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NALGO Action On Southern Africa

Bulletin

Nº 1



NALGO Action On Southern Africa

TRADE UNION SUPPORT

How long does it take to raise £60,000? We are already a quarter of the way there, as your National Executive Council has put the first £15,000 in the pot. So now it's over to you to raise the balance, and to keep on going as the need won't disappear when the first target is reached.

All of the money you raise will go directly to the Municipal Workers Union of South Africa and the Health and Allied Workers Union and will enable them to continue organising in spite of the sophisticated legal and crude physical obstacles the South African authorities relentlessly put in their path. Your money will buy the materials for the newsletters which are so vital when the government is stifling news information, will finance the education workshops, will help put more organisers in the field.

They need our help now. Please start raising the money and sending it in straight away. Show that it doesn't take so long to raise £60,000. Show that Nalگو Members Care.



NALGO ACTION ON SOUTHERN AFRICA

Trade Union Support

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1. BACKGROUND

1.1. Congress of South African Trade Unions - COSATU

On 30 November and 1 December 1985 the Congress of South African Trade Unions was born. Bringing together 33 unions and over 500,000 members (now some 750,000), COSATU became the largest and most important federation of progressive non-racial trade unions inside South Africa.

The formation of COSATU came at the end of over 4 years of unity talks, during which the commitments to one country, one federation, to one union, one industry, and to non-racialism were established. It is significant that these policies have long been promoted by SACTU (South African Congress of Trade Unions), both when it was able to operate openly, from its formation in 1955, and since it was forced underground in 1961. The relationship between COSATU and SACTU was demonstrated further on 6 March 1986, when a summit meeting was held in Lusaka between the leaders of COSATU, SACTU and the African National Congress (ANC), at which the workers' struggle was identified as being part of the wider, political struggle for liberation, and the respective roles of the above and underground trade union movements in that struggle were clarified.

COSATU has also decided not to affiliate to any international trade union centre, but instead to foster contact with any progressive trade union organisations throughout the world. It is their wish that, at affiliate level, the links should be established between unions organising in the same sector and that these contacts, whilst extending throughout all levels of the organisations involved, should be organised and co-ordinated by the respective national offices.

1.2. Municipal Workers Union of South Africa (MWUSA) and the Health and Allied Workers Union (HAWU)

MWUSA and HAWU, NALGO's counterpart unions inside COSATU, are the "industrial" unions for local government and the health services respectively. Following COSATU policy, they will eventually organise all the members of COSATU affiliates who work in these two sectors. The merger/transfer of membership process is already under way. The original MWUSA has merged with the former Municipal and General Workers Union of South Africa, and details are currently being finalised for a merger with the Cape Town Municipal Workers Association. Similarly the general workers unions such as the General and Allied Workers Union and the South African Allied Workers Union are currently organising the transfer of their relevant sections of membership to HAWU.

1.3. NALGO Contact with MWUSA and HAWU

At the end of May this year the General Secretary of MWUSA, Themba Nxumalo, and the Secretary of HAWU, Kisa Dlamini, came to NALGO Headquarters to meet members of the Council, the General Secretary and national officers. At this first meeting they explained the background to the formation of COSATU and its policies, and, in line with these policies, discussed with us ways of establishing a formal but active relationship between our organisations. Subsequently we were able to arrange a series of visits to various branches and districts throughout the country, at which one or the other was able to speak to members directly about the problems their unions face. And we were particularly pleased that the COSATU Central Executive Committee, of which Themba is a member, authorised him to attend and address our Annual Conference as the federation's official representative.

1.4. Major Problems Facing MWUSA and HAWU

In addition to suffering under the general oppression of apartheid, MWUSA and HAWU are further obstructed in their activities by the fact that they are operating illegally. Unions are not allowed, by law, to organise in the public services and to strike is to invite arrest on the charge of treason. This seriously restricts their ability to hold meetings and even to gain access to their members in the workplace. Workers are also subjected to considerable intimidation from the authorities, who deal with "trouble makers" by dismissing them; dismissal frequently brings with it withdrawal of your work permit and urban residential rights, and is therefore equivalent to condemning many of the workers concerned, and their families, to starvation in the barren homelands.

Yet despite these risks MWUSA and HAWU continue to organise. But in order to get round all these obstacles they need resources - money to buy basic equipment such as typewriters and photocopiers to enable them to keep their members informed of developments, money to pay the rent on office premises, money to run education seminars to train members in basic negotiation skills, money to pay for organisers to travel around the various districts to recruit and then mobilise and support their membership, money to be able to pay these organisers a basic wage. None of the MWUSA or HAWU full time officers have been paid since December 1985. They have to rely on the other members of their families, including their parents, to support them. But they all realise the vital nature of the unions' work and so continue in the face of the most severe hardship and under the constant threat of violent reprisals from the authorities.

Of course the membership pay dues to their union, but these are by necessity minimal as the wages earned are so low (often as little as £30 a month, with the cost of living in South Africa similar to that in Britain), and they already have deducted at source compulsory contributions to the management-run and powerless staff associations. And because there are no check-off facilities, members have to go themselves to the nearest union office to pay their dues and thus invite persecution from the authorities, who keep watch on the buildings and monitor all those who enter and leave.

1.5. Particular Problems under the State of Emergency

The imposition of the state of emergency on 12 June 1986 has made it even more difficult for the independent non-racial trade unions to function because of the detention of thousands of their officials and activists. Quite apart from the problems of organising with fewer people, it is proving very difficult to monitor the detentions. With the authorities refusing to release the names of detainees, it is often impossible to know if someone missing has been arrested or has gone into hiding. MWUSA, for example, sent us through an original list of 10 people who had been or still were in detention (see circular 173/IR/86); none of their names had previously appeared on any lists such as that maintained by the TUC. The MWUSA list is, however, always changing. Some detainees have now been released, but in one case it was only then that he was able to pass on the names of other colleagues who had in fact been arrested with him and who still were in detention. In addition to this, some members have been released only to find that they have been dismissed in their absence.

2. THE CAMPAIGN

2.1. How NALGO Members Can Help

Providing much-needed financial assistance is the most obvious way in which NALGO members can help their counterparts inside South Africa to organise and survive. But although one-off donations are, of course, gratefully received, we should be aiming at providing regular support on a long-term basis. As the level of resistance rises in South Africa and the trade unions play an increasingly important role, so will the oppressive measures used against them become more severe and their need for our support also. These are facts which we must recognise if we are to be serious in our policies and effective in their implementation. When Themba and Kisa were here they left with us details of the respective needs of their unions (attached). You may wish to pick out a specific item such as a typewriter or a field officer's wages as a focus for your branch or districts' campaign to raise money, or alternatively you may prefer to highlight the unions' wider needs and donate to a general working fund. It is important, however, that rather than a simple donation from branch funds, fund-raising activities should involve as many of your members as possible, to enable them to learn about the general issues of apartheid and to encourage them to make a personal commitment to the fight against it. This is where this angle of the campaign ties in with the other aspects, such as the consumer boycott and putting pressure on employing authorities. An individual's active involvement in one may motivate him or her to become actively involved in another.

On 20 September the National Executive Council approved a donation of £15,000 - £10,000 to MWUSA and £5,000 to HAWU (in line with their respective membership figures and financial requirements). This is the first step towards our first target figure of £60,000 - £40,000 for MWUSA, £20,000 for HAWU - which we hope to raise from contributions from the membership. It should be stressed again that even this target is just an initial one, and that our aim remains to provide both unions with regular support on a long-term basis.

Attached you will find two direct debit forms - one for branch accounts and the other, which can be photocopied, for personal accounts. We hope that you will want to make a regular commitment and that you will encourage individual members to do likewise. Attached to each form is an additional sheet specifying where you would like the money to go, and this should be filled in and returned with the direct debit form. If you do not return this form we will assume that the money is to be split between the MWUSA and HAWU General Funds.

You will see that there is also provision for donating to their Legal and Relief Funds. This is because the additional hardship suffered by the families of the detainees, and the need for legal representation on their behalf and also on the behalf of those members who have been released only to find that they have been dismissed in their absence, have prompted both unions to set up such emergency Legal and Relief Funds. These are purely temporary measures to respond to the special circumstances of the state of emergency, and our long-term focus remains the General Funds, but there has been a lot of interest from members on the issue of detentions and you may therefore wish to contribute to the Legal and Relief Funds. Such commitments could then be transferred to the General Fund when the current crisis eases.

In addition to such regular contributions, we hope that you will also want to organise specific fund-raising events such as socials or sponsored walks etc, and perhaps encourage members to do the same in their own community. These have the added value of giving a higher profile to issues of apartheid within the branch and the wider communities, as well as raising the much needed money.

The respective roles and relationship of SACTU and COSATU have been explained briefly above and it is important that activities in support of MWUSA and HAWU should not be considered as replacing any existing support your branch may give to SACTU. The underground trade union movement will continue to play a vital role as long as the apartheid regime is in power, and it is therefore essential that SACTU likewise continue to receive our support. SACTU is also a very valuable source of information, for example their regular Newsflashes, to which you could usefully subscribe, and of speakers, whom you could invite to address meetings in the context of this campaign to give background information on the current situation. It is our intention to organise speaking tours of MWUSA and HAWU representatives whenever it is possible to bring people over to Britain, but you will appreciate that this is a very difficult exercise, particularly at present. SACTU, the ANC and the AAM can, however, all provide excellent, authoritative speakers and full use should be made of this facility.

2.2. NALGO Members Care

If this campaign is to be a true success, then as many members as possible must develop, through the various activities undertaken, a personal appreciation of the brutal truth of apartheid and a personal commitment to the struggle for freedom. This commitment will manifest itself through active involvement in all of the other campaign threads drawn together by "NALGO Action on Southern Africa". But by giving regularly to MWUSA and HAWU we will know that we are personally making a concrete contribution to changing the lives of the thousands of people who work and organise in the same sectors as we do, but whose lives otherwise bear little resemblance to our own.

Show that NALGO Members Care.

MUNICIPAL WORKERS UNION OF SOUTH AFRICA

RELEASE BY:
MUNICIPAL WORKERS UNION of
S.A.

20 ST. ANDREWS STREET
DURBAN 4001
Phone: 3063993

MERGER OF MWUSA AND MGWUSA

Municipal workers Union of S.A. (MWUSA) a N.F.W.U. affiliate and MUNICIPAL & GENERAL WORKERS UNION OF S.A. (MGWUSA) which is based in Johannesburg held a joint Congress at NEW CASTLE on the 23rd of November 1985 attended by more than 200 shop steward delegates of both Unions. Regions represented were as follows; NATAL

TRANSVAAL

ORANGE FREE STATE

Delegates unanimously endorsed the need to unite at all levels in order to increase the strength of the workers in dealing with the conservative attitude and hostility of the local authorities toward organisations. The municipalities had in a bid to stop the workers from joining, and/or forming their Trade Unions, formed something they call a Union; the workers claimed that their various employers were actually forcing them to join this union or lose their jobs.

Workers reiterated their demand of FREEDOM OF ASSOCIATION and went further to commit themselves for a bitter struggle ahead before their demands are met. Their demands include;

- (a) RIGHT OF ASSOCIATION
- (b) RECOGNITION OF THEIR T/UNIONS
- (c) BETTER WORKING CONDITIONS
- (d) and LIVING WAGES and/or SALARIES. etc.

Therefore, the merger of these Unions was seen by the delegates as a step in the right direction. The new Executive was mandated to engage, as soon as possible, in unity discussions with CAPE TOWN MUNICIPAL WORKERS UNION (CTMWU).

Although this union (MWUSA) had not as yet decided the question of affiliation to the U.D.F., but it shall be noted that both these unions were U.D.F. affiliate

MWUSA, is also participating in the unity talks, its delegation shall be present at the inaugural congress of the new federation.

The NATIONAL EXECUTIVE COMMITTEE of MWUSA is as follows;

- (a) President ; NUKU MADUMO (TVL)
 - b) 1st. V. President; N. ZEMBA MTHEMBU (NATAL)
 - c) 2nd V. President; JOSEPH TIMANE (TVL)
 - d) General Secretary; THEMBA NXUMALO (NATAL)
 - e) Ass. Gen. Secretary; JOHNSON GAMEDE (TVL)
 - f) Nat. TREASURE:: WILLIAM MOKHOBO (O.F.S.)
 - g) Nat. ORGANISER: THEMBA MBANDLWA (TVL)
- plus

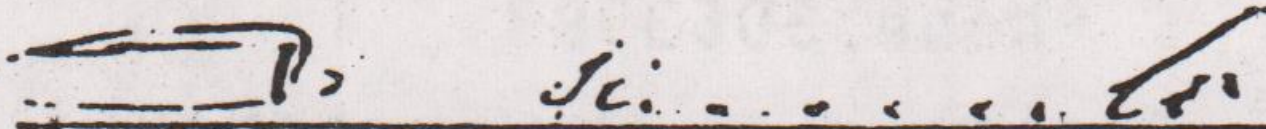
Two additional members from each region. 1. Johannah Rakitla TVL.
2. Errol Letseleha

NATAL & ORANGE FREE STATE are still to decide on the additional members.

