DIE VGV-ONTWIKKELINGSENTRUM SE KOMMENTAAR OP DIE VOORGESTELDE AFBAKENING VAN STREEKGRENSE DEUR DIE AFBAKENINGSKOMMISSIE MET VERTOË EN MOTIVERINGS VIR DIE DAARSTEL VAN 'N SENTRAAL SUID-AFRIKAANSE STREEK.

21 September 1993

INHOUD

1. INLEIDING

DIE VGV-ONTWIKKELINGSENTRUM (VGVOS)

Die VGV-Ontwikkelingsentrum is 'n ontwikkelingsinstansie wat as 'n Artikel 21 maatskappy geregistreer is met die hoofdoelstelling om nywerheidsontwikkeling in die VGV gebied te bevorder.

Die Missie van die VGVOS is die verbreding van die ekonomiese basis van die VGV gebied asook die bestuur van die verandering van 'n mynbou-ekonomie na 'n nywerheidsekonomie.

Die maatskappy word deur 'n raad van 18 direkteure (Bylae 1) bestuur en word gefinansier deur Plaaslike Owerhede, Goudveldse Streekdiensteraad, Goudveld Water asook lede uit die privaatsektor.

DIE VGV-GEBIED (Bylae 2)

Die VGV-gebied beslaan 'n oppervlakte van nagenoeg 6 000 km², is geheel binne SOV 30 geleë en sluit 15 Plaaslike Regerings in. Die gebied strek vanaf Bothaville en Kgotsong in die noorde tot by Masilo en Theunissen in die suide, Hennenman en Phomolong in die ooste en Kutluanong en Odendaalsrus in die Weste. Bronville, die enigste kleurlingdorp in die gebied en Thabong saam met Welkom vorm die enigste stadsgebied in die hart van die VGV.

2. DIE VGVOS SE STANDPUNT T.O.V DIE GRENSE VAN 'N SENTRAAL SUID-AFRIKAANSE STREEK

Die VGVOS staan 'n Sentraal Suid Afrikaanse Streek voor met grense soos in Bylae 3 aangetoon.

Die voorgestelde streek bestaan uit die volgende streek en substreekdele:

Streek C: Substreke (SOV's) 29 (Ingeslote Qwa Qwa), 30 en 31
Thaba 'Nchu

Streek J: Substreke (SOV's) 22, 23 en 24
Bophuthatswana: Molopo Ditsobotla, Lehurutse, Madikwe, Mankwe, Bafokeng Odi 2.

Streek H: Sasolburg.
Bophutaswana, Odi 1, Moretele.

3. MOTIVERING

Ten opsigte van die insluiting van alle gedeeltes van Bophutatswana in die voorgestelde Sentraal Suid Afrikaanse Streek word die kommentaar van die SATSWA Raad op die Afbakeningskommissie se verslag van 31 Julie 1993 ondersteun.

Dieselfde geld t.o.v die SOAK Streek C en DOV-VGV se kommentare op die afbakening van Streekgrense.

Verdere omvangryke motiverings wat bogenoemde grense ondersteun is ook vervat in die volgende dokumente wat reeds aan die afbakeningskommissie voorgelê is en word gevolglik nie herhaal nie.

☞ Streekafbakening vir 'n Sentrale Deelstaat in 'n nuwe staatkundige bedeling vanuit 'n OVS Provinsiale Administrasie perspektief.

☞ 'n Grondwetlike Streeksbedeling - 'n Oranje Vrystaatse Perspektief Opgestel deur SOAK Streek C.

☞ The SATSWA Initiative.

☞ Nasionale Streekontwikkelingsadviesraad (NSOAR): Voorstelle vir toekomstige streekgrense.

Die VGVOS wens egter aanvullende kommentaar te lewer t.o.v die langtermyn ekonomiese lewesvatbaarheid van die Streek C soos deur die Afbakeningskommissie voorgestel.

Die kommentaar is dan ook daarop gerig om aan te dui dat dit vanuit 'n ekonomiese perspektief noodsaaklik is om veral Sasolburg wel by die voorgestelde Streek C (Afbakeningskommissie) sowel die voorgestelde Sentraal Suid Afrikaanse Streek

(VOS) in te sluit.

Myne en groewe se bydraes tot die BGP van die OVS en Wes Transvaal was volgens jongste beskikbare syfers (1990) respektiewelik 28,2% en 59,1 % wat aansienlike bydraes tot ekonomiese lewensvatbaarheid impliseer.

'n Gedetaileerde beskrywing van die impak van die mynindustrie op die ekonomie van die VGV-gebied en die Oranje Vrystaat getiteld "Current and Future Status of the Mining Industry in the Orange Free State" (Bylae 4) word aangeheg.

Die rol van die mynbedryf is egter beperk en dui geprojekteerde produksieprofiele vir drie verskillende goudprysvlakke daarop dat bestaande goudmyne teen die jaar 2017 geheel en al uitgeput sal wees. (Bylae 5).

Inligting dui verder daarop dat reeds teen die jaar 2003 (d.w.s oor tien jaar) sekere myne reeds die einde van hulle leeftyd sal bereik, terwyl die geprojekteerde produksiesyfers van die myne wat dan nog sal bestaan, afhangende van die goudprys, baie drasties sal verminder.

Teen die jaar 2017 sal die myne se bydrae tot die BGP verdwyn en sal circa 211 000 (1992) werkgeleenthede in die mynbedryf tot niet wees. Tesame met die huidige jaarlikse toetrede van 32 000 (1992) nuwe werkers tot die arbeidsmag en die bestaande eng ekonomiese basis, kan Streek C in sy huidige vorm op die langtermyn nie ekonomies lewensvatbaar wees nie.

Sasolburg en omstreke is tans reeds 'n rykdomskeppende substreek wat op die kortermyne ekonomies kan bydra tot die voorgestelde deelstaat in sy poging om binne een tot twee dekades sy ekonomie te diversifiseer.

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Bylaag 1.

F G F DEVELOPMENT CENTRE

(ASSOCIATION INCORPORATED UNDER SECTION 21)

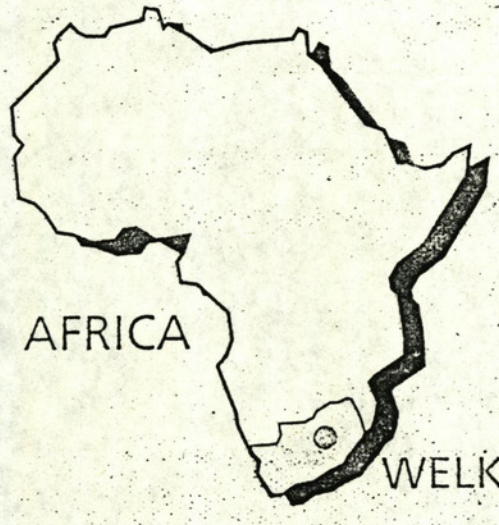
BOARD OF DIRECTORS

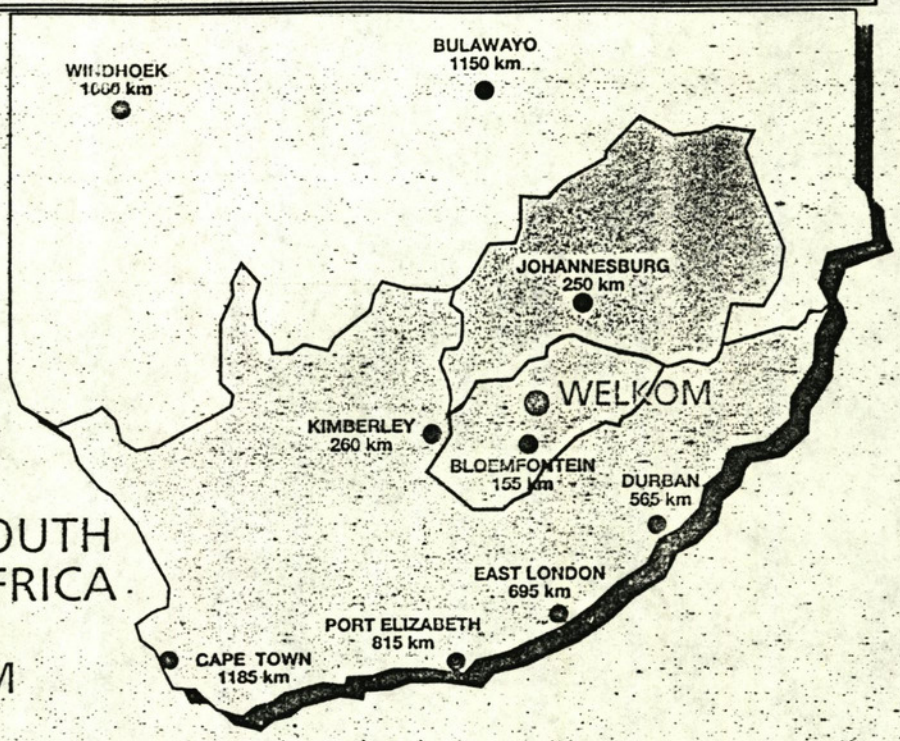
INSTITUTION		NO OF DIRECTORS
CITY COUNCILS :	7 WHITE 2 BLACK	9
PRIVATE SECTOR :	AFR SAKE KAMER	1
	FGF CB	1
	NAFCOC	1
	FABCOS	1
	MINING HOUSES	1
QUASI INSTITUTIONAL BODIES :	SPOORNET ESKOM GOLDFIELDS WATERBOARD TELKOM	1
GOLDFIELDS REGIONAL	REGION SERVICE COUNCIL	1
	DEVELOPMENT ADVISORY COUNCIL	1
MANAGING DIRECTOR :		1
TOTAL NO OF DIRECTORS		18

DEVELOPMENT CENTRE
FGF
ONTWIKKELING SENTRUM

Bylae 2.

