

# THE GENERAL ELECTRIC COMPANY LIMITED

A Review of the Company's Relationship  
with South Africa

Prepared by Rodney Stares, M. A.

**CCSA**

Christian Concern for Southern Africa

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CHRISTIAN CONCERN FOR SOUTHERN AFRICA  
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PREFACE

The recent, widespread violence in black townships in South Africa demands a reappraisal of attitudes by all those with capital invested in that country. Despite some improvements in the real purchasing power of urban blacks, it was mainly in those urban communities who had benefitted most from the economic growth that the revolt of the younger generation arose. It is clear that many who stand to gain most from continuing economic growth reject the advantages proffered by the white community, unless they are accompanied by a real share in political decision-making. In the industrial sector this means that closing the white/black wage gap is demonstrably inadequate and that equal rights must be granted to all employees.

The tragedy of the recent deaths has drawn the appalling situation of South African blacks to the attention of a wider audience and finally more people are beginning to understand the iniquitous restraints placed on the freedom of black people in South Africa and the indignities and insecurity to which they are systematically subjected. The absence of basic political rights for blacks is amply illustrated by the powerlessness of the few representatives they are allowed. There is growing understanding that the majority of the South African people are deliberately denied full participation in the country's economy. Previously those arguing the case for using the power of British companies operating in South Africa as a lever for change have made little headway because those to whom their arguments were addressed had a different picture of South Africa on which they based their decisions. The falseness of that picture is now clearly displayed and those wanting to justify inaction have to resort to two alternative arguments:

'That it is not fitting for investors to seek to change the regimes of countries where their assets are employed or with whom their companies trade.'

'That it is against the interest of the investors of the community at large to endanger British trade with South Africa by applying pressure for change.'

South Africa claims to be our historical ally and to be part of the "Western" community. Such a claim makes our relationship with that country qualitatively different from relationships with other totalitarian regimes. It is no argument to say that our trade with Russia and its allies carries the same political implications as our trade with South Africa. G.E.C. has commercial dealings with the Government of Romania, but the Government of Romania does not claim any special relationship with G.E.C. or the people of the U.K., or gain any moral advantage from the trade; neither they, nor the people of Romania, nor the rest of the world are under any illusion that G.E.C. or the British people favour or support the Romanian style of government. In the case of South Africa, however, the situation is quite

different. The commercial contacts between South Africa and the U.K. and other Western countries are seen by the Government of South Africa as supporting its claim to be part of the Western democratic community and this helps to sustain them in their present attitudes. Until such time as the nation as a whole, and the business community in particular, can make unmistakably clear that repudiation of South Africa's claim to belong in one community with us, every transaction or involvement with South Africa can only be regarded as providing them with moral support.

In the present situation, therefore, the business community must face charges of supporting the regime. The support may not be deliberate but it is nevertheless effective and is rightly so regarded by the rest of the international community. The present circumstances make political neutrality impossible. The first of the two arguments to justify inaction is therefore seriously undermined and indeed the argument for total withdrawal from all commercial contact is greatly strengthened. The only counter is to clearly demonstrate that those involved in these economic relationships are doing more to promote change than they are impeding reform by their perceived support for the status quo.

There can be little doubt that in the present circumstances the British, German, American and other companies have considerable power which they could exercise in favour of change. Based on the successful development of the South African economy during the 1960's and early 1970's, a myth has evolved about South Africa's great economic strength. In truth, like other developing countries, it is heavily dependent on external finance. The combination of the world-wide recession, the fall in the price of gold, South Africa's increased military expenditure, and the political instability which has surfaced in the recent protests in the African townships, have brought the South African economy to a fairly desperate pass. Short-term foreign debts exceed the foreign currency reserves, the second tranche of the IMF loan is being drawn down and many major government programmes remain to be funded in overseas capital markets where South Africa already has to pay premium rates of interest. In these circumstances the South African government would find it very difficult to ignore a determined move by, for example, the C.B.I. or a group of the larger investors in South Africa, particularly if it were done in conjunction with American and German companies, to insist on major changes in the industrial field. Many reports suggest, too, that such a move would be welcomed by and would strengthen the more liberal elements within the government.

This leads us to the question of whether the exercise of such power would be in the interest of G.E.C. and the U.K. and to the second argument in favour of inaction. The question must be considered from the point of view of interest in the South African market and the investments there and also with regard to the commercial interests elsewhere in the world. Because of G.E.C.'s supply of defence and quasi-defence equipment and because of its numerous contracts with state-controlled corporations, it is particularly closely involved with the present regime in South Africa. It is arguable that G.E.C.'s long-term interests in the South African market would be better served by a

deliberate policy of distancing itself from a regime whose long-term future is insecure. Such action for the company's prospects in other markets could be very significant. As far as Britain is concerned, there is no doubt that our only chance of safeguarding our long-term assets in South Africa must lie in being seen to be a major contributor to a programme for rapid, peaceful, radical change.

The increasing determination of other countries to see the end of the apartheid regime has been strengthened and given emotional impetus by the killing of so many blacks in recent weeks, as has been clearly demonstrated at the recent Non-Aligned Nations Conference. The eighty-six nations who participated in that conference represent a major trading bloc of significance to the U.K. and include amongst their number many specifically mentioned by G.E.C. in its recent report as being areas of importance for the company. As long as South Africa's claim to be at one with the Western world is not contradicted, the economic interests of both G.E.C. and Britain are at risk. Certainly there would be danger of losing some trade and profits if a stronger line were taken with the South African government, but much larger volumes of trade are at risk if we do not distance ourselves from a country whose policies represent a contradiction of everything Britain claims to stand for. In recent months Nigeria, for the first time, became a more important market for British goods than South Africa. It would be a tragedy if we were to sacrifice our trading prospects with those nations whose economic strength appears to be increasing, in order to protect our trade with a country whose economic prospects are uncertain and a regime whose prospects for survival in the long-term can at best be described as doubtful.

Neither G.E.C. nor the U.K. can avoid involvement in the South African situation. Because of our historical relationships, our intimate economic connections and South Africa's self-proclaimed special relationship with us, inaction can only be interpreted as support for the apartheid regime. Short of total withdrawal, this can only be counteracted by very clear action by both British companies and the British Government to bring about radical change in South Africa. We have the moral responsibility, we have the power and it is in our own interest. We may have little time.

Trevor B. Jepson

Chairman, CCSA

August 1976

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1. SUMMARY AND CONCLUSIONS

(a) Although G.E.C.'s subsidiaries, associates and investments in South Africa are not of major significance within its total world-wide operations, they are highly significant both within the South African electrical industry and by comparison with many other British companies operating there. Its workforce of approximately 3,608 Africans and 1,145 Coloureds and Asians makes it the sixth largest British employer of black labour in South Africa.

(b) G.E.C.'s factories in South Africa and the U.K. play a significant role in providing the South African state corporations with modern equipment and technology especially in the fields of telecommunications, rail transport and electric power generation. Such activities directly augment the economic power of the state and reinforce its capacity to impose and extend its apartheid policies and programmes without providing any corresponding economic or political benefits to the black majority.

