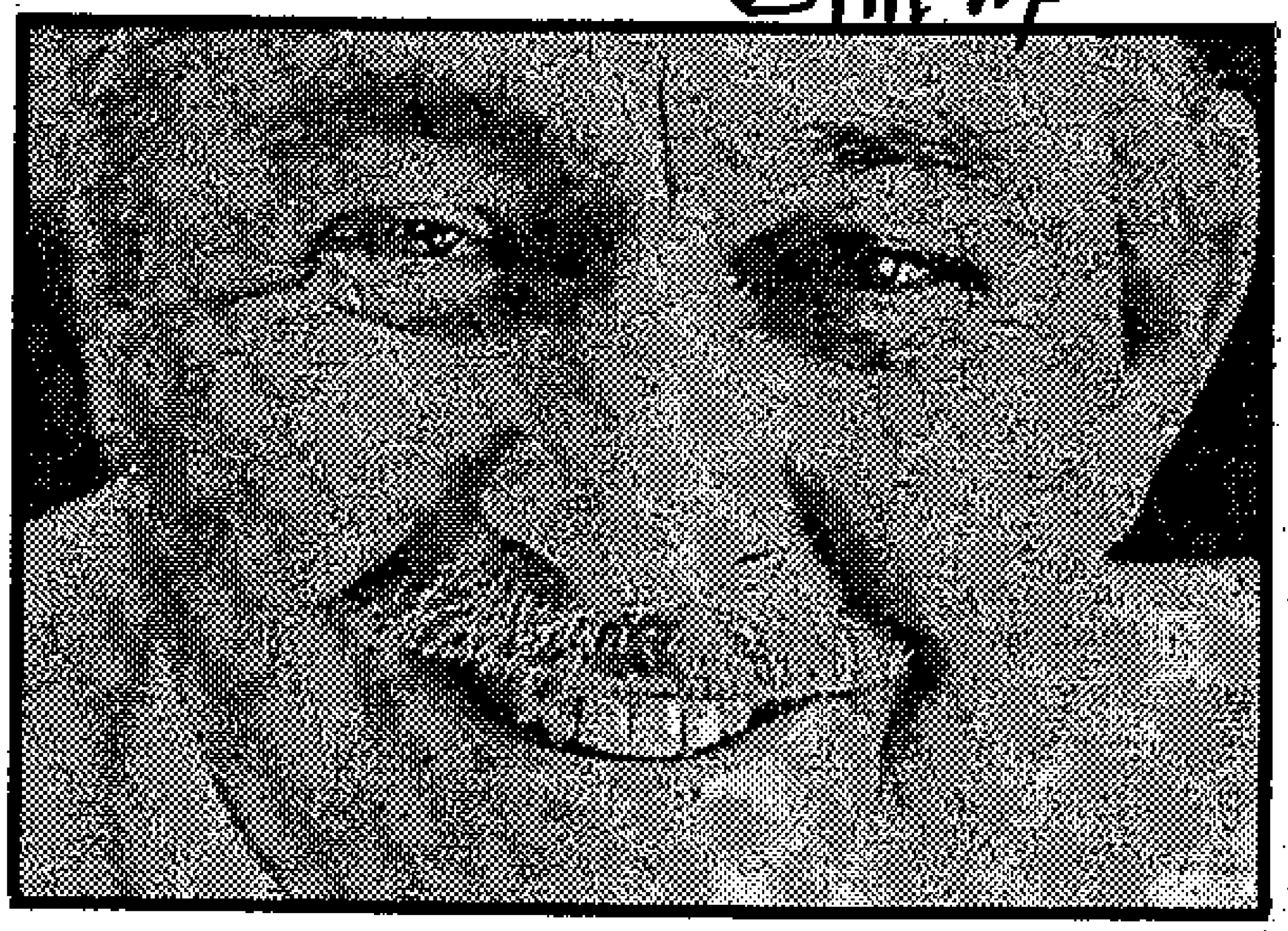
If so, it would mean a one-off boost to the bottom line, either in the second half or next financial year. As it is, the second half should see the 25% increase in EPS

Mossgas up for sale at a discount

SI Times (Buss)

6/11/94

By CIARAN RYAN



ANY TAKERS ... Pik Botha, Minister for Energy

MOSSGAS is for sale, says Pik Botha, Minister of Mineral and Energy Affairs.

Mr Botha says discussions have been held with several potential buyers, both local and foreign, but the state will not recover anything like the R11-billion it cost to build the synthetic fuels plant.

"We must accept that we cannot recover our initial investment, but at the right price Mossgas is an attractive proposition," he says.

Taiwan's Chinese Petroleum Company, already in discussion with Mossgas over the possibility of a joint venture in refining and petro-chemicals, is a potential buyer. Another is a petroleum group from an oil-producing country.

John Theo, managing director of Mossgas, says buyers are likely to express greater interest once the plant's future is assured.

"We have had discussions with several groups on a range of issues regarding the future of Mossgas. But if we privatise Mossgas as it stands today, we will not attract much attention. If we were making the decision today, Mossgas would never have been built."

Mossgas is asking the Cabinet for an additional R600-million to extend the life of the gas reserves at the FA field, due to run out in little over a year — three years after start-up. The government, however, is keen to accelerate privatisation talks so that a purchaser will take over responsibility for recapitalising the company.

The Cabinet is awaiting the results of an independent feasibility study on the complex, due out in December, before authorising additional capital spending.

83

"We want to be absolutely sure that the project is commercially viable and that government will get its money back before we part with a cent," says Mr Botha.

There is concern in the government that a PR campaign waged by sectors of the oil industry is aimed at preventing Mossgas from receiving the funds it needs to continue operating.

"Obviously, Mossgas is a potential competitor to the oil industry and if they can rubbish the company, they might be able to deter foreign investors or pick it up themselves at a good price," says one government official.

Mossgas was built on the basis that gas reserves would last 25 years, provided additional capital was invested to extend the life of the gas fields. The R600-million is needed to install a compressor at the FA field, without which only 35% of its reserves can be exploited, and to tap the nearby satellite gas fields. This would extend the life of the project to 2001.

Mr Theo says Mossgas is already cash positive (making an operating profit, but not servicing loans). Excluding tariff protection of $21,75 a barrel and synthetic fuel subsidies, the business generated an operating profit of R100-million last year.

Mossgas says it will be able to repay the R600-million new capital required at the rate of R100-million a year while paying a further R100-million dividend to its shareholder, the state.

Mr Theo says Mossgas is not dependent on the gas fields for its future survival.

"We can obtain our crude oil feedstocks from a number of suppliers. Part of our master plan includes developing a methanol processing and a downstream petro-chemicals plant."

Electricity boost for rural folk

Sowetan

8/11/94

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By Joe Mdhlela
Political Reporter

THE Republic of China has granted Eskom a loan of R107 million to benefit disadvantaged communities, especially in the rural areas.

Head of Eskom's foreign finance Mr Colin Clark said the loan would be used to electrify 250 000 homes in the rural areas by the end of this year.

"We are hoping to electrify a further 300 000 units by the end of 1995," Clark said.

Spokesman of the government of the Republic of China Mr Charles Chen yesterday confirmed the loan, saying it would be spread over five years.

"The purpose of this loan is to help the Government's Reconstruction and Development Programme to become meaningful, even to the rural and disadvantaged communities of South Africa," Chen said.

Clark said his company would embark on these projects in partnership with local communities "just to ensure that Eskom's contribution fits in with the people's requirements". While the emphasis will be in the rural areas, the corporation will also ensure that "aggressive electrification programmes" take place in all areas.

EU loan to reconnect SA to Cahora Bassa

Own Correspondent

BRUSSELS. — The European Union (EU) has announced a R160-million loan to reconnect power lines from the Cahora Bassa project to South Africa.

The loan is being provided by the Luxemburg-based European Investment Bank — the EU's long-term financial institution.

