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BRITISH PETROLEUM AND SHELL

The names of Shell and BP will probably be associated most readily, in context of Southern Africa, with their alleged participation in Rhodesian sanctions busting. Lonrho and the Zambian Government have taken both firms to court, and the AAM has documented in Shell and BP South Africa how they have played a determining role in defeating the United Nations' embargo on oil for Rhodesia. These questions are now the subject of an investigation by the British Government.

Less familiar, however, are the nature and scale of the operations of Shell and BP in South Africa itself. Both firms are concerned with the marketing and distribution of oil products, crude oil refining and the manufacture of lubricant and chemical products. Like Rhodesia, South Africa has no domestic source of oil. Prospecting in the Republic by both Shell and BP has met with no success and their continuing efforts off the coast of Namibia have unearthed no commercially exploitable reserves. Although Iran has continued to supply up to 90 percent of the Republic's requirements, even she is coming under pressure from other Arab states which have imposed an embargo. Accordingly, the six international oil companies operating there have come to assume major importance for the future well-being of the country. Certainly Shell and BP's commitment to continued development of the R700 million South African oil business is not in doubt. Between them, they are responsible for combined sale of petroleum products amounting to 37 percent of South African demand and to make their support clearer still. BP's Chairman was happy to announce, in 1974, during a visit to South Africa, that his company had "intentionally set out to thwart Arab attempts at enforcing oil embargoes on countries like South Africa."

Until 1975, many of the Shell and BP subsidiaries were jointly operated; but now the two are largely independent of each other and in the case of Shell, the controlling influence would appear to lie with the Dutch half of the company.

BP's principal operating company in South Africa is BP Southern Africa (Pty) Limited (held through BP Southern Oil Limited) and in Namibia, BP South West Limited. She also has a 50 percent or greater interest in three other companies: Shell and BP South African Petroleum Refineries (Pty) Limited, Dragon Gas Services (Pty) Limited and Duckhams Oil Africa Pty Limited.

Latest figures for BP show turnover of approximately R98 million and planned investment, announced in 1976, of £267 million over the next five years. BP, the company said, "still has faith in the long term stability of South Africa" and "it is proving it by backing it to the hilt".

Shell, for its part, intends to invest £333 million between 1977 and 1986, £47 million of which will be invested by 1980. It has been justifying its investments with a publicity campaign aimed at "all those who are thinking of abandoning South Africa". Shell explains that "it believes in the future greatness of the nation, it supports South Africa".

HELPING SOUTH AFRICA DEVELOP ITS ENERGY RESOURCES

Relatively little of this new investment is destined to expand oil operations however. Most oil companies have taken major steps to diversify their bases since the oil crisis of 1973, and in light of a possible oil embargo of a South Africa, no where is this more important than in South Africa itself. For BP, this has involved the development of nutrition projects, deep sea mining, chemical operations and coal and base metal mining around the world. And a number of these ventures have involved South Africa. There has been collaboration with both RTZ and Consolidated Goldfields, for instance. But the most important developments in this area have been associated with coal. No less than £100 million of the 1976 investment was earmarked for development of BP's coal interests.

There are at least three major projects. First, the joint venture by BP Southern Africa (Pty) and the Trans Natal Coal Corporation to develop a new coal mine in Ermelo, Transvaal, South Africa with a planned production of three million tons per annum announced in 1976. Capital cost of this latter project was reported to be R65 million, shared between BP and Total. The three million ton a year mine is expected to begin production at the end of 1978, mainly for export through Richards Bay.

Secondly, BP has a 50 percent option in the Eikeboom (Middleburg) colliery worth about £16 million exercised in 1977. R80 million is expected to be required to develop this mine with more still for transport. Most of the coal will probably be exported.

BP is devoting 70 percent of planned investments over the next few years to coal and the chemical industry. Both firms, besides taking shares in various existing mining corporations or new combines, are prospecting in the Transvaal, Shell in the Orange Free State. BP has been reluctant to publicise either of these coal operations. As the Financial Mail put it, "the whole issue is just too politically sensitive for BP". Coal costs 87p per ton to produce in South Africa compared with £8 per ton in the UK.

Shell, too, has been diversifying. The activities of Shell in chemicals, for instance, are varied: Fertilisers, chemical products for industry, polymers and consumer products. Shell is planning to reduce the dependence of its subsidiary Shell Chemical on imported oil from 60 percent to 25 percent according to its director, "to contribute to the greater economic independence of the country".

Shell has unsuccessfully tried to gain a share of the nuclear reactor through its 50 percent controlled American company, General Atomic, and the General Electric, Brown Boven-Benuco group in which Shell is a participant.

Billiton Exploration, another South African subsidiary of Shell, is prospecting for zinc, copper, nickel, and lead and is envisaging extending its activities even further.

