



the Anti-Apartheid Movement

89 Charlotte Street London W1P 2DQ Tel 580 5311

MEMORANDUM TO THE HOUSE OF COMMONS SELECT COMMITTEE
ON EXPENDITURE
TRADE AND INDUSTRY SUB-COMMITTEE

1. INTRODUCTION
2. FOREIGN INVESTMENT AND THE EVOLUTION OF THE SOUTH AFRICAN APARTHEID ECONOMY
3. BLACK LABOUR UNDER APARTHEID
 - The work reservation policy
 - Labour allocation
 - Trade unions and wage-setting
 - The poverty wage level
4. THE CASE FOR BRITAIN'S WITHDRAWAL FROM SOUTH AFRICA

Appendix : BRITISH LEYLAND IN SOUTH AFRICA

13 June 1973

1 INTRODUCTION

The debate in Britain over the role of foreign investment capital in South Africa and much of the evidence so far presented to the Select Committee by British companies operating in South Africa assume that such foreign capital investment plays a largely neutral role and hence cannot be held responsible for the racist nature of the South African economy or for the poverty of the African people. The low level of wages in South Africa is generally attributed to the low productivity of the African worker and this is seen as an objective fact over which British companies have little control or influence. In so far as British firms are obliged to abide by the apartheid laws of South Africa, it is admitted that the British investor acquiesced in the apartheid system. However, where opportunities exist, according to this argument, British companies could and should work to reform the apartheid system, and that through the process of increasing economic development and industrialisation peaceful change is possible in South Africa. On this basis then, the debate is largely directed towards sanctioning the continued presence of British capital in South Africa and encouraging further flows of capital in the future.

The Anti-Apartheid Movement rejects these assumptions and the basis of the debate. It believes that for over a century of South Africa's economic growth and development, British capital investment has played a major, indeed a predominant, role in creating and sustaining the institutions of apartheid and cheap labour. The exceptionally high rates of profit earned on capital investment and the organised supply of cheap labour available to British companies have been the critical determinants of the flow and the build-up of the British capital stake in the South African economy during the past 100 years. And it has been the regular function of all governments over this period to sustain the rate of profit through administering an increasingly complex structure of racist land and labour laws and a system of comprehensive controls over the supply of cheap black labour.

The South African cheap labour system was substantially the product of British colonial policy in the years prior to the Act of Union in 1910. All subsequent apartheid laws and policies have their roots in this colonial past, and it is this fact which continues to give the South African economy its colonialist character. Since the Act of Union this colonialist aspect of South Africa's economy has been systematically extended and enforced to the point where today the African worker is little more than the object of labour, unequal and without rights in his relations with capital and allowed to earn an income barely sufficient to reproduce his labour and to subsist.

The Anti-Apartheid Movement accordingly believes that this underlying colonialist nature of South Africa's apartheid system makes impossible any prospect for fundamental reforms or change through generation of high rates of economic growth on the basis of continued foreign capital investment in that country. On the contrary, as history has abundantly shown to be the case, such continued flows of foreign capital to South Africa will only serve to make apartheid more rigid, more entrenched and condemn the African people to a life of perpetual servitude in poverty.

2 FOREIGN INVESTMENT AND THE EVOLUTION OF THE SOUTH AFRICAN APARTHEID ECONOMY

The foundations of the present labour system were laid in the last decade of the 19th Century. In 1892, the Chamber of Mines elaborated two methods for creating a sufficient and a sufficiently cheap black labour force for the mining industry: a "combination among employers" of black labour to remove all competition in the labour market, and next, the establishment of recruiting organisations to obtain migrant black labour from the rural areas and the housing of this labour in regimented compounds. However, these methods were only considered possible if they were supported by a unified and efficient South African administration able to enforce a comprehensive system of "pass laws", of meting out of criminal penalties for breaches of labour contracts, and enacting other legislative measures which ensured a constant flow of black labour to the mining industry.