(c) As a result of its considerable direct and indirect involvement in the manufacture of armaments and sophisticated military systems and its strong commitment to their sale overseas, G.E.C. has over a number of years profited indirectly from arms sales to South Africa. More recently, the company has contracted to supply sophisticated "electronic warfare" systems to the South African Defence Force and has indicated a willingness to provide South Africa with nuclear equipment and technology. While the acquisition by the South African Defence Force of electronic warfare systems has important domestic implications for the control of insurgents and popular movements, the development of a self-sufficient nuclear capability has far reaching and extremely serious international implications of an economic, political and ultimately military nature.

(d) Owing to the non-disclosure of information on the wages of over one quarter of the company's African workforce it is difficult to estimate the percentage of these employees who are still being paid minimum wages below the level recommended as an acceptable target by the British Government, (MEL). According to the latest available figures supplied by the company, the percentage below the minimum is at least 40% and may be nearer 50%. Despite declarations of intent to reach MEL levels for all black employees by mid 1976 the current timetable does not envisage its achievement until the end of 1977, four and a half years after the House of Commons enquiry.

(e) While the company has an apparently open and pragmatic policy towards the recognition of black trade unions this has not been publicised as company policy nor would it appear to have been communicated to the black workforce in South Africa.

(f) Currently G.E.C., like other major employers, restricts its African training efforts to the pace of African advancement dictated by white unions largely on the basis of their own gradual upward mobility.

Not only is this pace of change inadequate but it is part of a process whereby the jobs that are released are renamed, fragmented or otherwise changed to justify inferior minimum salaries. Whilst the company has given some concrete examples of job areas that have recently been opened up for black employees no details have been given of the effect of these improvements on absolute black wage levels or on how they compare with those earned by whites doing comparable work.

(g) In both its evidence to the Trade and Industry Sub-Committee and subsequent summaries of its record G.E.C. has failed to include details of certain activities which would appear significant in terms of the numbers of Africans employed and for which G.E.C. has a strong prima facie responsibility. Several of the companies involved exemplify the problem of responsibility, accountability and disclosure in cases of minority shareholdings, where overall control is rested in a group of expatriate companies acting in partnership.

(h) G.E.C. has a mixed record of responsiveness to public concern. While the company's management has often reacted violently and defensively to public questioning and comment at A.G.M.'s, it has on at least two occasions been prepared to discuss and enter into dialogue with certain groups on a private and confidential basis. However these exchanges were, at the company's insistence, private and confidential, a fact which limits the scope for eliciting corroboratory feedback and placed the company under less direct public pressure to be seen to be responding to its privately voiced commitments. The company's most recent annual report (1976) is disturbing for its use of 'national interest' arguments to still criticism of its involvement in "sensitive markets" such as South Africa. By implication such criticism is dangerous because it could prejudice South African goodwill and ultimately place British jobs in jeopardy.

### Conclusion

The conclusion of this report is that there is a strong prima facie case for believing that G.E.C.'s involvement with South Africa is detrimental to the interests of the black majority of the country's population and to the creation of a socially just society. By reinforcing the economic and military power of the South African state far more than it furthers the interests of the oppressed it is operating to exacerbate the scale of the already mounting conflict.

Attempts to justify this involvement on the grounds of the British national interest, besides failing to meet the moral objections, are themselves highly questionable. A policy which makes a substantial volume of British exports and associated jobs dependent on the continued goodwill of a country whose economic and political future is increasingly problematic and whose policies engender active hostility among our trading partners throughout Africa and the Third World can hardly be considered commercially prudent let alone in the national interest.



Recommendations

In view of the scale and significance of G.E.C.'s involvement in South Africa and its alleged importance for the British national interest CCSA believes that shareholders, employees and others concerned with the promotion of social justice in South Africa should raise the following issues with the company and the British Government.

A. The Company

1. The provision of detailed information concerning the full extent of G.E.C.'s involvement in South Africa. More especially details of:
  - (a) Numbers of employees and their conditions of service (minimum and average rates, hours, fringe benefits etc) at those associate companies where G.E.C. is jointly responsible alongside other British companies.
  - (b) Turnover, profits and investment income arising both from the activities of the company's South African operations and from U.K. export activity to South Africa.
  - (c) The nature and extent of the company's past and current involvement in the tendering, consulting or supplying of nuclear technology to the South African state.
  - (d) All contracts of £100,000 or above awarded by South African state corporations to G.E.C.'s associates or subsidiaries in South Africa or in the U.K.
  - (e) The use of migrant labour by the company's subsidiaries, associates and investment companies along with details of the ownership, management and utilisation of hostels.
  - (f) Expenditures incurred by the company for the approved technical and vocational training (other than on-the-job training) of its workforce. Figures should cover the last three years and be broken down according to racial grouping.

2. A public commitment to the following policies and their communication to shareholders and workforce:
  - (a) Black employee representation by means of trade unions.
  - (b) The raising of minimum wages for black employees, including those working in companies detailed in 1 (a) above, to the MEL to be put into effect as soon as administratively possible and not delayed to the end of 1977.
  - (c) The principle of black job advancement without job dilution or fragmentation and without the concomitant reduction in minimum rates for the grade.
  - (d) The avoidance of any form of participation (whether by the U.K. or South African board companies) with the South African government or its agencies in the export or development of nuclear technology.
  - (e) The cessation of the export of electronic monitoring, surveillance or communication equipment for the South African government.

B. The British Government

1. The revision of the Export of Goods (Control) Order 1970 (paragraph 4 (ii) ) such that the preferential treatment accorded to South Africa in respect of the currently unrestricted goods detailed in Schedule I of the Order be removed. In addition, the licensing or authorisation of shipments to South Africa of goods contained in groups 1 - 3 inclusive of Schedule I should be subject to public review.
2. A policy statement on the application of the rules covering the export of nuclear technology to South Africa and specific details of export licences issued for such shipments during the last three years and of applications currently under consideration.
3. The amendment of the request for British companies with South African affiliates to disclose information concerning the wages and conditions of their black employees to include those cases where two or more British companies jointly exercise control over a South African affiliate by virtue of their combined minority shareholdings.

## 2. INTRODUCTION

The General Electric Company Ltd (G.E.C.) is Britain's foremost electrical engineering and electronics company. As a result of a succession of mergers and takeovers it has become one of Britain's largest private employers; the country's twelfth largest company and fifth largest exporter. According to its 1975/6 annual accounts the company controlled total assets of £880m and earned a pre-tax profit of £207m from its worldwide turnover of £1,752m.

Although the operations of G.E.C.'s subsidiaries and investment holdings in South Africa are small in relation to either U.K. or global turnover they are highly significant both within the South African electrical industry and relative to those of other British companies. With 3,608 African and 1,145 Coloured and Asian employees G.E.C. was, at the time of the T.I.S.C. enquiry, possibly the largest company operating in the South African electrical industry (and certainly the largest British company) and the sixth largest British employer of black labour.

In addition, South Africa has been an extremely important export market for many of G.E.C.'s heavy engineering products with sales from the U.K. in excess of £150m during the last five years. In the context of the generally depressed nature of many Western markets for G.E.C. principal products South Africa's commitment to a massive programme of capital works will undoubtedly make it an even more significant area of company export endeavour in the future.

G.E.C.'s operations in South Africa consist of an equity and loan finance participation in some seventeen South African companies. The majority of these are wholly-owned subsidiaries; in the remainder G.E.C. has a significant, but rarely a majority, shareholding. At least two of these so-called investments represent joint ventures with major U.K. and foreign competitors such as Plessey and Standard Telephone and Cables (STC). (See details in Appendix I).