(55) CT 10/11/94

The aim is to repair transmission cables, so power supplies can be resumed. Political unrest in Mozambique led to repeated acts of sabotage against the lines in the 1980s.

ARG. 11/11/94

Cabinet to back introduction of unleaded petrol

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JOHN YELD
Environment Reporter

THE cabinet is expected to endorse the previous government's decision to introduce unleaded petrol at South African service stations by October next year.

The cabinet is to review the previous decision in the next few months, but indications are that it will give the nod to the proposed move that will see oil companies investing about R270 million — much already spent — to adapt their refineries to produce the new fuel.

Contrary to popular opinion, it is not straight concern for the environment that is the major motivation for the move to unleaded fuel, but rather technological advances in the motor manufacturing industry.

"This industry pointed out that, if we were going to stay in the mainstream of motor technology, we'd have to be using unleaded fuel," said SA Petroleum Industry Association director Colin McClelland.

"Countries like the United States, Japan and the European Community, from where most motor design emanates, are moving to a situation of almost 100 percent unleaded fuel for new vehicles.

"That's why that (South African) decision was made in 1991. But, with the changes in the country, the new government is having to revisit this issue and confirm that the original decision to introduce unleaded fuel is still in line with national priorities.

"The cabinet will be making that decision, we imagine, within the next month or so."

The cabinet would also have to decide at what price unleaded fuel — initially more expensive for the oil companies to produce — could be sold to make its introduction competitive, said Mr McClelland.

Last week, Mineral and Energy Affairs director-general Piet Hugo told a parliamentary committee that unleaded fuel should be available in July next year and it would cost about five percent less than leaded fuel.

The lower price would be based on a lower tax for unleaded petrol and would stay in place until this fuel had achieved a market penetration of at least 20 percent.

Oil industry environmental officer Bernard Winter said several committees had been formed under the auspices of the Department of Mineral and Energy Affairs to oversee the introduction of unleaded fuel.

Taking lead out of petrol would not end pollution problems, he warned.

"If you don't have catalytic converters on a significant number of vehicles, you could have a situation where the photochemical smog potential will actually increase.

"Anybody who thinks that this brown haze over Cape Town is going to disappear after October next year is making a mistake — it's not, but the provision of unleaded petrol will pave the way for future reductions."

Transnet, Eskom 'not for sale'

CT 11/11/94

By ANTHONY JOHNSON

ESKOM, Telkom and Transnet were not for sale, the Minister without Portfolio, Mr Jay Naidoo, told the ANC's caucus meeting yesterday.

In a special RDP progress report to the 311-member parliamentary caucus, the minister emphasised that those parastals that were key to the RDP "must remain" in state hands.

However, a systematic review of state assets was under way to decide "which assets are of strategic importance and which are white elephants".

Non-productive, non-strategic assets would be sold or reorganised, he said.

The money gained from such sales would be used to fund the RDP and reduce South Africa's debt burden, which stands at R221 billion (22% of the Gross Domestic Product) with interest payments serviced by 17,3% of the Budget.

"Resources saved through (government belt-tightening) will be used to close the wage gap in the civil service to addressing the minimum living wage, training, rationalising the grading system and affirmative action."

The priorities for the RDP fund for 1995/96 would concentrate on housing, job creation and providing water, sanitation and land.

New bill 'will speed up electrification'

CT 16/11/94 (55) (143)

THE Electricity Amendment Bill would make it possible for 500 000 new electricity connections a year, extending additional connections to 2,5 million, Minister of Mineral and Energy Affairs Mr Pik Botha said yesterday.

The bill would restructure the industry and set up a national regulator to oversee it, he said, introducing the second reading debate on it.

The electricity supply industry had been beset with problems where Eskom and about 300 local authorities were distributing electricity. Fragmentation had led to too many distributors with too small a consumer base operating inefficiently.

This had resulted in a poor supply to consumers, about 2 000 different electricity tariffs, difficulty in raising finance to expand electricity systems and the politicisation of electricity supply by having it identified with local government, Mr Botha said.

The bill was an important step in providing electricity needs in a new South Africa where efficiency, economy and fairness would rule.

It would bring uniformity, equity and regulation to the industry plagued by diverse and antagonistic interests, Mr Marcel Golding (ANC) said.

"The supply of reliable, cost effective electricity is fundamental for the growth of our economy," he said.

● The acts — 139 of them — which had regulated the mineral and energy affairs of South Africa, TBVC states and self-governing homelands were absorbed by the Mineral and Energy Laws Rationalisation Bill approved yesterday.

ARG. 16/11/94

Forex control peeves Engen

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BRUCE CAMERON
Business Editor

PETROL company, Engen, has accused the South African Reserve Bank of frustrating its efforts to buy into oil fields around the world with its "strict application of the country's exchange control regulations".

This is the second time in recent weeks that Engen has clashed with authorities.

Two weeks ago it blamed government interference in the fuel industry for its poor performance, which saw a drop in profits from the previous year.

The Department of Mineral and Energy Affairs reacted strongly blaming poor management and strategy by Engen for its results.

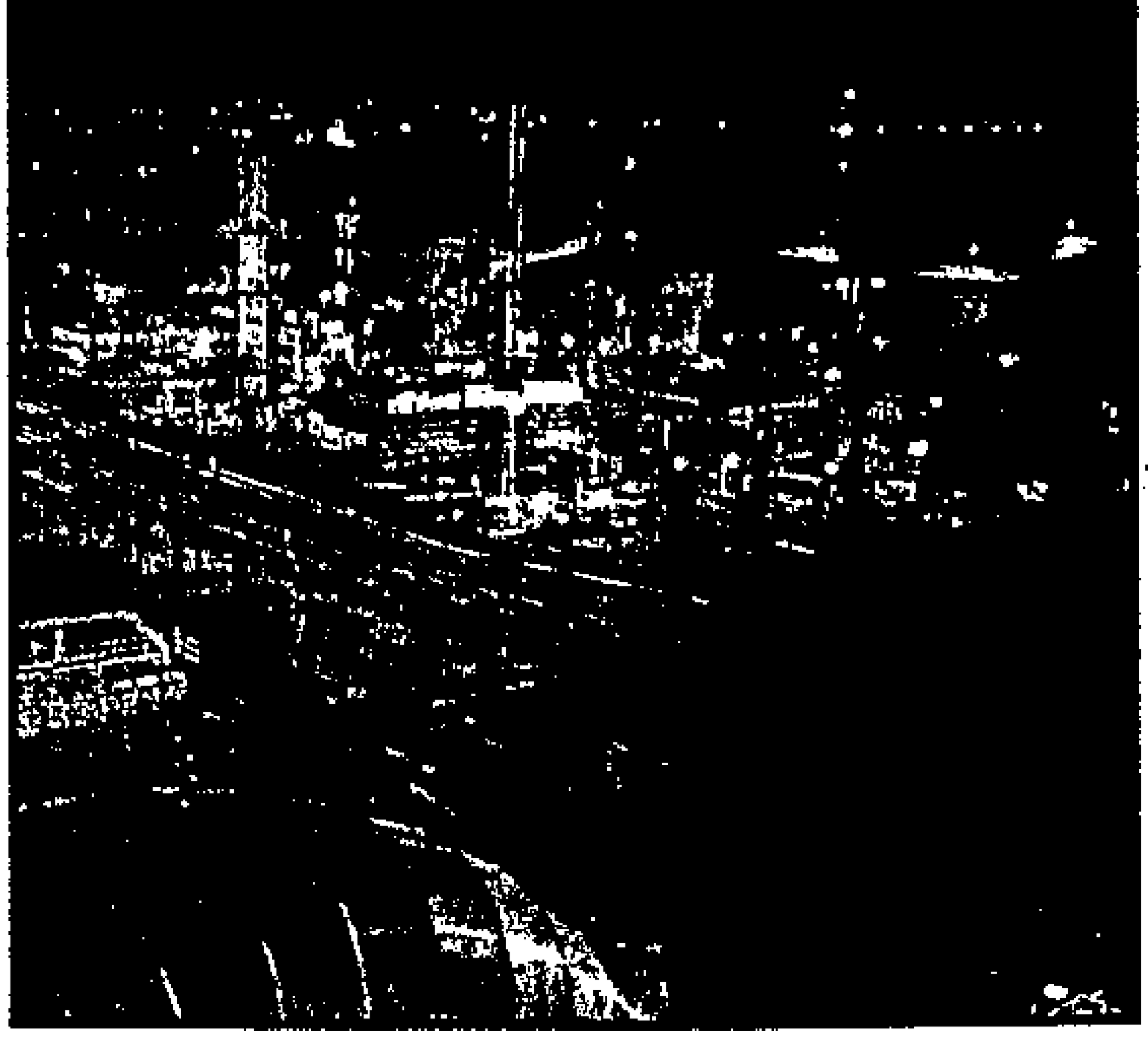
In its annual report Engen chairman Bernard Smith said there was wide interest in Engen's efforts to develop its ownership of oil fields.