This move was sanctioned by INTER-UNION PROJECT which is working towards merging of industrial unions and systematic phasing-out of general unions. So it was in that spirit and recommendations made by the I.U.P. that these unions merged on Saturday.

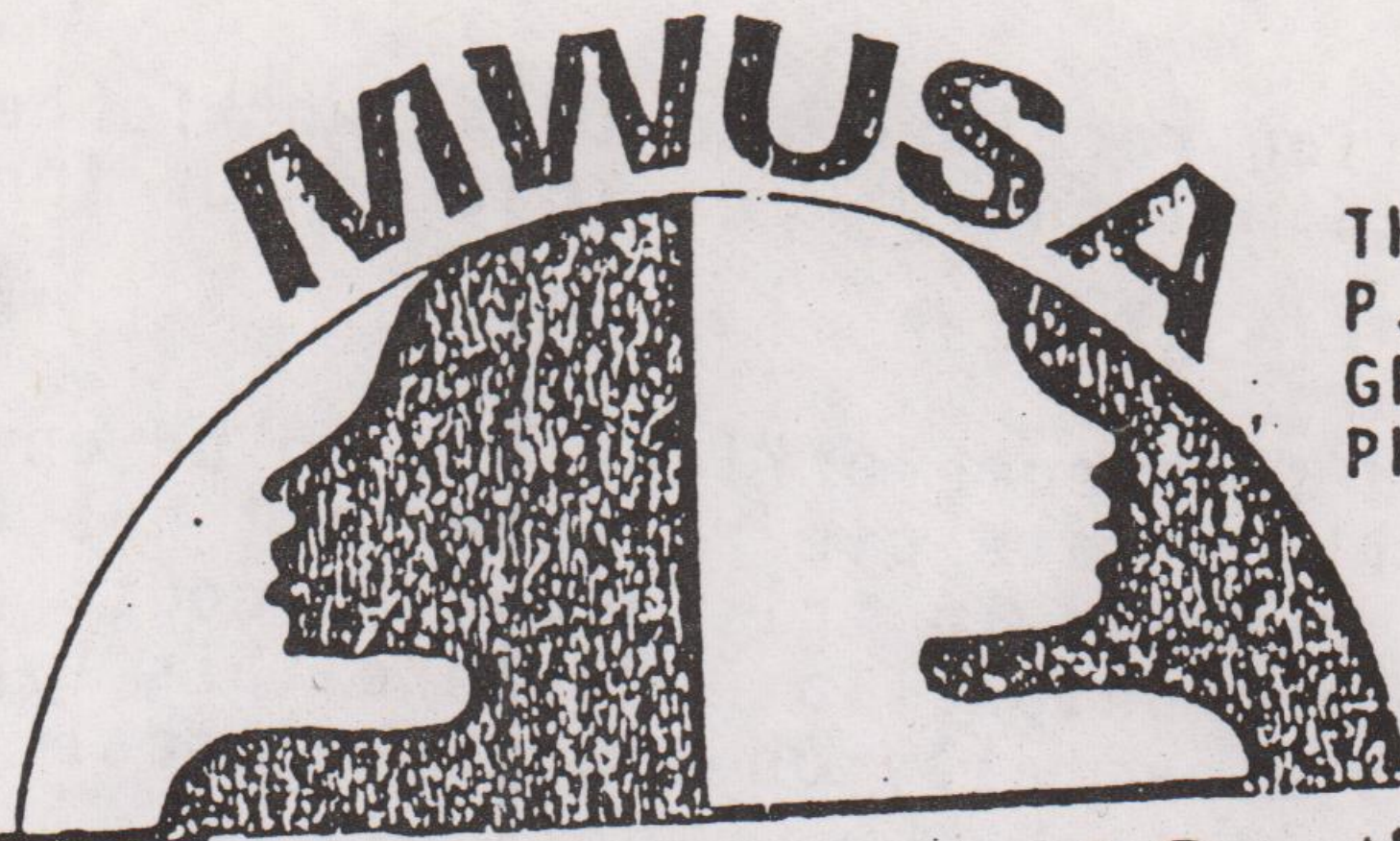
Yours Faithfully

THEMBA NXUMALO: GENERAL SECRETARY


Municipal Workers Union of S.A.

26/11/85

THE HEAD OFFICE
15ECUMENICAL CENTRE
20ST ANDREW STREET
DURBAN
4001



THE HEAD OFFICE
P.O. BOX 47001
GREYVILLE 4023
PHONE: 3063993

15/05/86

Municipal Workers Union of South Africa

REF.: OUR: MWUSA/IA/F 86 ENQ.: T. Nxumalo
YOUR:

TEL.: 306 3993

FRIENDS

MUNICIPAL WORKERS UNION OF S.A.-FUNDING

It has imperative to appeal to you for Financial Assistance from you and friends in the international world.

The developments taking place in S.A today in the labour movement demands immediate membership drive campaign to be launched in order to meet Cosatu requirements of forming broadly based Industrial union, and as such our union is presently engaged in Unity talks with Cape Town Municipal Wrkers Association and Transport and General Workers Union which has around 3/4000 municipal transport workers. Municipal Workers Union of South Africa itself came after talks between MWUSA AND MGWUSA based in Natal & Transvaal respectively and culminating in the formation of Municipal Workers Union of South Africa and its HEAD OFFICE in Durban. The merging congress was held at New Castle on the 23rd of November 1985 and both unions were represented by over 200 delegates/shop stewards.

This union has 7 branches and must open 10 branches in the following areas;

NATAL:

a. Ladysmith, b. Vryheid, c. Amanzimtoti, and d. Umkhomazi & Portshepstone.

Transvaal:

a. Pretoria, b. Katlehong, c. Gemstone, and d. Ermelo.

ORANGE FREE STATES:

a. 4 new branches are to bve opened very soon.

AND

Cape (Eastern) Branches are too be opened very soon.
" (Western) 2 branches must be opened before April.

Our paid-up membership is 9500 and we aim at raising our membership to 12500 by December 1987 an increase of 3000. That is our target for this year and next year.

TRANSVAAL:
P.O. BOX 62070
MARSHALLTOWN
JOHANNBURG
2000
Tel: 337-3624

O.F.S.
P.O. BOX 21072
HIEBERDAL 9306
PHONE: 81267-051

NATAL
P.O. BOX 2438
NEW CASTLE
2940

CAPE PROVINCE
P.O. BOX 364
KURUMAN
8460

According to information received the total workforce of all municipalities in South Africa is 1,5 million workers. That is our long-term planning.

ORGANISING:

As it had been stated that some offices had to be opened in different parts of the country, this illustrates clearly the that has to be made. We had been severely delayed in this drive, because of the fact that resources are not available in our unions. To undertake this type of drive one has to have enough resources, especially, on a national scale.

ORGANISERS:

Our unions had never had enough organisers, simple, because we could not guarantee a salary or any allowances at all. Even those who were genuine in their desire to organise for the union, could not ignore the reality (economical) his/her family responsibilities, and so on.

For us to meet our target we need to have more organisers (both full time and part time).

The subscriptions paid by our members could not pay salary for even one official, only union expenses, at times it could not even cover those demands well.

As such we have taken a decision to raise enough money to pay our organisers so as to expect loyalty from them.

EDUCATION PROJECT:

The situation in South Africa depends on the understanding of the workers, this understanding cannot come about automatically, it has to be instilled on the workers. Hence, the role of education in trade unions cannot over emphasised.

As such our union has taken this question very serious, we must have an education project, that will develop confidence amongst the working people.

Our union is also considering adult education to be part of the education of the worker, as such we are presently trying to organise instructors (teachers) who are willing to undertake this task.

Because of lack of resources, we had never thought of starting with this programme. Although we are forced by the situation itself to bring it up as a priority now.

For these projects to succeed we need to raise special funds to finance this huge project.

Newsletter:

Whereas, the worker education is an important component in the struggle against poverty, disease and exploitation, so is newsletter/journal, that could be used to inform the membership about important campaigns, meetings and general information about the union, etc.

TRANSPORT:

The growth of our union had been directly affected by the lack of transport resources, in our unions generally. As we are gearing ourselves for the membership drive this it means that we must have means of transport, as such we must have at least two (2) 16 seater combis, although we would have preferred that each region have its own means of transport in order to meet our target. By emphasising the organisation of the unorganised municipal workers.

NATIONAL TRAVEL:

In order to open branches all over the country office-bearers should begin a national tour, to organise the opening of those offices and staffing of such offices. The officials that must undertake such trip should be the general secretary, national organiser and regional organisers.

Since our union cannot finance a trip of that sort we are then left with the only option of raising those funds that can finance such trips.

We hope that this appeal shall be considered in a favourable light and its urgency noted.

WORKERS OF THE WORLD UNITE

MUNICIPAL WORKERS UNION OF SOUTH AFRICA

DRAFT BUDGET

1. OFFICES AND EQUIPMENT:

1.1 HEAD OFFICE:

DUPLICATOR	2 500	
photocopier	18 000	
Typewriters	10 000	
Telex	24 000	
Rent	24 000	
Office Furniture	10 000	88 500

1.2 REGIONS:

DUPLICATORS	10 000	
Typewriters	20 000	
Office Furniture	20 000	
Rent	48 000	
Photocoyer	36 000	134 000

1.3 SALARIES:

Fixed hours	62 400	
Unfixed hours	153 600	216 000

1.4 EXPENSES:

Meeting: expenses		10 000
Travelling		48 000
Newsletter/Journal		70 000

1.4 EDUCATION:

National Seminars	20 000	
Regional Seminars	40 000	
Travel	50 000	
Publications	20 500	
Transport/Vehicles	62 000	192 500
Total Budget		= <u>759 000</u>

2. CAPITAL BUDGET:

DUPLICATORS	12 500	
TYPEWRITERS	30 000	
OFFICE FURNITURE	30 000	
VEHICLES	62 000	
PRINTING UNIT	50 000	
Total	=	<u>R184 500</u>

METHOD OF CALCULATIONS:

REGIONS AND BRANCHES:

This takes the(4)four regions and adds larger branches that are further away from Regional Offices:

1. Duplicators: R2 500 x 5 = R12 500

2. Typer-writers: $R2\ 500 \times 6 = R30\ 000$,
3. Telex : average of R5000 a month at Head Office $5000 \times 24 = R120\ 000$,
4. Office Furniture:
This covers the Head Office and the four Regional Offices at about R10 000 at H/Office and R5 000 at each Regional Office, Therefore, $R5\ 000 \times 4 + 10\ 000 = 30\ 000$,
5. VEHICLES: An estimate cost of 16 seater combi is R15 500 per each region, Therefore, $15\ 500 \times 4 = R62\ 000$,
6. PRINTING UNIT:
This will be for a small printing machine approximate cost, R15 000, Computer and printer R15 000, Platamate R10 000 and the balance will be for layout tables, shelving, etc, etc,.
7. SALARIES:
Fixed Hours = are calculated at R650 for administrators/receptionists, one per region, Therefore, $R650 \times 4 \times 24 = R62\ 400$
Unfixed Hours = are calculated at R800 for Union officials, viz., General Secretary, National Organiser, Ass. Gen. Secretary, and two officials per region Total=11 officials, Therefore, $800 \times 11 \times 24 = R211\ 200$.
8. MEETING EXPENSES:
This is an estimate, they only allows for accomodation and transportation to and from the National Meetings,
9. ORGANISATIONAL TRAVEL:
This is travel by Office Bearers, National Officials and Newsletter staff,
10. NEWSLETTER/JOURNAL:
One printer ,Typist, Translator/Administrator:
Total 4 : Fixed Hours 3, Unfixed Hours 1
11. EDUCATION:
Education Secretary and an Administrator,
Total 2 : Fixed Hours 1, Unfixed Hours 1,
12. TRAVEL:
An estimate of R50 000 - this is travel to courses and seminars,
13. PUBLICATIONS:
An estimate of R20 500

TOTAL HOURS 21,
FIXED 8
UNFIXED 13

We have tried to lower all the costs as much as possible, but the costs had risen in the past but we still hope that we can cover all our needs with this budget,

We have tried to explain the method used so as to make it simple to who ever will be reading this draft,

HEALTH AND ALLIED WORKERS UNION

HAWU.