Finally, Shell has been concerned with the establishment of a liquefaction factory for production of oil from coal. SASOL, South Africa's state owned oil firm, has owned a liquefaction factory since 1950 although its production only accounts for 3 percent of South Africa's oil needs. A second factory is to be built by 1981. Shell has been waiting for the perfection of its hydrogenation system, but now both Shell and BP are planning a joint project with SASOL to spend £50 million between 1976 and 1979 on the construction of an ethylene plant receiving its input from BP's Durban Sapref Refinery into which BP announed last year it would be investing a further R60 million.

COLLABORATION WITH THE STATE

Shell has further projects, most of them involving BP's facilities and technology. Neither firm has been at all unwilling to collaborate with South African Government through participation in state-controlled schemes. Although the biggest Shell/BP refinery at Reunion has been taken over by the government, Shell/BP, who jointly own South Africa Petroleum Refineries, retain an 18 percent interest; and BP, through its 20 percent stake in Sentrachem, is working with a firm in which the State Industrial Development Corporation has major holdings. Sentrachem is working with AECI on the Coalplex scheme and is reported to have supplied convoltex defoliants for use against Frelimo. In September, 1976, BP bought a full-page advertisement in a Johannesburg financial paper to congratulate the Transkei on its "independence".

Clearly, the involvement of both these firms is serious. But for Britain, that of BP is of most concern. By January, 1976, the Government and the Bank of England together held a large majority stake in BP, made larger still by the acquisition of Burmah's £5 million share of the equity. Since then, the Government has dispersed some of its holdings in BP as one of a series of measures designed to satisfy the International Monetary Fund.

Even before this, however, the Government had told BP's board that it would "continue to act as if it still only held 48.2 percent of the stock". There was said to have been no evidence to suggest that the Government had ever interfered in BP's management. But while Government would be unlikely to intervene in strictly management questions, it would be surprising had it never felt bound to intervene over questions which could be classified as political or strategic. The British Government still has a major stake in BP. Clearly, they do not see the firm's investment in South Africa as of either political or strategic concern. Accordingly, the Government has not intervened. They have not even, it appears, been unduly concerned with the company's compliance with the Government's own guidelines on wages and treatment of African employees.

In the evidence submitted to the parliamentary sub-committee in 1973-74, Shell and BP claimed that in their jointly operated companies, the 2,366 members of the non-White workforce were all above the Poverty Datum Line (the highest estimates for the urban areas were R78.58 p.m.) At that stage, over 1,000 black workers were earning less than R100 p.m. The lowest grade white employees received was R366.67 p.m. compared to R177.50 for their black counterparts. Also, for some unknown reason, three times as many black workers than white were classified one grade above the lowest and were incidentally being paid the lowest wage at R97.82. The highest paid white employee received an average of R878.37 p.m. There were no blacks in the top two grades and the three who occupied the highest grade earned R417 p.m.

The British Government concluded that the PDL was not a humane estimate and recommended that British companies in South Africa should use the Minimum Effective Level as their target for wages, to be implemented as soon as possible. The M.E.L. was calculated as PDL "50 percent thereby making the highest estimate R117 p.m.

From information submitted to the Secretary of State for Trade in March, 1976, it appears that BP has not been so willing to explore the possibilities for change in this direction. The minimum monthly wage for the lowest grade was R145 at all the BP subsidiaries except Duckham Oils Africa where it was R91. At this company of a total of 24 Africans employed three were below the PDL and 21 below the MEL. The situation for the other affiliates was much the same: BP Southern Africa and Shell/BP S.A. Petroleum Refineries employed a total of 847 African Employees of whom 246 were in the lowest paid grades and all were below the MEL. Dragon Gas Service has 59 African workers but claimed not to use a job grading system. Not one of the companies had a timetable for achieving the MEL, but all cited it as one of their objectives.

BP told the Government that it uses the liaison committee system to its workers at Walvis Bay, Cape Town, Pretoria, Langlaate, Johannesburg, Bloemfontein, Welkon and East London. Indeed, BP does not recognise a trade union even for its white employees and concedes only that they will "endeavour to respond to their (the workers') wish with due respect for the constraints of the law." In all its South African operations, the company has only one African Industrial Relations Officer, one African Business Development Adviser, one African Senior Marketing Representative, three African Representatives, three African Public Relations Assistants, three African Storekeepers. It claims with pride that it has 119 African bulk lorry drivers. The company, "having secured the approval of the South African Government to the release of the information called for in the White Paper", told the British Government in May, 1976, that it was in a position to respond to the White Paper of December, 1974. In its statement, it said that "steps are being taken to narrow differentials based on race".

BP is Britain's largest company. It has worldwide assets of over £2.5 billion and sales of £7 billion. In South Africa, the latest figures show a turnover of approximately R98 million. Most of the planned £250 million and above investment taking place between 1976 and 1981 will come from outside South Africa, much of it from Britain. Will the Government act?