Over the past year as a result of a rearrangement of North Sea interests Engen now owned eight percent of the main producing asset, the Alba field.

Alba and a 10 percent stake in the Bukha gas and condensate field in Oman would make a growing contribution to profits in 1995.

On top of this "good progress" was made with the groups's exploration efforts in the North Sea and West Africa.

Mr Smith said: "Unfortunately our ongoing efforts to realise further upstream opportunities continued to be frustrated by the Reserve Bank's strict application of the country's exchange control regulations."



An aerial view of one of major Engen's plants.

Challenges for Engen

Star 17/1/96

■ BY CHARLOTTE MATHEWS

The current financial year will be another challenging one for Engen and a number of uncertainties make it difficult to forecast earnings with confidence, chairman Bernard Smith says in the annual report.

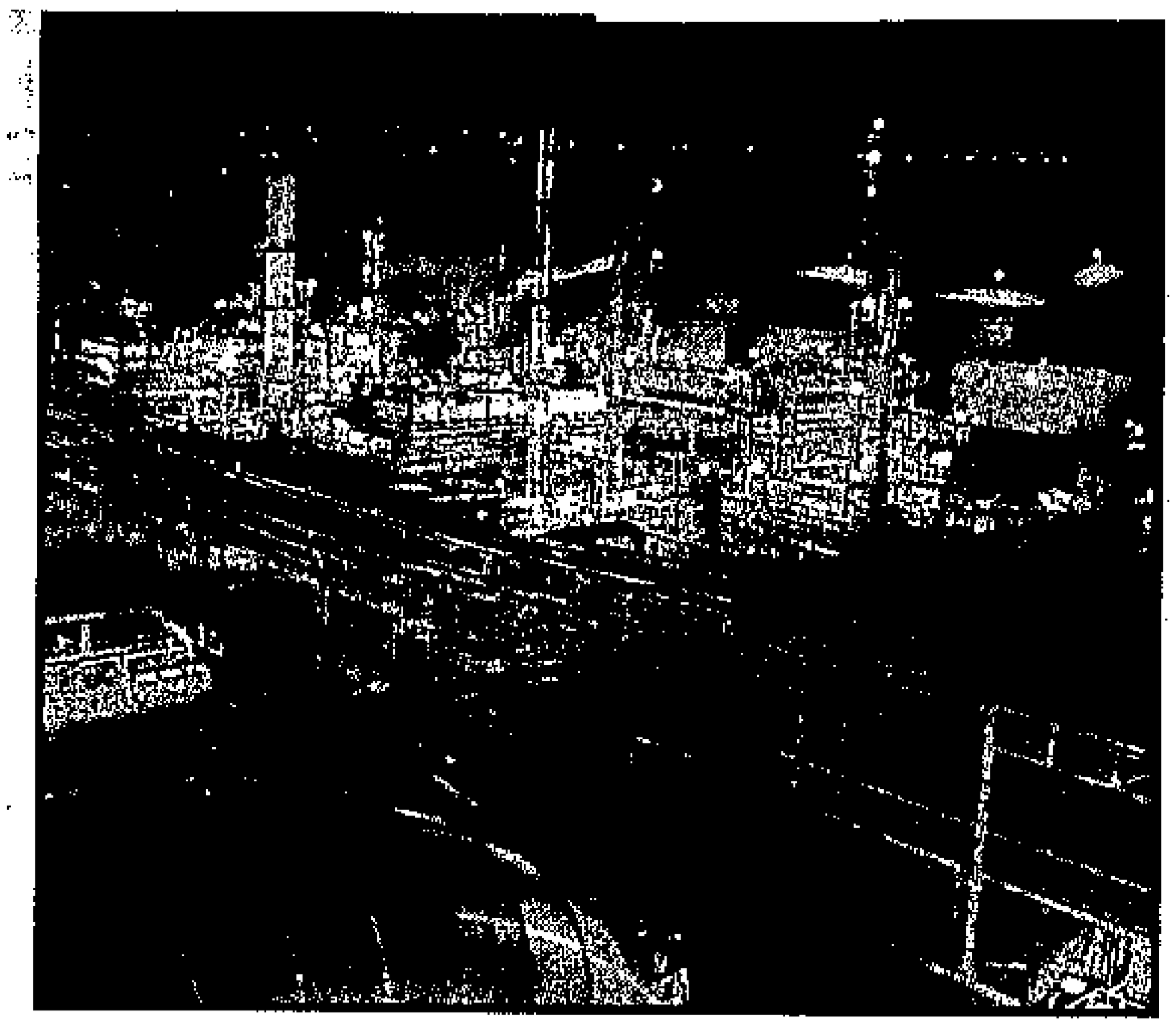
On the positive side, there are encouraging signs of growth in demand for petroleum products and the group will benefit from cost savings flowing from restructuring.

(55)

Engen will gain from the Phase 2 refinery upgrade and expansion for part of the year, although in 1995 the closure of the refinery for the periodic maintenance shutdown will reduce the gains. The benefits of the upgrade also depend on the recovery of the price differential between light and heavy crudes to historical levels.

International refining margins and light/heavy crude price differentials should return to higher levels of recent years, but the timing is difficult to anticipate, says Smith.

Engen is budgeting for higher earnings, but dependent on an early improvement in the factors.



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Engen restructuring aims at hard, lean look

B Day

EDWARD WEST

CAPE TOWN — Petroleum products group Engen would be restructured over the next two to three years, a move which was expected to have a significant impact on group earnings, CEO Rob Angel said yesterday.

Speaking at an Investment Analysts' Society meeting, Angel said the project — to involve more than just cost cutting and asset sweating — would prepare the group for full deregulation of the fuel industry.

Engen's entire R8,4bn-a-year business would be reviewed, radical changes would be made and there would be "no sacred-cows" in the process.

Angel said: "We can no longer behave as a multinational. We are an independent SA group and we have to find a new way of doing business. The deliverability of this project has my head on the block."

The restructuring was aimed at developing a new, lean, focused and responsive company, he said.

"At the moment we have about 40 000 customers. It would be more appropriate as an independent group to have between 6 000-10 000 customers."

Angel said that he would be devoting a substantial portion of his own time to "project discovery", which would look at the highly competitive business environment and prepare for full deregulation.

The project would also encompass the group's second stage of restructuring and would include an evaluation of business processes to transform Engen.

"We will improve the performance of our infrastructure . . . the programme will require a reduction in assets. We aim to add value significantly to our bottom line. We also need to find a way to access opportunities overseas."

Angel said the group had been investigating opportunities and alliances abroad, but the efforts were stymied by an inability to access funds. "We have not yet found a way around the Reserve Bank, but we are working on it."

Negotiations on the future of the fuel industry, which he believed would continue into 1996 before being concluded, had already had an effect on group profitability.

