ICI
IN SOUTH AFRICA

Prepared by Rodney Stares, M.A.

CCSA

Christian Concern for Southern Africa

ICI
(Imperial Chemical Industries Limited)
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CHRISTIAN CONCERN FOR SOUTHERN AFRICA
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"..... Collaboration between industrialists and the government is essential for the survival of apartheid in South Africa. There is an urgent need for industrialists to re-examine their position."

Chief Gatsha Buthelezi

Financial Mail, Johannesburg. 10.12.76

"If they (U.S. Corporations) make the mistake of identifying with the policies of the existing governments (in Southern Africa) they stand to lose everything in the eventual explosive shift of power."

Business Week: Editorial : 14.2.77

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SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

1. SUMMARY

1.1 The origins of ICI's involvement in South Africa go back, through one of its constituent companies, to the last decade of the 19th Century. Today this involvement, with a value of nearly £100m at the end of 1976, consists of one wholly owned subsidiary ICI (South Africa) which besides managing two manufacturing enterprises, acts as the holding company for ICI's substantial minority interests in its two associate companies, African Explosives and Chemical Industries (AECI) and South African Nylon Spinners (SANS).

(Since 1 January 1977 SANS has been absorbed into AECI as a wholly owned subsidiary but is accorded separate treatment throughout the text because of the nature of its business and for historical reasons.)

In addition to the profits and dividends from these companies South Africa also represents a small but lucrative market for ICI exports from the UK (£31m in 1975). Taken together the after tax profits from these various sources are estimated to have been in excess of £10m in 1975. Whilst this is a small figure in relation to ICI's group totals (£191m) it represents a significant stake in a historically fast growing and profitable market. This fact was explicitly recognised in ICI's official history which ended a review of ICI's principal South African investment (AECI) by stating that "AECI taken as a whole was one of ICI's most successful enterprises".

1.2 Despite the fact that ICI had only a minority interest in both of its associate companies in South Africa (AECI 39%, SANS 41½%) it publicly acknowledged in 1973 that the structure of shareholdings was such as to give it joint control with its partner De Beers. As a result it accepted at least 50% responsibility for what its associates did. In addition and perhaps more significantly, ICI possesses very considerable power to determine the course of development in its associates by virtue of its very close working relationship with them which underpins their existence and success in many key areas.

1.3 The growth and profitability of ICI's principal associate (AECI) is based on its long and close relationship with the South African state which has allowed it to maintain a near monopoly position for the supply of many basic industrial chemicals. This favourable relationship depends in its turn on ICI's willingness to make available both the fruits of its world-wide research effort and its export expertise and its ability to raise the very large sums required to finance new capital projects. As a result South Africa has obtained a modern and increasingly self-sufficient chemical industry capable of supporting the growth of other sectors of the economy and making a significant contribution in such important strategic areas as munitions and the uranium industry and in the balance of payments.

1.4 Within the last twelve months ICI has provided over £21m of new capital to AECI with the result that during the last three years (1973-6) the value of the company's involvement in South Africa has effectively doubled to about £100m. On current estimates ICI will be required to put up a share of the further £400m required to finance AECI's plans for the next eight years. Whilst it is unlikely that this investment will be financed from UK sources of funds it presents both a major increase in the company's involvement in an extremely sensitive and risky area and a growing charge on the group's overall resources.

1.5 Although it is known that AECI helped to establish and manage the infant South African munitions industry and played an important role in creating the basis for the country's uranium extraction programme, few details are available concerning its current level of involvement. Recent reports further suggest that the company is responsible for the manufacture of the tear gas used by the South African police and security forces in dispersing demonstrators and marchers. Given the company's accumulated expertise in both the munitions and uranium refining fields it seems highly likely that it still retains a significant involvement.

1.6 There are considerable gaps in the published information concerning the wages and conditions of black employees at ICI (South Africa) Ltd and SANS but these are of lesser significance than those at AECI. Both the sheer numbers employed and the weaknesses in its past record suggest that the greatest shareholder attention should be focussed on labour practice at AECI. Within AECI it is clear that the principal factor determining its performance in each aspect of its industrial relations (wages, representation, advancement and training) is its current and likely future dependance on migrant labour.

(a) It has been reported that the company proposes to phase out the use of migrants in favour of local township labour, but this has not been confirmed publicly nor have details been released of the prospective time scale or the means and resources which the company proposes to employ.

(b) On the question of wages the company's past performance and the experience of other employers of migrant labour elsewhere does not bode well for finding all employees with minimum basic rates above the current PDL level let alone the higher British government recommended MEL standard*. Recent press reports also indicate that the company considers that the economic recession has rendered its goal of equal pay for equal work unattainable by several years.

* The Trade and Industry Sub-Committee of the House of Commons (TISC) that investigated the wages paid to African workers in British companies in South Africa in 1973 recommended that all employees should be paid above the poverty datum line (PDL) immediately and that the minimums should be progressively raised to a level 50% above the PDL. The target was entitled the Minimum Effective Level (MEL). These recommendations were endorsed by HMG in a white paper, Cmnd 5845 December 1974.

(c) ICI (South Africa) says it maintains "a friendly and fruitful" relationship with a coloured textile workers' union in Port Elizabeth, but it is not aware of any African employees being members of a black trade union hence the question of recognition has not arisen and no public statement has been made on the issue. However at AECI, as a result of a fairly high level of black trade union organisation in at least two factories some contact between management and unions has occurred. Whilst ICI claims that certain facilities have been granted to black union representatives at AECI it is unclear whether the company has given, proposes to give or is even prepared to grant de facto recognition to them and if so on what terms. Sources in South Africa claim that at the present time, despite some contact, no form of meaningful recognition has been achieved by the unions. It is also unclear to what extent AECI is attempting to develop its long established and relatively sophisticated black consultative machinery as a substitute for a black union based system of negotiation and bargaining procedures.

(d) Evidence presented to the House of Commons enquiry in 1973 (TISC) clearly demonstrated the operation of a horizontal colour bar at AECI ensuring no racial overlap in the grade structure. This was alleged by the company to be the result of pressure from the 'closed shop' white union. Subsequent reports suggest that attempts are being made to find a compromise job structure which will meet the company's need to train and promote blacks to fill skilled vacancies while protecting the interests of the white employees. It is unclear whether the proposed structure, entailing pyramids of job opportunity for each race, has been implemented and if so whether it is based on the principle of the rate for the job irrespective of race or merely legitimises a necessarily exploitative process of separate advancement.

1.7 Since the TISC enquiry ICI have provided no details of wages and conditions at their associate companies which contain over 95% of the black workforce for which ICI admits at least a 50% responsibility. ICI's response to the CCSA follow up survey of information disclosed as a result of the Department of Trade request (Cmnd 5845, as amended) restricted itself to wages and conditions at the wholly owned subsidiary ICI (South Africa) Ltd. Their minority shareholdings in their associates and the South African government's restrictions on reporting to overseas principals was cited as the reason for being unable to report on their main interests. Whilst some straightforward business information and fragmentary information on social policy is publicly available in the case of AECI not even this can be said of the unquoted company, SANS.

2 CONCLUSIONS

2.1 Whilst ICI's involvement in South Africa does not constitute a major part of its world-wide operations it does represent a substantial and historically lucrative investment. More importantly however the technical and financial support given by ICI to its associates, and especially to AECI, during the last fifty years has changed them from merely serving South Africa's mining industry into pillars of an increasingly diversified and self-sufficient industrial economy.

Within the context of this involvement CCSA believes that there are three issues that should be of concern to shareholders and others who are involved with ICI.

2.2 Firstly ICI's major role in the foundation of the South African munitions industry and its reported continued involvement (through its associate AECI) in the production of tear gas for the South African security forces raises commercial questions for the company and serious ethical questions for its shareholders. Similarly, the company's past involvement in the South African uranium industry and the increasing strategic importance that the industry is assuming make it imperative that shareholders should seek assurances that the ICI group's undoubted expertise in these areas is not being placed at the disposal of the South African Government.

2.3 Secondly CCSA believes that it is important to question, and demand a closer examination of, the extent to which the company is discharging the social responsibilities arising out of its existing interests and relationships in South Africa. The picture that emerges from our review of employment conditions at ICI's principal associate AECI is one more reminiscent of a traditional mining house than a capital intensive modern company. On the basis of the publicly available information it would seem that conditions fall disturbingly short of what one might have expected from a company that if not intentionally is none the less frequently seen as the standard bearer of British industry.

This impression can only be reinforced by the fact that whilst ICI has acknowledged that it has joint control of its associates, and is at least 50% responsible for their actions, it has been unwilling to give account of itself in the areas of vital concern. The dubious legalities of current South African restrictions on corporate reporting of wages and conditions of black employees should not have been an obstacle to full disclosure for a company in ICI's position. It is hard to avoid the conclusion that the company's record is such that either ICI, De Beers, or both find it convenient to shelter behind the veil of secrecy provided by the South African government.

2.4 Finally, and perhaps most importantly at the present time, there is the question of the desirability of ICI continuing to finance and underwrite the proposed expansion of its South African associates and subsidiaries. Clearly there are a variety of perspectives from which the question of desirability can be viewed, ranging from what is commercially desirable for the shareholders to a wider ethical perspective embracing the well-being of the population of South Africa as a whole and in particular the interests of the oppressed black majority.