**AFFILIATE OF THE
CONGRESS OF SOUTH AFRICAN TRADE UNIONS**

Appendix 3.2

REPLY TO:

P.O. Box 47011
Greyville, 4023,
Natal
South Africa

P.O. BOX 47011
GREYVILLE
4023

26-05-86

REF.: OUR: HA/FC/H86
YOUR:

ENQ.: GORDON KISA DLAMINI **TEL.:** 3063993

HEALTH AND ALLIED WORKERS
MEMORANDUM

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- 2.1 Bantustans
- 2.2 Apartheid be dismantled
- 2.3 Formation of COSATU
- 2.4 Inkatha
- 2.5 interests of the working class
- 2.6 isolation of the apartheid government

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- 3.2 State Sector
- 3.3 Mergers

HEALTH & ALLIED WORKERS UNION

H.A.W.U.

AFFILIATE OF THE
CONGRESS OF SOUTH AFRICAN TRADE UNIONS

REPLY TO:

P.O. Box 47011
Greyville, 4023,
Natal
South Africa

P.O. BOX 47011
GREYVILLE
4023

26-05-86

REF.: OUR: HA/FC/H86
YOUR:

ENQ.: GORDON KISA DLAMINI TEL.: 3063993

Introduction

The struggle against the apartheid regime is intensifying at an unprecedented level. The South African people are determined to destroy the yoke of brutal racial oppression by the white minority regime and to be free of the super economic exploitation that has made us to live like slaves in our own country.

Apartheid is described by the United Nations (UN) as a "crime against humanity". More specifically it is a crime against the majority of working people of South Africa.

The United Democratic Front (UDF) formed in August 1983, and the Congress of South African Trade Unions (COSATU) formed in December 1985 have organised vast sections of our people. This unity of the South African people showed its potential strength on the 1st May 1986 with the largest general strike ever in our history.

1 Facts and Figures on the health sector

1.1 Legislation and policy

* In January 1984 it was reported that blood donated by whites was used for black patients but that blood from blacks was not used for whites. The higher incidence of Hepatitis-B was sighted as the reason.

* Under the new constitution three 'own affairs' health services and welfare ministers were appointed. The white minister remained minister of health and welfare in the cabinet. Each of the 10 bantustans also has a 'health minister'. The Department of Health and Welfare deals with the general policy for all races, disease prevention, and black health in the white designated areas.

* Per capita expenditure on health in the bantustans is on average 4 times less than that spent on all race groups living in the white designated areas.

* By 1982 there were 18 003 doctors and 2 994 dentists registered with the SA Medical & Dental Council. According to the annual report of the Department of Health and Welfare, the number of registered nurses with the SA Nursing Council as at 31 December 1983 was: 42 142 Africans; 1 172 Asians; 5 022 coloured people and 30 605 whites. There exist severe shortages of nursing staff, by 1983, 2 out of 5 posts in the Coloured and Indian communities, 1 in 3 posts for Africans had still to be filled.

* According...../

* According to the WHO, developing countries need at least 2 registered nurses per 1 000 people in order to render a basic health service. However South Africa had only 1,5 African, 1,8 Coloured, and 1,4 Indian nurses for every 1 000 people. While for whites there are 6 registered nurses per 1 000 people (1983).

* According to Prof. A. Moosa, Head of the Department of Paediatrics at the University of Natal the average hospital expenditure per patient per day for black hospitals varied from R20.54 to R41.56, whereas for white hospitals it ranged from R75.76 to R107.47.

* Prof. Moosa said that while blacks in South Africa needed basic health services at primary care level, 98% of the states health budget was spent on curative services 'demanded and expected by the white minority'.

* The Johannesburg hospital was built at a cost of R150m and cost the taxpayer about R70m a year to maintain, while in Cape Town there were 2 huge hospitals and the new Groote Schuur Hospital being built for all race groups at a cost of more than R200m. 'Against this the vast majority of the black population has no or very poor access to basic health services', Prof Moosa said. There is no comparison between the slum conditions of most hospital wards for blacks when compared to those for whites. There is a chronic lack of medical resources and equipment for blacks.

1.2 Bantustans

* If conditions for blacks in white designated areas are poor, health services in most parts of the bantustans have broken down completely. They are either in a state of collapse or totally inadequate and do very little to alleviate the sickness, suffering and death resulting from the mass dumpings of people, mainly the elderly, infirm, women and children in these labour reservoirs.

1.3 Notifiable Diseases

* Notifiable diseases such as Tuberculosis (TB), are on the increase as their spread is directly related to poor nutrition and overcrowding like that found in bantustans and squattercamps. A recent report indicates that 10m people in South Africa have TB, at least 7 people died of TB in each day. Between 50 000 and 60 000 new cases of TB are reported each year. According to Dr Rosenberg, who did the research, the situation seems to be getting worse with many sufferers refusing to go to hospital for fear of losing their jobs. (Sowetan 30.4.86)

1.4 Infant mortality

* Rate per 1 000 live births for 1982 were as follows: 80 - African; 59,2 - Coloured; 20,7 - Indian; 13,4 - White.

1.5 Mental Health

* Here there are severe staffing difficulties and much criticism has been made of the regime's continued abuse of psychiatry in its repression against those daring to fight the evil of apartheid.

2 Congress of South African Trade Unions (COSATU)

2.1 COSATU has stated clearly its total opposition to the Bantustan system which we see as an extension of the apartheid system. Bantustans have divided our nation into tribes and races.

2.2 We have demanded that apartheid be dismantled, that all political prisoners be released, that the climate for democratically elected government based on a united South Africa and one person one vote be created.

2.3 Formation of COSATU took place after four years of painstaking discussions. Trade unions have a very strong commitment to democracy and our greatest achievement has been to build structures where our membership and leadership express their views. All decisions are based on mandates we receive from the membership. As COSATU we believe that we cannot separate the struggle for worker rights in the factory floor from the broader struggle for freedom. COSATU is part and parcel of the struggle for liberation.

2.4 We believe that if political differences between COSATU and any other organisation exist then we do not see this as a "state of war". Such violent language benefits no-one. The South African government, which knows only violence and imprisonment as a way to solving problems, rejoices when it sees the oppressed people also talking about and using violence to solve differences between themselves. We have seen since the statement by Inkatha leadership several incidents of violence against our membership and leadership.

COSATU can will defend itself against violence of the State and its allies against the working class, but if this had to happen we would regard it as a failure and a set back to unionism and the liberation of all people.

2.5 As COSATU we are a working class organisation and as such will reflect mainly the interests of the working class. COSATU believes that workers have built the wealth of South Africa. Yet the only returns we have received for our labour have been the starvation wages we earn.

COSATU says that we want a society where there is no starvation and hunger, where there is no malnutrition and kwashiokor, where there is proper housing, medical care and free education. The system of free enterprise has to the present not given us anything but has in fact denied us these basic human rights and therefore COSATU demands a society where the wealth that is created by the working class is used to the benefit of all.

2.6 We believe that this minority regime in all its forms will not and cannot serve the interests of the majority of South African people. In the present political and economic crisis, with the clampdown by the Botha government, the democratic forces in the whole world are campaigning for the isolation of the apartheid government.

As the largest trade union movement in South Africa we have seen no substantial evidence that the policy of constructive engagement is a real force for change. At the very least it benefits certain workers but usually real changes on the factory floor have been won by the unions.

We can see no evidence of it influencing the Botha government. Yet the disinvestment pressure quite clearly is influencing government.

3 Health and Allied Workers Union (HAWU)

3.1 Formation

HAWU started to organise workers in this vital sector in 1983. Since then great achievements have been made in spite of the serious obstacles. The present executive of HAWU was elected in March 1985, which followed a health organisations conference held in February 1985 which was attended by health workers.

3.2 State Sector

The main obstacle to organising is that this is a state sector. The government is a ruthless employer, denies access to premises, arrests organisers and forces in-house unions on workers.

3.3 Mergers

HAWU is the only union affiliated to COSATU organising in the health sector, HAWU is infact the only industrial union operating in the health sector. HAWU is strongest in the South African province of Natal and is in the process of expanding to four additional areas of; Ladysmith, Newcastle, Port Shepstone and Empangeni.

Due to the fact that HAWU is the only industrial union operating in this sector, those general workers unions which have health workers in their membership are presently in the process of transferring their membership. HAWU was assigned the task of co-ordinating the formation of the national union. Members being transfered to HAWU have been organised by the General and Allied Workers Union (GAWU) in the province of Transvaal (this includes those workers organised at Baragwanath Hospital) and the South African Allied Workers Union (SAAWU) in the Cape Province. The breadth of HAWU's work includes the provinces of Natal, Transvaal, Western Cape and the Eastern Cape.

HEALTH & ALLIED WORKERS UNION
HAWU.

A MEMBER OF NATIONAL FEDERATION OF WORKERS UNION'S (SA)

1004 VALLY'S CENTRE
44 LORNE STREET
DURBAN 4001
TELEPHONE: 65003

REPLY TO:

P.O. BOX 47011
GREYVILLE, 4023.

P.O. BOX 47011
GREYVILLE
4023

26-05-86

REF.: OUR: HA/FC/H86
YOUR:

ENQ.: GORDON KISA DLAMINI

TEL.: 3063993

Comrades

Owing to the developments taking place in the labour movement in S.A., it has become imperative to appeal to you for financial assistance from you as friends in the international world.

Health And Allied Workers Union (HAWU) is a small union based in one region i.e. Natal and it is the only union affiliated to C O S A T U organising in the health sector. Therefore it is important that we expand to other regions. This union presently has only one branch in Natal and we are thinking of opening branches in the following places.

NATAL

(a) Ladysmith (b) Newcastle (c) Port Shepstone and Empangeni.

As we are engaged in merging talks with other sister unions like GAWU which will probably culminate in the formation of one National union, we are definitely going to be in need of resources.

The draft budget of HAWU is attached to this letter. All the estimated expenses are for 5 offices, 3 organisers for each office and 1 administrator/receptionist for each office.

Thanking in anticipation.

YOURS FAITHFULLY

G. Dlamini

HAWU - SECRETARY

HEALTH AND ALLIED WORKERS UNION-DRAFT BUDGET FOR 1986

OFFICE AND EQUIPMENT

HEAD OFFICE

Duplicator- R2-500

Photocopyer R18-000

Typewriters R 5-000

Rent R10-000

Office furnisher 15-000

Printing unit R40-000 R90-500

BRANCHES

Duplicators R10-000

Typewriter R10-000

Furnisher R 8-000

Rent R14-000

Vehicles R30-000 R72-000

EDUCATION

National seminar 15-000

Regional Seminar 20-000

Travelling 30-000 R65-000

SALARIES

Unfixed hours 90-000

Fixed hours 18-000 108-000

GRAND TOTAL 335-500

HAWU-SECRETARY.....

G. K. K. K.

PART A**BANK DIRECT DEBIT AUTHORITY**

(M)

Please enter below the full postal address of your Bank, so that it can be used in a window envelope. This authority must be returned to NALGO at least 14 clear days before date of first payment.

National & Local Government
Officers Association,
1 Mabledon Place,
London WC1H 9AJ.

Date _____

The Manager,

Bank Ltd.

This authorisation cancels any
previous instruction given under
this reference.

I _____ Branch NALGO authorise
you until further notice in writing to charge to my account with you on or about the first
day of every month at the instance of NALGO Headquarters, the sum of £ _____ commencing
on the first day of _____ 19 _____ by Direct Debit, reference number _____

Bank Sorting Code No:-SignatureFull Name

BRANCH NALGO

(Block Capitals)

Please enter your bank a/c number below

--	--	--	--	--	--	--	--

Address:**PART B**

(M)

To The Financial Officer,
National & Local Government
Officers Association,
1 MABLEDON PLACE,
LONDON WC1H 9AJ.

Reference No.Amount £Commencing dateName of Customer:

Direct Debits in respect of our above-named customer's Standing Order under the
above reference should be made out as follows:-

Branch Title:-Bank Sorting Code No.Account No:

Manager: _____

BRANCH/INDIVIDUAL NAME:

Amount Donated to Municipal Workers Union of
South Africa - General Fund

Amount Donated to Municipal Workers Union of
South Africa - Legal and
Relief Fund

Amount Donated to Health and Allied Workers
Union - General Fund

Amount Donated to Health and Allied Workers
Union - Legal and Relief Fund

TOTAL

Notes: Total shown above must be the same as that shown on
direct debit form

FOR INDIVIDUAL ACCOUNTS

PART A

BANK DIRECT DEBIT AUTHORITY

Please enter below the full postal address of your Bank, so that it can be used in a window envelope and return the authority to NALGO Headquarters.