There had been no fuel marketing margin increase since July 1992, which affected operating profit to the tune of R70m in the past year, while the "stroke of a pen" reduction in the margin in June this year was expected to wipe out an additional R70m operating profit. (55)

In addition, R50m was lost to the group as a result of weak international refining margins in the past year.

Angel said Engen's poor earnings performance over the past year was not due to uncompetitive facilities or infrastructure, or poor operating performance, but to "changes in the rules of the game" and decline in worldwide refining margins.

Higher cost of crude oil affects SA

55

BRUCE CAMERON, Business Editor

Petrol price likely to rise by 2c

THE petrol price is likely to rise by around 2c a litre on Wednesday next week, and is is likely to go higher in the months ahead.

Crude oil prices are around $17 a barrel compared with $13 earlier this year.

Although the price for the world benchmark North Sea Brent Blend was down today at $16,89 a barrel, agreement by the Organisation of Petrol Exporting Countries (Opec) on freezing production levels and the onset of the northern hemisphere winter are likely to drive crude prices up.

The pricing of petrol in South Africa was "depoliticised" two months ago with price adjustments being made on the first Wednesday of each month.

In October the price dropped by 6c a litre and by 1c this month.

Meanwhile the managing director of Atlantis Diesel Engines (ADE), Fritz Körte, has confirmed that his company is negotiating with the government and the minibus taxi industry to start a programme to convert the engines of the more than 100 000 taxis to diesel.

The petrol price is expected to be increased by 2c next week to cover a shortfall incurred in October.

The under-recovery, funded by the equalisation fund — to which motorists contribute at a rate of 9c a litre — averaged 1,26c a litre between October 26 and last Friday. The figure declined over the past week from 1,42c last Monday.

ARG. 22/11/94.

□ Higher cost of crude oil affects SA

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Electrification board set up

By Ismail Lagardien
Political Correspondent

Sowetan

THE Government has established a National Electricity Regulatory (NER) board to lead the restructuring of the delivery of electricity in South Africa. 24/11/94

There are presently a host of complicated structures and tariffs and unnecessary constraints which impede the delivery of electricity and which make it expensive.

A statement from the Ministry of Mineral and Energy Affairs released yesterday said it had also become difficult to raise finance for the expansion of electricity systems — while at the same time the process of delivery and supply had been politicised because of its association with local government.

Adding to the issuing of licences to generators and suppliers of electricity, the NER will regulate prices, tariffs, service standards and the achievement of electrification standards as well as settle disputes. (55)

The Cabinet has approved the appointment of nine people to the board of the NER. They will serve for two years.

Eskom funding needs on track

66

Own Correspondent

JOHANNESBURG. — Eskom's funding needs for next year would be "basically unchanged" from this year, thus the national power supplier's activities would not put upward pressure on money and capital market rates, executive director, finance, Willem Kok said yesterday.

Eskom GM, treasury, Johan van den Berg said Eskom would next year approach the markets for about R4,95bn.

Eskom's financing requirements for 1996 and 1997 were estimated to be R6,5bn and R4,2bn respectively. About R4bn would be needed in 1998.

These projections included estimated funding needs for the electrification programme.

Van den Berg said next year's figure included maturities worth R2,4bn in the money market, maturities worth R690m in the domestic capital market and maturities worth R960m in foreign capital markets.

CT 24/11/94

Eskom was therefore refinancing R4,09bn and would take up new loans of R860m. For the new loans, about R2,4bn would be raised in the domestic money market and R1,3bn on foreign markets, while the total requirement in the domestic capital market had already been met in October through the issue of electrification participatory notes worth R1,2bn.

Govt appoints electricity regulator

B/Day

MUNGO SOGGOT

IN A major step towards improving the quality of power supply and the problem of unequal tariffs, Minerals and Energy Affairs Minister Pik Botha yesterday announced the appointment of a national electricity regulator. 24/11/94

The nine-member board will be chaired by Ian McRae, who is National Electrification Forum chairman and former Eskom CE. He said all power suppliers would have to receive licences from the regulator. Licences would not be granted to inefficient distributors or to those unable to meet reconstruction and development programme (RDP) targets.

Many local authorities are expected to cease supplying power as a result — a move which could block a significant source of revenue for them. (55)

McRae said: "The regulator will be there to seek out inefficiencies and get rid of them." He hoped the culture of non-payment would be "buried" by the regulator. It would depoliticise electricity supply, which would no longer come from local governments seen as illegitimate.

The regulator would also work out a national tariff system to eliminate regional price differences.

Botha said Parliament last week approved amendments to the 1987 Electricity Act to create the regulator and give it powers over Eskom and local authorities.

McRae said political rationalisation would cut the number of local governments supplying electricity, of which there were 300 000. The number would fall further once the regulator was in place.

The regulator would start issuing licen-

□ To Page 2

Electricity

B/Day 24/11/94

□ From Page 1

ces in the second half of next year. It would monitor prices, service and quality, and the transfer of electricity distribution from the former TBVC states.

The RDP electrification programme aims to make 500 000 new connections a year to the national grid for the next five years at a cost of about R1bn a year. (55)

McRae said Eskom had this year made 280 000 new connections to the national grid, while local governments had made 50 000 connections.

The other board members are: consulting engineer Frank van der Velde; Independent Development Trust executive director Deenadayalen Konar; Stellenbosch University's Prof Isak Lambrechts; Centre for Continuing Education co-ordinator Moslatji Letsebe; attorney Patrice Motsepe; African Women for Research and Development founder member Daphne Nene; Alusaf technical director Pieter de Waal; and Sanco Eastern Transvaal deputy secretary Andries Gamede.

Electricity industry to be reformed

(55) CT 24/11/94

By ANTHONY JOHNSON
Political Correspondent

THE government is to restructure the nation's electricity supply industry to end the "crisis" in many financially weak local government authorities.

The plan, announced yesterday by Mineral and Energy Affairs Minister Mr Pik Botha, is also designed to reduce consumer resistance to the existing system by ending the "inefficient, uneconomical and poor quality" of supply in many areas.

The new dispensation is also aimed at removing the resentment created by South Africa having about 2 000 different electricity tariffs, with township residents at times paying more than well-heeled suburbanites.

Mr Botha said: "The problems of the electricity supply industry have been aggravated by the lack of an effective system of control."

Government sources said yesterday that one of the problems hampering both electricity and water supply to the townships had been the lack of an effective payments mechanism.

Often the disarray within or total colllapse of local government structures had prevented even those residents who wanted to pay from doing so.

Mr Botha said a newly appointed National Electricity Regulator (NER) would have to ensure households received electricity as rapidly as possible to improve quality of life, economic development and job creation.

Next phase

Parliament last week approved amendments to the Electricity Act to create the NER and to extend its powers to include Eskom and local authorities.

Mr Botha said the next phase would see the drafting of a new Electricity Act "from scratch".

The NER will be chaired by former Eskom chief executive Dr Ian McRae, and former Cape Town mayor Mr Frank van der Velde will be a member of the board.

NEWS FEATURE *Basic safety measures to take to avoid being hit by lightning*

55 56

Enlightenment about lightning

■ VICIOUS ACT

Superstition still takes its awful toll:

By Tyrone August

WHEN LIGHTNING STRIKES IN certain parts of the country, elderly people tremble in fear. This is because they are often labelled witches and blamed for the deaths of those killed by lightning.

And, in a vicious act of retribution, the elderly are sometimes killed in turn. As the rainy season started in October, such horrifying incidents are likely to increase.

Superstition, of course, is fuelled by fear and ignorance. There is, unfortunately, still a widespread lack of knowledge of what lightning is, and why it strikes in certain places.

Dr Ralph Anderson, a former researcher on lightning at the Council for Scientific and Industrial Research, says lightning is the result of electricity created during a thunderstorm.