The companies are principally engaged in production, distribution and maintenance activities in two main markets; consumer goods such as telephones and domestic appliances and capital goods such as turbines, locomotives and electrical switchgear. Sales teams also promote the sale of equipment and technology not currently produced within South Africa. While the group's principal manufacturing plants are in the East Rand area at Germiston, Benoni and Springs one of its major investment companies (African Telephone Cables) has a large factory in the Border area of Brits close to the Bophuhatswana 'homeland'. In addition, G.E.C. has recently constructed a factory at Isithebe in the Kwazulu 'homeland' which is producing small electric motors.

The following survey of the company's involvement in South Africa examines four areas of concern for the investor in G.E.C.:

- (a) The company's relations with the South African state corporations.
- (b) The sales of arms and sophisticated technologies having specific military applications.
- (c) Industrial relations performance.
- (d) Company disclosure and responsiveness to expressions of public concern.

3. RELATIONS WITH SOUTH AFRICAN STATE CORPORATIONS

During the last five years G.E.C. subsidiaries in South Africa and the U.K. have won contracts for the supply of nearly £200m worth of transport, power engineering and telecommunications equipment to South Africa's state corporations. Given that only the largest contracts are well publicised, total sales may well have been significantly above this figure. The wide spread of the company's involvement in this field can be seen from the following list of state corporations it has dealt with:

South African Railways	5 contracts
South African Post Office	1 contract
South African Broadcasting Corporation	1 contract
Electricity Supply Commission (ESCOM)	4 contracts
State Steel Corporation (ISCOR)	1 contract

Part of the equipment supplied is manufactured by G.E.C.'s factories in South Africa - forming a significant but undisclosed percentage of their turnover - while the bulk especially of the more sophisticated items is supplied direct from the U.K. In many cases the equipment supplied has been developed specifically to meet the latest specifications of U.K. nationalised industries such as the Post Office and the Central Electricity Generating Board. As such it incorporates the most advanced technology in its particular field.

In order to appreciate the significance of the G.E.C. relationship with the state corporations it is necessary to understand the economic and political role of these immensely powerful institutions. Ruth Weiss\* in a recent paper on these so-called para-statal organisations put forward three main reasons for the "unusually high degree of state control over the commanding heights of the economy".

\* Ruth Weiss, The Economic Factor: Study Project Paper No. 7.  
Study Project on External Investment in South Africa & Namibia. 1975.

Firstly, the creation of state corporations gave the government the ability to control the pattern of economic development and progressively to wrest control of the business sector from 'foreign' British capital and place it at the disposal of Afrikaner Nationalism. One practical outgrowth of this policy has been the ability to provide a considerable level of "protected employment", (especially on the railways) for those lower skilled whites potentially threatened by black advancement. Secondly, the para-statals were designed to strengthen the economy both by underpinning private capital and foreign investment through the provision of basic infrastructure and services, and by taking the initiative in diversifying the industrial base away from primary industries towards manufacturing by entering new fields considered too risky by private capital. Finally, the direct control of a growing segment of the economy and the labour force meant that apartheid rules and practices could be more effectively implemented at the workplace.

The significance of commercial relations with the state corporations therefore lies in the contribution it makes towards enhancing the power and effectiveness of the South African state and consequently its ability to maintain and extend the application of its apartheid policies.

While G.E.C. has supplied a wide range of state corporations its relationship is closest with the Post Office, where it is one of the big four overseas companies manufacturing on a "supply agreement basis". Under this arrangement the supplier has a contract to supply specified equipment over a number of years with the option of renewal at the end of the contract period.

According to a Financial Mail survey of telecommunications in 1973 G.E.C. appeared to occupy a dominant position in two main equipment contract markets. Firstly, Telephone Manufacturers of South Africa Ltd which G.E.C. owns jointly with Plessey accounted for two-thirds of the sales of switching equipment to the Post Office worth some £13m p.a. in turnover to G.E.C. Secondly, G.E.C. has a significant stake (30% - as does S.T.C.) in African Telephone Cables which accounts for between 70% - 75% of telephone cable sales.

A similar survey of the suppliers to the state power authority (ESCOM) indicated that G.E.C. was one of the main contenders in the field of turbo-generating equipment for South Africa's rapidly expanding energy programme. Although the bulk of the contracts during the early 1970's appears to have gone to Swiss and German firms, G.E.C. announced in April 1975 that letters of intent had been signed for three 600 MV turbine generators for a coal-fired power station at Duvha in the Transvaal. More recently (15.7.76) a further order of the same size has been placed with the company. These orders, to be met largely from G.E.C.'s U.K. plants, are likely to be worth over £120m and represented the largest of their kind ever placed in the U.K.

Finally, G.E.C. has played an important role in the provision of modern traction units and rolling stock to the South African Railways (SARH) and other state corporations. According to a report in

the Johannesburg Star (19.5.73) one-third of all SARH's locomotives will have been designed and built in the U.K., presumably by G.E.C. The company's 1976 Annual Report also noted that G.E.C. was at present supplying power equipment for onehundred and fifty locomotives for the SARH and that major orders had been received for vacuum circuit-breakers and railway signalling equipment. In addition, G.E.C. has recently received an order from the state steel corporation, ISCOR, to supply it with "the world's first fleet of 50 KV locomotives". Commenting on the significance of this order the 1976 Annual Report noted that:

"This enhances further the company's strong links over many years with the development of the railways in the territory."

Given the enormous projected expansion in the railway network during the next few years it seems likely that G.E.C.'s major involvement in this field will be maintained or even increased.

Although much of the equipment produced by G.E.C. in South Africa is relatively conventional, the company does act as a link by which South Africa obtains access to the latest technology developed in the U.K. According to G.E.C.'s 1972 Annual Report the South African Post Office placed the first overseas orders for an advanced Stores Programme Control (SPC) system for telephone switching. The following year the Post Office again placed the first export order for "a more powerful Mark II processor to be installed in the Pretoria Control Trunk Exchange". In the same Annual Report (1973) G.E.C. Traction (a U.K. company) announced that:

"The company is well ahead in the application of thyristor control equipment - as a result of its continuing development programme in this field and prototype equipment is operating at 3000 V in South Africa. This type of equipment is increasingly required for rapid transit systems throughout the world."

Besides supplying new technology direct from the U.K., G.E.C., like other manufacturers, is under pressure to produce ever more sophisticated equipment within the Republic. If the company wishes to raise or even maintain the level of its exports to this rapidly expanding market then it must be prepared not only to make its technology freely available but set up a local factory to ensure that its products contain a growing local component.

According to the Financial Times (20.1.76) a condition of recent South African Post Office contracts was that the company whose system was chosen should be prepared to licence other approved suppliers to manufacture the system in South Africa. In preparation for this eventuality Telephone Manufacturers of South Africa, (in which G.E.C. has a 50% stake) has been sending "key management personnel" on training courses to G.E.C.'s industrial staff college near Rugby. Besides taking formal courses these South African

managers spend a period of attachment with leading European telecommunications and electronics companies to see the management problems associated with making major technological transitions. More recently, G.E.C. has established a factory devoted entirely to producing traction equipment in South Africa, "to give higher local content in support of substantial U.K. exports in this field". (1976 Annual Report).

The state corporations therefore use the commercial attractiveness of the massive contracts that they place as a means of furthering the government's objectives of achieving a greater degree of self-sufficiency and obtaining access to the most modern technology.