NATIONAL & LOCAL GOVERNMENT OFFICERS ASSOCIATION,
1 MABLEDON PLACE,
LONDON WC1H 9AJ.

Date _____

The Manager,

Bank Ltd.

This Authorisation amends any previous instruction given under this reference, with effect from the date shown.

I/WEauthorise you until further notice in writing to charge to my/our account with you on or about the first day of every month at the instance of NALGO for the account of the General Fund the sum of £..... commencing on the first day of 19 ... by Direct Debit, reference number

Bank Sorting Code No:-

Signature _____

Full Name _____

(Block Capitals)

Please enter your Bank A/c Number below

--	--	--	--	--	--	--	--

Address _____

PART B

TO: The Financial Officer,
National & Local Government Officers Association,
1 Mabledon Place,
London WC1H 9AJ.

Reference No.

Amount

Commencing Date:

Name of Customer: _____

Direct Debits in respect of our above-named customer's Standing Order under the above reference should be made out as follows:-

Branch Title:- _____

Bank Sorting Code No:-

Bank Account No:-

Manager _____

BRANCH/INDIVIDUAL NAME:

Amount Donated to Municipal Workers Union of
South Africa - General Fund

.....

Amount Donated to Municipal Workers Union of
South Africa - Legal and
Relief Fund

.....

Amount Donated to Health and Allied Workers
Union - General Fund

.....

Amount Donated to Health and Allied Workers
Union - Legal and Relief Fund

.....

TOTAL

Notes; Total shown above must be the same as that shown on
direct debit form

NALGO Action On Southern Africa

Local and Public Authority Action against Apartheid

Any authority which buys in goods and services, which provides a staff canteen, manages a superannuation fund or runs leisure facilities is a potential supporter of the South African economy and its hegemony over Namibia and the front-line states.

Make sure that your employing authority is not propping up apartheid!



Nalgo Action on Southern Africa

Local and Public Authority Action Against Apartheid

1 Anti-Apartheid Policies

1.1 Introduction

1.2 Adoption of Anti-Apartheid Policies

1.2.1 Purchasing Policy

1.2.2 Investment Policy

1.2.3 Economic Relations

1.2.4 Banking

1.2.5 Advertising

1.2.6 Education

1.2.7 Libraries

1.2.8 Cultural Boycott

1.2.9 Sports Boycott

1.2.10 Relations with African States and the Liberation Movements

1,2,11 Honouring Opponents of Apartheid

1.2.12 Visits by Representatives from South Africa and Namibia

1.2,13 Development of Public Understanding

1.3 Enforcement

1.4 Constructive Cooperation

2 Investment in Southern Africa

2.1 Arguments for Disinvestment

2.2 Disinvestment Strategy

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3 Appendices

3.1 "Model" Declaration on Southern Africa

3.2 South Africa - A Bad Risk for Investment - TUC

3.3 UK Companies and South Africa - AAM

3.4 Local Authority Pension Funds and South Africa - PIRC

3.5 Addresses

1. Anti-Apartheid Policies

- 1.1 More than 140 local authorities, representing over two-thirds of the population of Britain, have adopted an anti-apartheid policy. Twenty-eight have declared their administrative areas "apartheid-free zones". Other public authorities, such as district and regional health boards, have adopted a range of similar policies relating to the purchase of South African and Namibian goods and/or investment in companies with South African or Namibian interests.

1.2 Adoption of Anti-Apartheid Policies

The first step is to find out what, if any, anti-apartheid policies your employing authority has already adopted. Although the ideal stance is declaration of a comprehensive "apartheid-free zone" (see attached copy of the "model" Declaration on Southern Africa, prepared by the Steering Committee on Local Authority Action Against Apartheid), there are a number of individual areas of action which have been taken up by various authorities, and for the adoption of which you can campaign, as follows:

- 1.2.1 Purchasing Policy - To ensure that no products are purchased which have been imported from South Africa and Namibia, and to seek the adoption of such policy by any Joint Purchasing Authorities of which the authority is a member.
- 1.2.2 Investment Policy - To disinvest from South African companies or companies with subsidiaries or associates in South Africa or Namibia.
- 1.2.3 Economic Relations - To discourage economic relations between the area and South Africa and/or Namibia and to encourage economic links with independent African States and, in particular, to discourage trade missions to and from South Africa and/or Namibia.
- 1.2.4 Banking - To move accounts from Barclays Bank because of its involvement in South Africa or to adopt other forms of policy on banking relations with South Africa.
- 1.2.5 Advertising - To stop the advertising of South African and Namibian products on council controlled advertising facilities and/or to adopt a policy discouraging such advertising in other areas.
- 1.2.6 Education - To promote the positive teaching of the situation in Southern Africa.
- 1.2.7 Libraries - To ban South African propaganda and to display anti-apartheid material etc.
- 1.2.8 Cultural Boycott - To refuse to allow facilities to be used for events in which there are South African participants and to refuse to allow cultural performers who are listed in the UN Cultural Register.
- 1.2.9 Sports Boycott - To refuse to allow facilities to be used for sporting and recreational events in which there are South African participants.
- 1.2.10 Relations with African States and the Liberation Movement - To establish twinning or other relations with towns and cities in independent African States and to establish direct relations with South African liberation movements.

- 1.2.11 Honouring Opponents of Apartheid - To honour opponents of apartheid through symbolic actions such as the renaming of streets, buildings, gardens etc., and granting the Freedom of the City or Borough.
- 1.2.12 Visits by Representatives from South Africa and Namibia - To adopt a strict policy not to receive official representatives from South Africa and Namibia.
- 1.2.13 The Development of Public Understanding - To adopt policy and/or programmes designed to develop public understanding of the situation in Southern Africa.

1.3 Enforcement

Chances are that your employing authority may already have an anti-apartheid policy, but if this is the case it does not mean that your branch has no scope for action. If the policy is a partial one, press for its extension to cover other areas. Even if you work in an apartheid-free zone you still have a vital role to play to ensure that the paper policy is being put into practice. Being closely involved in the authorities' administration, NALGO members are ideally placed to monitor the enforcement of such policies. It could be that because of staff turnover or poor publicity and communications not all employees are aware of the authority's policy and so Outspan oranges or South African wellington boots are slipping through the net.

1.4 Constructive Co-operation

It has been the case that authorities sympathetic to the anti-apartheid objectives have felt prevented from adopting appropriate policies by such practical considerations as finding suitable alternative sources of goods or by the fear of legal repercussions. The legal issues involved in changing investment portfolios are dealt with in more detail below, but in general terms such problems should not be allowed to constitute an insuperable barrier. Brief reference has been made above to the Steering Committee on Local Authority Action Against Apartheid, a body set up as a result of the first national conference of local authorities to discuss action against apartheid, which was hosted by Sheffield City Council in March 1983. This conference identified the need for co-ordination and information to assist local authorities in the development of policy on Southern Africa, and the Steering Committee acts as a central reference point gathering and passing on the experiences of those authorities which have taken successful action to those who want to take action, and co-ordinating new initiatives.

The Anti-Apartheid Movement is similarly a valuable source of campaigning help and information, having been involved in the isolation of South Africa since 1959 and with staff members specialising in specific areas of campaigning such as trade union and local authority action, investment, sports and cultural boycotts etc.

Equally importantly, we would like to establish a central register of action taken by NALGO branches in order to enable NALGO members to share and benefit from each other's experiences within the context of this campaign. You will therefore be receiving questionnaires from time to time, but in the meantime please send in details of any past action taken which you feel may be relevant and useful.

Another area in which NALGO members can actively co-operate with their employing authorities in this field is that of education. Just as we must be able to provide the information to explain and raise support for NALGO's campaigns to have anti-apartheid policies adopted by authorities, so must those authorities taking action be seen to publicise and, if necessary, "sell" their policies to the people they serve if their action is to have full impact and is not to meet with opposition. Again, the prominent positions NALGO members hold in these authorities' contact with the public make them ideally placed to ensure that such policies are given prominence.

2. Investment in Southern Africa

2.1 The arguments for disinvestment

Pension fund portfolios constitute a considerable source of investment in companies with South African and Namibian interests. Pension fund trustees are bound by law to obtain the best return for beneficiaries, but this does not mean that investment in such companies cannot be replaced by investment in companies with no part in apartheid. What it does mean, however, is that a programme of disinvestment must be planned carefully and executed gradually.

The economic arguments in favour of disinvestment are now widely accepted and are explained in some detail in the attached TUC document "South Africa - A Bad Risk for Investment".

The moral arguments are also familiar. The iniquitous system of apartheid is maintained for and by economic gain. Undermine the South African economy and you strike at the very cause of apartheid suffering.

There is, however, another argument which is not as widely familiar, and as yet untested in the courts, but which does constitute a powerful lever against an authority dragging its heels. Under Section 71 of the Race Relations Act 1976, local authorities are obliged to ensure that in the exercise of their functions they are not jeopardising race relations in their administrative area. It can be argued that by maintaining investments in companies with South African or Namibian interests, a local authority is acting in contravention of this duty.

2.2 Disinvestment Strategy

Having established the case for disinvestment, the question is how to implement it. Here the main criterion must be effective action. In the long run we should be aiming at disposing of all investments in every company with any links with South Africa, but this cannot be achieved overnight. Because of their legal obligations, pension fund trustees cannot be expected to "clean up" their portfolios with one purge. NALGO members should therefore press for the most effective disinvestment strategy.

Some authorities have adopted policies which concentrate on the proportion of a company's business in South Africa or Namibia, ruling out investment in companies with, say, more than 5% of their sales or profits there. This strategy is not, however, the best. The nature of many multi-national companies means that although in financial terms they contribute substantially to the South African economy, this activity expressed as a percentage of their total business turnover is not high enough to exclude investment in them if a 5% criterion is applied.

A much more effective tactic is to target the companies on the Anti-Apartheid Movement's list of "prime offenders" who either play important roles within strategic sectors of the South African and Namibian economies or whose industrial relations practices have been particularly brutal. Of the list of 31 companies, six have been singled out for specific action:

- Barclays and Standard Chartered because of their associate banks' dominant position within the financial systems of South Africa and Namibia;
- Shell because of its role in breaking the oil embargo and in supplying the military in South Africa and Namibia;

- Rio Tinto Zinc because of its role in exploiting Namibia's natural resources at the Rossing uranium mine contrary to the UN decree;
- GEC and Plessey because of their breaches of the mandatory arms embargo against South Africa.

A copy of this list and of a paper prepared by the Pensions and Investment Resource Centre explaining the various legal and campaigning policy considerations are attached.

2.3 Publicity

When "cleaning up" a pension portfolio, we must not lose sight of the central objective which is to undermine the economic foundation of apartheid. Simply to sell shares in an offending company will not weaken its standing as long as a buyer is found, although it may ease the seller's own conscience. More of an impact will be made if publicity is given to the disinvestment move and the objections to the company's activities are publicly aired.

Similarly, the fact that the "clean up" is a gradual process means that investments in some offending companies will be maintained for a while; this period can be used to put shareholder pressure on the companies concerned by submitting resolutions to and raising questions at their annual general meetings.

2.4 Sources of further help

By highlighting the various general considerations which must be taken into account, these guidelines should help to plan an effective disinvestment campaign. Assistance with more specific problems can be obtained by contacting the International Section at Headquarters. The Anti-Apartheid Movement cannot be recommended too highly as a source of guidance and assistance, and branches should seriously consider becoming involved in the various national campaigns being organised against the specific companies which may well feature in the portfolios targeted in your action. The AAM's address and that of the Steering Committee on Local Authority Action Against Apartheid are therefore given below.

III. 'MODEL' DECLARATION on Southern Africa

A Declaration adopted by the Council as an expression of its opposition to apartheid and its commitment to the cause of freedom in Southern Africa, to pay tribute to Nelson Mandela and all other prisoners of apartheid, and in solidarity with the struggles and sacrifices of the African National Congress of South Africa and the South West Africa People's Organisation of Namibia and the peoples of their countries.

The Council declares its abhorrence of the apartheid policy of South Africa, which has been declared by the United Nations and the Commonwealth to be a 'crime against humanity', and condemns its illegal occupation of Namibia. The Council believes that the apartheid system of South Africa is an affront to human dignity and a threat to world peace and racial harmony.