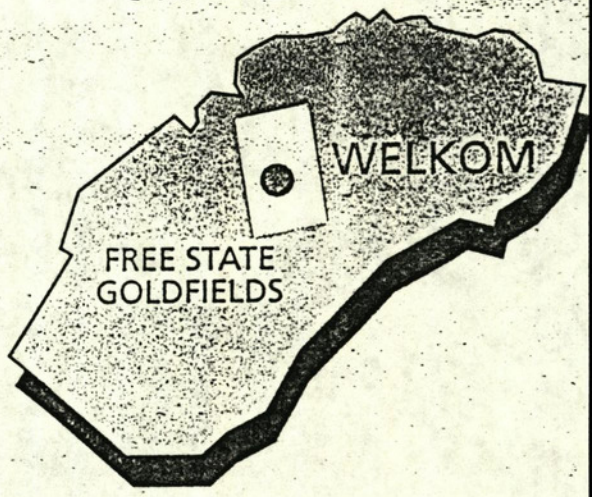
THE FGF REGION

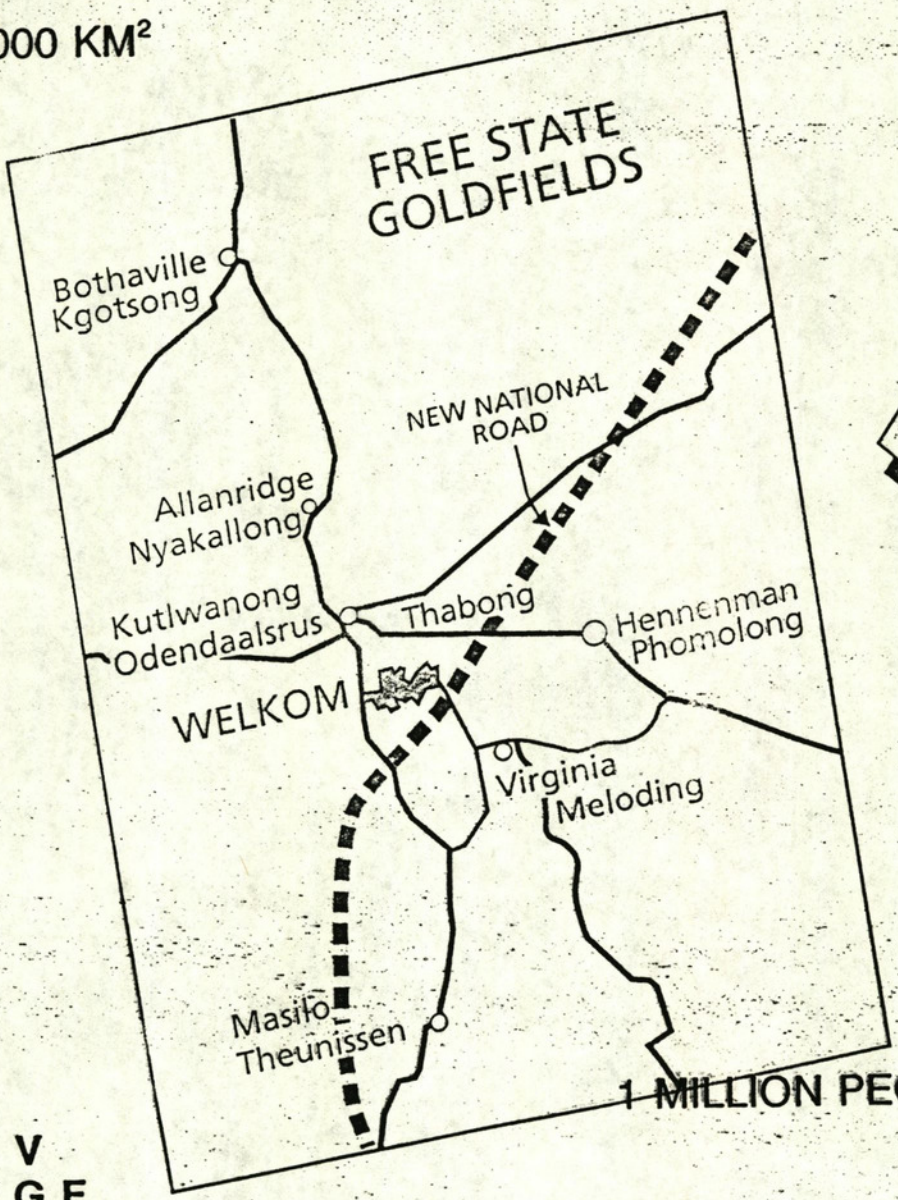




6000 KM²

ORANGE FREE STATE





MEMBER TOWNS
OF THE FGF AREA

1 MILLION PEOPLE

V
F G F
V

FREE STATE GOLDFIELDS DEVELOPMENT CENTRE

Bylae 3.


BOTSWANA
ELLISRAS
44
WATERBERG
POTGIETERSRUS
THABAZIMBI
WARMBAD
ROSLERSDAL
MARICO
24
KOSTER
42
Bronkhorstspruit
H
PWV
WITBANK
27
MIDDELBURG
VRYBURG 1
LICHTENBURG
J
COLIONY
VENTERSDORP
BETHAL
HIGHVELD RIDGE
22
DELAREYVILLE
23
KLERKSDORP
POTCHEFSTROOM
BALFOUR
STANDERTON
URUMAN
VRYBURG 2
SCHWEIZER-RENEKE
WOLMARANS-STAD
PARYS
VREDEFORT
KOPPIES
HEILBRON
FRANKFORT
VREDE
18
BLOEMHOF
BOTHAVILLE
30
KROONSTAD
MASBURG
HARTSWATER
CHRISTIANA
HOOPSTAD
WESSELS-BRON
HENNENMAN
LINDLEY
REITZ
29
HARRISMITH
WARRENTON
BARKLY WEST
BULTFONTEIN
THEUNISSEN
SENEKAL
BETHLEHEM
Industriqwa
Phuthaditjhaba
QWA
KLIPRIV
Ladysmith
BOSHOF
WINBURG
FOURIESBURG
B
Kimberley
KIMBERLEY
19
BRANDFORT
C
MAROUARD
FICKSBURG
BERGVILLE
37
HAY
EXCELSIOR
CLOCOLAN
HERBERT
JACOBSDAL
PETRUSBURG
Bloemfontein
BLOEMFONTEIN
Botshabelo
Thaba Nchu
31
KOFFIEFONTEIN
LADYBRAND
LESOTHO
DEWETSDORP
HOPETOWN
FAURESMITH
EDENBURG
REDDERSBURG
WEPENER
PRIESKA
TROMPSBURG
SMITHFIELD
38
MOUNT CURRIE
PHILIPSTOWN
PHILIPPOLIS
ZASTRON
BETHULIE
ROUXVILLE
BRITSTOWN
15
De Aar
DE AAR
COLESBERG
VENTERSTAD
11
ALBERT
ALIWAL NORTH
LADY GREY
BARKLY EAST
HANOVER
NOUPOORT
STEYNSBURG
MACLEAR
20
VICTORIA WEST
RICHMOND
WODEHOUSE
ELLIOT
INDWE
MOLTENO
TRANSKEI
Umtata
Lusikisiki
Mtontana
MIDDELBURG
HOFMEYR
STERKSTROOM
12
D
Ezibeleni
TARKASTAD
Queenstown
DUKENSTOWN
MURRAYSBURG
GRAAFF-REINET
CRADOCK
21

Bylae 4

CURRENT AND FUTURE STATUS OF THE MINING INDUSTRY IN THE ORANGE FREE STATE

An address by the Chamber of Mines of South Africa to the Regional Development Advisory Committee Region C

The presentation deals with the state of the gold mining industry in the Orange Free State paying particular attention to the contribution which the sector makes to the economic and social welfare of the region.

The Presentation has been divided into the following headings:

1. Gold Production
2. Gross Domestic Product
3. The Multiplier Effect
4. Employment
5. Taxation
6. Profitability of OFS Gold Mining Operations
7. The Future of Gold Mining in the OFS
8. Conclusion

1. GOLD PRODUCTION

Since the inception of gold mining in South Africa, more than 100 years ago, some 45 000 tons of gold have been produced, of which no less than 8 000 tons have originated from the Free State's gold fields. It must be remembered that many of these mines only started producing a little over 40 years ago.

In 1992 the `non communist' world produced 1 841 tons of gold. South Africa produced 614 tons that same year . The Free State extracted 175,3 tons of gold from its Gold Fields in 1992 which represented 9,4 per cent of `non communist' gold production and 28,3 per cent of South Africa's production.

Table 1 shows the annual gold production of the Orange Free State compared to that produced in the other three major gold mining development regions (as defined by the DBSA) - namely the PWV, Eastern Transvaal and Western Transvaal.

The PWV and Orange Free State were jointly responsible for 74 percent of total South African gold production in 1992. Gold production in the OFS has hovered around 175 tons per annum for the past five years. The PWV and Western Transvaal have similarly stabilised at around 250 tons and 119 tons respectively.

Table 1:C.O.M Member Gold production in the major gold producing regions (tons)

Region	1988	1989	1990	1991	1992
OFS	168	173	180	177	175
PWV	262	251	245	250	250
Western Tvl	130	126	122	119	119
Eastern Transvaal	33	32	34	31	30
Total	593	582	581	577	574

Graph 1 (Ore Milled - OFS Gold Mines) shows that whilst gold output of gold mines in the OFS increased significantly in the 1970's, the main growth period was in the early 1980's when a significant increase in the gold price was recorded. Total ore milled increased from around 22 million tons in 1980 to 41 million tons in 1990.

2. GROSS DOMESTIC PRODUCT

For over a century the gold mining industry has played a pivotal role in the economic development of South Africa and the Southern African region . Apart from contributing directly to economic growth in terms of foreign exchange earnings, government revenue, and employment, numerous municipalities and industries continue to rely on the mining industry for their livelihood.

In broad macro-economic terms the mining industry contributed 9.5% directly to GDP in 1992. (See Graph 2) The contribution of the gold mining industry is approximately half the figure namely 5% of GDP. Gold mines also generate 28 per cent of South Africa's foreign exchange earnings.

It is important to underline that the contribution of gold mines to the economy is largely determined by the performance of the gold price - for example, in 1980 when the gold price touched US$ 800 ounce, gold mining contributed 15% of GDP.

At the same time, the future contribution which the industry can be expected to make to economic growth and development will be determined by the profitability of mining operations today.

On a regional basis the contribution of gold mines to economic growth is significantly greater than the contribution it makes to the overall macro-economy. It is well known that the possible closure of certain mines would have a significant impact on the economic and social welfare of towns such as Welkom, Odendaalrus and Virginia.

As is apparent from the information in Table 2, mining and quarrying activity makes an important contribution to the regional economies. In the case of the OFS and Western Transvaal, economic activity is to a large extent dominated by the sector. But, as Table 2 illustrates, the contribution of mining and quarrying to the Gross Geographic Product (GGP) of the major mining regions declined in the period 1985 and 1990. In the case of the OFS the sector's contribution to GGP declined by 8,5 percentage points in the period.

Table 2: Mining and Quarrying Contribution to GGP

Region	**1985**	**1990**
OFS	36,7	28,2
Eastern Transvaal	22,8	18,7
PWV	12,6	10,6
Western Transvaal	60,5	59,1

A focus on the sub-region C2 of the OFS in which the Free State's gold mines are located and which includes the magisterial districts of Odendaalsrus, Welkom, Henneman, Virginia and Theunissen, mining and quarrying contributed 69 % of GGP in 1990, down from the 74 % in 1987 (Table 3).

Table 3: Real Gross Geographic Product of the OFS Goldfields region (1987 prices)

SECTOR	1987 (R millions)		1990 (R millions)	
Mining	3,544	(74%)	2,568	(69%)
Non-Mining	1,260	(26%)	1,154	(31%)
TOTAL	4,804		3,722	

As a result of the drought and the poor performance of the mining sector the real GGP of the region declined by 22% in the period 1987 to 1990. With the mining sector forming the economic base of the region, the declining contribution of the sector to the region's GGP must be cause for concern.

3. THE MULTIPLIER EFFECT

The links between the gold mining industry and the rest of the economy give rise to multiplier effects.

Several kinds of secondary effects may be distinguished. The first is connected with the so called backward linkage which refers to the impact which purchases by the mining sector of intermediate goods and services have on the output of other industries.

Insofar as these purchases stimulate local industrial production, the eventual value added in the economy is larger than raised in the mining sector.

As illustrated in Table 4, the non-mining activities of the OFS region have varying dependencies on the mining sector . All sectors except financial services supply a substantial proportion of their output to the mining industry.

Table 4: Percentage of total sectoral output supplied to the mining sector in 1987 for the OFS Goldfields region.

SECTOR	%
Electricity	76
Community Services	73
Manufacturing	36
Construction	32
Commerce	25
Agriculture	23
Transport	18
Finance	4

The second multiplier effect is connected with the so-called "forward linkage" which refers to the use of mining outputs by other domestic industries.

With in excess of 95 per cent of South African gold output being exported, the forward linkages derived from the South African gold industry remain limited.

Taking the overall multiplier effect into account, it is possible to calculate the direct and indirect contributions of the sector to the economy of the OFS. Given that the Rand revenues of the Free State gold mines in 1992 was R5,829 billion and the value of intermediate goods consumed in the region was R1,430 billion, the mines' direct contribution to gross value added (GVA) to the region has been calculated to be R4,026 billion.

If indirect value added is also considered by taking into account linkages and leakages - because of inter-industry transactions and imports - the gross value added by the Free State gold mines has been calculated to be R5,258 billion.

By using South Africa's estimated macro-economic multiplier of 1,5, the final value of the industry's direct and indirect contribution to the economy has been calculated at R7,887 billion.