"Under thunderstorm conditions, intense electrical activity is generated in the cloudy areas between two to six kilometres above the ground," he says.

"This also produces a similar charge on the ground. Lightning is caused when a bolt travels from the cloud to the ground to neutralise the charge."

The two charges must meet, and when that happens, the result is lightning.

Professor Jan Reynders, an electrical engineer at Wits University, explains further: "The combination of strong wind and large clouds forms a giant electrostatic generator.

"They cause a separation of a charge from the base to the top of the cloud. When this charge is sufficiently great, it produces a voltage which causes a discharge to the earth. That's lightning."

Anderson stresses that lightning cannot be directed to a particular place or person. "It is absolutely impossible for any human to make any impact on lightning.

"It is just not possible to control a lightning flash. It only selects a point (to strike) within 100 metres from the ground.

"When it approaches the ground, you may find tall buildings and trees. These will send an upward leader to the lightning flash. The first one to get there will take the main discharge."

Lightning also takes place more in certain parts of the country, especially in the Eastern Transvaal. "It is prevalent in mountainous areas," says Reynders.

"Our lightning occurs just over the escarpment. It is associated with tropical storms. These take place when the clouds rise very rapidly on the edge of the escarpment."

On the western side of South Africa, there is just about no lightning. But scientists are not altogether sure why lightning happens more in the east of the country.

Lightning takes place more often in the rainy season, between October and March, because thunderstorms usually take place then.

"Lightning follows the meteorological conditions when there is a thunderstorm," says Anderson.

Lightning occurs more often during the rainy season, which lasts from October to March.

> **"In a bare field, for instance, a tree is likely to be struck. But if you are in a forest, you are safe. As far as possible, you should be insulated from the ground during a thunderstorm"**

But this does not mean people are necessarily helpless victims of nature. There are many precautions that can be taken to avoid being struck by lightning.

"Lightning looks for conspicuous things to strike — so you should not be in an isolated place during a thunderstorm," warns Reynders.

In a field, for instance, a tree is likely to be struck. But if you are in a forest, you are safe.

As far as possible, you should be insulated from the ground during a thunderstorm. "You should not lie on the ground."

It is better to sit on a rubber ground-sheet or on a wooden chair. But a piece of wet wood and any object made of metal are conductors of lightning, he warns.

"People who are out of doors have to take precautions. In a car or in a house, you are absolutely safe."

But thatched houses, mostly found in rural areas, are not safe. "People in those areas must erect lightning protection," says Anderson. "This can be a tall mast or something similar."

A tall pole with a metallic conductor — preferably copper, but fence-wire (*bloudraad*) can also be used — is an example.

Earlier this month, seven people were killed when lightning struck their hut in KwaZulu-Natal, and four schoolgirls were killed by lightning while sleeping in a tent near Nylstroom.

This underlines the urgent need to spread more information about the basic safety measures to take to avoid being hit by lightning.

Lightning, a natural but dangerous phenomenon, is between 15 000 and 20 000 degrees Celsius, travels at a speed of up to 500 kilometres per second, and can be as long as 14 kilometres.

It is a sight of spectacular beauty, but it is also a sight of frightening power. Instead of cringing in fear every time there is a storm, we need to learn how to live with it.

Strike threat at oil depots

CT 29/1/94

WORKERS have threatened to strike at three former state fuel farm oil depots on the West Coast that store nearly a third of the country's annual crude oil supply, SA Chemical Workers' Union spokesman Mr Peter Roman said yesterday.

[illegible] 55 [illegible]

The union has proposed that the dispute, over an 8% across-the-board increase and pay parity, be referred to mediation, he said.

"The Strategic Fuel Fund Association has big contracts with the Iranians. This might affect them if there is a strike." — Sapa

Eskom debt parity set for 1999

B Day 3/11/94

MUNGO SOGGOT

ESKOM's goal of achieving a one-to-one debt to equity ratio by 1998 would be fulfilled a year later than originally planned because of funding required for the reconstruction and development programme's electrification drive, finance executive director Willem Kok said yesterday.

Kok said Eskom's gearing would probably drop to about 1,7 : 1 by the end of the year, and fall to parity by about 1999.

He said most of the burden of funding the electrification programme was being offset by much improved operational efficiencies. Despite the electrification programme, Eskom would remain in a state of surplus capacity for some time.

The programme, being steered by the National Electrification Forum (Nelf), aims to make 500 000 new connections a year to the national grid for the next five years at a cost of about R1bn a year.

Nelf chairman Ian McRae said the programme would lift electricity costs about 8% to 10%, but Eskom has said it will still be able to reduce the price of electricity by 20% by 1996.

Meanwhile, Kok said Eskom had resigned itself to the fact that its Electrification Participation Note (EPN) bonds would not be made available to foreign investors, since the Reserve Bank had valid reasons for restricting it to the domestic market.

Last month, Eskom launched a second electrification bond, which brought the money raised for its electrification programme to R1,2bn this year. The Bank had prohibited foreign investors investing in the bond because there was no upper limit to investor returns.

Kok said that when Eskom did re-enter the foreign market, it would issue an ordinary bond, unlike the EPN which linked some of its return to the performance of the electrification drive. The EPN would be too intricate for a first-time issue on foreign capital markets, he said.

Eskom — which was recently awarded a BBB credit rating — would wait for government to issue bonds abroad before it entered the international capital market.

(SS)

Pik promises power to people living in shacks

(55)

PRETORIA. — People living in shacks also are to benefit from the government's plan to supply electricity to 2,5 million households in the next five years, said Minister of Mineral and Energy Affairs Pik Botha.

He told a news briefing in Pretoria yesterday that many informal shelters were only temporary structures, but there was "nothing temporary about the needs of a human being".

"Wherever possible we would not hesitate to supply electricity to these households to improve their quality of life."

A pilot project to provide 20 000 informal shelters in Cape Town with electricity had proved successful and would be expanded to other parts of South Africa.

Mr Botha recently announced that the government planned 500 000 new electricity connections annually in the next five years. For every 100 domestic connections at present, there would be an additional 114 within five years.

ARG 3/12/94

Mr Botha said this was the most important task facing South Africa.

"This is the story that has to be, and will be, a success. A massive expansion of household electrical connections is essential to the success of rebuilding our country."

Mr Botha said the new body regulating electricity supply, the National Electricity Regulator (NER), would have the legal powers necessary for success.

The NER's first and main task was to set new and uniform tariffs.

"There should be justice, equality and no discrimination in specific tariff categories," he said.

Consultation the key to any retrenchment

B/Day 6/12/94

THEO RAWANA

COMPANIES failing to alert and consult trade unions on likely retrenchments could face unfair labour practice claims, labour lawyer JD Verster said yesterday.

Addressing a conference on retrenchment in Johannesburg, Verster — a partner at Webber Wentzel — said the basic process required by the Industrial Court in regard to retrenchments was one of consultation.

He emphasised consultation did not mean "negotiating" to reach agreement, nor was it meant to prevent the employer from going on with the retrenchment, but was designed to enable those likely to be affected to make representations and provide input to the employers' decisions.

"Consultation will allow potentially prejudicial decisions to be made in a manner equitable to all parties and, hopefully, avoid or minimise conflict arising from the implementation of such a decision," Verster said.

He said consultation was meant to discuss and take cognisance of different views. "It does not mean to 'negotiate', which implies haggling in order to reach an agreement. While it often happens that consultation leads to agreement, an employer is not prevented from continuing with a retrenchment if he does not concur with or accept the representations.

"Having heard representations, the employer is entitled to proceed with what he perceives to be the most appropriate course," Verster said.

Consultation should take place before the decision to retrench is taken.

"For this reason, all discussions with employees and any written documents pertaining to this process should avoid any express or implied suggestion that the employer has already reached a decision before the conclusion of the process."

An employer must communicate to employees and, where applicable, their representative trade unions, at the earliest opportunity, the need to retrench.