2.5 From the commercial perspective it should be of concern to shareholders that the company is prepared to back a massive programme of expansion which will increase its involvement and the amount of capital at risk in a society which daily exhibits stark evidence of increasing racial polarisation and mounting violence. This is particularly true of investments which by their very nature take many years to come to fruition and make a contribution to profits. In this context it is interesting to note that at a recent international seminar in Johannesburg a director of the Anglo American Corporation - a close associate of De Beers, ICI's partner in AECI stated that:

> *"If I were an investor looking clinically at SA, I would be aware of SA's long-term potential but would refrain from investing here until SA looked safe for private enterprise - which means until the obviously essential political reforms had been carried out."*
>
> Zac De Beer, Financial Mail, Investment Seminar 1976

Whether ICI's commitment to further expansion in South Africa reflects a belief in the country's ability to surmount its rapidly approaching political crisis or is due to the imperatives of market growth and profits and a reluctance to lose its position of joint effective control cannot be known. What does however seem clear is that whilst the increased investment may not be financed from the UK the group as a whole will be asked to raise new money and create charges on its assets in order to finance a markedly greater stake in the apartheid system.

2.6 There may still be some room for debate on the commercial prudence of investing additional resources in South Africa but there is also an important ethical issue involved in any such commitment.

Shareholders are implicitly being asked to sanction and be party to a major increase in their company's involvement in a country and a system which, on the basis of race, deprives the majority of its citizens of their basic human rights. The picture that emerges from our review of ICI's past performance is of a company which has accepted the constraints imposed upon it by that system, in particular by the government and the white trade unions, and has made little or no attempt to use its very considerable influence to set its own course. The result has been that while the economy and the white community have been immensely strengthened and enriched by ICI's involvement, most of its black employees are, after fifty years, still denied access to anything but the least skilled jobs and, as AECI recently acknowledged, equal pay for equal work has yet to be achieved.

Furthermore, there is no indication that any of this will change with the proposed expansion of the company's investment; the reverse is more likely to be true. The immense technical problems of installing and running ever larger and more complex factories will almost certainly place very considerable demands on the company's managerial resources. In such a situation it appears unlikely that management will have the time to initiate the radical changes in the company's relationships with its personnel that are so urgently required yet are so time consuming to follow through and sustain. Hence, rather than give added flexibility to management further growth may well preempt resources from the urgent task of improving the present employment situation. Similarly, the rationing of scarce capital resources between competing priorities is even less likely to be to the benefit of such "non-productive" items as black workers' amenities and facilities during an era of continuous inflation than during one of relative price stability. Finally, the creation of larger plants is likely to make the company increasingly vulnerable to the decisions of comparatively few skilled white operatives, thus further entrenching their existing power and lessening the chances of the company ever challenging it in the interests of black training and advancement.

2.7 Besides examining the company's past performance and the priorities implicit in rapid future growth one other factor of great importance should be placed in the balance; the views of South Africa's black leadership and committed Christian opinion. During the last twelve months there has been an extremely significant hardening in the position of various leading public figures. Whereas a year ago many black leaders were prepared to argue publicly the case for further foreign investment they are now, with the one exception of the Transkei, either silent or opposed to further investment.

A recent statement issued by the Christian Institute of Southern Africa affirms its support for calls for no further investment in South Africa and gives the following as one of its reasons:

> *"Many black organisations have opposed foreign investment in South Africa, and we believe this would be the opinion of the majority of South African blacks if their voice could be freely heard. Blacks accept that the consequent economic recession and unemployment would cause them suffering, but argue that this would be for a limited period by contrast with the unending suffering caused by the continuation of apartheid."*
>
> Investment in South Africa, 28th October 1976

2.8 It is true that calling a halt to further investment could damage ICI's immediate prospects in the South African market. On the other hand, it is a normal business decision to accept a reduction in market penetration or control in order to reduce or limit risk, and such a decision would not necessarily be detrimental to the longer term interests of the ICI group as a whole. It is also generally held that moral considerations may place a constraint on the economic possibilities which a company may exploit. Indeed, this was clearly accepted by the Government when it endorsed the Code of Practice (see footnote p.2) and has been acknowledged by a number of leading companies.

2.9 We believe that, in the case of ICI, the evidence suggests that further investment in South Africa would do more to support the present oppressive social and political system than to encourage the development of a more just society. We strongly question, therefore, the moral acceptability of any further investment by ICI in South Africa.

3. RECOMMENDATIONS

CCSA recommends that concerned shareholders and others press the company for:

3.1 A fundamental shift in policy away from rapid commercial expansion in South Africa towards a greater emphasis on its existing responsibilities to the black community. The company should consider a halt to all further financial support for its subsidiaries and associates which is not directed to this end.

3.2 A public commitment to:

(a) Recognise, meet with and grant facilities to such black trade union organisations as can demonstrate a significant membership at the factories of ICI's subsidiary and associated companies.

(b) Achieve minimum wages in excess of the MEL for black employees at ICI subsidiaries and associates within the maximum "transitional period" envisaged by the British Government in its Supplementary Guidance for U.K. Companies with Interests in South Africa (Section 13).

3.3 Disclosure of information on:

(a) Industrial Relations policies in ICI's associated companies in particular:

- the details of the current policy for the elimination of migrant labour, its timescale, its means of implementation, and the resources being committed to it.

- answers to the basic Department of Trade questions concerning wages levels.

- policies with regard to the recognition of black trade unions, contact to date and current position.

- details of company policies in the field of black job advancement, their timescale and resources committed. Information at least as specific as that given to TISC on job structures and staffing levels would be required.

(b) The current relationship with the South African Government in the munitions and nuclear fields in particular:

- past and current contractual relationships in respect of research, advisory or management services in either the munitions or nuclear fields.

- details of all board members and senior managerial and technical staff at ICI subsidiaries and associates who hold appointments on the boards of any South African government corporation or its subsidiaries concerned with weapons and munitions contracting or nuclear energy research. Similarly, details of involvement in government or industry working parties concerned with either of these subjects.

3.4 The termination of ICI's involvement, through the supply of military material, in the repression by the South African security forces of the black communities in Southern Africa.

ICI AND SOUTH AFRICA: AN OVERVIEW

ICI is one of Britain's largest and most prestigious companies and the centre of a group employing more than 195,000 people worldwide and operating in more than 100 countries. As a result of its rapid expansion over the last ten years overseas sales have risen from 48% to 58% of the group's total turnover. While this is in part a reflection of the increase in UK exports, the greatest contribution has come from the growth in production overseas, especially in Europe.

Within the context of these world-wide operations ICI's involvement with South Africa is small but significant. South Africa is ICI's largest market in Africa, which is in its turn the largest export market outside of Western Europe. In 1975 exports to the Republic totalled £31m being just under 5% of all ICI's exports from the UK.

In addition, South African subsidiaries, associates and trade investments in which ICI has a stake are a source of profits and dividends for the group as a whole. ICI's 1975 accounts mention the company's share of the profits in only one of its South African associates (AECI), but give no details of profits derived from its other South African interests. On a conservative estimate ICI's involvement (both direct and through exports) earned it a profit after tax in excess of £10m in 1975.

Although these figures are still comparatively small in relation to group turnover and after-tax profits it represents an involvement in an until recently rapidly expanding and highly profitable market. Figures given in Appendix I indicate that while exports to South Africa have been growing at the same rate as the world total, turnover at ICI's principal South African associate (AECI) has been growing faster than that of other overseas interests and significantly faster than overall group turnover. Similarly the return on sales for many of AECI's product lines is in excess of that for the group as a whole.

At the time of the TISC enquiry the company reported that the net assets value of its investments in South Africa was R53m (£30.6m at the prevailing exchange rate). No recent figures are available for the value of the investment but estimates made by CCSA suggest that it was approaching £100m by the end of 1976. (See Appendix I)

ICI's involvement in South Africa consists of a wholly owned subsidiary ICI (South Africa) Ltd, which, besides managing several operating subsidiaries and ICI's sales activities, acts as the holding company for ICI's major investments in two associate companies, African Explosives & Chemical Industries (AECI) and South African Nylon Spinners (SANS).*

*With effect from 1st January 1977, SANS became a wholly owned subsidiary of AECI. As a result of the buying out of the SANS minority shareholders both ICI's and De Beers' stake in the enlarged AECI has been marginally increased to approximately 40% each. See Appendix I.

ICI (South Africa) Ltd's two operating subsidiaries are ICI South Africa (Pharmaceuticals), which manufactures medical and veterinary pharmaceuticals, and Optilon (Africa) Ltd which produces slide fasteners. With factories and sales offices in Johannesburg, Durban, Port Elizabeth and Cape Town, ICI (South Africa) employs a total of 195 African workers (2nd March 1976).