In accordance with these views the Council will, within the limits of its legal powers, campaign to end all links between the Council and the apartheid regime of South Africa, utilising all social, political, economic and legal measures that are at its disposal. In particular it will, whenever possible and appropriate, having regard to the Council's legal powers and duties, pursue vigilant practices to:

- 1. Cease the purchase of any goods originating from South Africa and Namibia and pursue this policy within the purchasing authorities in which the Council is involved.*
- 2. Withdraw investments held by the Council in companies with South African interests or companies with investments in South Africa and Namibia.*
- 3. Ensure that the Council is not officially represented at any function attended by representatives of the South African Government, South African Embassy, the 'Bantustans' or trade missions and refuse to meet or receive any official visitors from South Africa or Namibia.*
- 4. Campaign against investments and loans held by companies in South Africa and Namibia, discourage all economic links with South Africa and Namibia and promote better relations with the developing economies of the 'Third World'.*
- 5. Seek to enforce the United Nations sporting and cultural boycott by withholding use of leisure facilities from any event involving participants coming from South Africa and Namibia, and from others who appear on the United Nations sporting and cultural registers.*
- 6. Encourage the positive teaching of the history, culture and struggle for self-determination of the South African and Namibian people.*
- 7. Seek to ensure that libraries and schools provide a full range of accurate information concerning South Africa and Namibia, and do not make available South African Government propaganda.*
- 8. Encourage the honouring of prominent opponents of apartheid.*
- 9. Discourage the advertisement of South African products at public sites and facilities under the control of the Council.*
- 10. Seek to ensure that local citizens who are considering emigrating to South Africa are fully informed of the implications of living under apartheid.*

The Council hereby declares the area to be an 'Anti-Apartheid Zone' and undertakes in cooperation with the Anti-Apartheid Movement to organise and encourage appropriate events and activities to promote public understanding of the situation in Southern Africa.

.....

This 'model' Declaration was prepared by the Steering Committee on local authority action against apartheid, established from the conference held on 5 March 1983 attended by representatives of 55 authorities. Authorities represented on the Steering Committee are Basildon, Calderdale, Camden, Cumbria, Greater London, Greater Manchester, Harlow, Islington, Merthyr Tydfil, Sheffield, Stirling, Rotherham and The Wrekin.

April 1984

SOUTH AFRICA.
A BAD RISK FOR
INVESTMENT.

TUC

SOUTH AFRICAN INVESTMENT IS A BAD RISK

1 The TUC has strongly condemned the detention of hundreds of trade unionists including over 300 trade union leaders and officers during the current state of emergency in South Africa. This brief explains why a country that can imprison trade unionists on that scale is not only morally wrong but is economically unviable in the long-term. It is primarily a brief for trade union trustees who can take immediate action to press their pension fund boards to disinvest in South Africa. But its analysis and description will be of use to all those with an interest in financial and industrial matters. It also contains key facts and arguments that can be used by trade unionists in the current debate over the need for sanctions against South Africa. It is divided into three sections:

- I The current crisis in the S African economy
- II The extent of UK economic links with S Africa
- III The impact of withdrawal on the S African and UK economies

Section I: Crisis in the Economy

2 South Africa is facing the most severe economic and financial crisis in its history: new investment has dried up, the economy has been in a deep recession over the last four years and it was forced to declare a debt moratorium in September 1985. The roots of this crisis are three fold: firstly, its heavy dependence on one commodity - gold - for much of its export earnings; secondly, the cost of operating an apartheid economy; and thirdly, its debt rescheduling problems.

The 'One Commodity' Economy

3 South Africa has a deeply divided economy. On the one hand it has one of the most highly industrialised sectors in Africa; on the other hand it has a large labour intensive low technology sector. Its most striking feature, however, is its heavy reliance on gold and other precious metals and stones for the bulk of its export earnings. Figure 1 shows that these products make up around 60% of total export earnings. This makes South Africa extremely vulnerable to the large fluctuations in the gold market: the price fell from \$850 an ounce in 1980 to \$320 in 1984 and it has since risen to around \$350. There is little sign of any strong upward pressure on the gold price.

Figure 1

Exports

● Some major categories, with values for 1985 in Rm

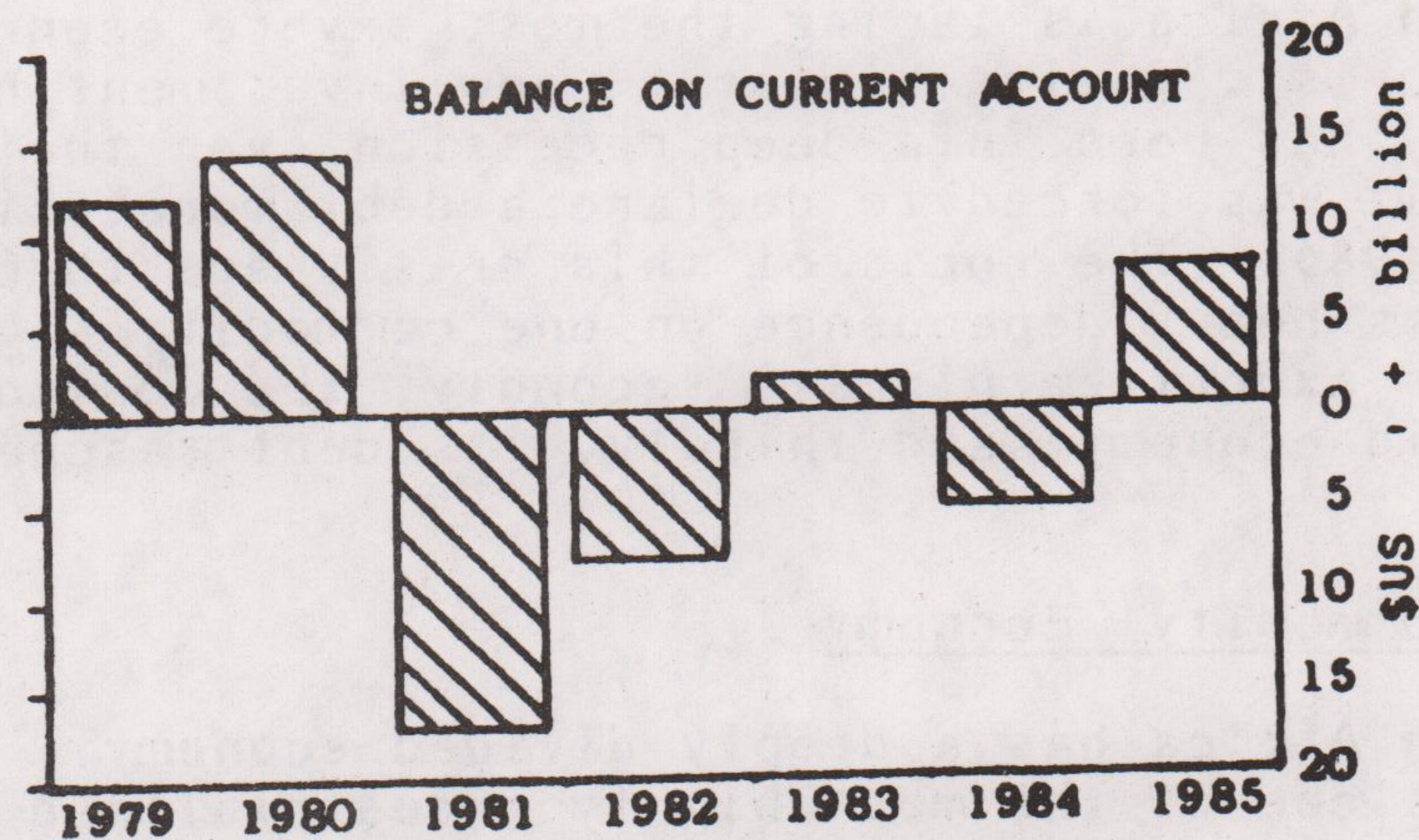
Class	
Unclassified (mainly bullion)	10,071
Unclassified (platinum and uranium)	2,278
Diamonds and other precious stones ...	2,278
Mineral products (includes coal)	4,988
Chemicals	988
Base metals	4,004
Agricultural products	1,891
Total (including bullion)	36,489

Source: Standard Bank.

4 The Financial Times in a recent survey also concluded that the strong growth in coal exports in recent years is likely to fall off in the light of the oil glut and uranium, another leading mineral export, is 'in eclipse and is unlikely to recover in the foreseeable future'.

5 The impact of these fluctuations is reflected in the balance of payments current account - figure 2. The large deficit in 1981 reflects the fall in the gold price. The surplus in 1985 reflects the depressed state of the economy which reduced imports and it is likely to be wiped out in 1987.

Figure 2



Source: Standard Bank of South Africa

The Apartheid Economy

6 Apartheid is uneconomic as well as immoral. The cost to the economy of maintaining white supremacy through massive security operations both inside and outside S Africa is enormous:- by 1984 the proportion of government expenditure devoted to the police and military was estimated at 28%. The Eminent Persons Group (EPG) highlighted the fact that the apartheid system is an extremely wasteful one: 'the sheer bureaucracy required to sustain its machinery is vast; the commitment of resources to security for the maintenance of apartheid is massive; a leading economist informed us that Civil Service salaries account for two-thirds of budget expenditure'. It is ironic that the UK Government, which claims to be committed to reducing bureaucracy should fail to recognise the burden of the apartheid system on the South

African people.

7 In addition, international embargoes have forced South Africa to develop alternatives to imported oil; the high cost of the SASOL process (manufacturing oil from coal) resulted in oil supplies absorbing around 18% of government revenues in 1984.

8 The apartheid education system also leads to a gross waste of skills and talent which means that the South African economy is far less efficient and productive than it could be. The S African Government currently spends seven times as much on a white child as a black. The EPG report suggests that 'education was deliberately withheld to ensure that blacks would not be educated to a level where they would aspire to positions in white society from which they were excluded'. The consequences of years of job reservation and its continued informal application in the mining industry means that there is a crippling lack of skilled personnel which would be felt all the more keenly if economic growth accelerated.

9 It is of course not yet possible to quantify the cost of the growing labour unrest to the economy.

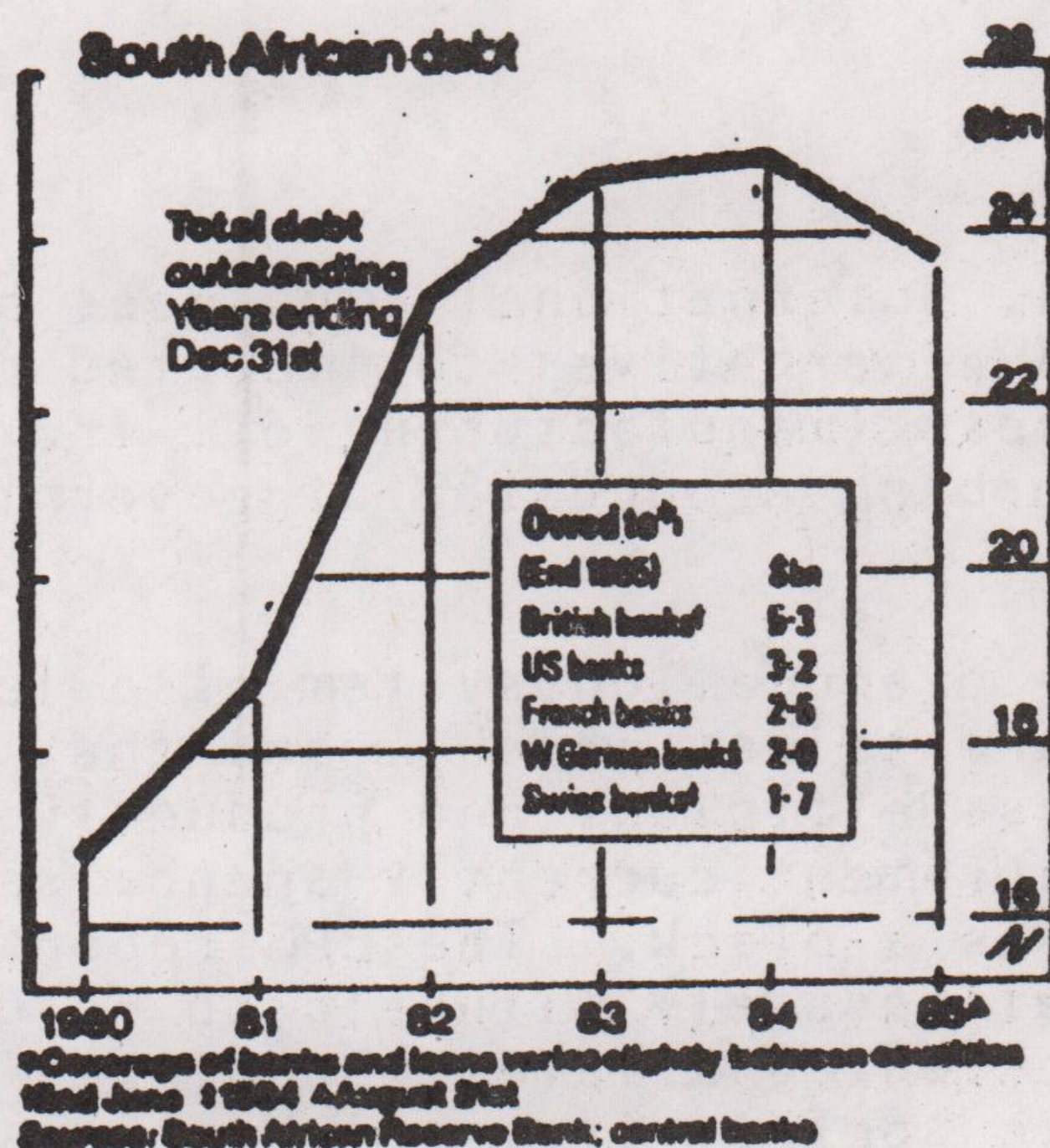
Growing Debt Problems

10 South Africa is now facing an acute debt crisis. It entered into the international money markets on a large scale in the early 1980s, in part to finance the expensive projects, such as SASOL, which were needed to preserve the apartheid system.