"Poor or late communication of the need to retrench, and the facts surrounding the process, will create anxiety, insecurity and mistrust of the company," Verster said.

Power tariffs to be rationalised

MUNGO SOGGOT B/Day

THE National Electricity Regulator would set about devising a national domestic tariff system to eliminate regional electricity price differences as soon as it started operating in January, regulator chairman Ian McRae said recently. 6/12/94

"The system will be a priority for the regulator. It will bring an end to more than 2 000 national tariffs, but this will be a mammoth task."

The system would not implement uniform prices across SA, but "would work out a set of criteria against which all tariffs will be calculated".

The regulator, appointed last week by Mineral and Energy Affairs Minister Pik Botha, would also debate Eskom's and local governments' tariff levels and target price reductions.

However, existing price compacts would have to be honoured, so the regulator would intervene only over new ones, McRae said.

He said its primary task next year would be to issue licences to distributors who were able to meet their RDP electrification targets and offer a satisfactory service. All distributors would require a licence. SS

This would take up most of next year, when the regulator would "establish its credibility".

Nuclear (55) power more accepted

JOHANNESBURG. — All population groups in South Africa believe nuclear power will play an increasingly important role, according to the results of a Markinor survey released yesterday.

Marketing communications consultants Sefin said in a statement three-quarters of the whites, coloureds and Indians and half the blacks surveyed feel nuclear power is an important source of energy.

Sefin said the Markinor survey showed a dramatic shift in attitudes since its previous survey in 1992.

CT 6/12/94

With the exception of coloureds, one in five people still sees nuclear power as a "dirty" source of energy.

Strike: Cape Gas workers appear

CT 9/12/94

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ALTOGETHER 65 Cape Gas workers appeared briefly in the Cape Town Magistrate's Court yesterday in four separate cases following strike action between July and September.

Some men are appearing in all four cases.

Fifty men pleaded not guilty to charges of contempt of court, trespassing, assault, attempted murder and intimidation, after a Supreme Court interdict prevented them from entering the premises. They will appear again on January 24.

Forty men pleaded not guilty to contempt of court after allegedly blocking the road leading to Cape Gas, forcing their way onto the premises, threatening the driver of a car and assaulting a policeman on August 25. Their case was postponed to February 2.

Forty men also pleaded not guilty to intimidation and defying the Supreme Court interdict on July 26. They will appear again on March 2.

R130m gas pipeline for Natal

(55) CT 9/12/94

Own Correspondent

DURBAN. — Sasol and Petronet have announced a R130-million plan to pump large quantities of gas to kwaZulu/Natal industries — a move which could lead to a significant drop in air pollution.

The plan, named Project Lily, entails converting an existing crude oil pipeline to carry methane-rich gas to the region from Sasol refineries on the Reef.

The Richards Bay gas pipeline is expected to be in operation by November next year, while a Durban gas connection may become available as early as 1996.

Apart from offering economic advantages, Sasol said, gas was one of the cleanest fuels.

"It is probably the most environmentally-friendly fuel source after solar power," said Sasol spokesman Mr Ian Murray.

"Burnt gas emits no smoke, no particles, no chlorine and very little sulphur. The combustion products are basically water and carbon dioxide."

It is intended for industries that use fuel oils, liquid petroleum gas or coal as a fuel source.

Benefits include reliability of supply, cleanliness, no need for fuel storage space, low maintenance costs and the elimination of fuel/ash handling problems.

ENGEN

Fm 9/12/94

Facing growth constraints

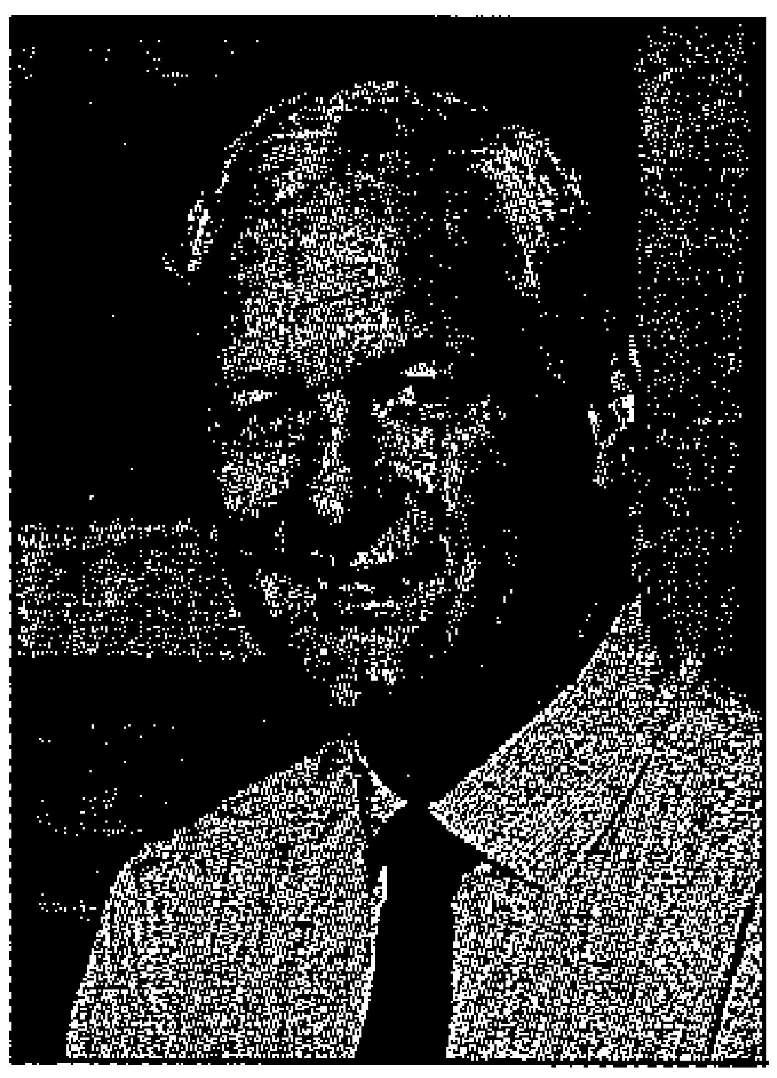
55

Activities: *Exploration, production, marketing and distribution of petroleum products.*
Control: *Sanlam 23%.*
Chairman: *B A Smith. MD: R J Angel.*
Capital structure: *155,7m ords. Market capitalisation: R5,41bn.*
Share market: *Price: 3 475c. Yields: 4,4% on dividend; 7,7% on earnings; p:e ratio, 13,0; cover, 1,7. 12-month high, 4 200c; low, 3 000c. Trading volume last quarter, 4,1m shares.*

Year to August 31	'91	'92	'93	'94
ST debt (Rm)	47	100	826	479
LT debt (Rm)	253	615	731	1 315
Debt:equity ratio	n/a	n/a	11,5	25,0
Shareholders' interest	0,64	0,58	0,50	0,50
Int & leasing cover	n/a	n/a	n/a	11,2
Return on cap (%)	12,2	7,6	9,2	8,5
Turnover (Rm)	6 098	6 560	7 719	8 450
Pre-int profit (Rm)	463	349	538	547
Pre-int margin (%)	7,8	8,5	7,0	6,5
Earnings (c)	233	275	309	295
Dividends (c)	116	137,5	154	154
Tangible NAV (c)	1 665	1 720	1 879	2 032

A fascinating dichotomy of views on the future potential of oil group Engen, and the performance of its shares, exists in the market. Two leading broking firms are bullish on medium-to-long term prospects and are signalling a buy. Two other prominent firms are cool towards the share, and believe Sasol now offers better value.

These divergent views have little to do with the performance of Engen during financial 1994 or with its operations. The 13% drop in EPS was seen as a sound result, achieved when international refining margins remained under pressure and, locally, there was no help from government in the form of an increase to the industry's marketing margins.