AECI, in which ICI currently has a 40% stake, is the largest single producer of general chemicals, fertilisers, paints and plastics in South Africa, having a virtual monopoly over the supply of a wide range of basic industrial raw materials. The company also produces all the blasting explosive for the mining industry and operates the world's largest dynamite factories. AECI currently ranks third in the South African top 100 companies in terms of profits, fifth in terms of total assets and eighth according to the volume of sales. The only British connected company which is more highly placed is the mining and industrial conglomerate, Lonrho. As at March 1973 AECI employed a total of 8,926 black workers, (Africans 8,589, Asians 53, Coloureds 284) at four main factories outside Johannesburg, Durban, Cape Town and Midland. On these figures AECI would appear to be the second or third largest British related employer of black labour in South Africa. In its turn AECI has a large number of subsidiaries including several joint ventures with major British specialist chemical companies such as The Tioxide Group (in which ICI itself has a major interest), Laporte Industries and Powell Duffryn.

ICI's other major associate company in South Africa prior to its recent incorporation into AECI was South African Nylon Spinners (SANS) in which the company had a 41½% investment. SANS produces nylon and polyester yarn at a factory near Cape Town and according to evidence given to TISC in 1973 employed a total of 1,541 employees of whom 1,296 were Coloured. No Asians or Africans were employed. Basic details pertaining to ICI (South Africa), AECI and SANS and ICI's shareholdings in them are given in Appendix I.

Although in the case both of AECI and SANS ICI is a minority shareholder it is in an immensely strong position to determine the overall direction and policies of these two major companies. ICI can exercise this influence by virtue of two forms of relationship with its associates.

Firstly, the structure of shareholding in both AECI and SANS is such that ICI shares effective control with its long-term South African partner De Beers (part of the Anglo-American group of companies). Each of these two principal shareholders having direct and indirect holdings totalling 39% in the case of AECI and 41½% in that of SANS. (See Appendix I). Whilst the Chairman and a number of the directors of these companies are appointed by De Beers his deputy and a similar number of other directors are nominated by ICI.

ICI's Memorandum to TISC insisted that the company did not control either of the associates and this reluctance to acknowledge joint control continued throughout the oral evidence. However when questioned by TISC as to whether ICI was in a position to veto certain activities of AECI the Chairman replied that:

"I have never thought of it in that light, but in a 50-50 situation each party has an equal right to a voice, so yes, unless there is agreement between the two, one side can veto the actions of the other."

(TISC p.299 Q804)

Subsequently another ICI Director was more direct when he stated that:

"You can say fairly that ICI and De Beers share the control of the company (AECI) and are equal in its management. We clearly have at least 50% of the responsibility for what it does. In the SANS case it is somewhat more complicated... Irrespective of these numbers again it is fair to say that we have and take responsibility for half the control of that company also."

(TISC p.307 Q873)

Although the absolute size of ICI's shareholding in these two associates has changed since 1973 there is no indication that this has altered the position of ICI relative to De Beers or their joint control of the two companies.

The second major source of ICI's influence over its associates derives from its extremely close relationship with both companies at a technical, commercial and personnel level.

Whilst De Beers provide the local financial and political muscle, (Harry Oppenheimer is the Chairman of both companies) much of the technology employed, along with the products produced, are the result of ICI's world-wide research and development efforts. Not only does AECI have access to ICI's patented technology but it has sole rights to market throughout Southern Africa those of ICI's branded products that it produces. In the field of personnel it is clear that considerable interchange occurs at the higher technical and managerial levels between ICI staff in the UK and its associates in South Africa. The Curriculum Vitae of most of AECI's directors and top managers will frequently reveal a period of secondment to ICI in Britain, while the last two managing directors have been British born and have occupied very senior positions in ICI's UK operations before taking on responsibilities in South Africa. (When AECI needed rejuvenating in the late 1960's it was ICI who found the management talent from within its own ranks.)

Hence not only does ICI's representation on the board understate the extent of its influence but, unlike many other British companies, there is likely to be far less of a cultural or attitudinal gap between UK directors and local ones.

In summary it can be seen that the South African market represents for ICI a small but important part of its world-wide operations being characterised both by a rapid rate of growth and by a high level of profitability. ICI's subsidiaries and associates not only have a dominant market position but also operate in areas that are fundamental for the long-term strength and expansion of the South African economy. Finally, it is evident that ICI possesses very considerable capacity to determine the course of developments in its South African associates both by virtue of its position as a shareholder and perhaps more significantly as a result of its close working relationship which underpins their existence and success in many key areas.

PARTNERS WITH THE SOUTH AFRICAN GOVERNMENT

ICI and its South African associate companies have maintained a long and close relationship with the South African state for over fifty years. This "partnership", sometimes formalised but usually implicit has covered co-operation in three main areas: the development of heavy industry especially in the field of industrial chemicals, the creation of a domestic munitions industry and a significant contribution to South Africa's uranium extraction programme. Each of these is examined in turn.

(a) The Development of South African Heavy Industry

The origins of ICI's investment in South Africa go back through one of its constituent companies (Nobel Industries Ltd) to the last decade of the nineteenth century. Starting with the production of commercial explosives the company expanded rapidly with the growth of the mining industry and began to diversify into the production of basic chemicals. In 1924 the South African interests of Nobel Industries merged with those of its principal competitor, De Beers, to form the present-day AECI Ltd.

From its inception in 1926, ICI was faced with the problems arising from the growth of economic nationalism in its traditional export markets. The company's response was to establish as a joint venture with local partners an overseas factory to supply the particular market. The joint venture company would become ICI's main manufacturing agent in the territory and form part of the ICI family of companies with access to the group's capital resources, technology and patents. In return the overseas company would agree not to compete with ICI and to refrain from entering the export trade.

Whereas in some parts of the world this response was slowly and reluctantly forced upon the group, in the case of South Africa it would appear to have been altogether different. Firstly as a joint venture already existed (inherited from Nobel Industries) it was only necessary to reformulate the agreement between ICI, its partner De Beers and AECI. In 1930 a new agreement was reached which according to ICI's official history:

> *"was essentially a market sharing agreement relating to the entire African continent between Cape of Good Hope and 10^{o}N Latitude. Within that area, broadly speaking ICI and AECI were to exchange technical information and were not to compete. Outside it, AECI was not to operate at all. To ICI's later regret the agreement was perpetual."*

Secondly in the same year ICI went one step further when it took the initiative in setting up in South Africa a synthetic ammonia and ammonia oxide plant for nitric acid despite the reluctance of its local partners. According to the company's history:

"Nowhere else in the world did ICI propose such a thing of their own accord but in South Africa they were determined to be independent of imported nitrate."

With the construction of the first synthetic ammonia plant at Modderfontein - based on the process pioneered at Billingham-on-Tees - ICI began widening and deepening its involvement in South Africa and in the process gave birth to the South African chemical industry.

For the next two decades ICI's role remained that of technical assistance and support. ICI technicians would conduct the necessary feasibility studies, design the plant and supervise construction and installation. Furthermore they would provide "free and full exchange of information on improvements and developments of the process."

In 1950 two new departures occurred. Firstly ICI decided to launch ICI (South Africa) Ltd as an active subsidiary and to it were transferred AECI (Pharmaceutical), most of ICI's agencies, its shareholdings in AECI and 123 members of staff. Secondly ICI began to provide capital as well as technical resources. At a board meeting in 1950 the Chairman of AECI announced that the two parent organisations during the years 1951, 1952 and 1953 were to make available to AECI a loan of £4m to be called up in equal proportions from ICI (South Africa) Ltd and De Beers Industrial Corporation as required.

In 1954 the second ammonia plant was installed at Modderfontein to be followed rapidly by South Africa's first PVC factory at Umbogintwini. A third ammonia plant was to follow in 1967 and in early 1974 the fourth plant, and the world's largest based on coal, was opened at Modderfontein at a cost of R100m. Besides these major factories AECI has built numerous extensions to its existing facilities, constructed new factories for specialist chemicals and bought shareholdings in and taken over other chemical companies. By the end of 1976 AECI had capital employed of nearly £300m and over thirty subsidiaries and associate companies throughout Southern Africa.

The benefits to AECI and to the South African economy in general arising from its relationship with ICI were aptly summarised by A.P. Cartwright in his history of AECI:

"The immense resources of the world famous British company, its technical skill and all the fruits of its research programmes have always been placed at the disposal of its partner. In almost all the new branches of the chemical industry now established in South Africa, ICI has acted as the pathfinder, so that when the time came to build a factory here most of the trials and errors inseparable from establishing new manufacturing techniques were over and the blue-prints were accurate. Nor was that all. There were ICI chemists, engineers and technical experts of all descriptions available to advise their South African colleagues when required"....

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"For the past forty years a comparatively young country has had some of the best scientific brains in Europe helping it to plan its industrial development. Without the knowledge that ICI has supplied neither AECI nor the industries it serves could have made anything like the progress they have..." Page 251

The Dynamite Company
MacDonald. London 1964

As a result of this massive series of investments and the technical support it receives from ICI, AECI has become the dominant force in many markets. An idea of the central importance of AECI to the South African economy can be derived from a survey carried out in 1974 by the Johannesburg Financial Mail on the occasion of the company's fiftieth anniversary.

"AECI, the largest truly industrial company in South Africa, bestrides the economy like a Colossus. It makes and supplies virtually all the country's explosives, about two-thirds of its nitrogenous fertiliser, most of its industrial chemicals and much of its plastics. It has a significant interest in phosphatic fertiliser and a number of other fingers in the industrial pie. If AECI shut down tomorrow, the repercussion to South Africa would be far more serious than those of the recent coalminers' strike to Britain. All mining and much of industry would come to a standstill; agricultural output would dwindle miserably. If the shut-down continued for long, we'd be in danger of starvation."