To this figure one would also need to add the economic activity stimulated by expenditures derived from the salaries of mine employees in the region. The spending power of these employees, has been estimated to be some R2,5 billion in 1992

4. EMPLOYMENT

The poor performance of the gold price has required mines to rationalise their mining operations. With, on average, the contribution of labour costs to total working costs on gold mines being in excess of 50 percent, the need to contain working costs has invariably had a negative impact on employment levels. At present some 352 000 semi-skilled and unskilled employees are employed on South African gold mines. The figure being significantly lower than the 485 000 unskilled and semi skilled workers employed in the industry in 1985. These reductions, have not escaped the OFS gold mines.

Table 5: Employment by the COM member gold mines in the major gold producing regions (Thousands)

Region	1988	1992	% Change
OFS	185	135	-27,1
PWV	208	159	-23,7
Western Transvaal	92	76	-18,2
Eastern Transvaal	32	23	-28,5
Total	518	393	24,3

Table 5 shows the employment by major gold producing regions for the last 5 years.

Today the Free State Gold Fields employ about 13 000 skilled and 122 000 unskilled and semi-skilled employees which, in percentage terms, represents 34,4 % of total employment on South Africa's gold mines.

It is also of interest to note that the percentage decline in employment on OFS gold mines is higher than the national average. This is largely due to the smaller profit margins of gold mines operating in the region.

A further analysis of employment trends indicates that in 1990, the mining sector provided 65% of formal sector employment in the region see Table 6).

Table 6: Employment in the OFS Goldfields region

SECTOR	1987 (000)		1990 (000)	
Mining	185	(67%)	136	(65%)
Non-Mining	90	(33%)	74	(35%)
TOTAL	275		210	

The level of retrenchments occurring on OFS gold mines have both economic as well as social implications. The multiplier affect of wage related expenditure has been referred to above. From a social point of view rising levels of unemployment invariably impact on levels of social unrest and crime. Moreover certain studies suggest that migrant workers often remain close to their previous place of employment. This also means that municipalities situated close to mining operations can expect to see a rising need for formal and informal housing.

The need to retain and create employment opportunities in the mining industry makes it imperative that all stakeholders in the industry play an active role in ensuring that working costs remain within parameters set by the gold price. With labour costs being an important component of total costs, it is imperative that wage settlements reflect the long term needs of the industry.

5. TAXATION

The profit squeeze faced by the gold mining industry over the past few years has significantly reduced its contribution to total tax revenues. As is evident from graph 4, gold mines contribution of direct tax to total tax revenue has fallen steadily from 8% in 1985 to under 1% projected for 1993.

The contribution made by the OFS gold mines to total tax revenue arising from South African gold mines has fluctuated considerably over the last two decades (Graph 5). In 1975 the region contributed 39,4 per cent of gold mining's direct taxes. The figure declined to 9,2 per cent in 1987. By 1992 the region had again increased its share of the tax base to 17,5 per cent, the highest in six years . This represents R139 million of the R790 million paid by gold mines in the form of direct tax in 1992.

Through the payment of Regional Service Council (RSC) levies, the mining sector forms the tax base of numerous municipalities. Some R31 million was paid to provincial and local authorities by OFS gold mines in 1992.

6. PROFITABILITY OF OFS GOLD MINING OPERATIONS

In 1992 some eleven gold mines members of the Chamber of Mines were either in a loss making or marginal position. A marginal mine being defined as one having a profit to revenue (P/R) ratio of 6% or less - at this P/R ratio a gold mine no longer pays direct taxes. In 1992, some 90 tons of gold was mined on marginal operations - this being equal to 15 percent of total South African Gold Production. In the same year some 80 000 employees were employed on marginal mines.

Four of the eleven marginal mines are located in the OFS region. These four mines have an annual gold output of 41 tons of gold per annum. In 1992 these mines employed 33 000 un-skilled and skilled employees.

The profitability of these operations, and therefor their possible contribution to the region is primarily a function of revenues and cost levels.

6.1 Revenue

Whilst it is often argued that the gold mining industry is a price taker, the use of sophisticated hedging instruments has made it possible for gold mines to have greater control over revenue earnings. This has been of particular importance to marginal mines in the OFS which have been able to secure profit margins by locking into higher prices than would have prevailed on the spot price.

Since 1988 the gold price has remained, on average, below the 400 US$/oz mark. In 1991 a US gold price of $362,19/oz was recorded. The price in 1992 declining to 343,20 US$ an ounce.

It is also sometimes argued that revenues could be improved through the depreciation of the Rand. Whilst this may be true in the short term, the risk always exists that a depreciation of the domestic currency vis-a-vis other currencies increases the price of imports, thereby fuelling inflationary pressures.

6.2 Working Costs

Apart from facing a poorly performing gold price, South African gold mines have over the years seen significant increases in production costs - often at rates exceeding the domestic Consumer Price Index (CPI) - It is only in the past two years that declining profit margins have made it necessary to contain working cost increases to levels below the inflation rate - namely 1.7% in 1991 and 0,9% in 1992 (see graph 6).

The rise in working costs per kg of gold produced were caused by numerous factors - namely the grade of gold ore mined, the depth of gold mining operations, the cost of supplies and rising labour costs.

The combination of these factors has resulted in South Africa moving from the world's lowest cost gold producer in 1985 to the world's most expensive gold producer by 1987, a position it has retained ever since.

The grade of gold ore milled by South African gold mines (Graph 7) has decreased from approximately 13 grams per ton in 1970 to 5,37 grams per ton in 1992. The average grade on mines in the OFS was 4,40 grams per ton in 1992, 0,97 grams per ton below the industry average.

Whilst one could argue that the decline in grades in 1980 ,1981 and 1985 were the result of higher prices received thereby decreasing the pay limit, the point nevertheless remains that the general trend over the past decade, has been for grades to decline because of poorer ore reserves.

The second component of working costs relates to the cost of inputs - namely labour charges, electricity power and water , stores and materials and other costs such as indirect taxes. Whilst the need to negotiate realistic wage increases has already been emphasised, it is just as important that the other stakeholders in the industry such as suppliers and government play a role in containing working costs.

6.3 The Profitability of Operations

Graph 8 (Financial data - OFS Gold Mines) illustrates the changing financial fortunes of the Free State gold mines from 1975 to 1992.

The graph illustrates fluctuations in revenues (the gold price) over the period. It also illustrates that real costs have increased steadily from the beginning of the period with the gap between revenue and costs becoming narrower over time.

6.4 Capital Expenditure

If the mining industry is to continue playing a meaningful role in the economic development of the OFS, levels of profitability which inspire investment in the industry must be re- established.

Graph 9 shows that capital expenditure on C.O.M member gold mines has been on a decline since 1986. Between the years 1988 and 1991, the OFS proportion of total capital expenditure was reduced from 28,2% to 12,5%. Considering that the region produces 28% of South Africa's gold, new capital expenditure is urgently needed if present production is to be sustained.

The economic climate required to encourage investment opportunities in the industry will not only be dictated by the gold price and the trend in working costs, but will also be influenced by legislation affecting the industry. The latter includes, taxation levels, safety, health and environmental legislation as well as the structure of labour markets.

It also needs to be pointed out that despite the poor profit levels experienced by many of the OFS mines, the gold mining industry is not in favour of Government subsidies which have the effect of prolonging the lives of inefficient mines.

For South Africa to attract foreign investment in the mining industry it will be imperative that the domestic investment climate compares favourably with conditions found elsewhere in the world.

The need to create a stable investment climate is all the more important if it is borne in mind that the capital investment required to start a new gold mine is in the region of R 2 billion with a lag period of some eight years before production starts.

7. THE FUTURE OF GOLD MINING IN THE OFS

The future of gold mining in OFS depends on various factors which influence the profitability of operations, some of which have already been discussed. The overriding factor in making forecasts for the region is still the gold price over which the gold mines have little control. Possible trends for the gold price can be identified by studying the supply and demand fundamentals.

i) Gold demand has increased primarily as a result of rising jewellery demand especially in south East Asia and China. At the same time it is also reasonable to expect that demand will be further boosted through improved economic growth in industrialised countries.

ii) Investment demand has improved over the past few months. This is not only a function of lower international interest rates, but also that investors are confident that the fundamentals for an improvement in the gold price are in place.

iii) There are clear indications that mine supply is levelling off. This being true for South African, Australian and Canadian producers. American gold output is still expected to rise, but at a slower rate.

iv) Sales by Central Banks in 1993 are not expected to reach levels experienced in 1992 when central banks placed approximately 800 tons on the market. It has been argued that the central bank sales seen in 1992 were one off transactions to bring the gold reserves of European Central Banks in line with the ratio of reserves that would be held in gold by a possible future European Central Bank.

When considering the above factors it is not difficult to assume that the fundamentals indicate a long-term upward trend in the gold price. This being the case it is likely to have positive influence on the four marginal mines in the OFS.

Graph 10 highlights possible profitability scenarios for various gold price levels. The operating costs of each mine are categorised from the lowest cost producer (Kloof) to the highest cost producer (Doornfontein). OFS mines are marked by an asterix. The horizontal lines represents three different gold price levels for the year. The averaged gold price received by the mines in 1992 was R31507/kg ($346/oz) and those mines which had operating costs above that gold price were loss making mines.

Had the mines received only $308/oz for their gold, more than half the mines (including six OFS mines) would have been loss making resulting in possible closure. The upside of the scenario shows a price of $418/oz. At this price all mines would have been profitable, however, it needs to be pointed out that some mines would still be marginal. Only at a price of $443/oz would all the mines have been non-marginal.

8. CONCLUSION

Over the last century, South Africa's entire economy has become dependent on the mining industry with regions such as the Orange Free State being particularly dependent on the fortunes of the industry for economic growth.

It is therefore of significance to the region that the profitability of the sector is maintained in the decades to come. This can however only be achieved if the stakeholders of the industry are able to create an environment conducive to investments in the sector.

With the gold price remaining a factor over which little or no influence can be exerted, the emphasis will need to remain in ensuring that firstly working costs are kept under control, and secondly that the social and political environment in which mines are expected to operate encourage the opening of new shafts and mines.

The socio-economic impact of mine closure is clearly illustrates when the case of Harmony gold mine is analysed.

A report by Seidman in 1993 (Seidman G W, "If Harmony closes, will the last one to leave turn out the lights? The social impact of down-scaling on the Goldfields area.") provides some insight into the importance of Harmony gold mine to the town of Virginia. It notes that "Harmony is the town's major employer and homeowner. In late 1992, Harmony paid about R25 million/month in wages, of which half were paid in Virginia; it paid R6 million to ESKOM, and spent about R17 million for stores and materials, mainly in the Free State. Harmony pays about 17% of Virginia's rates, about R1 million per month. The mine owns 32% of the town's houses".

"Virtually every retail business in Virginia has been hard-hit by the difficult times experienced by the mine: some businesses reported that their turnover has dropped by 80%. The town's centre is full of vacant storefronts where businesses have closed; the large vacant lot where a national chain had planned to open a branch suggests that eventually, most chain stores will close their Virginia outlets and assume residents will go to Welkom for major purchases".

The failure to maintain the profitability of gold mining operations in South Africa means that the mineral wealth of the country and its different regions will not translate into improvements in economic welfare.