Whilst it is clear that this relationship is of benefit to the South African state, it is questionable how far these contracts improve the position of South Africa's black population, either by supplying them with useful goods and services or by creating employment and incomes. As far as blacks as consumers are concerned G.E.C.'s principal products are largely outside their reach. Black communities are distinguished by the virtual absence of electrification, whilst telephone ownership is far beyond their resources.

To the extent that efficient mass transit systems are made available to blacks this is principally to benefit the white economy by allowing it to use black labour without undermining the policy of geographically separating the races or incurring any responsibility for paying for black residential facilities or services. Rail transport provides the means of bringing black commuters in from their often remote townships and shuttling migrant labourers back and forth between their tribal 'homelands' and the mines and industrial areas where they work. Black railway journeys are therefore largely a function of and prop for apartheid relationships rather than of any other factor.

From the point of view of black employment creation the contribution of G.E.C. appears only slightly less negative. Not only do G.E.C.'s principal plants tend to be highly capital intensive but they require a high proportion of skill which are monopolised by whites. As a result, the ratio of white to black employees in G.E.C.'s South African subsidiaries is very high compared to most types of manufacturing. Educational deprivation, job reservation and consequent low training expenditures all mean that blacks are employed in the most menial jobs where the rate of pay is barely above the subsistence level.

The principal employment benefit is therefore likely to be jobs created for blacks as a result of the railway expansion and indirectly by the general process of economic growth engendered by the widening of the basic infrastructure.

Since the profits and taxes of the state corporations go to the South African government and the bulk of the products, services and most remunerative jobs go to whites it seems fair to conclude that G.E.C.'s dealings with the state corporations do far more to strengthen the power of the South African government and the white community it serves than they benefit the country's black population.

4. SALES OF ARMS & SOPHISTICATED TECHNOLOGIES HAVING SPECIFIC MILITARY APPLICATIONS

As Britain's principal electrical engineering and electronics group G.E.C. is directly responsible, as the prime contractor, for the production of a wide range of weapons and related systems (torpedoes for the Royal Navy, guidance systems for missiles and CLANSMAN field radios for the British Army). In addition, G.E.C.'s 50% stake in the British Aircraft Corporation (B.A.C.) gives it a substantial indirect responsibility, both as shareholder and major sub-contractor, for armaments manufactured by B.A.C. Although it is difficult to estimate the significance of military sales within total group turnover or profit, this is less so for certain specialised subsidiaries. According to Counter Information Services in their 1973 report on the company, Marconi-Elliott Ltd accounted for four-fifths of the military computer market in the U.K., while some 20% - 25% of total group turnover was estimated to come from military sources.

The company's position on the export of military equipment was spelled out by the Chairman, Lord Nelson, in the 1972 Annual Report:

"The export potential in defence equipment is considerable and well-directed efforts through proper collaboration with all those concerned will help the U.K. to achieve the major share which it has rightfully earned by its technological competence and vast investment over many years."

Unfortunately for the company the "export potential" of the South African market has largely been denied them since 1964 as a result of the U.K.'s arms embargo/export licence procedures. While certain items of military equipment manufactured by G.E.C. or incorporating G.E.C. components have from time to time appeared in South Africa (e.g. computers on NIMROD reconnaissance aircraft) they appear to have arrived there either by back-door methods, over which the company has little or no control, e.g. sales by third parties, or they have received explicit U.K. government approval.

However during the last five years attention has been increasingly drawn towards the military significance of developments within the fields of electronic surveillance, monitoring, communications and data processing technology and more recently nuclear power generation and fuel processing. As these are important fields in which G.E.C. has had dealings with the South African government and defence force (but which lie largely outside the scope of existing export controls) they form the subject of this section.

(a) Electronic surveillance and communications systems.

According to many military specialists 'electronic warfare' systems will be increasingly important in future wars. In 1969 General Westmoreland, former U.S. commander in Vietnam, predicted that:



"On the battlefield of the future, enemy forces will be located, tracked and targeted almost instantaneously through the use of data links, computer assisted intelligence evaluation and automated fire control. With first round kill probabilities approaching certainty and with surveillance devices that can continually track the enemy, the need for large forces on the ground will be less important." (Address to the U.S. Army Association, 1969)

Clearly such systems, which have been designed in large part to meet the needs of "counter-insurgency" type warfare, are of particular relevance to South Africa. Given the small number of troops available relative to the enormous areas to be covered the quality of surveillance and communications is likely to be as important as the fire power that can be deployed on the battlefield.

During the last five years G.E.C.'s subsidiary Marconi Ltd. has been involved in at least four contracts with the South African government which fall within the general area of concern.

In 1971 the Times reported (16.3.71) that B.A.C. was working on an air defence plan based on a study of South Africa's air defence needs conducted by a consortium which included Plessey and Marconi. The study, code name Project 102, was expected to be concluded in that year. During the last five years the Marconi company has announced the sale of closed circuit television to the South African Defence Force (Johannesburg Sunday Times 25.12.70) and according to Abdul Minty:

"has erected an extensive radio network with modern equipment around South Africa's northern frontiers. This detection system can pinpoint hostile aircraft and also guide interceptor fighters to attack the planes."

(South Africa's Defence Strategy)

Most recently Marconi Communications Systems Ltd. has accepted an £8m order from the South African Defence Department to supply a sophisticated long-range communications system called Troposcatter (Tropospheric Scatter). Although this system is used extensively by NATO armed forces and for North Sea oil exploration work the specifications demanded by the South Africans are bigger than anything yet built by Marconi and will require special development work. In addition to the basic system Marconi is also to provide portable Troposcatter sub-stations which can be set up and working in the bush within an hour or two.

According to unnamed South African sources referred to by the Guardian (6.12.75):

"The system would be linked to the multimillion pound computer and communications operation at Silvermine near the Simonstown naval base. With a range of between

"400 - 500 miles between stations it would be ideal for operations across the Kalahari Desert and the West Coast.

The sources believe that the South African army plan eventually to extend its anti-guerrilla technological strength by bringing into service battlefield sensors which transmit data on movements in an area. Some versions can 'sniff out' the presence of weapons or explosives."

This order has attracted more publicity than those hitherto because of the actions of a young engineer working on the project who, as a matter of conscience, felt that the issues presented by the sale of such equipment to South Africa should be raised publicly. As a result of his communications with the Guardian newspaper and the subsequent press coverage his position at the company became untenable and he has been obliged to resign.

In a letter to the Guardian, Mr. Jock Hall stated that this latest deal was a "prime example of the law being overtaken by technology." He went on:

"It is high time that this loophole in the law was blocked and the same restrictions applied to South Africa as are applied to Eastern European countries."

(Guardian 9.12.75)

Concern about the implications of the sale has also been expressed by the South West Africa People's Organisation, (SWAPO) who feel that such equipment is aimed specifically against SWAPO's military efforts to end South Africa's illegal occupation of Namibia.

At the present time control is exercised over the type and destination of sensitive exports, such as arms and nuclear technology by means of the Import, Export and Customs Powers (Defence) Act 1939 and its associated Orders. The latest of these, the Export of Goods (Control) Order 1970 contains a schedule of goods (Schedule 1) whose exportation is either prohibited without permission or restricted to certain destinations. Three main cases are identified in paragraph four of the Order:

- (a) Goods such as arms, nuclear equipment and materials and certain classes of electronic apparatus whose exportation is prohibited for sale anywhere without licence. (Given the Suffix A).
- (b) Goods that may not be exported to destinations other than the Commonwealth, the Republic of Ireland, the Republic of South Africa and the United States without a licence.
- (c) No goods whether specified in the schedule or not may be exported to Southern Rhodesia.