In addition to introducing new products and processes in its own areas, AECI has entered into partnership with a number of UK and European competitors to launch joint venture operations in a variety of specialist chemical fields. In the case of South African Tioxide Products, AECI has a 40% stake whilst the remainder is owned by British Tioxide in which ICI has a major shareholding. Similarly with South Africa Peroxide the dominant partner is UK based Laporte Industries. Finally in the case of PD Oil and General Storage the equity is split four ways between two UK companies, AECI and the South African government's African Finance Corporation. These arrangements would appear to give the company a finger in a number of lucrative pies without entailing the over diversification of its financial and technical resources that would occur if it were to take a more prominent role.

From the point of view of the South African government, AECI's monopoly position or dominance in many fields has been viewed as a necessary development in the interests of technical efficiency and minimum cost operations. In attempting to escape from its position of dependance on primary products by means of rapid industrialisation within the limits of a small domestic market it was inevitable that the country would have to depend on a small number of dominant industrial suppliers. Nowhere does this argument have more force than in the heavy chemical industry which is characterised by very considerable economies of scale.

Whereas in many fields these considerations led the government to take the initiative in setting up a particular industry by the creation of a state corporation the existence of AECI in the field of heavy chemicals made this unnecessary. Instead, the government has operated a policy of granting the company a certain privileged status while retaining the powers to control or discipline its activities where necessary. The benefits accruing to the South African government from this kind of arrangement are threefold; firstly lowest cost operations are ensured not merely in the short-run by the highest possible utilisation of productive capacity but in the longer-term by guaranteeing access to the latest technology and operating experience held by the ICI group.

Secondly, given that the profitability of South African based chemical plant will depend on exporting part of its output there are advantages in having access to the export know-how and market contacts of a major international group.

Finally, the financing of the massive capital costs becomes the responsibility of a prestigious international group of high standing in world capital markets.

In return AECI has been invited to pioneer the introduction of new chemical derivatives (chlorine, PVC, etc) and given government contracts (described in later sections). AECI either singly or jointly with others has been given responsibility for administering import licences and other controls over the import of polythene (1969) and PVC (1976).

Besides being responsible for the construction of much of the South African chemical industry AECI has been heavily involved in projects that could significantly strengthen the industry and reduce its dependance on imported materials. Reference has already been made to ICI's first ammonia project in 1930 and this policy has continued with the decision to base the latest of the ammonia plants on a coal conversion process rather than on imported oil feedstocks. Clearly in an era of growing resource shortages and politically directed international embargoes this policy is not only commercially sound but offers major strategic and balance of payments benefits to the South African state.

More recently AECI has launched a R4.4m research and development programme to commercialise a new process (developed by Mobil Oil) for making ethylene from coal. Besides producing ethylene, which is a vital raw material that South Africa still has to import or "crack" from imported naptha, the project offers the possibility of substantial quantities of high octane petrol as a by-product. Should this process prove to be commercially viable then AECI estimates it will have to invest R300m in the process.

In April 1974 AECI announced that it planned to invest R1,000m (nearly £600m at the then current rate of exchange) in South Africa in the ten years to 1984. This figure represents some 40% of the projected investment for the entire chemical industry during the period and is second only in size to the South African government's massive investment in its strategic oil from coal process (SASOL II). The bulk of AECI new investment will be located at Sasolburg in the northern Orange Free State and will derive its feedstocks from the new SASOL plant. The first of these massive new projects, entitled Coalplex, is a joint venture with its largest competitor Sentrachem (in which BP has a 20% holding). Although AECI will have the majority shareholding in the Coalplex project it is envisaged that Sentrachem will take the lead on the next joint venture, thus giving the two companies an eventual position of overall parity.

If all these projects come to fruition then the company estimates that it could be saving the country R140m in foreign exchange by 1980. Should the experiments with the previously mentioned Mobil process prove commercially viable then AECI could be producing 20% of South Africa's petrol requirements (and at a higher octane than SASOL) as a by-product of its ethylene production.

In early 1976 it was announced in the press that AECI had already ear-marked some R400m of the R1,000m it planned to spend and of this total part had already been spent at Modderfontein. Since then further projects have been given approval including an 80,000 ton/p.a. plant at Umbogintwini for the manufacture of mono-calcium phosphate. In addition, a 50% stake has been acquired in Glenjohn Chemical Holdings which has several chemical works in the Transkei at Butterworth. AECI's continued commitment to the expansion programme was recently reaffirmed despite the political turbulence and economic recession currently being experienced in South Africa. AECI's Financial Director told the Johannesburg Financial Mail in March 1977:

> *"While economic conditions have caused some plans to be postponed, nothing of major consequence has been abandoned. We still have similar capital expenditure goals."*

The Chairman and Managing Director of ICI (South Africa) backed this statement, saying that he has:

> *"Never known any worthwhile project to be scaled down because ICI was unwilling to provide funds. Nor do I foresee that problem arising."*

Although it was stated in mid-1975 that the expansion programme was to be financed by the issue of long-term unsecured debentures with the option of equity conversion, a considerable amount of new equity capital will also be required. This point was underlined when in July 1976 in order to finance its share of the Coalplex project (R170m out of a total of R275m) AECI made the largest rights issue ever seen in South Africa with ICI and De Beers contributing R32m (£21.3m) each in return for AECI ordinary shares.

While most attention has been given to the size and dominance of AECI it should not be forgotten that the far smaller SANS also occupies an important position in its respective area. Established in 1963 as a manufacturer of nylon filament yarn it came into the ICI fold when British Nylon Spinners was taken over by ICI in 1967. Since that time SANS has moved into the field of polyesters and has become the vehicle for carrying out AECI's grand design for reorganising and streamlining the nylon processing industry under one company. This plan led initially to the acquisition of a number of fabric processing factories, the opening of a new spinning plant at Hammarsdale outside Durban, and the construction of a new R25m polyester plant which is reported to contain the most advanced ICI computer controlled technology for polymer fibre manufacture.

More recently this process of expansion has been followed by the closure of two of the acquired factories at Belville in Cape Province - with over 450 redundancies among the mainly coloured employees - and has culminated in the absorption of SANS into AECI as a wholly owned subsidiary.

Taken together the expansion plans at AECI and to a lesser extent SANS entail a massive increase in the scale of operations in South Africa in the next five to ten years. Already in the two and a half years since the expansion plans were announced in 1974 AECI's capital employed has been increased by at least 60% as a result of a 75% increase in shareholders' funds (R184m) and a more than doubling in the amount of long-term borrowing (from R56m to R121m).

The fact that these ambitious schemes are going ahead at this pace and have received very substantial financial support from ICI indicates not merely a passive acceptance of the imperatives of growth but a strong active commitment to its South African associates. Indeed the very execution of these ambitious plans is likely to have been contingent not just on ICI's approval as a shareholder with veto powers but on its agreement to lend its name and international reputation to the necessary financing operation and its willingness to provide the indispensible technical back-up.

If these plans come to fruition ICI will be called upon to provide massive new injections of capital as required. Whilst part of ICI's contribution may be derived from profits and dividends retained in South Africa it seems likely that the bulk will have to come either from the UK or be raised internationally. As UK sources are subject to a variety of controls and could be needed for domestic purposes the main burden is likely to fall on the Eurodollar market or syndicated bank loans.

Shareholders in ICI are therefore likely to be faced by the prospect of an accumulating burden of long-term debt being incurred in order to finance a growing absolute and possibly percentage involvement in South Africa. In short the company is proposing to lock itself even more tightly into the South African economy at precisely the time when its political and economic prospects appear least attractive. For an enterprise whose very business should condition it to taking a long view such a course of action would appear unwise.

(b) The Munitions and Nuclear Programmes

ICI's involvement in the South African munitions industry dates back to the year before the Second World War. According to Cartwright:

"As early as 1937 the South African Government, reviewing its resources, decided that it needed an ammunition factory and entered into negotiations with ICI. The outcome was an agreement by which ICI undertook to supply the necessary machines for making the components in a plant that would produce 10,000,000 rounds of ammunition in a thirty-six hour week, while African Explosives were to produce the cordite and the percussion caps."

The munitions factory was established at the Mint in Pretoria and ICI trained the employees and got the installations working.

Subsequent government requirements for a larger plant to manufacture TNT and cordite for heavy guns led to the planning and construction of another factory at Somerset West. The capital required was supplied by the government but sole responsibility for the operation of the plant would remain with the company.