WH29A
18 August 1993

Bylae 5

Anglo American Corporation of South Africa Limited

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GOLD AND URANIUM DIVISION

M.econ/jr/gd/let213

25 August 1993

Mr D J Vermeulen
Managing Director
Free State Goldfields Development Centre
P O Box 4156
WELKOM
9460

Dear Sir

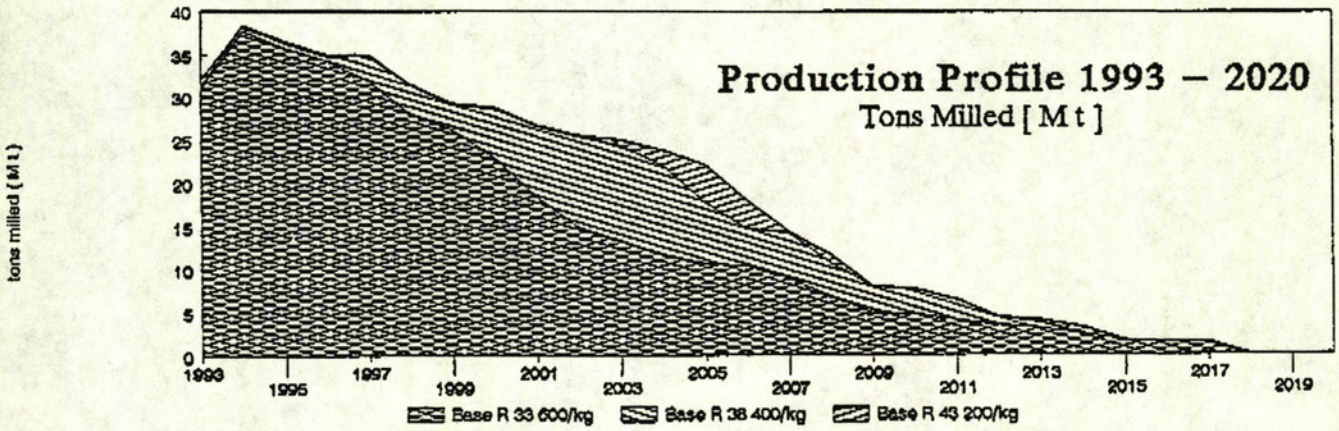
In response to your request to the Chamber of Mines for projected life of mine production data for existing Orange Free State mines and new projects, I attach a table of forecast tons milled, gold production and capital expenditure for the Free State Goldfields at base gold prices of R33 600/kg, R38 400/kg and R43 200/kg.

Although this forecast takes account of probable internal expansion projects, it appears unlikely that any projects outside the existing mine boundaries would be initiated under the three gold price ranges considered in this forecast.

L HEWITT
MANAGING DIRECTOR

OFS GOLD MINES : L O M FORECAST

Year	Base : R 33 600 / kg			Base : R 38 400 / kg			Base : R 43 200 / kg		
	Tons Milled	Gold Produced	Capex	Tons Milled	Gold Produced	Capex	Tons Milled	Gold Produced	Capex
	kt	tons	R 000's	kt	tons	R 000's	kt	tons	R 000's
1993	30 997	141	350 681	31 159	141	365 944	32 000	141	365 944
1994	37 782	183	289 452	38 431	184	322 409	38 431	182	322 409
1995	35 704	181	260 488	36 354	181	299 437	36 539	179	299 437
1996	34 291	176	217 404	34 828	175	258 923	35 013	174	258 923
1997	31 929	169	177 471	34 889	173	225 591	35 073	172	225 591
1998	28 012	152	138 803	31 388	161	237 169	31 571	160	236 969
1999	26 186	139	111 703	29 139	150	196 403	29 321	150	196 203
2000	22 994	127	94 634	28 633	147	117 340	28 816	147	163 012
2001	18 452	113	70 789	26 568	139	139 259	26 751	139	139 059
2002	14 863	103	52 726	25 380	135	124 106	25 564	136	123 907
2003	13 331	94	53 307	24 400	131	117 986	25 039	134	120 171
2004	11 559	84	54 945	22 029	122	109 216	23 762	128	111 458
2005	10 656	79	42 250	17 771	108	87 248	22 170	120	94 777
2006	10 313	76	33 057	14 646	96	60 633	17 950	105	67 235
2007	8 889	66	30 493	14 184	92	60 018	14 368	93	50 235
2008	6 775	55	22 398	10 683	70	56 516	11 683	71	47 615
2009	4 837	40	21 049	7 963	52	40 838	7 963	52	38 891
2010	4 672	39	24 737	7 549	49	33 926	7 549	49	33 726
2011	4 055	31	22 077	6 356	39	32 703	6 356	39	32 504
2012	3 424	25	19 463	4 364	29	25 542	4 354	29	25 343
2013	3 041	26	6 690	3 746	29	11 599	3 981	29	11 599
2014	2 405	22	39 851	2 405	22	6 919	3 110	25	6 919
2015	1 635	14	760	1 635	14	1 318	1 635	14	1 318
2016	1 440	12	0	1 440	12	0	1 440	12	0
2017	1 440	12	0	1 440	12	0	1 440	12	0
2018	0	0	0	0	0	0	0	0	0
2019									
2020									



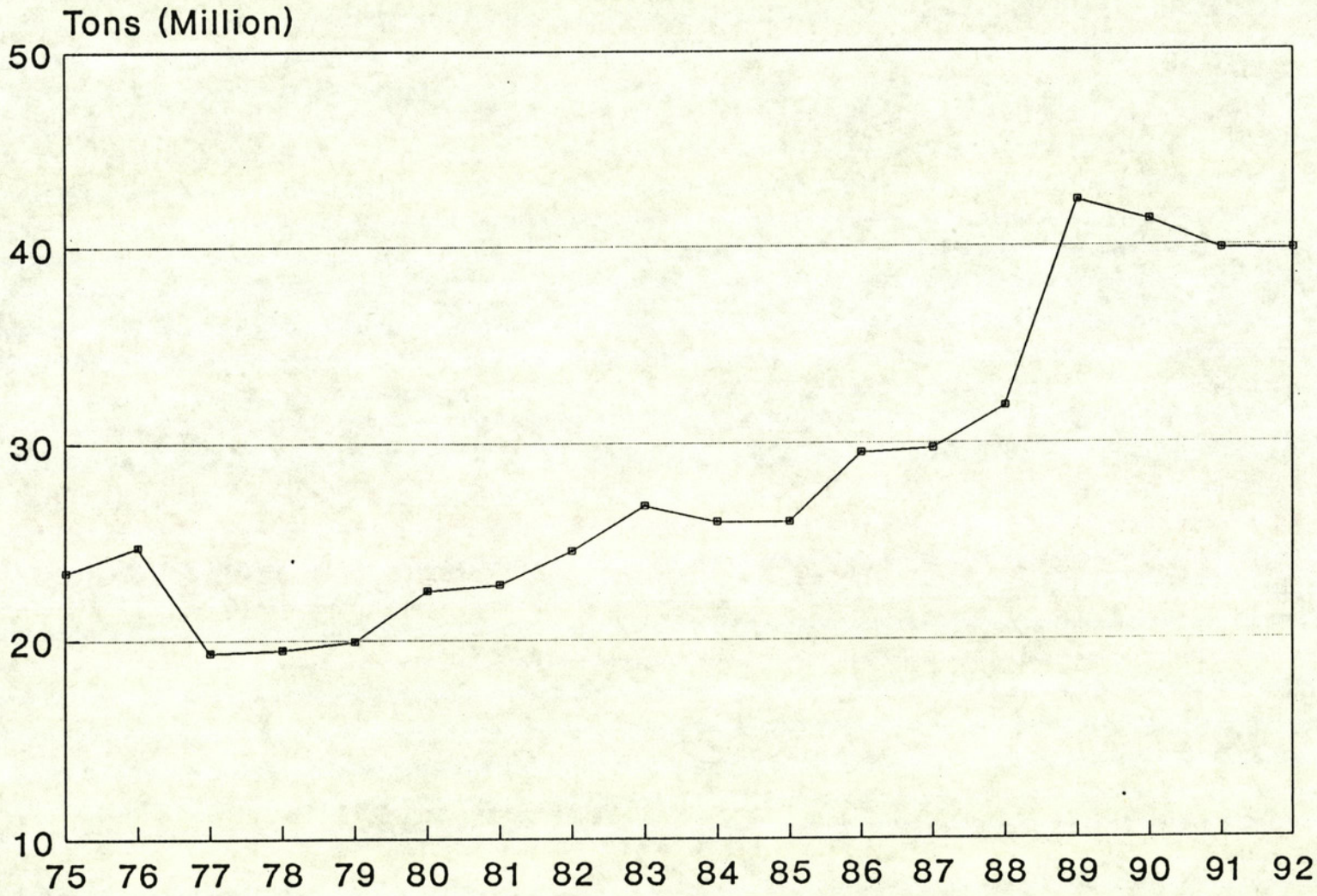
Notes:

1. *All Capital expenditure is expressed in September 1993 money terms.*
2. *The following operations have been included in this forecast :*

   Beatrix Joel Loraine St. Helena
   Freegold Harmony Oryx Unisel
3. *The forecast takes account of probable internal expansion projects.*