To provide ideological justification for this labour policy, the British colonial authorities of that period argued that the African people, being innately "inferior" and "uncivilised", required a self-governing white community to exercise paternalistic responsibility towards them. Lord Milner, in justifying why the "political equality between black and white was impossible", wrote:

"The white man must rule, because he is elevated by many, many steps above the black man; steps which it will take the latter centuries to climb and which it is quite possible that the vast bulk of the black population may never be able to climb at all."

A number of British Commissions were set up to investigate and recommend measures necessary to implement the policies demanded by the Chamber of Mines. Perhaps the most important was the South African Native Affairs Commission of 1903-5. This Commission may be said to have formulated the blueprint for much of the system of apartheid as is presently practised. The effective denial of political rights to the African people in the central institutions of the Union Constitution, the Native Land Act of 1913, the land and franchise legislation of 1936, the present Bantustan structures, all these derive from the proposals of that Commission.

It is no accident that these early measures to create South Africa's cheap labour system and to concentrate political power in the hands of the white minority was paralleled by large-scale inflows of British capital into the South African gold and diamond mining industries. British investments in South Africa increased from some £16 million in 1870 to over £350 million in 1910, overtaking the rate of domestic capital formation in that country. From then on to 1939 British capital was dominant in the South African economy, and the British control of the mining industry was almost complete. Mining being a key sector of the economy at that time, and the main determinant of the social system and the policies of the South African government, this British capital interest became closely linked with apartheid in its formative periods.

Throughout much of the years up to the beginning of World War II British capital in South Africa was primarily interested in the geographical expansion of its investments in mining. South Africa's colonial rule of South West Africa after World War I and

14

its subsequent incorporation into South Africa were very much part of the process of the expansion of British mining interests in Southern Africa and in the resulting enlargement of the apartheid framework within which the African people's life and labour was now controlled.

It was only after World War II that British manufacturing companies made a major thrust into South Africa's secondary industries, setting up branch and subsidiary production facilities, and employing African labour on an ever rising scale in factory production and in distribution. This too was the time when the South African Nationalist government came to power. It has been claimed that British companies, fearing the political instability which would result from the coming to power of the Nationalist government, were reluctant to expand their investment activities in the country at that time. However, actual evidence now supports the contrary view: foreign investment in South Africa's manufacturing industries sharply increased in the period since 1948 precisely because the Nationalist government proved itself able to implement its declared programme of extending the migratory system of black labour from mining to the economy as a whole. It is thus no accident that the only period when black wages increased faster than white was during the Second World War when there was little or no new foreign investment in South Africa. The early post war years saw the South African government raise substantial sums of loan capital from the World Bank and foreign capital markets to finance the creation of a modern infrastructure of transport, communications, harbour facilities and electric power generation, while at the same time widening the range of the apartheid laws to solve the problems of black labour supply to the newer manufacturing industries being set up largely by foreign, mainly British, companies. The years since 1948 have seen the annual inflow of British capital to South Africa run between £40 and £50 million a year - a rate more than treble that of the pre-war years.

Experience and history suggest that for the British investor the South African apartheid system provides three critical advantages for a high return on capital not easily available in other countries. These are, first, the absence of what is generally called "labour supply problems"; secondly, the cheapness of the price of labour; and thirdly, the political stability and the conditions of privilege which come from a government which enforces its rule through the machinery of a highly developed and ruthless police state.

3 BLACK LABOUR UNDER APARTHEID

Apartheid to the average man is a political system of race segregation, marked by such things as separate park benches and railway carriages for black and white. Even those who are better acquainted with the political character of apartheid and the manner in which it concentrates power in the hands of the white community tend to regard apartheid and the wages paid by British companies to black workers as separate and independent issues. In fact the poverty wage rates for black workers in South Africa is an integral part of the migrant labour system which stands at the core of the apartheid system.

Apartheid explicitly denies the African worker any rights of

6

bergaining. Through its Bantustan policies and the other linked policies and laws which restrict the African right of free movement, of employment, of education and the acquiring of skills, or residence and the right to the ownership of property, and in a thousand other ways, the South African government ensures, first, that African wage rates remain at or around the subsistence levels and, secondly, that the country's economic growth, the extraordinary political, economic and social privileges enjoyed by the white minority and the exceptionally high rates of profits available to capital investment derive from and are supported by cheap black labour. A review of some of the more important aspects of South Africa's black labour policies here will establish why British companies, even if they so desired, will not be able to advance African real wage earnings beyond the level where they challenge these labour policies.