In the early 1960's AECI entered into a further agreement with the South African government to operate two munitions factories in the Transvaal in return for an annual fee. In February 1970 the South African government took over full technical control of a third munitions plant in the Cape from AECI. No details are currently available as to whether these contracts are still operative and if so what is the present level of AECI's involvement in a research, supervisory or manufacturing capacity. Clearly if AECI's unparalleled technical experience in the field of explosives and detonators is being harnessed for military applications then these are likely to be of a relatively "conventional" nature. As such they would be highly relevant to the domestic security situation as well as to offensive operations outside the Republic. This assumption appears to be confirmed by a recent report on the current urban unrest which claims that:

"Most of the tear gas used against the blacks throughout the uprising is manufactured by African Explosives and Chemical Industries Ltd,......besides producing tear gas (at its factory at Modderfontein) it makes nerve gas and chemicals usable as defoliants"

CIS - Black South Africa Explodes, 1977 p.49

ICI's involvement in the South African nuclear programme would appear to go back to 1952. According to A.P. Cartwright in his book, The Dynamite Company:

"AECI played an important part in the development of the seventeen uranium extraction units and their attendant sulphuric acid plants." (p.244)

The significance of these plants and their successors lies in the fact that South Africa possesses some 25% of known world uranium reserves (and controls further significant reserves in Namibia) and has made great efforts over the last sixteen years to develop a domestic capacity to carry out each stage in the nuclear chain from refining and processing of crude ores to enrichment, fuel use and plutonium recovery. The development of a strong domestic uranium industry offers the South African Government a number of major strategic benefits. Firstly it provides an additional element in a strategy of energy self-sufficiency aimed at independence from international oil embargoes. Secondly uranium exports to an energy starved industrialised world could provide a massive boost to the balance of payments at just the time when international capital flows are tending to shy away from South Africa. Thirdly the availability of secure uranium supplies provides the basis for the production of "weapons grade uranium" for military purposes. Finally, and perhaps most significantly, South Africa hopes to be able to take advantage of its future position as a major supplier of uranium ores and eventually enriched fuels to involve the major industrialised countries more closely in the apartheid economy and give them a major vested interest in its continuance.

Unfortunately no further details appear to be available as to whether ICI is still involved in this field, whether in uranium extraction or in subsequent steps. Similarly it is difficult to assess whether ICI's initial contribution is still of significance, or has been overtaken by newer developments with which the company was not associated.

ICI AS AN EMPLOYER IN SOUTH AFRICA

As can be seen from the table below over 95% of the black employees of ICI's South African subsidiaries and associates are concentrated in the two associates AECI and SANS. However since the 1973 TISC enquiry few details have been forthcoming from ICI concerning the wages and conditions of these workers.

Company	Black Employees					White Employees
	African	Asian	Coloured	Total	%	
ICI (South Africa)	197	13	287	497	4.6	346
AECI	8,589	53	284	8,926	83.3	1,608
SANS	-	-	1,296	1,296	12.1	245
TOTAL	8,786	66	1,867	10,719	100	2,199

Source: ICI Memorandum to Trade and Industry Sub-Committee (TISC) 1973

The following sections therefore deal primarily with conditions at the wholly owned subsidiary, ICI (South Africa) Ltd and only refer to the post-1973 situation at the associate companies inasmuch as it has been possible to piece together material from other sources. The question of disclosure of information and the constraints operating on the company in this area is taken up in more depth in the final section of the report.

A WAGES

ICI (SOUTH AFRICA)

In its evidence to TISC, ICI (South Africa) Ltd accepted the PDL measure as a useful guide in establishing minimum wages and reported that it was using the figures prepared by the Johannesburg Chamber of Commerce. This PDL (which is based on the needs of a family of five in Soweto) was applied uniformly to all the company's establishments in the Republic despite the fact that at that time it was the highest PDL for any location. Data on the basic rates of pay for the lowest grade (applicable to all races and locations) in April 1973 and at later dates are given below.

WAGES AT ICI SOUTH AFRICA (Figures are for calendar months in Rands)

Date	Minimum for the Grade		Sources
	Lowest (category 1)	Highest	
Jan 1972	86.36	189.36	Denis Herbstein - Joburg Sunday Times
April 1973	89.00 - 120.00 52.00 - 65.00 (women)	170.00 - 235.00 115.00 - 169.00 (women)	ICI Evidence to TISC
July 1973	99.66 - 131.73 (After 6 years) 59.60 (women)	189.80 - 258.26 (After 7 years) 186.33 (women)	Wages Commission - University of Cape Town
March 1976	170.00 - 209.00	400.00 Wages of Highest Paid	ICI Memorandum in response to Dept. of Trade request (2.3.76)
March 1977	191.00 - 230.00	472.00 "	" (8.3.77)

Starting from a position in 1973 of being one of the very few companies found to be paying all their employees above PDL levels ICI (South Africa) have progressively increased their minimum rates of pay to a point where by March 1976 all workers were in receipt of starting wages above the MEL level as calculated by the Johannesburg Chamber of Commerce, (November 1975 PDL - R109.47/MEL - R164.21). Figures for 1977 indicate that minimum wages have remained above the recommended target level.

AECI

Both the predominance of AECI as an employer of black labour and its high degree of dependance on migrant workers made it a natural subject for considerable probing by the TISC committee. On examining ICI's claim that average African earnings at AECI had increased by 245% in the thirteen years since 1960 compared to 120% for whites it was pointed out that in absolute terms this meant that the lowest 40% of African employees had only increased their monthly wage by R50.00 whilst the lowest white workers increased theirs by R150.00. Furthermore much of even this improvement was extremely recent in origin.

The wages levels prevailing at the time of the enquiry, particularly those for migrants (see table below) were also closely examined since they had in many cases been dramatically raised on 1st April 1973 in order to "compensate for the exceptionally steep rise in living costs since deciding on the previous wage increase". (January 1973). When on two occasions the committee suggested that a very substantial percentage of the black workforce had been or was still being paid at or below PDL levels little attempt was made to refute this conclusion.

As in the case of many other employers it was argued that the needs of migrant labourers were far less than for settled workers or that wage levels had never been a cause of complaint nor were they out of line with those paid elsewhere. Whilst supplementary information from the company clarified certain details of the numbers receiving the minimum wage the committee was left with considerable doubts as to the adequacy of minimum wage levels paid at AECI and the percentage of employees below the PDL level.

Whilst minimum wages for migrants at AECI were generally above those paid by the mining houses they bore little comparison with those paid at ICI (South Africa) Ltd. It is also significant that whereas the working week at ICI (South Africa) ranged from 38¾ to 41¾ hours that at AECI was from 46 to 48 hours.

Minimum and Average Wages at AECI

Date		Minimum (Lowest Grade Y)					Source
		Migrants			Township	Average	
		Cash	Kind	Total			
April 1973	*(a)	58.00	18.00	76.00	-	(	ICI Memorandum
	(b)	76.00	-	76.00	-	(89.00	to TISC
					85.00	98.00	
Jan 1975		?	?	119.00	?	173.00	ICI correspondence

*(a) Company's Hostel
(b) Municipal Hostel

A crude comparison of the relative proportions of created wealth (value added) going to profits, tax and salaries for AECI and the ICI group for 1973 illustrates not only the greater profitability of the South African company as a whole but also the imbalance in the remuneration between the races. Whereas in the UK nearly three-quarters of the wealth created goes to wages and salaries in South Africa the position is reversed and over two-thirds goes to profits. Furthermore, within the smaller share going to wages, 42% is taken by the whites who constitute a mere 15% of the workforce.

Shares of Wealth Created (Value Added) 1973

			AECI	ICI (UK)
Pre tax profits			68.3	25.3
Wages & Salaries:	African	17.4	)	
	White	13.4	31.7)	74.7
	Coloured	0.9	)	
			100	100

Racial Shares AECI	% Workforce	% Wage Bill
Whites	15.2	42.0
Coloured	3.3	3.0
African	81.5	55.0
	100	100

As a result of a shareholder's enquiry at the 1975 Annual General Meeting ICI supplied some figures on the improvement in minimum wages at AECI up to January 1975. Unfortunately the figures provided (see table) do not distinguish between the cash remuneration and the part received in food and accommodation, nor do they allow any judgement to be made as to the percentage of the workforce below either the PDL or the MEL.

While ICI is committed to the principles of equal pay for equal work this situation still does not exist at AECI. According to a recent report in the American magazine, Business Week, (14.2.77) AECI had planned to wipe out all wage differentials among workers doing the same job by 1977. But now according to a company spokesman, "the economic recession has rendered this unattainable by several years".

SANS

Basic wages at SANS, which employes only Coloureds and whites, were stated to be based on a common salary scale. For a forty-five hour week the lowest rates at April 1973 were as follows:

Non-shift	Minimum	Average
Males	R89.70	123.93
Females	R70.20	102.70

The corresponding PDL for Coloureds in Cape Town at May 1973 was R98.58 according to the University of Port Elizabeth. Clearly therefore some workers, probably in the main females, were below the PDL but it is likely that they would have been comparatively few in numbers. Hence at the time of the enquiry it appears that SANS occupied an intermediate position between the higher standards of ICI (South Africa) and the more questionable performance of AECI. Whilst hours worked were considerably longer than at ICI (South Africa) (and hence more comparable to AECI) the level of remuneration was far higher and less open to question than that at AECI. Whether SANS has maintained this position and where its workforce stand in relation to current MEL levels is an open question. CCSA has been unable to find any information on the level of wages or their adequacy since the 1973 enquiry.

The conclusion that emerges from this review of the very limited data on wage levels should be of concern to shareholders in that the information available is in inverse relation to the scale of the involvement and the likelihood, on past performance at least, of encountering low minimum wages.

While the least significant and historically better paying ICI (South Africa) Ltd has disclosed information that suggests a smooth progression to wage levels above MEL, AECI with the largest number of black employees, the poorest wages record and the longest hours remains shrouded in secrecy.