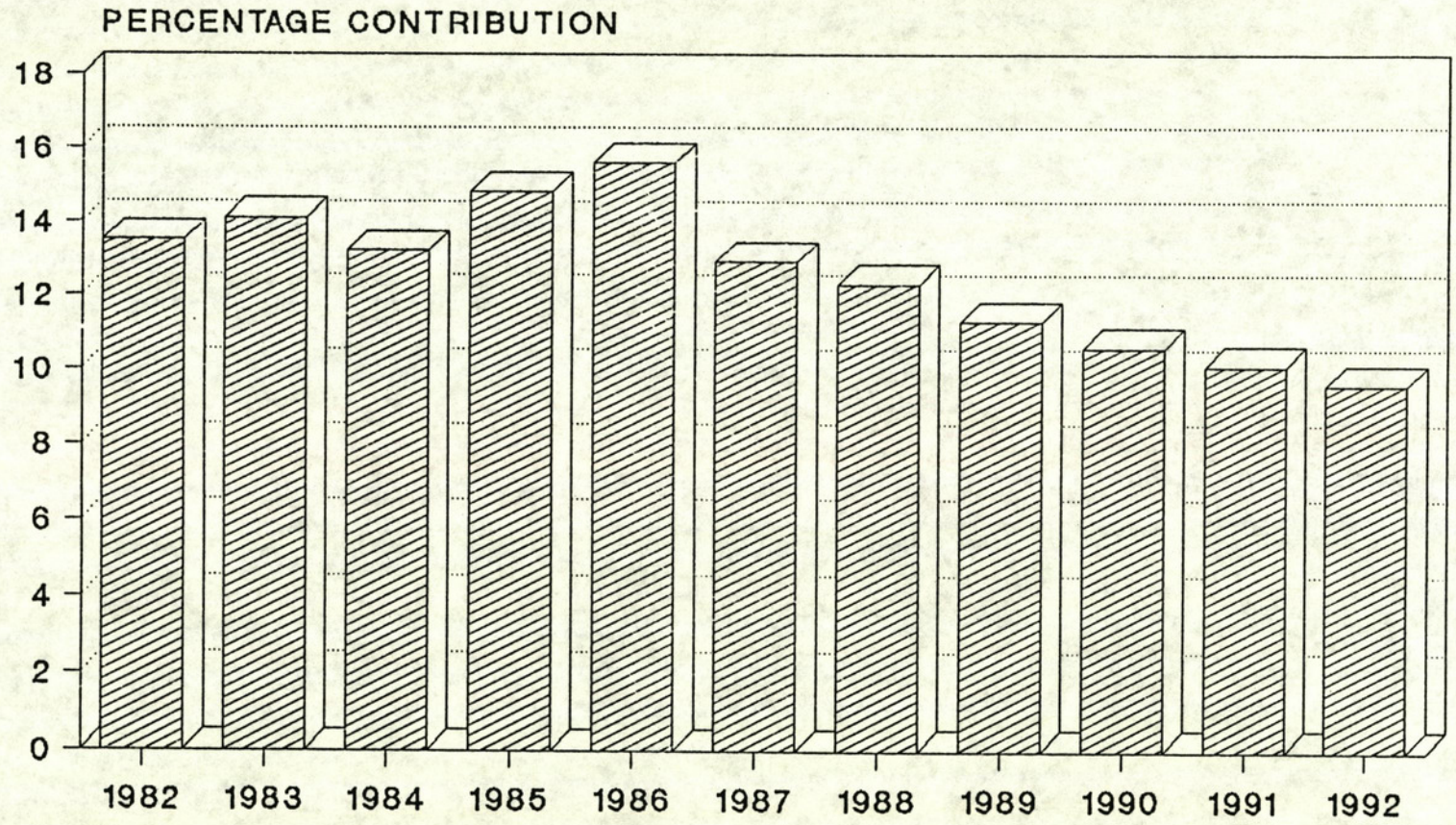
OFSLOM / jr 25 Aug 93

Total Ore Milled - OFS Gold Mines



Graph 1

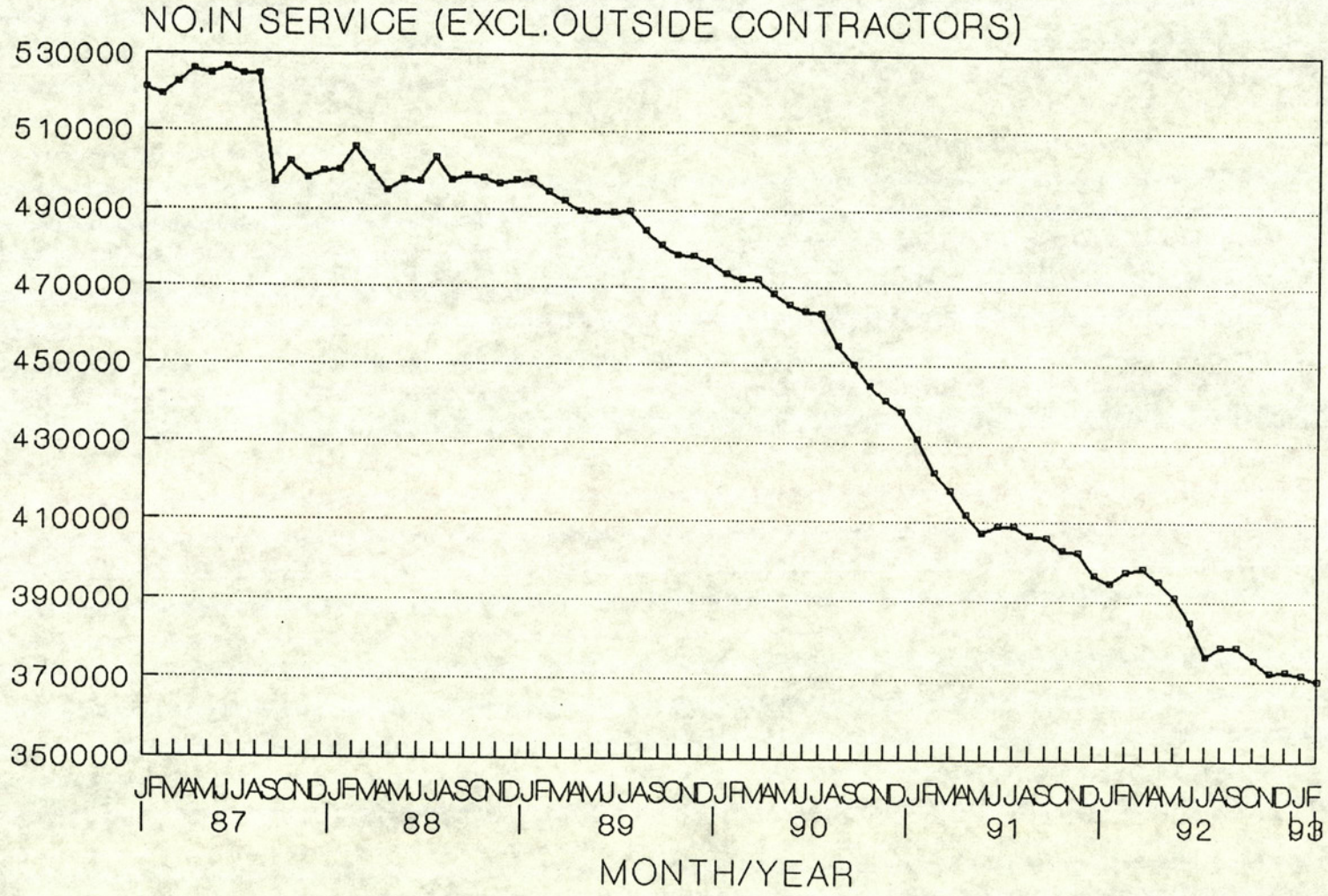
CONTRIBUTION OF MINING AND QUARRYING TO GROSS DOMESTIC PRODUCT OF SOUTH AFRICA 1982 TO 1992



SOURCE: SOUTH AFRICAN RESERVE BANK
PREP: CHAMBER OF MINES ECONOMIC SERVICES

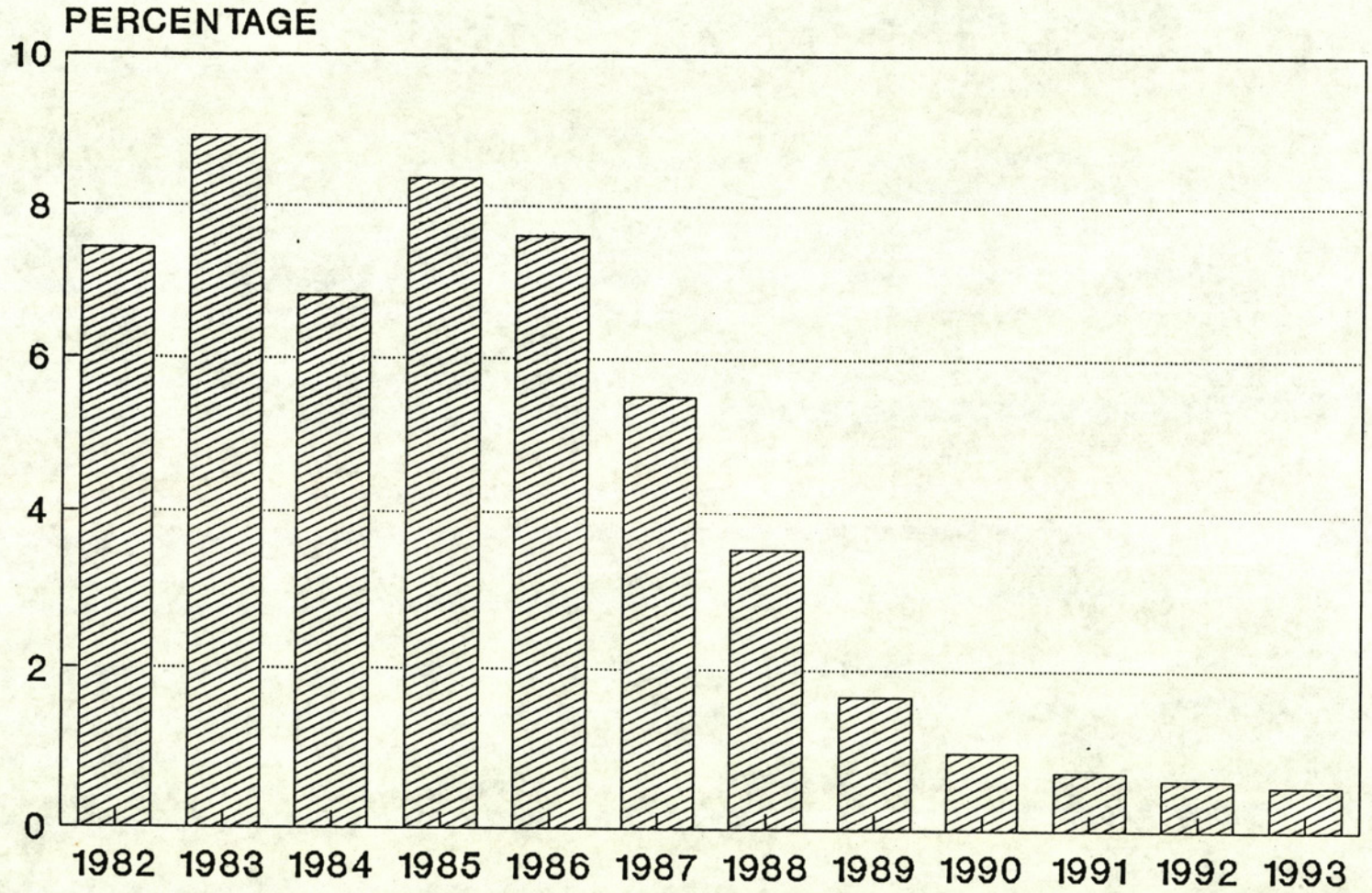
Graph 2

MONTHLY AVERAGE NUMBER OF EMPLOYEES IN SERVICE ON GOLD MINES, MEMBERS OF THE CHAMBER



Graph 3

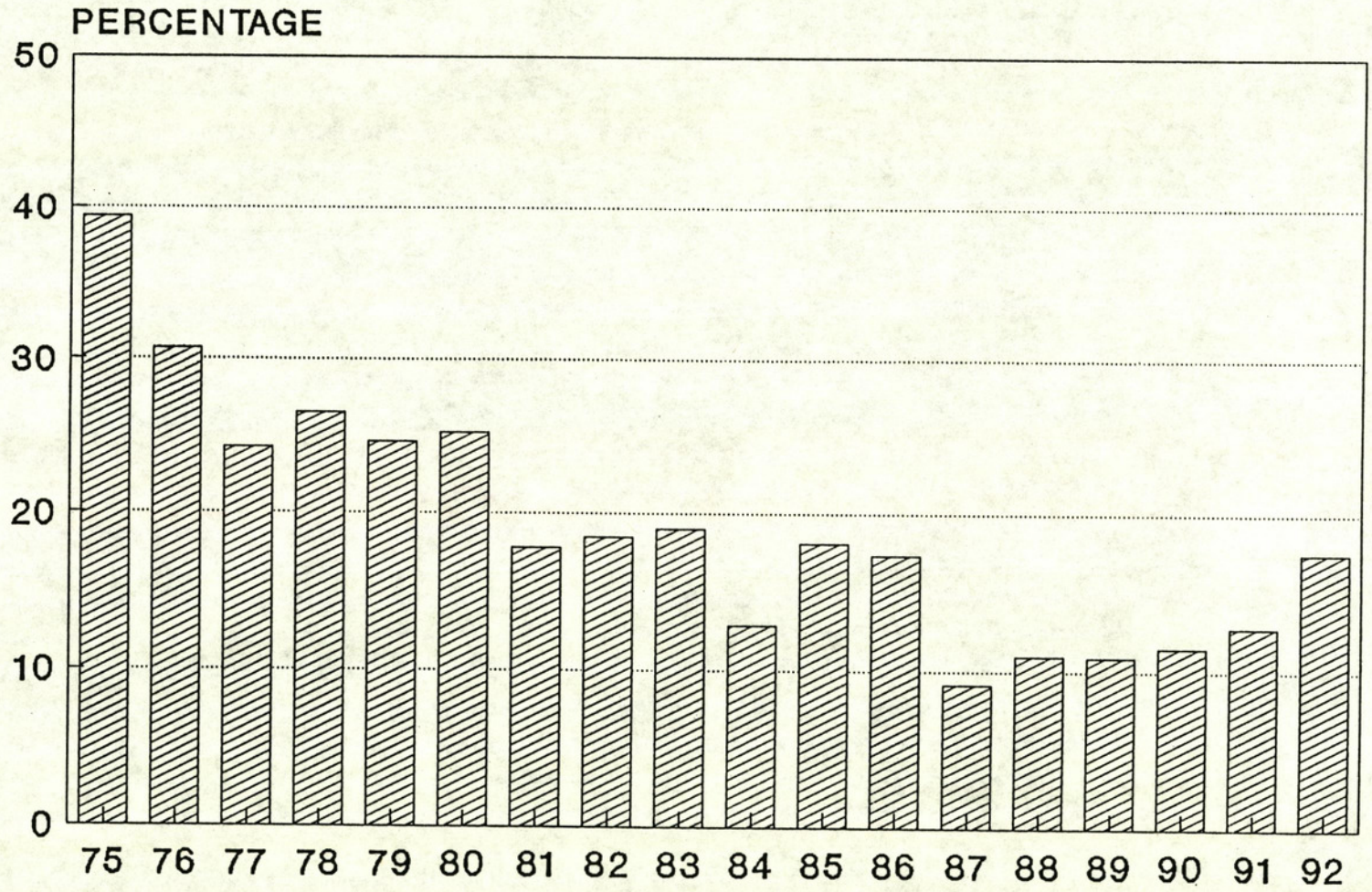
CONTRIBUTION OF DIRECT TAX ON GOLD MINES TO TOTAL TAX REVENUE