As the purpose of the Order is to control foreign access to goods having a significant strategic or military application it is extraordinary to find that there is a large number of items that require a licence before they can be sold to our NATO allies yet can be freely exported to South Africa.

The current Marconi order for the Troposcatter equipment would appear to fall into a category entitled:

Radio relay communication equipment,

- (1) Equipment employing tropospheric, ionospheric or meteoric scatter phenomena, and specialised test equipment therefor. (Page 25)

which is covered by the second of the above classes and hence exportable to South Africa without the need for a licence.

According to Mr. Hall:

"The effect of the Order is that, while actual arms are controlled, an enormous range of high technology products and materials, of military value recognised by the legislation, can be sent to South Africa without any check at all. They need not even be declared at customs.

Thus British industry cannot actually arm South Africa, but it is free to provide most of the necessities for the South Africans to arm themselves without any obligation to inform the Government."

(Reported in the Observer 18.4.76)

Clearly, unless pressure from Parliament or public opinion forces an extension of the arms embargo to cover these areas G.E.C. will be acting within the law not only in continuing with this present order but in actively seeking new contracts. In the absence of a legal prohibition on exports of this kind the only restraint on the company's involvement is likely to be the extent to which such deals are damaging to its trading and other business relations elsewhere. If references in the 1976 Annual Report are any indication of management's thinking it seems likely that the company will continue to defend its involvement and silence its critics with warnings of the need to boost exports and preserve British jobs.

(b) Nuclear technology. \*

Although South Africa has enormous reserves of coal and an increasingly viable process for large-scale extraction of oil from coal (SASOL) the government has for both strategic and commercial reasons invested considerable resources in the development of a nuclear industry. Starting with the fact that South Africa possesses some 25% of known world uranium reserves (and controls further significant

reserves in Namibia) an attempt has been made over the last sixteen years progressively to develop the domestic capacity to deal with each link in the nuclear chain from the refining and processing of crude ores to enrichment, fuel uses and plutonium recovery. As a result of long-term collaboration with overseas research institutes, South Africa has reached a position of considerable self-sufficiency and sophistication in certain areas, most notably uranium enrichment technology. Current contracts and plans envisage the construction of a full-scale uranium enrichment plant and of a nuclear power station containing two reactors at Koeberg, near Cape Town.

The significance of such developments for South Africa and the international community have been stressed by a recent U.N. report which identified four main effects of the programme:

- (a) The construction by outside interests of large scale enrichment facilities or of nuclear power plants which produce plutonium brings South Africa close to a position where it could produce "weapons grade uranium" for military purposes.
- (b) These projects increase South Africa's energy self-sufficiency and will in the long run lessen the impact of international oil embargoes both by reducing the total quantities of oil required and by freeing coal supplies for the expanding SASOL coal to oil process.
- (c) South Africa stands to gain substantially from the export of enriched rather than crude uranium since the value added in the process is over 200%. The plant is therefore expected to make a contribution of some R250m p.a. to the increasingly critical balance of payments position. In addition rising international prices for coal make it attractive to divert coal to export markets rather than use it for domestic power generation.
- (d) The South African government hopes to take advantage of its future position as a major supplier of uranium ores and eventually of enriched fuels to involve the major industrialised countries more closely in the apartheid economy and give them a major vested interest in its continuance. In view of South Africa's massive ore reserves, the large deficit in supplies of enriched uranium projected to exist by 1985 and the alleged cheapness of the South African process, a South African nuclear industry could well achieve a very strong competitive position in world markets within a few years.

In order to carry out these ambitious plans the South African government is dependent in part on the acquiescence of foreign governments such as the U.S., U.K. and France, but more importantly on the

willingness of foreign private enterprise to provide the vast capital sums and modern technology needed to make them viable. Although specific details are scanty it is clear that large number of overseas firms have been involved in the past and others have been invited to participate. However the number of companies who have both the design and construction experience to act as prime contractors and the international size, reputation and contacts to guarantee adequate financing are relatively few. G.E.C. (in possible collaboration with American partners) is one such company and according to press reports has already been involved with the South African nuclear programme.

G.E.C.'s position as an international nuclear engineering contractor is based on both its major role in the U.K. nuclear programme and its experience in building nuclear reactors overseas. In the U.K. the company has had a major involvement in nuclear design and construction work for the CEGB via its management contract with and shareholding in the National Nuclear Corporation which has overall responsibility for Britain's nuclear programme. Overseas the company has had only one success in tendering for package nuclear plants when in 1970, in collaboration with Westinghouse of the U.S., it won the contract to build the Ko-Ri reactor in South Korea.

The full extent of the company's involvement in the South African programme has yet to be clarified but according to press reports G.E.C. (again in collaboration with Westinghouse) was among sixteen companies who replied to an initial letter of intent from the Electricity Supply Commission of South Africa, (ESCOM) for the Koeberg nuclear reactor. Also reported to have been interested at this stage were British Nuclear Design and Construction Ltd. and the British Nuclear Power Company in both of which G.E.C. had a substantial interest before they came under the control of the National Nuclear Corporation.

Although press reports expected G.E.C./Westinghouse to put in a preliminary tender this was not confirmed. In the event G.E.C. was not among the three consortia short-listed by ESCOM in April 1975. The contract was ultimately awarded to a predominantly French based group allegedly because of South African impatience at the prolonged indecision of the Dutch government on the question of whether the Dutch bidder would obtain the necessary government guarantees.

Because of growing Church concern about the proliferation of nuclear technology in general and to South Africa in particular this matter was brought to the attention of the W.C.C. Full Fifth Assembly in Nairobi. At that meeting the Assembly, after noting the issues and the names of the companies involved, passed a resolution calling on its member churches in those countries involved to:

- (a) Ascertain the extent of their own country's commercial and governmental commitment to South Africa's nuclear programme.
- (b) Make public the political and military implications and consequences of pursuing a policy of collaboration with the South African authorities.

- (c) Challenge those companies and governments involved to revise their policies in the light of considerations which are broader than the commercial and economic criteria involved.

(Policy Reference Group III Document No PD43)

Clearly while G.E.C. or the subsidiaries of the National Nuclear Corporation may not have been involved in the current negotiations it must be assumed that they would be prepared to involve themselves in this or similar projects in South Africa were a commercially attractive opportunity to arise. Whether such an involvement would be legal in terms of the arms embargo is open to question. Sales of nuclear materials and appliances overseas are again covered by the provisions of the Export of Goods (Control) Order 1970. However, unlike the previously mentioned electronic equipment all items in the category, "atomic energy materials and appliances" must be licensed irrespective of their destination. Given that such materials are placed in this the most restrictive of categories it could be assumed that they fall under the terms of the arms embargo. However this is by no means clear. Recent new conditions placed on the export of nuclear technology which require the provision of assurances concerning the use of the technology exported give little indication as to whether exports of this nature would be allowable in the case of South Africa.

## 5. INDUSTRIAL RELATIONS PERFORMANCE

The following sections attempt to characterise G.E.C.'s attitudes and assess its performance in four key areas of industrial relations.