Angel ... *pressure on refining margins*

Engen's vigorous cost cutting programme, which with a 15% reduction in staff cost R65m but should yield an estimated saving of R50m a year, has been extended to a second phase. This will occupy most of CE Rob Angel's time this year, and should help Engen to meet what Angel calls the "likely new environment" after the SA industry is deregulated.

Apart from that, Engen's restructuring is in line with the trend in overseas oil companies, which have shed about 500 000 jobs over the past five years and increased output at the same time. The six biggest oil companies in the US have announced they will cut up to 13 000 jobs this year, which, American publication *Business Week* notes, appears to have moved the shares to new highs. Engen chairman Bernard Smith says the local industry cannot expect to escape these trends.

However, future growth for Engen hinges on two key factors which largely control profitability: refining margins and marketing margins. A view on these determines one's attitude towards the group's potential and the performance of the share.

Smith says Engen believes international refining margins will return to the higher levels of previous years, though he notes it is difficult to anticipate the timing. That in turn qualifies his prediction of increased earnings for financial 1995.

Angel believes refinery margins are likely to remain under pressure until product growth outstrips the introduction of additional refinery capacity. He says various factors, including the Chinese government restricting the import of refined products as new refinery facilities were coming on-line in the Far East, have caused a build-up of product stocks in most of the world's major refining centres.

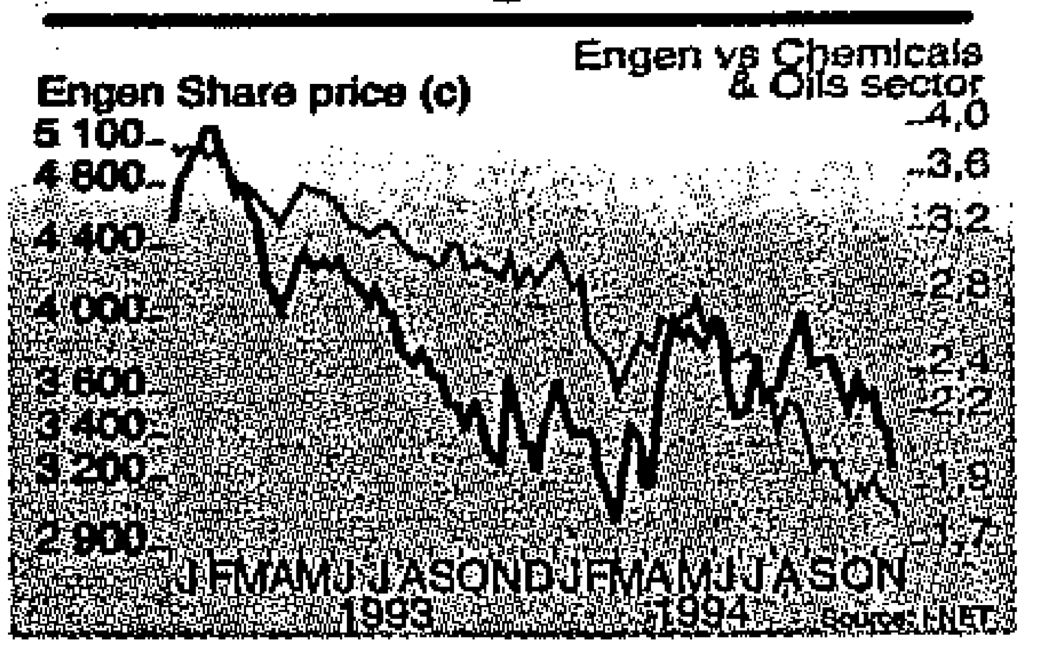
Locally, there is significant excess capacity stemming from expansion of the country's four refineries. For Engen, this means increased focus on exports, which rose from 5,7m barrels to 6,7m barrels in the financial year, though the margins received on exports are significantly lower than on domestic sales.

The completion of the expansion and upgrading of Engen's Durban refinery places the group in a strong position to benefit from increased demand for petroleum products, which became evident towards the financial year-end. But in the end Engen needs a wider refining margin. One analyst says while margins will probably remain under pressure in the coming year, the Asian margins to which Engen is most exposed should recover.

However, refining margin predictions are difficult, and cannot accurately be included in an assessment of future growth.

Easier to anticipate is the marketing, or wholesale margin, and that does not look good for Engen. Angel says that with government's removal of the synthetic levy payment to oil companies and the lower

Engen



pricing system for gasoline and diesel, the failure to increase marketing margins for more than two years knocked R100m off earnings.

The wholesale margin has become a political issue, and is not likely to be increased until agreement has been reached on deregulation of the industry. Even then, increases will probably not exceed inflation and will certainly be lower than the often generous increases of the past.

Engen, with the largest share of the fuels market in SA, is particularly exposed to the wholesale margin, over which it has little or no control.

This emphasises the importance of upstream exploration and production. The group has rearranged its upstream assets, and is getting net production of about 6 200 barrels/day from the Alba and Bukha oil fields, while also increasing exploration activities with partners, particularly offshore west Africa.

But upstream exploration costs of R30m only returned production income of R3m in the past year. Vital as it may be to Engen, production and exploration is an expensive and risky business. At this stage it cannot be built into forecasts of profitability.

That points to the main reservation some analysts have about Engen — both refining and marketing margins are beyond the group's control, and there is little management can do about it.

There is consensus that, despite improving demand and refinery capacity, Engen is in for another difficult year. Earnings are expected to decline over the first half — thereafter much depends on margins.

Unlike Sasol, which despite its tariff protection has the comfort of its strong diversification into chemicals, Engen is far more influenced by cyclical, often volatile, factors. That also means it could fly should margins move in the right direction.

On a dividend yield of 4,4% and p:e ratio of 13 the share is certainly undervalued. At R34,75 there is a strong speculative attraction. More conservative investors,

P.T.O.

Fm 9|12|96

though, will probably first want to see concrete signs of an improvement in the trading environment before committing themselves. 55

Shaun Harris

Govt aims to sell off Mossgas, says Pik

BY ESTHER WAUGH
POLITICAL CORRESPONDENT

Mineral and Energy Affairs Minister Pik Botha has confirmed that the Taiwanese government and oil companies have been involved in "preliminary" discussions about the possible sale of Mossgas.

An informal joint South African-Taiwanese task force has been set up to complete an initial evaluation of the Taiwanese proposal by the middle of January.

Star

The Taiwanese proposal was to invest in a refinery, a plant for olefins (raw materials to manufacture plastics), a plant for aromatics (required to manufacture synthetic fibres), downstream plastics, and fibre and textile production.

13/12/94

Competitive

Botha said: "The proposal would cost about $8 billion (R29 billion) and be competitive in world markets. The Taiwanese estimate that it would contribute about 7 percent to South Africa's gross domestic product and create about 400 000 direct jobs."

However, the proposal would have to be subjected to extensive analysis, examination and assessment.

(55)

In addition, opinions of international consultants and other experts in this field would have to be obtained. Once this process had been completed, the process could be considered by the Cabinet, he said.

Various alternatives were being considered regarding the future of Mossgas. However, another option being explored was to put further investment in Mossgas, thereby providing revenue which would prolong its life for a further six years.

"This might be achieved by introducing pressure into the existing wells and also drawing off gas from several satellite deposits," the minister said.

Botha said the talks with Taiwan were an "entirely separate" issue and were part of "ongoing exploratory talks with various parties" to minimise losses and make Mossgas viable.

Gas-fired option for Eskom

JOHANNESBURG. — Eskom said it was investigating the use of gas-fired power stations.

CE Allen Morgan said in a statement one of the long-term options being considered was for gas to be piped to suitable power station sites where it would be used to power gas turbines driving electrical generators. (55)

He said Eskom was looking at acquiring options on suitable sites as an anticipatory, long-term measure and that several gas sources in and around southern Africa were being assessed as potential energy sources.