SOURCE: AUDITOR-GENERAL

Graph 4

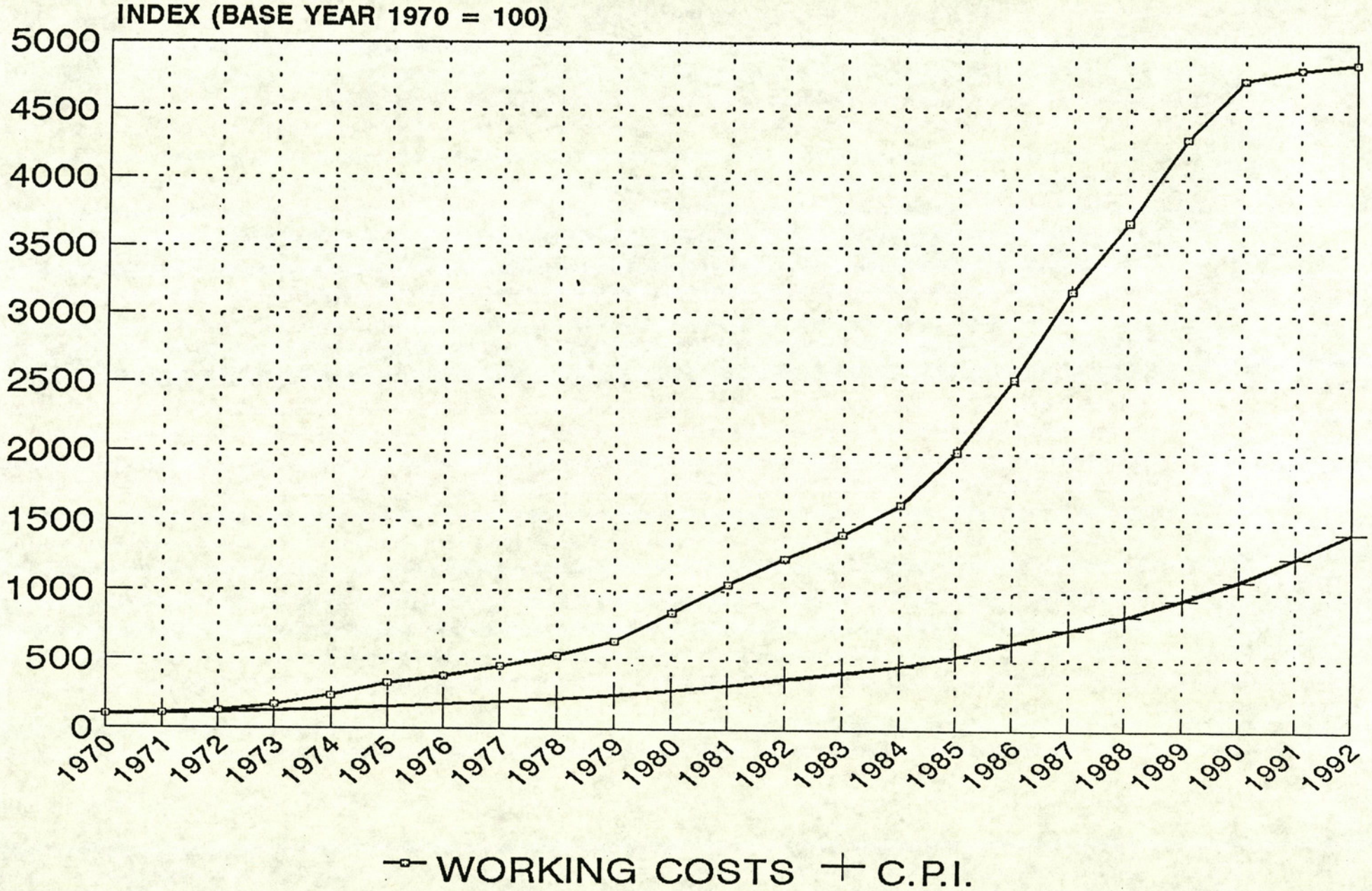
CONTRIBUTION OF OFS GOLD MINES TO TOTAL DIRECT TAX REVENUE OF GOLD MINES



Graph 5

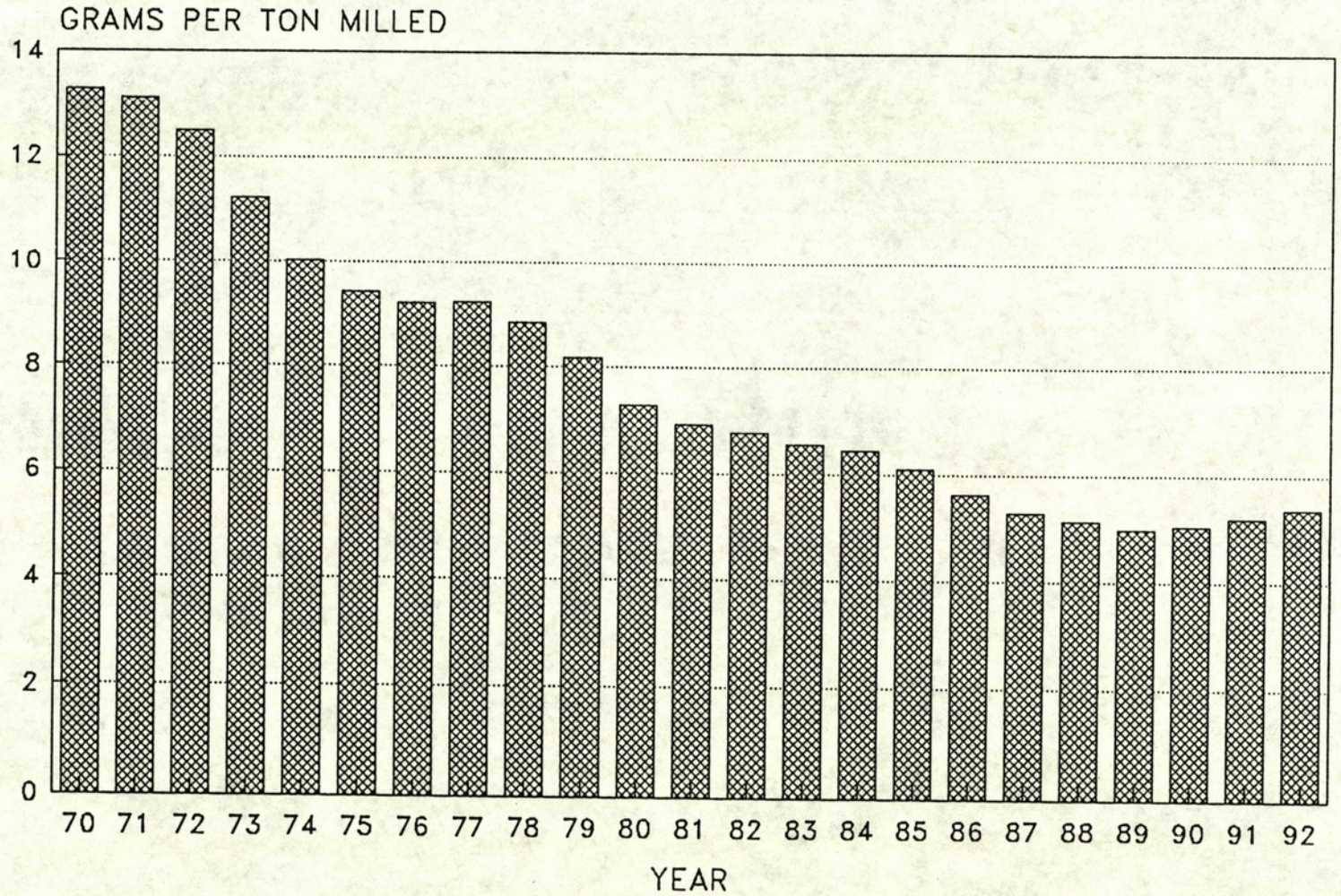
WORKING COST PER KILOGRAM OF GOLD PRODUCED VS C.P.I.