B BLACK UNION REPRESENTATION

As with wages the situation differs markedly between the three companies.

ICI (South Africa) Ltd

ICI's Memorandum to TISC makes no mention of the nature and extent of black representation at ICI (South Africa) nor was any reference made to this subject in the subsequent oral evidence. It must therefore be assumed that in 1973 wage fixing was a unilateral management decision rather than subject to negotiation. This position seems to have remained unchanged until at least the beginning of 1976.

In its memorandum to the Department of Trade (2nd March 1976) ICI states that "in each locality there are Consultative Committees which cover all race groups, with sub-committees for individual race groups to deal with their particular interests." Whilst it is not clear whether these committees are of the officially encouraged Works or Liaison varieties or some company variant the emphasis on consultation strongly suggests that there is still no bargaining element. Although press reports (Guardian 23.9.76) indicated that ICI had issued a policy statement on the subject of black trade unions this turned out not to be the case. According to ICI's company secretary:

> *"African workers can join a black trade union if they are eligible, but at this stage in the development of negotiating procedures, none of our African employees have chosen to do so. The question of recognition has therefore not yet arisen and we accordingly have not made any public statements on the subject."*
>
> J.D. Cousin. 30th November 1976

Unlike some of the other ICI subsidiaries, many of ICI (South Africa)'s black employees are covered by Wage Determinations which provide a legally enforceable, albeit pathetically low minimum wage.

AECI

Evidence submitted to TISC concerning AECI's industrial relations structure indicated that it had a number of relatively unique features. These can be summarised as follows:

(a) AECI's factories are not covered by specific Wage Board Determinations establishing legal minimum wage levels because, "The Government Department of Labour is satisfied that the interests of the employees concerned in AECI are well handled."

(b) AECI factories operate closed-shop Trade Union agreements with white and Coloured employees. Minimum wage levels for these two groups are negotiated with the Trade Union parties to the Central Industrial Council of the Explosives and Allied Industries. As AECI is the only employer in the industry it effectively controls the Central Council and negotiates with its own closed-shop unions.

(c) The company has been operating African/Asian Works Councils at each of its main factories since 1947 and is developing these "to become full consultative and negotiating bodies for all aspects of employment conditions". Mini-councils have also been set up in individual production departments and major office units.

In the course of the oral evidence it emerged that whilst the majority of the Works Council's membership were elected by secret ballot, rates of pay were not a topic for discussion. Wage fixing for Africans and Asians was therefore still a management prerogative and not subject to negotiation.

As part of a major survey of AECI to commemorate its Fiftieth Anniversary (April 1974) the Johannesburg Financial Mail reported on the Company's prevailing attitude towards black trade unions. During an interview with Steve Anderson, AECI's personnel director, it was acknowledged that "recognition will have to come" but no indication was given at that stage as to whether or not AECI would recognise black unions.

Subsequently in response to a shareholder's enquiry at ICI's 1975 AGM further information was disclosed concerning AECI's industrial relations viz:

(a) Employees had been given the choice between liaison and works committees and had chosen the former. - No details were provided on how this choice was made or the alternatives that were presented.

(b) Arrangements had been made for representatives on these committees to attend seminars to give them knowledge of the relevant legislation and training in committee procedures. - The name of the training body was not given.

(c) Discussions had been opened with some of the African trade unions, one of which (Chemical Workers Industrial Union) had members amongst AECI's employees at Umbogintwini outside Durban.

(d) "Regular meetings are also held between the factory management and union officials" and "a procedure for dealing with complaints has been established with the Union Secretary."

Sources in South Africa report that African unions have begun recruiting members within AECI's major factories but they present a picture of management attitudes which casts doubts on the willingness of the company to accept black unions implied by the above statements. In Durban the Chemical Workers Industrial Union was reported to have signed up approximately one half of the African workforce at the Umbogintwini factory and to have recruited members at the sister factory of South African Tioxide Products. In Johannesburg another black union, the South African Chemical Workers' Union had been in contact with the company concerning access to the workforce, presumably at the large Modderfontein complex. Progress at Modderfontein was reported to be virtually impossible because of the high percentage of migrant workers and the very high level of security screening to which all entrants are subjected.

Since April 1975 ICI has released no information concerning developments in AECI's relationship with the black unions, hence there is considerable uncertainty as to whether de facto recognition has been granted to either of the unions. Similarly nothing has been said about management's reaction to such simple but basic union demands as access to the factory to address workers, the right to nominate candidates for committee posts and having access to management to deal with complaints.

SANS

No details were provided in 1973 concerning industrial relations machinery or wage fixing methods nor has any information been released subsequently. It is therefore not clear to CCSA whether SANS' Coloured employees fall under a closed-shop agreement as at AECI, have liaison or works committees or lack any form of representation at all.

C TRAINING AND ADVANCEMENT

ICI (South Africa) Ltd

In its evidence to TISC, ICI outlined the basic elements of ICI (South Africa)'s structure which was stated to be applicable to all races and locations in South Africa. All jobs are grouped into categories which have their separate wage/salary bands. Progress towards the maximum for the category is based on performance and service. Non-whites were stated to be considered for promotion to vacancies "within the limits of the law, and to the extent that it is possible without causing racial friction." Black employees filled some supervisory jobs in 1973 the most senior being employed as a Marketing Officer.

Information provided on the numbers employed in each category by racial group indicated that no white male was employed below grade 7 but that 174 Africans had reached that grade. Although whites and blacks therefore overlapped in grade 7 it was impossible to know whether blacks and whites were doing the same jobs at that grade. For females there was greater overlap with two grades in which whites and blacks were on the same scale.

In the field of training it was stated that all employees received on-the-job training. In addition, details were given of three educational assistance schemes for employees, two being common to all employees and one limited to non-whites for the education of their children.

Since 1973 no information has been provided concerning the degrees of black job advancement achieved at ICI (South Africa) despite the fact that this was a subject which the Department of Trade suggested might be included among the information it would like to see companies publish concerning the wages and conditions of their African workers.

AECI

AECI's employees in 1973 fell into two principal groups, staff and payroll, with the latter group being sub-divided into thirteen grades on the basis of an appraisal of the attributes required for each grade. Employees were allocated to grades after an initial test with subsequent promotion related to ability. According to the company's evidence:

> *"Advancement of Asians and Africans into progressively more skilled work is, in the case of process work, subject to negotiation with the Unions concerned, and in the case of journeyman work is prevented by Government legislation."* Memorandum TISC p. 271

Despite the company's assertion that the percentage of non-whites in semi-skilled jobs had risen from 6% in 1961 to 39% in 1973 as the result of "job enrichment and restructuring of work" it was notable that no racial overlap existed in the grade structure. No black employee was to be found in the top six grades (skilled and artisan) and conversely no white was employed in any of the lowest seven grades (unskilled and semi-skilled).

When questioned on the reasons for the lack of overlap respondents could not comment on whether workers of different races on different sides of the vertical colour bar might not in fact be doing "virtually identical jobs", but placed the blame for its existence on the white trade unions.

According to material published in the Financial Mail's Survey of AECI (cited previously) the company hopes that in consultation with the relevant trade unions it will be able to replace the "horizontal jobs colour bar" with "pyramids of opportunity" for workers of each race group. Such a system, it is claimed, would overcome the shortage of skilled personnel by allowing blacks to do skilled jobs whilst guaranteeing the jobs of the company's 1,800 white workers. Until such time as fuller details are made available of this scheme it is difficult to draw any firm conclusions regarding its effects on black workers. Nevertheless the concept of different pyramids of job opportunities would appear to be accepting and endorsing the concept of separate development. As presumably the work to be done and the skill requirements needed to do it are unlikely to have changed significantly since 1973 separate job structures will require different job titles, levels of status and authority. Given all these cosmetic differences it must be an open question whether remuneration will still be based on equal pay for equal work irrespective of race.

In 1973 the training of black workers at AECI was largely of the on-the-job variety conducted by African trainers in their mother tongue. Off-the-job training was carried out "only for certain grades, mainly supervisory or for fire and safety drills". A beginning was being made in leadership training in the skills such as consultation and representation. No mention was made of artisan or skill training for blacks in 1973 nor subsequently.

SANS

Employees in 1973 were divided into staff and payroll. Although no white employees were in the payroll category, 132 Coloured employees had staff status. According to the company's memorandum "within the framework of existing legislation, there are no barriers to the progression of Coloured staff", and several black employees had higher grades and salaries than white clerical and secretarial workers. However it was unclear from the company's staff grading schedule whether the fact that some jobs had a (c) designation for Coloured worker was purely illustrative of how far blacks had risen or identified jobs which Coloureds could do in distinction to other jobs which were still the preserve of white employees. Details were provided of training efforts and scholarship and bursary schemes for employees' dependents. As far as CCSA is aware no details of progress in the fields of black job advancement and training have been made public since 1973.