The Work Reservation Policy

There are numerous direct and indirect legislative barriers to the occupational advancement of African, Coloured and Indian workers. The Mines and Works Act (No.12 of 1911) and subsequent legislation place an absolute prohibition on the promotion of Africans by defining minutely the jobs which are "scheduled" and which white workers only may perform. Similarly, the Native Building Workers Act (No.27 of 1951) prohibits the employment of Africans as building artisans except in African townships and the Bantustans. Even more far-reaching are the government's powers under the Industrial Conciliation Act (No.28 of 1956) to reserve certain categories of work (in practice, mainly semi-skilled) exclusively for Whites. While exemptions to a job reservation determination can be negotiated, these may be revoked at any time with the result that for a whole class of jobs "non-whites" are employed only with the permission of the government. In 1969, approximately 200,000 non-white workers fell within the provisions of job reservation determinations.

The most recent legislation in the field of job reservation is the Bantu Laws Amendment Act (No.19 of 1970). This Act empowers the Minister of Bantu Administration and Development to prohibit the employment of Africans in specified areas or categories of work or even by specified employers. Introducing the Act in Parliament, the Minister stated that it was his intention to use these powers to prevent integration in shops, offices, or on the factory floor. The legislation also clearly gives the government wide powers over the employment policies of foreign firms. In 1970 the Minister gave notice of his intention to prohibit, except in special circumstances, the employment of Africans as cashiers, shop assistants, clerks, receptionists, telephonists, salesmen or typists. However, as yet no final notice has been issued.

As important as the direct legislative barriers, are the indirect obstacles to the promotion of "non-whites". Under the Apprenticeship Act (No.26 of 1922) no one may be indentured as an apprentice if "it is not in the interests of the person, taking into account the possibility of his finding a position on qualification". Since in most industries membership of a registered trade union is a condition of employment in a skilled trade and it is illegal for Africans to belong to a registered trade union, the Act effectively excludes Africans from almost all jobs requiring apprenticeship. Coloureds and Asians who meet the educational requirements may be apprentices, subject to the approval of the relevant (white) apprenticeship committee. Such

permission will normally be refused if white workers are available. According to the 1960 census (the latest available official figures on occupational distribution), out of more than 25,000 fitters and turners, only 200 were Coloured and 62 Asian. No extractable figure was given for Africans.

The least widely understood form of job discrimination in South Africa is the "wage bar" or, as it is known outside South Africa, "equal pay for equal work". This form of discrimination rests on the fact that in a skilled job under South Africa's conditions (because of white consumer and employee discrimination, restrictions on the use of non-white labour, job reservation, etc.), a non-white worker is not regarded as productive as a white nor as valuable to a firm because of barriers to his promotion. Indeed, insistence on the rate for the job has long been a way in which white trade unions have excluded non-whites from skilled jobs. Under the minimum wage-setting machinery established in 1924 and 1925, it is in fact illegal for an industrial council or the government Wage Board to distinguish on the basis of colour in the setting of minimum rates for a particular grade of work in any industry. So effective has this strategy of discrimination been that in some industries it is preferred by white workers to the intervention of the government in the form of job reservation. For example, in November 1972,

"the major trade union in the building industry, the Amalgamated Union of Building Trade Workers, had called on the Minister of Labour to scrap job reservation and to apply the policy of the rate for the job - a call which followed the earlier admission of the White Building Workers' Union that job reservation had failed, and the only protection left for White artisans was the rate for the job."(1)

Consequently, the claim of some foreign firms that by paying "equal pay for equal work" they are "assisting in the progress"(2) of South Africa, in Unilever's words, must be regarded as somewhat disingenuous, if not hypocritical. (Unilever is subject to a Wage Board Determination, which enforces rate for the job at a minimum wage.) [see insert]