"Gas could offer further operational flexibilities which would enable Eskom to improve the value of the services and products it supplied to its customers."

"The development of gas-fired power stations would be dependent on various factors, including final volumes and contractual arrangements," said the statement. CT 14/12/94

Eskom has substantial excess capacity which a spokesman said would have to be "managed out of the system" before gas-generated electricity could be introduced.

Morgan said more statements would be made "when the various options became clear".

Eskom spends 'too little' on alternative energy research

(55)

BD 14/12/94

MUNGO SOGGOT

ENVIRONMENTAL groups yesterday hit out at Eskom's plans to spend a "paltry" R950 000 on alternative energy research next year.

They said the amount cast doubt on how seriously the national power supplier was exploring alternatives to its coal-fired generators, which were the major source of air pollutants in SA.

Eskom energy technology manager Rodney Buttle said Eskom's outlay on alternative generation research was a "reasonable proportion of a total annual research budget of about R35m".

Eskom relied mainly on research from abroad, but did fund some local university research into alternative generation schemes, he said.

Solar power was the most promising "alternative" grid generation method, but studies showed it was still much cheaper for Eskom to generate from its coal-fired power stations.

An Earthlife spokesman said the fact Eskom was merely spending money to keep tabs on overseas research suggested it had no strategy for developing an alternative sustainable energy source.

Eskom's approach was a hangover from the "fortress mentality" of the past, the spokesman said.

Buttle said Eskom had a much greater involvement in "stand-alone" solar and wind generation schemes unconnected to the national grid.

It had recently started implementing and co-ordinating such stand-alone schemes as part of its contribution to the reconstruction and development programme electrification programme, with overseas and local grant funding.

An Eskom spokesman said the power supplier had spent R340 000 on alternative energy research this year.

Meanwhile, Eskom CE Allen Morgan announced yesterday Eskom was investigating using gas — "an environmentally friendly energy form" — to fuel power stations in the future.

Gas could be piped to a suitable power station site, where it would be used to power gas turbines.

"As an anticipatory long-term measure, Eskom is investigating the acquisition of options on suitable sites."

Several gas sources in and around southern Africa were being explored.

Eskom connects 250 000 homes

(56) ET 15/12/94

ESKOM said yesterday it had connected 250 000 homes to the national grid this year, which completed its 1994 commitment to the Reconstruction and Development Programme's (RDP) electrification targets.

Eskom chairman Mr John Maree said the national power supplier planned to make 300 000 new connections to the grid next year. The programme was "not putting an undue load on Eskom's finances".

"Proof of this can be seen in our commitment to reduce the real price of electricity 15% between 1994 and 2000," he said.

An Eskom spokesman said funding was not a problem, as the electrification programme was being financed through Eskom's electrification bonds or Electrification Participation Notes.

He said the connections had been made despite technical problems and other "formidable difficulties", including getting access rights to land on which it wanted to make the new connections.

300 000 planned for '95

The electrification programme aims to make 500 000 new connections a year for the next five years at an annual cost of about R1bn.

The programme has been coordinated by the National Electrification Forum (Nelf), whose recommendations spawned the National Electricity Regulator, scheduled to start operating in January.

A Nelf spokesman said yesterday Nelf was encouraged by Eskom's performance. Local authorities supplying electricity had also contributed well and had made about 50 000 new connections this year. The regulator — which would be chaired by Nelf chairman Mr Ian McRae — would probably iron out many of the problems facing Eskom and local authorities supplying electricity.

Licences to distribute electricity would go to only those local authorities which could deliver a reasonable service and meet their electrification targets. Those unequal to the task would have their supply rights handed to either Eskom or a suitable local authority.

Next year's political rationalisation of local authorities would probably cut the number of local authorities supplying electricity from 300 to 250, he said.

Electrification would probably be higher on the agenda of the "new" rationalised local authories.

Eskom achieves 1994 electrification target

(55) BD 15/12/94

~~BD 15~~

MUNGO SOGGOT

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Electrification would probably be higher on the agenda of the "new" rationalised local authories.

Norwegians help Eskom

Star 20/12/94

The Norwegian Agency for Developement Co-operation is to provide Eskom with R16,25 million to be used for the electrification of schools and clinics in projects extending up to July next year.

Norwergian ambassador Jens Otterbech said a memorandum of understanding signed with Minister without Portfolio Jay Naidoo on December 1 had provided the umbrella document under which this and subsequent grants could be made, Otterbech said. (55)

There would also be funds from general and regional schemes aimed at improving the quality of life for women, conservation and protection of the environment, support for cultural projects and events with a campaign for investments, and combating the spread of AIDS.

An Eskom spokesman said the grant would accelerate work at the 19 000 schools and 2 200 clinics in South Africa still needing to be provided with electricity. — Sapa.

Govt department asks for 'revamp of Eskom'

BD 20/12/94 MUNGO SOGGOT (55)

ESKOM should be revamped to focus on the three separate sectors of generation, transmission and distribution, says the Mineral and Energy Affairs Department.

In a policy discussion document prepared by Cape Town University's Energy Research Institute, the department said the national power supplier's transmission sector should be an electricity wholesaler, buying from a range of generators including imports.

It said coal would be SA's main energy source in the short- to medium-term, which would fuel environmental concerns. Research into clean-coal technology should be accelerated, while a way of using the waste coal from SA's coal export beneficiation process as an energy source should be explored.

"The use of coal for township domestic use is the largest health hazard in the country and steps should be taken to decrease this problem," the department said.

The report said government should address the growing shortage of traditional fuel sources, especially wood. "Whilst the plight of many people, especially those in the peri-urban areas, will be relieved by electrification, it will take many years for this to be achieved and some method must be devised for ensuring a sustainable supply of traditional electricity forms."

Meanwhile, Eskom announced yesterday that the Norwegian Agency for Development Co-operation had granted it 30-million kronor to electrify schools and clinics in projects running up to July next year.

Norwegian embassy first secretary Jens Otterbech said at Eskom's Megawatt Park: "Subject to parliamentary appropriations for each budgetary year, Norway will provide 100-million kronor a year in development aid to SA over the next five years."

Sapa reports he said there would be funds for general and regional schemes aimed at improving the quality of life for women, conservation, cultural projects and combating the spread of AIDS.

Eskom set to receive $300m Japanese loan

MUNGO SOGGOT (55)

ESKOM is poised to receive a $300m loan from Japan's Export/Import Bank (Exim).

The loan will give a significant boost to the national power supplier's electrification programme. BD 21/12/94

Japan's ambassador to SA, Katsumi Sezaki, said yesterday the loan would be part of a $500m, 10-year loan package which would go to Eskom, the Development Bank of Southern Africa and the Industrial Development Corporation (IDC).

If all went well in talks between Japanese and SA officials, Sezaki said, Exim would lend $300m to Eskom, $100m to the bank and $50m to the IDC. The remaining $50m had not yet been allocated. Final negotiations could start as soon as February. The Exim loans would be granted once the organisations had finalised loan agreements and SA's government had guaranteed the loans.

These details follow Japan's announcement in July that it intended giving SA up to $800m in loans and grants during the next two years on top of Exim's $500m in guarantees for investment and commercial loans.

Government has greeted Japan's aid package with enthusiasm. President Nelson Mandela responded to the announcement saying it "dwarfed all past aid measures". However, there have since been reports of government intransigence over the package. Sezaki said Japan had been waiting "patiently" for SA to decide whether or how to take up the soft loans.

Eskom would not comment on the $300m loan as negotiations were still taking place. The utility planned to make about 300 000 new connections to the national grid next year as part of its contribution to the reconstruction and development programme's electrification programme.

Eskom said last week that it had achieved its 1994 electrification target of 250 000 new connections.

It intended to make about 500 000 new connections a year during the next five years at an annual cost of about R1bn.

A development bank spokesman said the bank's $100m loan would be used to finance existing loans for current projects.