### (a) Wages

Prior to April 1973, there is evidence to suggest that the policy of G.E.C.'s South African management was simply to remunerate its lowest paid employees at the minimum rate laid down by the Steel and Engineering Industry Federation of South Africa (SEIFSA). According to Denis Herbstein, who interviewed staff of the South African Electrical Workers Association (SAEWA) a mixed union, the lowest wage paid by G.E.C. in June 1970 was 18 cents per hour (R35 p.m.); this was then the statutory legal minimum. The highest African wage then was 36½ cents per hour which, for a forty-five hour week provided an income of R16.43 (R71.18 p.m.), a figure below most poverty datum levels at that time.

An awareness on the part of U.K. management of the wages issue and of G.E.C.'s position does not appear to have occurred until late 1972 when press comment was directed at aspects of G.E.C.'s operations detailed in the book, "The South African Connection". According to a leading journalist who met with the company at that time the U.K. management appeared unaware of the company's South African labour situation and an immediate investigation was ordered by Sir Arnold Weinstock.

However, the motivation to do anything about the situation was undoubtedly strengthened by the realisation that the company would have to give detailed evidence to a Parliamentary Select Committee (TISC).

In its evidence to TISC the company argued that as a result of a 15% wage increase it had granted on 1st April 1973 (in addition to a 28% increase in SEIFSA minimums announced in December 1973) the earnings of its lowest paid workers were above the Poverty Datum Line (PDL) - a measure of the barest subsistence wage, "with a limited amount of overtime". On cross-examination it was revealed that approximately 25% of the workforce would have to work five hours overtime per week in order to reach the PDL wage. At that time, a substantial number of Africans and coloured male workers had minimum rates of approximately R72 per month and average rates (including overtime) ranging from R74 to R107 per month. Supplementary evidence submitted to TISC in September 1973 claimed that further national and company increase meant that the minimum basic rate for all employees in urban areas would be R83.85 per month plus an average monthly holiday bonus of R3.25. Details of the distribution of earnings within the company given to TISC indicated that Africans, making up to 51% of the workforce, received 22% of the wage, an amount equivalent to 3½% of total sales value.

On 2nd May 1974, in correspondence with CCSA, Sir Arnold Weinstock referred to the G.E.C.'s supplementary evidence of the previous September and noted that the company was adopting the PDL figures issued by the Institute of Planning Research at Port Elizabeth (Potgeiter) as its standard. He went on:

"We accept the recommendations of the Parliamentary Select Committee that minimum basic wages should be increased to the appropriate MEL\*. We are in the process of working out a timetable to give effect to this."

Subsequently at the 1974 A.G.M. in August, in reply to concerned shareholders, the Chairman, Lord Nelson of Stafford, stated that he hoped the company would reach MEL levels for all its male employees within twenty-four months from making a commitment to the MEL target. As the company had made such a commitment in May 1974 it must be assumed that May 1976 would see the achievement of such a policy. Even if the expression of a public commitment to reach MEL is taken as being its appearance in the 1974 Annual Report (p.2) then its achievement would still fall due by mid 1976. However, according to a recent company communication (29.12.75), in response to a new survey of African wages conducted jointly by Adam Raphael of the Guardian and CCSA, the Group Personnel Manager stated that:

"By the end of 1977, the company aims to raise the minimum level for adult male employees to 50% above HSL\*\* on completion of three months' service."

\* MEL refers to the minimum effective level, a wage 50% above barest subsistence estimated to be necessary to ensure that all basic expenses are adequately covered.

\*\* Household Subsistence Level (HSL) is the new term for a slightly modified subsistence wage calculation.

This timetable would appear to represent a considerable slowing down (some eighteen months at least) compared to that implied in the statements to shareholders cited above.

Currently the company claims that G.E.C./South Africa's minimum rate of pay for adult males with over three months' service is 30% above the appropriate HSL (PDL) published in April 1975 by Potgeiter. On the basis of an average HSL of R105.5 per month cited by G.E.C. for the East Rand towns, where it has its principal plants, this would imply a monthly wage of some R137 and a probable hourly rate of nearly 70 cents. The corresponding average monthly wages with and without overtime would be R193 and R160 respectively. Some 1,277 men are stated to be employed at the minimum rate which represents 36% of a stated total complement of "nearly 3,500". A further 7% are classified as male probationers, i.e. less than three months' service, and are paid "at least 18% above the appropriate HSL" (presumably R124.50 per month). Finally, 4% of the workforce is female and those with three months' service or more are paid "at least equivalent to the HSL". In summary it would seem that over one-third of G.E.C.'s workforce have still to wait until the end of 1977 for their minimum basic rate to be brought up to the HSL + 50% level. In fact given that G.E.C. has omitted to report on the conditions of over a quarter of the workforce for which it has a specific responsibility and on the situation of an unspecified number of other workers for which it has a joint responsibility with other British partners (see section on disclosure), it appears likely that this figure may be a considerable underestimate.

(b) African representation

At the time of the TISC enquiry African employees had no representation of any kind in the wage determining process at G.E.C. What discussion there was took place between management and 'consultative groups' which were elected from among those who 'have a service qualification'. Some idea of the process of communication within these liaison committees was given by the Group Personnel Manager, Mr. Trollope. "We do not negotiate with Africans as such", he said "(the process) is one of consultation, when changes in conditions of employment or rates of pay occur; this is a necessary thing". (TISC Vol 1 p. 181). Questioned as to whether this was a satisfactory situation, Sir Jack Scamp (a director) replied that:

"I would not regard it as a satisfactory situation that you have negotiation with one group of workers and only consultation with another group." (Ibid, p.185, para. 446)

Since 1973 the company's position on the recognition of unofficial African trade unions has been clarified in private meetings and correspondence between Sir Arnold Weinstock and concerned shareholders:

"There is no restriction on our subsidiaries in South Africa recognising unofficial African trade unions. The attitude of our own management in South Africa is



"that if recognition were sought by such a union, and if it had a significant number of G.E.C. employees as its members, they would expect to recognise it.

(letter to Rev. David Haslam 2.5.74)

Further communication with the company in June 1974 established that up till that time the company had not been approached by any African union to enter into plant level bargaining regarding wages or conditions. This position and the company's basic policy of recognition of black unions was again reiterated by Mr. Trollope (Group Personnel Manager) in a letter to Adam Raphael dated 29.12.75.

According to information collected by CCSA staff from sources in South Africa the level of black trades union organisation in G.E.C.'s factories at November 1975 was as follows:

Engineering and Allied Workers Union - Johannesburg

(i) G.E.C. Springs Works -

Approximately 100 of the 420 black workers were union members and four union members were on the Works Committee.

(ii) African Cables (G.E.C./BICC/STC) - Vereeniging Works -

The union started organising in 1975 and there are currently 200 members out of a total black workforce of approximately 1,400. There is a typical liaison committee in existence that has met twice in 1975 (February and October). Five union members are on the committee but the committee is not allowed to divulge its proceedings to the workforce.

In neither of these factories had an approach been made to management by the union.

Although over the last two and a half years the senior U.K. management has professed to finding the absence of black negotiating rights as being unsatisfactory, there is no indication that it has taken the initiative in doing anything to bring about a change in this situation. While G.E.C.'s willingness to recognise and negotiate with unregistered African unions must be welcomed, as far as CCSA is aware this does not as yet constitute an explicit public position nor has it been conveyed to either the company's shareholders or its black workforce.