Labour Allocation

A fundamental tenet of apartheid is that Africans are "temporary sojourners" in the "white areas", that is, in 87% of the country. This policy is enforced by labour bureaux which control the efflux of Africans from the reserves and their influx into towns. An employer is required:

"to report his vacancies to the appropriate labour bureau, to forward notices of employment and termination of employment to the labour bureau, and not to employ any Bantu unless he is in possession of a reference book (the pass) which has been signed off by his previous employer and which indicates that he is authorized to remain in the particular area and work there."(3)

The powers of labour bureaux over the allocation of African workers is far-reaching. In the first year of operation of the statutory system (1953) permission to enter Johannesburg alone was refused to more than 70,000 Africans, while in 1964 over 100,000 Africans were "endorsed out" (i.e. removed) from the main urban centres. One of the purposes of the system is to channel Africans away

(1) SAIRR Survey for 1972, p.255. See also Rand Daily Mail, 27.11.72

(2) The Guardian, 16.5.72.

(3) Report of the Dept of Bantu Administration & Development, R.P.18/1967, p.18.

from manufacturing and commerce to mining, agriculture, and the border industries. The labour bureaux also play a central part in what the Deputy Minister of Bantu Administration and Development called "the elimination of the redundant, non-economically active Bantu in our White areas"⁽¹⁾ i.e. the unemployed and women and children.

The effect of the labour bureau system on the labour market is not merely to stop competition for labour among the main sectors of the economy (mining, agriculture and manufacturing) but also to reduce competition between firms in the urban areas themselves. Fear of endorsement out, if unemployed, is a strong inducement to Africans not to move from job to job in search of the highest wage. Further, the power of labour bureaux to requisition labour from outside the urban area in response to demand gives employers little incentive to compete for labour within the urban area by raising wages. Generally, relatively high wages will not greatly increase the supply of labour to any firm nor attract better quality workers. Similarly, relatively low wages will not stop an employer obtaining labour through the labour bureaux. There is little incentive for employers to invest in the training of workers hired in this way. Indeed, the effect of the whole migrant labour system on the productivity of African workers is a constant complaint of employers, though few would welcome the political implications of its abolition.

Trade Unions and Wage-setting

While it is a function of the "temporary sojourner" policy to restrict the bargaining power of African workers, the most obvious way in which Africans are deprived of bargaining power is that they are legally prohibited from striking. This applies to all Africans in all industries. There are no exceptions. Africans may form trade unions, but, in practice, the African trade union movement has been systematically suppressed by police harassment under the Riotous Assemblies Act, the Suppression of Communism Act, the Terrorism Act, etc. African trade union organizers risk imprisonment, detention and banning without trial and banishment to the reserves. In the 1960s all the executive officers of the mainly African South African Congress of Trade Unions were suppressed. [see insert]

African trade unions are not officially recognized and cannot register under the Industrial Conciliation Act. There is no obligation on employers to negotiate with them or to provide them with any facilities. *Few survived the repression of SACTU in the 1960s. Those that continue to operate openly have been forced to disband the labour movement.* Because of the weak bargaining position of African workers under apartheid, in practice government wage setting policy is the major determinant of African wages. In industries in which there is no registered trade union the government directly sets minimum wages through the Wage Board. In industries where there is a white trade union minimum wages are set by Industrial Councils which consist of representative of the employers and the "employees" - defined so as to exclude Africans. A Bantu Labour Officer sits in on Industrial Council meetings

(1) House of Assembly Debates, 4.2.69.

to look after African interests on behalf of the government, that is, to ensure that African wages are not set so low as to be "conducive to unrest." Usually, the Minister of Labour will not give legal effect to an Industrial Council Agreement through publication in the Government gazette. If the minimum wages for the African labour force are set much below those set for comparable work by a Wage Board Determination. Few industries in South Africa are not covered either by a Wage Board Determination or an Industrial Council Agreement. (Mining is the striking exception). In practice firms rarely pay wages much above these minima.