MEMBERS OF CHAMBER



Graph 6

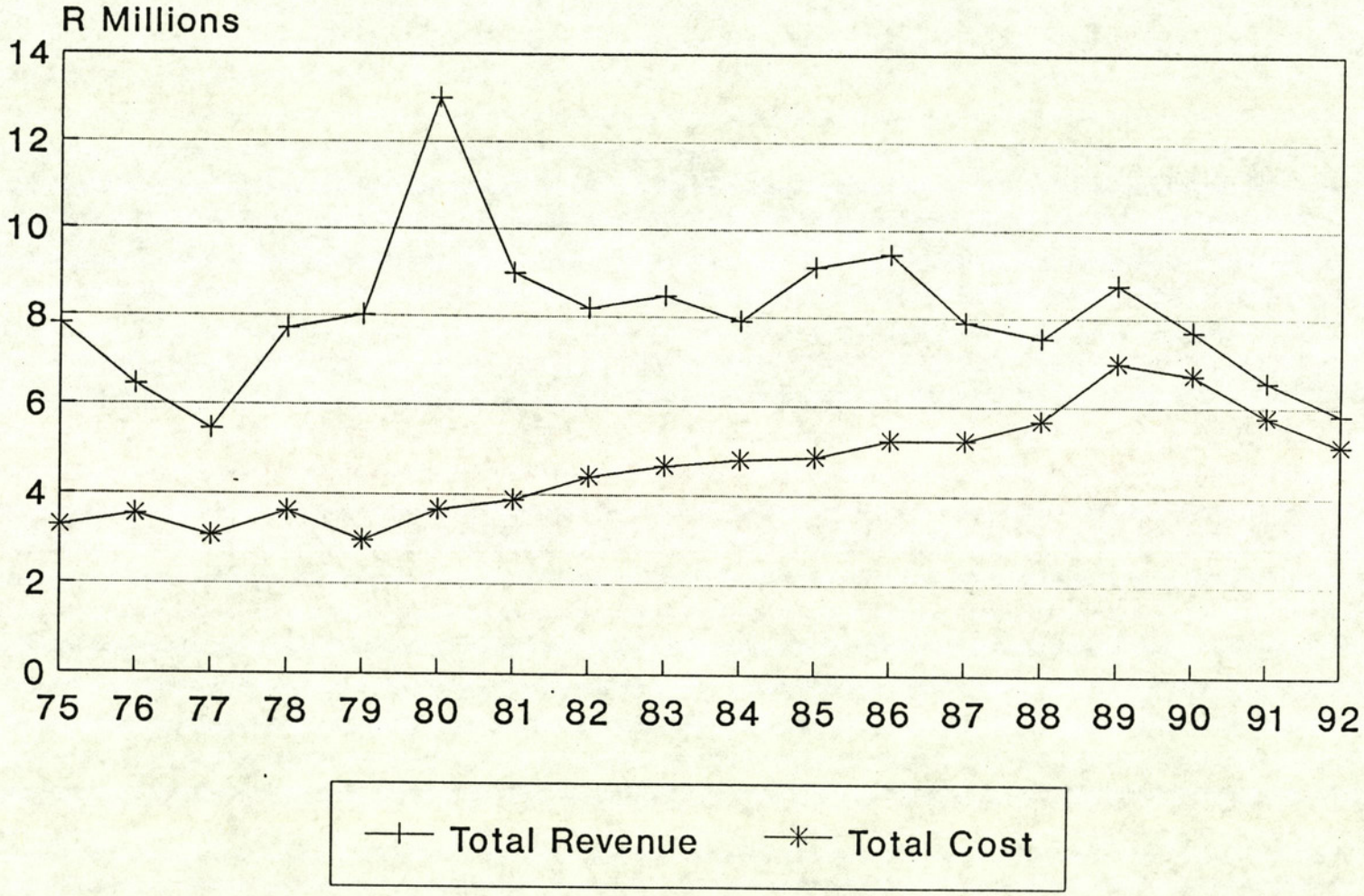
GRADES ON CHAMBER GOLD MINES



SOURCE : CHAMBER OF MINES

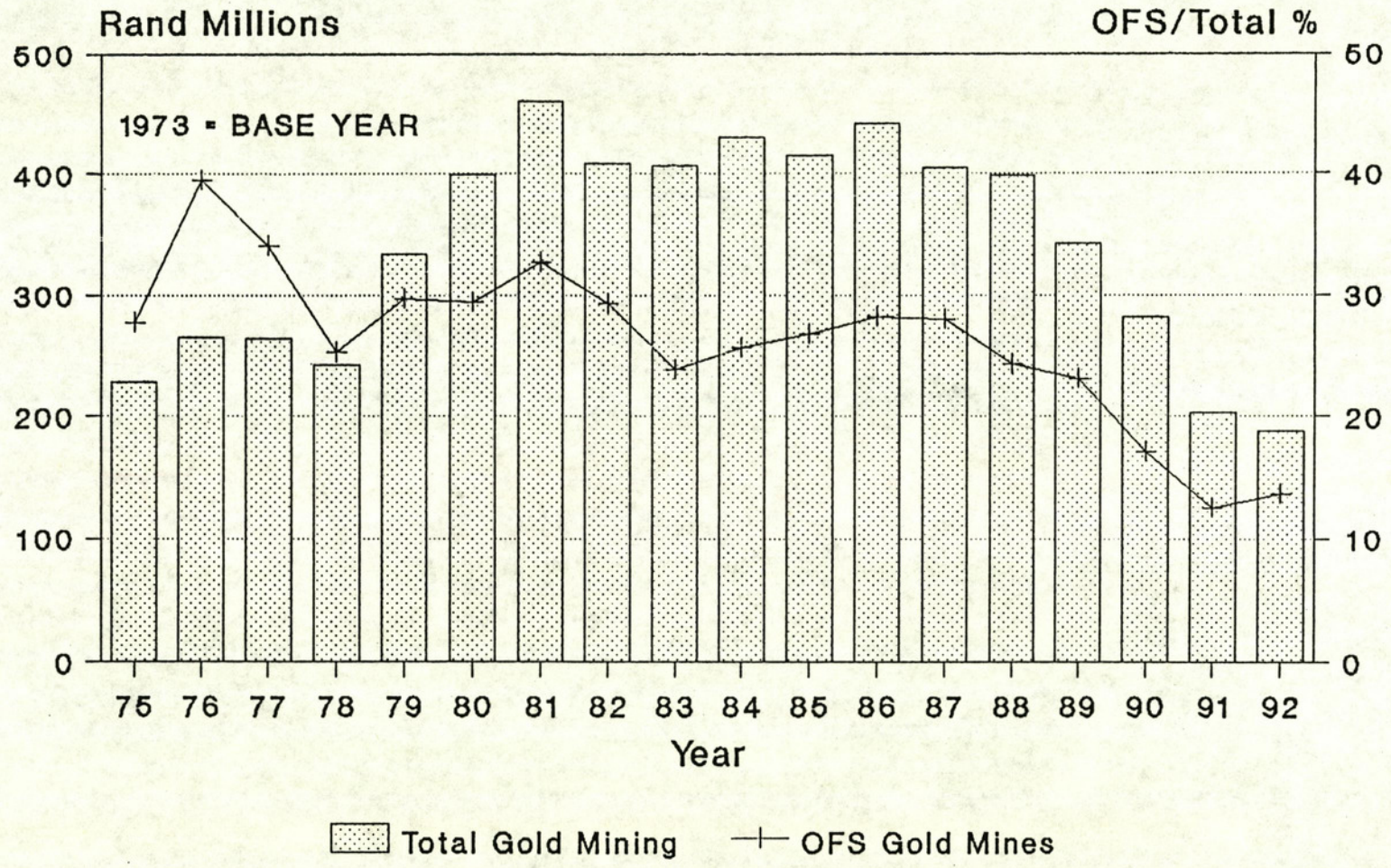
Graph 7

Total Revenue & Costs in Real Terms on OFS Gold Mines



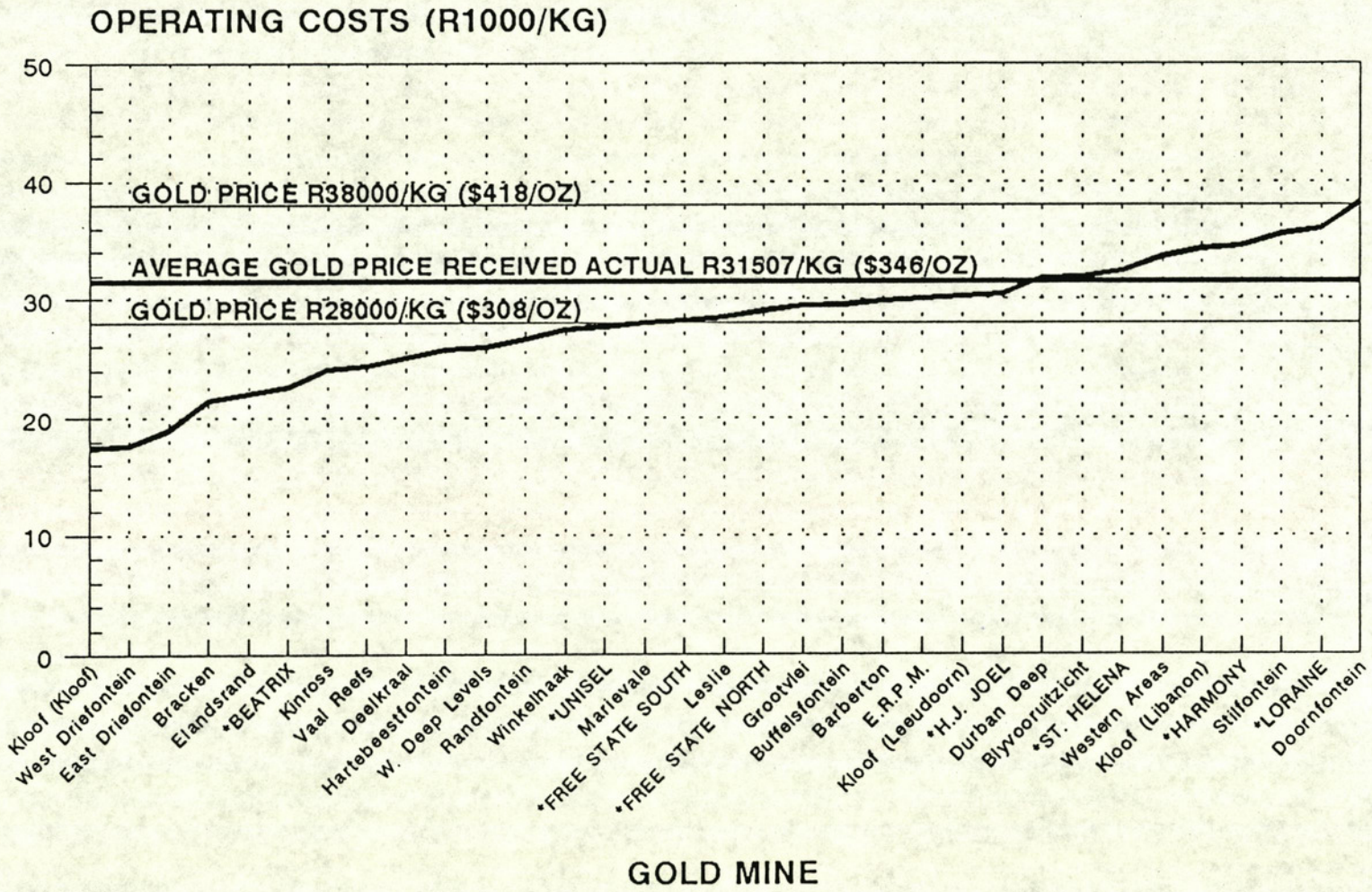
Graph 8

Total Capex in Real Terms (COM Members) vs OFS Proportion of Total Capex



Graph 9

OPERATING COSTS (EXCL CAPEX) OF THE MAJOR GOLD MINES
JANUARY TO DECEMBER 1992



NOTE : ORYX EXCLUDED
: EXCHANGE RATE R/$ 2,83
* OFS GOLD MINES

CM

Graph 10

DISTRIKSONTWIKKELINGSVERENINGING-VRYSTAAT GOUDVELDE: KOMMENTAAR AAN AFBAKENINGSKOMMISSIE SAAM MET VGV ONTWIKKELINGSENTRUM

21 SEPTEMBER 1993

1. INLEIDING

Teen die agtergrond van die gesprek rondom die insluiting van Sasolburg kan die volgende argumente beskou word as 'n verbreding van die argument ten einde die breër basis te bevestig waarin streeksfunksionering van die sentrale deelstaat kan plaasvind.

Die statistiese gegewens soos vervat in verskeie dokumente byvoorbeeld SATSWA en spesifiek die O.V.S. Provinsiale Administrasie dokument, word as voldoende beskou aangaande die streek en gaan dit nie weer herhaal word nie.

Ondersteunende argumente vir 'n deelstaat soos in meegaande kaart aangedui sal na aanleiding van die volgende aspekte gedoen word:

- Geografiese ligging.
- Ekonomiese aktiwiteit en potensiaal.
  - Hulpbronne.
- Sosiale en kulturele aspekte.
- Politieke realiteite.
- Bevolkingsverspreiding.
- Fisiese en Sosiale infrastruktuur.

2. GEOGRAFIESE LIGGING

Die streke is geografies strategies goed geplaas in terme van raakvlakke met ander streke asook Botswana. Dit bied 'n breë basis vir ekonomiese, sosiale en kulturele interaksie.

Ontwikkelingstreek C en J asook 'n gedeelte van Streek B

vorm 'n goed geïntegreerde geheel wat proporsioneel goed gebalanseerd is en uiteraard voordele inhou ten opsigte van infrastruktuur en dienstelewering.

Die topografie van die streek maak die vry vloei van verkeer ensovoorts in die totale streek maklik.

Die fisiografiese faktore is redelik homogeen en die verskille wat wel bestaan is tot 'n groot mate komplementêr.

3. EKONOMIESE AKTIWITEITE EN POTENSIAAL

Ontwikkelingstreek C se ekonomiese aktiwiteit staan basies op 3 pilare naamlik mynbou (28,2%), gemeenskaps- en sosiale dienste (17,6%) en landbou (15,5%). Mynbou is kwynend, terwyl dienste nie rykdomskeppend en landbou baie wisselvallig is. Streek C beskik nie oor 'n sterk langtermyn ekonomiese basis nie. Dit impliseer die noodsaak vir die vestiging van 'n alternatiewe ekonomiese basis.

Die argument rondom die insluiting van Sasolburg verteenwoordig 'n noodsaaklike, maar slegs gedeeltelike oplossing. Die begin in Qwa Qwa ten opsigte van die vestiging van nywerhede asook die moontlikheid vir die vestiging van alternatiewe nywerhede in die VGV bied potensiële alternatiewe. Die basis is egter te eng om dit slegs vanuit die VGV en Qwa Qwa haalbaar te maak. Om hierdie rede is Sasolburg plus bydraes vanuit Streek J 'n meer haalbare vertrekpunt vir 'n lewensvatbare ekonomiese streek.