(c) Advancement, Training and Education

In verbal evidence given to TISC, G.E.C.'s managers mentioned as an example of African advancement an agreement reached in December 1972 between SEIFSA and the white trade unions to open up a further

two grades in the job structure to Africans so that they would now be allowed to enter eight of the total sixteen SEIFSA grades. The reason given for this decision was the growing shortage of whites available to work in these categories. Although details of pay by grade were not given in the company's evidence it seems highly likely that, as in other firms, the operations of the 'floating colour bar' at G.E.C. meant that the newly opened grades were turned over to Africans on minimum conditions inferior to those previously enjoyed by whites. No further evidence of African advancement (either industry or company initiated) has been cited by the company in its Annual Reports or correspondence since its submission to TISC in 1973.

The linkage between company efforts in the field of training and African advancement was clearly spelled out by Sir Arnold Weinstock in separate letters to Sir Robert Birley and Rev. David Haslam (2.5.74):

"We certainly want to train African apprentices at the earliest opportunity but this is only practical if we can employ them utilising the skills they acquire. The limitations imposed by the job reservation system do not yet make this possible. We hope these limitations will be removed and we shall continue to work towards this end."

G.E.C. has given no indications of what specifically it is doing to break down the job reservation/floating colour bar system, but given that any realistic efforts would entail direct confrontation with the white craft unions (with all its implications in a highly skilled industry) and possibly with other SEIFSA employers, one must be highly sceptical as to how much effort G.E.C. is making in this field.

Questioned by TISC about the provision of educational assistance to its workforce Lord Nelson referred to plans to introduce educational bursaries, but admitted that they had never examined the costs of having a literacy programme for the company's employees:

"Our labour turnover among the African workers is relatively low. If you educated to a higher level, would it remain so, or would they move on elsewhere? That is a hypothetical question." (TISC VII, para. 480)

Subsequently the company announced in private correspondence that under the scheme eighty-four bursaries a year are given "to defray the cost of primary education of children of our African employees". In addition, up to ten grants are offered per annum for university education.

(d) Migrant Labour and Pass Law Problems

Replying to TISC questions on its use of migrant labour G.E.C. spokesmen stated that it was "minimal", and only applied to a "relatively small foundry where people live in a hostel locally". (VII, para. 429). This hostel did not appear to be run by the company.

Subsequently at a meeting between church shareholders and Sir Arnold Weinstock (20.12.73) he stated that the company had no migrant labour and a very small hostel. However during CCSA staff discussions in South Africa it was stated that the majority of the 420 African employees at G.E.C.'s Springs factory were migrants.

Questioned by church shareholders about the effects of the pass law legislation on its African workforce and whether the company was prepared to help defendants, Sir Arnold Weinstock replied that:

"On enquiry, it turns out that we experience very little trouble with Pass Laws - perhaps one employee per year at our principal works at Benoni. On such occasions, it is normal for us to stand bail for the man concerned and pay his fines if any are imposed. There are no known recent examples in G.E.C. South Africa of an African being returned to his homeland because of Pass Law offences."

(Letter to Rev. David Haslam 2.5.74)

#### 6. DISCLOSURE AND RESPONSIVENESS TO PUBLIC CONCERN

With the possible exception of Distillers and Barclays, G.E.C. has been the subject of more press coverage and shareholder concern than almost any other company in British industry. While this has largely been a response to the massive redundancies caused by the company's rationalisation process in the U.K., involvement in arms production and South Africa has been a recurring theme.

From as early as 1970 concerned shareholders have been trying to raise social responsibility issues and obtain disclosure of information at the company's annual general meetings. This emphasis on disclosure has been more important in the case of G.E.C. than in many other companies because being in the main wholly owned subsidiaries there are no separate South African company accounts to examine, and the parent company is under no obligation to provide figures for turnover and profits for South Africa (see Appendix D). However shareholder efforts at A.G.M.'s seemed to have met with little success. According to the authors of the "South African Connection":

"The General Electric Company Ltd is highly intolerant of enquiries about its economic involvement in South Africa."

Company responses to shareholders' questions on this topic raised at A.G.M.'s have ranged from evasive to violent.

As in the case of many other companies, it was only with the TISC enquiry that wide ranging and detailed information became available to shareholders and the public. However a close examination of

G.E.C.'s evidence suggests two significant areas where there is a failure to report (both by G.E.C. and its U.K. partners) on its involvement.

Firstly, despite the fact that it appears in the company's 1973 Annual Report as an overseas associated company there is no record in the evidence to TISC of its 33% stake in Associated Glassworks (Pty) Ltd. According to the evidence of Thorn Electrical Industries, who at least recognised the existence of their 33.33% stake, although they did not go into much detail, Associated Glassworks manufactures glass for the lighting industry in South Africa at a factory in Port Elizabeth.

Secondly, G.E.C.'s evidence explicitly limited itself to "wholly owned companies and associated companies in which G.E.C. own not less than 50% of the share capital". As a consequence details of the workforce and their wages and conditions at African Cables (Pty) Ltd and African Telephone Cables (Pty) Ltd, (G.E.C. shareholding 23% and 30% respectively) have been excluded. Both of these companies which between them had an operating capital of over R18m (£10½m) in 1973 were dominant suppliers in their respective markets and major employers of labour at Vereeniging and at the Border area of Brits.

While under the terms of the TISC enquiry details of all the above associated companies should have been provided these are no longer expressly required by the modified guidelines on disclosure announced by the Secretary of State on 12.12.75 (requiring 50% or greater shareholding for reporting). However in all of the above mentioned firms British companies are co-partners and would appear jointly to exercise control, while individually being free from any disclosure of accountability. In the case of African Telephone Cables and African Cables (34% and 40% respectively in 1973) one of G.E.C.'s co-partners, British Insulated Callendar Cables (BICC) clearly expected G.E.C. to provide details to TISC which G.E.C. failed to do. Similarly, although G.E.C. and Thorn jointly control Associated Glassworks neither felt inclined to report to TISC nor are they likely to report to the D.T.I. under the new guidelines. Clearly where one or the other of the partners has a management contract, close day-to-day involvement with the joint venture or the dominant minority share, the onus should be on that company to report on behalf of all the British interests even though he may only have a minority stake.

Both the 1973 and 1974 Chairman's statement dealt in varying degrees with company policy and performance in South Africa. Subsequently the Chairman stated at the 1974 A.G.M. that the company would look at the matter of putting figures on the numbers of South African workers and their wages in subsequent reports. However despite the publication of the Government's White Paper (5845) in December 1974 no mention was made in the 1975 report (published in July 1975) of African wages and conditions, and no indication was given as to whether the company had provided such information to the Department of Trade or would be prepared to issue it on request to concerned shareholders.

Replying to Adam Raphael's circular letter of 11th November 1975, concerning the public disclosure of the information requested by the Government, Mr. Trollope, Group Personnel Manager, confirmed that "detailed information" had been given to the Department of Trade and then went on to give a generalised reply on the current state of African wages and conditions rather than the more detailed breakdown requested under Annex 2 of the White Paper.

In assessing G.E.C.'s responsiveness to public concern it is clear that it has not responded well to private initiatives especially when they raise issues publicly. The company's basic position prior to the TISC enquiry could be fairly stated by Lord Nelson when he said:

"We do not necessarily approve of all the regimes where we operate. But if we were to withdraw from these countries, I think there would be even more complaints - about our lack of profit." (1971 A.G.M.)