The Poverty Wage Level

The foregoing review of South Africa's work reservation, labour allocation and wage-setting system should dispel the notion that British companies are able to independently improve wages rates for their African workers, unless, of course, they show a willingness to challenge the apartheid laws of the country. But no such challenge is likely; no British company operating in South Africa is known to be actively motivated by anything other than the maximisation of the profit rate, and maintaining its share of either the market in which it is operating or the sources of the raw material supplies which it needs.

However, in the face of recent public criticism of the wage policies of British companies, two views are now being advanced to suggest that it may be possible for British companies to improve African wage standards in South Africa. The first, which comes from the Department of Trade and Industry, suggests that there exist no legal minima for African wage rates and hence British companies should be seen to be "good employers" by increasing wages where this is possible. The foregoing analysis of South Africa's labour and wage policies show that such a view is not only unrealistic but contradicts the very reasons why British companies have chosen to invest and operate in South Africa i.e. the advantages which accrue from the absence of labour supply problems and the cheapness of the price of black labour.

The other view is that if British companies only advanced wage levels to what is notionally assessed as the "Poverty Datum Line" (PDL), then in some way the role of British capital in the apartheid economy could become morally acceptable. The PDL is a theoretical minimum income standard to sustain life for the African worker, and is derived from the 19th Century "Iron Law of Wages", i.e. average wage incomes will tend towards the minimum level necessary for the worker to reproduce his labour and nothing more. Hence, insofar as the PDL becomes a guide for British companies in South Africa, their wage policies will not be determined by such recognized factors as labour, productivity or the equitable distribution of aggregate incomes between wages and profits, i.e. on principles generally applied to the fixing of wage incomes in Britain. Hence, by resorting to the PDL standard, the attitude of British companies is no different to that of the South African government. The Government, through its legislation, ensures that African workers will not exercise their rightful bargaining strength as workers to secure a more equitable distribution of the fruits of their labour. British companies by using the PDL as a standard ensure that their wage payments remain more or less around the necessary subsistence level. And so the circle is closed,

with both the South African government and the British companies mutually supporting each other to maintain what is in essence colonialist-type wage policy towards the African people.

It is a well known and demonstrable fact that unionized segments of workers consistently manage to increase their share of the aggregate wage fund at the expense of the non-unionized workers. This has been the experience in every Western country. What this implies in the South African context is that insofar as British companies show a desire to improve African wages through applying the PDL standard, the white unionized workers of South Africa will automatically succeed in negotiating an even more substantial increase in their share of the wages fund. This became fully apparent in the recent case of the increase of African workers' wage rates by the Anglo-American Corporation Gold Mine. The average monthly wage increase for the African underground mineworkers amount to 7 Rand a month, bringing the average cash wage for blacks to 32 Rand a month. Immediately the White workers (through their trade union) demanded an increase of 80 Rand a month. This demand will substantially increase the gap between black and white workers' wages. When South Africa's cost of living index rises by an annual rate of 10 per cent, the effect of existing wage policies whether manifested through the PDL guideline or the Government's wage-setting machinery only serve to depress real wage incomes for the African workers while widening the distance between white and black wage rates and their relative shares of the national wage fund.

4 THE CASE FOR WITHDRAWAL FROM SOUTH AFRICA

Britain plays an indispensable role in South Africa, both as a trading partner and a source of capital. The main features of this dependence of South Africa on Britain have been fully documented elsewhere* and here some of the salient aspects of this dependence are highlighted to suggest that any serious British move towards withdrawing, restricting or freezing further flows of capital to South Africa would have a major impact on South Africa's apartheid policies.

Britain is by far the most important single market for South African exports and as a source of foreign capital. Around 60 per cent of all foreign capital invested in South Africa is British. Of the 100 largest companies in South Africa, 28 are either subsidiaries or associates of British companies. The British interest in mining, manufacturing, distribution and finance is all-pervading. In 1968, when figures were last compiled by South Africa, British direct investments in South African companies amounted to £600 million or 10 per cent of all UK foreign direct investment. Of the total value of foreign capital - direct and indirect - invested in South Africa amounting to £3,400 million, some £2,000 million was held by British investors.