11 But the most significant change came after the collapse in the gold price and the sharp deterioration in the current account in 1981. The Government cut back spending and raised interest rates to 25% in an attempt to minimise the deficit. The economy consequently suffered a sharp contraction between 1982-84 and living standards fell. Nevertheless, the Government was forced to increase sharply the level of short-term debt to foreign banks which increased from under \$3 billion in 1980 to over \$12 billion in 1984.

12 The debt crisis came to a head in July 1985, primarily because of the deteriorating political situation. A state of emergency had been declared and the rand had fallen from \$0.93 to \$0.35 in only a month. The first move was made by Chase Manhattan Bank, the second largest US Bank, who decided to stop all loans to S Africa and to withdraw credits as they matured - they refused to roll-over the loans. This action was followed by other leading US banks who decided to reduce their S African exposure; Barclays cut its stake in its S African subsidiary and more banks refused to renew short-term credits. The S African Government responded on September 3 by announcing a moratorium on capital repayments on \$13.6 billion of the \$24 billion foreign debt. Virtually all the \$14.6 billion short-term debt had to be frozen.

Figure 3



13 At the same time, tough exchange controls were introduced which re-imposed a dual exchange rate - a 'commercial' and 'financial' rand. The 'financial' rand is designed to dissuade potential disinvestors by preventing S African investment funds from being transferred into foreign currencies unless discounted at a lower exchange rate. It is currently around half the level of the 'commercial' rand.

14 Discussions between S Africa and the major creditor banks have so far only resulted in an interim settlement, proposed by debt mediator, Dr Leutwiller. The February settlement falls way short of a debt-rescheduling agreement which the S Africans had hoped for. In fact, it imposes stringent conditions which will swallow up the bulk of the 1986 current account surplus. Moreover, its limited one year duration, linked to half-yearly reviews, was designed to put S Africa on parole; the international banks have made it clear that 'normalisation of relations' and a resumption of normal financial flows is dependent upon tangible progress along the path of political and social reform.

15 The screw has been tightened further by the recently announced (July 3) resignation of the debt mediator, Dr Leutwiller, because of his disappointment over the declaration of the state of emergency in June. In view of the fact that many US banks were unhappy about even signing the interim agreement, this must put a major question mark over the half-yearly review of the economy due in September. It is increasingly clear that few banks are prepared to lend fresh money to S Africa, let alone sign a formal rescheduling agreement.

16 In summary, the long-term weakness in the S African economy, resulting from the cost of 'apartheid' and its heavy reliance on gold, has been sharply reinforced by the debt crisis since mid-1985. The immediate prospects are bleak: the interim debt agreement is in danger of breaking up, the current account surplus in 1985-86 is likely to disappear in 1987 and output growth is forecast to decline sharply by the end of the year. Unemployment is unofficially at over 25% for the black workers and is also at record levels among whites and coloured workers. The Economist suggests that the S

African Government is creating 'a siege economy of a destabilised third world state'. The Foreign Office sums it up as follows:

'the continuing political crisis by reducing consumer confidence at home and investor confidence at home and overseas, diminishes the potential for growth. In combination with the poor external outlook this makes it difficult to be optimistic about the S African economy in general and the position of blacks in particular.'

17 The issue now facing investors is not just the loss of a share of their investments as the rand falls in value. There is in fact a real prospect of losing assets altogether as the economic and political situation becomes more and more unstable.

Current UK Links with South Africa

18 The UK, by its trading links and investments, is heavily exposed to the current problems in South Africa.

19 The UK is South Africa's third largest trading partner - figure 4 shows that the UK raised its share of South African imports from 11.1% in 1984 to 12.3% in 1985. Nevertheless over the period from 1980-85 the UK's trading links declined by around 10%.

Figure 4

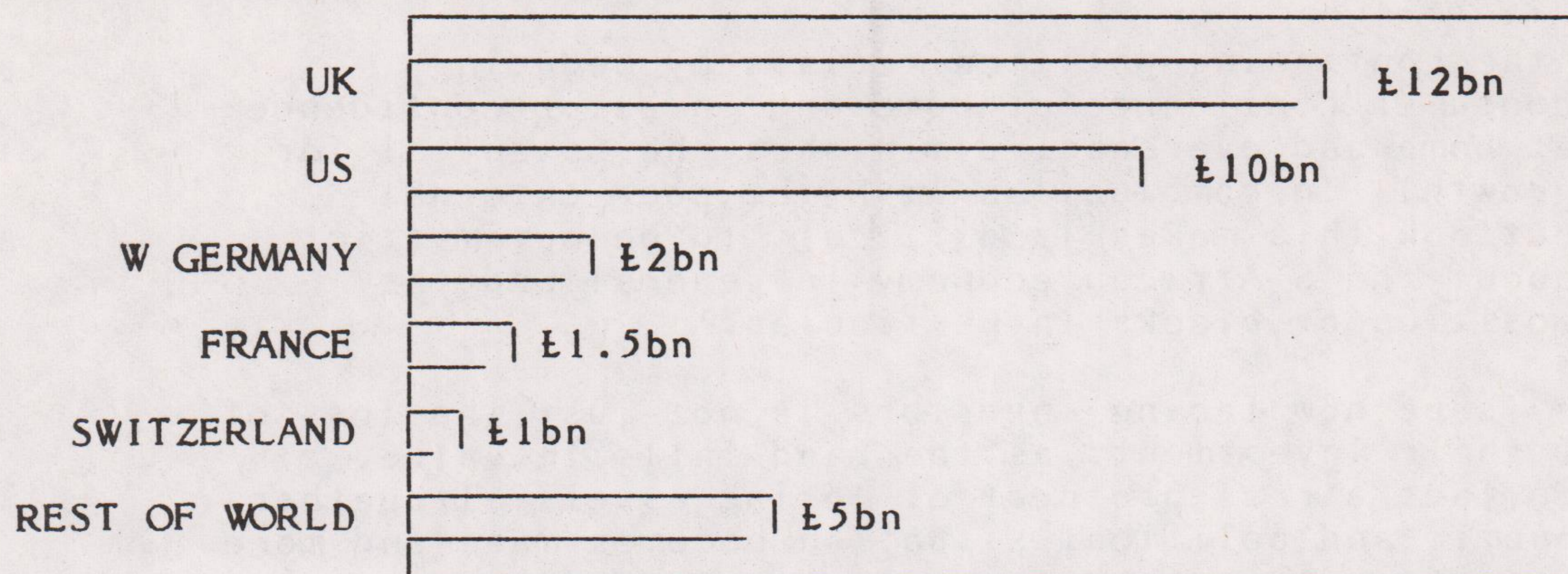
South Africa's main trading partners

Exports to:				Imports from:			
	as % of total exports		average annual % change		as % of total imports		average annual % change
	1984	1985 est	1980-85		1984	1985 est	1980-85
US	8.4	8.9	- 7.0	W. Germany	15.7	16.8	- 6.1
Japan	7.7	8.3	- 2.5	US	15.9	12.7	-12.1
Britain	4.3	6.1	-10.7	Britain	11.1	12.3	-10.8
Italy	2.5	4.2	+ 7.5	Japan	12.9	10.1	- 8.8
W. Germany	3.9	4.0	- 8.3	France	8.8	4.6	- 7.3
Holland	2.4	3.2	+11.3	Italy	3.5	3.3	- 6.8
Switzerland	6.8	3.2	-19.7	Switzerland	1.8	2.1	- 6.3
France	2.2	2.0	- 8.7	Holland	1.8	2.0	- 3.8
Hongkong	1.8	1.8	+ 0.1	Belgium	1.6	1.8	- 3.5
Belgium	1.7	1.7	- 7.0	Australia	1.3	1.2	- 1.1
Spain	0.6	0.9	+ 4.9	Sweden	1.4	1.2	- 8.4
Israel	0.7	0.9	+ 6.5	Canada	1.1	1.0	- 9.5
Canada	0.7	0.7	-15.3	Spain	0.8	0.8	- 1.3
Australia	0.7	0.6	- 0.7	Argentina	0.8	0.8	+37.6
Denmark	0.6	0.6	- 0.7	Norway	0.7	0.8	- 7.2
Special categories*	48.8	45.8	- 9.1	Special categories†	14.7	15.7	-28.7

Source: IMF Direction of Trade Statistics. *mainly gold. †mainly oil and armaments.

20 The UK is the largest investor in South Africa. Figure 5 shows that the UK had more investments in South Africa than the rest of the world, excluding the USA, put together. The UK South Africa Trade Association (UKSATA) put the UK's stake even higher at around 40-45% of all foreign investment.

Figure 5
LEADING INVESTORS IN SOUTH AFRICA



Source: Anti-Apartheid Movement

Note: Mid-1985 Total £31.5bn

21 It is estimated by UKSATA that there are 1,200 companies with some investment in South Africa. However, according to the Ethical Investment Research and Information Service (EIRIS), under 200 of the 1700+ UK companies on the London Stock Exchange have subsidiaries or associates in South Africa. Of these companies some 137 reported in 1985 to the Department of Trade and Industry under the Code of Conduct of European Community Governments. These 137 companies employed around 300,000 - around 6% of total South African employment.

Figure 6 **LEADING UK EMPLOYERS IN S. AFRICA**

<u>Company</u>	<u>Workforce</u>
Consolidated Goldfields *	93,851
Barclays *	26,231
Standard Chartered *	22,848
ICI **	16,503
Lonrho	10,817
Courtaulds	8,198
Pilkington Brothers *	8,016
Unilever (including Brooke Bond)	7,372
BET	7,238
BTR (including Dunlop)	6,482
Shell Transport & Trading	5,870
BOC	5,666

* Many or all are employees of associate companies as distinct from subsidiaries

** AEI which makes up the majority of this figure reports figures for black Africans only

Source: Department of Trade and Industry, EIRIS

22 Figure 6 shows that around half of the 300,000 workers are employed by the South African affiliates of just five companies and only twelve companies have workforces of more than 5,000.

23 In the case of Barclays, Consolidated Goldfields and Pilkingtons, their South African workforce make up over 20% of their worldwide operations. Barclays had around 10% of its worldwide assets in South Africa in 1984 and Standard Chartered received around 30% of its trading profits in 1984 from its South African interests.

24 These figures under-estimate the UK's presence for three reasons: firstly, there are at three companies which should report under the Code of Conduct of European Community governments but do not: these are Trust House Forte, Sun Alliance and Siebe. Secondly, there are firms with stakes of under 50% and over 10% in South African companies which are requested to provide information under the Code of Conduct but mostly do not. Consolidated Goldfields claims for example 'that it does not employ anyone in South Africa' even though it has a 48% stake in Gold Fields of South Africa which employs 84,000 workers and produces a quarter of South Africa's gold.

25 Thirdly, employment is not the only measure of a company's involvement in the S African economy. The Merchant Bank Hill Samuel employs only 233 in S Africa but it was the leading British bank in organising new loans to S Africa which totalled \$2,440m in 1982-84.

26 However there are some signs that UK companies are beginning to decide that the political and economic risks can no longer be justified. For example, Alfred McAlpine, Smiths Industries, Crown House and Valor have recently sold off their S African interests entirely. Metal Box has sold its controlling interest in Metal Box S.A., British Electric Traction has reduced its holdings in its S.A. subsidiary and Turner and Newall reduced its stake in its S.A. affiliate 'to improve the company's image on the stock exchange'. Barclays and Standard Chartered have also both reduced their stake in their S.A. subsidiaries by not taking up recent rights issues.