Whilst both ICI (South Africa) and SANS appeared to be subject to few constraints in their ability to promote black employees into skilled, supervisory or staff positions on a basis of equality with whites this did not appear to be the case at AECI. At that company both the written evidence and the oral replies confirmed the existence of a strong horizontal colour bar. Since 1973 no information has been provided concerning progress in the fields of training and job advancement at the two smaller companies, although in the case of ICI (South Africa) Ltd the company had ample opportunity to report on these matters in its response to the Department of Trade's request for information on African wages and conditions. Indirect information on AECI received since 1973 indicates that plans are in hand or being implemented for changing the structure of black job opportunities. What little is known of the proposals suggests that the problem of job demarcation on the basis of race, enforced by the white trade unions, is not being faced up to but is being side-stepped by means of a convenient compromise between management and unions. Whether these proposals have been implemented and if so what the implications of this compromise are for black wages and job opportunities is not known.

D MIGRANT LABOUR

Although migrant labour appears to be employed only at AECI the scale of that company's dependance on it and the numbers involved must make it a major issue of concern to ICI shareholders.

According to ICI's evidence to TISC the majority of AECI's black employees are migrants who are mostly housed in company hostels. The company's views on migrant labour and its future plans were spelled out in its written evidence.

> *"While the company does not wish to perpetuate the migratory labour system, it is clear that insufficient labour able to live in family units in nearby African townships is available and that if the company closed down its own hostels migratory labour would still have to be used which would then be accommodated in municipal hostels in the townships. This would be strongly against the wishes of the employees and the company has therefore decided to improve the quality of this accommodation over a period of five years to bring it to a standard commensurate with the increase of the more skilled section of the labour force. To this end a sum of R6m has been earmarked for expenditure on hostel accommodation over the next five years."*
>
> Memorandum to TISC p.273

This perception of the options open to the company in its use of the migrant labour system was reinforced during the oral evidence when it was stated that no projections or plans had been made for reducing the company's dependance as it was seen to be "a semi-permanent position". Whilst there was a need for more skilled workers there was no difficulty in recruiting labour generally because the percentage of migrants who returned for a further one-year contract was very high (90%).

Although reference was made to the fact that a certain amount of family accommodation is permitted and it was stated that "where we can get this quota increased we naturally do" there was no apparent recognition or reference to the possibility of actively lobbying and pressuring Government (as has occurred in the case of some mining houses) to raise the permitted quota.

However subsequent information contained in the Financial Mail Survey of AECI in 1974 suggests that there has been a significant change of policy since the TISC enquiry.

Whilst it confirmed that some 85% of the 8,500 Africans on the payroll were migrant workers company policy was stated to be to phase out migrant labour where possible and replace it with township labour.

The proposals that were mentioned in 1974 were the following:

Durban Factory (Umbogintwini)	-	to gradually move towards the use of labour resident in Kwa-Makhuta, a black township inside the Kwa-Zulu "homeland".
Johannesburg (Modderfontein)	-	the 4,500 currently recruited from the Transkei and Northern Transvaal will gradually be drawn from the Tembisa township 15 km away.
Midland (Sasolburg)	-	Migrant workers from the Transkei and Witsieshoek (near Lesotho border) to be replaced by nearby Zambala and Sebokeng township labour.

The company was also reported to be negotiating with the Vaal Triangle Bantu Affairs Administration Board about the possibility of building housing for their workers.

Although the company claims that it dislikes the migrant labour system it is reportedly perturbed that stabilising the labour force may bring higher labour turnover. Migrants are reported to have an average length of service of seven years and only a 6-7% wastage rate while the comparable figures for urban whites was 40%.

CCSA is not aware of any further information concerning this issue at AECI that has been published.

DISCLOSURE AND RESPONSIVENESS TO PUBLIC CONCERN

In discussing ICI's South African associates' performance in the field of industrial relations the question of disclosure has frequently emerged as being of crucial importance.

Between the time of the TISC enquiry (Spring 1973) and the imposition of restrictions by the South African Government on the reporting of details of employment policies to overseas principals (Spring 1975) ICI did not make public any details of the situation at AECI although it had been its associate that had attracted greatest interest and concern at the time of the Guardian campaign and subsequent Parliamentary investigation. ICI's Chairman did however respond to a written enquiry from a shareholder about AECI's employment practices and the substance of that reply has been incorporated into the text of this report.

As with many British companies ICI made no mention in either its 1973 or 1974 annual reports of labour conditions at its South African associates nor did it offer to supply details to shareholders on request.

When CCSA was conducting its enquiry in late 1975 and early 1976 into the extent to which British companies were complying with the Secretary of State for Trade's request to disclose information concerning African wages and conditions at their South African affiliates (subsequently published as Poverty Wages in South Africa, CCSA March 1976) it found that ICI did not appear to have the necessary basic information on file and hence could not meet the requirement. CCSA were informed that the information was being compiled and it was subsequently supplied in early March 1976 - after the closing date for CCSA's survey - in the form of a memorandum entitled Wages and Conditions of Africans employed by the ICI Group in South Africa. Notice of the availability of this memorandum on request was included in the company's 1975 and 1976 annual reports.

Unfortunately this memorandum restricted itself to conditions at the wholly owned subsidiary, ICI (South Africa) Ltd and gave no details whatsoever about the situation at the far larger and more significant AECI. The memorandum attempted to justify this omission by reference to the fact that the permission of the South African government is required for the transmission of such information to overseas associates where they have less than a 50% direct interest in the affiliate. As has been pointed out elsewhere this rule represents an administrative interpretation of the Act which runs contrary to assurances given by the Minister at the time of its passage through the South African Parliament. Furthermore if ICI did not wish to challenge the legality of the restriction being placed on its freedom to report to its shareholders it could have persuaded its partner De Beers that the voluntary publication of this information within South Africa would be in their own best interests.

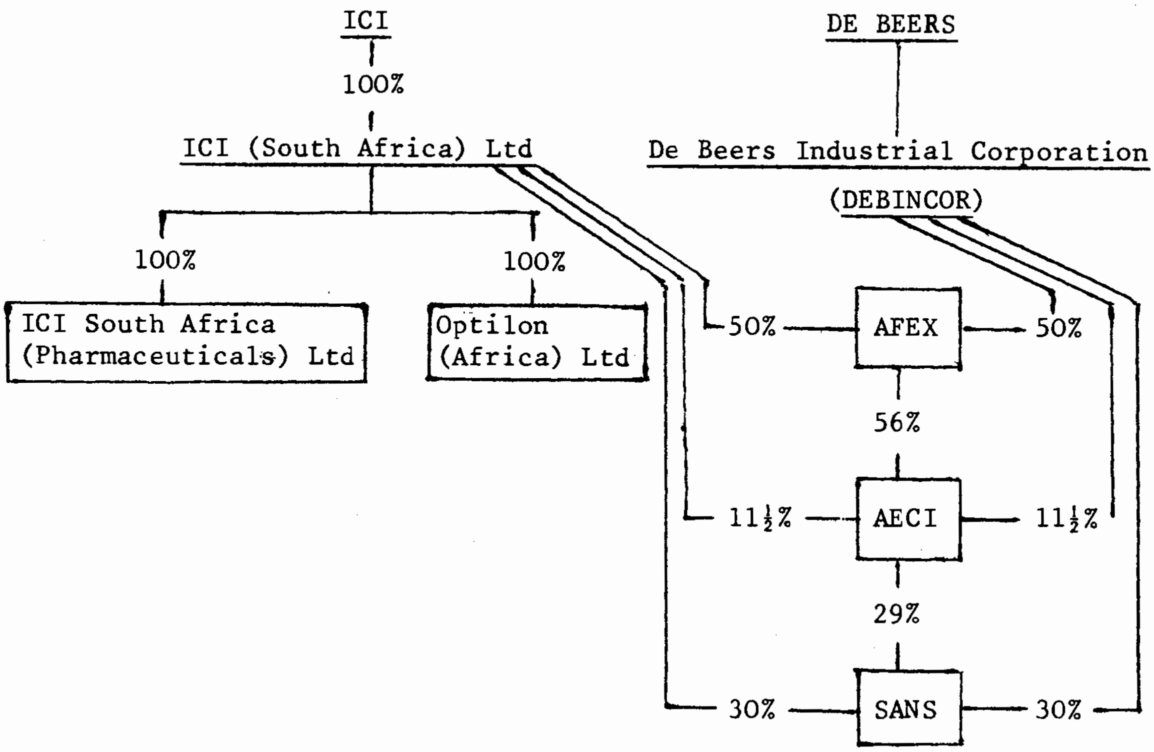
As far as CCSA is aware no attempts have been made by ICI either to protest on this unreasonable restriction placed on its ability to account for its associates' actions or to seek ways of restoring its accountability to its shareholders. It is therefore hard to avoid the conclusion that ICI either does not take this matter very seriously or that it (and its partners) have good reason for wishing to hide behind the veil of secrecy provided by the South African government.