As argued in this memorandum the basic reasons for the massive British investment effort in South Africa, especially since 1948 when the country moved onto a high-growth path, especially in manufacturing production, were the high rates of return on investment and the guarantees of safety and stability provided by

* The South African Connection. First, Steele and Gurney, (Temple Smith) 1972.

the apartheid state. It has been calculated that Britain earns on average a return of 12.1 per cent on its investments in South Africa, which is higher than rates on investment earnings in either Britain or any other country where British capital is invested. This high investment earnings performance in South Africa is fundamentally the migrant cheap black labour policy pursued in that country.

The dependence on Britain through these links, makes Britain the most important source of high technology; important sectors of South Africa's modern industry - chemicals and petro-chemicals, motor vehicle production and assembly, precision engineering and electronics - are predominantly British controlled. The application of modern techniques in manufacturing has led to mass production lines which call for an increasing supply of unskilled and semi-skilled labour. Here cheap black labour has been made abundantly available. Skilled workers at the management level of South African industry have been supplied through immigration, and in this respect it is normal practice for British companies to supply skilled workers from this country to accompany the capital which they send to South Africa.

This dependence also takes both covert and overt political forms. The continued undisturbed entry of British capital to create an advanced industrial economy in South Africa is seen by the apartheid regime as critical to its hopes of making the South African economy the core or polarised centre of industrial development in Southern Africa, and hence to bringing the surrounding countries of Zambia, Rhodesia, Mozambique and Angola within South Africa's sphere of economic interest, dominating the markets of these countries and exploiting the opportunities for bringing their African populations within the framework of the South African cheap labour system.

Next, in this respect, is the important role which British companies with interests in South Africa play as a political lobby for the South African government in countering the pressures from British and international public opinion for firm United Nations action to oppose the policies of apartheid. Such organisations as the South Africa Foundation and the United Kingdom-South Africa Trade Association (UKSATA) actively campaign in Britain to support South Africa's racist policies and to lobby against the UN policies of international sanctions against South Africa and Rhodesia. When the Chairman of UKSATA informs the Select Committee that African workers would not benefit from higher wages because they would not know what to do with the extra money, or that the African worker is congenitally lazy or mentally inferior, he is serving South Africa by spreading that country's otherwise discredited racist myths and justifying that country's policies.

The Anti-Apartheid Movement is convinced that political and economic change in South Africa in the direction of democracy and above all the recognition of the rights of the African people, can be advanced only through a British policy of economic and political disengagement from South African apartheid. The Movement contends that continued flows of British investment capital will serve to entrench race rule and apartheid in South Africa and will not ameliorate the economic condition of the African people. The evidence of history, of experience and of common

- 10 -

sense proves this to be the case. The Movement believes that any attempt to confine Britain's responsibilities in South Africa to a discussion on the ways by which British companies may improve African wage levels is unrealistic and illogical. Equally, it is hypocritical to claim, as some companies do, that withdrawal of British capital in South Africa will lead to African unemployment and increased misery. British companies operating in South Africa are motivated not by any consideration to improve African living standards or create employment, but by the need to maximise profits. This has given British companies a vested interest in the continuation of the migrant cheap labour system of South Africa.

The first step towards a British policy of withdrawal should, in the opinion of the Anti-Apartheid Movement, be the imposition of an official freeze on all further flows of British capital to South Africa. Such a freeze should be supported by a ban on loans raised in Britain by the South African government and by companies operating in South Africa. Furthermore, this initial step towards disengagement should be accompanied by active efforts to discourage the emigration of British settlers to South Africa, and to dissuade British companies from sending or arranging the migration of skilled personnel from Britain to South Africa. Such a first step should be followed by British initiatives at the United Nations to secure a mandatory ban on all new foreign investment in the apartheid economy.

APPENDIXBRITISH LEYLAND MOTOR CORPORATION

The role played by British Leyland Motor Corporation's subsidiary, the Leyland Motor Corporation of South Africa, in South Africa illustrates many aspects of British companies' involvement in the Republic.