27 This recent trend is mirrored by similar moves by US companies; 55 US firms have left S.A. since 1985 - 17 have left this year. In 1984 only 7 companies left.

The Record of UK companies

28 The British Government has sought to justify the involvement of British companies in South Africa by saying that they are a force for the erosion of apartheid and for the advancement of black people.

29 The information for 1984-85 made available by British companies with interests as employers in South Africa under the Code of Conduct of European Community governments gives a quite different picture. The figures for the July 1984 to June 1985 period show that for the third consecutive year the number of black working people paid below the subsistence Minimum Living Level has increased. The information from companies shows that the number of people paid below the Supplemented Living Level, which the governments of European

Community countries have set as a target, also increased in 1984-85 with the result that at least ten per cent of black employees of British companies were paid at rates below even the minimal targets accepted by the British Government. The companies which have failed to meet the target are listed in figure 7.

Figure 7

BRITISH COMPANIES WITH SUBSIDIARIES IN SOUTH AFRICA PAYING WAGES BELOW THE SUPPLEMENTED LIVING LEVEL SLL

The SLL is a higher datum level calculated by university departments and research bodies in South Africa and is usually set at 50 per cent above the poverty datum level or Minimum Living Level (MLL) (which is calculated by university departments and research bodies in South Africa as the lowest wage necessary to maintain a family of four at subsistence level). The SLL provides for a few additional items and for slightly higher expenditure on basic needs than the MLL. The European Community governments' Code of Conduct for companies with interests in South Africa recommended that companies should make it their target to pay wage rates in South Africa above the SLL. The Code of Conduct was adopted in 1977.

	<u>Company</u>	<u>No- below SLL</u>
1	Allied Colloids	2
2	Babcock International	35
3	Beecham Group	3
4	BETEC plc	5
5	British Electric Traction Co	699
6	Bush Boake Allen	1
7	Cape Industries	181
8	CCL Group	7
9	Croda International	1
10	Dunlop Holdings	307
11	Exchem	20
12	GEI International	2
13	General Accident	2
14	Guardian Royal Exchange Assurance	19
15	Guest, Keen and Nettlefolds	410
16	Hall Engineering	1
17	Hawker Siddeley	4 (1983-84)
18	P C Henderson Group	9
19	Hunting Associated Industries	15
20	IMI	12
21	International Distillers and Vinters	319
22	Thomas Locker	13
23	Lonhro plc	148
24	Lopex	75 (1983-84)

25	Low and Bonar	448
26	Marley plc	72
27	McKechnie Brothers	358
28	Metal Closures Group	85
29	Midland Bank	15
30	Minet Holdings	20
31	Norcros	19
32	Northern Engineering Industries	149
33	Pilkington Bros	1,299
		(non-whites)
34	Pritchard Services Group	1860
35	Record Marples	1
36	Renold	18
37	Scapa Group	119
38	SGB Group	254
39	600 Group	6
40	Smith and Nephew	76
41	Standard Chartered Bank	32
42	Tate and Lyle	3
43	Turner and Newall	383
44	The Union International	80
45	George Wimpey	186
		<hr/>
		7752
		<hr/>

30 In their industrial relations records some British companies have blatantly impeded constructive change in South Africa. Subsidiaries in South Africa of BTR, Rowntree-Mackintosh and Shell have ruthlessly sought to break independent trade union organisations of black working people in their plants. The independent trade unions have made great gains in recruitment and in winning recognition mostly in the face of resistance by foreign companies in South Africa.

31 The British Government has consistently refused to penalise the companies for failing to meet the industrial relations or pay requirements of the Code, even by publicising the names of offending firms. The Government has sought to maintain a pretence that British companies' involvement has stimulated progressive change but has taken no action to give force to that aim.

Section III: Impact of UK Withdrawal from South Africa

32 This section assesses the likely impact of different economic measures that could be taken by the UK against South Africa. It looks at the effects of stopping loans, disinvestment, a general trade ban and targeted measures against such sectors as gold and fruit.

Ending Loans

33 This is a highly effective means of applying pressure on the S African economy. The action of the US banks in July 1985 precipitated the debt crisis in August-September which has still to be resolved.

34 The UK banks - which are owed around \$5.3bn - could exert a major influence. A demand for an extra \$2bn capital repayments would require a cut in imports of more than a fifth. That in turn would have a sharp impact on the S African economy.

35 The South African Government has hinted that such action could result in a default on their international debt repayments which would have a destabilising impact on the world economy. However, this threat is rather hollow: a default would further undermine its ability in the long term to reschedule or raise new loans, without which S Africa would be driven into a deeper and deeper siege economy.

36 Moreover, the international money markets - which have managed to cope with the far more serious debt problems of countries such as Brazil and Mexico - could ride out the effects of a debt default on this scale.

Disinvestment

37 Market forces - as Section II pointed out - are already resulting in disinvestment in S Africa. UK investors are now taking out more in interest, profits and dividends than they are putting back in new money. What would be the impact of accelerating this process?

38 It has been argued that disinvestment would simply mean selling the total assets held by UK companies to S African companies, possibly at a knock down price - leaving the productive capacity of the economy unchanged.

39 However, this underestimates the impact for two reasons: firstly, if disinvestment occurs on a wide scale it will have a depressing impact on the Johannesburg stock exchange as a whole. This would make it more difficult to raise new finance through rights issues.

40 Secondly, in the longer term, a freeze on new investment will hold back the modernisation of the economy and living standards. South Africa is highly dependent, for example, on imported technology.

41 The main problem facing investors is the need to convert out of rands at the Financial rather than Commercial rand rate.

42 One immediate step that could be taken by the Government would be to remove the Export Credit Guarantee Department's (ECGD) export credit cover for UK exports to S Africa. The Foreign Office believe that a ban on new export credit, if widely applied, could have a significant impact on economic growth and development in South Africa. New credit sources in 1985 were around \$2 billion. It would particularly affect large development projects which would be difficult to fund with cash.

43 British companies with assets in S Africa must judge the short term costs of withdrawal against the longer term financial damage which will inevitably flow from a

deteriorating political situation and an economy under international economic siege. As observed above new investment in S Africa by foreign companies has already dried up because of the anticipated commercial risk. The losses which would be incurred through the withdrawal of assets at the discounted financial Rand exchange rate pale into insignificance when compared with the loss of trade with African and other countries which may result from reprisals against companies which retain assets in S Africa. The longer term and global interests of all British companies with investments in S Africa would best be served by complete disinvestment, whatever the short term costs. Likewise, investment opportunities in the inevitable future non-racist S Africa will be greatest for those companies which retract all economic support for the apartheid regime.

44 However, a long term assessment would still suggest that it makes more sense to withdraw assets at the financial rand rate than run the risk of losing the assets altogether. This is clearly the view of those companies which have already run down or sold off their holdings even before the recent sharp deterioration in the economic and political climate in S Africa. Over 10 million rand flowed out of S Africa in 1985 alone. This could accelerate dramatically if the moves in the US Congress to impose sanctions are successful.

45 The current uncertainty on the South African Stock Exchange could in fact lead to a collapse in share prices if a siege economy develops. This will leave those with investments remaining in S Africa with paper assets of little or no value. Moreover, account should also be taken of the possible response of Commonwealth countries if the UK fail to withdraw investments from S Africa. It would be far more damaging to the UK if Commonwealth countries decided as a result to freeze UK assets or prevent the repatriation of profits. In 1984, for example, the Commonwealth took 39% of net new outward investment by UK companies and contributed 38% of total UK earnings from outward direct investment. The comparable figures for investment in South Africa were 2% and 5%.

46 Trustees could therefore be ignoring their long-term fiduciary duties if they fail to press for the return of assets, even if it is at the financial rand rate.

Trade Ban

47 An effective UK ban on trade, especially if it was backed up by other leading economies, such as the US, Japan and W Germany would have a major impact on the S African economy.

48 Opposition to a trade ban has been voiced, especially in Government circles, on the grounds that it would lead to the loss of up to 250,000 jobs in the UK. A Foreign Office answer in December 1985 gave a figure of 50,000; within less than six months Downing Street has upped this figure to 120,000.

49 A number of points can be made in response to these claims: firstly, it is remarkable that the Government should show such concern over the threat of job losses in view of the fact that its policies have resulted in record job losses and the sharpest rise in unemployment this century.

50 Secondly, estimates of probable job losses are very difficult to make with any accuracy. UK visible exports to S Africa in 1985 amounted to around £1 bn - less than 1½% of total UK exports. Actual job losses would depend on the state of world trade and the success of British exporters in finding alternative markets. Certainly the Government's figure, which has varied wildly anyway, is too high. Other estimates range as low as 10,000 predicted by Anti-Apartheid. However These surveys do not take account of the jobs which could be gained if trade with S.A. was to end ie. as a result of the political credit built up with black African States. Nor does it take account of the potential vast increase in the S African market if the burden of apartheid was lifted. The following points can be made:

- a) That jobs will be lost on a much greater scale if the situation degenerates into civil war as will probably happen if sanctions are not applied.
- b) That failing to apply sanctions will cost us many more jobs if, as seems likely, other African countries and other third world countries switch orders for exports to other industrial countries which have said that they will apply sanctions. British firms are already at risk of losing orders and contracts in other countries as a result of the British Government's opposition to sanctions.
- c) That the government which will sooner or later replace the present regime will not be well disposed to economic and political co-operation with Britain if our government failed to act to isolate South Africa when it had the chance. In the long term that will cost us many more jobs than would the temporary application of sanctions.

52 The banning of South African imports could also be lived with. An industry expert has stated that virtually every mineral which we buy from S Africa could be bought elsewhere. A ban on S.A. fruit sales - which were valued at £158 m in 1985 - could lead to some increase in price but alternative sources, including New Zealand and Australia, are readily available. The Foreign Office evidence to the Foreign Affairs Committee published on July 30 indicates that a ban on coal imports would be a serious set back for the South African industry which account for 9% of total exports. It suggests that it would not be difficult for the UK to find alternative sources for the £40 m worth of coal imports. It does not mention the possible employment benefits to the UK industry.

53 A ban on steel products would be harder to enforce as the identification of source is more difficult. But a joint ban by the EEC, Japan and the US would have a significant impact on S Africa's total steel exports and it would have a minimal

impact on the UK economy.

54 A ban on air links would increase South African isolation and further damage business confidence. British Airways could stand to lose up to £60 m in revenues but much would depend on how much business was diverted to airports in the Front Line States. If this did occur then it would at least mean that the Front Line States would receive much needed hard currency.

Gold Ban

55 Gold sales could be targetted as a highly effective way of putting pressure on S.A. Although it is difficult to impose a complete embargo on such a product, a collective decision by a number of leading economies to sell a part of their gold reserves could force down the gold price. A halving of the gold price would, for example, reduce total export earnings by a quarter.

Summary

56 There is a range of economic measures which could be used to put pressure on S Africa. Financial sanctions, through the termination of loans, would possibly have the most direct and immediate impact. Disinvestment would inevitably take longer to implement effectively but it would eventually have a major impact on the modernisation of the economy. A trade ban could also be undertaken quickly; the share of UK exports going to S Africa is less than 2% and the overall jobs impact in the UK would be minimal. A 'gold' sanction would be a particularly effective trade measure. What cannot be in doubt is that the longer term costs in terms of jobs and investment of opposing effective sanctions far outweigh the short term costs of action against South Africa. Eventually the apartheid regime will be replaced and the new South African Government will certainly not be well disposed to opening up constructive economic and political links with Britain if it continues to take action in its power to frustrate change. The rest of the world, with which Britain conducts 98% of its trade, will make its own judgement.

Commonwealth Summit

57 At the recent Commonwealth Summit on Southern Africa, six of the seven governments represented agreed to implement a package of economic measures against South Africa. The British Government however, refused to support effective sanctions and instead agreed to largely voluntary measures which would have little impact. The UK is to place a ban on new investment in South Africa, which has virtually ceased in any case because of commercial uncertainties. The promotion of tourism to South Africa will be voluntarily curbed, although it is difficult to estimate what this will add up to in practice. The UK will also go along with the proposed EEC co-ordinated package of sanctions which focusses on coal, and iron and steel imports from South Africa.

58 Coal imports to the EEC total \$4.2 billion of which South African coal accounts for \$969 million. Italy and France are South Africa's biggest customers, followed by West Germany and

Denmark. The main sources of alternative supply for coal are likely to be the US, Australia and Poland. Iron and steel imports from South Africa account for only \$324 million in a total trade worth \$7.6 billion. West Germany is the largest customer for South African iron and steel.