APPENDIX 1

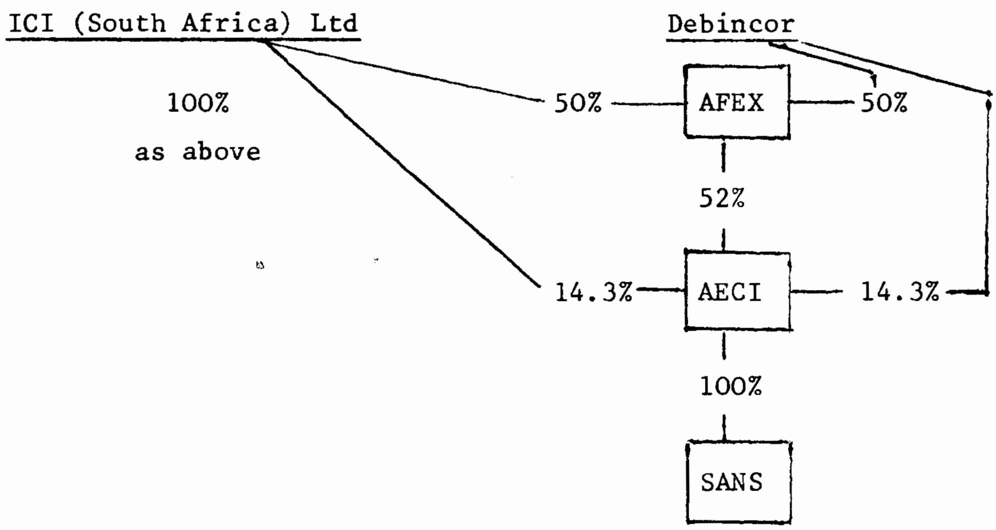
ICI AND SOUTH AFRICA

A. South African Subsidiaries and Associates - Investment and Control

1. Prior to 1st January 1977



2. Post 1st January 1977 - SANS Incorporated into AECI as a wholly owned subsidiary



B. Estimated Value of ICI's investments in South Africa (net assets basis) 31.12.76.

			(£m)
1.	**SANS**		
	On the basis of the cash purchase price for the minority interest in SANS.		
	SANS is valued by its purchaser, AECI, at	R37.27m	
	of which ICI's Interest was 30%	R11.18m	
	@ R1.5/£		7.45
2.	**AECI**		
	Net Assets Value (Equity Funds) 31.12.75	R208.50m	
	Rights Issue (August 1976)	R83.00m	
	Year's Retentions (estimated)	R11.40m	
	Total Net Assets 31.12.76	R302.90m	
	of which ICI's interest was 40%	R121.05m	
	@ R1.5/£		80.70
3.	**ICI (South Africa) Ltd**		
	No figures available but nominal value of investment estimated to have been £5.1m in 1973.		5.1 +
4.	**AFEX Ltd**		
	No figures available. May contain accumulated dividends from AECI that were not reinvested in AECI by means of the August 1976 rights issue. Of these ICI owns 50%		?
		Estimated Total Value	£93.25m

C. Exports to South Africa: Size and Significance (£m)

	1972	1973	1974	1975	Δ	72/75
Exports to South Africa	15	N/A	N/A	31	+	107%
Total UK Exports of ICI (fob)	291	403	636	586	+	101%
% Significance	5.2	-	-	5.3		

D. Estimated ICI Group Profits from South Africa: 1975 All Sources

	(£m post-tax)	
	1970	1975
AECI	2.6	7.0
ICI (South Africa)	0.4	?
AFEX Ltd	?	?
SANS	0.35	0.8
UK Exports	0.75	2.2
	4.1	10.0

With the exception of the figures for AECI, which are derived from ICI's 1975 accounts, all other figures for 1975 are CCSA estimates. Figures for 1970, as given by the Anti Apartheid Movement, are included for comparison.

E. Comparison of AECI and ICI Ten Year Trading Record

	ICI			AECI
1. Sales Growth % Change	UK	Overseas	Total	
1966-70	+ 56	+ 74	+ 65	+ 59
1971-75	+ 86	+ 118	+ 103	+ 180
1966-75	+ 196	+ 304	+ 250	+ 343

	ICI			AECI
2. Pre-Tax Profits Growth % Change	UK	Overseas	Total	
1966-70	-	-	+ 79	+ 76
1971-75	-	-	+ 119	+ 66
1966-75	-	-	+ 280	+ 213

3. Return on Sales

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975
ICI Group	9.7	10.3	12.4	12.3	9.8	8.5	8.3	14.4	15.4	10.6
AECI	14.5	14.6	13.4	15.6	22.3	22.3	21.4	21.7	15.1	13.8

F. Analysis of AECI Sales and Profits by Product Area: 1975 (Rm)

	Sales		Profits		Return on Sales
	R.m	%	R.m	%	%
Agriculture	17.5	4.6	1.8	3.3	10.3
Chemicals (incl. paints)	186.0	48.5	24.0	43.3	12.9
Explosives & Accessories	83.7	21.8	18.0	32.5	21.5
Plastics (Raw & Processed)	96.5	25.1	11.6	20.9	12.0
	383.7	100.0	55.4	100.0	14.4

G. AECI Condensed Consolidated Balance Sheet at 31.12.75

		R.m
Capital Employed		
Ordinary Shares		87.1
Preference Shares		6.0
Reserves		121.6
Shareholders' Funds		214.7
Minority Interests		4.7
Deferred Taxation		34.6
Loan Capital		121.2
		375.2
Assets		
Fixed Assets at cost or valuation		415.9
Less: Depreciation		172.6
		243.3
Investments		34.8
Current Assets	190.3	
Less: Current Liabilities *	93.2	97.1
		375.2

* Including bank overdrafts and loans of R26.6 million.

APPENDIX 2

CHURCH AND RELIGIOUS SHAREHOLDINGS IN ICI

An examination of ICI's 1976 annual return at Companies House revealed that the following bodies held shares.

Shareholder	Number of Shares
Bangor Diocesan Trust	2,700
Baptist Missionary Society Corp.	12,446
Baptist Union Corp.	8,771
Baptist Union of Scotland	700
Birmingham Diocesan Trustees	175
Bristol Diocesan Board of Finance	895
Bristol District Assoc. Baptists Churches	279
British Advent Missions	1,304
British Council of Churches Trust Ltd	5,028
The British & Foreign Bible Society	6,000
The British & Foreign Unitarian Assoc. Inc.	5,890
Central Board of Finance, Church of England	357,597
Central Finance Board, Methodist Church	47,975
Dean & Chapter, Christ Church, Oxford	1,500
Christian Endeavour Union, GB, Ireland	2,500
Church of England Childrens Society	46,286
Church of England Pensions Board	15,450
Church of England Soldiers, Sailors, Airmen Club	2,080
The Church Army	11,319
Church Commissioners for England	2,101,134
Church Lads Brigade	1,800
Church Missionary Trust Assoc. Ltd	25,448
The Church Moral Aid Assoc.	1,969
Church Pastoral Aid Trust	2,485
Church of Scotland Trust	74,962
Clergy Orphan Corp.	5,550
Community of Epiphany Trust Assoc. Ltd	2,000
The Community of the Resurrection	11,481
Congregational Union of England & Wales	30,107
Congregational Union of Scotland	2,650
Convent of our Lady of the Cenacle	900
Free Church of England Central Trust	1,400
Free Church of Scotland General Trust	580
Friends of the Clergy Corp.	14,073
Friends Trust Eire Ltd	233
Friends Trust Ltd	10,144
Lancashire Congregational Union Inc.	700
Lancaster Roman Catholic Diocese Trustees	10,000
Leicester Diocesan Board of Finance	672
Dean & Chapter, Liverpool Cathedral	2,585
Liverpool Church of Eng. Script. Rdrs.	425
Liverpool Diocesan Board of Finance	887
Liverpool District Missionary Trust Co.	7,670
Manchester Diocesan Board of Finance	522
Methodist Chapel Aid Assoc. Ltd	8,170
Methodist Missionary Trust Assoc.	18,600
Mount St. Bernard Abbey Trustees	1,372

Shareholder	Number of Shares
Newcastle Diocesan Education Board	750
The Newcastle Diocesan Society	400
Northampton Roman Catholic Diocese Trustees	20,400
Dean & Chapter, Norwich Cathedral	335
The Presbyterian Church of England Trust	17,474
Presbyterian Widows Fund	4,000
Protestant Orphan Society, Antrim & Down	2,000
The Representative Body of the Church in Wales	8,558
The Representative Church Body, Church of Ireland	80,566
The Representative Church Council	101,081
Salvation Army Officers Pension Fund	2,400
The Salvation Army Trustee Co.	39,358
Society for Promoting Christian Knowledge	10,750
Society Salutation Mary the Virgin	1,536
Southwark Cathedral St. Saviour & St. Mary	255
Southwark Catholic Childrens Society	3,241
Southwark Roman Catholic Diocesan Corp.	11,710
Trustees Franciscan Mission of Mary our Ladies Convent	1,375
Trustees for Methodist Church	16,050
Trustees for Methodist Connx. Funds	7,189
Trustees Presbyterian Church	19,029
Trustees Presbyterian Endowment	1,200
Trustees for Roman Catholic Purposes	20,000
Trustees Ref. Presbyterian Church of Ireland	600
Trustees in the Sacred Hearts Sisters, Chigwell Convent	6,444
Trustees of the Scots Episcopal Fund	911
United Society Christian Literature	145
United Society for the Propagation of the Gospel	20,872
Dean & Chapter of Westminster	12,146
Westminster Roman Catholic Diocese Trust	14,980
York Diocesan Board of Finance	750
The Yorkshire Baptist Assoc. Inc.	280
Yorkshire Congregational Union Missionary Society Inc.	700
Yorkshire Congregational Union	612

APPENDIX 3

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