In its evidence to TISC the company emphasised its belief that good employment policies are good commercial policies and stated that:

"As a result of the attention drawn to this particular question (Poverty Wages) we received a number of requests for this information from shareholders, as to what the Board's policy was and what was our approach to this problem." (Para. 375, p.178)

The company's response was a Main Board minute on March 1973 to the effect that "no employee of its South African companies shall be paid below subsistence level and the local management has been so instructed". (G.E.C. Written Evidence VII, p. 169)

Since the TISC enquiry, as far as CCSA are aware, G.E.C. has been the subject of only one significant initiative by concerned investors; when in December 1973 an inter-denominational delegation of church representatives met with the company both to discuss areas of concern wider than merely wages and to explore how far the company was prepared to go both in making initiatives and in disclosing details of its performance in these areas.

Although it had been hoped to initiate a dialogue lasting over several meetings only one meeting was granted by the company, the remaining contact being by letter and seemingly very much as a result of the persistence of the church delegation. Although certain details of G.E.C. policy and performance were clarified during these exchanges (and they are incorporated in their respective parts of the text of this report) all dealings were at the company's insistence private and confidential. This fact, which may have accounted for their taking place at all clearly limited the scope available to concerned shareholders for eliciting corroboratory feedback and placed the company under less direct public pressure to be seen to be responding to its privately voiced commitments.

In view of the general acknowledgement by British management of the need to be fully conversant with the South African situation, it is interesting to note that G.E.C. declined to participate at the CCSA Employers' Conference in January 1974, on the grounds that:

"Whilst we keep in close touch, the local management in South Africa takes the decisions regarding our attitude towards this important matter and I feel, therefore, that anybody attending from here would make little contribution to the discussions."

(Letter from T.B.O. Kerr to T.B. Jepson 2.12.74)

Besides reviewing in general terms the company's progress in the fields of wages and African advancement, G.E.C.'s most recent Annual Report (1976) also contains a reference to criticisms of its exports to South Africa (presumably the Troposcatter contract).

In the section dealing with exports (p.20) the company states that:

"We also regard with some anxiety the influence of political pressures towards sensitive markets, particularly South Africa on whose continued good-will many thousands of British jobs depend".

Whilst it is undoubtedly true that G.E.C.'s export endeavours to South Africa have created a situation where a large volume of British exports and jobs are dependent on the completion of these contracts, this does not of itself constitute an argument for maintaining or increasing that dependence in the future. It is therefore disturbing to find that the company appears to be turning to highly questionable national interest arguments to pre-empt any public debate of its involvement in South Africa.

GROUP OPERATIONS IN SOUTH AFRICA

1. G.E.C.'s Subsidiaries, Associates and Investments

<u>Company</u>	<u>% Owned</u>	<u>Principal Works</u>	<u>Employees</u>		
			<u>African</u>	<u>Coloured &amp; Asian</u>	<u>Total</u>
(a) G.E.C. South Africa Ltd	100	Holding company for companies (b) to (i)			
(b) G.E.C. Electrical Products	100	Germiston	492	128	742
(c) G.E.C. Engineering	100	)			
(d) Express Light Co. Ltd	100	)	188	15	279
(e) Barnes Birlec Ltd	100	)			
(f) G.E.C. Machines	100	Benoni & Springs	875	18	1,285
(g) G.E.C. Power Distribution	100	Knight	650	19	1,087
(h) G.E.C. Controls Ltd	100	Germiston	106	32	180
(i) A.E.I. Henley	100		30	6	248
(j) Marconi South Africa Ltd	100	Benoni	-	19	19
(k) Satchwell Controls	100	Cape Province	-	212	224
(l) L.H. Martinusen Ltd	50.1	Johannesburg	310	-	572
(m) Winding Wires (Pty) Ltd	50	Springs	87	4	112
(n) Telephone Manufacturers of S.A. Ltd	50	Springs	870	671	2,305
(o) Electric Lamp Manufacturers of S.A.	39	Port Elizabeth Neave			
(p) Associated Glassworks (Pty) Ltd	33	Port Elizabeth Neave			
(q) African Telephone Cables (Pty) Ltd	30	Brits Border Area			
(r) African Cables Ltd	23	Vereeniging			
			<u>3,608</u>	<u>1,124</u>	<u>7,043</u>

Notes:

1. All figures for the numbers of employees at G.E.C. factories are those given at the time of the TISC enquiry.
2. No details were given at that time of the numbers employed, their wages and conditions at companies (o), (q) or (r).
3. No mention was made in the company's evidence to its investment in company (p).
4. Since the TISC enquiry G.E.C.'s stake in company (r) has been increased from 16.2% to the current 23%.

5. It would appear that the following firms are owned jointly by G.E.C. and other British companies. In all cases British participation would appear to constitute a majority of the equity.

Telephone Manufacturers of South Africa (TMSA)	( G.E.C.	50%
	( Plessey	50%
	( G.E.C.	30%
African Telephone Cables	( S.T.C.	?
	( B.I.C.C.	40%
	( G.E.C.	33%
Associated Glassworks	( Thorn Electrical	33%
	( G.E.C.	23%
African Cables	( B.I.C.C.	34%

6. G.E.C.'s evidence to the TISC gave its total value of the company's involvement in South Africa as being £11.1m. Assuming that this figure covers all investments it appears that G.E.C.'s joint venture interests (detailed under 5 above) represent nearly 25% of the total investment.

## 2. Sales and Profits in South Africa

Two factors make it particularly difficult to determine the volume of sales and levels of profits generated by G.E.C.'s activities in South Africa. Firstly, G.E.C. does not separate out its South African turnover from that derived from other parts of Africa, principally Zambia and Nigeria. Secondly, sales and profits attributed to African operators comprise both a local manufacturing element and a U.K. exports element which may or may not reflect sales efforts by local offices. The return on sales from its South African operations of 5.5% reported to TISC is far below G.E.C.'s global average of 11% - 12% because while sales are attributed to the local enterprises, profits stay in the U.K. with the exporting company.

The table below gives the turnover and approximate contribution to earnings of G.E.C.'s holdings in Africa, the majority of which are in South Africa.

### Significance of African Operations to G.E.C.

	<u>1976</u>	<u>1975</u>	<u>1974</u>	<u>1973</u>	<u>1972</u>		
African Turnover	121	97	58*	58	50	1974 - 76	109%
% of World Turnover	6.9	6.9	7	5.7	5.1		
% Contribution to Earnings	7	8	7	4	4		

Almost certainly over two-thirds of these African figures are accounted for by operations in South Africa. In addition, direct exports to Africa from the U.K. have risen from being the company's fourth largest overseas



market in 1973 (worth £39m) to being its principal market worth £162m in 1976. As South Africa represents the largest and fastest growing element in these African exports, its contribution to turnover and profits via exports is also significant. Finally, although G.E.C.'s share in the turnover of its South African associates does not feature in the company's accounts, its share of their profits appears as part of the Share of Profits of Associated Companies.

According to the FM 1975 Survey of Companies the following G.E.C. associates and investments made the following profits:

	<u>R.m</u>	<u>1975</u>	<u>1974</u>	<u>Ranking</u>
L.H. Martinusen (50%)		2.0	1.4	164
African Cables (23%)		7.6	5.7	45

Sources

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