59 The other six Commonwealth nations at the summit agreed a much stronger package of sanctions, in line with the Nassau agreement. The sanctions include a ban on the import of South African fruit and vegetables, a severing of air links, an enforceable ban on new investment or re-investment or profits earned in South Africa, the termination of double taxation agreements with South Africa, and the termination of government assistance to investment and trade with South Africa.

60 The Democrat-controlled House of Representatives in the US has passed a sweeping sanctions bill, severing virtually all US commercial ties with South Africa. Measures approved by the Senate Foreign Relations Committee include a ban on US investment, bank loans and imports from corporations controlled by the Pretoria government, primarily affecting coal and uranium. Landing rights for South African Airways would be withdrawn, the President would be authorised to sell US gold to depress world prices and the South African Government and state controlled corporations would be prevented from using the US banking system. These developments make strong US economic measures against South Africa in the near future almost certain. This would leave Britain isolated as the main appeaser of apartheid.

61 The conclusion to be drawn from the evidence presented in this document is unmistakable. Though Britain has so far avoided the issue of mandatory and effective economic sanctions against apartheid South Africa, global opinion is flowing inevitably towards that conclusion. Britain will eventually have to come into line with this universal condemnation and delay now will only increase the costs later. The same principle applies to British companies which have investments in and trade with S Africa. Whatever the short term costs of withdrawal, the eventual price of delay will inevitably be higher. Action now is the most prudent financial course.

The Role of Pension Fund Trustees

62 Trade unionists can play a key role in applying economic pressure on South Africa, through pension funds and trade embargoes.

63 Trade union trustees on pension funds can put pressure on UK companies in a number of ways. Firstly, pension fund trustees can use their shareholder rights in companies with major holdings in S.A. to press for no new investment and for no reinvestment of profits in South Africa. Secondly, companies could then be pressed to disinvest altogether. Thirdly, as an interim measure, trustees should ensure that UK companies are at least complying with the Code of Conduct of European Community Governments. Advice on these matters can be obtained from the TUC Economic and International

Departments.

64 The wider pension fund issues will be discussed fully at a TUC conference on pension fund investment in October, but the TUC will be pressing pension fund trustees to raise immediately the question of investment in S Africa. If necessary, emergency meetings of pension fund boards should be called for in view of the escalating crisis in S Africa. A letter, attaching this brief, will be sent to all the trustees on the TUC circulation list.

Main Sources: End Loans to South Africa (ELTSa)
(P O Box 686, London NW5 2NW)

Ethical Investment Research and
Investment Services (EIRIS)
(Poland Street, London)

The Financial Times
(Survey, March 2)

The Economist

Labour Research Department
(September 1985)



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UK COMPANIES AND SOUTH AFRICA

The AAM's agreed policy is that all companies with interests in South Africa should disinvest as a response to the clear calls of the people of southern Africa, since foreign capital and the activities of transnational companies are instrumental in maintaining the apartheid system.

Consequently, the AAM urges total disinvestment from companies continuing to have South African or Namibian links.

Within this position, the AAM runs specific campaigns on the following companies:

Barclays and Standard Chartered because of their associate banks' dominant position within the financial systems of South Africa and Namibia.

Shell because of its role in breaking the oil embargo and in supplying the military in South Africa and Namibia.

Rio Tinto Zinc because of its role in exploiting Namibia's natural resources at the Rossing uranium mine contrary to UN decree.

GEC and Plessey because of their breaches of the mandatory arms embargo against South Africa.

Tactics of the campaigns include consumer boycotts, local authority contractual action, shareholder action as well as disinvestment.

In addition, the AAM has built up considerable files on the following companies which either play important roles within strategic sectors of the SA economy or whose industrial relations have been particularly brutal.

Banking

Hill Samuel
NatWest
Midland

Oil/Chemicals

BP
ICI

Electronics

STC (ICL)
Thorn EMI

Mining/Metals

Consolidated Goldfields
Lonrho
BTR

Vehicles

Rover Group (BL)

Engineering

Babcock
Associated Engineering
NEI

Insurance

Norwich Union
Prudential
Legal & General
GRE
Sun Alliance

South African-owned

J Bibby
Charter Consolidated

Other

BAT
BET
BOC
Rowntrees

Pensions and Investment Resource Centre

Local Authority Pension Funds and South Africa

1. What are the Options?
2. Shareholder Action.
3. Disinvestment.
4. The Legal Question.
5. Which Companies to Target?
6. Formulating a Policy.
7. PIRC Perspectives

Local Authority Pension Funds and South Africa

Many local authorities have taken action in support of the struggle against apartheid in South Africa. The use of pension funds in this area has so far been restricted to individual councils establishing investment policies which restrict the extent to which their fund managers may buy shares in companies with interests in South Africa. In a survey published in March 1985, 34 councils are listed as having policies on investment and South Africa, although not all of these specifically mention pension fund investment ("Local Authority Action Against Apartheid", National Steering Committee on Local Authority Action Against Apartheid, March 1985).

The nature of these policies means that action so far has been isolated and fairly low key. The main achievement has been that a number of portfolios have been cleaned up.

1. What are the Options?

In themselves publicised shareholder action and disinvestment can be regarded as acts of solidarity in response to calls by the representatives of the black majority in South Africa. The effects of either depend very much on which companies are targeted and how coordinated the action is.

US companies have been pressurised consistently over a number of years about their activities in South Africa. Such coordinated action has not been undertaken on the same scale in the UK and therefore it would be some time before the demand for disengagement in this country reached US proportions.

Although the movement in the US is concentrating more and more on the selling of shares in companies with South African interests, a great deal of the campaign so far has involved raising resolutions at annual general meetings. US companies have been forced to respond to questions about their activities in South Africa and as one company executive commented "Although we get 10 per cent of our profit from South Africa, it's taking up 50 per cent of boardroom time." (FT 2/8/85)

It is uncertain whether this has been brought about more by disinvestment or by continual pressure on the company at AGMs and other meetings. Certainly, some US companies have made specific commitments as a result of shareholder pressure. General Motors, for example, has stated it will not supply transport equipment to the South African military or police forces.

Two statements from Financial Times articles on US company disinvestment put a different emphasis on what has happened there:

"Institutional pressure - mainly in the form of pension funds - has forced a litany of top American companies to

pull out of South Africa and the prospects of more institutions boycotting stocks that are associated with the country is galvanising a shift in corporate America's thinking." (7/8/86) (Our emphasis)

"Many major US corporations faced shareholder motions calling for withdrawal from South Africa during this year's annual general meeting season. Most of these votes were lost - but many company chief executives were forced to restate, and in some cases rethink, their companies' involvement with South Africa." (20/6/86)

2. Shareholder Action

Shareholder action in the form of resolutions and questions at agms and other meetings can form a long-term campaign to put pressure on companies. Local authorities and other active shareholders should be regularly approaching UK companies about their activities in South Africa. The correspondence and meetings should aim to press these companies to provide more information about their activities in South Africa and eventually cease operations there altogether.

3. Disinvestment

Disinvestment may fulfill a number of aims:

1. the moral duty of not sharing in the profits of apartheid
2. pressurising companies to disengage from South Africa
3. solidarity gesture towards the liberation movement

If emphasis is placed on the first then a policy of gradual disinvestment can achieve this. The second objective demands a higher profile. It requires coordinated action by major shareholders with maximum publicity.

The idea behind a coordinated disinvestment is that it will have an effect on the company's share price and force it to seriously reconsider its activities in South Africa. One problem here is the size of some of the companies that would be the main targets of a campaign. If all labour controlled superannuated local authorities have an investment in Shell (say around £1.5m each), then they would own less than 0.5% of the company. The one-off sale of a stake of this size is unlikely to have much of an effect on the share price, although it would be valuable for publicising the issue. More may be achieved by targetting smaller companies where a group of local authorities may own a much larger percentage of the shares.

The possible problems with disinvestment from the point of view of changing corporate policy are firstly, that it is necessarily a one-off event unless it generates a trend of share selling by other institutions. Secondly, it is unlikely to have an effect on the larger companies, apart from creating considerable publicity.

4. The Legal Question

Can pension funds legally disinvest from companies because of their involvement in South Africa? The sale of shares by trustees for non-financial reasons has not actually been tested in the courts. The Megarry judgement on the NUM trustees' investment policy dealt with a proposed strategy, which, it was claimed, would be so restrictive on the investment of the fund that it would not be able to obtain the best return for beneficiaries. No trustees have actually been taken to court to answer the charge of failing to achieve the best returns for a fund by applying non-financial criteria to investment.

At the Local Authorities Anti-Apartheid and Disinvestment Conference in December 1985, Robin Allen, QC stated that he had "no doubt that disinvestment by local authority pension funds can lawfully be done." His approach was to gradually clean up portfolios to attain the "legally achievable" goal of a portfolio with less than 3-5% in South Africa.

Allen indicated that while the Megarry judgement on the NUM case appeared to work against disinvestment, there was always the possibility of using section 71 of the Race Relations Act 1976 as a legal framework. This has not been tested in the courts.

In fact, the Megarry judgement did not completely rule out taking non-financial criteria into consideration on investments. He stated that where the majority of beneficiaries held strong beliefs then best return need not be the only concern. Hence, a number of religious institutions can legally put restrictions on investments in brewers, distillers and firms involved in gambling. The difficulty here is establishing whether a sufficient number of the beneficiaries of a pension fund do have such strong beliefs. For local authorities the ultimate beneficiaries, in legal terms, are the ratepayers as they fund the councils' contributions and have to foot the bill if the pension fund falls short and is unable to pay pensioners.

Essentially, disinvestment for non-financial reasons is legal if an alternative investment can be found which looks as if it will provide as good a return as the shares which have been sold. The crux of the matter here concerns the views of the financial managers and advisers who provide their professional opinions about the future performance of an investment.

5. Which Companies to Target?

Establishing policies which concentrate on the proportion of a company's business in South Africa may mean that companies with a substantial and/or controversial involvement there have not been excluded from portfolios.

In the case of the conglomerate BTR, for example, South Africa accounted for 2% of sales and 3% of profits in 1985. This would have escaped the 5% restriction that several councils have

placed on their investments. However, this does not take into consideration the fact that BTR is a very large company where 2% of sales means about £80m and 3% of profits would be about £13m. In comparison, a company like Metal Closures Group which exceeds the 5% limit has a turnover in South Africa of only about £20m.

It also overlooks the fact that BTR is the target of an international trade union campaign because of an industrial dispute involving the sacking of 1000 of its workers last year.

Councils need, therefore, to consider a number of different criteria when looking at which companies to target in taking action on pension fund investment.

1. Relative size of company's business in South Africa.
2. Absolute size of business in South Africa.
3. Strategic nature of business.
4. Particular characteristics of activity in South Africa - e.g. Shell/BP and breaking oil embargo, BTR and Howick strike.
5. Political approach of company e.g. support for the British Industry Committee on South Africa (BICSA).
6. Possibility of concerted action with campaigns run by the Anti-Apartheid Movement, for example.
7. Company's record on pay and conditions - meeting EEC Code requirements.
8. Whether the company is in a local authority's area.
9. Occurrence in local authority portfolios.

6. Formulating a Policy

Councils have certain clear decisions to make in developing a coordinated policy on investment in South Africa.

a. Which are the companies to target using the criteria suggested above?

b. What will the nature of the action be?

- Shareholder Action and/or
- Disinvestment?

c. If disinvestment is planned, how will the action be publicly presented in order to pressurise the company and yet not invite legal action.

Councils could decide to approach this on two levels. At the same time as targetting a company for a high profile disinvestment/shareholder action campaign, they can also approach other companies (through meetings and correspondence) to continually raise questions about their operations in South Africa.

7. PIRC Perspectives

The Pensions and Investment Resource Centre has been established by a number of local authorities as a permanent body for campaigning and generally building a broader understanding about the need for more public accountability in business.

The Centre regards action on investment in South Africa as the most immediate of a number of issues which local authority pension funds should address as shareholders. With this in mind, PIRC would look to action taken now as laying the foundations of future campaigning. It is important to emphasise that the shareholders who own a company are responsible for its activities and should be ready to act if those activities appear unethical or socially irresponsible. This is particularly important in response to the government's encouragement of wider share ownership.

The Centre also wants to take into consideration other questions of social responsibility. A policy of disinvestment should be married to one of seeking out alternative investments so that avoiding a stake in one company doesn't simply leave Councils with the fund managers' recommendation of buying shares in another company with equally dubious activities elsewhere in the world.

PIRC/19.9.1986

3.5 Addresses

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