Leyland is one of the biggest motor vehicle manufacturers in South Africa; it ranks seventh among the industrial companies quoted on the Johannesburg Stock Exchange. In 1972 it held 7.5 per cent of the passenger car market and 16.4 per cent of the market for heavy commercial vehicles. It manufactures one of the widest ranges of cars of any of the South African car makers - Jaguar, Rover, Triumph 2000, Austin, Apache and Mini - and dominates the market in heavy trucks and specialised vehicles like road rollers, tractors and cranes.

British Leyland's merger with AEC in 1956 led to the merger in South Africa of J.H. Plane and Co., which held the AEC franchise for heavy industrial machinery, and Leyland South Africa. Today Leyland South Africa has three major plants - its car assembly plant at Blackheath near Cape Town and its heavy vehicle and industrial machinery plants in Durban and Elandsfontein, Transvaal.

Leyland South Africa has expanded very rapidly in order to conform with the 'local content' programme under which the government uses import-control restrictions to induce vehicle manufacturers to increase the local content of their models. The third phase of the programme, introduced in January 1971, lays down that cars must be 66 per cent South African manufactured by the beginning of 1976. Leyland's plans to meet this requirement are the biggest announced by any South African motor vehicle manufacturer. Between 1972 and 1976 it is to increase its investment in South Africa from £14 million to £39 million and eventually five Leyland models will meet the local content specifications.

Leyland's role in building up South Africa's motor manufacturing industry has contributed to the Republic's potential military capacity. Lord Stokes went on record as saying at the company's 1973 AGM that the company supplied four-wheel drive Land Rovers to the South African Defence Force.

Leyland has other close links with the South African government. In June 1972, it was reported to be considering closing its Blackheath plant and moving to the Port Elizabeth area where General Motors and Ford have their plants and the South African motor industry is concentrated. More recently Leyland announced that it had decided against this move but that it was negotiating for a government subsidy to help it remain at Blackheath.

Leyland has also received a substantial share of government orders. In 1970 it won its biggest ever single order of 380 heavy trucks from South African Railways and its Chairman stated that a large part of the company's increase in turnover had come from "the capture of a far greater proportion of business from the government sector than we had in the past".

- 12 -

In May 1973 the South African government announced proposals to reduce the maximum overseas shareholdings in all banks operating in South Africa to 10 per cent. It is also anxious for foreign industrial companies to become increasingly South African-owned. In accordance with government policy, Leyland offers its shares on the Johannesburg Stock Exchange. At the beginning of 1972, British Leyland Motor Corporation's holding in Leyland South Africa stood at 56.7 per cent: the remaining shares were held by South African institutional investors, including the Afrikaans insurance house Sanlam and individual South African investors. In the second half of 1972, BLMC increased its holding in Leyland South Africa's ordinary shares to 78 per cent by buying out Leyland South Africa's former Chairman, Jack Plane. BLMC is expected to reduce its holding to 51 per cent by placing blocks of shares with South African institutions.

Leyland's labour force in South Africa has contracted from 5,500 in 1970, through 4,400 in 1971 to 4,100 in 1972. Nearly half its employees are Coloureds who work at its plant at Blackheath near Cape Town. Work on the Blackheath assembly line is all done by Coloureds, but the most senior job done by a Coloured is charge-hand inspector. Whites hold all supervisory jobs. Management has refused repeated requests from the Coloured Motor Assembly Workers Union to appoint Coloured foremen.

In February 1973, 200 workers at Leyland Truck and Bus (Natal) Ltd went on strike.

In 1970-71 Leyland's South African operations earned a profit of £2.2 million; but in 1971-2 there was a dramatic reversal in the company's profitability and it made a loss of £5.25 million. At the end of 1972 the Chairman of Leyland South Africa, Jack Plane, was replaced by an Afrikaner, Basil Landau, formerly Managing Director of the highly successful Toyota Company, and Leyland's organisation was restructured. According to Lord Stokes, the new arrangements are already showing results and next year Leyland South Africa will show a profit.