Die bestaande potensiaal in Streek J en gedeelte van Streek B bied die tipe inset wat nodig mag wees vir oorlewing. Spesifiek die nywerheidsontwikkeling in die KOSH area asook die jongste inisiatiewe in Bophuthatswana bied 'n sinvolle

alternatiewe stimulus ook in terme van 'n oorvloei van inisiatief en produkte na die res van die streek. Dit mag spesifiek bydra om nywerheidsvestiging ook in die VGV aan te help. Sodoende kan 'n wyer netwerk van nywerheids aktiwiteite geskep word indien die posisie van Bloemfontein en Botshabelo saam verreken word.

Langs hierdie weg word die geleentheid moontlik gemaak vir ekonomiese groei en verdeling van bronne wat as teenvoeter kan dien vir die versterking van die afhanklikheidsindroom wat deur ongelyke verdeling van bronne tot stand gebring word.

Die potensiaal van Streek J spesifiek as gevolg van die verskeidenheid minerale bied 'n meer stabiele ekonomiese basis gegewe permanensie en mark fluktuasies ten opsigte van produkte vraag. Sodanige permanensie kan as 'n belangrike stabiliserende faktor vir die hele streek dien.

Die hele streek is basies 'n landboustreek. Die samevoeging van 'n groter verskeidenheid landbou aktiwiteite bied die moontlikheid van 'n meer stabiele inset as gevolg van wisselende landboutoestande wat tot 'n mate hierdeur gebalanseer kan word. Landbou aktiwiteite en verwerking van landbou produkte vertoon tot 'n groot mate ook 'n komplementêre aard oor die grense van die huidige Streek C en J.

Die groter verskeidenheid ekonomiese aktiwiteite wat deur sodanige samevoeging moontlik gemaak word bied uiteraard meer geleenthede vir die ontwikkeling van werksgeleenthede wat tans 'n wesentlike probleem skep, veral in Streek C na aanleiding van die afnemende goudbedryf.

3.1 HULPBRONNE

'n Groot hoeveelheid minerale word aangetref in Streek J en

C.

Goud en Uraan in Streek C bedra onderskeidelik 26% en 22% van die RSA produksie. Ander minerale is betoniet, gips, sout, sand, diamante en kalksteen.

Streek J se posisie is progressief beter. Mineraal-ontginning bedra ongeveer 22% van die totale RSA produksie. Minerale wat ontgin word is goud (26%), platinum (98%), Uraan (52%), Nikkel (97%), Kobalt (100%), Chroom (51%), gips, diamante en kalksteen (34%). Groot goud reserwes is beskikbaar in Klerksdorp en Potchefstroom areas.

Op landbou gebied is van die beter saaigrond in die gebied geleë, asook areas wat vee en gemengde boerdery moontlik maak.

Die Vaalrivier en Oranje rivier is primêr beskikbaar vir water lewering terwyl groot dele van grondwater afhanklik is.

4. SOSIALE EN KULTURELE ASPEKTE

In Streek C is die Suid-Sotho groep sterk teenwoordig en in Streek J die Tswana groep alhoewel dit nie in een geval dominant is nie. Aangesien die Suid-Sotho en Tswana tale basies wedersyds verstaanbaar is word kommunikasie tussen die groepe vergemaklik. Die geografiese definisie van die vestigingspatrone van die groepe veroorsaak verder dat verskille wat mag bestaan nie primêr as bron van konflik behoort te geld nie. Naasbestaan is gevolglik moontlik en verhoogde toleransie behoort te ontwikkel indien verantwoordelike streeksbestuur bestaan, wat die groepsbelange wat wel bestaan kan akkommodeer.

Net soos in die res van Suid Afrika moet aanvaar word dat die bevolkingsamestelling meer heterogeen is as slegs twee dominante groepe. Die tipiese aard van die samelewings in

die twee bestaande streke en die basiese ooreenstemmings bring egter 'n mate van homogeniteit wat tot 'n mate 'n gedeelde ervaringswêreld daarstel.

Die belangrike aspek in hierdie geval is dat die bestaande groepe uit beide streke C en J reeds tot 'n groot mate gevestig is asook bepaalde verbande en patrone wat onteenseglik 'n basis vorm vir verdere interaksie. Dit is veral waar as gevolg van 'n vrye vloei van persone tussen die streke op soek na werks- en studie-geleenthede.

Verskille en interaksie patrone is gevolglik reeds geïnstituasionaliseer en deel van die algemene verwysingsraamwerk. Sekere probleme mag egter steeds voorkom, maar daar bestaan reeds 'n basis vir samewerking.

5. POLITIEKE REALITEITE

Gegewe die ooreenstemming in die aard van die gebiede wat in die voorstel ingesluit word, naamlik, dominant landelike gebiede met 'n hoeveelheid verspreide groter sentra wat tot 'n groot mate dieselfde aard en karakter vertoon bestaan daar redelik duidelike politieke tendense in die twee streke. Die problematiek in hierdie geval is beslis geensins meer problematies as in enige ander gedeelte van die huidige Suid-Afrika nie en dit behoort nie bemoeilik te word deur die samevoeging nie. Aangesien die basiese aard van die gebiede tot 'n groot mate ooreenstem behoort die integrasie daarvan geen besondere eiesoortige eise te stel nie.

Wat egter belangrik is, is om die posisie van Bophuthatswana te verreken wat 'n integrale deel van so 'n streek moet uitmaak. Tans is Bophuthatswana as onafhanklike staat steeds in 'n posisie waar dit besondere voorbehoude het ten opsigte van inskakeling by enige toekomstige bedeling. Enige voorstel wat egter steeds die

posisie van die burgers van Bophuthatswana 'n redelike geleentheid bied om hulle spesifieke belange te verskans en terselfdertyd al die verskillende brokkies van hulle grondgebied in een streek saam te bind mag egter bydra om een van die huidige politieke uitdagings die hoof te bied.

6. BEVOLKINGSVERSPREIDING

Die bevolking van Streek C was in 1991, 2 103 938 en die van Qwa Qwa 342 000. Dit verteenwoordig die vierde kleinste konsentrasie van mense in die RSA of te wel ongeveer 7%.

Indien Streek J bygevoeg word met ongeveer 1 781 975 en die gedeelte van Streek B met 150 066 word die totale getal van die streek in hierdie Scenario opgestoot na 4 613 624 wat 89,68% meer is as in die geval van Streek C alleen. Dit bring die persentasie op ongeveer 12% van die totale bevolking te staan.

'n Scenario wat slegs Streek C insluit mag gevolglik onprakties wees indien bevolkingsgetalle 'n rol speel by die toekenning van fondse, maar ook ekonomies problematies indien administratiewe dienste gedupliseer moet word vir elk van sodanige relatief klein groepe in verhouding tot die totale bevolking.

Politieke verteenwoordiging mag ook nadelig geraak word op nasionale vlak indien proporsionele verdeling 'n werklikheid word, D.V..

7. FISIES EN SOSIALE INFRASTRUKTUUR

Ten spyte van die feit dat die voorgestelde Scenario 'n groot grondgebied insluit is daar voldoende infrastruktuur ten einde effektiewe kommunikasie, padvervoer, spoorvervoer roetes, lugvervoer, onderwys, gesondheidsdienste en so meer

te voorsien. Effektiewe kommunikasie middele en vervoermiddele veroorsaak dat die uitgestrektheid van die area nie in sigself problematies is nie.

Die bestaan van voldoende node-punte nl. Bloemfontein, Welkom, Kroonstad, Klerksdorp, Mmabatho en Rustenburg voorsien voldoende konsentrasie-punte waar die nodige hoër vlak dienste en hoër konsentrasie vestiging en ekonomiese aktiwiteite kan realiseer. Naas die node-punte is daar ook kleiner sentra soos Bethlehem, Vryburg ensovoorts wat naas die groter sentra ook belangrike vestigingspunte verteenwoordig en gespesialiseerde ekonomiese aktiwiteite moontlik maak.

8. ADMINISTRATIEWE GRENSE

Die voorgestelde Scenario strook in die breë met basiese administratiewe grense en behoort nie ingrypende wysigings te vereis nie.

9. SAMEVATTING

- Streek C op sigself as 'n streek kan heelwat risiko inhou in terme van die daarstellings van 'n sterk genoeg ekonomiese basis ten einde die finansiering van basiese dienste uit eie fondse moontlik te maak asook om 'n redelike mate van ontwikkeling vir al die inwoners moontlik te maak. Daar moet gewaak word om in die korttermyn teen die goudmynbedryf vas te kyk.
- Sasolburg kan grootliks bydra tot die inkomste en nywerheidsbasis van die Vrystaatstreek.
- Gegewe die groot mate van ooreenstemming tussen streek C en J asook die klein aangeduide gedeelte van Streek B is dit voor die hand liggend dat 'n moontlike kombinasie van hierdie gedeeltes in een streek beduidende voordele vir al die inwoners kan inhou en dat interaksie op die basis van interafhanklikheid 'n

betekenisvolle netwerk kan skep wat ekonomiese en ander voordele deur die streek kan versprei.

- Die breër ekonomiese basis kan tot 'n groot mate, as gevolg van die ondersteuning wat verskeidenheid kan bring ten opsigte van die fluktuasie in markkragte, bydra tot meer stabiliteit in die ekonomiese situasie in die hele streek.
- Die sosiale en kulturele verskeidenheid wat geskep word deur sodanige samevoeging is geensins meer kompleks as in die res van die RSA nie, maar bied andersyds op die basis van die ooreenstemmende aard van die streke 'n redelike basis vir ooreenstemming en koördinasie.
- Bevolkingsgetalle mag 'n belangrike basis word vir die toekenning van fondse, maar ook vir politieke bedinging op nasionale vlak. Om hierdie rede is die twee substreke individueel risiko gevalle op sigself. Samevoeging mag gevolglik selfstandigheid, maar ook meer ekonomiese administrasie moontlik maak.
- Ten spyte van die uitgestrekte area maak voldoende infrastruktuur dit 'n maklik benutbare en bestuurbare entiteit. As sentrale streek kan dit sinvol inskakel by die streke in die res van die RSA op die basis van vergelykbare orde grootte in terme van ekonomiese bates, bevolking ensovoorts met die meerderheid ander streke.

ONTWIKKELINGSTREKE
DEVELOPMENT REGIONS

VERKLARING	REFERENCE
Dekonsentrasiepunte ★	Deconcentration points
Nywerheidsontwikkelingspunte ◆	Industrial development points
Ontwikkelingstreke	Development regions
Metropolitaanse gebiede	Metropolitan areas

SELFREGERENDE GEBIEDE
SELF-GOVERNING TERRITORIES

KaNgwane	Gazankulu
KwaZulu	Lebowa
KwaNdebele	QwaQwa

ONAFHANKLIKE STATE
INDEPENDENT STATES

Transkei	Bophuthatswana
Venda	Ciskei

STREEK / REGION 42 P.W.V.
LANDDROSDISTRIKTE / MAGISTERIAL DISTRICTS

Alberton	Heidelberg	Roodepoort
Benoni	Johannesburg	Sasolburg
Boksburg	Kemptonpark	Soshanguve 1
Brakpan	Krugersdorp	Springs
Brits	Nigel	Vanderbijlpark
Bronkhorstspruit	Oberholzer	Vereeniging
Cullinan	Pretoria	Westonaria
Delmas	Randburg	Wonderboom
Germiston	Randfontein	

STREEK / REGION 39
KAAPSE SKIEREILAND / CAPE PENINSULA
LANDDROSDISTRIKTE / MAGISTERIAL DISTRICTS

Bellville	Paarl	Strand
Cape	Simonstown	Wellington
Goodwood	Somerset West	Wynberg
Kuilsrivier	Stellenbosch	

Grense moet nie as gesaghebbend beskou word nie.
Boundaries must not be considered as authoritative.

SUIDWES-AFRIKA/NAMIBIË
SOUTH WEST AFRICA/NAMIBIA

INLAS / INSET

Skaal / Scale 1 : 5 000 000